Accrol Group Holdings Plc Annual Report & Accounts 2022

ACCROL GROUP

Accrol Group Holdings Plc
Annual Report & Accounts 2022

> The last four years have been spent creating an innovative and sustainable business, that is a market leader in the UK. I believe we have finally achieved this.

Gareth Jenkins, Chief Executive Officer

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 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.

Highlights and overview

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

Key financial highlights

Total Revenue
£159.5m
2021: £136.6m / 2020: £134.8m

Market Share*
16.0%
2021: 15.9% / 2020: 13.1%

Gross Profit Margin
22.7%
2021: 27.7% / 2020: 21.9%

Adjusted EBITDA**
£9.1m
2021: £15.6m / 2020: £10.6m

Operating loss
£0.2m
2021: £1.2m loss / 2020: £0.2m loss

Adjusted Net Debt***
£27.5m
2021: £14.6m / 2020 :£17.9m

Increase in output per head
6.2%
2021: 9.4% / 2020: n/a

Reduction in total accidents
33% Zero lost time accidents
2021: 26%, 7 lost time accidents / 2020: n/a

Operational Highlights

- Accrol's market share by volume increased to 19.5% (H1 FY22: 18.9%, FY21 20.0%), compared to flat overall UK market
- New customers secured through increasing product diversity - notably Amazon, Unitas (30k convenience stores), Boots, Ocado and Sainsbury's
- Completion of automation at Blackburn and Leicester sites – machine investment and full automation at Leyland completed in Q1 FY23
- Leicester Tissue Company ("LTC") and John Dale acquisitions fully integrated, and all sites have improved output (pallets per week) over the last 12 months
- Delivering on customers' sustainability objectives - development of smaller core products (reducing logistics and packaging costs) and further development of the Oceans brand (paper wrap)

Current trading in FY22 and outlook

- Strong market position and entered FY23 with pricing fully aligned with higher input costs
- Optimising shareholder value: strategic review, to capitalise on the strength of the Group's market position
- Private label volumes fully recovered from impact of pandemic and market share growing at an unprecedented rate against the traditional brands - now 54% (Q1 FY22: 50%)
- Accrol revenue up 76% in Q1 FY23, compared Q1 FY22, driven by price increases and volume growth (28%)
- FY23 trading in line with market expectations and the Board views year ahead and beyond with increasing confidence

Our Values

- We challenge
- We deliver
- We are honest
- We add value

* Kantar retail sales value data (May 2021 – April 2022)

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

*** Adjusted net debt excludes operating type leases recognised on balance sheet in accordance with IFRS 16.

Chairman's Report

Total Revenue

£159.5m

2021: £136.6m / 2020: £134.8m

Adjusted EBITDA**

£9.1m

2021: £15.6m / 2020: £10.6m

Gross Profit Margin

22.7%

2021: 27.7% / 2020: 21.9%

"The work to automate, rationalise and simplify the business has put Accrol in a very strong market position.

It is now one of the most innovative, well-invested and automated tissue converters of scale in the UK.

Dan Wright, Executive Chairman

The Group has delivered a set of results of which we are proud, despite the enormous macro-inflationary cost pressures faced during the year.

The team successfully recovered more than £70m of annualised cost increase by the year end, quickly and skilfully negotiating and implementing price increases. This rapid action significantly mitigated the unavoidable impact on the Group's FY22 profitability. The management team simultaneously delivered the full integration of LTC and John Dale; finalised the automation of all four tissue manufacturing sites, which completed in August 2022; delivered further internal efficiencies; and increased Accrol's market share.

The work to automate, rationalise and simplify the business has put Accrol in a very strong market position. It is now, one of the most innovative, well-invested and automated tissue converters of scale in the UK.

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 the lowest cost base in its market is a compelling proposition.

Diversification

We are focused on adding new customers, expanding our product range, entering new categories, and finding additional routes to market. Fluctuations in market sub-sectors are smoothed through diversity, removing reliance on any one product, market, or customer.

While wet wipes sales represented only c.1% of Group revenue in FY22, we expect this to grow to £6m by the end of FY23 (representing c.3% of Group revenue). From a modest capital investment of c.£2m, we see a £20m plus revenue opportunity (representing c.5% of the total market) and the establishment of this product category as a new and sustainable leg to the business.

Good progress was achieved in terms of new category expansion, new customers, and deepened penetration of existing customers in FY22. This is detailed in the CEO's Review.

Size and scale

The acquisition of LTC, coupled with automation of the Group's other manufacturing sites, has added operational scale. Today, the Group has a core tissue capacity of c.150k tonnes and the headroom needed to deliver a market leading service to the industry. With the addition of facial tissue and wet wipes, the Group has the capacity and scale to grow to beyond £300m revenue across multiple categories.

Our addressable market, including wet wipes and facial tissue, now totals c.£3.0bn, a significant step change for the business from 18 months ago.

De-risking our business

Like many other sectors, the UK tissue market is not alone in being exposed to input cost volatility. However, a key focus for the team has been to control what can be controlled and to act swiftly and decisively to mitigate against the damaging effects on issues which fall outside our immediate control.

The progress that has been made on this front during the year has been especially pleasing and is testament to the strength of Accrol's products, service offering and customer relationships, which have been established in recent years. Price rises in a cost-conscious industry are not easy to deliver rapidly. They can only be achieved in partnership with our retail customers and only when our retail partners understand and value our proposition.

Managing cost volatility, however, is not just about price increases but also about internal efficiencies, flexibility and good capital allocation. Our historic investments in process automation provide us with more flexibility in product innovation and customer delivery, as well as improving our overall capacity.

Although the Group is well invested, a major differentiator for us relative to our competitors is that we never stand still. We continually review our options on capital investment opportunities. One such area, which we have previously discussed, is the investment in our own paper mill. The long-term commercial and economic benefits of owning or building a paper mill remain transformational for us. However, against these material and longer-term benefits, we must weigh the shorter-term costs to deliver and the competing claims on our balance sheet. We remain committed to our ambition to own a paper mill but this will only be completed in a way that maximises shareholder value and minimises risk. We remain alert to any easing of the building cost environment and normalisation of the supply chain that will reduce working capital requirements. We have a strengthening balance sheet but intend to deploy it only when the time is right.

Maximising returns for shareholders

Strategic Review

The Strategic Review, which we announced earlier this year, is ongoing. We see considerable value within the Accrol Group, not least as a result of the actions taken by management over the last four years. Our market opportunity is substantial and growing and our business is well invested and well positioned relative to others. The Strategic Review is focused on how best to deliver that value for all our stakeholders.

Our short-term priority, however, remains on the effective management of macro inflationary pressures on the Group's costs, as well as handling other well-documented macro supply chain challenges, which require the team's full attention. We expect to provide shareholders with a full update on the Strategic Review early in 2023.

Dividend

When we issued our FY21 results in July last year, the Board was delighted to announce the restoration of dividend payments and a progressive dividend policy. This demonstrated our confidence in the business and was made possible by continuous improvement in operational efficiencies and strong cash management.

The world has changed greatly since that announcement and we have taken the difficult but prudent decision not to propose a final dividend for FY22. 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 buy-backs, dividend payments, increasing raw material stocks and or paying down debt further. Effective capital allocation is about weighing risk and return. The current market environment favours a more risk averse approach, especially around securing our supply chain and access to raw material, and this remains our short-term priority. Clearly, any easing of these pressures will make a return to dividends much more likely. We will provide an update on dividend policy as part of the Strategic Review update in early 2023.

Environmental, Social and Governance

We were delighted to launch our maiden ESG report in September 2021 with real and significant targets on which to judge progress and performance, which was well received by both internal and external stakeholders. We pride ourselves on ensuring that ESG is integrated throughout the business and makes a valuable contribution to the Group, as well helping us be better corporate citizens and minimising our impact on the environment. Since the publication of the report, we have made significant strides against our environmental and social aspirations, which have positively contributed to the wider business in terms of further improved employee engagement, energy and waste reduction. With underlying absentee levels at record lows, health and safety improvements, and cost and material savings made, ESG integration is evident.

A by-product of our waste reduction is reduced raw material usage. In the period since we last reported, waste was reduced by 0.5% creating a further reduction of raw material spend. In the year under review, the Group continued to buy all raw materials from FSC (Forest Stewardship Council) accredited suppliers.

The Group also introduced the use of 38mm cores to toilet rolls from 50mm in the Period. The project, which involved a wide range of internal and external stakeholders, has delivered significant material savings and a 10% reduction of vehicle movements for the business.

In addition, we are well on track to deliver our target of 25% of women in leadership roles by 2025 – up to 22% in FY22 (FY21: 17%), which aligns with the Group's recent achievement as a Living Wage Accredited Organisation. Both are key elements of an operationally excellent business.

We will launch our second ESG report this autumn and provide more detail on pages 18 to 21 of this report.

Our people

Engaged, well trained people are a key element of our business model and sustainability, with training and wellbeing at the centre. I am proud to report that Accrol is now an accredited Living Wage employer. This is especially important to our people at this time of heightened inflation and also 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 Communications Manager, Vikki Makinson, who has made significant improvements to our internal communications and improved the efficiency and effectiveness of how we deliver training. To support this, we use an online training hub which delivered over 350 courses in its first three months. Our employee engagement scores remain high with an overall score of 84%.

I would like to thank all our people for their hard work and contribution during what has been a very challenging environment. I think the overall result, the further operational advance, and the level of costs recovered showcase the strength and capability of the management team in the Group.

Outlook

The cost of living crisis is driving consumer demand for great value products and Accrol has enjoyed a strong start to the new financial year FY23, and is fully on track to achieve market expectations. The margin erosion experienced in FY22, created by the rapid increase in input costs, has been rectified and contained, with cost increases being passed on as they arise.

The market share of the private label and tertiary brand segment increased to 54% in Q1 FY23, compared to 50% in the same period of the prior year. Accrol revenue increased by 76% in Q1 FY23, compared Q1 FY22, driven by price increases (48%) and volume growth (28%). The team's work and the capital investment in Accrol undertaken over the last four years have put the business in an excellent position to benefit from, what we believe will be, a sustained period of further growth for the private label and tertiary brand segment.

We remain mindful of the current 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 confidence.

Dan Wright
Executive Chairman
5 September 2022

Investment Case

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 £3bn.

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.

> The team’s work and the capital investment in Accrol undertaken over the last four years have put the business in an excellent position to benefit from, what we believe will be, a sustained period of further growth for the private label and tertiary brand segment.

Dan Wright, Executive Chairman

Strategy, business model and the five-year plan

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 five-year plan

Future perfect
Step change, innovation and relentless improvement

World-class basics
Doing every part of the process, especially the basics, consistently well

Hearts and minds
Getting the most out of our people and our people getting the most out of us

Markets for growth
Picking winning products for expanding market segments

Sustainable platform
Ensuring long-term growth and security

Operational Excellence

Relentless focus on cost

Employ the right people	Consistent quality	Broad customer base
The right people	**Strong customer relations**	**Greater shareholder returns**
Engaging our people at all levels so they understand the role they play in making the business better every day.	Delighting our customers by offering 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.

The right people + Strong customer relations = Greater shareholder returns

The right people
- Accredited Real Living wage employer
- Training to increase skills
- Employee survey results
- Clear career paths
- Mental health support

Strong customer relations
- Fully automated manufacturing
- Improved output
- Improved safety
- Waste reduction
- Smaller diameter cores
- Currency hedging
- Maintaining supply through supplier relations

Greater shareholder returns
- Multi-channel strategy: online, wholesale and retail
- Brand development: Elegance, Oceans and wet wipes
- Expanded product range
- New and deepened customer relations
- Category expansion
- New routes to market

Strategy in action

Future perfect

John Dale acquisition

In April John Dale celebrated a year in the Accrol Group. The wet wipes business which proudly manufactures a wide range of own-label and branded products, was added as part of the Group's strategy to diversify its product range.

In September we achieved the first 'Fine to Flush' accreditation on a range of wet wipe products including our own brand, Elegance toilet tissue wipes.

As an accreditation created and regulated by water industry experts, it gives manufacturers and brands greater confidence to clearly label products. In turn, giving retailers and consumers complete reassurance that they're doing the right thing by the environment.

A range of new business has been won, including a contract to supply Ocado own-label wet wipes. In addition, we launched Quantum Moist Toilet Tissue with Poundland and deepened our relationship with the award-winning 'Kinder by nature' wet wipes brand, whose products we manufacture under contract.

Markets for growth

Accrol Brands

Accrol renewed its focus on brand sales launching a host of new brands across the categories it manufactures expanding its reach across the UK's retail network.

Elegance toilet tissue launched in the year, achieving growing sales success. Launching the brand into wholesale has been a highlight with the products being sold in Unitas. Unitas represents 33,000 convenience retailers across the UK and the agreement with Unitas made Accrol the only other branded paper supplier to the wholesaler other than Kimberley Clarke. The brand also went on sale online via Amazon, becoming a top selling brand on the UK's leading online retail site.

Magnum kitchen roll has experienced continued success in the year, with sales increasing by 19% despite a market downturn in the category of over 6%*. The brand is listed with a major grocer as well as a host of discount retailers. It also launched in the wholesale channel alongside the Elegance branded range.

Softy facial tissue experienced a sales uplift of 70%, outperforming the category market which grew overall by 5.4%*. This was achieved through new listings via major retailers.

Little Heroes baby and toddler wet wipes range launched in April. The comprehensive range of wipes includes toddler 'fine to flush' toilet training wipes and biodegradable, plastic free wipes.

*Source: Kantar

Markers for growth

Oceans

Oceans is our sustainable direct to consumer brand. Our Oceans plastic-free toilet roll is sold direct to consumers on subscription, online through Amazon and has been listed in a major grocer.

The product is sustainably sourced from FSC certified fully traceable tissue paper. Being manufactured in the UK, means that fewer miles are travelled in its delivery. Accrol is also SEDEX certified, a well-recognised standard for ethical business.

In addition, through the brand we support the work of the Marine Conservation Society, a registered UK charity working for seas full of life.

Investment in Oceans continued throughout the year; the product range expanded with Oceans kitchen roll launching online and received excellent online consumer reviews.

The sustainable brand is also benefitting from a new website which was launched to improve and enhance the customer experience.

The brand is performing well with the brand run rate approaching £1 million per annum and growing strongly. This is despite a decline in online grocery sales* across the wider market as consumers returned to 'normality' following lockdown life.

*Source: NeilsenIQ report February 2022

World-class basics

Fully automated

Full automation across Blackburn and Leicester has resulted in headcount reduction on a like for like basis. The final stage of machine investment in Leyland is being completed in H1 FY23.

Being fully automated delivers improvements in output capacity, packaging efficiency and product quality as it requires product consistency for it to run without incident or human intervention.

Automation significantly reduces plastic materials used in pallet wrapping as the state-of-the-art equipment precisely adjusts settings to optimise pallet presentation thus reducing material waste. It has helped during the year to mitigate margin erosion and will help drive margins back to the equivalent of pre-pandemic levels in the medium term.

