26 September 2023

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("MAR"), and is disclosed in accordance with the Company's obligations under Article 17 of MAR.

Accrol Group Holdings plc
("Accrol" or the "Group")

FINAL RESULTS 2023

FY24 EBITDA now expected to be ahead of previous Board expectations, driven by accelerating margin recovery

Accrol (AIM: ACRL), the UK's leading independent tissue converter, announces its audited final results for the year ended 30 April 2023 ("FY 23" or the "Period"), which show strong growth in both revenue and profit, driven by increasing market share and volumes.

Gareth Jenkins, Chief Executive Officer of Accrol, said:

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

"Accrol is the lowest cost tissue convertor in the UK and is fully automated across all tissue sites, having completed all major converting strategic capital investments in the year. With the development and focus on market leading products, for softness in Toilet Tissue and absorbency for Kitchen Towel, we have generated significant volume and market share growth across all sectors of our business."

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

Key Financials	***FY23***	*FY22*	***Change***
Revenue	**£241.9m**	£159.4m	**52%**
Adjusted gross margin[1]	**19.7%**	23.3%	**(3.6%)**
Adjusted EBITDA[2]	**£15.6m**	£9.1m	**71%**
EBITDA Margin	**6.4%**	5.7%	**0.7%**
Adjusted profit before tax[3]	**£6.5m**	£1.1m	**£5.4m**
Adjusted diluted earnings per share	**1.8p**	0.3p	**1.5p**
Adjusted net debt[4]	**£26.8m**	£27.5m	**£0.7m**

1 Adjusted gross margin is defined as gross margin before depreciation and separately disclosed items
2 Adjusted EBITDA is defined as profit before finance costs, tax, depreciation, amortisation, separately disclosed items and share based payments
3 Adjusted profit before tax is defined as profit before amortisation, separately disclosed items and share based payments
4 Adjusted net debt excludes operating type leases recognised on the balance sheet in accordance with IFRS 16

Market expectations as at 25 September 2023 for FY23 (Shore Capital & Zeus) and FY24 respectively – Revenue £241.8m EBITDA £15.5m and Revenue £230m EBITDA £19.5m.

FY 23 highlights:

- Group volumes increased by 7.7%, compared to an overall flat tissue market
- Market share increased by 200bps to 21.5% (FY22: 19.5%)
- Gross margins in H2 FY23 improved significantly, as volumes in higher margin products increased and the benefit of earlier price increases flowed through
- Water industry-approved flushable wet wipe sales have grown by 169%, since the acquisition of the Group's first wet wipes business in 2021
- The Group's subscription model, plastic-free, Oceans brand continues to grow strongly with revenue up 45% year on year
- Our first licensing partnership, has progressed well in the year with the product now stocked in three major UK retailers and growing, with further license agreements planned.
- Strong ESG progress with significant and tangible advances in all targeted areas
- Chris Welsh succeeded Richard Newman as Chief Financial Officer, having joined the Group from INEOS Chemicals in October 2022

Current trading and outlook

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

Dan Wright, Executive Chairman of Accrol, said:

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

"We have a strong, market leading position, with a clear focus on remaining the lowest cost producer of any scale. Our product mix is strengthening margins and cash generation is growing. We are, therefore, confident that our FY24 EBITDA will be ahead of initial Board expectations."

For further information, please contact:

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Overview of Accrol

Accrol Group Holdings plc is a leading tissue converter and supplier of toilet tissues, kitchen rolls, facial tissues, and wet wipes to many of the UK's leading discounters and grocery retailers across the UK. The Group now operates from six manufacturing sites, including four in Lancashire, which together supply c.21.5% (volume) of the UK tissue market valued at c£2.5bn at retail sales value.

For more information, please visit www.accrol.co.uk.

Link for Accrol Today video: https://www.accrol.co.uk/our-business/

Chairman's Report

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

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

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

Our vision

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

Strategic Review

Our ambitions over the medium term are:

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

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

Dividend & Share Buybacks

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

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

Environmental, Social and Governance

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

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

Our people

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

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

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

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

Outlook

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

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

Dan Wright
Executive Chairman
25 September 2023

Chief Executive Officer's Review

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

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

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

FY23 highlights

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

Our medium term ambitions

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

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

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

- Toilet Tissue grew 2% in volume terms and market share increased from 21.3% to 23.1%

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

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

Wet wipe business

Our wet wipe business, since acquisition in early 2021, has seen significant change. Since this time, the product mix has been transitioned to paper-based biodegradable or water industry approved flushable wipes with overall group sales growing from £2m to a run rate, as we exited FY23, of £6m. We have invested in people development and new machinery, which will see capacity rise by a further £20m from Q1 FY25. Over the next three years, we expect to grow our wet wipe business in the plastic free product type to over £30m. We remain on track to meet these targets and our strong relationships across UK retailers gives us unique access to grow our product range significantly – our pipeline of new business is strong.

