Accrol Group Holdings Plc

Annual Report & Accounts 2023

Company number 09019496

Accrol is the UK's leading independent tissue converter, producing toilet tissue, kitchen towel, facial tissues, and wet wipes.

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

Our mission is to deliver the best possible value to the UK consumer on essential everyday tissue, household and personal hygiene products, shaking up traditional brands by delivering the quality the consumer wants for the price they want to pay.

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

> The Group has performed strongly in another challenging year, gaining further market share through its great value product range, broad retailer base, and new routes to market, and is in an enviable position to take advantage of the changing dynamics in consumer spending, which is particularly evident in the tissue market.

Gareth Jenkins, Chief Executive Officer

Highlights and overview

Total Revenue
£241.9m
2022: £159.5m / 2021: £136.6m

Market Share[1]
21.5%
2022: 19.5% / 2021: 15.9%

Adjusted gross profit margin[5]
19.7%
2022: 23.3% / 2021: 27.7%

Adjusted EBITDA[2]
£15.6m
2022: £9.1m / 2021: £15.6m

Operating profit
£2.4m
2022: £0.2m loss / 2021: £1.2m loss

Adjusted net debt[3]
£26.8m
2022: £27.5m / 2021: £14.6m

Increase in output per head[4]
+6.9%
2022: +7.8% / 2021: +6.2%

Reduction in total accidents
10% 3 lost time accidents (LTA's)
2022: -33%, Zero lost time accidents
2021: -26%, 7 lost time accidents

Operational Highlights

- Group volumes increased by 7.7%, compared to an overall flat tissue market.
- Market share increased by 200bps 21.5% (FY22: 19.5%).
- Gross margins in the second half of the year improved significantly, as volumes in higher margin products increased and the benefit of earlier price increases flowed through.
- Water industry approved flushable wet wipe sales have grown by 169% since our acquisition of the wet wipes business in 2021.
- The Group's subscription model, plastic free Oceans brand continues to grow strongly with revenue up 45% year on year.
- Our first licensing partnership has progressed well in the year with the product now stocked in three major retailers in the UK and growing.
- Strong ESG progress with significant and tangible advances in all targeted areas.

People

- Chris Welsh succeeded Richard Newman as Chief Financial Officer, having joined the Group from INEOS Chemicals in October 2022.

Current Trading and Outlook

- Known volume gains will positively impact H2 FY24 with the Group well positioned to grow ahead of the overall private label sector
- Revenues are expected to fall marginally as tissue prices fall and therefore on shelf pricing declines as inflationary pressure eases - known volume gains will positively impact H2.
- EBITDA improvement back to pre-pandemic level being driven by the combination of improving product mix and the full effect of prior price increases flowing through.
- Anticipate FY24 EBITDA will be ahead of the Board's prior expectations.
- The Board views the future with increasing confidence, while remaining mindful of the continuing inflationary environment and other macro challenges.

[1] Nielsen retail sales volume data (May 2021 – April 2023)
[2] Adjusted EBITDA is a non-GAAP metric used by management defined as profit before finance costs, tax, depreciation, amortisation, separately disclosed items and share based payments.
[3] Adjusted net debt excludes operating type leases recognised on the balance sheet in accordance with IFRS 16.
[4] M2 of paper converted produced per labour spend
[5] Adjusted gross profit margin in a non-GAAP metric used by management defined as gross profit margin before depreciation.

Chairman's Report

Total Revenue

£241.9m

2022: £159.5m / 2021: £136.6m

Adjusted EBITDA

£15.6m

2022: £9.1m / 2021: £15.6m

Adjusted gross profit margin

19.7%

2022: 22.7% / 2021: 27.7%

"The Group has delivered a very strong set of results of which we are once again very proud. The management team successfully navigated and mitigated the well-reported and substantial inflationary pressures on a broad range of input costs, through further process efficiencies and by engaging constructively with our customers to pass-on these additional costs.

Dan Wright, Executive Chairman

The Group has delivered a very strong set of results of which we are, once again, very proud.

The management team successfully navigated and mitigated the well-reported and substantial inflationary pressures on a broad range of input costs through further process efficiencies and by engaging constructively with our customers to pass-on these additional costs. In the Period, the Group gained further market share, up a further 200bps to 21.5%, sales volumes grew by 7.7% and net debt declined to 1.7x EBITDA from 3.0x in FY22.

The Group continues to expand its product mix to higher value items with considerable growth across all key product types and, in particular, our toilet and kitchen towel brands, and private label products. Our wet wipes business, John Dale, has seen 169% growth in its water industry approved flushable wipes since it was acquired by the Group in 2021.

In January, the Group announced the outcome of the strategic review, which laid out a clear set of medium-term objectives building on the strategic progress we have already made over the last four years. The objectives will see the Group take a market leading position in the UK tissue market and the wider household and personal hygiene sector with specific higher added value products that provide a clear market difference. It is clear from the John Dale acquisition how the Group can scale a high value business at pace due to our exceptional access to all UK retailers and grocers.

Our Vision

From the outset, our vision has been to build a diversified group of size and scale, better positioned to manage input cost fluctuations, focused on a broader private label household and personal hygiene market. We believe the combination of capacity, efficiency and having the lowest cost base in the market is a compelling proposition.

Strategic Review

Our ambitions over the medium term are:

- Continue to focus on our core toilet and kitchen towel business;
- Grow our facial and wet wipe business;
- Develop a license business model and grow our direct-to-consumer Oceans brand;
- Build a sustainable paper mill;
- Acquire selectively to strengthen and extend our product offering; and
- Maximise cash returns to shareholders, through a combination of dividends and, potentially, share buybacks.

Further detail on the operational progress made against these ambitions is given in the CEO's report, but I am pleased to report that we have grown significantly in every product category in which we compete with toilet roll volume up 2%, kitchen towel up 20%, facial tissue up 53%, wet wipes volumes up 57% and our Oceans branded sales up 45%

Dividend and Share Buybacks

Capital allocation is an intrinsic component of the Strategic Review, and the Board remains focused on determining the best use of the Group's free cashflow going forward, be it acquisitions, share buybacks, dividend payments, paying debt down further, further capital investment, and/or increasing raw material stocks. Effective capital allocation is about weighing risk and return.

At this year's AGM the Board will seek the approval to buy back up to 10% of its ordinary shares. The Board believes that seeking the authority to purchase its own ordinary shares in the market is in the best interest of Shareholders for a number of reasons. As previously announced, the trading performance of the business has been strong and the Group has clearly demonstrated its ability to navigate a challenging inflationary environment whilst continuing to gain market share. Alongside the operational performance, the Group is now well positioned to benefit, from a free cash-flow perspective, from the completion of the three-year capital investment programme that has resulted in Accrol being the best invested tissue converter operating in the UK market. With the new paper mill plan fully funded and costed, the Board is confident in Accrol's ability to drive free cash-flow and thereby shareholder returns. By having the flexibility granted to pursue share buybacks, a fuller range of options to return genuinely surplus capital will now be available to the Board.

Environmental, Social and Governance

Since launching our maiden ESG report in September 2021, we continue to make good progress on the targets we set. We pride ourselves on ensuring that our ESG programme is integrated throughout the business and makes a valuable contribution to the Group, as well as helping us be better corporate citizens and minimising our impact on the environment. To this end, we have now integrated our ESG reporting throughout the annual report.

We have seen step change improvements across all our key target areas. We were the first Living Wage tissue employer in the UK, 100% of our tissue waste is recycled, we have reduced the number of vehicle movements by 5.5% despite growing volume by almost 8%, we have had a 15% reduction in our plastic packing usage and a 15% reduction in total waste produced. The Accrol Team is rightly very proud of these achievements.

Chairman's Report continued

Our People

Engaged, well-trained people are a key element of our business model and sustainability goals, with training and wellbeing at the centre. I am proud to report that Accrol continues to be an accredited Living Wage employer. In addition, we have also paid each of our employees an additional £600 cost-of-living payment at the very start of the inflationary pressures seen for all in the UK. This has been especially important to our people, and it allows Accrol the advantage of being able to retain the best talent from the communities in which it operates.

During the year, we appointed a Health, Safety and Environment Officer, who has joined to continue to drive the standards across this key area with a further reduction in all employee accidents of 10% in the year.

The online training hub initiated in FY22 has now delivered over 4500 hours of training. Our employee engagement scores remain high with an overall score of 83%.

I would like to thank all our people for their hard work and contribution during what has been a very challenging environment. The strong results delivered today and the further operational advances achieved in the year showcase the strength and capability of the management teams throughout the Group, and would not have been achievable without the commitment and dedication of all our people.

Outlook

The cost-of-living crisis is continuing to drive consumer demand for great value products and the Group is confident of achieving further growth in FY24 as it continues to build on its market leading position. Our focus on improving volumes, business mix and our efficiency, has already delivered an improvement in margins back to pre-pandemic levels. This margin recovery has been quicker than expected and we now anticipate that FY24 EBITDA will be ahead of the Board's prior expectations.

We do remain mindful of the continuing inflationary environment and other macro challenges. The team leading Accrol, however, has demonstrated its expertise and ability to manage the business through multiple challenges and the Board views the future with increasing confidence.

Dan Wright
Executive Chairman
25 September 2023

Business Model

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

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

The Right People + **Strong Customer Relations** = **Greater Shareholder Returns**

The Right People	Strong Customer Relations	Greater Shareholder Returns
Engaging our people at all levels so they understand the role they play in creating value for our stakeholders every day.	Delighting customers by delivering great service, quality and innovations, delivering on our promises and developing value added products.	Delivering strong shareholder returns by growing our market share, investing in operational excellence and being relentless in our cost control.
Accredited Real Living wage employer	**Fully automated manufacturing**	**Multi-channel strategy: retail, wholesale and online**
Training to increase skills	**Improved output and waste reduced**	**Brand development: Elegance, Oceans and licensing**
Employee survey results	**Improved safety**	**New and deepened customer relations**
Clear career paths	**Maintaining supply through supplier relations**	**New routes to market**
Mental health support	**Sustainable practice**	**Allocation of free cash flow**

Strategic Review

The Board's long-standing vision for Accrol has been to build a diversified group of size and scale, better positioned to manage external risks and to capture the growing opportunity within the private label household and personal hygiene market. In FY23, we believe the Group has made considerable, and demonstrable, progress in delivering against this vision.

The Strategic Review process, which was conducted during 2022 with outcomes announced in January 2023, focused on how best to maximise both value for our stakeholders and the potential of the business, building on the strategic progress already achieved. Within this process, the Board carefully reviewed the current and future capital needs of the Group and the anticipated free cash flow generation, as Accrol continues to execute successfully against the market opportunity in front of it.

Medium to Longer Term Ambitions

With the plans for a paper mill now progressing, we are in a position to provide an indicative outline of what we believe Accrol will be capable of delivering over the medium to long-term, if we maintain our current pace of execution against our commercial strategy:

- A core toilet and kitchen towel business capable of delivering £250m plus revenue, of which 10% to 20% will be made up of higher margin, third party licensed brands;
- A facial tissue business that is expected to grow three-fold from current levels;
- A wet wipe business that is expected to grow five-fold from current levels;
- A direct-to-consumer business of scale, based around the Oceans brand, supplying a range of sustainable household products; and
- A paper mill with an initial revenue capacity of c.£80m and rapid payback, selling primarily into the Accrol tissue conversion business with attractive margins.

Simplification
of the business with significant reductions in SKU's and tissue types

All employees
paid accredited real Living Wage or more

Accrol's share of the tissue market increased from 5.6% to
21.5%

Safety increased with employee accidents down
60%

Headcount reduced from 695 to
456

Female leadership up from 22% to
26%

Revenue per head increased from £150k to
£530k

Volume per head increased over
150%
since 2017

Full automation
of the business with over £20 million of investment making Accrol the best invested tissue converter in the UK

Over the last four years, Accrol has been transformed as an organisation to one that currently supplies c.21.5% of the UK market's tissue volumes and has considerable further capacity. Our state-of-the-art businesses are in an incredibly strong position to benefit in a private label market, which is growing rapidly and significantly.

Dan Wright, Executive Chair

Paper Mill Development

Anticipated to be operational and positively impacting the business in the second half of 2025.

Key Elements:

- Optimal location, which provides a low-cost energy and labour solution, identified
- Initial capacity: one machine producing 70k tonnes in a single grade, representing c.40% of Accrol's expected annual tissue volume
- Sustainable: 30% of the mill's energy costs to be delivered through PV solar
- Expected to be operational by mid-2025
- Total cash cost to the Group are not expected to exceed £10m
- Expected to be fully profitable and substantially accretive to Accrol earnings, within its first year of operation

The primary benefits to Accrol will include:

- Reduced volatility in tissue input costs for the UK tissue conversion business, providing greater customer pricing visibility and certainty; and
- Enhanced security and visibility of tissue supply, which will reduce working capital requirements in the UK tissue conversion business.

We have, over the last few years, carefully reviewed a number of mill options. Whilst there have been a number of facilities available for sale in the UK, Europe and further afield, they shared a similar characteristic; they were operating close to the end of their normal life and would have required significant capital investment. Building a new mill in the right location for input and people costs is the optimal and sustainable solution.

Improved Land and Construction Dynamics

On a fully comparable basis, the land and building costs in the location that we have chosen are expected to be c.50% lower than originally announced.

We intend to finance the construction costs of the mill, which total no more than £10m, through cash or debt, whichever is the most financially viable at the time, rather than sale and leaseback, removing rental inflation as a potential future drag on the mill's profitability. It is expected that all funds required for the completion of the project will be met from existing cash resources and any increase in debt will be more than offset by the returns expected from the mill, ensuring that the Group remains within the net debt limits detailed below.

Energy Cost Stability, Efficiencies and Savings

Even prior to the war in Ukraine, the UK has seen a long-term trend of energy cost inflation, rising from an average of 8p per KW/Hr in 2011 to 14p in 2021 and, subsequent to the war, in excess of 60p. Government support measures notwithstanding, it is widely reported that UK energy prices are likely to remain elevated over historic averages over the longer term. Against this context, the energy price outlook for the planned mill is compelling. We have secured visibility over energy costs that are materially lower than those described above. In addition, we envisage that solar PV capacity will be installed at the mill, accounting for up to 30% of its energy requirement.

We anticipate that the mill will operate, crucially for the duration of its life, with an energy cost that is lower than levels seen in the UK prior to the war in the Ukraine.

Continued Emphasis on People and Culture

Accrol is proud of its record as a responsible employer and has previously committed to matching or exceeding living wage thresholds in all of its locations. The mill will deliver on this commitment and will also be fully captured within, and reported on, in Accrol's future ESG reporting.

> The business logic for owning a mill has always been compelling. It centres around the ability to better manage, or mitigate, the risks and costs throughout our supply chain. Paper price visibility, energy costs, labour costs, and the cost of land and construction all fall into this category.
>
> **Gareth Jenkins, Chief Executive Officer**

Capital Allocation

Over the next three to five years, as already outlined, the Group's ongoing capital requirement in the core tissue conversion business is not expected to exceed £3m per annum. We are still investing in our wet wipes business, John Dale, but anticipate that capital requirements will not exceed £3m to deliver the growth expectation outlined. Our initial capital commitment to the paper mill is not expected to exceed £10m, with a very rapid payback once the mill comes into commercial operation in 2025. All capital requirements outlined above are expected to be funded out of free cash flow, existing banking facilities and/or banking finance, whichever is most appropriate at the time. Net debt will be managed within the limits detailed below.

With the peak of capital investment in the rear-view mirror, the Board has greater visibility over the Group's free cash flow generating capability. With this in mind, the Directors have identified the following priorities for the allocation of surplus capital, which will be implemented as appropriate:

- **Dividends** - the Group intends to resume dividend payments, as soon as is practicable, with a prudent and sustainable dividend cover of c.2.5x - 3.5x;
- **Share buybacks** - The Group intends to request from shareholders the authority to buy back its ordinary shares either through a mechanical daily purchase process or via a tender offer route, which would return cash to shareholders in an irregular but in a more significant manner. The Board is mindful of liquidity constraints but sees significant value in the current Accrol equity valuation and seeks the flexibility to act accordingly; and
- **Acquisitions** - The acquisitions of Leicester Tissue Company and John Dale have demonstrated the Group's ability to integrate and grow the right businesses with significant success. The Board is aware of the potential for bolt-on acquisitions that are aligned with, or provide extensions to, the existing core UK tissue conversion business. As we begin to exit this period of heightened inflation, the Board believes the number of such potential acquisition opportunities is likely to increase.

Underpinning these identified uses of surplus free cash flow lies a disciplined approach to debt and balance sheet structure. The Group intends to limit net debt to a maximum of 1.5x of adjusted EBITDA over the cycle.

The Year at a Glance

Safety

We continue to build our safety standards and during the year we saw the lowest ever employee accidents recorded. Proactivity and engagement in safety is key to maintaining a safe environment and, in the year, the highest ever safety observations were recorded which are reported acts of safe and unsafe behaviours helping colleagues to stay alert and mindful of safe behaviour in the workplace.

28

accidents - down 10% in the year

32%

increase in safety observations (12,821 in total)

88%

of colleagues agree that 'safety is a priority' up 2.7%

Accrol is a friendly and safe environment to work for and I am happy to be part of the company.

Learning

Last year we launched our Learning Hub as part of our ongoing commitment to colleague development, and our relentless drive for efficiency. The Learning Hub is hosted online and supported by physical hub learning spaces too at our manufacturing sites. Collectively, colleagues have completed thousands of hours of learning on the hub building their knowledge and skills and has created a more consistent approach to training.

Our new starter journey is also supported by the Learning Hub, again supporting a more consistent welcome for new starters to the business. The online welcome process has been very well received with almost 70% of news starters feeding back that they 'felt well supported and received all the information they needed' during their first week.

Over 4,500

hours of learning

All new employees 'welcome' supported through the Learning Hub

Standards

Our relentless focus on efficiency has resulted in some great records during the year. We delivered our highest ever output at 1 billion rolls and achieved AA accreditation with BRCGS across all our tissue converting sites.

1 billion

toilet rolls produced

Customers

Strong customer relations are central to our business which is why we launched a customer survey in the year to understand and measure what customers think about the service we deliver.

Despite challenging trading conditions, with £80 million of price increases made to recover the costs which arose from the high inflationary environment, our reputation amongst our customers improved. Accrol achieved a customer supporter rating of +7.79.

+7.79

customer supporter rating

During the year we became sole supplier for Morrisons across their own-label toilet and kitchen roll range. We're also a strategic partner of Aldi and in the year collaborated on a value-chain optimisation project, receiving exceptional feedback from the team. The aim of the project was to identify ways in which we could unlock value for both parties.

Accrol are direct, honest and knowledgeable... it is clear that their business goals align with our own.

LIVE on Channel 4

The highly popular daytime TV programme, Steph's Packed Lunch, broadcast live from our Blackburn site.

Aired live on Channel 4, Accrol supported the launch 'The Big Poo Review' - the UK's largest nationwide survey on gut health and bowel habits.

On the day, Accrol colleagues were interviewed by on-site presenter, Luke Kempner, who put their questions to a leading gut health expert and Zoe Health Study Chief Scientist, Dr Sarah Berry, in the Leeds based studio alongside host Steph McGovern.

91% proud to work for Accrol (see page 29)

Cost-of-living support (see page 28)

Product News in the Year

Oceans

Oceans, our sustainable ocean-kind brand available direct, continues to grow with revenue up 45%. The rate of new subscribers to the service doubled in the year and exciting plans are underway to continue to grow and develop the brand into FY24.

Softy

In the UK, facial tissue is heavily dominated by a single leading brand, but in the year, sales of Softy facial tissue more than doubled to secure the number 2 position within the UK, outperforming other recognisable brands in the market.

Wet Wipes

Accrol's wipes business also strengthened in the year, with new listings of its Little Heroes baby and toddler wipes achieved. The product launched in Unitas wholesale member depots, for example.

A deal was secured with Ocado, pioneers of the online grocery market, to become the supplier of their own-label 'kiddo' wipes.

The Group also became supplier to Coloplast, a global intimate healthcare business, of their medical dry wipes.

Elegance

Elegance toilet tissue became one of the UK's fastest growing toilet tissue brands. New listings for the brand continued in the year, with distribution across wholesalers playing a key role in its success with the brand now being stocked in over 5,000 convenience stores nationwide.

Brand Licensing

As part of Accrol's strategic plans to expand into third party licensed brands, the business entered an agreement with one of the world's largest consumer goods companies, to produce and sell a kitchen towel product with a major brand.

State of the Art Fully Automated Sites

Our state-of-the-art facilities produced over 1 billion rolls in the year following an investment of over £20 million.

Blackburn

Beta site

- 5 converting lines
- Produces toilet and kitchen roll
- Fully automated by 2021
- £6m investment

Gamma site

- 4 converting lines
- Produces facial tissue

Flint

- Acquired in 2021
- 2 converting lines
- Produces personal care wet wipes
- Increased production with new shift
- £3.9m investment

Leicester

- Acquired in 2020
- 4 converting lines
- Produces toilet and kitchen roll
- Fully automated site

Leyland

- 4 converting lines
- Produces toilet and kitchen roll
- Fully upgraded and automated by 2022
- Brand new warehousing facility to support supply chain efficiencies
- £8.3m investment

Investment Case

Investment Case Summary

From the outset, our vision has been to build a diversified group of size and scale, better positioned to manage input cost fluctuations, focused on a broader private label household and personal hygiene market.

We believe the combination of management delivery, commercial execution and the lowest cost base in its market is a compelling proposition.

Market Opportunity - The addressable market has grown significantly in the last 18 months, and now totals £2.7bn.

Size and Scale - The manufacturing platform is well invested with the capacity to deliver up to £300m revenue across multiple categories (at current pricing).

Diversification - Growing new customers, expanding product range, adding new categories and additional routes to market.

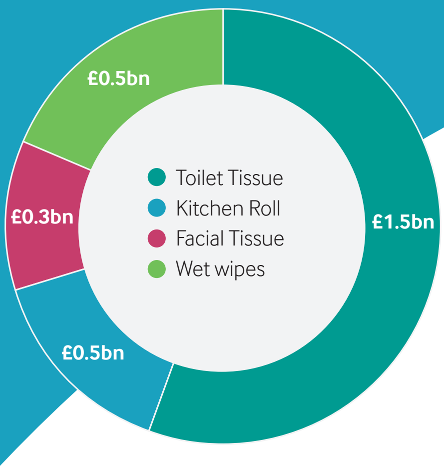
De-risking - Strength and breadth of customer partnerships, increasing internal efficiencies through fully automated manufacturing processes, flexible and disciplined capital allocation.

Markets

UK Tissue and Wipes Market

Retail Sales Value ("RSV")

£2.7bn



Overall the market by RSV increased by 13% to around £2.7bn

In the year, private label products represent 56% of total sales in the UK, yet again taking share from traditional brands in the year

Accrol's market share by volume increased to 21.5% (FY22 19.5%) against a flat market

Source: Nielsen (April '22 – Apr '23)

Toilet Tissue

£1.5bn

market (RSV)

RSV grew (+15%) but the toilet tissue market size by volume declined by c6%

Accrol's market share by volume increased in the year by 8%

Consumers traded from brands to private label in the year, benefiting Accrol's volume share

However, Accrol brands also strengthened in the year with toilet tissue brands (Elegance and Oceans) more than doubling in the year

Kitchen Roll

£0.4bn

market (RSV)

RSV grew (+11%) but the kitchen towel market size by volume declined by c7%

Accrol's market share by volume increased in the year by 13%

Consumers traded from brands to private label in the year, benefiting Accrol's volume share

Accrol's kitchen towel brand, Magnum, also performed well in the year with sales increasing by over 90%

Magnum became the UK's 3rd largest kitchen towel brand*

*Source: Neilsen data April 2023 based on 12 weeks of retail data

Facial Tissue

£0.3bn

market (RSV)

RSV grew (+17%) and the facial tissue market size by volume also increased compared to the previous year by 9%

This market is highly impacted by seasonal cold and flu, plus skillet (tissue box) shortages in the prior year impacted market performance, explaining high volume growth

Accrol's market share by volume increased in the year by 21%

Accrol's facial tissue brand, Softy, performed exceptionally well with sales more than tripling

Softy is now the UK's 2nd biggest facial tissue brand*

*Source: Neilsen data April 2023 based on 12 weeks of retail data

Wet wipes

£0.5bn

(RSV)

RSV grew (+14%) but the wet wipe market size by volume declined by c4%

Accrol's market share increased through the launch of a new baby and toddler wipe range 'Little Heroes' as well as winning new business

We proudly became supplier of Ocado own-label baby wipes which were well received by Ocado consumers

We also became the official 'dry wipes' supplier to Coloplast, a global intimate healthcare business, of their medical dry wipes.