"

Automation has supported the Group's improved pallet per week output across all sites – Blackburn increased by 27%, Leicester by 59% and Leyland by 32%.

Gareth Jenkins
Chief Executive Officer

Looking after our People

Living wage

Last year the Group made a commitment to ensure that everyone employed in Accrol is paid the real Living Wage or above by the end of FY22. We are delighted to have achieved this across sites.

100%
of staff being paid the Real Living Wage

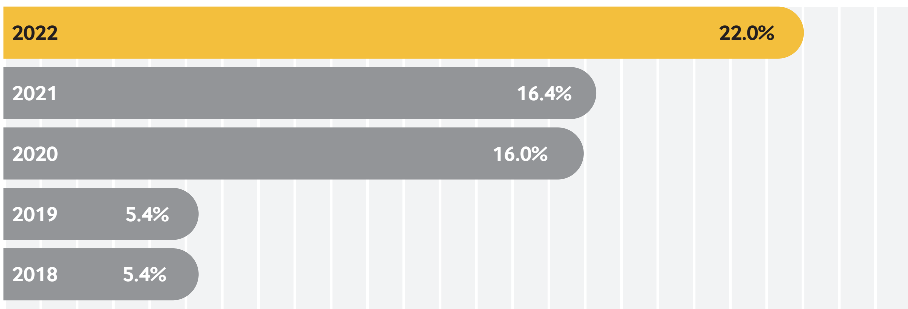
Gender diversity

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

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

*Figures for 2021 and 2022 include the acquisitions of LTC and John Dale

Females in leadership roles rose significantly this year coming closer to our target for 2025, which is over 25%



22%
of females in leadership roles

Gender pay gap at 5 April 2021

Gender pay gap	2021	2020	2019
Mean gender pay gap	**11.8%**	7.7%	-18.0%
Median gender pay gap	**-3.4%**	-5.7%	5.7%
Mean Bonus pay gap	**68.4%**	77.3%	93.2%
Median bonus pay gap	**0%**	0.4%	-1.3%
Male employees who received a bonus	**85.9%**	43.9%	53.2%
Female employees who received a bonus	**97.2%**	19.5%	6.5%

Accrol's aim
0%
Gender pay gap

Accrol remains well ahead of the national figures. In 2021, the UK's gender pay gap (median) rose from 14.9% to 15.4% (Office for National Statistics, ONS, 2021). This means that, on average in the UK, women earn just over 15% less than men per hour. Accrol's negative 3.4% means that women earn 3.4% more than men per hour.

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

This report relates to Accrol Papers Ltd only. Other subsidiaries of the Accrol Group (Leicester Tissue Company Ltd and John Dale Ltd) will be reported on from 2023 on a voluntary basis.

Key to understanding the table: A positive percentage indicates that men are paid more than women and a negative percentage indicates that women are paid more than men. The Group's aim is to achieve 0%.

Employee survey

91%
of employees think Health and safety is always a high priority at Accrol

84%
of employees feel comfortable voicing their opinion at work

86%
of employees think Accrol embraces diversity and equal opportunities

89%
of employees feel proud to work at Accrol

96%
of employees understand how their role contributes to the success of Accrol

Looking after our People

An accredited Living Wage employer

The Living Wage is independently calculated each year based on living costs. In 2016 the government introduced a rise in the minimum wage for over 25s, but there's a gap between the amount all employers have to pay by law and the real Living Wage that meets the cost of living. In addition, the real Living Wage recognises that under 25s have the same living costs as everyone else.

At the heart of the Living Wage movement is the simple idea that a hard day's work deserves a fair day's pay. As well as it being the right thing to do, there is a growing body of evidence demonstrating the business benefits of becoming a Living Wage employer. With people at the heart of our business operations it's important to Accrol that the effort of our people is rewarded fairly.

Accrol pays all colleagues across all of its sites the real living wage or above. It is the only real living wage accredited manufacturer in Flint and the South Ribble.

We are a Living Wage Employer

The Accrol Learning Hub

As part of our ongoing commitment to people development and relentless drive for efficiency across all aspects of the business, we launched our Learning Hub. The hub is hosted online and supported by a physical learning hub space. In its first three months over 350 online courses were completed.

The hub creates a consistent approach to training that is more easily cascaded through the business. As well as empowering employees to steer their own career paths, it helps management with onboarding and induction for new employees, ensures compliance with governance and statutory training. In addition, it feeds into Accrol's ongoing focus on product and service improvement.

Developing skills

Accrol employs a wonderfully diverse workforce representative of the communities in which it operates. To support our colleagues, including those for whom English isn't a first language, we engaged with Blackburn college and have launched English, numeracy, and digital skills courses. The courses are designed to develop personal skills and build confidence to pursue professional aims, which enables Accrol to develop and retain talent within the business.

Courses are delivered on-site by specialist, experienced tutors and 17 colleagues enrolled onto the first programme. The feedback has been exceptional.

"This course will help me to talk to my daughter in English and I will be able to support her with her school-work." (*Colleague enrolled onto the English as a second language course*).

77%
Opportunity to grow
Average score

Supporting personal development

Accrol is committed to empowering employees to develop rewarding careers and be the best they can be. To meet this commitment, we fund a range of courses and programmes to support personal development.

“

I enjoy working at Accrol and I plan to be here for a while.

Dominic Timms
Line Operative Trainee

Javid Mogradia, Quality Manager

After expressing a desire to develop his management skills, Accrol funded Javid to study for an ILM Level 3 Diploma in Team Leadership. Studying over two years Javid was able to build his management knowledge and capability. He successfully completed the Diploma achieving a Distinction!

Javid also completed, along with his colleague, Quality Co-ordinator, Noman Mahmood, an Internal Auditor course with Advanced Food Safety. Both passed with flying colours!

Dominic Timms, Line Operative Trainee

As part of Accrol's involvement with the government's Kickstart scheme, which offers individuals valuable work experience, Accrol recruited Dominic Timms in a placement working at the Group's facial tissue manufacturing site in Blackburn.

Dominic impressed the operations leadership team so much with his attitude and work ethic that he successfully secured a full-time, permanent position with the business.

He said of the role: "It can be an intense environment working 12 hour shifts and you're always busy doing something. But the team are really helpful, my manager says to me if you need anything you only have to ask and there's a good team spirit, we all get along. I enjoy working at Accrol and I plan to be here for a while"

85%
My manager, or someone at work, seems to care about me as a person

Improving wellbeing

Accrol offers a broad range of support and during the year has increased its focus on mental health.

All colleagues are offered full training in "Positive Mental Health at Work" to help them learn how to help and support others with mental health issues as well as understand the habits they can develop to take better care of their own mental health. During the year Accrol launched:

Mental Health First Aiders

A team of four employees were trained as Mental Health First Aiders to support their colleagues and signpost support and further resources.

Employee Assistance Programme

Provided by leading employee benefits provider Unum Lifeworks, this service offers around the clock support on all matters of health and wellbeing, including telephone and face to face support.

Tailored, specialist support

Given to colleagues to assist them through personal crisis.

Chief Executive Officer's Review

> In every aspect of our manufacturing operations, we have successfully navigated unprecedented inflationary pressures.
>
> **Gareth Jenkins**
> **Chief Executive Officer**

Accrol's own branded products

18% of total sales

(2021: 10%)

Core paper capacity

c150k tonnes

Total revenue capacity

£300m

The Group has delivered a strong performance that is marginally ahead of market expectations under extremely challenging circumstances, having successfully recovered over £70m of annualised cost increases.

I am pleased to report that we generated substantial volume growth of 7.5% in the year and increased revenue by 17%. Given the unprecedented speed and magnitude of the cost increases, there was an unavoidable time lag in these passing on, which impacted the Group's underlying margin in the year. These costs were passed on in full by the year end and we now have mechanisms in place to pass on any further increases, in a more timely manner.

In every aspect of our manufacturing operations, we have successfully navigated unprecedented inflationary pressures. Tissue prices have reached their highest ever levels, driven by pulp, energy, and sea freight costs, and this was exacerbated by the weakening of sterling relative to the US Dollar and the war in Ukraine.

We entered FY23 with more secure revenues, underpinned by the right products, the biggest range of customers in the sector and a fully automated, well-invested business in a rapidly growing market - private label volume has grown 10%, since the full year end, and is once again, out-stripping the traditional brands, which declined by 5% in the same period. Market share for private label now stands at 54% vs 46% for brands.

Momentum on volume growth and underlying margin has been maintained. Accrol volumes in Q1 FY23 increased by 28% and revenue by 76%, compared to the same period in the prior year. This volume growth is on track with market expectations for FY23, which forecast YoY revenue and EBITDA growth of 31% and 67% respectively, underpinning our confidence for the year ahead.

Our business today

As a result of the extensive work done over the last four years to build an operationally robust business, we have continued to deliver on our vision to build a diversified group of size and scale. Highlights during the year included:

- New customer wins;
- Deeper penetration of existing customers;
- Product range expanded; and
- New routes to market opened.

Product extensions will be a key driver behind further volume and market share growth:

- The acquisition of John Dale in April 2021 gave the Group entry into the rapidly growing biodegradable flushable wet wipes market. During the Period, we achieved 'Fine to Flush' and BRCGS (UK Retailers Accreditation – AA rating) on a range of wet wipe products; and
- We developed and launched several new wet wipe products, including 'Little Heroes', a brand-new baby and toddler wipes range being sold through a number of retailers and Quantum moist toilet tissue, again being sold through a number of retailers. In addition, we won a contract to supply Ocado's own-label biodegradable wet wipes and deepened our relationship with the award-winning 'Kinder by Nature' wet wipes brand.

We continue to expand our sales to retail customers, either through adding new ones or deepening existing relationships. The team also secured an extended sole supply position with several retailers for their paper category. In addition, we have generated significant growth in volume sales of our own brands, Elegance (toilet roll), Magnum (kitchen towel) and Oceans (paper wrapped), which are all now being sold through a number of major retailers.

Accrol's own branded products, which stay close to our mission to deliver quality and value to consumers, have also made good progress. All these products are now available on Amazon, and all have grown in volume and revenue over the last 12 months, now making up c.18% of our total sales - up from c.10% in FY21. This range of products commands a higher margin than private label products in the main and increases the importance of our supply relationship with the retailers.

Our Elegance toilet tissue is now the fastest growing brand in cash and carries, and since its launch on Amazon only six months ago, it is now in the top ten toilet tissue brands on the site. Softy facial tissue, which has sold through one of the top four Grocers since February 2022, as well as Amazon, is the now the second biggest box brand in the UK. Our Magnum kitchen towel product, which is sold across several retailers, has had an exceptional year, and is now the fastest growing and currently fourth largest brand in the UK.

The Oceans plastic-free brand sold direct to consumers on subscription had a strong run early in the Period, giving an overall growth rate of 30%. We do not expect this rate of growth to be maintained, as it benefited from Covid related consumer behaviour change, which is now 'normalising' post-pandemic. However, we continue to be excited by the product's potential. More recently, we added Oceans kitchen towel to the range, which has received excellent online consumer reviews.

Further capacity in the business has been added with the final site, Leyland, becoming fully automated from August this year. Further machine capacity at the Leyland site will also be operational from October. Accrol is a well invested platform with the internal capacity to support further organic volume growth without further material capital investment. The Group now offers a core paper capacity of c.150k tonnes, and a total revenue capacity in excess of £300m when we include wet wipes and facial tissue capacity. Utilisation of this capacity, as we continue to execute commercially and build on our impressive market share foundations, is a key driver behind our future free cash flow generation.

The integration of the John Dale acquisition has been completed, with facial tissue machinery and volumes moving to our fully automated state of the art facial plant in Blackburn. We now expect our facial value run rate to double over the next 12 months from c.£10m (FY21) to c.£20m in FY23. In addition, our wet wipe business, which had annualised wet wipe sales of c.£2.2m on acquisition, has won business delivering a simplified flushable range that will deliver c.£6m sales in FY23.

Market overview

The improved market conditions that began at the start of the Period continued, strengthening throughout the year. Shopping behaviours returned to normal levels and the tissue market grew by 0.7% to £2.1bn based on Retail Sales Value. Our market share rose from 15.3% at the half year end to 16% at the year end, reflecting the recovery of the discount retailers. Private label grew by 1.5%, versus a small decline of 0.2% across brands, bringing the ratio back to 50:50.

Post year end, the private label sector has continued to strengthen. We expect the private label sector to grow at c.10% this year as consumers are driven to best value products, as inflationary pressures bite. In Q1 FY23, Accrol volumes grew by 28% versus private label growth of 10% in an overall flat market (when you exclude the inflationary price increases). This success has been driven by supplying a broad customer range with all in growth, as opposed to the prior financial year. The market share of the traditional brands segment fell by c.5% in Q1 FY23 to 46% of the market. Accrol's position at the same time last year was exacerbated by a poor online presence, both directly and through the retailers, both of which have been addressed over the last 12 months.

Our market share growth has been further enhanced by growth across our range of branded toilet and kitchen towel products, as well as the new channel development. Our branded range of toilet tissue (Accrol Elegance) has grown by 14% FY22 vs FY21, facial tissue (Accrol Softy) by 70% and kitchen towel (Accrol Magnum) by 19%. We expect to see further substantial gains against market leaders in kitchen roll in FY23 from further product changes.

The facial tissue market, which was in decline during Covid, due to increased mask wearing and the reduction in common colds is back in growth. Over this period, we have simplified the range further, transferred machinery, moved volume from John Dale and invested in low-cost automation. This has more than doubled the Group's facial tissue capacity from £10m to £20m. Whilst there was a decline in volumes for reasons outlined above, the Group now expects its facial tissue business to double in size over the next 12-18 months.

Finally, our move into wet wipes is starting to deliver on our early expectations. The pipeline of new customers is beginning to positively impact volumes with revenue run rates expected to treble in size to c.£6m per year by the end of FY23, up from £2.2m at the point of acquisition. This has been delivered with a much-simplified range of products with a particular emphasis on a water industry approved flushable wet wipe range. With modest capital (c.£2m), the Group expects the wet wipe business to grow revenue to c.£10m-£15m by 2024, with a particular focus on higher value range of wipes. Our extensive customer range has enabled the business to grow at a pace with the business now expecting the revenue growth to accelerate over the next two years.

Following the well-publicised inflationary pressure in the UK, the retailer market is seeing a significant shift in shopping habits, with an enormous shift away from high-cost brands across every category. Over the next 12 months, as further energy price increases continue to impact shoppers' budgets, we expect to see the private label market grow further. Accrol will continue to develop and bring to market innovative solutions that meet customer needs.

The Group is well positioned to benefit from growth in value products with no major capital required and available capacity.

Chief Executive Officer's Review continued

Operations

The Group is benefiting significantly from the full automation of all of its sites. This, together with shift patterns that were changed last year and further simplification of the business, has helped mitigate margin erosion and will help drive margins back to the equivalent of pre-pandemic levels in the medium term.