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

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

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

Build a sustainable paper mill

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

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

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

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

Acquire selectively to strengthen and extend our product offering

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

Market overview

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

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

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

Operations

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

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

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

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

People and culture

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

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

Health and safety

Total employee accidents continued to fall YOY, down 10% at 28 for the year (small cuts, trips and knocks). Accident frequency rate (number of accidents per 100,000 hrs worked) is at an all-time low at 3.4. Safety Observation / conversations recorded at a record high of 12,800, up 32% on FY22 and a key aspect of the changing culture and transition from a dependant to an interdependent safety culture. The Leicester site hit three years LTA free, which is another record achievement and testament to how the site has adopted the Accrol principals and processes. This enormous improvement across all metrics is driven by the cultural change we have across all sites and is a testament to every individual who works in the business. Zero accidents remains the Group's target. The business has introduced bi-monthly safety meetings and appointed safety champions throughout the organisation and it remains the lead KPI in everything we do.

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

Outlook

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

Prices are expected to soften in the year ahead as prices on shelf reduce, but the Group's margins are now improving faster than previously reported as it benefits from the significant investments made over the last few years and the improving revenue mix. The Group now anticipates delivering FY24 EBITDA ahead of prior Board expectations.

Gareth Jenkins
Chief Executive Officer
25 September 2023

Chief Financial Officer's Review

Summary

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

Trading results

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

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

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

Separately disclosed items

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

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

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

Depreciation and amortisation

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

Share-based payments

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

Interest, tax and earnings per share

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

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

Dividend

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

Cashflow

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

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

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

Balance Sheet

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

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

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

Christopher Welsh
Chief Financial Officer
25 September 2023

CONSOLIDATED INCOME STATEMENT FOR YEAR ENDED 30 APRIL 2023

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR YEAR ENDED 30 APRIL 2023

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

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 APRIL 2023

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 30 APRIL 2023

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

CONSOLIDATED CASHFLOW STATEMENT FOR THE YEAR ENDED 30 APRIL 2023

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

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION FOR THE YEAR ENDED 30 APRIL 2023

1. GENERAL INFORMATION

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

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

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

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

This consolidated financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. The comparative figures for the financial year ended 30 April 2022 are an extract of the Company's statutory accounts for the year ended 30 April 2022 prepared in accordance with International Financial Reporting Standards (IFRS), approved by the Board of Directors on 5 September 2022 and delivered to the Registrar of Companies. The report of the auditor on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 (2) or (3) of the Companies Act 2006.

The statutory accounts for the year ended 30 April 2023 will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The Auditors have reported on those accounts; their report was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 (2) or (3) of the Companies Act 2006.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

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

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

Prior period restatement

The comparative balance sheet has been restated due to a mechanical error in the calculation of a ROU lease asset and liability, this restatement has resulted in a decrease of ROU assets within property, plant and equipment and

ROU lease liabilities by £3.48m. The effect of this restatement has no impact upon net assets, cash or profit & loss. This change has been reflected in the financial statements and corresponding notes.
The comparative income statement has been restated because certain directly attributable production costs were erroneously included in administrative expense instead of cost of sales amounting to £1.895m. This restatement has no impact upon net assets, cash or profit within the period.
Furthermore, prior year restatement has been recorded between the categories of property plant and equipment cost and accumulated depreciation in the brought forward analysis of the prior year with no material impact to these financial statements. The opening balance of Plant and machinery and Fixtures and fittings was understated by £3.00m and £0.87m respectively, with corresponding opening accumulated depreciation was understated by £3.43m and £0.44m respectively.

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

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

New standards, interpretations and amendments not yet effective
There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the group has decided not to adopt early. The Group will undertake an assessment of the impact of the following standards and interpretations in due course, although they are not expected to have a material impact on the consolidated financial statements in the year of applications when the relevant standards come into effect.

Effective for the period beginning 1 May 2023:

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

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

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

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

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

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

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

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

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

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

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

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

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

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

Segments

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

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

Revenue

Performance obligations and timing of revenue recognition

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

Determining the transaction price

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

Allocating amounts to performance obligations

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

Cost of sales

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

Software-as-a-Service (SaaS) arrangements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Intangible assets

Goodwill

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

Customer relationships

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

Development costs

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

Computer software

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

Other intangible assets

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

Impairment of non-financial assets

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

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

Financial instruments

Financial assets

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

Amortised cost

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

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

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

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

Financial liabilities

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

Other financial liabilities

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

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

Share based payments

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

Leases

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

Critical accounting judgements in applying the entity's accounting policies

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

Goodwill and intangible asset impairment: The Group is required to test, on an annual basis, whether goodwill has suffered any impairment based on the recoverable amount of its CGU. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of a number of key variables in order to calculate the present value of the cashflows, including:

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

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

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

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

4. REVENUE

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

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

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

Revenue by product

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

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

5. OPERATING PROFIT/LOSS

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

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

Auditor's remuneration

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

6. SEPARATELY DISCLOSED ITEMS

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

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

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

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

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

Operational reorganisation and restructure £413,000 (2022: £nil)
Significant progress has been made over previous years to transform the manufacturing capability of the business, with investment made in automation and in the expansion of overall capacity and capability. The final element of the manufacturing re-organisation was completed in FY23 reflecting investment in a new manufacturing line and automation of packing and palletisation at the Leyland manufacturing site.

