Accrol Papers Limited
Annual report and financial statements
for the year ended 30 April 2021

Registered Number: 03639930

Accrol Papers Limited

Annual report and financial statements

for the year ended 30 April 2021

Contents

Directors
Gareth Jenkins
Mark Dewhurst
Graham Cox
Richard Newman

Registered Office
Delta Building, Roman Road, Blackburn, BB1 2LD

Company Number
03639930

Auditors
BDO LLP, 3 Hardman Street, Manchester, M3 3AT

Accrol Papers Limited
Strategic Report for the year ended 30 April 2021

The Directors present their Strategic Report on the Company for the year ended 30 April 2021.

Principal activities

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

Business review, including Key performance indicators ("KPIs")

The team at Accrol has delivered another strong set of results, against a backdrop of unprecedented disruptions brought about by the COVID-19 global pandemic, and continues its transformation through a major automation programme.

Tissue sales have been volatile throughout the pandemic and FY21. Current year revenue, at £124.6m, was down against prior year of £134.8m, as buying patterns were disrupted. Accrol sales for FY20 saw a benefit of c£3m sales uplift as lockdown began, which unwound in FY21. The UK market experienced a 1.3% reduction in total tissue sales for FY21 with brands performing better than private label, due to higher stock levels and a consumer move to the major retailers. Private label sales were down 1.8% year on year although market volumes, between brands and private label, remained broadly in line with previous years with a 50:50 split between them.

However, gross margin improved significantly from 21.9% to 25.8%, with the Company recording an operating profit of £1.5m *(2020: £1.9m)* and an adjusted EBITDA* of £11.8m *(2020: £10.7m)*, largely due to continued improvements in efficiency and further automation. The company ended the period with £4.5m of net cash, compared to net debt of £5.9m on 30 April 2020.

The relentless drive for increasing efficiency throughout the organisation will continue. Over the first quarter of FY21, a new IT system has successfully fulfilled every aspect of the business' needs, from finance, procurement and operations, to stock management. Around £5m has been invested in the automation of the Blackburn manufacturing site, with robotisation replacing all manual finished goods movements. There is a small element of automation to be completed in Leyland in FY22, as a new machine arrives.

Health and Safety is a business fundamental for Accrol and this remains top of our agenda. Following the relentless work and focus that has gone into this area we are starting to see improvements through the sites. In FY21, we have seen total accidents levels drop by 26% to an all-time low. In addition, safety observations are up 42%.

The achievements of all our employees at every site is something we are incredibly proud of. They have responded magnificently during the pandemic, keeping all our operations open and maintaining the highest standards in service and product quality for our customers.

The long-term outlook for the business is strong and the opportunity to increase our share in our core markets remains significant. With shoppers returning to instore purchasing, we and the major discounters expect to see a significant uplift in tissue volumes in H2 of FY22 with their confidence being demonstrated by the acceleration of new store openings in FY22 and into FY23.

Over the last four years we have built firm foundations from which we can accelerate growth and deliver strong returns. Whilst we continue to supply great-value products with excellent service in this market, we are continuing to actively explore opportunities to scale the core business, as well as to diversify into new markets and products, currently serviced by brands, in which we know our better-value offering will appeal to the consumer.

*Adjusted EBITDA, defined as profit before finance costs, tax, depreciation, amortisation, separately disclosed items and share-based payment, is a non-GAAP metric used by management and is not an IFRS disclosure.

Accrol Papers Limited
Strategic report for the year ended 30 April 2021 (continued)

Principal risks and uncertainties
Key areas include parent reel pricing and pulp capacity/pricing, which is managed by remaining close to market dynamics, nurturing relationships with key suppliers, whilst also remaining open to broadening the supply base.

Volatility of foreign exchange rates could also impact given most parent reel purchases are made in USD. This is managed through the close monitoring of short-term purchasing forecasts, adherence to our foreign exchange policy and being aware of opportunities to source in multiple currencies.

The loss of a major customer and/or being too dependent on a small number of high value customers could seriously impact the sales revenue and hence profitability of the business. We manage this through nurturing relationships with key customers, understanding their business in order to identify further opportunities, ensuring customer service levels are high and that we respond rapidly to any shortcomings.

Failure to adhere to regulatory requirements such as Health and Safety and fire safety regulations. A major fire would lead to production loss and even factory loss. Due to the inflammable nature of tissue and the dust created during the converting process, the Company is at a greater risk of fire than many other industries. Non-compliance to Health and Safety regulations could result in fines, litigation and reputational damage. To manage this, the Board has oversight over the management of regulatory risk and compliance and designates specific responsibilities to senior management who will seek external advice where relevant. We ensure that the Company has robust operational policies, procedures, risk assessments and contingencies around fire safety regulations. We update and test the Disaster Recovery Plan annually and work with our insurers to understand physical or procedural mitigation strategies to reduce the likelihood or scope of an incident.