Since all the automation programmes have been completed, the Group has improved its output significantly across all sites - the facial plant output increased by 16%, the Blackburn and Leyland sites improved by 27% and 32% respectively, and Leicester rose by 59%. Like for like headcount in the Group's core tissue businesses has reduced from 425 to 275 over the last two years. All remaining employees are now paid the living wage as a minimum and the Group joined the Living Wage Foundation in May 2022.

In addition, the move to 38mm cores from 50mm has increased the "rolls per lorry" by 15%. The aspiration set as part of the ESG announcement in 2021 was to increase this by 15% by 2025. The Group is significantly ahead of this target in both timescale and delivery.

Pulp prices over the Period increased significantly, driven in the main by energy price increases. Whilst there is further capacity coming on stream globally, we do not expect to see any erosion in the pricing of tissue and would not be surprised to see further increases in the short-term. The business remains well placed to pass on these increase as they are encountered. The Group has long-term supply relationships with all suppliers and, due to the uncertainty in the supply chains and the ongoing conflict in Ukraine, has doubled the amount of raw material stocks it normally carries. This will have a short-term impact on adjusted net debt but, due to improved performance elsewhere in the Group we expect adjusted net debt to be less than 2x and in line with market expectations for FY23.

Since the start of FY22, the Group has successfully passed on over £70m of annualised cost increases across three different price increases, with the majority of its supply agreements now having in place some form of index-linked pricing.

Whilst the war in Ukraine does not directly impact the Group, the business has significantly increased its raw material stocks to mitigate any supply chain issues. With regard to energy costs the Group has longer term hedging policies in place and any increases are managed through price increases in finished goods. In addition, the group has in place a significant energy reduction programme which has seen a 3% reduction in usage over the last 12 months on a like for like basis despite the full automation of two factories in this period.

People and culture

As I have stated here before, our operational efficiencies are not at the expense of our people. Engaged people are a key part of our business model and sustainability. Employee wellbeing plays a crucial role in this. I am proud to report that Accrol is now an accredited Living Wage employer, which is especially important at this time. We have also launched several initiatives this year around caring for employees including, Mental Health First Aiders, Employee Assistance program, and training around dealing with mental health issues. It therefore gives me pleasure to report that our absentee levels are at 1.7% (Q1 FY23), which is outstanding when compared to the UK average of 2.2% (source: FY21 – ONS data).

I would like to take this opportunity to thank all our employees for their hard work and determination in delivering a strong set of results in what has been a very difficult environment.

Health and safety

The relentless focus on health and safety over the last four years has resulted in a further 33% reduction in total accidents, with the Group delivering zero lost time accidents over the last two years across all of its sites. In addition, we have seen a 28% reduction in accident frequency rates. These results are transformational and are something of which we are all incredibly proud.

Outlook

We continue to see inflationary issues, not least on account of sterling weakness, and do not see these abating in the short to medium term. However, the operational strength of the business and a supportive retailer customer base has enabled us to recover cost increases and put in place new index linked customer contracts to ensure that costs and inflation are now aligned. As a result, we do not anticipate a repeat of FY22 gross margin impact looking forward.

In addition, work carried out as part of the Group's commitment to ESG has seen initiatives to reduce energy and waste having a positive financial impact. Lorry journeys have reduced by 10% as a result of smaller toilet roll core sizes; and waste reduced by 0.5%, lowering raw material usage.

Despite the wider macro challenges, the Group has performed strongly in the new financial year to date, with volumes growing ahead of the total market (28% compared to 10%) and the rapidly recovering private label market. It is clear that there is an economic shift away from high-cost products to items that give great value to the shopper and Accrol is extremely well placed to capitalise on this opportunity.

Acquisitions, automation and operational efficiency have given us the foundations with which to expand the business. As the balance sheet strengthens, the Group is well placed to take advantage of the many opportunities that exist to accelerate this growth.

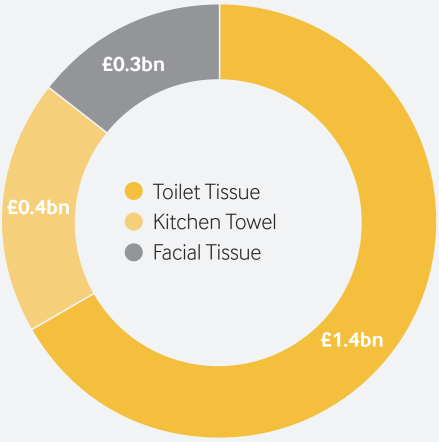
The Board is pleased with the progress of the Group and has continued confidence for FY23 and beyond.

Gareth Jenkins
Chief Executive Officer
5 September 2022

Markets

UK Tissue Market

Retail Sales Value ("RSV")



Source: Kantar (April '21 – Apr '22)

Overall market by RSV increased by 0.7% to £2.1bn following a decline in 2021

Since the start of May 2022, private label comprises of 54% of total sales in the UK

Discounters tissue sales regained as normal shopping behaviours returned after the pandemic and are anticipated to grow in the year ahead as consumers chase value

Accrol's market share by volume increased to 19.5% (H1 FY22: 18.9%, FY21 20.0%), compared to flat overall UK market

Accrol's market share of private label was 27.7%

Toilet Tissue

£1.4bn

market (RSV)

Accrol toilet tissue market share was 17.8% by RSV and 19.5% by volume

Branded range 'Elegance' launched in July 21 is now a top selling toilet tissue brand on Amazon

Plastic free Oceans brand sold direct to consumer continued to grow in the year

Kitchen Towel

£0.4bn

market (RSV)

Accrol kitchen towel market share was 16.4%

Post pandemic, the category is returning to normal levels

Accrol's 'Magnum' brand, which is sold across several retailers, is now the fourth largest UK brand

Facial Tissue

£0.3bn

market (RSV)

Accrol facial tissue share is c7%

Market category grew 5.4% following a decline through pandemic due to reduced cold and flu

Softy facial tissue, which has sold through Sainsbury's since February 2022, and is the 2nd biggest brand in boxed facial

Transferred volume from John Dale to fully automated, state of the art Blackburn site, and invested in low-cost automation, to more than double the Group's facial tissue capacity from £10m to £20m

Wet wipes

£0.5bn

market (RSV)

Product USP Fine to Flush Accreditation Achieved

'Little Heroes' launched in April 2022 a brand-new baby and toddler wipes range

Brand extension of Elegance and Quantum launched to match brand leader

With modest capital (c.£2m), the Group expects the wet wipe business to grow revenue to c.£10m-£15m by 2024, with a particular focus on higher value range of wipes

eCommerce

Accrol brands are now available on Amazon

Elegance toilet tissue, is a top selling toilet tissue brand on Amazon

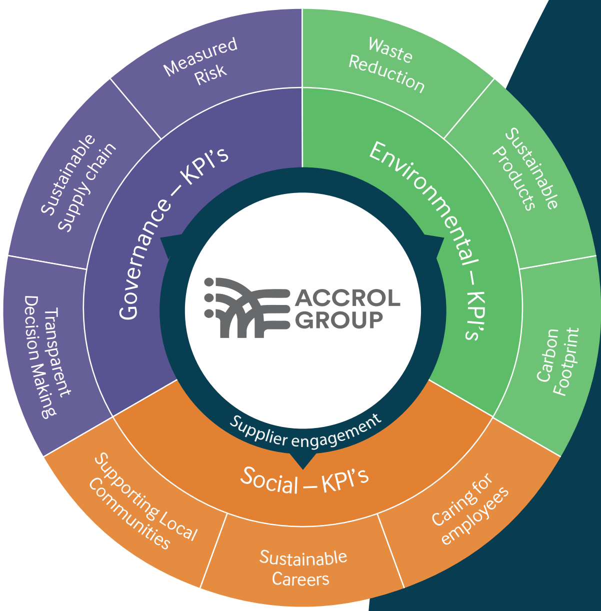
Oceans plastic-free brand sold direct to consumers on subscription had a strong run early in the Period, giving an overall growth rate of 30%

Oceans kitchen towel recently added to the range, which has received excellent online consumer reviews

ESG and carbon reporting

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.

We launched our first ESG report in September 2021 and have made good progress since then.



Environmental

Accrol today

FSC
100% FSC sourced paper

10.1% waste

8.2% waste

30% of packaging materials from PCR

7.0% waste

100% renewable energy

KgCO₂e
39.5 kgCO₂e

0% landfill

KgCO₂e
32.4 kgCO₂e

'Energy steering team' formed

Social

68 Accidents/ annum 6 LTA

35% on real living wage

66% on real living wage

94% on real living wage

100% on real living wage

5.8% absence

77% employee engagement

2.4% absence

48 Accidents/ annum 5 LTA

31 Accidents/ annum

Governance

Accrol today

ISO9001 certified

ISO9001 upgraded to BRC

Board attendance 93%

Supplier engagement in ESG 25%

Sedex
Supplier (B) Member

QCA Code compliant

IT Penetration vulnerability score baseline

AA
75% of sites achieved highest 'AA' BRCGS accreditation

Carbon footprint

30

KgC02e per tonnes of production

Energy savings

3%

Waste

7%

A 0.5% reduction since the last report

Reduction in accidents

33%

Lost Time Accidents

0

Down from seven

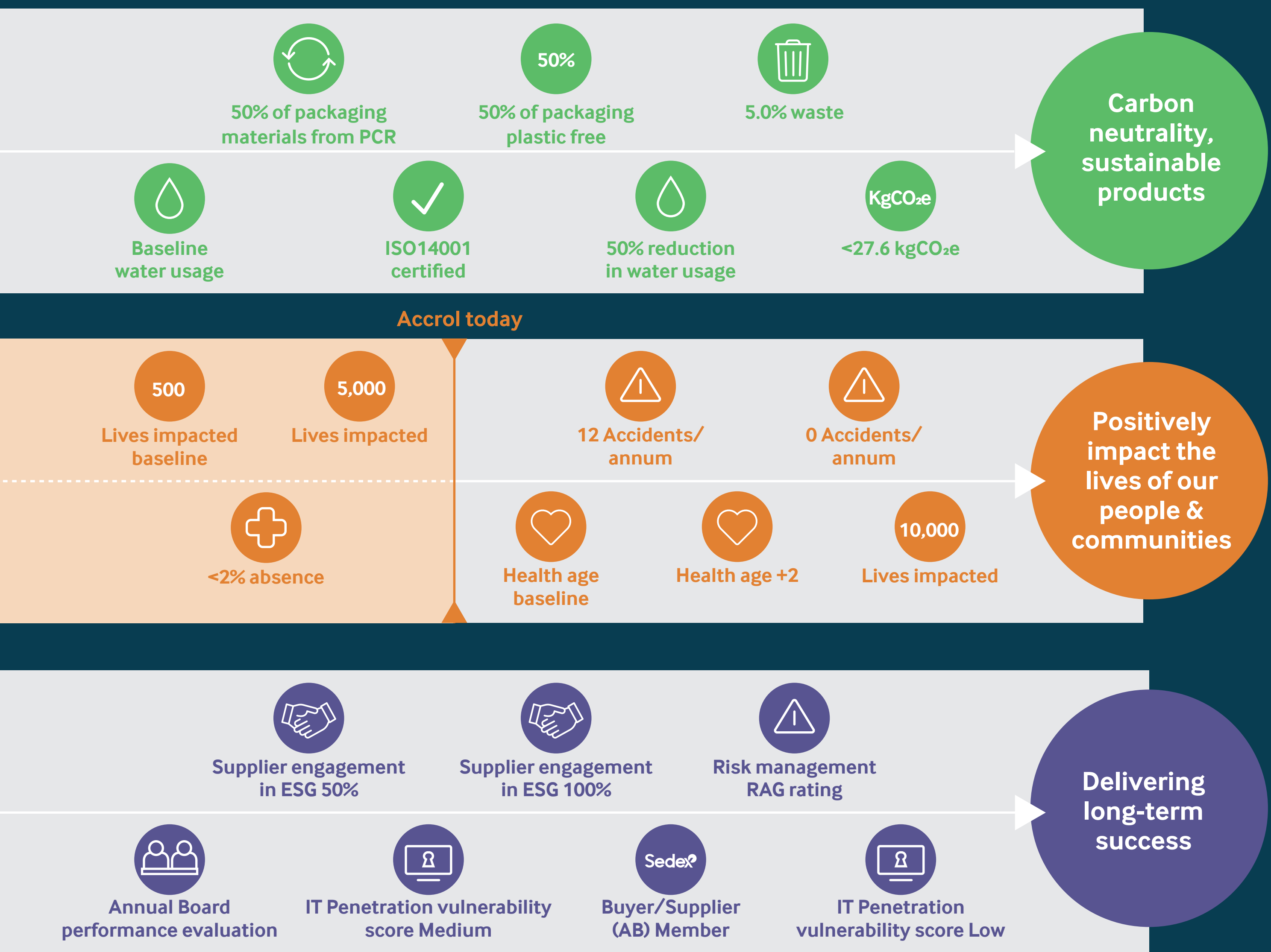
Project to change toilet roll cores from 50mm to 38mm delivered:

Rolls per lorry

+15%

Estimated number of lorries removed from roads

300



Environmental, Social & Governance continued

> We pride ourselves on ensuring that ESG is integrated throughout the business and makes a valuable contribution to the Group, as well helping us be better corporate citizens and minimising our impact on the environment.

Dan Wright, Chairman

Sustainable platform

Energy steering team

We have made significant progress in the challenge to reduce energy. Since the last report we have made energy savings of 3% which has been especially beneficial to help offset some of the rising energy costs.

An energy steering team, chaired by Operations Director Simon Nelson, was established to identify and monitor energy saving initiatives and drive continuous improvements. And the engineering team, led by Andy James, undertook a number of initiatives to minimise energy consumption across all sites, using energy observations to capture input and feedback from all colleagues.

To date the team has been able to implement a thoroughly structured approach to energy reduction projects and identified and targeted several areas to contribute to improving energy efficiency, including:

- Finalisation of roll-out of LED lighting across all Blackburn sites;
- Installation of PIR sensors in Blackburn warehouses;
- Installation of daylight-saving sensors in Blackburn warehouses; and
- Optimisation of Blackburn conveyors

Further engineering projects have been identified and engagement across the teams continues to gain momentum.

Sustainable platform

Waste reduction

We're continuing to make gains in optimising material utilisation, helping us to use less raw material and save money. Waste has improved reducing to 7%, all achieved through research, test, trial and continual learning. It is strong progress towards our 5% goal.

Marc Cragg, Continuous Improvement Manager, is leading Accrol's waste reduction, he has been instrumental in accurately identifying the most 'wasteful' parts of the production process that exist across all sites.

Marc's work has led to process improvements quality controls, asset care procedures plus cleaning and maintenance controls. Marc explains, "I've spent hours on the production floor observing how the teams work and identifying waste hot spots along each point of the production process. I've spoken with teams to understand why they work in the ways that they do, the challenges they have and the opportunities they believe exist. This has enabled Accrol to trial new ways of working and explore opportunities that team members have put forward as well as identifying training needs to drive more consistent levels of performance."