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

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

Acquisition related items credit of £5,426,000
On 24 November 2020, the Group acquired 100% of the issued share capital of LTC Parent Limited and its subsidiaries, whose principal activity is paper tissue converting. An element of the consideration was contingent upon the incremental EBITDA performance of contracts secured prior to the acquisition that had yet to be delivered, measured over a four-month period from 1 March 2021. This consideration was measured on a sliding scale with a maximum of £6,800,000 payable to the vendors if EBITDA targets were met, for which provision was made in the prior year.

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

Supply chain disruption costs £696,000
In line with the wider market, pressures on the Group's supply chain have been considerable, particularly over the autumn period when there was significant disruption to shipping, container capacity at ports, and haulage. Whilst the Group's supply chain demonstrated significant resilience, considerable incremental costs were incurred to maintain service to our customers.

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

Impairment of property, plant and equipment £965,000
Significant progress has been made over previous years to transform the manufacturing capability of the business, with investment made in automation and in the expansion of overall capacity and capability. The final element of the manufacturing re-organisation comprises investment in a new manufacturing line (completed September 2022) and automation of packing and palletisation (completed July 2022) at the Leyland manufacturing site.

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

COVID-19 £153,000
The COVID-19 pandemic continued to have an impact on the business during the financial year, although those impacts are now much reduced and are being absorbed as part of normal operational costs from January 2022. The Group plans on a certain level of resource, factoring in normal levels of absence and holiday, to maintain a 24/7 manufacturing operation that is as efficient as possible. High levels of absence due to illness or self-isolation, required incremental labour resources to be deployed to maintain service levels to our customers through additional overtime, additional temporary labour and the deferment of holidays, all of which resulted in additional costs of £133,000. A further £20,000 of additional costs related to incremental cleaning, safety, and PPE equipment.

Accounting policy change £637,000
The Group's accounting policy has historically been to capitalise all costs related to the configuration or customisation of Software-as-a-Service (SaaS) arrangements as intangible assets. Following the agenda decision of The International Financial Reporting Standards Interpretations Committee (IFRIC) in April 2021 these previously recognised intangible assets have been treated as an expense, impacting both the current and prior periods presented.

Other items £398,000
Other items largely relate to redundancy costs of £327,000 related to consolidation of activities across the Group following the acquisitions made in the previous financial year; and other largely property related items of £71,000.

7. LOSS PER SHARE

Basic loss per share

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

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

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

Diluted loss per share

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

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

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

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

8. EMPLOYEE COSTS

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

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

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

9. FINANCE COSTS AND INCOME

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

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

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

10. TAXATION

Tax credit in the income statement

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

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

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

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

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

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

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

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

11. PROPERTY, PLANT AND EQUIPMENT

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

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

12. LEASES
Leases receivable

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

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

Lease liabilities

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

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

13. INTANGIBLE ASSETS

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

Goodwill

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

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

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

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

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

Key assumptions

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

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

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

Sensitivity to changes in assumptions

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

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

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

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

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

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

14. INVENTORIES

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

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

15. TRADE AND OTHER RECEIVABLES

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

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

The Group does not hold any collateral as security.

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

16. CASH AND CASH EQUIVALENTS

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

17. TRADE AND OTHER PAYABLES

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

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

18. PROVISIONS

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

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

19. BORROWINGS

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

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

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

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

Finance costs incurred to arrange the revolving credit facility have been capitalised and are being amortised through interest payable. Unamortised finance costs at 30 April 2023 are £113,000 (2022: £308,000).

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

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

The following amounts remain undrawn and available:

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

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

HSBC revolving credit facility agreement ("RCF")
The Group maintains its £17m multi-currency revolving credit facility, which expires in August 2024.

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

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

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

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

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

20. FINANCIAL INSTRUMENTS

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

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

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

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

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

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

Level 1: inputs are quoted prices in active markets.

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

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

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

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

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

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

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

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

(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:

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

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

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

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

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

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

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

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

(iv) Credit risk

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

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

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

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

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

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

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

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

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

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

22. CAPITAL COMMITMENTS

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

23. SHARE CAPITAL AND RESERVES

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

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

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

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

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

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

25. RELATED PARTY DISCLOSURES

(a) Identity of related parties

The subsidiaries of the Group are as follows:

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

*Indirect holding.

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

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

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

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

(b) Directors' emoluments

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

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

(c) Key management personnel

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

26. SHARE BASED PAYMENTS

Description of share option schemes

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

Further details of the schemes are provided in the Directors’ Remuneration Report on pages * to *.

Movements in the year

There were no options issued or exercised under the LTIP.

Terms and conditions of the share option schemes

The LTIP options granted are subject to the achievement of certain adjusted EBITDA performance conditions as disclosed further in the Remuneration Report on page 44.

Input for measurement of grant date fair values

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

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

Income statement charge

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

Movements in share options

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

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

27. EVENTS AFTER THE BALANCE SHEET DATE

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

28. CONTINGENT LIABILITIES

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

29. ALTERNATIVE PERFORMANCE MEASURES

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

Adjusted earnings per share

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

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

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

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

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

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

Consolidated income statement

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

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

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