Chief Executive Officer's Review

The Group has performed strongly in another challenging year, gaining further market share through its great value product range, broad retailer base, and new routes to market. We are well placed to take advantage of both the changing dynamics in consumer spending, which is particularly evident in the tissue market, and our enviable position as the best invested tissue converter in the UK.

The Group has successfully navigated and mitigated the well-reported and substantial inflationary pressures on a broad range of input costs, through further process efficiencies and by engaging constructively with our customers to pass-on these additional costs. While full year margins are lower than FY22, due to the lag in price recovery in the first half of FY23, the margin performance as we exited FY23 and entered FY24 is on a clear trajectory of improvement back to pre-pandemic levels at a faster rate than previously reported.

Our growth in the year has come from our improved range, with the Group now having products that target the brand leaders for softness (toilet & facial tissue) and absorbency (kitchen towel) and offer great products at every consumer's price point. The business remains relentless in pursuit of the best products and the market leading cost base to take advantage of continued growth opportunities within the sector.

"

We completed all major investments in the year with all core sites now fully automated.

Accrol is now the lowest cost and best invested operator in the UK.

Gareth Jenkins, Chief Executive Officer

FY23 Highlights

- Adjusted EBITDA £15.6m (FY22 £9.1m) up 71%
- Revenues up 52% at £241.9m (FY22: £159.4m)
- Group volumes increased by 7.7%, compared to an overall flat tissue market with market share increasing 200bps to 21.5% (19.5% FY22)
- Gross margins continued to improve throughout the year driven by increased volumes in higher value products and price recovery in H2.
- Adjusted net debt at 30 April 2023 lower at £26.8m (FY22: £27.5m) - 1.7x EBITDA (FY22: 3.0x) and is expected to reduce to less than 1.0x in FY24 through strong cash generation.
- Strong ESG progress with significant and tangible advances in all targeted areas.
- 57% increase in revenue in the water industry approved, flushable wet wipe business is especially pleasing.

Our medium term ambitions

In January, we announced the outcome of the Group's strategic review, and I am pleased to report that we have continued to make progress against these.

We continue to focus on our core toilet, kitchen towel and facial business

We completed all major capital investments in the year in this area with all core sites now fully automated. Accrol is now the lowest cost and best invested operator in the UK. With the development and focus on market leading products for softness, for toilet tissue, and absorbency, for kitchen towel, we have seen volume and market share growth across all sectors of our business.

- Toilet tissue grew 2% in volume terms and market share increased from 21.3% to 23.1%
- Kitchen towel grew 20% in volume terms and market share increased from 20.7% to 23.4%
- Facial Tissue grew 53% in volume terms and market share increased from 5.5% to 6.7%
- Our Kitchen Towel Brand – Magnum grew in volume by 17%, with further market share growth placing the product 3rd behind the two major brands
- Our Facial Tissue – Softy is now the second biggest brand in the UK and grew at 152% in the year
- Our wet wipe business which sells water industry approved flushable wipes grew revenue by 57% in the year.

We have also invested in a new pocket pack line post the year end, which completes Accrol's ability to supply 100% of all facial tissue formats and requirements to our retailers, adding to our product range and supporting our growth plans to build a £30m facial tissue business from the current £20m.

Wet wipes business

Our wet wipe business, since its acquisition in early 2021, has seen significant change. Since this time, the product mix has been significantly transitioned to a paper-based biodegradable or water industry approved flushable wipes with overall group sales growing from £2.0m to a run rate, as we exited FY23, of £6m. We have invested in people development and new machinery, which will see capacity rise by a further £20m from Q1 FY25. Over the next three years, we expect to grow our wet wipe business in the plastic-free product type to over £30m. We remain on track to meet these targets and our strong relationships across UK retailers gives us unique access to grow our product range significantly - our pipeline of new business is strong.

Develop a licensed business model and grow direct-to-consumer Oceans brand

Our plastic-free Oceans subscription business continues to grow well, increasing revenues by 45% over the last 12 months. In the year, we invested in a new website and brought in-house the final packing element as we continued to automate our processes. In addition, we have invested in new products to add to the range and we are seeing an increase in new subscribers of +10% every month and, despite significant investment in the Oceans business, it continues to deliver positive cashflow. In FY24, we intend to increase investment further and have significant plans with external marketing support to grow the brand and range significantly. We expect this part of our business to deliver at least £40m of revenue by 2027.

Our first involvement with a licensed product has also developed well in the year – although the launch of the product did not impact FY23 significantly. We continue to develop new agreements and intend to extend licensing opportunities. Again, we expect licenced product revenue to be capable of delivering c£30m in revenue by 2027. The margins here remain some of the highest in the Group.

Chief Executive Officer's Review continued

Build a sustainable paper mill

The investment in a mill continues to progress well and remains on track to be operational and by the middle of 2025.

In our Strategic Review announcement in January 2023, we outlined in detail the strategic thinking behind the development of our own sustainable mill capacity. The key benefits to Accrol are worth revisiting:

- Reduced volatility in tissue input costs for the UK tissue conversion business, providing greater customer pricing visibility and certainty;
- Enhanced security and visibility of tissue supply, which will reduce working capital requirements in the UK tissue conversion business;
- The mill is expected to be fully profitable, and materially accretive to Accrol earnings, within its first full year of operation.

As previously stated, we intend to finance the cash costs of the mill, which total no more than £10m, through cash or debt, whichever is the most financially viable at the time, rather than sale and leaseback, removing rental inflation as a potential future drag on the mill's profitability. It is still expected that all funds required for the completion of the project will be met from existing cash resources and any increase in debt will be more than offset by the returns expected from the mill, ensuring that the Group remains within its own net debt limits. At no time do we expect our net debt to EBITDA ratio to go above 2x and within 18 months of completion we expect this to return to less than 1x.

Acquire selectively to strengthen and extend our product offering

The Group continues to look and review businesses that strengthen and extend the product offering. The acquisitions of Leicester Tissue Company and John Dale have demonstrated the Group's ability to integrate and grow the right businesses with significant success. The Board is aware of the potential for bolt-on acquisitions that are aligned with, or provide extensions to, the existing core UK tissue conversion business. As we exit this period of heightened inflation, the Board believes the number of such potential acquisition opportunities is likely to increase and continues to actively seek opportunities for growth.

Market overview

Whilst the overall tissue market remained flat in the year the Group grew its volumes by 7.7% with its market share increasing from 19.5% to 21.5%.

For the first time in the UK, private label volumes have exceeded those of the brands with market share of private label now equating to 56% of the total market share (volume-based).

The UK retailer landscape continues to be competitive, but the Group's broad range of customers and its market leading products gives it a unique insight into the market dynamics. Whilst we expect to see the UK's leading brands try to promote its way back into the shopper's baskets, the reality is their cost base remains at an all-time high. Accrol continues to be relentless on costs and on a like-for-like basis labour costs as a percentage of sales has dropped again in the year. Our on-shelf pricing, again on a like for like basis, is c20% less than the similar branded product. These two key elements continued to give us confidence about the long-term strength of the Group.

Operations

Operationally we took another major step forward, with the final automation being completed in the year at our Leyland site. The Group is now the lowest cost producer in the UK when compared to leading brand manufacturers and major private label producers.

In the year, the Group successfully transitioned all customers to 38mm cores reducing packaging materials and delivering a 5.5% reduction in vehicle movements due to the increased rolls on every vehicle. We finalised the installation of a new tissue converting line in our Leyland factory and despite the increase per rolls per pallet due to the smaller cores, increased output in the Group by 17% in the year. In FY23 Accrol for the first time ever produced over 1 billion rolls.

Improvements in stock management, driven in part with the new Oracle IT system and further stock simplification, enabled the Group to exit a third party warehouse, reducing its annual rental costs by £700k which will positively impact FY24. The Group's waste programme saw further improvements in the year with production waste now settled at 6.4% (five years ago the waste for the Group was above 10%).

Finally, the inbound logistics programme is now completed with 75% of all tissue reels now being delivered directly to the sites saving a further £1m which again underpins our FY24 improvements.

People and culture

The Group continues to transform as an organisation. Today we have 26% of leadership roles occupied by women – five years ago it was less than 10%. We have introduced in the year a Group wide free health assessment for all colleagues every year. We acted quickly in paying colleagues a one-off-costs of living payment of £600 and managed an annual salary increase of 4% with full approval across all sites. Total absence in the year was 1.7% – another record and at a level that is viewed as a true world class standard.

In the year, we delivered over 4500 of personal learning hours, with all our sites at least AA rated by the British Retail Consortium (BRCGS). We donated over 300,000 rolls to local food banks and began supporting the Brick by Brick charity. In FY24, we will donate over 1m rolls to families in serious financial need in the UK.

Health and safety

Total employee accidents continued to fall YOY, down 10% at 28 for the year, (small cuts, trips and knocks). Accident frequency rate (number of accidents per 100,000 hrs worked) is at an all-time low at 3.4. Safety observations (reported acts of safe and unsafe behaviours) record high of

12,800 up 32% on FY22 and a key aspect of the changing culture and transition from a dependant to an interdependent safety culture. The Leicester site hit three years LTA free, which is another record achievement and testament to how the site has adopted the Accrol principals and processes. This enormous improvement across all metrics is driven by the cultural change we have across all sites and is a testament to every individual who works in the business. Zero accidents remains the Group's target. The business has introduced bi-monthly safety meetings and appointed safety champions throughout the organisation and it remains the lead KPI in everything we do.

The appointment of a new Group Health, Safety and Environmental (HSE) Manager, who joined us with a wealth of experience gained from working for Unilever and Unipart, has further strengthened the team and helped define the strategy for the next three years in line with industry best practice. The business has also selected a new Occupational health provider and health checks along with other mandatory checks have been conducted with all employees to further support colleague wellbeing and awareness. In addition to the bi-monthly HSE steering team meetings, the team has planned bi-annual safety day activities to further engage all colleagues in safety improvements and engagement.

Outlook

The Group is well positioned as it enters FY24 with volumes again expected to grow ahead of the overall private label sector.

Prices are expected to soften in the year ahead as prices on shelf reduce, but the Group's margins are now improving faster than previously reported as it's benefits from the significant investments made over the last few years and the improving revenue mix. The group anticipates delivering EBITDA ahead of prior Board expectations.

Gareth Jenkins
Chief Executive Officer
25 September 2023

KPIs and business model

Our business model

We measure our performance against the business model to ensure we are delivering to our key stakeholders. All our targets are stretch targets which support our relentless drive for operational excellence and never become complacent.

How we measure our performance

The right people

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

- Ensuring safety for all
- Having a working environment that allows people to be part of the improvement
- Having a personal development plan to help people understand how they can help improve the organisation
- By paying everyone in the organisation the Real Living Wage or higher

Strong customer relationships

We strive to delight our customers by offering great service, quality, and innovation, delivering on our promises, and developing value adding products. We do this by:

- Bringing new innovations to the industry which give best value, informed by our broad customer base
- Delivering on our commitments
- Measuring customer satisfaction, proactively inviting feedback on our performance to inform customer improvement plans

Greater shareholder returns

We aim to deliver strong shareholder returns by growing our market share, investing in operational excellence and being relentless in our cost control. We do this by:

- Growing with our customers
- Building on the platform created by the turnaround
- Seeking new opportunities to extend our offer

-10%

Total Accidents

The number of employee accidents reported has declined (2022: -33%)

Comments:

The overall number of Lost Time Accidents (LTA's) in the year was 3, whilst Total Employee Accidents for the same period have dropped by -10%. Over the same period Safety Observations generated by our employees increased by 32%. We believe the continued focus on proactive observation and action, will continue to drive down total accidents.

83%

Employee Engagement

The measure as determined by the Employee Engagement Survey which is conducted twice a year (2022: 84%).

Comments:

Employee engagement has been maintained despite the challenging external environment, as training and development programmes benefit the business.

+6.9%

Increase In Output Per Head

M2 of paper converted produced per labour spend: FY23 v FY22 (2022: +7.8%)

Comments:

Productivity levels continued to improve as demand became more predictable and supply chain issues significantly reduced.

Further investment in automation and capacity was finalised in our Leyland facility.

93%

On time delivery

Percentage of deliveries that are delivered on time over a calendar month (2022: 95%).

Comments:

Service levels were maintained despite increased volumes, demonstrating the ongoing resilience of the business.

21.5%

Market share

Driven higher by stronger growth of private label products and discount retailers in general (2022: 19.5%).

Comments:

With our market share now 21.5% (2022: 19.5%) of the total UK tissue market and a strong infrastructure for growth in place, Accrol is increasingly well positioned to benefit in a value-conscious world.

+56.8%

Growth in sales to top customers

Growth in sales of all products into our top six customers. Target is for no one customer to account for more than 25% of total revenue.

Comments:

We sell to a broad concentration of customers, each of whom is important to us. We can spend more time servicing and understanding our customers to help them grow and drive the best value products to the consumer.

£26.8m

Adjusted net debt

Total borrowing less cash reserves (2022: £27.5m).

Comments:

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

£15.6m

Adjusted EBITDA

Adjusted to exclude separately disclosed items and Share Based Payments (2022: £9.1m).

Comments:

We believe that this measure is a truer indication of the Group's underlying trading performance.

19.7%

Gross margin

As reported (2022: 23.3%).

Comments:

From a low of 17.5% in FY18, the improvement in gross margin reflects the overall operational improvements effected over the last four years but impacted by the significant rise in input costs over the last two years, and associated lag in price recovery.

Chief Financial Officer's Review

Group revenue increased by 57.1% to £241.9m, driven by strong volume growth and significant pricing actions, reflecting the strength of our customer relationships and the Group's ability to successfully recover substantial input cost rises through price increases.

Christopher Welsh, Chief Financial Officer

Summary

Overall the Group performed exceptionally well, demonstrating its resilience by growing revenue and profits in the face of a challenging and volatile trading environment with inflationary pressures evident in rising commodity prices.

Trading Results

Group revenue increased by 51.7% to £241.9m (FY22: £159.4m), driven by strong volume growth (+7.7%) and significant pricing actions, reflecting the strength of our customer relationships and the Group's ability to successfully recover substantial input cost rises through price increases. The total tissue market was flat in the year on a like-for-like basis. However the Group's overall market share increased to 21.5% from 19.5% in FY22.

Adjusted gross margins declined to 19.7% (FY22: 23.3%), reflecting the significant impact of escalating pulp, energy, and sea freight costs which was further exaggerated by the weakening of the sterling relative to the dollar throughout Q2 and Q3. The Group has taken the necessary actions to recover these cost increases from its supportive retailer customer base, albeit with a lag that impacted profitability earlier in the year. The continued improvement in profitability is evident as we move through the early part of FY24 as the business returns to its historical margin levels.

Adjusted EBITDA increased to £15.6m (FY22: £9.1m), whilst adjusted operating profits increased to £2.4m (FY22: loss of £0.2m). The growth in profitability was driven by the successful implementation of price increases and strong market share growth, however improving margins were partially limited due to the prevailing time lag of fully recovering cost increases. Management remains diligent in operating cost control and remains focused on being the lowest cost provider. General market pricing pressures around logistics and fuel surcharges were significant in the period leading to higher distribution costs on transporting both raw materials and finished goods.

Separately Disclosed Items

Separately disclosed costs totalled £1.0m, this compared with £2.6m income in FY22 where income was recognised through profit and loss for the release of potential deferred contingent consideration.

Non-recurring and unplanned supply chain disruption costs during the year totalled £0.6m (2022: £0.7m). Pressures on the Group's supply chain has been considerable during the year for a variety of exceptional reasons, including industrial action at UK ports causing significant disruption to the Group's usual course of business. Whilst the Group's supply chain demonstrated good resilience, we did incur incremental costs to maintain service levels to our customers. These incremental costs included port charges of £0.6m, largely related to additional demurrage costs incurred because of shipping container congestion and lane diversion created by several instances of unexpected industrial action closing UK ports. We do not expect any of these costs to be repeated as we enter FY24.

As a result of the Strategic Review undertaken by the Group, significant progress has been made to transform the manufacturing and operational capability of the business. As part of this process exceptional costs totalling £0.4m were incurred to progress strategic objectives around the Mill development, reorganising and rationalising the Group cost base, as well as some third-party professional and consultancy expenses to support in delivering the objectives laid out in the Strategic Review.

Depreciation and Amortisation

The total charge for the Period was £11.7m (FY22: £11.4m), of which £6.7m (FY22: £5.5m) related to the amortisation of intangible assets.

Share-based Payments

The total charge for the Period under IFRS 2 "Share-based payment" was £0.5m (FY22: £0.5m). This charge related to the awards made under the 2021 Long Term Incentive Plan, which was approved on 5 March 2021.

Interest, Tax and Earnings per Share

Unadjusted net finance costs were £10.2m (FY22: £2.3m) which includes £6.1m expense for the loss on derivative US dollar purchase contracts in the period, the majority of which is unrealised and represents a mark to market valuation approach. Management has noted significant volatility in foreign exchange markets throughout the financial year, particularly following the announcement of the UK mini budget in September 2022.

The Group recorded a deferred tax credit of £2.1m (FY22: credit of £0.8m). The loss before tax was £7.8m (FY22: £2.5m), where the significant growth in operating profit performance was limited by the impact of foreign exchange losses. Adjusted profit before tax[1] of £6.5m (FY22: £1.1m) increased due to the growth in revenue and operating profit as price increases were passed through to customers. Basic loss per share was 1.8 pence (FY22: loss of 0.5 pence) reflecting foreign exchange impact, higher amortisation costs and adjusting items. Adjusted diluted earnings per share were 1.8 pence (FY22: 0.3 pence), reflecting the increase in adjusted EBITDA and temporary nature of the foreign exchange impact.

Dividend

As noted in the Chairman's Statement, the Board remains focused on determining the best use of capital moving forward. Our balance sheet has continued to strengthen, with adjusted net debt down to 1.7x levered, during a time of macro-economic uncertainty and prevailing price pressures. Despite this backdrop, the robust financial performance means that the Group is well positioned for growth and has developed a business case for progressing with a paper mill investment project. In this context, the payment of a final dividend would not be the best immediate use of capital, but the Board remains confident of Accrol's ability to drive Shareholder returns from a growing free cash flow. The proposed final dividend is nil pence per share (FY22: nil pence).

Cashflow

The Group's adjusted net debt improved in the period to £26.8m (FY22: £27.5m) representing a 1.7x leverage. The net cash flow from operating activities was £20.5m (FY22: £1.4m) with the improvement reflecting a working capital inflow of £5.1m (FY21: £4.6m outflow) and improved profitability. This release of working capital has been achieved whilst maintaining excellent levels of supply to our customer base and absorbing significant price increase pressures.

Capital expenditure (net of new finance leases) in the Period was £6.4m (FY22: £6.2m), including £1.9m (FY22: £3.1m) in respect of intangible assets that principally relate to product development costs and the development of the Group's main ERP system. Lease payments of £5.6m (FY22: £5.5m) include leases capitalised in accordance with IFRS 16.

Subsequent to the balance sheet date, in August 2023, the Group amended and extended its existing banking arrangements providing additional facilities to support its growth. These new facilities provide increased headroom in both the scale, tenure and liquidity of the facilities and an easing in the headline associated banking covenants. This refinancing resulted in the Group extending its £17.0m revolving credit facility to £24.0m which now expires in February 2025.

[1] Adjusted profit before tax is a non-GAAP measure defined as profit/loss before tax before amortisation, separately disclosed items, share based payments and net losses on foreign currency derivatives.

Chief Financial Officer's Review continued

Balance Sheet

The Group's balance sheet reflects net assets of £77.7m (FY22: £82.9m). Property, plant, and equipment increased, reflecting the renewal of property related leases, capitalised in accordance with IFRS 16. FY23 saw the completion of the significant investment into automating and increasing the capacity at our Leyland manufacturing facility, with new packing capabilities and a new converting line now fully commissioned and operating well within the business. This investment allows the Group to improve productivity, operational flexibility, and ultimately to enhance customer service. The Group also invested into developing and manufacturing capability to deliver a new range of licensed kitchen towel products as part of a collaborative licencing partnership.

Throughout FY23 the Group completed a significant enhancement to its main ERP system, which has provided a fully integrated, end to end warehouse management system for the business. This investment will provide greater transparency over inventory management and positions the Group well for continual improvements in terms of efficiency and customer service.

Intangible assets predominantly consist of goodwill and customer relationships derived from previous acquisitions. Goodwill is not amortised but is subject to an annual impairment review. After considering various scenarios and sensitivities, the Directors concluded that no impairment is required, with significant headroom noted from a value in use assessment. During the year, the Group invested further in product development and innovation to ensure our products remain up to date with an evolving marketplace, these costs will be amortised over the anticipated life of the products.

Christopher Welsh
Chief Financial Officer

Income statement

Income statement	2023 £'000	2022 £'000
Revenue	241.9	159.4
Cost of sales	(196.7)	(125.1)
Gross profit	45.2	34.3
Administration expenses	(28.5)	(21.8)
Distribution costs	(14.3)	(12.8)
Operating profit/(loss)	2.4	(0.2)
Adjusted for:		
Adjusted EBITDA(1)	15.6	9.1
Depreciation	(5.0)	(5.9)
Amortisation	(6.7)	(5.5)
Share based payments	(0.5)	(0.5)
Separately disclosed items	(1.0)	2.6
Operating profit/(loss)	2.4	(0.2)
Finance costs	(10.5)	(2.5)
Finance income	0.3	0.2
Loss before tax	(7.8)	(2.5)
Tax credit	2.1	0.8
Loss for the year attributable to equity shareholders	(5.7)	(1.7)
Earnings per share		
Basic loss per share	(1.8)p	(0.5)p
Diluted loss per share	(1.8)p	(0.5)p

Revenue by product

Revenue by product	2023 £'m	2022 £'m	Variance £'m	Variance £'m
Toilet tissue	163.0	116.3	46.7	40%
Kitchen towel	53.9	32.0	21.9	68%
Facial tissue	18.7	8.8	9.9	113%
Wipes	4.8	2.0	2.8	140%
Core revenue	240.4	159.1	81.3	51%
Other (waste)	1.5	0.3	1.2	400%
Total revenue	241.9	159.4	82.5	52%

Borrowings and cashflow

Borrowings and cashflow	2023 £'m	2022 £'m	Change £'m
Revolving credit facility	4.9	3.0	1.9
Factoring facility	17.8	18.7	(0.9)
Leases	44.8	40.2	4.6
Borrowings	67.5	61.9	5.6
Leases receivable	(4.7)	(5.0)	0.3
Cash and cash equivalents	(3.5)	(0.2)	(3.3)
Net debt	59.3	56.7	2.6
IFRS 16 adjustment	(32.5)	(29.1)	(3.4)
Adjusted net debt	26.8	27.5	(0.7)

(1) Adjusted EBITDA is defined as profit before finance costs, tax, depreciation, amortisation, separately disclosed items and share based payments, is a non-GAAP metric used by management.

Environmental, Social, and Governance (ESG)

Our vision for ESG is to be a carbon neutral business that improves the lives of its people and communities, while working in partnership with our suppliers to deliver sustainable products to customers and consumers and consistent results to our investors. To achieve our vision, we have created a reporting framework aligned to clear targets and KPIs.