Through his engagement with teams, Marc has identified over 25 ideas to reduce waste, all of which were fully reviewed and followed up on.

Sustainable platform

More rolls per journey

Accrol set an ambitious target to increase the number of rolls per journey by 15%, which in turn would remove an estimated 300 trucks from the roads, reduce carbon emissions and logistics costs. This was to be achieved through improving net trailer loading.

Prior to 2021, Accrol's toilet rolls had 50mm cores, which were important to our retail customers as consumers saw bigger rolls as better value – a toilet roll typically being assessed by its size and how soft or 'squishy' it is. Air, and a larger roll, can help with the 'squish' factor. However, larger cores mean more transport and more material.

To move 50mm to 38mm was an intensive project involving consultation with customers, suppliers, and several teams across Accrol's manufacturing sites, commercial, engineering, production, material and technical management.

Manufacturing capability converting lines needed to be developed and tested. Through collaboration and the support of our Leicester teams, who had expertise and insights to enable the transition, the capability was developed.

Commercial teams had fully engaged with customers who bought into the environmental benefits of the project. It was underway. At the time of writing Accrol has successfully transitioned 179 product Stock Holding Units ('SKU's) from 50mm to 38mm cores.

Operations Director, Simon Nelson, explains, "The scale of this project, the people involved, and the complexities and challenges overcome is of huge credit to Accrol. It's a great example of the organisation's "can do" spirit."

World-class basics

Engaging with suppliers

In the year, we launched a supplier code of conduct outlining the principles we expect our suppliers to follow, including:

- Integrity and ethics
- Respect and human rights
- Environment sustainability
- Health and safety
- Management processes
- Governance

It's Accrol's aim to create mutual success with all stakeholders built on trust, sustainability, and a shared commitment to our codes of conduct.

A wider procurement strategy has been developed to enable the business to achieve this aim in a clear, measurable way; the launch of this supplier code of conduct handbook marks the beginning of implementing this approach.

Hearts and minds

Safety

Safety is our number one priority. It's the top agenda item at every business briefing, a key part of every new starter induction and, proudly, it's become front and centre of every colleague mindset when they come to work with hundreds of safety observations submitted each week.

Safety observations are counts of the number of safe and unsafe actions or conditions in a work area for a given time. They're a useful tool in helping us understand employee engagement with health and safety policies and procedures and play a critical part in creating a pre-emptive culture.

Accrol introduced safety observations in 2019, and through a combination of communications to make safe working high profile and ensuring safety observations are easy to access, and are proactively tracked and managed, almost 10,000 observations were made during the year. This has more than doubled within the last two years and has resulted in the halving of accidents reported.

Another key measure of safety is Lost Time Accidents (LTA's) and during the year all sites achieved zero LTA's. Total accidents in the year reduced 33% (see KPI's on page 25).

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 2021:

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.

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

- **Full automation of Leyland site** – consultation with employees throughout the process to deliver a substantial capital investment programme and reduction in headcount
- **New warehousing facility** – plans to build new warehousing facility at Leyland site required local community and supplier consultation
- **Price increases** – consultation across customer, employees and supplier base in recouping and effectively managing unprecedented inflationary costs pressures and raw material supply

Our stakeholders, and why we engage	Engagement, including topics of engagement and any feedback
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. In-depth colleague focus groups were held to establish general colleague views and opinions of the business they work for. Quarterly face to face business briefings are held across all sites with all employees and during the year a colleague website was launched to enable colleagues to stay abreast on all the latest colleague news and information. Training and development opportunities for colleagues continue to expand. Most significant being a Learning Management system (the 'Learning Hub') which launched to all colleagues; feedback on course content plus the ability to request and suggest course content is also sought from all colleagues. Performance reviews in the form of job chats were also introduced in the year as an ongoing tool to support colleagues in developing a clear personal pathway for improvement and growth.
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. Investment in consumer and market insight across each of our trading categories has also been used to shape and inform the product and brand offer delivered by the company. The unprecedented energy costs and inflationary pressures have led to further engagement with customers as we sought to recover increases in costs effectively. We have also engaged with our customers on moving to 38mm cores for toilet rolls as part of our commitment to reducing our impact on the environment by reducing the number of lorry journeys (see page 19).
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 as part of longer-term or consolidated agreements. Engagement on ESG matters increased during the year and we discussed how we could support each other to meet respective ESG commitments.
Our investors **We have a strong and supportive investor base whose ongoing support is key to realising the growth ambitions of the Company**	The Chairman 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.
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. During the year, Accrol's HR Director - Kathryn Robinson, joined the Board of BYZ and the senior leadership team attend and support events hosted by the charity as well as volunteer at the venue. We hold a good relationship with the Trussell Trust as well as other foodbanks in the local areas in which we operate, supplying product donations to assist in the services they provide. 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 under privileged children in the local area. Colleague donations to the Ukraine appeal were also match funded by the company.

Impact of the engagement and any actions taken

Our engagement scores remain high with 89.4% of colleagues saying they were proud to work for Accrol. However, analysis by site shows different challenges exist within each workplace. Tailored detailed cascade of key issue, challenges and opportunities to inform people action plans by site have been introduced.

Internal communications have been significantly strengthened in the year following the recruitment of a communications manager. A new internal communications strategy was developed which saw the introduction and ongoing delivery of new channels to communicate and engage with colleagues.

With the launch of the Learning Hub, a steering group has been established to assess and review progress and next steps including prioritisation of course content in line with colleague and business need. Colleagues completed over 325 hours of online learning since launch.

A lot of work has also been done to improve mental health support (see page 13).

The unprecedented energy costs and inflationary pressures have led to increased engagement with customers as we sought to recover price increases.

As a result of the ongoing engagement with customers we have introduced index linked customer contracts to ensure that costs are linked to variables such as currency fluctuations, pulp and energy prices.

We have also engaged with our customers on moving to 38mm cores for toilet rolls as part of our commitment to reducing our impact on the environment by reducing the number of lorry journeys, by increasing rolls per journey by 15% (see page 19).

In the year we have deepened relations with customers, becoming sole supplier of private label toilet and kitchen to Morrison's for example. We've also secured new customers and opportunities such as: manufacturing for the popular Fabulosa brand, launching our new branded products (Elegance, Magnum, Softy and Oceans) into retailers including the Unitas wholesaler group, securing the Ocado wet wipes own-label business and introducing Softy facial tissue into Sainsburys.

We understand the importance of learning from our supplier base.

We launched a supplier handbook to make clear the principles and standards Accrol measures suppliers against, cementing organisational transparency.

A wider procurement strategy is in development with a supplier management forum being formed and an enhanced risk management of suppliers underway.

Engagement with suppliers throughout the year has been critical in enabling cost savings such as energy and insurance rates and consolidation of pallet provider.

Positive customer outcomes have also been achieved collaborating with logistics partners in tackling issues such as driver shortages during the year. As well as maintaining good supply of raw materials during severe shortages of pulp supply to meet customer demand.

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.

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 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 89.4% of our employees stating that they were proud to work for Accrol.

Through our work with BYZ, we've attended careers fairs at the charity and supported the launch of a new service 'Youth Hub'. In turn this enables us to promote careers in manufacturing to young people in the area. We successfully recruited two trainee placements in the year.

Commitment to the environment

- We are committed to reducing our impact on the environment and have established our own in-house energy reduction team in partnership with our energy provider. We are using 100% renewable electricity and have a commitment to reduce our carbon footprint by 15% by 2025.
- We strive to get the best possible quality and performance from our tissue fibre and are working in tandem with our suppliers to achieve this, even if it does mean buying more expensive tissue to deliver better performance characteristics.
- We continue to reduce packaging waste for our customers, by optimising material usage, and we are at the forefront of packaging design in terms of new more environmentally friendly materials including recycled films and paper for wrapping product.
- We are constantly looking for ways to further reduce our carbon footprint across all aspects of our business. We plan to set demanding reduction targets over the next five years with reductions planned every year.

The Accrol promise

Sustainability
We believe that responsible business ensures sustainability

Transparency
Open and honest communication with all our stakeholders

Innovation
Relentless drive for world class basics

Delivery
The best service to our customers, the best products to the consumer, great returns to shareholders, giving back to the community

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. Sometimes the targets we set are not attainable, but they ensure we 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
- 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

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

-33%

Total Accidents

The number of accidents reported has declined

Comments:

The overall number of Lost Time Accidents (LTA's) have decreased from 7 to 0 year on year, whilst Total Accidents for the same period have dropped by 33%. Over the same period Safety Observations generated by our employees increased by 59%. We believe the continued focus on proactive observation and action, will continue to drive down total accidents, which will remain our primary measure going forwards

84%

Employee Engagement

The measure as determined by the Employee Engagement Survey which is conducted twice a year (2021: 84%).

Comments:

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

+6.2%

Increase In Output Per Head

Pallets produced per head: FY22 v FY21

Comments:

Productivity levels continued to improve despite volatile demand, particularly during H1, as the impacts of COVID were still being felt.

Further investment in automation is now being finalised in our Leyland facility, which will bring further productivity improvements in FY23.

95%

On time delivery

Percentage of deliveries that are delivered on time over a calendar month (2021: 92%).

Comments:

Despite supply chain disruption due to COVID and constraints on haulage driver availability, service levels improved, demonstrating the resilience of the business.

16%

Market share

Driven higher by stronger growth of private label products and discount retailers in general (2021: 15.9%)

Comments:

With our market share now 16.0% (2021: 15.9%) 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, post COVID-19 world increasingly well positioned to benefit in a value-conscious, post COVID-19 world.

+8.4%

Growth in sales to top customer

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

£27.5m

Adjusted net debt

Total borrowing less cash reserves (2021: £14.6m).

Comments:

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

Working capital expanded in the year to manage supply constraints and rising costs.

Investment continued in manufacturing assets and product development.

£9.1m

Adjusted EBITDA

Adjusted to exclude separately disclosed items and Share Based Payments (2021: £15.6m).

Comments:

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

22.7%

Gross margin

As reported (2021: 27.7%).

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 in FY22, and associated lag in price recovery.

Chief Financial Officer's Review

The final automation of the Leyland site was completed in August 2022. Alongside a final machine installation, this will complete all major investments into the tissue businesses. This will result in the Group having four state-of-the-art fully automated factories.

Richard Newman, Chief Financial Officer

The overall performance of the Group was resilient despite the challenges of a volatile trading environment where we have worked through the end of the pandemic, rapidly rising commodity costs, and significant supply chain disruption. The business benefited from its increased scale and diversity following the acquisition of LTC, acquired in November 2020, and John Dale, acquired in April 2021, both of which have been fully integrated with significant benefits in line with our expectations.

Trading results

Group revenue increased by 16.7% to £159.5m (FY21: £136.6m), with volumes bouncing back as the year progressed from the subdued levels experienced during lockdowns, reflecting changes in consumer shopping habits as the impacts of the pandemic receded. H1 volumes were strengthened by the impact of the Group's two acquisitions in the previous year, whilst H2 showed strong organic growth as price increases were implemented to recover significant increases in input costs. The total tissue market increased in value by 0.7% and our market share increased to 16.0% from 15.9% in FY21. Many retailers did not move shelf sales pricing, during the period under review, despite record price increases. We are now starting to see the price movements in stores.

Gross margins declined to 22.7% (FY21: 27.7%), reflecting the significant impact of escalating pulp, energy, and sea freight costs, exacerbated by the weakening of sterling relative to the dollar. In line with the wider market, pressures on the Group's raw material supply chains increased during the Period and, whilst they have shown significant resilience, considerable cost increases had to be absorbed in the short-term. 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 in the year.

Administration and distribution costs decreased by £2.6m, reflecting the unwinding of the deferred consideration provision made during FY21. There was a further £0.3m increase related to non-cash items (depreciation, amortisation and share based payments), reflecting an increase in the amortisation of intangible assets (related to the acquisitions), largely offset by a reduction in the charge for share-based payments (reflecting the end of the three year Management Incentive Plan).

Adjusted EBITDA declined to £9.1m (FY21: £15.6m), whilst operating losses reduced to £0.2m (FY21: loss of £1.2m), reflecting the reduction in administration costs above.

Separately disclosed items

Separately disclosed income totalled £2.6m (net), compared with a £5.3m cost in FY21.

Acquisition related items totalled income of £5.4m (2021: cost of £2.9m). 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 £6.8m 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 with no payment made. Therefore, contingent consideration of £6.3m has been credited to the Income Statement after the recognition of £0.5m 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 £0.8m in respect of legal and accounting services. Consultancy costs of £0.1m were also incurred in finalising the integration of the businesses.

Supply chain disruption costs totalled £0.7m (2021: £nil). 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 good resilience, we did incur incremental costs in order to maintain service levels to our customers. These incremental costs included port charges of £0.4m, largely related to demurrage costs incurred because of shipping container congestion and a lack of capacity to manage increased demand. Additional distribution costs of £0.3m 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. We do not expect any of these costs to be repeated as we enter FY23.

Asset impairment costs totalled £1.0m (2021: £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 comprises investment in a new manufacturing line (expected October 2022) and automation of packing and palletisation (completed August 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 scrapping 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.

COVID-19 related costs were £0.2m (2021: £0.7m), as the COVID-19 pandemic continued to have an impact on the business during the financial year under review, although those impacts are now much reduced and are again not expected to repeat. 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 COVID-19 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.

Accounting policy changes totalled £0.6m (2021:£0.5m). 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 totalling £0.4m (2021: £0.1m) largely relate to redundancy costs related to consolidation of activities across the Group following the acquisitions made in the previous financial year.

Depreciation and amortisation

The total charge for the Period was £11.4m (FY21: £8.3m), of which £5.5m (FY21: £3.5m) related to the amortisation of intangible assets. The vast majority of this increase reflects the full year impact of the Group's acquisitions of LTC and John Dale.

Share-based payments

The total charge for the Period under IFRS 2 "Share-based payment" was £0.5m (FY21: £3.2m). This charge related to the awards made under the 2021 Long Term Incentive Plan, that was approved on 5 March 2021.

Interest, tax and earnings per share

Net finance costs were £2.3m (FY21: £2.0m). The Group also recorded a deferred tax credit of £0.8m (FY21: charge of £0.1m). The loss before tax was £2.5m (FY21: £3.1m), due to flow through of the lower gross margin. Adjusted profit before tax of £1.1m (FY21: £9.1m) was lower due to the decline in adjusted operating profit. Basic losses per share were 0.5 pence (FY21: 1.3 pence) reflecting higher amortisation costs and adjusting items. Adjusted diluted earnings per share were 0.3 pence (FY21: 2.7 pence), reflecting the decline in adjusted EBITDA.

Dividend

As noted in the Chairman's Statement, the Board favours a risk averse approach in the current market conditions. Our balance sheet has continued to strengthen, and we have increased our debt facilities but our short-term priority remains focused on securing our supply chain and access to raw material stocks. In this context, the payment of a final dividend would not be the best use of capital. Payment of future dividends will be reviewed as part of the Strategic Review. The proposed final dividend is nil pence per share (FY21: 0.5 pence).