The risk of the COVID-19 pandemic impacting the workforce and production remains a key focus. The loss of key employees across a number of shifts could impact the ability to manufacture and fulfil customer orders. To mitigate this:

- Full screening questionnaire including temperature checks in place for all employees, visitors and contractors. Company specified face coverings for all employees to eliminate potential "contact" including those office staff that can't work from home. Social distancing measures in place including one way systems, staggered clock in and COVID-19 safety reps to ensure compliance.
- Additional sanitisation stations and cleaning, increased communication and signage in multi-language.
- Internal track and trace process in place with measures implemented across both Blackburn and Leyland locations.

The Company incurred some minor short-term disruption from the Brexit transition process which has now been alleviated.

Going concern

The Company's statement on going concern can be found in the Directors' Report on page 3 and forms part of this report by reference.

On behalf of the board

Richard Newman
Director
27 January 2022

Accrol Papers Limited
Directors' report for the year ended 30 April 2021

The Directors present their Directors' report and the audited financial statements of the Company for the year ended 30 April 2021.

Directors

The Directors who held office during the year and up to the date of this report were as follows:

- Gareth Jenkins
- Mark Dewhurst
- Graham Cox
- Richard Newman (appointed 1 February 2021)

Directors' indemnities

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

Future developments

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

Risk management

Information about the Company's financial risk management is disclosed in note 21.

Going concern

The going concern status of the Company is intrinsically linked to the success of the Accrol Group Holdings plc group ('The Group'), which as disclosed in its Annual Report and Accounts for the year ended 30 April 2021 and is dependent upon certain key assumptions being achieved.

In summary, the Group generated operating cash of £17.6m and reduced adjusted net debt from £17.9m to £14.6m, whilst significantly investing in automation and manufacturing infrastructure. The Directors recognise that as of 30 April 2021, the Group has net current liabilities of £9.2m (2020: net current liabilities of £3.4m), which was considered as part of this review. However, this includes £6.6m of contingent consideration that is likely to be settled by the issue of equity.

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 did experience some minor operational disruption resulting from Brexit, but this is not expected to impact the business going forward. The Group's forecasted performance has been tested for downside scenarios, including reverse stress tests, relating to sales volume, parent reel prices and foreign exchange rate movements. It also considered the impact of the COVID-19 pandemic on forecasted performance. 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 to maintain liquidity and continue its operations.

The Group is currently operating comfortably 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.

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

Charitable and political donations

Charitable donations of £36,817 *(2020: £29,417)* were made during the year. There were no political donations during the financial year *(2020: £nil)*.

Dividends
An interim dividend of £nil *(2020: £nil)* was paid during the year. The Directors do not recommend the payment of a final dividend.

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

Section 172
In compliance with sections 172 and 414CZA of the Companies Act 2006, the Board makes the following statement in relation to the financial period ended 30 April 2021:
Engagement with the Company's stakeholders is a key aspect of the business and strategy of the Company. The Board recognises that its long-term success will necessitate the maintenance of effective working relationships across a wide range of stakeholders. We have identified our key stakeholders as follows:

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

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

The Accrol promise

- Sustainability – We believe that responsible business ensures sustainability
- Transparency – Open and honest communication with all our stakeholders
- Innovation – Relentless drive for world class basics
- Delivery – The best service to our customers, the best products to the consumer, great returns to shareholders, giving back to the community

Section 172 (continued)

Stakeholder	Engagement	Impact of engagement and actions taken
Our people People are at the heart of our business and the key to ensuring delivery of our relentless drive for world class basics	We run a multi-language employee engagement survey twice a year. The results are reviewed at Board level and feedback is used to inform employee development and policies. To engage with our diverse workforce, we employ a multi-channel, real-time communication approach. This ensures relevant and effective two-way dialogue. A rapid response to the COVID-19 pandemic to ensure the safety and wellbeing of our employees was implemented. As a non-unionised business, we train employees in representation which enables the best possible interactions.	Whilst our engagement scores were very high with 91% of people saying they are proud to work for Accrol, the survey in FY20 highlighted that we were not providing enough performance feedback to individuals and how they could progress. Based on this feedback we introduced a new company-wide operational grading system that gives employees a clear path for improvement and growth. The COVID-19 measures implemented created a safe environment which gave employees the confidence to continue at work 24/7 throughout the pandemic. Measures such as staggered start time, face covering and extra sanitisation and cleaning coupled with multilingual communication has resulted in strong attendance and positive feedback.
Our customers Effective communication with our customers is fundamental to our success.	The Company engages in continuous communication and reviews with customers to understand their changing needs, align our plans, and develop collaborative partnerships. The Company has senior national account managers for its customers, and their role is to understand the customer's organisation, strategy and vision for their business which has been of critical importance given the recent pandemic. Armed with this information we can align our offering and organisation to mirror their needs, ensuring we grow together.	There are numerous examples where engagement with customers has deepened our understanding of their needs and that of the customer, which has enabled us to win and supply improved products, which result in greater consumer satisfaction and increased sales. Over the year our market share has grown demonstrating that the actions we have taken, and the understanding developed through the pandemic, are valued by our customers.