Environmental

- 100% FSC® certified paper
- 10.1% tissue waste
- 82% Net trailer loading
- 8.2% tissue waste
- 92% Net trailer loading
- 7.2% tissue waste
- 100% renewable energy
- 39.5 $kgCO_2e$
- 0% landfill
- 32.4 $kgCO_2e$
- 'Energy steering team' formed

Social

- 5.8% absence
- 35% on real living wage
- 2.4% absence
- 66% on real living wage
- 1.7% absence
- 68 Employee accidents/annum 6 LTA
- 77% employee engagement
- 48 Employee accidents/annum
- 51,000 units donated
- 83% employee engagement

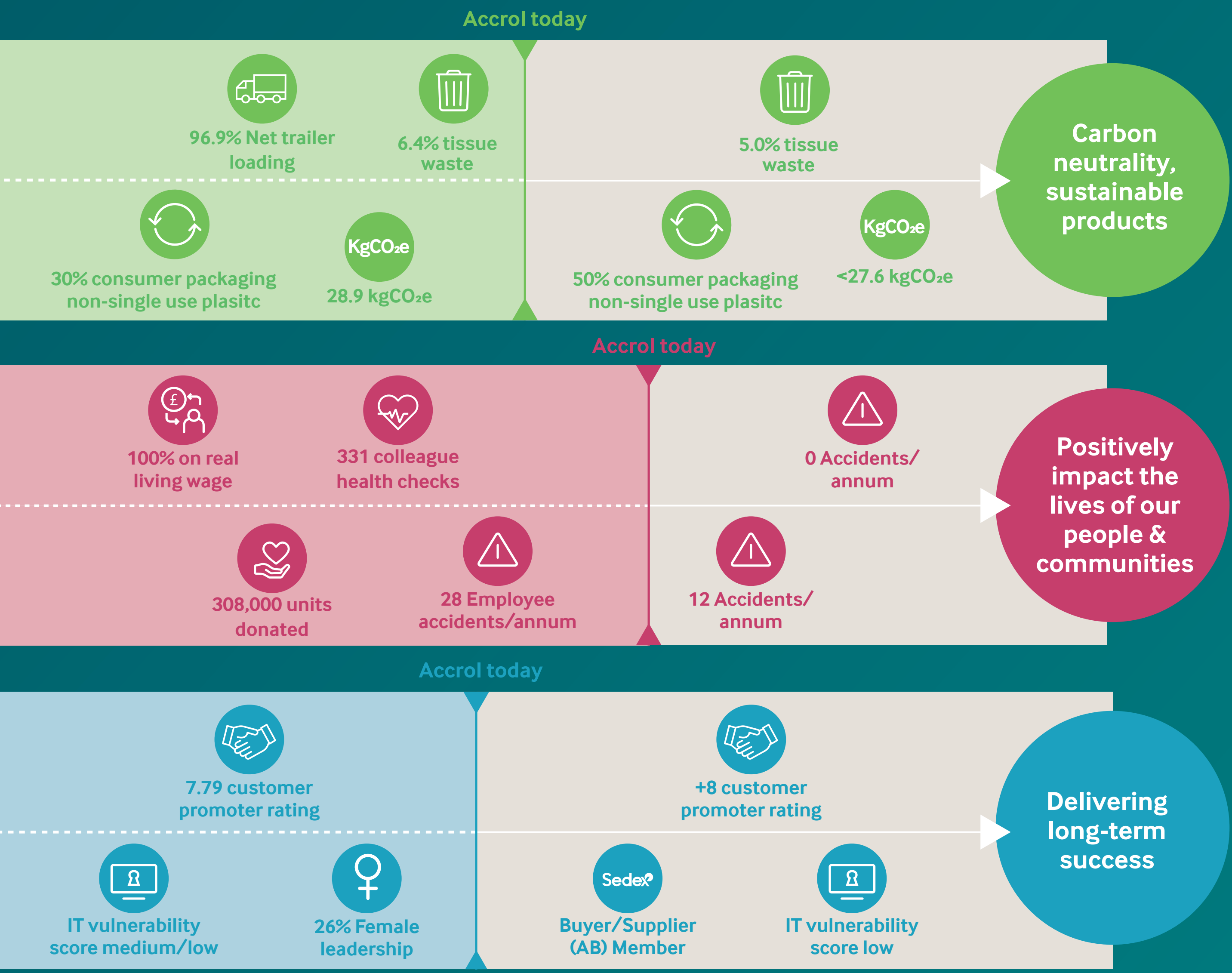
Governance

- ISO9001 certified
- ISO9001 upgraded to BRC
- IT Penetration vulnerability score baseline
- 75% of sites achieved highest 'AA' BRCGS accreditation
- 97% Board attendance
- Supplier (B) Member
- QCA Code compliant
- 16% Female leadership
- 22% Female leadership

We continue to make good progress against our ESG strategy with clearly defined measures in place to track performance.

We have seen real step change improvements across all our key target areas. We were the first real Living Wage tissue employer in the UK, 100% of our tissue waste is recycled with tissue waste continuing to reduce by a further 11% and we have reduced the number of vehicle movements by 5.5% despite growing almost 8% in volume. The Accrol Team are rightly very proud of these achievements.

Going forward it is our intention to dedicate a section of the Group's website to ESG, keeping it updated on a rolling basis. The annual ESG update will now be reported as part of the annual report alongside a summary report for customers and investors to clearly see the progress made at a glance. This enables us to showcase how ESG is integrated within the business. Some governance points are included in this ESG section the rest are given as usual in the Regulatory Governance section.



Environmental, Social, and Governance (ESG) continued

Environmental Highlights

Carbon footprint
(kgC02e per tonne of production)

28.89 **Down 2%**

30%

Consumer packaging from recycled or non-plastic materials

Tissue waste*

6.4% **11% reduction**

5.5%

Reduction in vehicle movements

Double roll launched

Reducing materials used and trucks on road

1,200

Less trucks on the road

96.9%

Net trailer loading

Carbon Emissions

KPI's	Unit	May 22-Apr 23	May 21 - Apr 22	Variance
Scope 1 CO2e emissions	kgCO2e	268,933	294,052	-8.54%
Scope 2 CO2e emissions	kgCO2e	2,823,563	3,011,169	-6.23%
Scope 3 CO2e emissions	kgCO2e	10,344	0	0.00%
Energy consumption	kWh	15,855,389	15,458,862	2.57%
Total CO2e Emissions	kgCO2e	3,102,840	3,311,906	-6.31%
Total CO2e Emissions	tCO2e	3,103	3,312	-6.31%
Total Production	t	107,387	111,984	-4.11%
Group Intensity Ratio (kgCO2e per tonne of Production)	28.89	29.52	-2%	(226)

Energy Efficiency Measures

The current year report shows an increase in energy consumption over last year, driven by the completed automation, however this has not increased the Group's total CO2 emissions, which fell by 6.31%.

Below is a narrative of principal measures that have been taken within the reported financial year that has had a direct impact on the energy efficiency of the organisation.

The Group was able to implement a thoroughly structured approach to energy reduction projects and identified and targeted several areas to contribute to improving energy efficiency, including:

- Air leak surveys undertaken across sites and fixes made
- Auto stop fitted to baggers
- Line optimisation implemented at the Beta site
- Motor analysis being carried out across the sites to better understand consumption and savings
- Lighting improvements installed across Leyland, Gamma, Delta and Beta
- Monthly best practise across sites - idea sharing
- 'Energy observation' survey platform for submission of employee suggestions
- Use of software to show kWh usage across each meter allowing the tracking of hourly routine air leak surveys

Environmental, Social, and Governance (ESG) continued

Energy Reduction

In manufacturing, generating air pressure to power the robotic equipment is one of the most energy intensive parts of the process. Reducing air leaks is therefore critical in minimising energy used to power machinery.

Accrol has invested in air leak detection equipment to enable engineering works to focus on areas of the production equipment that will maximise energy savings. This alongside other energy saving initiatives such as light sensors and auto-stop settings for manufacturing equipment has enabled us to deliver energy reductions. As well as environmental benefits, this has also delivered cost-savings for the Group at a time when energy costs have been at an all-time high.

Tissue Waste Reduction

A focus on reducing tissue waste, at a time when raw materials and the cost of tissue has been at an all-time high, has once again delivered financial savings as well as reducing our environmental impact.

Since launching a waste reduction project, the production team has been successful in understanding and identifying the most wasteful parts of the manufacturing process and implementing improvements on the back of these insights. From changes to day-to-day operational procedures to training line operatives, the project has delivered tangible results with tissue waste now at an all-time low of 6.4%.

A key outcome of the waste reduction project has been the introduction of 'reel sheets' now used at all sites producing kitchen and toilet roll. Reel sheets enable tissue waste to be continually tracked at each production stage and acted upon so that best practise is maintained and built on as part of 'business as usual'.

Of the tissue waste generated, 100% of it is recycled but Accrol remains committed to minimising tissue waste even further to 5% as outlined in our ESG strategy.

Reducing Plastic and Packaging

To transport customer orders safely and securely, products are wrapped in plastic pallet wrap. Using too much pallet wrap is not only wasteful and unnecessarily damaging to the environment, it also comes at an additional financial cost.

Being fully automated enables us to optimise the materials we use and how we use them. Through carefully designed trials, we have:

- Minimised the plastic micron ('thickness') used
- Optimised the pre-stretch of the plastic to ensure efficiency and effectiveness
- Optimised the number of rotations for each pallet being wrapped

These steps mean we're confident that we're using as little material as possible with minimal risk of the product falling over or collapsing during transportation.

Following successful trials in FY22, Accrol has continued to introduce 50% PCR (Post-Consumer Recycled) to customer products, minimising virgin plastic. As a minimum all consumer packaging uses 30% PCR plastic film and 100% off all plastic packaging used is recyclable.

We continue to assess and explore with our supplier partners materials available that will help minimise our environmental impact.

Sustainable Products: Double Rolls

Accrol launched double rolls to customers in the year. Double rolls are rolls of toilet and kitchen roll which have twice the amount of tissue on a roll than they did before. For example, 380 sheets of toilet paper per roll, not the 'standard' 190 sheets.

Accrol is fully capable of delivering this new proposition to customers and recognises the significant environmental benefits of doing so such as reducing packaging used, reducing pallets used and reducing the number of lorries used in transporting products to customers.

We are working closely and fully supporting our retail customers in this transition. Consumers are already offered a myriad of choices in the paper aisle and, during the cost-of-living crisis, are very focussed on choosing products at a price point they can afford. Working with our retail partners we're developing product specifications and on-pack messaging in line with the needs of consumers and maximising sales performance.

Safety First

Safety is our number one priority and we've proudly made significant improvements in recent years.

Focus is firmly placed on developing a 'safety culture' whereby everyone takes safety seriously and stay 'switched on' to safety matters at all times during their working day with Accrol.

Colleagues are encouraged to share safety observations, counts of the number of safe and unsafe actions or conditions in a work area for a given time. During the year, colleagues shared almost 13,000 observations (+32%). This is a good demonstration of how colleagues are engaging in safety and making it their priority too.

In the year, Colette Graham joined the Group as Health, Safety and Environment Manager. Colette has a wealth of experience and is leading the way in developing and implementing best practises across Accrol and her appointment comes in recognition that a further step change is needed if we are to achieve our ambition of zero accidents.

In the year, communication around safety matters has been further enhanced, additional training undertaken both online and face to face and, importantly, engagement in health and safety matters continue to improve with 88% of colleagues agreeing 'health and safety is a high priority' for Accrol (+2.7%). More attention is being invested in understanding the underlying causes of accidents and incidents that have happened and sharing these insights to shape and inform action plans and priorities by site.

	FY23	FY22
Employee accidents	28	31
Total accidents*	38*	-
Lost-time accidents	3	0

*This figure represents total accidents of all people working on site including contractors.

32%
increase in safety observations (12,821 in total)

88%
of colleagues agree that 'safety is a priority' up 2.7%

Sustainable Careers

The Real Living Wage

In 2021 the Group made a commitment to ensure that everyone employed by Accrol was paid the real Living Wage or above. This was achieved across all the Group's sites in 2022.

Accrol was the first tissue manufacturer in the UK to be real Living Wage accredited.

This year in addition to maintaining our real Living Wage accreditation, we made an additional cost-of-living payment to all colleagues to support them during increased living costs during the winter months.

Gender Diversity

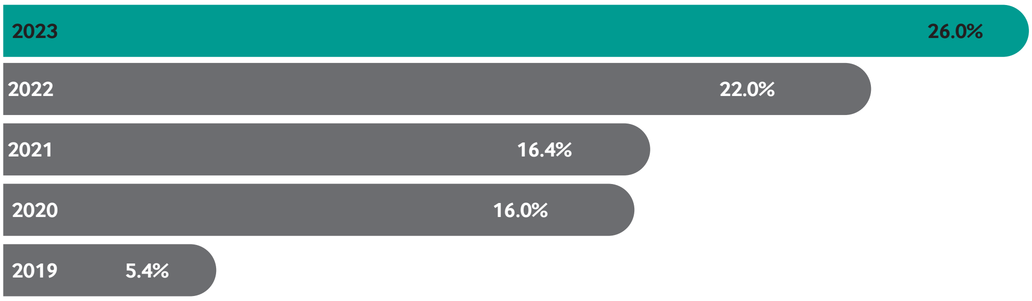
Female representation continues to increase both in leadership and operational roles.

	2023	2022	2021*	2020	2019
Male	**351**	367	388	377	544
Female	**65**	58	61	43	32
Total	**416**	425	449	420	576
Female %	**15.63%**	13.65%	13.59%	10.24%	5.56%

*Figures for 2021 onwards include the acquisitions of LTC and John Dale

Females in Leadership Roles

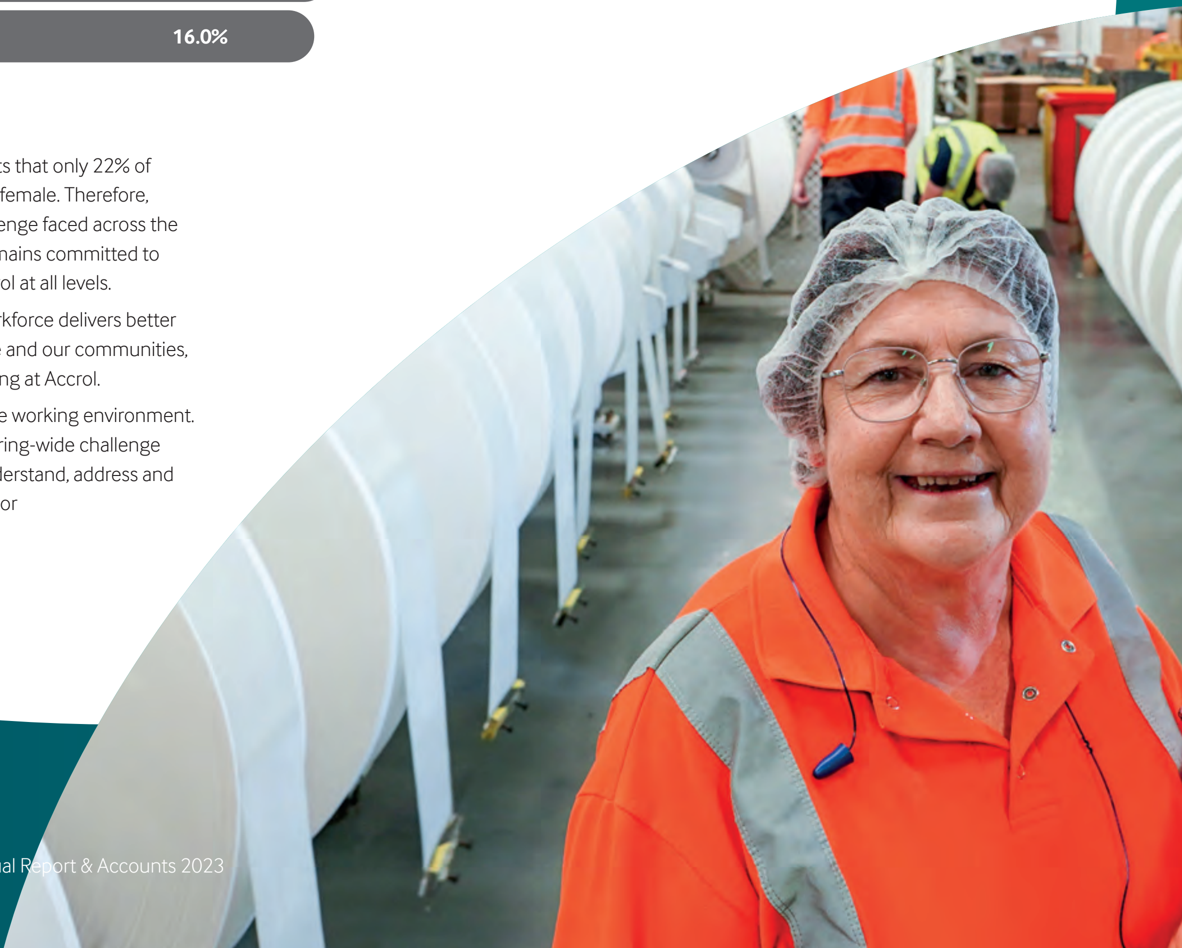
Females in leadership roles grew to 26% in the year, meaning we have attained our target of having over 25% of leadership roles filled by women.



The Office for National Statistics reports that only 22% of those employed in manufacturing are female. Therefore, female under-representation is a challenge faced across the manufacturing industry and Accrol remains committed to growing female representation at Accrol at all levels.

"Attracting and engaging a diverse workforce delivers better outcomes for our business, our people and our communities, and that is what we're focussed on doing at Accrol.

This requires us to offer a truly inclusive working environment. Gender representation is a manufacturing-wide challenge that we're aware of and seeking to understand, address and improve." Kathryn Robinson, HR Director



Gender pay gap at 5 April 2022

Gender pay gap	2022	2021	2020	2019	2018
Mean gender pay gap	**1.6%**	11.8%	7.70%	-18.0%	-14%
Median gender pay gap	**-18%**	-3.4%	-5.70%	5.70%	-18%
Mean Bonus pay gap	**84.3%**	68.4%	77.30%	93.20%	79%
Median bonus pay gap	**25.1%**	0%	0.40%	-1.30%	24%
Male employees who received a bonus	**5.3%**	85.9%	43.90%	53.20%	63%
Female employees who received a bonus	**7.5%**	97.2%	19.50%	6.50%	16%

Accrol remains well ahead of the national figures. The UK's gender pay gap (median) is positive 14.9% (Office for National Statistics, ONS, 2023). This means that, on average, women earn 15% less than men per hour. Accrol's negative 18.0% means that women earn 18% more than men per hour.

Our gender pay gap arises from an unequal distribution of men and women across the organisation. At Accrol women are more likely to occupy senior, upper quartile paying roles compared to lower quartile roles. It's important to note that Accrol has a skills-based pay-grading system in place to ensure that men and women receive equal pay for the same or similar jobs.

The 2021 figures include a bonus offered to all qualifying colleagues in recognition of their commitment and efforts during the covid pandemic.

The figures for 2022 relates to all Accrol Papers Group, including subsidiaries: Leicester Tissue Company Ltd and John Dale Ltd. These subsidiaries are not included in the previous reported years and are voluntarily provided.

Key to understanding the table: A positive percentage indicates that men are paid more than women and a negative

Employee survey

88% of employees think Health and safety is always a high priority at Accrol

83% of employees feel comfortable voicing their opinion at work

83% of employees think Accrol embraces diversity and equal opportunities

91% of employees feel proud to work at Accrol

93% of employees understand how their role contributes to the success of Accrol

83% of employees would recommend Accrol as an employer

Caring for Employees

Development: Powering Our Potential

At Accrol we recognise that our people are our most valuable asset. So how do we make the most of this asset and ensure we create a culture where they thrive?

This year we launched our 'Powering Our Potential' programme which is designed to help people understand, very simply, how the human mind works to help individuals deliver efficiently and effectively to add value.

Following a period of significant investment and change, it's also a programme designed to help shape a high-performing culture supporting colleague wellbeing and engagement.

The programme launched to the senior leadership team, with ongoing support and initiatives to enable implementation across teams' business wide. The programme has been very well received with exceptional feedback given by those that have taken part to date.

Improving Wellbeing

Accrol offers a range of support to colleagues to assist with their wellbeing including:

- Mental health training
- A team of colleagues trained to be mental health first aiders
- Providing an Employee Assistance Programme
- Plus tailored, specialist support for anyone going through a personal crisis

To add to this portfolio of support, colleagues were offered comprehensive health surveillance checks by our occupational health provider, Staywell.

331 colleagues took advantage of this service, which provided them with a summary of key health measures including blood pressure, cholesterol, weight, waist circumference, BMI and blood glucose to be used to help guide any future health initiative decisions.

Colleague health measures were benchmarked against national statistics to help Accrol understand the overall health of its colleague population and to inform initiatives that should be prioritised to help improve the health and wellbeing of its workforce.

Supporting Local Communities

Throughout the year, Accrol has supported a range of local charities and initiatives in order to positively impact the lives of our people and communities.

Product Donations

In a year dominated by the cost-of-living crisis, the demand from food banks significantly grew with the Trussell Trust, a national network of 1,300 foodbanks, reporting demand for their services increased by 37% and 760,000 people used a foodbank for the first time.

Accrol played its part in the year, donating 308,000 products to local foodbanks and charities.

To ensure our level of support is consistent and aligned with our business infrastructure, we're really proud to have launched a new relationship supporting multi-banks - The Cottage Family Centre based in Fife, Scotland, and The Brick based in Wigan, Lancashire.

Multi-banks support the wholesale distribution of unwanted products from manufacturers and retailers to smaller charities and support groups for people in need. In return, this helps Accrol support more charities and food banks simply and efficiently positively impacting more lives.

Each month Accrol donates at least 1 truck full of products to the multibank charities supporting communities in need. This equates to approximately 70,000 product donations a month.

Knowledge Sharing

As proud founding patrons of Blackburn and Darwen Youth Zone, colleagues are very active in supporting the charity which aims to change the prospects of young people in the area.

Accrol's HR Director, Kathryn Robinson, also took on the responsibility of HR Trustee at the charity in order to support the charity in its mission. Of the role Kathryn says, "It's an honour to be able to share my skills and experience with Blackburn and Darwen Youth Zone as well as strengthen Accrol's partnership with the charity and the community of Blackburn."

Environmental, Social, and Governance (ESG) continued

Section 172

In compliance with sections 172 and 414CZA of the Companies Act 2006, the Board makes the following statement in relation to the financial period ended 30 April 2022:

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

- Our people
- Our customers
- Our suppliers
- Our investors
- Our community

The Executive Directors maintain an ongoing and collaborative dialogue with such stakeholders and take all feedback into consideration as part of the decision-making process and day-to-day running of the business.

Our stakeholders, and why we engage	Engagement, including topics of engagement and any feedback	Impact of the engagement and any actions taken
Our People **People are at the heart of our business and the key to ensuring delivery of our relentless drive for world class basics.**	We run an employee engagement survey twice a year. The results are reviewed at Board level and cascaded to all employees. The feedback is used to inform employee development and policies. To engage with our diverse workforce, we employ a multi-channel planned and real-time communication approach. Quarterly face-to-face business briefings are held across all sites with all employees allowing for an open forum for questions and suggestions from colleagues. A colleague website also enables our workforce to stay abreast of the latest business news and information as well as share any ideas and suggestions they may have too. Training and development opportunities for colleagues continue to expand. Engagement with Accrol's online training system (the 'Learning Hub') continues to deepen with all colleagues having personal access to the system and new starters now complete a full induction on the system as part of their welcome to the business. In the year, the launch of a new warehouse management system (WMS) also meant changes to operational processes and procedures. To best support a smooth transition to the new WMS, all operational colleagues attended in-person training events. Accrol also launched a 'Powering our potential' programme to grow and develop the knowledge and skills of the leadership team in delivering high-performance in parallel with maintaining personal wellbeing, with feedback about the programme being exceptionally positive. Performance reviews in the form of 'job chats' are also being embedded across all sites to support colleagues in developing a clear personal pathway for improvement and growth.	Our engagement score remains high at 83% plus 91.2% of colleagues said they were proud to work for Accrol. The results are analysed by site and, unsurprisingly, each has its own unique challenges and opportunities. The results are cascaded and discussed, and each site has a clear action plan tailored to their team's response to the survey. The implementation of Accrol's internal communications strategy has increased the breadth of channels used to communicate and engage with colleagues. Colleagues have put forward 20 suggestions using the colleague website alone, all of which have been responded and actioned upon. At quarterly business briefings, colleagues are increasingly engaged, asking questions about the business and putting ideas forward. For example, colleagues wanted to be able to buy Accrol products direct and as a result, a colleague subscription service was launched with over 80% of colleagues signing up. Colleagues also requested a way in which they could express their appreciation to each other and in February 'Thank you Thursday' was launched to highlight the great work colleagues do to support each other and deliver against the values of the business. In the year, over 4,500 hours of learning have been carried out on Accrol's online training system. The online system has also been used to support and reinforce 'in-person' training and development events. A steering group is in place to review and develop content in line with business needs. In a year of increased cost pressures on colleagues, Accrol maintained its real Living Wage accreditation – the first UK tissue manufacturer to have this and also supported colleagues during the winter months with a cost-of-living payment to support higher energy bill costs.
Our customers **Effective communication and meeting the needs of our customers is fundamental to our success.**	The Company engages in continuous communication and reviews with customers to understand their changing needs, align plans, and develop collaborative partnerships. The Company has senior national account managers for its customers, and their role is to understand the customer's organisation, strategy, and vision for their business. In the year, Accrol launched a customer survey to understand and monitor customer perceptions about service delivered, providing a quantitative measure as well as direct feedback on what is done well and opportunities to improve. Investment in consumer and market insight across each of our trading categories continues to shape and inform the products and brands offered by the company. The unprecedented rising costs led to further engagement with customers as we continued to increase prices to recover additional costs effectively.	The results of the customer survey showed one of Accrol's strengths is effective customer communication and collaboration. Accrol achieved a supporter rating of +7.79 and this result improved despite price increases being implemented, further highlighting Accrol's account management capabilities. The survey also showed an increase in advocate customer accounts (+25%) and a decrease in detractors customer accounts (-18%). This is a result of listening and taking appropriate action on customer feedback. Accrol continues to engage with customers to develop and enhance the product offer. For example, 'double rolls' launched in Morrisons delivering financial and environmental benefits. Our wholesale business doubled in the year through expanding distribution to new partners as well as securing new listings with Unitas. New wipes business also secured with contracts agreed with Ocado and Coloplast. As a key strategic partner with Aldi, we were invited to collaborate in a value chain optimisation (VCO) project.