Cashflow

The Group's adjusted net debt was £27.5m (FY21: £14.6m). The net cash flow from operating activities was £1.4m (FY21: £17.0m) with the reduction reflecting a working capital outflow of £4.6m (FY21: £6.6m inflow). This outflow provided the necessary expansion in working capital to manage supply constraints over the next 12 months to reduce supply chain risks.

Capital expenditure (net of new finance leases) in the Period was £6.2m (FY21: £8.6m), including £3.1m (FY21: £1.2m) in respect of intangible assets that principally relate to product development costs. Lease payments of £5.5m (FY21: £5.8m) include leases capitalised in accordance with IFRS 16.

The Group recently amended and extended its existing banking arrangements, through to August 2024 providing additional facilities to support its growth. These new facilities provide increased headroom in both the scale, tenure and liquidity of the facilities and the associated banking covenants. The amended facilities provide an additional £8.5m of funding headroom, an increase of c.25% over and above the previous arrangements that would have expired in August 2023.

Chief Financial Officer's Review continued

Balance Sheet

The Group's balance sheet reflects net assets of £82.9m (FY21: £85.9m). Property, plant, and equipment increased, reflecting the renewal of property related leases, capitalised in accordance with IFRS 16. We have significantly invested in automation at our Blackburn and Leyland manufacturing facilities, to improve productivity, operational flexibility, and to enhance customer service. Intangible assets represent mostly goodwill and customer relationships.

Significant progress has also been made in further improving the IT infrastructure and critical manufacturing systems throughout the Group, including the further enhancement of the ERP system. All scheduled work has now successfully been completed.

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. During the year, the Group invested further in product development and innovation which will be amortised over the anticipated life of the products.

Investment

The final automation of the Leyland site was completed in August 2022. Alongside a final machine installation, this will complete all major investments into the tissue businesses. This will result in the Group having four state-of-the-art fully automated factories in Blackburn (x2), Leyland and Leicester.

Ownership of a paper mill would be transformational for Accrol and the Group has continued develop its plans in the Period. As detailed in the Chairman's Statement, however, such investment will only be completed in a way that maximises shareholder value and minimises risk.

COVID-19

The Group has not furloughed any employees during the financial year, nor during any stage of the pandemic. The Group has not been in receipt of any COVID-19 loans although it had taken advantage of the short-term VAT Payment Deferral Scheme, which was launched in March 2020, which has now been repaid.

Richard Newman
Chief Financial Officer
5 September 2022

Income statement

	2022 £'000	Restated 2021 £'000
Revenue	159,450	136,594
Cost of sales	(123,211)	(98,710)
Gross profit	36,239	37,884
Administration expenses	(23,687)	(27,622)
Distribution costs	(12,778)	(11,424)
Operating loss	(226)	(1,162)
Net finance costs	(2,306)	(1,954)
Loss before tax	(2,532)	(3,116)
Tax credit/(charge)	835	(74)
Loss for the year attributable to equity shareholders	(1,697)	(3,190)
Loss per share		
Basic	(0.5)p	(1.3)p
Diluted	(0.5)p	(1.3)p
Operating loss	(226)	(1,162)
Adjusted for:		
Depreciation	5,857	4,786
Amortisation	5,494	3,520
Share based payment	508	3,245
Separately disclosed items	(2,577)	5,255
Adjusted EBITDA[1]	9,056	15,644

Revenue by product

	2022 £'m	2021 £'m	Variance £'m	Variance £'m
Toilet tissue	116.3	100.5	15.8	16%
Kitchen towel	32.0	27.1	4.9	18%
Facial tissue	8.8	8.5	0.3	3%
Wipes	2.0	0.1	1.9	N/A
Core revenue	159.1	136.2	22.9	17%
Other (waste)	0.4	0.4	0.0	0%
Total revenue	159.5	136.6	22.9	17%

Borrowings and cashflow

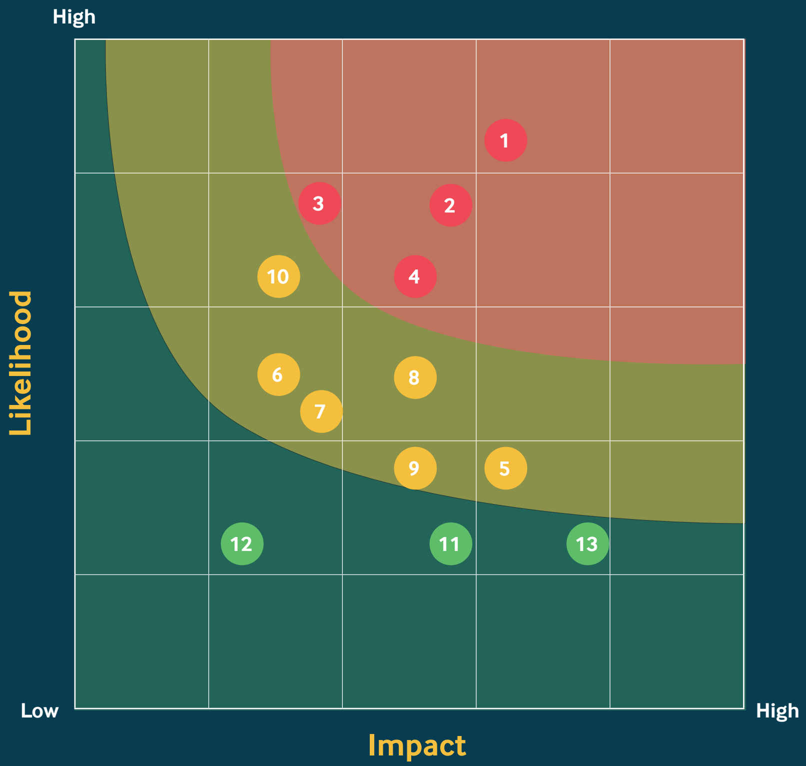
	2022 £'m	2021 £'m	Change £'m
Revolving credit facility	3.0	12.0	(9.0)
Factoring facility	18.7	4.0	14.7
Leases	40.2	27.6	12.6
Borrowings	61.9	43.6	18.3
Leases receivable	(5.0)	(5.7)	0.7
Cash and cash equivalents	(0.2)	(7.6)	7.4
Net debt	56.7	30.3	26.4
IFRS 16 adjustment	(29.1)	(15.6)	(13.5)
Adjusted net debt	27.5	14.6	12.9

(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.

Managing our risk

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 measuring, evaluating, documenting, and monitoring its risks within all areas of its operations.

We use our risk management process as described to identify, monitor, evaluate and escalate 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, cashflow 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. Covid-19
10. Climate change
11. Failure to meet banking covenants
12. Key person dependency
13. Regulation and governance

	Principal risk	Impact	Mitigation	Change
1	**Macro-economic environment** Likelihood: High	Multiple geo-political factors including the conflict in Ukraine, COVID-19, and Brexit 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 focused products. • Ensure customer service levels are high and responding rapidly to any shortcomings.	The outlook for the UK economy has become more negative, impacted by cost inflation, rising energy prices, logistics and supply chain challenges, amplified by the war in Ukraine and the lingering impacts of COVID-19.
2	**Parent reel and pulp pricing** Likelihood: High	Volatile commodity prices, linked to capacity and inflationary cost pressures, 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. Additional tissue mill capacity has been announced in several geographies.
3	**Foreign exchange rate volatility** Likelihood: High	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	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 launched in July 2020 with enhancements implemented over the last two years.	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, strengthened by recent acquisitions and new product development. Improved category and customer focused teams.
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 four years. We continue to invest in further machinery – positively impacting the business in FY23.
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	**COVID-19** Likelihood: Medium	Loss of key employees across several shifts impacting the Group's ability to manufacture and fulfil customer orders.	• Clear COVID protocols have been established in the event of future restrictions related to COVID. • Additional sanitisation stations and cleaning, together with increased communication and signage in multi-languages, all remain in place.	Over the last two years significant investment has been made to ensure the safety of our employees and security of supply for our customers.
10	**Climate Change** Likelihood: Medium	Climate related risks could impact the Group 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. N

	Principal risk	Impact	Mitigation	Change
11	**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.
12	**Key person dependency** Likelihood: Low	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.
13	**Regulation and governance** Likelihood: Low	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 report, 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
5 September 2022

Introduction to Governance

Dear Shareholder

I am pleased to introduce the Corporate Governance Report for Accrol Group Holdings plc for the year ended 30 April 2022. 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. The coming year will be one of development for the Group in terms of strategy and focus on our key markets.

Dan Wright
Executive Chairman
5 September 2022

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 10 times during the period ended 30 April 2022.

Board meeting attendance

Daniel Wright	(10/10)
Gareth Jenkins	(10/10)
Euan Hamilton	(10/10)
Simon Allport	(10/10)
Richard Newman	(10/10)

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 2022 and has unrestricted access to the Group's external auditors.

Committee meeting attendance

Simon Allport (Chair), 3 meetings attended

Daniel Wright, 3 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 two times in the period ended 30 April 2022. 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), 2 meetings attended

Daniel Wright, 2 meetings attended

Simon Allport 2 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

Richard Newman
Chief Financial Officer

Date appointed
- 1 February 2021

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

Committee Key

A Audit Committee
N Nomination Committee
R Remuneration Committee
Member
Chairman

Corporate Governance Report

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 Chairman'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 5 September 2022

QCA Principles and Accrol Group Holdings PLC approach

1. **Establish a strategy and business model which promote long-term value for shareholders.**
   In recent years, 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. Key risks and mitigating factors to our business are also detailed in this Annual Report and Accounts.

   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.

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 Chairman 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 Chairman or CEO for written answers.

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 84% (2021: 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 corporate social responsibility 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 from this perspective.

   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.

4. **Embed effective risk management, considering both opportunities and threats, throughout the organisation.**
   Risk management is reported in this Annual Report and Accounts (pages 30 to 33) along with how those risks are mitigated and how they change over time. The Board met 10 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.

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. The appointment of Richard Newman as Chief Financial Officer has strengthened the Board further. 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 detail of the number of meetings and attendance by Directors is noted in the most recent Annual Report on page 35.

   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 37 of this Annual Report and the website for the profiles of the Non-Executive Directors.

In accordance with the Company's articles of association, Independent Non-Executive Director Simon Allport will be subject to re-election at this year's Annual General Meeting.

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.

7. **Evaluate Board performance based on clear and relevant objectives seeing continuous improvement.**
   The Chairman 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 and, given the changes and pressures faced by the Company, has not yet voluntarily undertaken to do so.

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 11 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.

9. **Maintain governance structures and processes that are fit for purpose and support good decision making by the Board**
   The Chairman leads the Board and is responsible for its governance structures, performance and effectiveness. The Chairman 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 Group Finance Director 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.

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 the Section 172 Statement in this 2022 Annual Report (see pages 22 to 23 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 2022, 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 2022 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 was satisfied that, taken as a whole, the 2022 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 £170,000 (2021: £169,000) of which £8,000 (2021: £17,000) 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 50 and the Auditors' Reports on pages 51 to 56.

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
5 September 2022

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 2022. 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 2022, (page 43); and
- Directors' remuneration policy setting out the Company's remuneration policy (pages 44 to 46).

Euan Hamilton
Chairman of the Remuneration Committee
5 September 2022

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 2022 and 30 April 2021.

Executive Directors

	Salaries[1] £	Benefits in kind[2] £	Pension[3] £	Bonus[4] £	Total remuneration 2022 £	Total remuneration 2021 £
Gareth Jenkins	378,500	15,737	45,900	160,650	**600,787**	838,381
Daniel Wright	152,750	-	-	64,260	**217,010**	320,573
Richard Newman	275,400	11,560	20,250	82,620	**389,830**	135,337

Non-Executive Directors

	Total fees 2022 £	Total fees 2021 £
Euan Hamilton	**50,000**	50,000
Simon Allport	**50,000**	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 2022.

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 was designed to reflect the business context, performance, and associated awards for the period starting 1 May 2018 and ending 30 April 2021. The remaining outstanding options were exercised during the year and this 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 and FY22.

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

MIP Awards FY22

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

	Exercise price (p)	Options at 30 April 2021	Options transferred in the period	Options exercised	Options lapsed	Options at 30 April 2022
Daniel Wright	0.1	1,310,259	-	1,310,259	-	**-**
Gareth Jenkins	0.1	2,198,466	-	2,198,466	-	**-**
Senior managers	0.1	4,014,742	-	4,014,742	-	**-**
Total		7,523,467	-	7,523,467	-	**-**

LTIP Awards FY22

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

	Exercise price (p)	Options at 30 April 2021	Options awarded in the period	Options exercised	Options lapsed	Options at 30 April 2022
Daniel Wright	0.1	362,903	1,197,391	-	-	**1,560,294**
Gareth Jenkins	0.1	907,258	2,494,565	-	-	**3,401,823**
Richard Newman	0.1	554,435	1,341,522	-	-	**1,895,957**
Senior managers	0.1	1,327,224	2,933,705	-	-	**4,260,929**
Total		3,151,820	7,967,183	-	-	**11,119,003**

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.

Purpose and link to strategy	Operation
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.
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 individual beyond the initial turnaround period of the Company. The LTIP is structured as a five-year plan. The LTIP currently comprises two awards (the "Awards") based on the Company's EBITDA performance in FY23 and FY24 ("the Performance Periods"). The Awards will have a nominal value exercise price. The vesting criteria of each Award is based on the achievement of adjusted EBITDA targets for FY23 and FY24 (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.
Management Incentive Plan ("MIP")	
To incentivise the delivery of key performance measures over the initial turnaround period To retain key Executives and ultimately increase their share ownership in the Company, thus aligning their interests with those of shareholders.	The MIP was a share option plan designed to attract and engage the right calibre of individual to affect the turnaround required by the Company. The MIP was structured as a three-year plan that has now concluded.

Directors' report on remuneration continued

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

5 September 2022

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 2022.

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 33, 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 2022 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

Euan Hamilton

Simon Allport

Details of the Directors' remuneration are shown in the report of the Remuneration Committee on pages 43 to 46. 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 36 to 37.

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 2022, the Directors did not pay an interim dividend (2021: £nil) and have not recommended a final dividend (2021: 0.5 pence per share). 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 note 21b 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.

Directors' Report continued

Emissions Key Performance Indicators (KPI's)

KPI	Unit	2021/22	2020/21	% Variance
(Scope 1) CO2 emissions	kgCO2e	**294,052**	86,462	70.6%
(Scope 2) CO2 emissions	kgCO2e	**3,011,169**	2,768,501	8.1%
Emissions from energy exports	kgCO2e	**-**	-	
Total CO2e (net energy export)	kgCO2e	**-**	-	
Energy consumption	kWh	**15,458,862**	12,265,597	20.7%
Energy exported	kWh	**-**	-	
Total Carbon emissions	kgCO2e	**3,311,906**	2,854,962	13.8%
Total Carbon emissions	tCO2e	**3,312**	2,855	13.8%
Total Production	t	**111,984**	98,425	12.1%
Group Intensity Ratio (tCO2e per Tonnes of Production)		**0.030**	0.029	1.7%

Energy Efficiency Measures

The current year report shows an increase in energy consumption over last year, driven by a full year effect of the acquired businesses and the installation of additional robotic equipment at the Blackburn site. This has been done whilst maintaining the carbon footprint of the business.

Below is a narrative of principal measures that have been taken within the reported financial year that have 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:

- Finalisation of roll-out of LED lighting across all Blackburn sites;
- Installation of PIR sensors in Blackburn warehouses;
- Installation of daylight-saving sensors in Blackburn warehouses; and
- Optimisation of Blackburn conveyors

Corporate governance

A report on Corporate Governance and compliance with the QCA Corporate Governance Code is set out on pages 38 to 39, 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 £23,655 (2021: £27,010) were made during the year. There were no political donations during the year.

Research and Development

Research and development activities remain a priority. During the year, the Group further developed its entire branded product range including 'Softy', 'Elegance', 'Magnum' and 'Little Heroes', all of which have now been released to the market. The Group also developed a range of fragranced products under the 'Fabulosa' brand. Significant investment was also made in the development of smaller diameter cores across the toilet tissue range, delivering improved palletisation and cost efficiencies in logistics.

Post Balance Sheet events

There are no adjusting or non-adjusting events subsequent to the year end.

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 pages 22 to 23.

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 pages 22 to 23 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 5 September 2022 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	12,515,543	3.90%
Gareth Jenkins	5,422,929	1.70%
Richard Newman	5,000	-
Euan Hamilton	-	-
Simon Allport	-	-

Substantial shareholders

As at 19 August 2022 the Company was aware of the following individual registered shareholdings of more than 3% of the Company's issued share capital, representing 68% of the issued share capital of the Company.

Investor	Number of shares	Percentage
Lombard Odier Asset Management	50,516,406	15.84
Schroder Investment Management	36,880,931	11.57
Premier Miton Investors	31,179,441	9.78
NorthEdge Capital	27,487,377	8.62
Tellworth Investments	21,045,400	6.60
Momentum Global Investment Management	18,876,118	5.92
Killik Asset Management	10,814,781	3.39
Hargreaves Lansdown Asset Management	10,289,415	3.23
James Sharp & Co	9.977,719	3.13

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 10:00am on 18 October 2022.

On behalf of the Board of Directors

Gareth Jenkins

Chief Executive Officer

5 September 2022

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 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 5 September 2022 and is signed on its behalf by:

Dan Wright

Executive Chairman

5 September 2022

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 2022 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 2022 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 is included in the key audit matters section of our report below.

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

		2022	2021
Coverage	Group loss before tax	94%	100%
	Group revenue	97%	100%
	Group total assets	97%	100%

		2022	2021
Key audit matters	Acquisition accounting	No	Yes
	Going Concern	Yes	Yes
	Classification of Separately Disclosable Items	Yes	Yes
	Acquisition accounting is no longer considered to be a key audit matter as there were no business acquisitions during FY22.		

Materiality	*Group financial statements as a whole* £760,000 (2021: £685,000) based on 0.5% of revenue (2021: 0.5% of revenue).

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

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 system 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 (2021: nine) entities of the Group, we determined that two (2021: two) components and the parent company represented the principal business units within the Group and these were identified as significant components.

The audit of all significant components was performed by the Group audit team. For these two 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. These matters were 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 these matters.

Key audit matter		How the scope of our audit addressed the key audit matter
Classification of Separately Disclosable Items As described in Note 2 (significant accounting policies), Note 3 and Note 6 (Separately Disclosable Items), the Group has items which are disclosed separately on the Statement of Comprehensive Income and are excluded from the Directors' reporting of the underlying performance of the Group.	There is a £2.6m credit (FY21 debit of £5.3m) of separately disclosable items that are presented in the statement of comprehensive income. The Group has incurred acquisition, supply chain disruption, operational reorganisation and restructure, Covid-related and accounting policy change costs which have been classified as separately disclosable items in the financial statements, offset by a release of a provision held for deferred consideration no longer required following settled negation with the vendors of the acquisition of Leicester Tissue Company Limited completed in the prior year. We focused on this area, specifically to assess whether the items identified by the Directors meet the definition within the Group's accounting policy and have been treated consistently, because the classification of such items requires judgement by the Directors and feed in to the adjusted EBITDA which is an Alternative Performance Measure used by the directors to measure performance through the year.	We challenged the designation of certain items as separately disclosable items against the Group's accounting policy and consistency of treatment with prior periods, taking into account significant changes in the business that have occurred during the year. We also challenged the appropriateness of those items disclosed as separately disclosable items with consideration to European Securities and Markets Authority ('ESMA') guidelines on Alternative Performance Measures, to assess whether the items are outside of the ordinary course of business and as such may distort comparability. We considered the consistency of treatment for separately disclosable items between debit and credit items. We tested both debit and credit items to third party supporting documentation. We assessed the extent to which separately disclosable items relate to previous operating business performance to evaluate whether they are comparable. **Key observations** Based on the work performed, we consider that those items disclosed as separately disclosable items on the consolidated income statement have been appropriately classified.

Key audit matter		How the scope of our audit addressed the key audit matter
Going Concern The Directors use of the going concern assumption is discussed in Note 2) (summary of significant accounting policies)	The Group is facing ongoing challenges with respect to rising raw material and energy costs and the ability to pass these costs on to customers. This requires careful management of working capital within the group to remain compliant with covenants in the forecast period and have sufficient liquid cash to operate. We focused on this area as the Directors exercise significant judgement in determining the forecasted future cash flows and the underlying business plan required in both a base case and in 'reverse stress' scenarios as well as in the accuracy and completeness of the disclosure of going concern. We therefore considered this to be a key audit matter.	We have challenged the business plan approved by the Directors, including the forecasts, sensitised stressed forecasts and reverse stress tests by performing the following procedures: • We inspected that the forecasts used in the going concern assessment were consistent with those used in the impairment assessment. • With the assistance of our internal Business Restructuring team, we tested the arithmetical accuracy of the forecasts and the consistency and accuracy of the formulas applied. • We challenged the assumptions used in the forecast period by considering available evidence, including recent performance post year end, as well as past trading performance, to support these assumptions. • We reviewed the Directors' stress test scenarios including levers identified by the Directors to mitigate any adverse impacts. We challenged the feasibility of these proposed mitigations by obtaining evidence supporting the Directors' ability to implement them. • With the assistance of our internal Business Restructuring team, we evaluated the forecast compliance with covenants for at least the next 12 months, which included a sensitivity analysis. • We reviewed the post year end renewal of financing arrangements in relation to borrowings from the banks, which have been extended to August 2024; and • We read the financing documents to assess if all relevant terms and covenants have been appropriately reflected in the Directors' assessment as the group is reliant on the debt factoring and ID facility. • We reviewed the going concern disclosures and assessed their consistency with the Directors assessment. **Key observations** Refer above to the Conclusions relating to going concern section of our report.

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.

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

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	
	2022	2021	2022	2021
Materiality	£760,000	£685,000	£680,000	£613,000
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 has not completed 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	£494,000	£445,000	£442,000	£398,000
Basis for determining performance materiality	65% of materiality This percentage was set after the consideration of prior year unadjusted misstatements, number of accounts that includes 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 at 60% and 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 £460,000 and £680,000. (2021: Component materiality was set at levels applicable to each individual entity, which was lower than Group materiality, and ranged from £27,000 to £621,000). 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 £20,000 (2021: £20,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report & Accounts 2022 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:

Based on our understanding and accumulated knowledge of the Group and Parent Company and the sector in which it operates we considered the risks of acts by the Group and Parent Company which were contrary to applicable laws and regulations, including fraud, and whether such actions or non-compliance might have a material effect on the financial statements. These included but were not limited to those that relate to the form and content of the financial statements, such as the Group accounting policies, UK adopted international accounting standards, United Kingdom Generally Accepted Accounting Practice, the UK Companies Act 2006 and the AIM Rules; and industry related such as compliance with health and safety legislation, employment law and taxation legislation. All team members were briefed to ensure they were aware of any relevant regulations in relation to their work.

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 and in the recording of revenue in the incorrect period. Our audit procedures in response to irregularities, including fraud, 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;

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

- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the share-based payments, 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;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or including specific keywords;
- Testing a sample of revenue transactions within a specified window pre and post year end to determine if they have been recorded in the correct period;
- 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;

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
5 September 2022

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 2022

	Note	2022 £'000	Restated 2021 £'000
Revenue	4	**159,450**	136,594
Cost of sales		**(123,211)**	(98,710)
Gross profit		**36,239**	37,884
Administration expenses		**(23,687)**	(27,622)
Distribution costs		**(12,778)**	(11,424)
Operating loss	5	**(226)**	(1,162)
Analysed as:			
– Adjusted EBITDA[1]		**9,056**	15,644
– Depreciation	11	**(5,857)**	(4,786)
– Amortisation	13	**(5,494)**	(3,520)
– Share based payments	26	**(508)**	(3,245)
– Separately disclosed items	6	**2,577**	(5,255)
Operating loss		**(226)**	(1,162)
Finance costs	9	**(2,522)**	(2,196)
Finance income	9	**216**	242
Loss before tax		**(2,532)**	(3,116)
Tax credit/(charge)	10	**835**	(74)
Loss for the year attributable to equity shareholders		**(1,697)**	(3,190)
Earnings per share		**Pence**	Pence
Basic loss per share	7	**(0.5)**	(1.3)
Diluted loss per share	7	**(0.5)**	(1.3)

Consolidated Statement of Comprehensive Income

For The Year Ended 30 April 2022

	2022 £'000	Restated 2021 £'000
Loss for the year attributable to equity shareholders	**(1,697)**	(3,190)
Other comprehensive income for the year	**-**	-
Total comprehensive loss attributable to equity shareholders	**(1,697)**	(3,190)

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

(1) Adjusted EBITDA, which is defined as 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).

Consolidated Statement of Financial Position

As At 30 April 2022

	Note	2022 £'000	Restated 2021 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	**77,803**	63,341
Lease receivables	12	**4,325**	5,027
Intangible assets	13	**58,958**	61,213
Total non-current assets		**141,086**	129,581
Current assets			
Inventories	14	**26,241**	23,185
Trade and other receivables	15	**31,592**	26,480
Lease receivables	12	**703**	675
Cash and cash equivalents	16	**243**	7,604
Derivative financial instruments	20	**805**	-
Total current assets		**59,584**	57,944
Total assets		**200,670**	187,525
Current liabilities			
Borrowings	19	**(26,482)**	(12,349)
Trade and other payables	17	**(52,367)**	(47,031)
Derivative financial instruments	20	**-**	(120)
Income taxes		**(300)**	(300)
Provisions	18	**(33)**	(7,321)
Total current liabilities		**(79,182)**	(67,121)
Total assets less current liabilities		**121,488**	120,404
Non-current liabilities			
Borrowings	19	**(35,169)**	(30,851)
Deferred tax liabilities	10	**(3,100)**	(3,666)
Provisions	18	**(275)**	-
Total non-current liabilities		**(38,544)**	(34,517)
Total liabilities		**(117,726)**	(101,638)
Net assets		**82,944**	85,887
Capital and reserves			
Share capital	23	**319**	311
Share premium		**108,782**	108,782
Capital redemption reserve		**27**	27
Accumulated losses		**(26,184)**	(23,233)
Total equity shareholders' funds		**82,944**	85,887

The financial statements were approved by the Board of Directors on 5 September 2022.

Signed on behalf of the Board of Directors

Richard Newman
Chief Financial Officer
Company Registration Number 09019496

Consolidated Statement of Changes in Equity

For The Year Ended 30 April 2022

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Accumulated losses/ (Retained earnings) £'000	Total equity £'000
Balance at 30 April 2020	195	68,015	27	(23,225)	45,012
Comprehensive (expense)					
Loss for the year (restated)	-	-	-	(3,190)	(3,190)
Total comprehensive expense (restated)	-	-	-	(3,190)	(3,190)
Transactions with owners recognised directly in equity					
Proceeds from shares issued	116	42,494	-	-	42,610
Transaction costs	-	(1,727)	-	-	(1,727)
Share based payments (net of tax)	-	-	-	3,163	3,163
Other taxation	-	-	-	19	19
Total transactions recognised directly in equity	116	40,767	-	3,182	44,065
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

Consolidated Cashflow Statement

For The Year Ended 30 April 2022

	Note	2022 £'000	Restated 2021 £'000
Cashflows from operating activities			
Operating loss		**(226)**	(1,162)
Adjustment for:			
Depreciation	11	**5,857**	4,786
Impairment of property, plant and equipment	11	**965**	-
Profit on disposal of property, plant and equipment	5	**(296)**	-
Amortisation	13	**5,494**	3,520
Separately disclosed items – acquisition contingent consideration	6	**(6,277)**	-
Share based payments	26	**508**	3,245
Operating cashflows before movements in working capital		**6,025**	10,389
(Increase) in inventories		**(3,056)**	(8,553)
(Increase)/decrease in trade and other receivables		**(5,112)**	604
Increase in trade and other payables		**5,422**	14,800
(Decrease) in provisions	18	**(934)**	(418)
(Increase)/decrease in derivatives		**(925)**	148
Cash generated from operations		**1,420**	16,970
Tax received		**15**	40
Net cashflows generated from operating activities		**1,435**	17,010
Cashflows from investing activities			
Purchase of property, plant and equipment	11	**(4,987)**	(9,112)
Proceeds from sale of property, plant and equipment		**48**	-
Purchase of intangible assets	13	**(3,145)**	(1,152)
Acquisition of subsidiaries net of cash acquired		**-**	(32,235)
Receipt of capital element of leases	12	**674**	650
Lease interest received	12	**216**	242
Net cashflows used in investing activities		**(7,194)**	(41,607)
Cashflows from financing activities			
Proceeds of issue of ordinary shares		**8**	42,610
Cost of raising equity		**-**	(1,727)
Amounts received from factoring facility	19	**187,204**	151,645
Amounts paid to factoring facility	19	**(172,436)**	(161,489)
Loan advance in respect of property, plant and equipment		**1,939**	1,694
Repayment of capital element of leases		**(5,463)**	(5,764)
Advance on revolving credit facility		**6,000**	-
Repayment of revolving credit facility		**(15,000)**	(997)
Transaction costs of revolving credit facility		**(115)**	(413)
Dividends paid		**(1,594)**	-
Lease interest paid		**(1,354)**	(844)
Other interest paid		**(791)**	(661)
Net cashflows (used in)/generated from financing activities		**(1,602)**	24,054
Net increase in cash and cash equivalents		**(7,361)**	(543)
Cash and cash equivalents at beginning of the year		**7,604**	8,147
Cash and cash equivalents at year end	16	**243**	7,604

Notes to the Consolidated Financial Information

For The Year Ended 30 April 2022

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").