Our stakeholders, and why we engage	Engagement, including topics of engagement and any feedback	Impact of the engagement and any actions taken
Our suppliers **The relationship with our suppliers is crucial to ensuring the timeliness and security of our raw material supply and successful delivery to customers.**	Through our supplier performance management programme, we have been able to develop stronger relationships and drive meaningful benefits for both parties by agreeing longer-term or consolidated agreements. Reducing the number of suppliers we work with and consolidating agreements enabled us to maximise commercial benefits and strengthen relations with key suppliers. On the back of our strong supplier relationships, we've managed cost challenges yet still extracted benefits in relation to service, costs and innovation opportunities.	We understand the importance of learning from our supplier base and continue to collaborate with them to support innovation and product development. Engagement with suppliers throughout the year has been critical in enabling cost savings in areas such as packaging, paper supply and transport. Engagement with our suppliers has enabled us to realise inbound supply chain savings. For example, we now ship our paper supply direct from the ports achieving significant cost savings in the year.
Our investors **We have a strong and supportive investor base whose ongoing support is key to realising the growth ambitions of the Company**	The Chair and Chief Executive Officer meet regularly with institutional investors and analysts to ensure that objectives and any business developments are clearly communicated, and that they are available to respond to any enquiries following Company announcements. Feedback from investors is reviewed by the Board.	The Executive Board values shareholder input and believes that the meetings with shareholders offer a valuable opportunity to not only share financial data and results, but also share the vision for the business and to test the direction of travel with the experience of our investor community. This is a very valuable process and allows the leadership of the business to understand the economic and macro trading environment, which can provide visibility of both challenges and opportunities.
Our communities **We work to positively impact the communities that support our business**	Accrol is a founding member of the Blackburn Youth Zone ("BYZ") and continues to support the funding of this local organisation as a gold patron. Accrol's HR Director, Kathryn Robinson, is a member of the BYZ Board. Accrol's senior leadership team support events hosted by the charity plus Accrol colleagues volunteer to support the charity too. In the year, we've developed stronger relations with food banks, providing more regular donations to support local communities during the cost-of-living crisis. Accrol has also become a key supporter of a new multi-bank model launched in Wigan, in Greater Manchester and Fife, in Scotland. Multi-banks act as a distributor to smaller charities and food banks so organisations like Accrol can make sizable donations to one place, yet reach a greater number of those in need more easily. Other charities have also been engaged through fundraising initiatives by colleagues. For example, employees at our Blackburn facility contributed significantly to Secret Santa, a local charity that distributes gift sacks to underprivileged children in the local area.	We are a significant employer in Lancashire, Leicester and Flint and we have an acute sense of the importance of community to our employees. It is very important for Accrol to have a strong local standing due to its historical ownership and its diverse cultural heritage. It is also important that our employees feel a sense of pride working for Accrol. The recent employee survey reflects this, with 91.2% of our employees stating that they were proud to work for Accrol. Through our charity partnership we've donated over 300,000 units, positively impacting thousands of people across the communities we serve.

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

- **Price increases** – consultation across customer, employees and supplier base in recouping and effectively managing unprecedented inflationary costs pressures and raw material supply
- **Strategic review** – a strategic review focused on maximising return for stakeholders was conducted during the year. The review accessed our substantial and growing market opportunity and the position of Accrol relative to its competitors.

- At the end of the review, our medium-term ambitions were identified to be; Continue to focus on our core toilet and kitchen towel business;
- Grow our facial and wet wipe business;
- Develop a licensed business model and grow direct-to-consumer Oceans brand;
- Build a sustainable paper mill;
- Acquire selectively to strengthen and extend our product offering; and
- Maximise medium-term tangible shareholder returns, through a combination of dividends and, potentially, share buybacks.

Commitment to the environment

- We are committed to reducing our impact on the environment and have established our own environmental steering group. We use 100% renewable electricity and have a commitment to reduce our carbon footprint, working towards becoming carbon neutral.
- We continue to reduce waste and optimise material usage. We're proactive in reducing single-use plastic, with 100% of consumer packaging being recyclable and we're increasing the recycled plastic and paper for packaging we use.
- 100% of the paper we use is FSC® certified. FSC® is an international, non-governmental organisation dedicated to promoting responsible management of the world's forests.

Managing our risk

The Board determines the nature and extent of the principal risks it is willing to accept to achieve its strategic objectives. To gain an understanding of the risk exposure of the Group, we conduct an annual review of each area of our business and use a methodology that will assist the Group in identifying, monitoring, evaluating and escalating risks as they emerge, enabling management to take appropriate action wherever possible to control them and enabling the Board to keep risk management under review.

The risk factors addressed below are those which we believe to be the most material to our business model, which could adversely affect the operations, revenue, profit, cash flow or assets of the Group and which may prevent us from achieving the Group's strategic objectives. Additional risks and uncertainties currently unknown to us, or which we currently believe are immaterial, may also have an adverse effect on the Group.

1. Macro environment risk
2. Parent reel and pulp pricing
3. Foreign exchange rate volatility
4. Cyber attacks
5. Loss of a major customer contract
6. New market entrant
7. Winning a major customer contract
8. Sustainability commitments
9. Climate change
10. Failure to meet banking covenants
11. Key person dependency
12. Regulation and governance

	Principal risk	Impact	Mitigation	Change
1	**Macro-economic environment** Likelihood: High	If the current economic climate were to deteriorate as a result of geo-political events or uncertainty, pandemic or other factors this could further impact the UK economy through changes in consumer demand, further supply chain disruption, and continued inflationary pressures	• Continued focus on low-cost, efficient manufacturing to maintain the supply of high quality, value focussed products • Ensure customer service levels are high and respond rapidly to any shortcomings	The outlook for the UK economy has become more negative, impacted by cost inflation and amplified by the ongoing war in Ukraine.
2	**Parent reel and pulp pricing** Likelihood: High	Price fluctuations in raw materials could adversely affect the Groups manufacturing costs. Volatile commodity prices, linked to capacity and inflationary cost pressures, including energy, can create short term challenges to recover costs through customer pricing actions	• Nurture relationships with key suppliers and remain flexible regarding new suppliers. • Remain close to market dynamics on pulp price and capacity. • Increase knowledge of overall capacity in the market to identify new opportunities. • Pass on significant cost changes to customers as quickly as possible	Pulp prices and other commodity costs have increased significantly over the last year, with strong recovery through customer pricing actions. Some settling of prices are starting to become evident but the environment remains fairly volatile. Additional tissue mill capacity has been announced in several geographies and pulp prices have now started to stabilise and reduce.
3	**Foreign exchange rate volatility** Likelihood: High	The Group is exposed to currency exchange rate fluctuations. Most of our parent reel purchases are in US$. Fluctuations in the exchange rates could adversely affect input costs and hence profitability. In the longer term, depreciation of GBP against US$ adds costs to the business.	• Review and adhere to our foreign exchange policy. • Monitor short-term purchasing forecasts to ensure appropriate exposure to risk. • Look for opportunity to source across multiple currencies. • Recognise that a significant adverse weakening of Sterling will impact the entire market with a market price increase most likely required.	Whilst macro conditions have been volatile over the year, the use of forward currency contracts has enabled this risk to be managed.
4	**Cyber attacks** Likelihood: High	The Group, like other companies, is susceptible to cyber-attacks with the threat to the confidentiality and integrity of data within our systems. Disruption in critical IT systems would have a significant adverse impact on production and important business processes.	• Ongoing monitoring of cyber security threats and the development of mitigating controls • Ensure critical business continuity plans and disaster recovery contingencies are in place. • Maintain a clear IT policy to ensure users do not put the operation at risk. • Integrated ERP system is now embedded and enhanced	A more robust IT platform is now in place providing improved information to enable better decision-making. Investments have been made to further strengthen IT security controls to improve our capability to detect, respond and prevent cyber-attacks.

Risk Change Key

Increased Decreased No change New Risk

Managing our risk continued

	Principal risk	Impact	Mitigation	Change
5	**Loss of a major customer contract** Likelihood: Medium	The loss of a major customer and/or being too dependent on a small number of high-value customers could seriously impact the Group's revenue and profitability.	• Understand our customers' business to identify further growth opportunities. • Ensure customer service levels are high and we respond rapidly to any shortcomings. • Encourage customer audit and respond to the feedback. • Maintain diversification across a broad customer base.	Strong relationships have been maintained with top customers, further strengthened by consistent and reliable service provided.
6	**New market entrant** Likelihood: Medium	A new entrant into the market creating extra capacity and competition.	• Ensure that the Group remains cost competitive, listens to customer requirements and delivers best value.	High entry barriers remain but UK market remains attractive
7	**Winning a major customer contract** Likelihood: Medium	The winning of a large contract could absorb all capacity headroom and could lead to supply issues if not managed closely.	• Ensure that we optimise the performance from existing capacity by careful scheduling of production and enhanced training. • Continuously search for low level capital investments to enhance the operation of existing lines. • Add additional machine capacity	Acquisitions, automation, training and investment have all delivered increases in capacity and output over the last few years. We continue to explore opportunities for further investments in to increase capacity as well as efficiency projects which will positively impact the business in FY24.
8	**Sustainability commitments** Likelihood: Medium	We fail to deliver against growing expectations on organisations to play a positive role in society, balancing the needs of our business, our environment, and our people	• Ensuring we meet the growing consumer demand for sustainable products • Continually reviewing our sustainability priorities to ensure they align with the expectations of stakeholders and wider society	The Group has established a clear Environmental, Social and Governance (ESG) framework to ensure progress is monitored and delivered across a variety of measures
9	**Climate Change** Likelihood: Medium	The global impact of climate change in the long term could adversely impact the Group's business through increased legislation, increasing cost of raw materials, or physical disruption from climatic events.	• Focused action to reduce carbon emissions and energy usage across all sites • Ensuring we meet national legislation requirements for disclosing greenhouse gas emissions	As part of its wider ESG framework the Group has established a number of environmental targets and associated measures to track progress

	Principal risk	Impact	Mitigation	Change
10	**Failure to meet banking covenants** Likelihood: Low	The Group is dependent upon its Revolving Credit Facility and Invoice Discounting Facility provided by the bank, without which it would be unable to meet its payment obligations.	• Regular monitoring of profit and cash to ensure actions are taken at the earliest moment to ensure hurdles are cleared. • Regular dialogue with the bank to explain company performance and the risks and opportunities of short to mid-term trading. • Facilities amended and extended to August 2024 providing additional flexibility and headroom.	Additional flexibility and headroom, provided by amended banking facilities, provide the funding to grow the business.
11	**Key person dependency** Likelihood: Low	The Group may not be able to attract, develop and retain suitably qualified employees as required for its business. Loss of key individuals could impact the Company's ability to deliver its strategic goals and, result in declining performance and loss of investor confidence.	The Group uses a variety of techniques to attract, retain and motivate its staff, with particular attention paid to those in key roles to help ensure the long-term success of the Group. These techniques include: • the regular review of remuneration packages, including longer term incentives. • establishment of employee engagement techniques to re-enforce their commitment to the Company; and • an annual performance review process.	New management structure embedded, and employee engagement relaunched.
12	**Regulation and governance** Likelihood: Low	The Group is subject to a growing number of laws and regulations and the cost of compliance or failure to comply may negatively affect the Groups business. Due to the flammable nature of tissue and the dust created during the converting process, the Group is at a greater risk of fire than many other industries. A major fire would lead to production loss and even factory loss. Non-compliance to Data Protection and Health and Safety regulations could result in fines, litigation and reputational damage	• The Board has oversight over the management of regulatory risk and compliance and designates specific responsibilities to senior management who seek external advice where relevant. • The Group has robust operational policies, procedures, risk assessments and contingencies around fire safety regulations. • Update and test the Disaster Recovery Plan annually. • Work with our insurers to understand physical or procedural mitigation strategies to reduce the likelihood or scope of an incident	All plans agreed with risk assessors and insurers as required.

The strategic report, which includes the Chairman's statement, the Chief Executive Officers review, the business model and strategy, the Group financial review and the principal risks and uncertainties, was approved by the Board and signed on its behalf by:

Gareth Jenkins
Chief Executive Officer
25 September 2023

Introduction to Governance

Dear Shareholder

I am pleased to introduce our Corporate Governance Report for the year ended 30 April 2023. This report includes the Board structure, an introduction to the members of the Accrol Board and the Corporate Governance Statement.

The Directors place a significant emphasis on ensuring that Accrol has the appropriate governance structures in place. The Group applies the governance principles of the Quoted Companies Alliance Corporate Governance Code 2018 ("QCA Code"), on the basis that it is the most appropriate governance code for the Group, having regard to its strategy, size and resources.

The Board is committed to upholding the appropriate standards of corporate governance to ensure that there is an effective and efficient approach to managing the Group for the benefit of all shareholders. This year was one of development for the Group in terms of strategy and focus on our key markets.

Daniel Wright
Executive Chair
25 September 2023

The Board

The Board provides leadership to the Group as a whole, as well as ensuring a framework of controls exist which allow for the identification, assessment and management of risk. The Board sets the Group's strategic goals; ensuring obligations to shareholders are met. Matters reserved for the decision of the Board include approval of Group strategy, annual budgets and business plans, acquisitions, disposals, business development, annual reports, interim statements and any significant funding and capital plans. The Board met nine times during the period ended 30 April 2023.

Board meeting attendance

Daniel Wright	(8/9)
Gareth Jenkins	(9/9)
Euan Hamilton	(9/9)
Simon Allport	(9/9)
Richard Newman	(9/9)

The Audit Committee

The Audit Committee has the primary responsibility of monitoring the quality of internal controls to ensure that the financial performance of the Group is properly measured and reported on. It receives and reviews reports from the Group's management and external auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Group. The Audit Committee met three times during the period ended 30 April 2023 and has unrestricted access to the Group's external auditors.

Committee meeting attendance

Simon Allport (Chair), 3 meetings attended

Daniel Wright, 2 meetings attended

Euan Hamilton, 3 meetings attended

Nomination Committee

The Nomination Committee leads the process for board appointments and makes recommendations to the Board. The Nomination Committee shall evaluate the balance of skills, experience, independence and knowledge on the Board and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment. The Nomination Committee meets as and when necessary. The Nomination Committee did not meet during the period.

Remuneration Committee

The Remuneration Committee reviews the performance of the Executive Directors and makes recommendations to the Board on matters relating to their remuneration and terms of service. The Remuneration Committee met three times in the period ended 30 April 2023. In exercising this role, the Directors shall have regard to the recommendations put forward in the QCA Code and, where appropriate, the Remuneration Committee Guide for Small and Mid-Size Quoted Companies published by the QCA and associated guidance.

Committee meeting attendance

Euan Hamilton (Chair), 3 meetings attended

Daniel Wright, 3 meetings attended

Simon Allport 3 meetings attended

Board of Directors

Daniel Wright
Executive Chairman

Date appointed
- Non-Executive Director: 11 December 2017
- Executive Chairman from 4 February 2018

Key strengths
- Financial development
- Portfolio development
- Operating matters
- With over 15 years' experience in PE backed acquisition, 50 transactions, he has a UK wide reputation of delivering exceptional returns
- A dynamic leader who brings great teams together

Previous experience
- NorthEdge Capital, Founder Partner, Chief Operating Officer & Head of Portfolio
- Accrol Group Holdings Limited, prior to IPO – Director
- Deutsche Morgan Grenfell Private Equity

Other commitments
- Uinsure Limited - Director
- SolasCure – Director
- Manchester & London Investment Trust plc - Non-Executive Director
- Youth Zone – Non-Executive Director

Committee

A R N

Gareth Jenkins
Chief Executive Officer

Date appointed
- 11 September 2017

Key strengths
- Extensive strategy, commercial, M&A and operational experience, UK and in Europe
- Retail, FMCG and industrial markets
- An extensive track record of delivering industry leading levels of return in manufacturing and paper based operations
- Significant experience in business turnaround
- Extensive senior leadership experience of business turnaround and delivering industry leading levels of return in cyclical paper businesses
- Personally led over 10 business turnarounds with a history of success over 20 years
- Delivered multi million pound EBITDA improvement in the last six years

Previous experience
- DS Smith plc – 24 years most recently
- Managing Director UK & Ireland packaging division

Chris Welsh
Chief Financial Officer[1]

Date appointed
- 2 May 2023

Key strengths
- Highly ambitious, enthusiastic executive having held senior roles in a large global business
- Proven team leadership
- Significant experience in M&A, and multi-national consolidations
- Widely skilled in technical accounting, audit management – delivering on multi-national and multi-firm audits, and tax
- Financial stakeholder management and communication

Previous experience
- INEOS Enterprises Holdings Limited – Head of Financial Reporting
- INEOS Enterprises Group Limited – Finance Manager of Salt Business
- PwC - qualified as a Chartered Accountant

Committee Key

A Audit Committee
N Nomination Committee
R Remuneration Committee

Member
Chairman

Richard Newman

Chief Financial Officer[2]

Date appointed

- 1 February 2021 – 2 May 2023

Key strengths

- Highly accomplished executive with 30 years' experience in senior finance roles at FTSE 100 and FTSE 250 companies
- Extensive knowledge and breadth of experience in M&A, FX Management and FMCG
- Proven leadership skills
- Commercial and operational experience

Previous experience

- PwC - qualified as a Chartered Accountant
- Cadbury PLC - Finance and IT Director, Ireland, and, latterly, Group Financial Controller
- National Express Group PLC – Divisional Finance Director
- DS Smith PLC - UK Finance Director for Packaging

Euan Hamilton

Independent Non-Executive Director

Date appointed

- 27 August 2018

Key strengths

- Restructuring and business turnarounds
- Leverage finance and private equity
- Investment banking worldwide

Previous experience

- Royal Bank of Scotland Group
- Bank of Cyprus Group
- Cramond Capital Partners Ltd

Other commitments

- Cynergy Bank Ltd – Non-Exec Chairman
- Resolute Asset Management Holdings (Malta) Ltd – Non-Exec Chairman

Committee

A R N

Simon Allport

Independent Non-Executive Director

Date appointed

- 10 October 2018

Key strengths

- Extensive commercial & M&A experience
- Broad strategic experience throughout many industries
- Business transformation

Previous experience

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

Other commitments

- Fitzallan Limited
- The Enterprise Fund Limited
- Etale Limited

Committee

A R N

[1] Appointed to the Board post period.
[2] Stepped down from the Board post period.

Statement of Corporate Compliance

The Directors acknowledge the importance of high standards of corporate governance and have chosen to comply with the principles set out in the Corporate Governance Code for Small and Mid-size Quoted Companies, as issued by the QCA (the QCA Code). A summary of how the Company currently complies with the QCA Code is set out below and is updated at least annually in the manner recommended by the QCA Code. There is also a summary on the Company's website corporate governance page.

The Chair's role is to lead the Board of Directors and to be responsible for ensuring that the Company adheres to and applies the standards of corporate governance. The Board and the committees meet regularly as described above. The executive team are directed to day-to-day management and are accountable to the rest of the Board.

Many of the disclosures relevant to the Code are already made in this Annual Report and Accounts. In the application of this Code, the Board has sought input from the auditors, the Company's advisers, and a review by the Company's lawyer. The Board is tasked with continuing to return the business to profit and seeking a path to long-term growth for shareholders and the importance of corporate governance is to oversee the division of ownership and stewardship. The executive directors have the day-to-day responsibility of stewardship and the Chairman and Non-Executives monitor and evaluate this on behalf of the owners.

The disclosures below were last reviewed and approved by the Board on 25 September 2023

Summary of compliance with the QCA Corporate Governance Code

Principle 1: Establish a strategy and business model which promote long-term value for shareholders

The Company has focused on improving operational efficiency, winning new business and clear pricing to customers. This strategy is shared by the Board and the senior operational team and has been expressed clearly through recent circulars to shareholders , announcements through RNS and is explained fully within the Strategic Report section in our Annual Report and Accounts each financial year.

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

Principle 2: Seek to understand and meet shareholder needs and expectations

The Board is committed to an open and ongoing engagement with its shareholders and it also reviews and discusses changes in the Company's shareholder base at Board meetings. The main methods of communication with shareholders are the Annual Report and Accounts, the interim and full-year results announcements, the Annual General Meeting and the Company's website.

In addition, the Chair and Chief Executive Officer meet regularly with institutional investors and analysts to ensure that objectives and any business developments are clearly communicated, and that they are available to respond to any enquiries following Company announcements, together with other Company advisers. The Non-Executive Directors are also available to discuss any matters that shareholders wish to raise and discuss.

The Company does not have a dedicated investor relations department given its size but has engaged an external investor relations adviser to act as another point of contact for shareholders, details of which are on the Company's website. Questions from individual shareholders are typically referred to the Chair or CEO for written answers.

Principle 3: Take into account wider stakeholder and social responsibilities and their implications for long-term success.

The Board recognises that its long-term success will necessitate the maintenance of effective working relationships across a wide range of stakeholders as well as its shareholders; being primarily its employees, customers and suppliers. The Executive Directors maintain an ongoing and collaborative dialogue with such stakeholders and take all feedback into consideration as part of the decision-making process and day-to-day running of the business. Twice each year, the Company carries out an employee engagement survey. Twice each year, the Company carries out an employee survey. The level of employee engagement currently stands at 83% (2022: 84%) which is testament to the teamwork throughout the organisation. The survey covers all aspects of the business and drives immediate change and improvement at all levels.

The Company takes social engagement very seriously and whilst the nature of the business limits the risk of it having a negative impact on society and the environment, it is well understood that the behaviour of the Company and its employees should always be carefully monitored.

Communication with our customers is fundamental to our success. The Company engages in continuous communication with them to understand their needs, share our plans, and nurture the collaborative partnership. The Company has key account managers for its customers. Similarly, strong relationships with our key suppliers of materials and third-party services are maintained through regular reviews and site visits.

Further details of the Company's ESG strategy can be found on page 22 of this Annual Report.

Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation.

Risk management is reported in this Annual Report and Accounts (pages 34 to 37) along with how those risks are mitigated and how they change over time. The Board met nine times during the year during which business and other risks were assessed. The Board will meet at least six times in the coming year. There are further formal and informal communication routes that allow for risks to be communicated to Board members in a timely manner from all areas of the business.

Principle 5: Maintain the Board as a well-functioning, balanced team led by the Chair.

The Board comprises five Directors: The Executive Chairman, two Non-Executive Directors and two Executive Directors. The CEO is the longest-serving Executive Director, having been appointed in September 2017. Chris Welsh has been appointed to succeed Richard Newman as Chief Financial Officer as part of the Board's succession planning. Both Non-Executive Directors, Simon Allport and Euan Hamilton, are considered by the Board to be independent. Over the period the Board has met as frequently as governance required but now meets regularly with processes in place to ensure that each Director is always provided with such information as is necessary to discharge their duties.

The Board is also supported by the Committees (Audit, Remuneration and Nomination) each with specific remits. The details of the number of meetings and attendance by Directors is noted in the most recent Annual Report on page 39.

The Non-Executive Directors were selected with the objective of increasing the breadth of skills and experience of the Board and to bring independent judgement to the Board. The Company believes that the makeup of the Board represents a suitable balance of independence and detailed knowledge of the business to ensure that it can fulfil its roles and responsibilities as effectively as possible. Please see page 40 of this Annual Report and the website for the profiles of the Non-Executive Directors.

In accordance with the Company's articles of association, Chris Welsh, newly appointed member of the Board and CFO will be subject to re-election at this year's Annual General Meeting.

Principle 6: Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities.

The Board evaluates consistently those skills that are required and whether they are adequately provided for across the Board and executive team. In doing so, and where relevant, it will consider guidance available on appointment and training of Board members. The Company Secretary has the responsibility to make the Board aware of legal changes and will advise on the Company's approach. Where vacancies arise or gaps are identified that must be addressed, the Nomination Committee receives recommendations from the Chief Executive Officer and appraises the candidates. Appointments are made on merit against objective criteria and considering the benefits that will be brought to the Board and the Company.

The Board has access to external advice, including the Company's solicitors where required. The Board receives ongoing training as part of its annual board meeting cycle.

Principle 7: Evaluate Board performance based on clear and relevant objectives seeing continuous improvement.

The Chair is responsible for ensuring an effective Board. He regularly reviews the operations of the Board to ensure that the members of the Board are committed, independent and provide a relevant and effective contribution.

The Company is not required to undertake a formal independent evaluation however, the Board will consider undertaking a formal evaluation in the next financial year.

Principle 8: Promote a corporate culture that is based on ethical values and behaviours.

The Board places significant importance on the promotion of ethical values and good behaviour within the Company and takes ultimate responsibility for ensuring these are promoted and maintained throughout the organisation and that they guide the Company's business objectives and strategy. The Company has documented procedures with respect to its responsibilities regarding ethical behaviour, specifically bribery and corrupt practices and modern slavery and these are applicable across its operations including the supply chain and customer chain.

The Company communicates regularly with its employees, both formally and informally, this includes an employee engagement assessment (see page 29 of this Annual Report and Accounts) which helps to monitor the impact of its people-related processes.

The questions in the employee engagement assessment focused on a range of areas, including happiness at, and enjoyment with, work, expected standards and personal development.

The Company is an equal opportunities employer and highly values its people. It is committed to delivering products with as little environmental impact as possible.

Promotion of the right ethical values and behaviours is built into the remuneration plans of the Board.

Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision making by the Board

The Chair leads the Board and is responsible for its governance structures, performance and effectiveness. The Chair is also responsible for ensuring the links between the Board and the shareholders are strong and efficient. The Chief Executive Officer, Chief Operating Officer and Chief Financial Officer are responsible for the day-to-day management of the business and for implementing the strategic goals agreed by the Board.

The Board has also established an Audit Committee, Remuneration Committee and Nomination Committee. From time to time, separate committees may be set up by the Board in order to consider and address specific issues, when and if the need arises.

Corporate governance disclosures are assessed at least annually, including whether the structures and processes are fit for purpose.

Principle 10: Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Company places a strong emphasis on the standards of good corporate governance and maintaining an effective engagement with its shareholders and key stakeholders, which it considers to be integral to longer-term growth and success.

Details of how the company engages with its various stakeholders can be found in Section 172 Statement in this 2023 Annual Report (see page 32 of this report).

The Company's reports and presentations and notices of Annual General Meetings are made available on the website, as are the results of voting at shareholder meetings.

AIM Rules Compliance Report

Accrol Group Holdings plc is quoted on AIM and as a result the Company has complied with AIM Rule 31 which requires the following:

- Have in place sufficient procedures, resources and controls to enable its compliance with the AIM Rules;
- Seek advice from its Nominated Advisor ("Nomad") regarding its compliance with the Rules whenever appropriate and take that advice into account;
- Provide the Company's Nomad with any information it reasonably requests in order for the Nomad to carry out its responsibilities under the AIM Rules for Nominated Advisors, including any proposed changes to the Board and Provision of draft notifications in advance;
- Ensure that each of the Company's Directors accepts full responsibility, collectively and individually, for compliance with the AIM rules; and
- Ensure that each Director discloses without delay all information which the Company needs in order to comply with AIM Rule 17 (Disclosure of Miscellaneous Information) insofar as that information is known to the Director or could with reasonable diligence be ascertained by the Director.

Richard Almond
Company Secretary

Audit Committee Report

Dear Shareholder,

I am pleased to present the Audit Committee Report for the year ended 30 April 2023, describing our work during the past year.

Composition and experience of the Audit Committee

The Audit Committee consists of two Non-executive Directors, including myself as chair, and the Executive Chairman. All three have considerable industry experience in senior financial and operational roles and all are therefore regarded as having recent and relevant experience.

The Audit Committee met on three occasions during the year.

Responsibilities of the Audit Committee

The terms of reference of the Committee are available on the Company's website. In accordance with these, the Committee has primary responsibility, for:

- Reviewing the effectiveness of the Group's internal controls, including review of the scope and adequacy of the Company's processes and controls in respect of Whistleblowing and Anti-Bribery.
- Monitoring the integrity of the Group's financial statements and the external announcements of the Group's results.
- Advising on the clarity of disclosures and information contained in the Annual Report and Accounts and giving an opinion to the Board on whether the Annual Report and Accounts are fair, balanced, and understandable.
- Ensuring consistency in application of and compliance with applicable accounting standards
- Overseeing the relationship with the external auditors including, recommending approval of their appointment, and approving their remuneration, reviewing their reports and ensuring their independence is maintained.

The Audit Committee will report to the Board on all these matters.

Significant matters considered in relation to the financial statements

At the request of the Board, the Audit Committee considered whether the 2023 Annual Report and Accounts were fair, balanced, and understandable and whether they provided the necessary information for Shareholders to assess the Group's performance, business model and strategy. The Committee were satisfied that, taken as a whole, the 2023 Annual Report and Accounts are fair, balanced, and understandable.

The Audit Committee assess whether suitable accounting policies have been adopted and whether appropriate estimates and judgements have been made by management. The Committee also reviews accounting papers prepared by management, and reviews reports by the external auditors. The specific areas reviewed by the Committee during the year were:

- Revenue recognition
- Management override of controls
- Separately disclosed items
- Going concern review
- Goodwill impairment review

External audit

The Audit Committee has responsibility for the recommendation for re-appointment and deciding the remuneration of the Group's external auditors and satisfying itself that they maintain their independence regardless of any non-audit work performed by them. The Group has been monitoring the impact of the FRC Revised Ethical Standard 2019 governing the performance of non-audit work by the auditors regarding the provision of such services and where required, changes to ensure compliance with the recommendations have been implemented. The total fees payable to the external auditors in respect of the year under review amount to £215,000 (2022: £185,000) of which £8,000 (2022: £8,000) related to non-audit services.

One of the principal duties of the Audit Committee is to make recommendations to the Board in relation to the appointment of the external auditors. BDO have been the Company's external auditors for four years and in line with best practice guidance as a listed plc are required to rotate the Senior Statutory Auditor (engagement partner) responsible for the Group and subsidiary audits every five years. It is our intention to comply with this.

The respective responsibilities of the Directors and external auditors in connection with the Group financial statements are explained in the Statement of Directors' Responsibilities on page 53 and the Auditors' Reports on pages 54 to 60.

Review of external auditors' effectiveness

The Committee reviewed the external auditors' performance and independence, by considering the qualifications, expertise and resources of BDO and its objectivity on an ongoing basis throughout the year. This was done by considering the following:

- The views of the Executive Directors
- Consideration of responses from BDO to questions from the Committee
- The audit findings reported to the Committee, including BDO's report on internal quality procedures
- The relationship with BDO, including the provision of any non-audit services, to confirm there are no relationships between the auditors and the Company other than in the ordinary course of business which could adversely affect independence and objectivity

Based on this information the Committee is satisfied that the external audit process has operated effectively, and BDO continued to bring independence and prove effective in its role as external auditors.

Internal control and risk management

The Audit Committee supports the Board in reviewing the Group's risk management methodology and the effectiveness of internal control. Regular internal control updates are provided to the Audit Committee, which include reviewing and updating the risk register and assessing the mitigating actions in place and updates to action plans agreed in previous meetings. No significant issues were identified.

Internal audit

The Group does not currently have a formal internal audit function but targeted reviews and visits to operations are performed by senior members of the Finance team which comprises wholly of qualified accountants. The team is responsible for reviewing and reporting on the effectiveness of internal controls and risk management systems. This approach is considered appropriate and proportionate for the size of the Group's operations and does not affect the work of the external auditors.

Modern Slavery Act

We are committed to implementing and enforcing systems and controls to ensure there is no modern slavery or human trafficking taking place within our businesses or supply chains. Adherence to these principles is addressed through staff induction, ongoing training and communications to address the importance of a zero-tolerance attitude. Suppliers are required to comply with our code of conduct on these matters with compliance enforced through robust vendor audits, supplier visits and ongoing training.

Whistleblowing

The Group culture is committed to honesty, openness, integrity and accountability and considers it fundamental that any concerns our employees have about the Company can be raised without fear of recrimination or victimisation. In support of this, the Group has in place a whistleblowing policy which encourages employees to report any areas of concern that they may have in respect of conduct within the organisation that could fall below these expected standards.

Any matters raised through the whistleblowing process are reported to the Chief Executive Officer. Where a matter is raised, a proportionate investigation is undertaken by independent management with support and guidance from the Committee as necessary. The Group is pleased to report that no incidents have been reported during the year.

Anti-Bribery and Corruption

The Group's commitment to act professionally, fairly and with integrity at all times is reflected in our zero-tolerance approach to all forms of bribery, corruption, fraud and theft. It has in place appropriate Board approved policies and procedures designed to ensure adherence to the principles of the Bribery Act 2010 and to take account of "Business Principles for Countering Bribery" published by Transparency International, these also cover corporate hospitality and gifts, and appropriate business ethics. Compliance with these policies is confirmed annually by the Group's management teams.

Simon Allport
Chairman of the Audit Committee
25 September 2023

Statement from the Chairman of the Remuneration Committee

I am pleased to introduce the Directors' Remuneration Report for Accrol Group Holdings plc for the year ended 30 April 2023. This report includes my statement, the Annual Report on remuneration for the year and sets out our Directors' remuneration policy.

Our Directors' remuneration policy

In the reported financial year, the remuneration policy has not altered from that described in our previous Annual Report, which followed a forward-looking and thorough review of the underlying policy and remuneration structures of companies in the competitive marketplace in which we operate. We considered the approach necessary to attract and retain individuals with the relevant experience and skills to help drive future value creation and the achievement of our strategic goals and objectives.

The policy is set out in the following pages, with a summary of key principles provided below:

- fixed levels of remuneration will be set at an appropriate level for each individual and, in doing so, the Remuneration Committee will consider the levels of fixed remuneration for similar positions with comparable status, responsibility and skills. This will ensure Accrol can attract and retain the individuals needed to build and grow the Company; and
- recognising our growth aspirations and the need to deliver ongoing returns for shareholders, the Executive Directors are eligible to participate in market competitive incentive arrangements. They will have the opportunity to receive appropriate levels of remuneration based on achievement of quantitative and qualitative objectives and measures as relevant for their role.

Business context and Remuneration Committee decisions on remuneration

The following factors have been identified as key areas of focus for improving the Group's performance going forward:

- organic growth through discounters and grocery multiples;
- increasing market share;
- recovery of significant input cost increases;
- introduction of new products; and
- operational improvements and capacity utilisation.

It is intended that our remuneration policy reflects, and is aligned to, the Company's long-term strategy and facilitates the achievement of the objectives set out above.

The remainder of this report is split out into the following two sections:

- Annual Report on remuneration providing details of the payments made to Directors in the year ending 30 April 2023, (page 47); and
- Directors' remuneration policy setting out the Company's remuneration policy (pages 47 to 49).

Euan Hamilton
Chairman of the Remuneration Committee
25 September 2023

Directors' report on remuneration

Remuneration Committee

Euan Hamilton (chair)

Daniel Wright

Simon Allport

The Remuneration Committee has responsibility for setting the remuneration policy for all Executive Directors and the Chairman of the Board, including pension rights and any compensation payments. This includes reviewing the performance of the Executive Directors and determining the terms and conditions of their service, appropriate remuneration and the grant of any share options, having due regard to the interests of shareholders. Where the Executive Chairman's remuneration is reviewed, he will not be present for these considerations.

In setting the remuneration policy, the Remuneration Committee considers the objective to attract, retain and motivate Executive management of the quality required to run the Company successfully without paying more than is necessary. The remuneration policy also has regard to the risk appetite of the Company and alignment to the Company's long-term strategic goals.

The Remuneration Committee also recognises that a significant proportion of remuneration should be structured to link rewards to corporate and individual performance and designed to promote the long-term success of the Company.

The Remuneration Committee meets at least once a year and otherwise as required. In the current financial year, the Remuneration Committee has met three times.

Directors' remuneration

The tables below set out the total remuneration for Executive and Non-Executive Directors for the financial years ending 30 April 2023 and 30 April 2022.

Executive Directors

	Salaries[1] £	Benefits in kind[2] £	Pension[3] £	Bonus[4] £	Total remuneration 2023 £	Total remuneration 2022 £
Gareth Jenkins	393,975	16,641	53,247	472,770	**936,633**	600,787
Daniel Wright	157,590	-	-	189,108	**346,698**	217,010
Richard Newman[1]	283,662	12,571	21,275	-	**317,508**	389,830

1 Richard Newman resigned from the Board on 30th April 2023. Christopher Welsh was appointed to the Board in the role of Chief Financial Officer from 1st May 2023

Non-Executive Directors

	Total fees 2023 £	Total fees 2022 £
Euan Hamilton	**51,583**	50,000
Simon Allport	**51,583**	50,000

1 Full base salary paid during the relevant financial year.
2 Benefits consist of the provision of a company car (or cash equivalent) and private healthcare.
3 The pension figure represents the value of the Company's contribution to the individual's pension scheme and/or the cash value of payments in lieu of pension contribution.
4 The annual bonus is the cash value of the bonus in respect of the year ended 30 April 2023.

Remuneration policy

The Remuneration Committee will periodically review the policy to confirm the remuneration framework continues to align with the strategy and objectives of the business. During the year the committee received advice from an independent external consulting firm concerning market-facing reward packages for executive directors and senior management.

In developing the policy, the Remuneration Committee has considered the best interests of the business and the agreed terms and conditions of employment for each Director of the Company. The overall remuneration philosophy aims to:

- recognise the importance of ensuring that employees of the Group are effectively and appropriately incentivised;
- operate a remuneration policy that is a mix of fixed and variable pay. Variable pay is both short-term and long-term;
- align Directors' interests with those of the Company;
- have a pay-for-performance approach; and
- provide a market competitive level of remuneration to enable the Company to attract and retain high-performing individuals, to support the ongoing success of the Company.

Directors' report on remuneration continued

As part of this, an annual bonus plan has been in place since April 2016. The Company has also adopted and subsequently refined a Management Incentive Plan ("MIP"), and a long-term incentive plan ("LTIP") to align the interests of Senior Management (including Chairman, CEO, CFO, COO, Managing Director) with those of the shareholders. The MIP scheme is now closed.

The LTIP was approved on 5 March 2021 based on market standard annual awards and is designed to incentivise the senior management team after the MIP ceased in April 2021. Awards have been made under this scheme in FY21, FY22 and FY23.

The Company has also introduced an employee share plan for the broader employee base that was launched in May 2021.

LTIP Awards FY23

Movement in the share options granted under the LTIP are as follows:

	Exercise price (p)	Options at 30 April 2022	Options awarded in the period	Options exercised	Options lapsed	Options at 30 April 2023
Daniel Wright	0.1	1,560,294	-	-	(362,903)	**1,197,391**
Gareth Jenkins	0.1	3,401,823	-	-	(907,258)	**2,494,565**
Richard Newman	0.1	1,895,957	-	-	(1,895,957)	**-**
Senior managers	0.1	4,260,929	-	-	(1,699,398)	**2,561,531**
Total		11,119,003	-	-	(4,865,516)	**6,253,487**

Remuneration policy summary – Executive Directors

Purpose and link to strategy	Operation
Base salary	
To reflect market value of the role and individual's performance and contribution and enable the Group to recruit and retain Directors of sufficient calibre required to support achievement of both short and long-term value creation.	The salary of each Executive Director will be reviewed annually by the Remuneration Committee without any obligation to increase such salary. Base salaries are benchmarked against the AIM companies of a comparable size with a targeted approach of median positioning against the market, subject to satisfactory performance. There may be reviews and changes to base salary during the year if considered appropriate by the Remuneration Committee. The Remuneration Committee will take account of relevant comparator Group data as well as pay increases awarded to other groups of employees within the Group.
Benefits	
To attract and retain the right individuals and level of talent required to support achievement of both short and long-term value creation.	Benefits include but may not be limited to private medical insurance, cash car allowance and life assurance cover. Other benefits may be provided to the Directors if considered appropriate by the Remuneration Committee.
Pension	
To attract and retain the right individuals and level of talent required to support achievement of both short and long-term value creation.	An annual pension allowance up to 12.5% of base salary, which is paid either into a pension scheme operated by the Group or a personal pension held by the individual, with the balance paid as an additional cash payment through payroll. Consideration of the new rules applying to pensions, considering the individual lifetime and annual allowances, is made when determining the most appropriate mix of pension and cash contributions for each individual on an annual basis.
Annual Bonus Plan	
To incentivise delivery of the Group's annual financial and strategic goals	The annual bonus payment will depend on the level of performance delivered against specific targets, with a threshold level being set below which no bonus will be paid. The maximum bonus available is 120% of base salary per annum. Bonus awards can be reduced by up to 40% for failure to achieve financial objectives and personal performance targets. The Remuneration Committee will review the bonus plan each year and may amend the terms of the plan to ensure it remains fit for purpose.

Purpose and link to strategy	Operation
Long Term Incentive Plan ("LTIP")	
To incentivise the delivery of key performance measures over the long term. To retain key Executives and ultimately increase their share ownership in the Company, thus aligning their interests with those of shareholders.	The LTIP is a share option plan designed to attract and engage the right calibre of individuals beyond the initial turnaround period of the Company. The LTIP is structured as a five-year plan. The LTIP currently comprises three awards (the "Awards") based on the Company's EBITDA performance in FY23, FY24 and FY25 ("the Performance Periods"). The Awards will have a nominal value exercise price. The vesting criterion of each Award is based on the achievement of adjusted EBITDA targets for FY23, FY24 and FY25 (the "EBITDA Targets") (as relevant) and the Company not being in any material breach of any of its banking covenants. Following the Remuneration Committee's determination as to whether the relevant EBITDA Target has been met, and provided the banking covenants are not materially breached, the Awards vest, (subject to lock-in arrangements). Upon a takeover, depending on the price per ordinary share at which a takeover offer is accepted, a proportion of the Award will immediately vest on the occurrence of the takeover. Any Awards not vesting on a takeover will generally lapse six months following this event.

Termination of employment

Each Executive Director has a service agreement which may be terminated by either party serving twelve months' written notice. However, payment of remuneration during the notice period will be made monthly and terminated at the discretion of the Company should the individual take up alternative employment.

Payment of the annual bonus plan is conditional upon notice to terminate the employment not having been served by either party for any reason on or prior to the relevant bonus payment date.

During the LTIP vesting period, if a participant ceases to be a Director or employee of a member of the Group other than in certain 'Good Leaver' circumstances, their unvested Awards shall cease to become exercisable on the date of cessation of employment and lapse in full 30 days following this date.

A Good Leaver is someone who ceases employment because of death, ill health, injury or disability evidenced to the satisfaction of the Remuneration Committee; retirement at the normal retirement age in accordance with the Group's internal policies; or any other reason the Remuneration Committee permits.

Remuneration policy – Non-Executive Directors

Purpose and link to strategy	Operation
Non-Executive Directors' fees	
To attract and retain the right individuals required to support the achievement of both short and long-term value creation.	Fees for Non-Executive Directors are based on market practice and are reviewed by the Board each year. All Non-Executive Directors receive a basic fee each year with an additional fee provided for each Committee chairmanship and membership. The maximum aggregate amount of fees that the Company may pay to all the Directors who do not hold Executive office for their services as such is £120,000 per annum, or such larger amount as the Company may by ordinary resolution decide. These fees are to be divided among the Directors as the Board decides or, if no decision is made, equally.

Euan Hamilton
Chairman of the Remuneration Committee
25 September 2023

Directors' Report

The Directors present their report together with the audited consolidated financial statements, along with the auditors' report for the year ended 30 April 2023.

Principal activities

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

Business review and future developments

The Strategic Report on pages 1 to 37, including the Chairman's Statement, Chief Executive Officer's Review and Finance Review, report on the performance of the Group for the year ended 30 April 2023 and the likely future developments, which forms part of this report by reference.

The Board

The Directors who served during the year under review and up to the date of approving the Annual Report and Financial Statements were:

Daniel Wright

Gareth Jenkins

Richard Newman (resigned 2nd May 2023)

Euan Hamilton

Simon Allport

Christopher Welsh (appointed 2nd May 2023)

Details of the Directors' remuneration are shown in the report of the Remuneration Committee on pages 47 to 49. Details of the Directors' interests in the share capital of the Company are set out below. The roles and biographies of the Directors are set out on pages 40 to 41.

Directors' indemnity and insurance

The Company has granted a third-party indemnity to each of its Directors against any liability that attaches to them in defending proceedings brought against them, to the extent permitted by English law. This third-party indemnity was in place during the financial year and at the date of approval of the financial statements. In addition, Directors and officers of the Company and its subsidiaries are covered by Directors' and Officers' liability insurance.

Dividends

In respect of the year ended 30 April 2023, the Directors did not pay an interim dividend (2022: £nil) and have not recommended a final dividend (2022: £nil). The Board currently considers that the short-term outlook remains too uncertain to commit to a dividend payment. However, recognising the importance of dividends to all shareholders, the Board will actively consider the resumption of a dividend payment when there is greater clarity over the outlook.

Financial instruments

Details of the Group's financial risk management objectives and policies are disclosed in page 82 to the financial statements.

Environmental Reporting

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

Emissions data

The Group has called on the expertise and support of an energy specialist to guide them to compliance. This has involved a detailed understanding of the Accrol business and the extensive gathering and analysis of energy and transport data to produce a set of auditable reports.

Standard conversion rates used in this report were obtained from the UK Government. The energy data used in this report relates to invoiced consumption against specific meter points for the specified period and has been qualified by the suppliers of the invoices. Transport and supplementary fuel data was provided directly by the Company, together with the selected intensity ratio metric and the supporting intensity ratio data.

Emissions Key Performance Indicators (KPI's) and details on Energy Efficiency Measures can be found in the ESG section on page 25.

Corporate governance

A report on Corporate Governance and compliance with the QCA Corporate Governance Code is set out on pages 42 to 43, and forms part of this report by reference.

Health and safety

The Group is committed to providing a safe working environment for all employees. Group policies are reviewed regularly to ensure that policies relating to training, risk assessment and accident management are appropriate. Health and safety issues are reported at all Operations and Board meetings.

Charitable and political donations

Charitable donations of £26,991 (2022: £23,655) were made during the year. There were no political donations during the year.

Research and Development

Research and development activities remain a priority for the Group. Further to the Group's stated strategy to expand into higher margin, third party licensed brands, the Group entered into an agreement with one of the world's largest consumer goods companies, to develop, produce and sell a kitchen towel product under a major brand.

During the year, the Group continued to further develop its own branded product range including 'Softy', 'Elegance', 'Magnum' and 'Little Heroes', all of which have now been released to the market and are gaining traction.

Post Balance Sheet events

Subsequent to the balance sheet date, in August 2023, the Group amended and extended its existing banking arrangements providing additional facilities to support its growth. These new facilities provide increased headroom in both the scale, tenure and liquidity of the facilities and an easing in the headline associated banking covenants. This refinancing resulted in the Group extending its £17.0m revolving credit facility to £24.0m which now expires in February 2025.

Employee involvement and policy regarding disabled persons

The Company operates an equal opportunities policy that aims to treat individuals fairly and not to discriminate on the basis of sex, race, ethnic origin, disability or on any other basis. The Company's policy and procedures are designed to provide for full and fair consideration and selection of disabled applicants, to ensure they are properly trained to perform safely and effectively and to provide career opportunities that allow them to fulfil their potential. Where a member of staff becomes disabled in the course of their employment the Company will actively seek to retain them wherever possible by adjusting their work content and environment or by retraining them to undertake new roles.

Further information can be found in the Section 172 statement on page 32.

The Group provides staff with information on the Group's performance and on matters concerning them on a regular basis. Considerable value is placed on the involvement of its staff; regular, open, fair and respectful communication; zero tolerance for human rights violations; fair remuneration and, above all, a safe working environment.

Fostering relationships with key stakeholders

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

Please see page 32 of the strategic report the Section 172 statement.

Authority to allot shares

Powers related to the issue and buy-back of the Company's shares are included in the Company's Articles of Association and such authorities are reviewed annually by shareholders at the Annual General Meeting.

Directors' interests

The interests in the shares of the Company of those Directors serving at 18 August 2023 and as at the date of approving of these financial statements, all of which are beneficial, in the share capital of the Company were as follows:

	Ordinary shares	% of issued share capital
Daniel Wright	12,608,422	3.95%
Gareth Jenkins	4,515,808	1.41%
Christopher Welsh	-	-
Euan Hamilton	-	-
Simon Allport	-	-

Directors' Report continued

Substantial shareholders

In addition, as at 18 August 2023 the Company was aware of the following individual registered shareholdings of more than 3% of the Company's issued share capital, representing 61% of the issued share capital of the Company.

Investor	Number of shares	Percentage (%)
Lombard Odier Asset Management	54,067,537	16.96
Premier Miton Investors	34,358,784	10.77
Schroder Investment Management	32,153,602	10.08
NorthEdge Capital	27,487,377	8.62
Killik Asset Management	12,778,994	4.01
Jash Sharp & Co	11,711,601	3.67
Hargreaves Lansdown Asset Management	10,862,131,	3.41
Momentum Global Investment Management	10,007,316	3.14

Going concern

Details are disclosed in note 2 to the financial statements.

Disclosure of information to the auditors

Each of the persons who is a Director at the date of approval of this Annual Report confirms that:

(a) So far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware.