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.

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 2022, but have not had a significant impact on the Group are as follows:

- Interest Rate Benchmark Reform – IBOR 'phase 2' (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
- COVID-19-Related Rent Concessions beyond June 2021 (Amendments to IFRS 16)

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 2022:

- Annual Improvements to IFRS Standards 2018-2020;
- Amendment to IAS 16 'Property, Plant & Equipment';
- Amendment to IAS 37 'Provisions, Contingent Liabilities & Contingent Assets'; and
- Amendment to IFRS 3 'Business Combinations'

Effective for the period beginning 1 May 2023:

- Amendment to IAS 1 'Presentation of financial statements'
- Amendment to IAS 1 'Presentation of financial statements' & IFRS Practice statement 2
- Amendment to IAS 8 'Accounting policies, Changes in Accounting Estimates and Errors'
- Amendment to IAS 12 'Income Taxes'
- IFRS 17 'Insurance Contracts'

Accounting policy change

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.

In the current year, administration expenses have increased by £637,000 (2021: £550,000), reducing retained earnings. The current year cumulative impact on intangible fixed assets is a reduction of £1,187,000 (2021: £550,000).

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 during the year but has been successful in negotiating more than £70m of annualised price increases by the end of the year, with £11m of this impacting FY22. In addition, the Group continued its investment in automation, infrastructure and product development, whilst also increasing working capital to manage supply constraints over the coming 12 months.

Notes to the Consolidated Financial Information continued

For The Year Ended 30 April 2022

The acquired businesses, LTC and John Dale, have been fully integrated and the automation of all four manufacturing sites (which completed in August 2022) has been finalised; delivering further efficiencies. The cost of living crisis is driving consumer demand for great value products and Accrol has enjoyed a strong start to the new financial year (FY23). The margin erosion experienced in FY22, created by the rapid increase in input costs, has been rectified and contained, with cost increases being passed on as they arise.

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 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 2022, 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.

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.

Other income

Other income represents profit on sale of property, plant and equipment.

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.

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.

Notes to the Consolidated Financial Information continued

For The Year Ended 30 April 2022

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 — 4% straight line, 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.

Government grants

Upon receipt, government grants of a capital nature are credited to the asset category to which they relate and are release to the income statement over the expected useful lives of the assets concerned. Revenue grants are credited to administrative expenses in the income statement in the period to which they relate.

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.

Current taxation

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

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

Deferred taxation

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

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

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

Notes to the Consolidated Financial Information continued

For The Year Ended 30 April 2022

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.

Separately disclosed items

During the course of the year the Group incurred income and expenditure that is material and considered worthy of being separately disclosed. In order to better explain the underlying performance of the business, management makes a judgement as to which items should be separately disclosed. Separately disclosing costs that are not appropriate to do so leads to a risk of mis-stating the Group's underlying performance.

Critical accounting estimates in applying the entity's accounting policies

Goodwill and intangible asset impairment

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment based on the recoverable amount of its 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 13.

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:

	2022 £'000	2021 £'000
United Kingdom	**149,914**	127,107
Europe	**9,536**	9,487
	159,450	136,594

Major customers

In 2022 there were four major customers that individually accounted for c.10% and above of total revenues (2021: five customers). The revenues relating to these customers in 2022 were £33.8m, £24.5m, £24.1m and £19.7m (2021: £30.4m, £26.2m, £23.3m, £21.8m and £13.6m).

5. Operating loss

Operating loss is stated after charging/(crediting):

	2022 £'000	2021 £'000
Employee benefit expense (note 8)	**16,984**	19,702
Depreciation	**5,857**	4,786
Amortisation	**5,494**	3,520
Profit on disposal of property, plant and equipment	**(296)**	-
Research and development expensed as incurred	**202**	191
Net foreign exchange losses/(gains)	**665**	(1,024)

Auditor's remuneration

	2022 £'000	2021 £'000
Audit services – Company	**13**	13
Audit services – Rest of Group	**149**	139
Non audit services:		
Tax compliance services	**8**	17
	170	169

6. Separately disclosed items

	2022 £'000	Restated 2021 £'000
Acquisition contingent consideration	**(6,277)**	-
Acquisition professional fees	**766**	2,150
Acquisition integration costs	**85**	724
Acquisition related items	**(5,426)**	2,874
Supply chain disruption	**696**	-
Impairment of property, plant and equipment	**965**	-
Operational reorganisation and restructure	**-**	1,034
COVID-19 costs	**153**	670
Accounting policy change	**637**	550
Other items	**398**	127
Other items	**2,849**	2,381
	(2,577)	5,255

Notes to the Consolidated Financial Information continued

For The Year Ended 30 April 2022

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

Acquisition related items credit of £5,426,000 (2021: charge of £2,874,000)

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 (2021: £nil)

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 (2021: £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 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 (2021: £670,000)

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 (2021: £550,000)

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 (2021: £127,000)

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.

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

Acquisition costs (£2,150,000)

In November 2020, the Group acquired Leicester Tissue Company, whose principal activity is paper tissue converting. Professional fees of £1,925,000 arose as a result of the transaction.

In April 2022, the Group acquired John Dale, whose principal activity is the manufacture of wet wipes and facial tissue. Professional fees of £225,000 arose as a result of the transaction.

Integration (£724,000)

Upon completion of the acquisition of LTC and JD, the Group immediately commenced a structured integration programme. This covered all key areas of the business including external relationships with customers and suppliers, as well as internal functional reviews to consolidate or integrate activities where appropriate.

Project management costs of £314,000 included expert consultancy advice to support the integration process. Other incremental costs to support this activity included £218,000 of labour and £162,000 of operational costs, largely relating to transportation and short-term paper transfers. Incremental audit fees of £30,000 have been necessary due to added complexity.

Operational reorganisation and restructure (£1,034,000)

Following the significant progress made during FY20 to transform the manufacturing capability of the business, it was appropriate to review the whole organisation to ensure it was aligned with Accrol's future growth strategy and to deliver world class standards in safety and performance every day. The final elements of the business turnaround plan were completed during the year with significant capital investment in automation at our Blackburn manufacturing site. The complexity of maintaining a 24/7 operation during the implementation of this substantial project resulted in an element of incremental labour costs as service levels needed to be maintained despite the inevitable disruption to normal operations during the period of transition. Once the project had been completed a number of redundancies were incurred as the overall headcount reduced, reflecting the benefits from the automation investment. The total labour cost of the above was £948,000, with associated fees of £86,000.

COVID-19 (£670,000)

The COVID-19 pandemic has continued to have a significant impact on how the Group conducts its operations, and on the availability of resource and personnel, to continue to function as an essential provider of products to UK retailers. 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 during the pandemic, 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 £292,000.

Additional labour costs of £153,000 were incurred as a dedicated team of people worked on the practical changes that were required in each of our factories, warehouses, and offices to ensure we maintained fully compliant working environments and to protect our employees. Extra logistics, PPE, cleaning and security costs of £225,000 were also incurred.

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.

	2022 £'000	Restated 2021 £'000
Loss for the year attributable to equity shareholders	**(1,697)**	(3,190)

Weighted average number of shares	Number '000	Number '000
Issued ordinary shares at 1 May	**311,355**	195,247
Effect of shares issued in the year	**5,792**	51,214
Weighted average number of ordinary shares at 30 April	**317,147**	246,461
Basic loss per share (pence)	**(0.5)**	(1.3)

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.

	2022 £'000	Restated 2021 £'000
Loss for the year attributable to equity shareholders	**(1,697)**	(3,190)

	Number '000	Number '000
Weighted average number of shares (basic)	**317,147**	246,461
Effect of conversion of Accrol Group Holdings plc share options	**-**	-
Weighted average number of ordinary shares at 30 April	**317,147**	246,461
Diluted loss per share (pence)	**(0.5)**	(1.3)

No adjustment has been made in 2022 and 2021 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 2022

8. Employee costs

	2022 £'000	2021 £'000
Employee costs during the year amounted to:		
Wages and salaries	**14,520**	14,581
Social security costs	**1,646**	1,530
Other pension costs	**310**	346
Share based payments (note 26)	**508**	3,245
	16,984	19,702

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

	Number	Number
Production	**339**	334
Administration	**69**	82
	408	416

9. Finance costs and income

	2022 £'000	2021 £'000
Bank loans and overdrafts	**791**	661
Lease interest	**1,354**	844
Amortisation of finance fees	**179**	438
Unwind of discount on provisions	**198**	253
Total finance costs	**2,522**	2,196

	2022 £'000	2021 £'000
Lease interest income	**216**	242
Total finance income	**216**	242

10. Taxation

Tax credit/(charged) in the income statement

	2022 £'000	2021 £'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	**1,551**	(28)
Adjustment in respect of prior periods	**73**	(46)
Change in tax rate	**(804)**	-
Total deferred tax credit/(charge)	**820**	(74)
Tax credit/(charge) in the income statement	**835**	(74)

The tax credit for the year is higher than (2021: charge is higher than) the effective rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	2022 £'000	Restated 2021 £'000
Loss before income tax	**(2,532)**	(3,116)
Effective rate	**19%**	19%
At the effective income tax rate	**481**	592
Expenses not deductible for tax purposes	**(123)**	(516)
Tax exempt income	**1,193**	-
Adjustment in respect of prior periods	**88**	(46)
Movement in unrecognised deferred tax assets	**-**	(104)
Change in rate	**(804)**	-
Total tax credit/(charge)	**835**	(74)

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 2020	(1,999)	(1,634)	3,161	834	(74)	288
Acquired on business combinations	(1,030)	(4,154)	177	-	109	(4,898)
Credit/(charge) in year	(542)	552	949	(990)	(43)	(74)
Credit/(charge) to equity	-	-	-	999	19	1,018
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)**

A deferred tax asset of £7,837,000 (2021: £4,287,000) relating to current and prior year losses has been recognised in the year, on the basis that forecasts show sufficient taxable profits in the foreseeable future to utilise these losses.

Deferred tax expected to be settled within 12 months of the reporting date is approximately £328,000 (2021: £2,177,000).

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 2022

11. Property, plant and equipment

	Leasehold land & buildings £'000	Fixtures & fittings £'000	Plant and machinery £'000	Assets under construction £'000	Right-of-use assets £'000	Total £'000
Cost						
At 30 April 2020	497	2,096	27,187	3,354	16,158	49,292
Acquired through business combinations	1,043	164	9,545	-	8,046	18,798
Additions	31	149	733	8,199	477	9,589
Reclassification	-	-	8,335	(10,457)	2,122	-
At 30 April 2021	1,571	2,409	45,800	1,096	26,803	77,679
Additions	69	136	1,050	3,732	21,713	26,700
Reclassification	(68)	39	1,268	(94)	(1,239)	(94)
Disposals	-	-	(95)	-	(9,803)	(9,898)
At 30 April 2022	**1,572**	**2,584**	**48,023**	**4,734**	**37,474**	**94,387**
Accumulated depreciation						
At 30 April 2020	178	1,365	4,922	-	3,087	9,552
Charge for the year	70	337	879	-	3,500	4,786
At 30 April 2021	248	1,702	5,801	-	6,587	14,338
Charge for the year	142	317	1,895	-	3,503	5,857
Reclassification	-	84	347	-	(431)	-
Disposals	-	-	(95)	-	(4,481)	(4,576)
Impairment	-	-	965	-	-	965
At 30 April 2022	**390**	**2,103**	**8,913**	**-**	**5,178**	**16,584**
Net book value						
At 30 April 2022	**1,182**	**481**	**39,110**	**4,734**	**32,296**	**77,803**
At 30 April 2021	1,323	707	39,999	1,096	20,216	63,341

Assets with a value of £77,803,000 (2021: £63,341,000) form part of the security against the RCF as described in note 19.

As part of the reorganisation of the Leyland manufacturing facility, a specific 're-wind' asset was deemed surplus to requirement, resulting in an impairment charge of £965,000. See note 6.

12. Leases

Leases receivable

	Land & buildings £'000	Total £'000
At 1 May 2021	5,702	5,702
Interest received	216	216
Lease receipts	(890)	(890)
At 30 April 2022	**5,028**	**5,028**
Analysed as:		
Receivable > 1 year	4,325	4,325
Receivable < 1 year	703	703

Lease liabilities

	Land & buildings £'000	Plant & machinery £'000	Total £'000
At 1 May 2021	21,195	6,402	27,597
New leases in the year	21,242	2,410	23,652
Leases terminated in the year	(5,570)	-	(5,570)
Interest expense	1,124	230	1,354
Lease payments	(3,925)	(2,892)	(6,817)
At 30 April 2022	**34,066**	**6,150**	**40,216**

Short-term lease expense for the year was £nil. Short-term lease commitment at 30 April 2022 was £nil. Income from sub-leases for the year totalled £216,000.

13. Intangible assets

	Goodwill £'000	Customer relationships £'000	Development costs £'000	Computer software £'000	Other £'000	Total £'000
Cost						
At 30 April 2020	14,982	20,427	764	2,492	126	38,791
Acquired through business combinations	14,812	21,864	-	28	-	36,704
Internally developed additions (restated)	-	-	684	468	-	1,152
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**
Amortisation						
At 30 April 2020	-	11,828	-	-	86	11,914
Charge for the year	-	2,903	273	344	-	3,520
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**
Net book value						
At 30 April 2022	**29,794**	**23,261**	**3,817**	**2,046**	**40**	**58,958**
At 30 April 2021 (restated)	29,794	27,560	1,175	2,644	40	61,213

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:

	2022 £'000	2021 £'000
Accrol Group Holdings plc	**29,794**	-
Accrol	**-**	17,917
Leicester Tissue Company ("LTC")	**-**	11,742
John Dale ("JD")	**-**	135
	29,794	29,794

Notes to the Consolidated Financial Information continued

For The Year Ended 30 April 2022

As disclosed in the prior year financial statements, as anticipated, the acquired operations have become fully integrated within the Group. The performance of the Group provided to the Chief Operating Decision Maker (the AGH plc Board) does not split between the above CGUs, therefore the Group has decided to return to a sole CGU.

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 2022, the impairment tests concluded that the estimated value in use at 30 April 2022 exceeds the carrying value by £50m (2021: £100m).

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 12.4% (2021: 13.0%) 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 2.4% (2021: 2%).

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 2022 no impairment charge is required against the carrying value of goodwill.

Impairment would be caused by either increasing the pre-tax discount rate by 4% or reducing the average EBIT performance by £5m. A combination of increasing the pre-tax discount rate by 2% and reducing average EBIT performance by £2.6m 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

During the year, the Group developed a number of new innovative products including 'Softy', 'Elegance', 'Magnum' and 'Little Heroes'. It also developed a range of fragranced products under the 'Fabulosa' brand and transitioned the majority of the product range to a 38mm core. 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

	2022 £'000	2021 £'000
Raw materials	**13,490**	13,363
Finished goods and goods for resale	**12,751**	9,822
	26,241	23,185

Inventories recognised as an expense during the year and included in cost of sales amounted to £106,401,000 (2021: £87,198,000). There are £588,000 of provisions held against inventories (2021: £804,000).