(b) Each of the Directors has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

BDO LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Annual General Meeting

Your attention is drawn to the Notice of Annual General Meeting accompanying this Annual Report which sets out the resolutions to be proposed at the forthcoming Annual General Meeting. The meeting will be held at Delta Building, Roman Road, Blackburn BB1 2LD at 11:00am on 24 October 2023.

On behalf of the Board of Directors

Gareth Jenkins
Chief Executive Officer
25 September 2023

Director’s Statement of responsibility

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements in accordance with UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, subject to any material departures disclosed and explained in the financial statements; 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 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 requirements of the Companies Act 2006. They 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 ensuring the Annual Report and the financial statements are made available on a website. Financial statements are published on the Company’s website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company’s website is the responsibility of the Directors. The Directors’ responsibility also extends to the ongoing integrity of the financial statements contained therein.

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company’s position and performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 25 September 2023 and is signed on its behalf by:

Dan Wright
Executive Chair
25 September 2023

Independent auditor's report to the members of Accrol Group Holdings Plc

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's financial position as at 30 April 2023 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Accrol Group Holdings plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 30 April 2023 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Cashflow Statement, the Company Statement of Financial Position, the Company Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Independence

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

We obtained the Directors' assessment that supports the Board's conclusions with respect to going concern and performed the following:

- We challenged the rationale for the assumptions utilised in the forecasts, using our knowledge of the business and the sector and wider commentary available from stock market analysts;
- We considered the appropriateness of the Directors' forecasts by testing their mathematical accuracy, assessing historical forecasting accuracy and understanding the Directors' consideration of downside sensitivity analysis and reverse stress testing;
- We also obtained an understanding of the financing facilities from the financing agreements, including the nature of facilities, covenants and attached conditions and assessed the facility and covenant headroom calculations;

Conclusions relating to going concern (continued)

- We re-performed sensitivities on the Directors' base case and stressed case scenarios including the impact on covenants. We considered the likelihood of these occurring and understood and challenged the mitigating actions the Directors' could take under these scenarios;
- We assessed the going concern disclosures against the requirements of the accounting standards and assessed the consistency of the disclosures with the Directors' forecasts.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

		2023	2022
Coverage	Group loss before tax	98%	94%
	Group revenue	98%	97%
	Group total assets	98%	97%

		2023	2022
Key audit matters	Revenue	Yes	No
	Going Concern	No	Yes
	Classification of separately disclosable items	No	Yes
	Going concern is no longer considered to be a key audit matter. This is because the Group's growth forecast, cash flow projections due to increase in secured sale price and cost of reduction in the raw material price and liquidity profile on account of refinancing have been improved from prior year. Separately disclosable items are subject to audit verification however is no longer considered to be a key audit matter as the overall amount for the current year is below the group's financial statements materiality as a whole.		

Materiality	*Group financial statements as a whole* £1,210,000 (2022: £760,000) based on 0.5% of revenue (2022: 0.5% of revenue).

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's systems of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the nine (2022: nine) entities of the Group, we determined that three (2022: two) components including the Parent Company represented the principal business units within the Group and these were identified as significant components.

Independent auditor's report to the members of Accrol Group Holdings Plc continued

An overview of the scope of our audit (continued)

The audit of all significant components was performed by the Group audit team. For these three significant components, we performed a full scope audit of the complete financial information. For the remaining components, the Group audit team have performed specified audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the Group financial statements, either because of the size of these accounts or their risk profile. The Group audit team also performed analytical review procedures on all non-significant components.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key audit matter		How the scope of our audit addressed the key audit matter
Revenue recognition Revenue recognition Refer to Note 2 – Revenue recognition accounting policy, note 2 Revenue, and note 17 Trade receivables, in relation to unpaid revenue at year end.	The Group has had significant increase in revenue from the prior year (Increase of 51.7%) driven from increase in the sale prices and volume of goods sold. The amounts reported in relation to revenue represent information of significant interest to the users of the financial statements. This puts revenue at a greater risk of manipulation, bias and misstatement. Having regard to the potential for fraud in relation to revenue recognition, we identified the following as areas of significant risk of material misstatement. This also led to our assessment of this being a Key Audit Matter. We consider the potential fraud risk in relation to revenue recognition to arise from inaccurate cut-off around the year end. In addition to the cut off risk, we also consider the fraud risk over recording of fictitious sale invoices, during the year which remained unpaid at year end.	We performed detailed cut off testing with reference to the dispatch of goods in the ten days prior to and post year end. In each case we obtained confirmation of delivery of goods as per the delivery terms agreed with the customer to ensure that control has transferred and confirmed, for those items sampled, that it was appropriate to recognise the revenue in the year in accordance with the Group's revenue recognition accounting policy and applicable accounting standard. For the revenue that remained unpaid at year end, we have verified the existence by checking the post year end receipts received from the customer and proof of deliveries on a sample basis. We performed Data Analytics testing, where a three-way match was performed to verify each transaction from initiation and existence of sales order to despatch note through to the issuance of invoice to the customer for the whole year. This also includes the testing of quantity and price variances for each document. In order to support the Data Analytics testing approach, we performed tests to check the completeness and accuracy of the underlying data that has been used in our testing. This included the testing on the inputs of the sales order listings, despatch notes listing, and invoices issued to customers and on a sample basis by verifying the inputs of the listings to source documents. We have also reviewed credit notes issued after the year end and compared these to the provisions for discounts allowed, returned goods, and volume rebates to ensure these are in line with IFRS 15. We reviewed manual journals posted to revenue which were either non-routine by nature or not in line with the ordinary course of business of the Group. **Key Observations:** Based on the procedures performed, we found management's revenue recognition policy to be in line with the requirements of applicable accounting standards and the recognition of revenue in the year to be appropriate.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2023	2022	2023	2022
Materiality	£1,210,000	£760,000	£1,089,000	£680,000
Basis for determining materiality	0.5% of revenue	0.5% of revenue	90% of Group materiality.	90% of Group materiality.
Rationale for the benchmark applied	Revenue is a stable measure reflecting the operational growth of the business and is not impacted by operational costs which vary year on year as the Group is nearing the completion of its turnaround strategies but is still loss making. This is considered to be the measure of most interest to the users of the financial statements as the turnaround comes to an end.		The materiality for the Parent company has been limited to 90% of Group materiality.	
Performance materiality	£786,000	£494,000	£707,000	£442,000
Basis for determining performance materiality	65% of materiality This percentage was set after the consideration of prior year unadjusted misstatements, number of accounts that include amounts with estimates and judgements involved and our assessment of the control environment.		65% of materiality This percentage was set after the consideration of prior year unadjusted misstatements, number of accounts that includes amounts with estimates and judgements involved and our assessment of the control environment.	

Component materiality

We set materiality for the two significant components of the Group other than the Parent Company is in the range of 50% to 90% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. We applied a component materiality of £605,000 and £1,089,000. (2022: Component materiality was set at levels applicable to each individual entity, which was lower than Group materiality, and ranged from £121,000 to £605,000). In the audit of each component, we further applied performance materiality levels of 65% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £36,000 (2022: £22,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Independent auditor's report to the members of Accrol Group Holdings Plc continued

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report & Accounts 2023 other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

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 the Directors' report for the financial year for • which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Parent Company financial statements are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit

Responsibilities of Directors

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

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

Auditor’s responsibilities for the audit of the financial statements

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

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on:

- Our understanding and accumulated knowledge of the Group and Parent Company and the industry in which it operates;
- Discussion with management and those charged with governance including members of the Audit Committee; and
- Obtaining and understanding of the Group’s policies and procedures regarding compliance with laws and regulations.

We considered the significant laws and regulations to be UK adopted international accounting standards, United Kingdom Generally Accepted Accounting Practice, the UK Companies Act 2006 and the AIM Rules; and industry related regulations.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be health and safety legislation, employment law and taxation legislation.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Involvement of tax specialists in the audit; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statements to material misstatement as a result of fraud and believed that the areas in which fraud might occur were in the inappropriate posting of journal entries, management bias in estimates, unpaid revenue invoices at year end and in the recording of revenue in the incorrect period.

We assessed the susceptibility of the financial statements to material misstatement, including fraud.

Our risk assessment procedures included:

- Enquiry with management and those charged with governance including the members of the Audit Committee regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group’s policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements

Independent auditor's report to the members of Accrol Group Holdings Plc continued

Auditor's responsibilities for the audit of the financial statements (continued)

- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the areas most susceptible to fraud to be inappropriate posting of journal entries, management bias in estimates, unpaid revenue invoices at year end and in the recording of revenue in the incorrect period.

Our procedures in respect of the above included, but were not limited to:

- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations.
- Agreeing the financial statement disclosures to underlying supporting documentation;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the incremental borrowing rate for the right of use assets under IFRS 16, cashflow forecasts and the discount rate used in the goodwill impairment assessment as well as the stock provision, in determination of capitalising the development costs, and recoverability of deferred tax assets;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations, manual journals posted to revenue and cash which are unusual in nature, journals posted by specific users and journals posted including specific keywords;
- Testing a sample of revenue transactions within a specified period of pre and post year end to determine if
- they have been recorded in the correct period;
- Testing sample of unpaid revenue transaction to determine if the invoices are paid post year end or credit
- notes issued have been correctly accounted for;
- Communicating relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit;
- Discussing any instances of known or suspected fraud or known or suspected instances of non-compliance with laws and regulations with management, members of the board and various individuals within the business;
- Reviewing the minutes of Board meetings and Audit Committee meetings held throughout the period for any instances of non-compliance with laws and regulations and fraud.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Stuart Wood (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Manchester, UK
25 September 2023

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

Consolidated Income Statement

For The Year Ended 30 April 2023

	Note	2023 £'000	* 2022 £'000
Revenue	4	**241,914**	159,450
Cost of sales		**(196,749)**	(125,106)
Gross profit		**45,165**	34,344
Administration expenses		**(28,459)**	(21,792)
Distribution costs		**(14,284)**	(12,778)
Operating profit/(loss)	5	**2,422**	(226)
Analysed as:			
– Adjusted EBITDA[1]		**15,550**	9,056
– Depreciation	11	**(4,964)**	(5,857)
– Amortisation	13	**(6,702)**	(5,494)
– Share based payments	26	**(459)**	(508)
– Separately disclosed items	6	**(1,003)**	2,577
Operating profit/(loss)		**2,422**	(226)
Finance costs	9	**(10,505)**	(2,522)
Finance income	9	**265**	216
Loss before tax		**(7,818)**	(2,532)
Tax credit	10	**2,123**	835
Loss for the year attributable to equity shareholders		**(5,695)**	(1,697)
Earnings per share		**Pence**	Pence
Basic loss per share	7	**(1.8)**	(0.5)
Diluted loss per share	7	**(1.8)**	(0.5)

Consolidated Statement of Comprehensive Income

For The Year Ended 30 April 2023

	2023 £'000	2022 £'000
Loss for the year attributable to equity shareholders	**(5,695)**	(1,697)
Other comprehensive income for the year	**-**	-
Total comprehensive loss attributable to equity shareholders	**(5,695)**	(1,697)

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

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

*The comparative income statement has been restated - see note 2.

Consolidated Statement of Financial Position

As At 30 April 2023

	Note	2023 £'000	* 2022 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	**87,420**	74,318
Lease receivables	12	**3,617**	4,325
Intangible assets	13	**54,254**	58,958
Total non-current assets		**145,291**	137,601
Current assets			
Inventories	14	**32,132**	26,241
Trade and other receivables	15	**30,900**	31,592
Lease receivables	12	**1,097**	703
Cash and cash equivalents	16	**3,460**	243
Derivative financial instruments	20	**-**	805
Total current assets		**67,589**	59,584
Total assets		**212,880**	197,185
Current liabilities			
Borrowings	19	**(31,849)**	(26,482)
Trade and other payables	17	**(63,882)**	(52,367)
Derivative financial instruments	20	**(2,973)**	-
Income taxes		**-**	(300)
Provisions	18	**-**	(33)
Total current liabilities		**(98,704)**	(79,182)
Total assets less current liabilities		**114,176**	118,003
Non-current liabilities			
Borrowings	19	**(35,605)**	(31,684)
Deferred tax liabilities	10	**(863)**	(3,100)
Provisions	18	**-**	(275)
Total non-current liabilities		**(36,468)**	(35,059)
Total liabilities		**(135,172)**	(114,241)
Net assets		**77,708**	82,944
Capital and reserves			
Share capital	23	**319**	319
Share premium		**108,782**	108,782
Capital redemption reserve		**27**	27
Accumulated losses		**(31,420)**	(26,184)
Total equity shareholders' funds		**77,708**	82,944

The financial statements were approved by the Board of Directors on 25 September 2023.

Signed on behalf of the Board of Directors

Christopher Welsh
Chief Financial Officer
Company Registration Number 09019496

* The comparative balance sheet has been restated - see note 2.

Consolidated Statement of Changes in Equity

For The Year Ended 30 April 2023

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Accumulated losses/ (Retained earnings) £'000	Total equity £'000
Balance at 30 April 2021 (restated)	311	108,782	27	(23,233)	85,887
Comprehensive (expense)					
Loss for the year	-	-	-	(1,697)	(1,697)
Total comprehensive expense	-	-	-	(1,697)	(1,697)
Transactions with owners recognised directly in equity					
Proceeds from shares issued	8	-	-	-	8
Dividends	-	-	-	(1,594)	(1,594)
Share based payments (net of tax)	-	-	-	321	321
Other taxation	-	-	-	19	19
Total transactions recognised directly in equity	8	-	-	(1,254)	(1,246)
Balance at 30 April 2022	319	108,782	27	(26,184)	82,944
Comprehensive (expense)					
Loss for the year	-	-	-	(5,695)	(5,695)
Total comprehensive expense	-	-	-	(5,695)	(5,695)
Transactions with owners recognised directly in equity					
Share based payments (net of tax)	-	-	-	441	441
Other taxation	-	-	-	18	18
Total transactions recognised directly in equity	-	-	-	459	459
Balance at 30 April 2023	319	108,782	27	(31,420)	77,708

Consolidated Cashflow Statement

For The Year Ended 30 April 2023

	Note	2023 £'000	2022 £'000
Cashflows from operating activities			
Operating profit/(loss)		**2,422**	(226)
Adjustment for:			
Depreciation	11	**4,964**	5,857
Impairment of property, plant and equipment	11	**-**	965
Profit on disposal of property, plant and equipment	5	**4**	(296)
Amortisation	13	**6,702**	5,494
Separately disclosed items – acquisition contingent consideration	6	**-**	(6,277)
Share based payments	26	**459**	508
Mark to Market movement in derivatives		**805**	(925)
Operating cashflows before movements in working capital		**15,356**	6,025
(Increase) in inventories		**(5,891)**	(3,056)
Decrease/(Increase) in trade and other receivables		**692**	(5,112)
Increase in trade and other payables		**10,941**	5,422
(Decrease) in provisions	18	**(608)**	(934)
Cash generated from operations		**20,490**	1,420
Tax received		**-**	15
Net cashflows generated from operating activities		**20,490**	1,435
Cashflows from investing activities			
Purchase of property, plant and equipment	11	**(8,701)**	(4,987)
Proceeds from sale of property, plant and equipment		**10**	48
Purchase of intangible assets	13	**(1,918)**	(3,145)
Receipt of capital element of leases	12	**776**	674
Lease interest received	12	**265**	216
Net cashflows used in investing activities		**(9,568)**	(7,194)
Cashflows from financing activities			
Proceeds of issue of ordinary shares		**-**	8
Amounts paid to / (received from) factoring facility	19	**(981)**	14,768
Loan advance in respect of property, plant and equipment		**4,255**	1,939
Repayment of capital element of leases		**(5,642)**	(5,463)
Advance of revolving credit facility		**39,500**	6,000
Repayment of revolving credit facility		**(37,500)**	(15,000)
Transaction costs of revolving credit facility		**-**	(115)
Dividends paid		**-**	(1,594)
Loss on foreign currency derivatives		**(3,149)**	-
Lease interest paid		**(1,818)**	(1,354)
Other interest paid		**(2,370)**	(791)
Net cashflows (used in)/generated from financing activities		**(7,705)**	(1,602)
Net increase in cash and cash equivalents		**3,217**	(7,361)
Cash and cash equivalents at beginning of the year		**243**	7,604
Cash and cash equivalents at year end	16	**3,460**	243

Notes to the Consolidated Financial Information

For The Year Ended 30 April 2023

1. General information

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

The Company's subsidiaries are listed in note 25, which together with the Company form the Accrol Group Holdings plc Group (the "Group").

The Group has taken advantage of section 479C whereby the following subsidiaries are exempt from the requirement of the Act relating to the audit of individual accounts with respect to the financial year ending 30 April 2023.

Company	Registered number
Accrol UK Limited	09010320
LTC Parent Limited	12471299
Leicester Tissue Company Limited	08786053
Accrol Holdings Limited	07037097

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

These financial statements have been prepared in accordance with UK adopted International accounting standards in conformity with the requirements of the Companies Act 2006. The preparation of financial statements requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 3.

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.

Prior period restatement

The comparative balance sheet has been restated due to a mechanical error in the calculation of a ROU lease asset and liability, this restatement has resulted in a decrease of ROU assets within property, plant and equipment and ROU lease liabilities by £3.48m. The effect of this restatement has no impact upon net assets, cash or profit & loss. This change has been reflected in the financial statements and corresponding notes.

The comparative income statement has been restated because certain directly attributable production costs were erroneously included in administrative expense instead of cost of sales amounting to £1.895m. This restatement has no impact upon net assets, cash or profit within the period.

Furthermore, prior year restatement has been recorded between the categories of property plant and equipment cost and accumulated depreciation in the brought forward analysis of the prior year with no material impact to these financial statements. The opening balance of Plant and machinery and Fixtures and fittings was understated by £3.00m and £0.87m respectively, with corresponding opening accumulated depreciation was understated by £3.43m and £0.44m respectively.

New standards, interpretations and amendments effective in the year

New standards that have been adopted in the financial statements for the year ended 30 April 2023, but have not had a significant impact on the Group are as follows:

- Amendments to IAS 37 Onerous contracts, Cost of fulfilling a contract;
- Amendments to IAS 16 PPE prohibits a company from deducting from the cost of PPE amounts received from selling items produced while the company is preparing the asset for its intended use. Such sales proceeds and related costs are to be recognised in the income statement;
- Amendments to IFRS 3 Reference to the conceptual framework; and
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41)

New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the group has decided not to adopt early. The Group will undertake an assessment of the impact of the following 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 applications when the relevant standards come into effect.

Effective for the period beginning 1 May 2023:

- Amendments to IFRS 16 Leases on sale and leaseback'
- Amendments to IAS 1 Non-current liabilities with covenants
- Amendments to IAS 1 Disclosure of accounting policies'
- Amendments to IAS 1 Classification of liabilities as current or non- current'
- Amendments to IAS 18 Definition of accounting estimates
- Amendments to IAS 12 Deferred tax related to assets and liabilities arising from a single transaction'

Notes to the Consolidated Financial Information continued

For The Year Ended 30 April 2023

Going concern

The Chairman's Statement and the Chief Executive's Review outline the business activities of the Group along with the factors which may affect its future development and performance. The Financial Review discusses the Group's financial position, along with details of cashflow and liquidity. The Group encountered enormous macro-inflationary cost pressures throughout FY23 & FY22 but has successfully managed this through passing on price increases and taking a diligent approach to cost control. The Group is well placed for continued success having concluded its significant investment in to operating activities, automation and infrastructure.

The pressures on the cost of living is driving consumer demand for great value products and Accrol continues to see a strong start to the new financial year (FY24) where margin recovery is expected to continue having largely passed through inflationary increases to customers.

As in previous years, the Group's forecasted 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. The Group's forecasted performance has been tested for downside scenarios, including reverse stress tests, relating to sales volume, price erosion, foreign exchange and parent reel prices. The Group considered the likelihood of such events occurring together with the relevant impact thereof and were satisfied that if a scenario partly or fully takes place the Group has mitigating options available, which may include further price increases, further operational restructuring and a reduced or deferred capital expenditure programme, to maintain liquidity and continue its operations.

The Group is currently operating within its covenants. It also considered the impact of the above downside scenarios on covenant headroom. The directors were satisfied that after evaluating the probability of events and available mitigating actions, covenant breaches would be unlikely. At 30 April 2023, available funds were £14.3m, with further details of the borrowing facilities set out in note 19.

Subsequent to the closing balance sheet date, the Group has successfully renewed and restructured its banking facilities. An increased revolving credit facility (RCF) of £24m with a maturity term running to the end of January 2025 was agreed in July 2023. This restructuring increased the total liquidity available to the Group and saw some covenant easing compared to the previous agreement.

The Directors confirm that, after due consideration, they have a reasonable expectation that the Group has adequate resources to continue in operational existence for a period of at least 12 months from the date of signing the financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Consolidation

Subsidiaries

A subsidiary is an entity controlled, either directly or indirectly, by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial information of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cashflows relating to transactions between members of the Group are eliminated in full on consolidation.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the Board of Directors. The Group's activities consist solely of the conversion of paper products within the United Kingdom. It is managed as one entity and management have consequently determined that there is only one operating segment.

Segment results are measured using adjusted earnings before finance costs, tax, depreciation, amortisation, share based payments and separately disclosed items. Segment assets are measured at cost less any recognised impairment. Revenue is attributed to geographical regions based on the country of residence of the customer. All revenue arises in and all non-current assets are located in the United Kingdom. The accounting policies used for segment reporting reflect those used for the Group.

Revenue

Performance obligations and timing of revenue recognition

The Group's revenue is recognised at a point in time when control of the goods has transferred to the customer. This is when the goods are delivered to the customer. There is limited judgement needed in identifying the point control passes: once physical delivery of the products to the agreed location has occurred, the Group no longer has physical possession, usually will have a present right to payment (as a single payment on delivery) and retains none of the significant risks and rewards of the goods in question.

Determining the transaction price

The transaction price equates to the invoice amount less an estimate of any applicable rebates and promotional allowances that are due to the customer. Rebate accruals are recognised under the terms of these agreements, to reflect the expected promotional activity and our historical experience. These accruals are reported within trade and other payables.

Allocating amounts to performance obligations

The Group has identified one performance obligation (delivery of product to the customer), therefore the entire transaction price is allocated to the identified performance obligation.

Cost of sales

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

Software-as-a-Service (SaaS) arrangements

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. The fees for use of such software and any associated configuration or customisation costs are recognised as an operating expense over the term of the service contract. Costs incurred for the development of software code that enhances or modifies existing on-premise systems, and meets the definition of and recognition criteria for an intangible asset, are recognised as intangible software assets.

Separately disclosed items

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

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

EBITDA and Adjusted EBITDA

Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA) and Adjusted EBITDA are non-GAAP measures used by management to assess the operating performance of the Group. EBITDA is defined as profit before finance costs, tax, depreciation and amortisation. Depreciation is the write down of property, plant and equipment. Amortisation is the write down of intangible assets.

The Group's share based payment charge represents incremental incentives to attract and retain new management and the income statement charge has been historically volatile. Separately disclosed items are material in size or unusual or infrequent in nature. Therefore, to aid comparability between periods and understand the underlying performance of the Group these items are excluded from EBITDA to calculate Adjusted EBITDA.

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

Foreign currency

Functional and presentation currency

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

Notes to the Consolidated Financial Information continued

For The Year Ended 30 April 2023

Transactions and balances

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

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

Finance income and expenses

Interest income and interest expense are recognised in the consolidated income statement as it accrues, using the effective interest method. Foreign exchange gains and losses are reported on a gross basis. Finance costs comprise interest payable, finance charges on leases, unwinding of the discount on provisions and foreign exchange losses that are recognised in the consolidated income statement. Finance income comprises of finance income on leases.

Grants

Capital grants are credited to a deferral account and released to income over the expected useful lives of the relevant assets. Grants of a revenue nature are credited to the consolidated income statement in the period to which they relate.

Property, plant and equipment

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

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

- Leasehold land and buildings — straight line over term of lease
- Plant and machinery — 2 - 40 years, 20% residual value
- Motor vehicles — 30% straight line
- Fixtures, fittings and office equipment — 25% reducing balance

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

Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Customer relationships

Customer relationships are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. Customer relationships are amortised on a straight-line basis over their useful economic life, typically 6-10 years.

Development costs

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

Computer software

Computer software with a finite useful life that have been capitalised are amortised on a straight-line basis over the period of its expected benefit.

Other intangible assets

The other intangible asset relates to a Management Services Agreement between Accrol Papers Limited and Accrol Group Holdings plc (formerly Accrol Group Holdings Limited). This agreement has an infinite life and therefore is not amortised.

Impairment of non-financial assets

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where the asset does not generate cashflows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs.

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

Financial instruments

Financial assets

The Group classifies its financial assets as either amortised cost, fair value through comprehensive income or fair value through profit or loss depending on the purpose for which the asset was acquired.

Amortised cost

These assets arise principally from the provision of goods to customers (trade receivables). They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS 9 to determine lifetime expected credit losses. Expected credit losses are recognised within administration expenses in the consolidated statement of comprehensive income. The Group has applied a hold to collect business model.

The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

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

Financial liabilities

The Group classifies its financial liabilities as either fair value through profit or loss or other financial liabilities depending on the purpose for which the liability was acquired. The Group does not currently have any liabilities categorised as fair value through profit or loss.

Other financial liabilities

Bank borrowings (including amounts owed under the factoring facility) are initially recognised at fair value net of transaction costs where applicable. They are subsequently measured at amortised cost using the effective interest method. Transaction costs are amortised using the effective interest rate method over the life of the loan. Trade receivables, to which the borrowings under this facility are related, are recognised in the statement of financial position as the Group continues to hold the risk and reward.

Trade payables and other short-term monetary liabilities are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Share based payments

The Group issues equity settled share options in the Parent Company to certain employees in exchange for services rendered. These awards are measured at fair value on the date of the grant using an option pricing model and expensed in the statement of comprehensive income on a straight-line basis over the vesting period after making an allowance for the number of shares that it is estimated will not vest. The level of vesting is reviewed and adjusted annually.

Leases

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

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

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

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

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

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

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

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is based on the purchase on a first-in-first-out basis and includes all direct costs and an appropriate portion of fixed and variable overheads. Net realisable value is the estimated selling price reduced by all costs of completion, marketing, selling and distribution. Supplier rebates are credited to the carrying value of inventory to which they relate. Once the inventory is sold, the rebate amount is then recognised in the income statement.

Invoice discounting

The company discounts its trade debts. The accounting policy is to include a gross asset for trade receivables due within one year and to record the returnable element of the proceeds under payables due within one year. Discount fees are charged to the consolidated income statement when payable.

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.

Notes to the Consolidated Financial Information continued

For The Year Ended 30 April 2023

Deferred taxation

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

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

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

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

Provisions

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

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

3. Significant accounting judgements, estimates and assumptions

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

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

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

Critical accounting judgements in applying the entity's accounting policies

Development costs

The Group exercises judgement in determining whether development costs incurred meet the criteria of IAS 38 'Intangible Assets' and hence capitalised. The criteria where judgement is most required is around determining the technical feasibility of completing the project, the availability of adequate technical, financial, and other resources to complete and the existence of the market. Not meeting the criteria would result in these costs being expensed as incurred. Further details are provided in Note 13.

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 CGU. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of a number of key variables in order to calculate the present value of the cashflows, including:

- future underlying cashflows;
- the determination of a pre-tax discount rate; and
- long-term growth rates.

The future underlying cashflows remain sensitive to a number of key variables, including the sterling/USD exchange rate and parent reel pricing, both of which are inherently difficult to predict, and which could have a significant effect (positive or negative) on the Group's cashflows. More information including carrying values is included in note 20.

Right-of-use assets

Significant judgement is exercised in determining the incremental borrowing rate. IFRS 16 requires the borrowing rate should represent what the lessee would have to pay to borrow over a similar term and with similar security, the funds necessary to obtain an asset of similar value in a similar economic environment.

Deferred taxation

The Group has recognised deferred tax assets in respect of losses incurred in the current and prior year. This requires the estimation of future profitability in determining the recoverability of these assets. Specifically, a range of assumptions underpin the profit and cashflow forecasts for the next 12 months, including those around parent reel prices, the successful management of any foreign exchange downside and the maintenance of the current strong customer relations. As described above, the Group's trading performance remains sensitive to a number of key variables which could have a significant effect (positive or negative) on the Group's cashflows.

4. Revenue

The Group's country of domicile is the UK. Revenue from external customers is based on the customers location and arises entirely from the sale of goods.

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

	2023 £'000	2022 £'000
United Kingdom	**229,784**	149,914
Europe	**12,130**	9,536
	241,914	159,450

Revenue by product

	2023 £'m	2022 £'m
Toilet tissue	**163.0**	116.3
Kitchen towel	**53.9**	32.0
Facial tissue	**18.7**	8.8
Wipes	**4.8**	2.0
Core revenue	**240.4**	159.1
Other (waste)	**1.5**	0.4
Total revenue	**241.9**	159.5

Major customers

In 2023 there were four major customers that individually accounted for c.10% and above of total revenues (2022: four customers). The revenues relating to these customers in 2023 were £50.0m, £47.9m, £35.6m and £28.9m (2022: £33.8m, £24.5m, £24.1m and £19.7m).

5. Operating profit/loss

Operating profit/loss is stated after charging/(crediting):

	2023 £'000	2022 £'000
Employee benefit expense (note 8)	**19,610**	16,984
Depreciation	**4,964**	5,857
Amortisation	**6,702**	5,494
Profit on disposal of property, plant and equipment	**4**	(296)
Research and development expensed as incurred	**183**	202
Net foreign exchange losses/(gains)	**(872)**	665

Auditor's remuneration

	2023 £'000	2022 £'000
Audit services – Company	**13**	13
Audit services – Rest of Group	**202**	149
Non audit services:		
Tax compliance services	**20**	8
	235	170

Notes to the Consolidated Financial Information continued

For The Year Ended 30 April 2023

6. Separately disclosed items

	2023 £'000	2022 £'000
Acquisition contingent consideration	-	(6,277)
Acquisition professional fees	-	766
Acquisition integration costs	-	85
Acquisition related items	-	(5,426)
Supply chain disruption	**590**	696
Impairment of property, plant and equipment	-	965
Operational reorganisation and restructure	**413**	-
COVID-19 costs	-	153
Accounting policy change	-	637
Other items	-	398
Other items	**1,003**	2,849
	1,003	(2,577)

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

Supply chain disruption costs £590,000 (2022: £696,000)

In line with the wider market, pressures on the Group's supply chain were considerable, particularly in the early part of FY23 when there was significant disruption at several UK ports due to industrial strike action.

This disruption caused severe shipping container congestion at the Liverpool port resulting in incremental demurrage costs being incurred for a period, until the industrial dispute was resolved. In addition, the Group incurred further incremental costs related to a period where inbound shipping containers were diverted to unaffected ports (e.g. London Gateway) in order to maintain service to our customers.

Operational reorganisation and restructure £413,000 (2022: £nil)

Significant progress has been made over previous years to transform the manufacturing capability of the business, with investment made in automation and in the expansion of overall capacity and capability. The final element of the manufacturing re-organisation was completed in FY23 reflecting investment in a new manufacturing line and automation of packing and palletisation at the Leyland manufacturing site.

As part of the Leyland re-organisation temporary incremental warehousing capacity was established to enable the automation project to be completed, as it encroached into existing warehouse space at the site. Upon completion of the automation investment this incremental warehousing capacity was closed.

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

Acquisition related items credit of £5,426,000

On 24 November 2020, the Group acquired 100% of the issued share capital of LTC Parent Limited and its subsidiaries, whose principal activity is paper tissue converting. An element of the consideration was contingent upon the incremental EBITDA performance of contracts secured prior to the acquisition that had yet to be delivered, measured over a four-month period from 1 March 2021. This consideration was measured on a sliding scale with a maximum of £6,800,000 payable to the vendors if EBITDA targets were met, for which provision was made in the prior year.

Negotiations with the sellers in respect of the contingent consideration and other matters have been concluded during this financial year with no payment made. Therefore, contingent consideration of £6,277,000 has been credited to the Income Statement after the recognition of £523,000 of one-off contract related costs that were incurred in the year. In concluding negotiations with the sellers during the financial year, the Group also incurred professional fees of £766,000 in respect of legal and accounting services. Consultancy costs of £85,000 were also incurred in finalising the integration of the businesses.

Supply chain disruption costs £696,000

In line with the wider market, pressures on the Group's supply chain have been considerable, particularly over the autumn period when there was significant disruption to shipping, container capacity at ports, and haulage. Whilst the Group's supply chain demonstrated significant resilience, considerable incremental costs were incurred to maintain service to our customers.

These incremental costs included port charges of £398,000, largely related to demurrage costs incurred because of shipping container congestion and a lack of capacity to manage increased demand. Additional distribution costs of £269,000 were also incurred, largely related to the procurement of day rate vehicles at an incremental cost, to ensure continuity of supply in the October to December period, when haulage driver availability was severely constrained. External consultancy costs of £29,000 were also incurred to support the supply chain planning of the business during this volatile period.

Impairment of property, plant and equipment £965,000

Significant progress has been made over previous years to transform the manufacturing capability of the business, with investment made in automation and in the expansion of overall capacity and capability. The final element of the manufacturing re-organisation comprises investment in a new manufacturing line (expected September 2022) and automation of packing and palletisation (completed July 2022) at the Leyland manufacturing site.

To enable this investment, the Leyland manufacturing facility has been re-organised, involving the physical movement of existing manufacturing lines and the removal of a specific 're-wind' asset that was deemed surplus to requirement, and therefore redundant. The removal of this asset has facilitated the wider site re-organisation but has resulted in an impairment charge of £965,000.

COVID-19 £153,000

The COVID-19 pandemic continued to have an impact on the business during the financial year, although those impacts are now much reduced and are being absorbed as part of normal operational costs from January 2022. The Group plans on a certain level of resource, factoring in normal levels of absence and holiday, to maintain a 24/7 manufacturing operation that is as efficient as possible. High levels of absence due to illness or self-isolation, required incremental labour resources to be deployed to maintain service levels to our customers through additional overtime, additional temporary labour and the deferment of holidays, all of which resulted in additional costs of £133,000. A further £20,000 of additional costs related to incremental cleaning, safety, and PPE equipment.

Accounting policy change £637,000

The Group's accounting policy has historically been to capitalise all costs related to the configuration or customisation of Software-as-a-Service (SaaS) arrangements as intangible assets. Following the agenda decision of The International Financial Reporting Standards Interpretations Committee (IFRIC) in April 2021 these previously recognised intangible assets have been treated as an expense, impacting both the current and prior periods presented.

Other items £398,000

Other items largely relate to redundancy costs of £327,000 related to consolidation of activities across the Group following the acquisitions made in the previous financial year; and other largely property related items of £71,000.

7. Loss per share

Basic loss per share

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

	2023 £'000	2022 £'000
Loss for the year attributable to equity shareholders	**(5,695)**	(1,697)

Weighted average number of shares	Number '000	Number '000
Issued ordinary shares at 1 May	**318,878**	311,355
Effect of shares issued in the year	**-**	5,792
Weighted average number of ordinary shares at 30 April	**318,878**	317,147
Basic loss per share (pence)	**(1.8)**	(0.5)

Diluted loss per share

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

	2023 £'000	2022 £'000
Loss for the year attributable to equity shareholders	**(5,695)**	(1,697)

	Number '000	Number '000
Weighted average number of shares (basic)	**318,878**	317,147
Effect of conversion of Accrol Group Holdings plc share options	**-**	-
Weighted average number of ordinary shares at 30 April	**318,878**	317,147
Diluted loss per share (pence)	**(1.8)**	(0.5)

No adjustment has been made in 2023 and 2022 to the weighted average number of shares for the purpose of the diluted earnings per share calculation as the effect would be anti-dilutive.

Notes to the Consolidated Financial Information continued

For The Year Ended 30 April 2023

8. Employee costs

	2023 £'000	2022 £'000
Employee costs during the year amounted to:		
Wages and salaries	**17,029**	14,520
Social security costs	**1,798**	1,646
Other pension costs	**324**	310
Share based payments (note 26)	**459**	508
	19,610	16,984

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

	Number	Number
Production	**377**	339
Administration	**79**	69
	456	408

9. Finance costs and income

	2023 £'000	2022 £'000
Bank loans and overdrafts	**2,370**	791
Lease interest	**1,818**	1,354
Amortisation of finance fees	**195**	179
Unwind of discount on provisions	**-**	198
Unrealised Foreign currency (gains)/losses on derivatives	**2,973**	-
Realised Foreign currency (gains)/losses on derivatives	**3,149**	-
Total finance costs	**10,505**	2,522

	2023 £'000	2022 £'000
Lease interest income	**265**	216
Total finance income	**265**	216

Unrealised losses relate to the mark to market impact of foreign currency derivative instruments.

10. Taxation

Tax credit in the income statement

	2023 £'000	2022 £'000
Current income tax		
Current tax on losses for the year	**-**	-
Adjustment in respect of prior periods	**-**	15
Total current income tax credit	**-**	15
Deferred tax		
Origination and reversal of temporary differences	**1,432**	1,551
Adjustment in respect of prior periods	**247**	73
Change in tax rate	**444**	(804)
Total deferred tax credit	**2,123**	820
Tax credit in the income statement	**2,123**	835

The tax credit for the year is higher than (2022: charge is higher than) the effective rate of corporation tax in the UK of 19% (2022: 19%). The differences are explained below:

	2023 £'000	2022 £'000
Loss before income tax	**(7,818)**	(2,532)
Effective rate	**19%**	19%
At the effective income tax rate	**1,486**	481
Expenses not deductible for tax purposes	**(54)**	(123)
Tax exempt income	**-**	1,193
Adjustment in respect of prior periods	**247**	88
Change in rate	**444**	(804)
Total tax credit/(charge)	**2,123**	835

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

	Accelerated capital allowances £'000	Intangible assets £'000	Losses £'000	Share based payments £'000	Other £'000	Total £'000
30 April 2021	(3,571)	(5,236)	4,287	843	11	(3,666)
(Charge)/credit in year	(1,842)	(338)	3,550	(505)	(45)	820
(Charge)/credit to equity	-	-	-	(273)	19	(254)
30 April 2022	(5,413)	(5,574)	7,837	65	(15)	(3,100)
(Charge)/credit in year	(2,064)	1,077	3,041	128	(59)	2,123
(Charge)/credit to equity	-	-	-	96	18	114
30 April 2023	**(7,477)**	**(4,497)**	**10,878**	**289**	**(56)**	**(863)**

A deferred tax asset of £11,167,000 (2022: £7,837,000) relating to current and prior year losses has been recognised in the year.

Deferred tax expected to be settled within 12 months of the reporting date is approximately £439,000 (2022: £328,000).

Deferred tax assets and liabilities have been measured at the rate expected to be in effect when the deferred tax asset or liability reverses.

Notes to the Consolidated Financial Information continued

For The Year Ended 30 April 2023

11. Property, plant and equipment

	Leasehold land & buildings £'000	Plant and machinery £'000	Fixtures & fittings £'000	Assets under construction £'000	Right-of-use assets £'000	* Total £'000
Cost						
At 30 April 2021	1,571	48,799	3,277	1,096	26,803	81,546
Additions	69	1,050	136	3,732	18,228	23,215
Reclassification	(68)	1,268	39	(94)	(1,239)	(94)
Disposals	-	(95)	-	-	(9,803)	(9,898)
At 30 April 2022	1,572	51,022	3,452	4,734	33,989	94,769
Additions	1	613	67	8,115	10,782	19,578
Reclassification	-	5,452	298	(11,205)	5,284	(171)
Disposals	-	(37)	-	-	(4,295)	(4,332)
At 30 April 2023	**1,573**	**57,050**	**3,817**	**1,644**	**45,760**	**109,844**
Accumulated depreciation						
At 30 April 2021	248	9,229	2,146	-	6,587	18,210
Charge for the year	142	1,895	317	-	3,503	5,857
Reclassification	-	347	84	-	(431)	-
Disposals	-	(95)	-	-	(4,481)	(4,576)
Impairment	-	965	-	-	-	965
At 30 April 2022	390	12,341	2,547	-	5,178	20,456
Charge for the year	138	380	370	-	4,076	4,964
Reclassification	-	(26)	-	-	(65)	(91)
Disposals	-	(37)	-	-	(2,868)	(2,905)
At 30 April 2023	**528**	**12,658**	**2,917**	**-**	**6,321**	**22,424**
Net book value						
At 30 April 2023	**1,045**	**44,392**	**900**	**1,644**	**39,439**	**87,420**
At 30 April 2022	1,182	39,110	481	4,734	28,811	74,318

Assets with a value of £87,420,000 (2022: £74,318,000) form part of the security against the RCF as described in note 19.

12. Leases

Leases receivable

	Land & buildings £'000	Total £'000
At 1 May 2022	5,028	5,028
Interest received	265	265
Lease receipts	(579)	(579)
At 30 April 2023	**4,714**	**4,714**
Analysed as:		
Receivable > 1 year	3,617	3,617
Receivable < 1 year	1,097	1,097

* The comparative balance sheet has been restated - see note 2.

	2023 £'000	2022 £'000
Lease receivable maturity analysis		
Within one year	1,097	703
Between one and two years	1,269	3,387
Between two and five years	2,348	938
After five years	-	-
	4,714	5,028

Lease liabilities

	Land & buildings £'000	Plant & machinery £'000	* Total £'000
At 1 May 2022	30,581	6,150	36,731
New leases in the year	10,285	4,837	15,122
Leases terminated in the year	(1,406)	-	(1,406)
Interest expense	1,520	298	1,818
Lease payments	(4,275)	(3,185)	(7,460)
At 30 April 2023	**36,705**	**8,100**	**44,805**

Short-term lease expense for the year was £nil. Short-term lease commitment at 30 April 2023 was £nil. Income from sub-leases for the year totalled £265,000.

13. Intangible assets

	Goodwill £'000	Customer relationships £'000	Development costs £'000	Computer software £'000	Assets under construction £'000	Right-of-use assets £'000	Other £'000	Total £'000
Cost								
At 30 April 2021 (restated)	29,794	42,291	1,448	2,988	-	-	126	76,647
Internally developed additions	-	-	2,974	171	-	-	-	3,145
Reclassification	-	-	-	94	-	-	-	94
At 30 April 2022	29,794	42,291	4,422	3,253	-	-	126	79,886
Internally developed additions	-	-	173	-	1,745	-	-	1,918
Reclassification	-	(5)	968	583	(1,551)	150	-	145
At 30 April 2023	**29,794**	**42,286**	**5,563**	**3,836**	**194**	**150**	**126**	**81,949**
Amortisation								
At 30 April 2021	-	14,731	273	344	-	-	86	15,434
Charge for the year	-	4,299	332	863	-	-	-	5,494
At 30 April 2022	-	19,030	605	1,207	-	-	86	20,928
Charge for the year	-	4,297	1,256	1,149	-	-	-	6,702
Reclassification	-	-	151	(151)	-	65	-	65
At 30 April 2023	**-**	**23,327**	**2,012**	**2,205**	**-**	**65**	**86**	**27,695**
Net book value								
At 30 April 2023	**29,794**	**18,959**	**3,551**	**1,631**	**194**	**85**	**40**	**54,254**
At 30 April 2022	29,794	23,261	3,817	2,046	-	-	40	58,958

* The comparative balance sheet has been restated - see note 2.

Notes to the Consolidated Financial Information continued

For The Year Ended 30 April 2023

Goodwill

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill may be impaired.

Goodwill is allocated to the cash generating units (CGUs) as follows:

	2023 £'000	2022 £'000
Accrol Group Holdings plc	**29,794**	29,794
	29,794	29,794

The recoverable amount of the CGU has been determined based on a value in use calculation using cashflow projections based on internal forecasts covering a five-year period, reviewed and approved by the Board. The use of this method requires the estimation of future cash flows and the determination of a discount rate in order to calculate the present value of the cash flows. Cashflows beyond this period are extrapolated using the estimated growth rates stated below.

The recoverable amounts of the CGUs have been determined from value-in-use calculations. At 30 April 2023, the impairment tests concluded that the estimated value in use at 30 April 2023 exceeds the carrying value by £129m (2022: £50m).

Key assumptions

The calculations of value-in-use are inherently judgemental and require management to make a series of estimates and assumptions.

The cash flow forecasts have been derived from the most recent forecast presented to the Board for the year ending 30 April 2023. The cash flows utilised are based upon forecast sales volumes and product mix, anticipated movements in tissue prices and input costs and known changes and expectations of current market conditions.

The pre-tax discount rate used in the value in use calculations is 12% (2022: 12.4%) and is derived from the Group's weighted average cost of capital, calculated with reference to latest market assumptions for the risk-free rate, equity market risk premium and the cost of debt. The values reflect both past experience and external sources of information. The long-term growth rate assumed is 2.8% (2022: 2.4%).

Sensitivity to changes in assumptions

To support their assertions, the Directors have conducted sensitivity analyses to determine the impact that would result from changes in the above assumptions. Based on this analysis, the Directors believe that a reasonably possible change in any of the key assumptions detailed above would not cause the carrying value of the CGU to exceed its recoverable amount, although the headroom would decrease. Therefore, at 30 April 2023 no impairment charge is required against the carrying value of goodwill.

Impairment would be caused by either increasing the pre-tax discount rate by 10.2% or reducing the average EBIT performance by 13.2m. A combination of increasing the pre-tax discount rate by 10.6% and reducing average EBIT performance by £7.3m results in an impairment.

Notwithstanding the above sensitivities, the Directors are satisfied that they have applied reasonable and supportable assumptions based on their best estimate of the range of future economic conditions that are forecast and consider that an impairment is not required in the current year. However, the position will be monitored on a regular basis.

Development costs

The development costs capitalised are to be amortised over the life of the products (typically three years).

Computer software

During the year, the Group has continued in the development of its IT structure.

Customer relationships

Customer relationships are amortised over their useful economic life of 6-10 years.

14. Inventories

	2023 £'000	2022 £'000
Raw materials	**16,625**	13,490
Finished goods and goods for resale	**15,507**	12,751
	32,132	26,241

Inventories recognised as an expense during the year and included in cost of sales amounted to £176.3m (2022: £106.4m). There are £0.3m of provisions held against inventories (2022: £0.6m).

15. Trade and other receivables

	2023 £'000	2022 £'000
Trade receivables	**26,571**	26,677
Less: provision for impairment of trade receivables	**(10)**	(18)
Trade receivables – net of provisions	**26,561**	26,659
Prepayments and other debtors	**4,339**	4,933
	30,900	31,592

The carrying value of trade and other receivables classified at amortised cost approximates fair value.

The Group does not hold any collateral as security.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and ageing. The expected loss rates are based on the Group's historical credit losses experienced. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers.

16. Cash and cash equivalents

	2023 £'000	2022 £'000
Cash and cash equivalents	**3,460**	243

17. Trade and other payables

	2023 £'000	2022 £'000
Trade payables	**47,648**	38,036
Social security and other taxes	**10,166**	7,639
Accruals	**6,068**	6,692
	63,882	52,367

Trade payables are non-interest bearing and are paid on average within 81 days at 30 April 2023 (2022: 70 days).

18. Provisions

	As at 1 May 2022 £'000	Utilised in the year £'000	As at 30 April 2023 £'000	Current £'000	Non-current £'000
Onerous contracts	33	(33)	**-**	-	-
Other	275	(275)	**-**	-	
	308	(308)	**-**	-	-

The onerous contract provisions relate to the decision to exit from the Skelmersdale facility and logistics agreements.

Notes to the Consolidated Financial Information continued

For The Year Ended 30 April 2023

19. Borrowings

	2023 £'000	* 2022 £'000
Current		
Revolving credit facility	**4,887**	2,692
Factoring facility	**17,762**	18,743
Leases	**9,200**	5,047
	31,849	26,482
Non-current		
Revolving credit facility	**-**	-
Leases	**35,605**	31,684
	35,605	31,684

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

	Current loans & borrowings £'000	Non-current loans & borrowings £'000	Total £'000
At 1 May 2022	26,482	31,684	58,166
Cashflows	(4,555)	-	(4,555)
Non-cashflows:			
New leases	-	10,866	10,866
Leases terminated on disposal of Right of Use assets	-	(1,406)	(1,406)
Interest accrued	4,188	-	4,188
Amortisation of finance fees (note 9)	195	-	195
Allocation from non-current to current in the year	5,539	(5,539)	-
At 30 April 2023	**31,849**	**35,605**	**67,454**

	Current loans & borrowings £'000	Non-current loans & borrowings £'000	Total £'000
At 1 May 2021	12,349	30,851	43,200
Cashflows	(16)	-	(16)
Non-cashflows:			
New leases	159	18,069	18,228
Leases terminated on disposal of Right of Use assets	(1,658)	(3,912)	(5,570)
Interest accrued	2,145	-	2,145
Amortisation of finance fees (note 9)	179	-	179
Allocation from non-current to current in the year	13,324	(13,324)	-
At 30 April 2022	26,482	31,684	58,166

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 2023 are £113,000 (2022: £308,000).

* The comparative balance sheet has been restated - see note 2.