15. Trade and other receivables

	2022 £'000	2021 £'000
Trade receivables	**26,677**	23,356
Less: provision for impairment of trade receivables	**(18)**	(70)
Trade receivables – net of provisions	**26,659**	23,286
Prepayments and other debtors	**4,933**	3,194
	31,592	26,480

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. The Group has identified the current state of the economy and industry specific factors as the key macroeconomic factors in the countries where the Group operates.

16. Cash and cash equivalents

	2022 £'000	2021 £'000
Cash and cash equivalents	**243**	7,604

17. Trade and other payables

	2022 £'000	2021 £'000
Trade payables	**38,036**	34,128
Social security and other taxes	**7,639**	5,729
Accruals	**6,692**	7,174
	52,367	47,031

Trade payables are non-interest bearing and are paid on average within 70 days at 30 April 2022 (2021: 70 days).

18. Provisions

	As at 1 May 2021 £'000	Credited to profit/loss £'000	Utilised in the year £'000	Discount unwind £'000	As at 30 April 2022 £'000	Current £'000	Non-current £'000
Onerous contracts	358	-	(331)	6	**33**	33	-
Contingent consideration	6,608	(6,277)	(523)	192	**-**	-	-
Other	355	-	(80)	-	**275**	-	275
	7,321	(6,277)	(934)	198	**308**	33	275

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

The contingent consideration relates to the acquisition of Leicester Tissue Company in the prior year.

Other provisions arose on the Group's acquisition of Leicester Tissue Company and John Dale and relate to dilapidation and other compliance provisions.

Notes to the Consolidated Financial Information continued

For The Year Ended 30 April 2022

19. Borrowings

	2022 £'000	2021 £'000
Current		
Revolving credit facility	**2,692**	1,821
Factoring facility	**18,743**	3,975
Leases	**5,047**	6,553
	26,482	12,349
Non-current		
Revolving credit facility	**-**	9,807
Leases	**35,169**	21,044
	35,169	30,851

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 2021	12,349	30,851	43,200
Cashflows	(16)	-	(16)
Non-cashflows:			
New leases	159	21,554	21,713
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**	**35,169**	**61,651**

	Current loans & borrowings £'000	Non-current loans & borrowings £'000	Total £'000
At 1 May 2020	18,157	23,827	41,984
Cashflows	(16,829)	-	(16,829)
Non-cashflows:			
New leases acquired through business combinations	2,016	10,610	12,626
New leases	477	-	477
Loans acquired through business combinations	997	-	997
Factoring facility acquired through business combinations	2,002	-	2,002
Interest accrued	1,505	-	1,505
Amortisation of finance fees (note 9)	438	-	438
Allocation from non-current to current in the year	3,586	(3,586)	-
At 30 April 2021	12,349	30,851	43,200

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 2022 are £308,000 (2021: £372,000).

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

	2022 £'000	2021 £'000
Loan maturity analysis		
Within one year	**26,790**	12,528
Between one and two years	**7,622**	7,666
Between two and five years	**8,003**	18,986
After five years	**19,544**	4,392
	61,959	43,572

The following amounts remain undrawn and available:

	2022 £'000	2021 £'000
Revolving credit facility	**14,000**	5,000
Factoring facility	**1,179**	7,128
	15,179	12,128

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")

During the year, the Group extended its £17m multi-currency revolving credit facility, which now expires in August 2024. Previously required repayments of £2m on each of 30 April 2022 and 30 April 2023 have now been removed.

Interest charged on the facility is at SONIA plus a margin of 2.20%-3.20%. 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 £22.5m to £27m. 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.

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	2022 £'000	2021 £'000
Current assets	**805**	-
Current liabilities	**-**	(120)
	805	(120)

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 2022, the notional principal amount of the outstanding derivative contracts that are held to hedge the Group's transaction exposures was £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 2022

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	
	2022 £'000	**2021 £'000**
Financial assets		
Current		
Trade receivables	**26,659**	23,286
Cash and short-term deposits	**243**	7,604
Derivative financial instruments	**805**	-
Financial liabilities		
Current		
Borrowings	**26,482**	12,349
Trade and other payables	**52,367**	47,031
Derivative financial instruments	**-**	120
Non-current		
Borrowings	**35,169**	30,851

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.

	2022 £'000	**2021 £'000**
Total borrowings (excluding finance fees)	**61,959**	43,572
Less: lease receivables	**(5,028)**	(5,702)
Less: cash and cash equivalents	**(243)**	(7,604)
Net debt	**56,688**	30,266
Less: leases recognised on adoption of IFRS 16	**(29,142)**	(15,628)
Adjusted net debt (excluding leases recognised on adoption of IFRS 16)	**27,546**	14,638

(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 had been prepared by re-performing the calculations used to determine the balance sheet values assuming a 1% strengthening of sterling:

	2022 £'000	2021 £'000
EUR – loss	**-**	-
USD – loss	**251**	215
	251	215

(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 1.5% (2021: 0.5%) increase in interest rates on (loss)/profit before tax is shown below:

	2022 £'000	2021 £'000
Change in interest rate	**322**	78

(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 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**	**19,544**	**61,959**
Trade and other payables	**52,367**	**-**	**-**	**-**	**52,367**
Total financial liabilities	**79,157**	**7,622**	**8,003**	**19,544**	**114,326**

As at 30 April 2021	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	12,528	7,667	18,986	4,391	43,572
Trade and other payables	47,031	-	-	-	47,031
Total financial liabilities	59,559	7,667	18,986	4,391	90,603

(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.

Notes to the Consolidated Financial Information continued

For The Year Ended 30 April 2022

At 30 April 2022 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%	1%	4%	5%	
Gross carrying amount of overdue debt (£000)	471	137	128	243	979
Loss provision (£000)	-	1	5	12	18

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

	2022 £'000	2021 £'000
At the beginning of the year	**(70)**	(9)
Acquired through business combinations	**-**	(48)
Impairment losses recognised	**(18)**	(22)
Utilisation of provision	**70**	9
	(18)	(70)

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

	2022 £'000	2021 £'000
Contracted for but not provided	**4,614**	301

The capital commitments principally relate to Leyland investments (automation and a new converting line) and are expected to be settled in the following financial year. The majority of this cost is expected to be funded by lease financing.

23. Share capital and reserves

	2022 £'000	2021 £'000
Called up, allotted and fully paid		
Ordinary shares of £0.001 each	**319**	311
	319	311

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

	2022 Number	2021 Number
Ordinary shares of £0.001 each	**318,878,097**	311,354,632

In July 2021, 7,523,465 £0.001 ordinary shares were issued.

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 (2021: £nil).

The Company does not propose a final dividend (2021: £1,594,000), therefore the total dividend for the year is £nil (2021: £1,594,000).

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.

(b) Directors' emoluments

	2022 £'000	2021 £'000
Short-term employment benefits	**1,308**	1,394
Share based payments	**268**	1,784
	1,576	3,178

During the year retirement benefits were accruing to no Directors under defined contribution schemes (2021: £nil). The aggregate amount of emoluments paid to the highest paid Director was £601,000 (2021: £838,000).

(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.

The Group operated a Management Incentive Plan, namely the Accrol Group Holdings plc Unapproved Share Option Plan ("MIP"). The MIP 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 10 years. Following the exercise of remaining options during the year, this scheme is now closed.

Further details of the schemes are provided in the Directors' Remuneration Report on pages 43 to 46.

Movements in the year

In February 2022, the Group issued 7,967,183 options under the LTIP.

In July 2021, 7,523,465 options were exercised under the MIP.

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 44.

Notes to the Consolidated Financial Information continued

For The Year Ended 30 April 2022

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)	20.90
Share price at grant date (p)	21.00
Exercise price (p)	0.1
Expected volatility	47.71%
Dividend yield	0.00%
Risk-free rate	1.21%

Income statement charge

The share-based payment charge for the year was £508,000 (2021: £3,245,000), 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	MIP Option 2	MIP Option 3	Total
In issue as at 1 May 2021	3,152	863	6,660	10,675
Granted in the year	7,967	-	-	7,967
Exercised in the year	-	(863)	(6,660)	(7,523)
Lapsed in the year	-	-	-	-
In issue as at 30 April 2022	**11,119**	**-**	**-**	**11,119**
Exercisable as at 30 April 2022	**-**	**-**	**-**	**-**

27. Events after the balance sheet date

There are no adjusting or non-adjusting events subsequent to the year end.

28. Contingent liabilities

As at 30 April 2022, 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.

	2022 £'000	Restated 2021 £'000
Loss attributable to shareholders	**(1,697)**	(3,190)
Adjustment for:		
Amortisation	**5,494**	3,520
Separately disclosed items	**(2,577)**	5,255
Share based payments	**508**	3,245
Discount unwind on contingent consideration	**192**	239
Tax effect of adjustments above	**(832)**	(2,225)
Adjusted earnings attributable to shareholders	**1,088**	6,844

	Number '000	Number '000
Basic weighted average number of shares	**317,147**	246,461
Dilutive share options	**11,119**	10,675
Diluted weighted average number of shares	**328,266**	257,136

	pence	pence
Basic adjusted earnings per share	**0.3**	2.7
Diluted adjusted earnings per share	**0.3**	2.7

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

	2022 £'000	Restated 2021 £'000
Adjusted EBITDA		
Operating loss	**(226)**	(1,162)
Adjusted for:		
Depreciation	**5,857**	4,786
Amortisation	**5,494**	3,520
Separately disclosed items	**(2,577)**	5,255
Share based payments	**508**	3,245
Adjusted EBITDA	**9,056**	15,644

	2022 £'000	2021 £'000
Adjusted Gross Profit		
Gross Profit	**36,239**	37,884
Adjusted for:		
Separately disclosed items	**905**	1,220
Adjusted Gross Profit	**37,144**	39,104
Revenue	**159,450**	136,594
Adjusted Gross Margin	**23.3%**	28.6%

	2022 £'000	Restated 2021 £'000
Adjusted profit before tax		
Reported (loss) before tax	**(2,532)**	(3,116)
Adjusted for:		
Amortisation	**5,494**	3,520
Separately disclosed items	**(2,577)**	5,255
Share based payments	**508**	3,245
Discount unwind on contingent consideration	**192**	239
Adjusted profit before tax	**1,085**	9,143

Company Statement of Financial Position

As At 30 April 2022

	Note	2022 £'000	2021 £'000
ASSETS			
Non-current assets			
Investments in subsidiaries	5	**52,569**	51,973
Total non-current assets		**52,569**	51,973
Current assets			
Trade and other receivables	6	**64,301**	66,102
Cash and cash equivalents		**-**	-
Total current assets		**64,301**	66,102
Total assets		**116,870**	118,075
Current liabilities			
Trade and other payables		**(15)**	(231)
Total current liabilities		**(15)**	(231)
Total assets less current liabilities		**116,855**	117,844
Net assets		**116,855**	117,844
Capital and reserves			
Share capital	7	**319**	311
Share premium		**108,782**	108,782
Capital redemption reserve		**27**	27
Retained earnings		**7,727**	8,724
Total equity shareholders' funds		**116,855**	117,844

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 profit for the year of £1,000 (2021: loss of £45,000).

The financial statements were approved by the Board of Directors on 5 September 2022.

Signed on behalf of the Board of Directors

Richard Newman
Chief Financial Officer
Company Registration Number 09019496

Company Statement of Changes in Equity

For The Year Ended 30 April 2022

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 30 April 2020	195	68,015	27	6,592	74,829
Transactions with owners recognised directly in equity					
Proceeds from shares issued	116	42,494	-	-	42,610
Transaction costs	-	(1,727)	-	-	(1,727)
Share based payments	-	-	-	2,177	2,177
Total transactions recognised directly in equity	116	40,767	-	2,177	43,060
Comprehensive expense					
Loss for the year	-	-	-	(45)	(45)
Total comprehensive income	-	-	-	(45)	(45)
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
Transaction costs	-	-	-	-	-
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**

Notes to the Company Financial Information

For The Year Ended 30 April 2022

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 going concern status of the Parent Company is intrinsically linked to the success of the Group, which, as disclosed in note 2 of the consolidated financial statements, is dependent on certain key assumptions being achieved.

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 during the year but has been successful in negotiating more than £70m of annualised price increases by the end of the year, with £11m of this impacting FY22. In addition, the Group continued its investment in automation, infrastructure and product development, whilst also increasing working capital to manage supply constraints over the coming 12 months.

The acquired businesses, LTC and John Dale, have been fully integrated and the automation of all four manufacturing sites (which completed in August 2022) has been finalised; delivering further efficiencies. The cost of living crisis is driving consumer demand for great value products and Accrol has enjoyed a strong start to the new financial year (FY23). The margin erosion experienced in FY22, created by the rapid increase in input costs, has been rectified and contained, with cost increases being passed on as they arise.

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 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 2022, 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 of the Company.

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.

Notes to the Company Financial Information continued

For The Year Ended 30 April 2022

4. Directors' Emoluments

	2022 £'000	2021 £'000
Short-term employment benefits	**1,308**	1,394
Share based payments	**268**	1,784
	1,576	3,178

During the year retirement benefits were accruing to no Directors under defined contribution schemes (2021: none). The aggregate amount of emoluments paid to the highest paid Director was £601,000 (2021: £838,000). The Company does not have any employees (2021: none).

5. Investments in subsidiaries

	Group undertakings £'000
Cost	
30 April 2021	51,973
Additions in the year in respect of Share based payments	596
30 April 2022	**52,569**

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

	2022 £'000	2021 £'000
Amounts owed by Group undertakings	**64,301**	66,102
	64,301	66,102

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

7. Issued capital and reserves

Called up, allotted and fully paid

	2022 £'000	2021 £'000
Ordinary shares of £0.001 each	**319**	311
	319	311

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

	Number	Number
Ordinary shares of £0.001 each	**318,878,097**	311,354,632

In July 2021, 7,523,465 £0.001 ordinary shares were issued.

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.

8. Dividend payable

The Company did not pay an interim dividend (2021: £nil).

The Company does not propose a final dividend (2021: £1,594,000), therefore the total dividend for the year is £nil (2021: £1,594,000).

9. Dividend receivable

Dividends received by the Company from its subsidiaries in the year were £nil (2021: £nil).

Company Information

Directors
Daniel Wright (Executive Chairman)
Gareth Jenkins (Chief Executive Officer)
Richard Newman (Chief Financial Officer)
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 Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Auditors
BDO LLP
3 Hardman Street
Spinningfields
Manchester
M3 3AT

Nominated adviser and broker
Zeus Capital Limited
82 King Street
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M2 4WQ

10 Old Burlington Street
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Joint Broker
Liberum Capital Limited
Ropemaker Place
25 Ropemaker Street
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Solicitors
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Financial PR
Belvedere Communications Ltd
Atlas House
1 King Street
London
EC2V 8AU

Notes

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Paper from responsible sources
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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 264299

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