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

	2023 £'000	2022 £'000
Loan maturity analysis		
Within one year	**31,962**	26,790
Between one and two years	**5,691**	7,622
Between two and five years	**10,600**	8,003
After five years	**19,314**	16,059
	67,567	58,474

The following amounts remain undrawn and available:

	2023 £'000	2022 £'000
Revolving credit facility	**12,000**	14,000
Factoring facility	**2,289**	1,179
	14,289	15,179

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

HSBC revolving credit facility agreement ("RCF")

The Group maintains its £17m multi-currency revolving credit facility, which expires in August 2024.

Interest charged on the facility is at SONIA plus a margin of 2.70%-2.95%. A commitment fee of 40% of applicable margin on any undrawn RCF is also payable.

The Obligors are Accrol Group Holdings plc, Accrol UK Limited, Accrol Holdings Limited, Accrol Papers Limited, LTC Parent Limited, Leicester Tissue Company Limited, Art Tissue Limited, John Dale (Holdings) Limited and John Dale Limited.

HSBC factoring credit facility ("factoring facility")

During the year, the Group increased its multi-currency factoring facility, used to provide financing for general working capital requirements, from £27m to £35m. Under the terms of this facility, the drawdown is based upon gross debtors less a retention (typically 15%), with the remaining debt funded. Each drawing under the facility is repayable within a maximum of 90 days from date of invoice for jurisdictions within the United Kingdom and 120 days for other countries.

Covenants

The Group is subject to financial covenants in relation to the RCF and the factoring facility. The RCF covenants are interest cover and gross leverage ratios. The covenants in relation to the factoring facility cover debt dilution and disputed debt. Breach of the covenants would render any outstanding borrowings subject to immediate settlement. The Group is currently operating within its covenants.

Subsequent to the balance sheet date, in August 2023, the Group amended and extended its existing banking arrangements providing additional facilities to support its growth. These new facilities provide increased headroom in both the scale, tenure and liquidity of the facilities and an easing in the headline associated banking covenants. This refinancing resulted in the Group extending its £17.0m revolving credit facility to £24.0m which now expires in February 2025.

20. Financial instruments

Derivative financial instruments

Derivative financial instruments comprise the Group's forward foreign exchange contracts. The assets and liabilities representing the valuations of the forward foreign exchange contracts at the year end are:

Foreign currency contracts	2023 £'000	2022 £'000
Current assets	**-**	805
Current liabilities	**(2,973)**	-
	(2,973)	805

The fair value of a derivative financial instrument is split between current and non-current depending on the remaining maturity of the derivative contract and its contractual cashflows. The foreign currency forward contracts are designated as fair value through profit or loss at initial recognition. The fair value of the Group's foreign currency derivatives is calculated as the difference between the contract rates and the mark to market rates which are current at the balance sheet date. This valuation is obtained from the counterparty bank and at each year end is categorised as a Level 2 valuation (see below).

At 30 April 2023, the notional principal amount of the outstanding derivative contracts that are held to hedge the Group's transaction exposures was £67m (2022: £25m). Cashflows in respect of these contracts are due within 12 months of the reporting date.

The maximum exposure to credit risk is the fair value of the derivative as a financial asset.

Notes to the Consolidated Financial Information continued

For The Year Ended 30 April 2023

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.

Fair values

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

	Fair values and carrying values	
	2023 £'000	* 2022 £'000
Financial assets		
Current		
Trade receivables	**31,997**	26,659
Cash and short-term deposits	**3,460**	243
Derivative financial instruments	**-**	805
Financial liabilities		
Current		
Borrowings	**31,849**	26,482
Trade and other payables	**63,882**	52,367
Derivative financial instruments	**2,973**	-
Non-current		
Borrowings	**35,605**	31,684

21. Capital and financial risk management objectives and policies

(a) Capital risk management

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

Consistent with others in the industry, the Group monitors net debt. Net debt is calculated as total borrowings less cash and cash equivalents. The Group has also shown adjusted net debt which excludes operating type leases recognised under IFRS 16 to aid comparability with prior years.

	2023 £'000	* 2022 £'000
Total borrowings (excluding finance fees)	**67,454**	58,474
Less: lease receivables	**(4,714)**	(5,028)
Less: cash and cash equivalents	**(3,460)**	(243)
Net debt	**59,280**	53,203
Less: leases recognised on adoption of IFRS 16	**(32,462)**	(25,657)
Adjusted net debt (excluding leases recognised on adoption of IFRS 16)	**26,818**	27,546

* The comparative balance sheet has been restated - see note 2.

(b) Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Foreign currency risk
- Interest rate risk
- Liquidity risk
- Credit risk

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

(i) Foreign currency risk

The Group has transactional currency exposures arising from purchases in currencies other than the Group's functional currency.

These exposures are forecast on a monthly basis and are monitored by the Finance Department. Under the Group's foreign currency policy, such exposures are hedged on a reducing percentage basis over a number of forecast time horizons using forward foreign currency contracts.

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

	2023 £'000	2022 £'000
EUR – loss	**5**	-
USD – loss	**626**	251
	631	251

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's factoring facility and RCF, both of which have floating interest rates.

The exposure to risk is deemed to be manageable and is reviewed on a continual basis. The Group is not expecting any reduction in interest rates over the next 12 months; the impact of a 0.5% (2022: 0.5%) increase in interest rates on (loss)/profit before tax is shown below:

	2023 £'000	2022 £'000
Change in interest rate	**113**	322

(iii) Liquidity risk

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

The table below summarises the maturity profile of the Group's financial liabilities (excluding finance fees).

As at 30 April 2023	Due within 1 year £'000	Due between 1 and 2 years £'000	Due between 2 and 5 years £'000	Due in more than 5 years £'000	* Total £'000
Borrowings	**31,962**	**5,691**	**10,600**	**19,314**	**67,567**
Trade and other payables	**63,882**	**-**	**-**	**-**	**63,882**
Total financial liabilities	**95,844**	**5,691**	**10,600**	**19,314**	**131,449**

As at 30 April 2022	Due within 1 year £'000	Due between 1 and 2 years £'000	Due between 2 and 5 years £'000	Due in more than 5 years £'000	Total £'000
Borrowings	26,790	7,622	8,003	16,059	58,474
Trade and other payables	52,367	-	-	-	52,367
Total financial liabilities	79,157	7,622	8,003	16,059	110,841

* The comparative balance sheet has been restated - see note 2.

Notes to the Consolidated Financial Information continued

For The Year Ended 30 April 2023

(iv) Credit risk

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

The Group's major customers (including those disclosed in note 4) are established retailers and therefore management do not deem there to be significant associated credit risk.

The Group manages credit risk by allocating customers a credit limit and ensures the Group's exposure is within this limit. This approach is strengthened with the use of credit insurance where deemed appropriate.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and ageing.

The expected loss rates are based on the Group's historical credit losses experienced over the four-year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers.

At 30 April 2023 the lifetime expected loss provision for trade receivables is as follows:

	<1 month	1-2 months	2-3 months	>3 months	Total
Expected loss rate	0%	0%	0%	0%	
Gross carrying amount of overdue debt (£000)	580	254	60	137	1,031
Loss provision (£000)	-	-	-	-	-

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

	2023 £'000	2022 £'000
At the beginning of the year	**(18)**	(70)
Impairment losses recognised	**-**	(18)
Utilisation of provision	**18**	70
	-	(18)

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

22. Capital commitments

	2023 £'000	2022 £'000
Contracted for but not provided	**47**	4,614

23. Share capital and reserves

	2023 £'000	2022 £'000
Called up, allotted and fully paid		
Ordinary shares of £0.001 each	**319**	319
	319	319

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

	2023 Number	2022 Number
Ordinary shares of £0.001 each	**318,878,097**	318,878,097

Each holder of the £0.001 Ordinary Shares is entitled to vote at the general meetings of the Company. Every holder of an Ordinary Share shall have one vote for each Ordinary Share held.

24. Dividends

The Company did not pay an interim dividend (2022: £nil).

The Company does not propose a final dividend (2022: £nil), therefore the total dividend for the year is £nil (2022: £nil).

25. Related party disclosures

(a) Identity of related parties

The subsidiaries of the Group are as follows:

Company	Principal activity	Country of incorporation	Holding %
Accrol UK Limited	Holding company	United Kingdom	100%
Accrol Holdings Limited	Holding company	United Kingdom	*100%
Accrol Papers Limited	Soft tissue paper converter	United Kingdom	*100%
LTC Parent Limited	Holding company	United Kingdom	100%
John Dale Limited	Manufacturer of wet wipes and facial tissue	United Kingdom	*100%
Leicester Tissue Company Limited	Soft tissue paper converter	United Kingdom	*100%
John Dale (Holdings) Ltd	Holding company	United Kingdom	100%
Art Tissue Ltd	Distributor of soft tissue products	United Kingdom	*100%

*Indirect holding.

The registered address of all subsidiaries in the Group is Delta Building, Roman Road, Blackburn, Lancashire, BB1 2LD.

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

The Group has taken advantage of section 479C whereby the following subsidiaries are exempt from the requirement of the Act relating to the audit of individual accounts with respect to the financial year ending 30 April 2023.

Company	Registered number
Accrol UK Limited	09010320
LTC Parent Limited	12471299
Leicester Tissue Company Limited	08786053
Accrol Holdings Limited	07037097

(b) Directors' emoluments

	2023 £'000	2022 £'000
Short-term employment benefits	**1,704**	1,308
Share based payments	**264**	268
	1,968	1,576

During the year retirement benefits were accruing to two Directors (2022: none). The aggregate amount of emoluments paid to the highest paid Director was £937,000 (2022: £601,000).

(c) Key management personnel

Key management personnel are considered to be the Executive and Non-Executive Directors of the Company. The remuneration of all Directors who have been identified as the key management personnel of the Group is set out above in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'.

26. Share based payments

Description of share option schemes

The Group operates a Long Term Incentive Plan, namely the Accrol Group Holdings Long Term Incentive Plan 2021 ("LTIP"). The LTIP provides for the grant, to eligible employees, of options to acquire shares in the Company at a nominal exercise price. The contractual life of the options is 2 years.

Further details of the schemes are provided in the Directors' Remuneration Report on pages 47 to 49.

Movements in the year

There were no options issued or exercised under the LTIP.

Terms and conditions of the share option schemes

The LTIP options granted are subject to the achievement of certain adjusted EBITDA performance conditions as disclosed further in the Remuneration Report on page 48.

Notes to the Consolidated Financial Information continued

For The Year Ended 30 April 2023

Input for measurement of grant date fair values

The grant date fair values of the share options are measured based on the Black-Scholes model. The expected volatility has been calculated using historical share price data over a term commensurate with the expected terms of the awards (or for the term of available share price history, if shorter). The inputs used in measuring the fair value of the current year share option grants were as follows:

	LTIP
FV at grant date (p)	61.4
Share price at grant date (p)	61.5
Exercise price (p)	0.1
Expected volatility	61.71%
Dividend yield	0.00%
Risk-free rate	0.13%

Income statement charge

The share-based payment charge for the year was £459,000 (2022: £508,000), all of which relates to equity-settled awards.

Movements in share options

Movements in the number of share options outstanding are as follows:

In thousands of shares	LTIP	Total
In issue as at 1 May 2022	11,119	11,119
Granted in the year	-	-
Exercised in the year	-	-
Lapsed in the year	(4,866)	(4,866)
In issue as at 30 April 2023	**6,253**	**6,253**
Exercisable as at 30 April 2023	**-**	**-**

27. Events after the balance sheet date

Subsequent to the balance sheet date, in August 2023, the Group amended and extended its existing banking arrangements providing additional facilities to support its growth. These new facilities provide increased headroom in both the scale, tenure and liquidity of the facilities and an easing in the headline associated banking covenants. This refinancing resulted in the Group extending its £17.0m revolving credit facility to £24.0m which now expires in February 2025.

28. Contingent liabilities

As at 30 April 2023, the Group has no disclosable contingent liabilities.

29. Alternative performance measures

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

Adjusted earnings per share

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

	2023 £'000	2022 £'000
Loss attributable to shareholders	**(5,695)**	(1,697)
Adjustment for:		
Amortisation	**6,702**	5,494
Separately disclosed items	**1,003**	(2,577)
Share based payments	**459**	508
Discount unwind on contingent consideration	**-**	192
Net loss on foreign currency derivatives	**6,122**	-
Tax effect of adjustments above	**(2,714)**	(832)
Adjusted earnings attributable to shareholders	**5,877**	1,088

	Number '000	Number '000
Basic weighted average number of shares	**318,878**	317,147
Dilutive share options	**9,044**	11,119
Diluted weighted average number of shares	**327,922**	328,266

	pence	pence
Basic adjusted earnings per share	**1.8**	0.3
Diluted adjusted earnings per share	**1.8**	0.3

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

	2023 £'000	2022 £'000
Adjusted EBITDA		
Operating profit/(loss)	**2,422**	(226)
Adjusted for:		
Depreciation	**4,964**	5,857
Amortisation	**6,702**	5,494
Separately disclosed items	**1,003**	(2,577)
Share based payments	**459**	508
Adjusted EBITDA	**15,550**	9,056

	2023 £'000	* 2022 £'000
Adjusted Gross Profit		
Gross Profit	**45,165**	34,344
Adjusted for:		
Separately disclosed items	**590**	905
Depreciation	**1,785**	1,895
Adjusted Gross Profit	**47,540**	37,144
Revenue	**241,914**	159,450
Adjusted Gross Margin	**19.7%**	23.3%

	2023 £'000	2022 £'000
Adjusted profit before tax		
Reported (loss) before tax	**(7,818)**	(2,532)
Adjusted for:		
Amortisation	**6,702**	5,494
Separately disclosed items	**1,003**	(2,577)
Share based payments	**459**	508
Discount unwind on contingent consideration	**-**	192
Net loss on foreign currency derivatives	**6,122**	-
Adjusted profit before tax	**6,468**	1,085

* The comparative income statement has been restated - see note 2.

Company Statement of Financial Position

As At 30 April 2023

	Note	2023 £'000	2022 £'000
ASSETS			
Non-current assets			
Investments in subsidiaries	5	**52,911**	52,569
Total non-current assets		**52,911**	52,569
Current assets			
Trade and other receivables	6	**64,784**	64,301
Cash and cash equivalents		**-**	-
Total current assets		**64,784**	64,301
Total assets		**117,695**	116,870
Current liabilities			
Trade and other payables		**(498)**	(15)
Total current liabilities	7	**(498)**	(15)
Total assets less current liabilities		**117,197**	116,855
Net assets		**117,197**	116,855
Capital and reserves			
Share capital	7	**319**	319
Share premium		**108,782**	108,782
Capital redemption reserve		**27**	27
Retained earnings		**8,069**	7,727
Total equity shareholders' funds		**117,197**	116,855

As permitted by Section 408(3) of the Companies Act 2006, the income statement of the Company is not presented with these financial statements. The Company recorded a loss for the year of £nil (2022: £1,000).

The financial statements were approved by the Board of Directors on 25 September 2023.

Signed on behalf of the Board of Directors

Gareth Jenkins
Chief Executive Officer
Company Registration Number 09019496

Company Statement of Changes in Equity

For The Year Ended 30 April 2023

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 30 April 2021	311	108,782	27	8,724	117,844
Transactions with owners recognised directly in equity					
Proceeds from shares issued	8	-	-	-	8
Dividends	-	-	-	(1,594)	(1,594)
Share based payments	-	-	-	596	596
Total transactions recognised directly in equity	8	-	-	(998)	(990)
Comprehensive income					
Loss for the year	-	-	-	1	1
Total comprehensive income	-	-	-	1	1
Balance at 30 April 2022	319	108,782	27	7,727	116,855
Transactions with owners recognised directly in equity					
Share based payments	-	-	-	342	342
Total transactions recognised directly in equity	-	-	-	342	342
Comprehensive income					
Loss for the year	-	-	-	-	-
Total comprehensive income	-	-	-	-	-
Balance at 30 April 2023	**319**	**108,782**	**27**	**8,069**	**117,197**

Notes to the Company Financial Information

For The Year Ended 30 April 2023

1. General information

Accrol Group Holdings plc (formerly Accrol Group Holdings Limited), (the "Company") was incorporated with Company number 09019496. It is a public company limited by shares and is domiciled in the United Kingdom. The registered address of the Company is Delta Building, Roman Road, Blackburn, Lancashire, BB1 2LD. The Company's subsidiaries are listed in note 25 to the consolidated financial statements, which together with the Company form the Accrol Group Holdings plc Group (the "Group"). The Company acts as a holding company for the remainder of the Accrol Group.

2. Summary of significant accounting policies

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

Basis of preparation

The Company financial statements of Accrol Group Holdings plc have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006.

The entity satisfies the criteria of being a qualifying entity as defined in FRS 101. Its financial statements are consolidated into the Group financial statements of Accrol Group Holdings plc, which are included within this Annual Report.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed below.

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

- Paragraphs 45(b) and 46 to 52 of IFRS 2 'Share based payments' (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined);
- IFRS 7 'Financial Instruments: Disclosures';
- Paragraphs 91 to 99 of IFRS 13 'Fair Value Measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);
- Paragraph 38 of IAS 1 'Presentation of Financial Statements' comparative information requirements in respect of:
  - (i) paragraph 79(a)(iv) of IAS 1;
  - (ii) paragraph 73(e) of IAS 16 'Property, Plant and Equipment'; and
  - (iii) paragraph 118(e) of IAS 38 'Intangible Assets' (reconciliations between the carrying amount at the beginning and end of the period);
- The following paragraphs of IAS 1 'Presentation of Financial Statements':
  - (i) 10(d) (statement of cashflows);
  - (ii) 16 (statement of compliance with all IFRS);
  - (iii) 38A (requirement for minimum of two primary statements, including cashflow statements);
  - (iv) 38B-D (additional comparative information);
  - (v) 111 (cashflow statement information); and
  - (vi) 134-136 (capital management disclosures);
- IAS 7 'Statement of Cashflows';
- Paragraph 17 of IAS 24 'Related Party Disclosures' (key management compensation); and
- The requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group.

Going concern

The Chairman's Statement and the Chief Executive's Review outline the business activities of the Group along with the factors which may affect its future development and performance. The Financial Review discusses the Group's financial position, along with details of cashflow and liquidity. The Group encountered enormous macro-inflationary cost pressures throughout FY23 & FY22 but has successfully managed this through passing on price increases and taking a diligent approach to cost control. The Group is well placed for continued success having concluded its significant investment in to operating activities, automation and infrastructure.

The pressures on the cost of living is driving consumer demand for great value products and Accrol continues to see a strong start to the new financial year (FY24) where margin recovery is expected to continue having largely passed through inflationary increases to customers.

As in previous years, the Group's forecasted 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. The Group's forecasted performance has been tested for downside scenarios, including reverse stress tests, relating to sales volume, price erosion, foreign exchange and parent reel prices. The Group considered the likelihood of such events occurring together with the relevant impact thereof and were satisfied that if a scenario partly or fully takes place the Group has mitigating options available, which may include further price increases, further operational restructuring and a reduced or deferred capital expenditure programme, to maintain liquidity and continue its operations.

The Group is currently operating within its covenants. It also considered the impact of the above downside scenarios on covenant headroom. The directors were satisfied that after evaluating the probability of events and available mitigating actions, covenant breaches would be unlikely. At 30 April 2023, available funds were £15.4m, with further details of the borrowing facilities set out in note 19.

The Directors confirm that, after due consideration, they have a reasonable expectation that the Group has adequate resources to continue in operational existence for a period of at least 12 months from the date of signing the financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Investments

On initial recognition, investments in subsidiaries are recorded at cost, which is the fair value of the consideration paid plus directly attributable acquisition costs. Where consideration is paid by way of shares, the excess of fair value of the shares over nominal value of those shares is recorded in share premium. Investments in subsidiaries are reviewed for impairment at each balance sheet date with any impairment charged to the income statement. Carrying values of investments that have previously been impaired are also reviewed at each balance sheet date. If there are indicators that previous impairment losses might have reversed (generally the opposite of the indicators that gave rise to the original impairment) the recoverable amounts are estimated again.

Financial instruments

Financial assets

The Company classifies its financial assets as either amortised cost, fair value through comprehensive income or fair value through profit or loss depending on the purpose for which the asset was acquired. The Company currently has assets classified as amortised cost.

Amortised cost

Assets classified as amortised cost are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for receivables from Group undertakings are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, 12-month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The Group's financial assets measured at amortised cost comprise receivables from Group undertakings and cash and cash equivalents in the consolidated statement of financial position.

Cash and cash equivalents comprise cash at bank.

3. Significant accounting judgements, estimates and assumptions

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

Accounting estimates made by the Company's management are based on information available to management at the time each estimate is made.

Accordingly, actual outcomes may differ materially from current expectations under different assumptions and conditions. The estimates and assumptions for which there is a significant risk of a material adjustment to the financial information within the next financial year are set out below.

Critical accounting estimates in applying the entity's accounting policies:

Investment carrying values: In determining whether the carrying value of the investment in subsidiaries is recoverable, the Company considers the performance of the Group based on value in use calculations. The use of this method requires the estimation of future cashflows and the determination of a pre-tax discount rate in order to calculate the present value of the cashflows. The Group's trading performance remains sensitive to a number of key variables, including the sterling/USD exchange rate and parent reel pricing, which could have a significant effect (positive or negative) on the Group's cashflows and hence the carrying value of the investment.

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

4. Directors' emoluments

	2023 £'000	2022 £'000
Short-term employment benefits	**1,704**	1,308
Share based payments	**264**	268
	1,968	1,576

During the year retirement benefits were accruing to two Directors (2022: none). The aggregate amount of emoluments paid to the highest paid Director was £937,000 (2022: £601,000). The Company does not have any employees (2022: none).

Notes to the Company Financial Information continued

For The Year Ended 30 April 2023

5. Investments in subsidiaries

	Group undertakings £'000
Cost	
30 April 2022	52,569
Additions in the year in respect of Share based payments	342
30 April 2023	**52,911**

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

The resulting carrying value is consistent with the Group's estimated value in use.

6. Trade and other receivables

	2023 £'000	2022 £'000
Amounts owed by Group undertakings	**64,784**	64,301
	64,784	64,301

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

7. Trade and other payables

	2023 £'000	2022 £'000
Amounts owed to Group undertakings	**498**	-
Accruals	**-**	15
	498	15

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

8. Issued capital and reserves

Called up, allotted and fully paid

	2023 £'000	2022 £'000
Ordinary shares of £0.001 each	**319**	319
	319	319

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

	Number	Number
Ordinary shares of £0.001 each	**318,878,097**	318,878,097

Each holder of the £0.001 Ordinary Shares is entitled to vote at general meetings of the Company. Every holder of an Ordinary Share shall have one vote for each Ordinary Share held.

9. Dividend payable

The Company did not pay an interim dividend (2022: £nil).

The Company does not propose a final dividend (2022: £nil), therefore the total dividend for the year is £nil (2022: £nil).

10. Dividend receivable

Dividends received by the Company from its subsidiaries in the year were £nil (2022: £nil).

Company Information

Directors

Daniel Wright (Executive Chairman)

Gareth Jenkins (Chief Executive Officer)

Richard Newman (Chief Financial Officer) Resigned 2 May 2023

Christopher Welsh (Chief Financial Officer) Appointed 2 May 2023

Euan Hamilton (Independent Non-Executive Director)

Simon Allport (Independent Non-Executive Director)

Secretary

Richard Almond

Registered office

Delta Building
Roman Road
Blackburn
Lancashire
BB1 2LD

Registered number

09019496

Share capital

The Ordinary share capital of Accrol Group Holdings plc is listed on AIM, a market operated by London Stock Exchange plc. The shares are listed under the trading ticker ACRL. The ISIN number is GB00BZ6VT592 and the SEDOL number is BZ6VT59.

Registrars

Link Group
Central Square
29 Wellington Street
Leeds
LS1 4DL

Auditors

BDO LLP
3 Hardman Street
Spinningfields
Manchester
M3 3AT

Nominated adviser and broker

Zeus Capital Limited
82 King Street
Manchester
M2 4WQ

125 Old Broad Street
London
EC2N 1AR

Joint Broker

Shore Capital Stockbrokers
Cassini House
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London
SW1A 1LD

Solicitors

Addleshaw Goddard LLP
1 St Peters Square
Manchester
M2 3DE

Financial PR

Belvedere Communications
Atlas House
1 King Street
London
EC2V 8AU

Notes

WORLD LAND TRUST™
www.carbonbalancedpaper.com
CBP020973

MIX
Paper from responsible sources
FSC® C021017
www.fsc.org

The paper stock used in this report is manufactured at a mill that is FSC accredited. The manufacture of the paper in this report has been Carbon Balanced. The print factory is FSC accredited and has the Environmental ISO 14001 accreditation.

Designed and printed by:

perivan

perivan.com

Accrol Group Holdings plc
Roman Road
Blackburn
Lancashire
BB1 2LD
www.accrol.co.uk