Directors' report for the year ended 30 April 2021 (continued)

Section 172 (continued)

Our suppliers The relationship with our suppliers is crucial to ensuring the timeliness and security of our raw material supply.	Through our supplier performance management programme, we have been able to develop stronger relationships and drive meaningful benefits for both parties as part of longer-term agreements.	We understand the importance of learning from our supplier base. Through a transparent and collaborative approach, we have developed several new products and materials which will be critical in supporting the business to meet consumers' changing needs coming out of the pandemic.
Our investors We have a strong and supportive investor base whose ongoing support is key to realising the growth ambitions of the Company.	The Chairman and Chief Executive Officer meet regularly with institutional investors and analysts to ensure that objectives and any business developments are clearly communicated, and that they are available to respond to any enquiries following Company announcements. Feedback from investors is reviewed by the Board.	The Executive Board values shareholder input and believes that the meetings with shareholders offer a valuable opportunity to not only share financial data and results, but also share the vision for the business and to test the direction of travel with the experience of our investor community. This is a very valuable process and allows the leadership of the business to understand the economic and macro trading environment, which can provide visibility of both challenges and opportunities.

Section 172 (continued)

Our communities We believe that it's important to support the communities that support our businesses.	Accrol is a founding member of the Blackburn Youth Zone ("BYZ") and continues to support the funding of this local organisation. The CEO and other members of staff are active in raising awareness of the BYZ by attending and participating in speaking events. We regularly supply products to local foodbanks, and during the Covid-19 Pandemic supplied local charities and the Royal Blackburn NHS hospital with large volumes of product. The employees at our Blackburn facility contribute significantly to Secret Santa, a local charity that distributes gift sacks to under privileged children in the local area.	We are a significant employer in Lancashire, and we have an acute sense of the importance of community to our employees. It is very important for Accrol to have strong local standing due to its historical ownership and its diverse cultural heritage. It is also important that our employees feel a sense of pride working for Accrol. The recent employee survey reflects this, with 91% of our employees stating that they were proud to work for Accrol.

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

- **Full automation of the Blackburn site** - consultation with employees throughout the process in order to deliver a substantial capital investment programme and reduction in headcount.

- **Investment in a paper mill** - plans to build the mill under consultation with local communities and developers.

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

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Directors' report for the year ended 30 April 2021 (continued)

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

Emissions data

KPI	Unit of measure	2020/21 (current)	2019/20 (baseline)	2020 vs 2021
Scope 1 CO_2 emissions	$kgCO_2e$	86,462	68,810	25.6%
Scope 2 CO_2 emissions	$kgCO_2e$	2,768,501	2,702,606	2.4%
Emissions from energy exports	$kgCO_2e$	-	-	0.0%
Total CO_2e (net energy export)	$kgCO_2e$	-	-	0.0%
Energy consumption	kWh	12,265,597	10,888,057	12.6%
Energy exported	kWh	-	-	0.0%
Total production	tonnes	98,425	84,781	16.1%
CO_2e per tonne of production	$kgCO_2e$/tonne	29.01	32.69	-11.3%

The underlying energy data used to calculate carbon emissions includes electricity, gas and other fuels purchased for use on-site and for transport.

Intensity ratio ($kgCO_2e$/tonne of production)

	Year to 30 April 2021
Assets	
Carbon $kgCO_2e$	2,854,963
Intensity ratio	**29.01**

For the current financial year, it had been planned to implement a thorough structured approach to energy reduction projects. However, the COVID-19 pandemic prevented this being fulfilled. Despite this, we were able to identify and target a number of areas to contribute to improving energy efficiency, including:

- Continued roll-out of removal of halogen lighting in Blackburn and replacing with LED lights:
- Replacement of all external lights with LED
- Programme of air leak detection and repair
- New controls on air compressors to aid efficient running
- Removal of additional extraction ducting in Blackburn
- Fixing of fast acting doors to reduce heat loss in winter months
- Increase in line efficiency through the extension of run lengths and reduction of changeovers, hence more consistent running of machine motors
- Investment in new efficient stretch-wrapping equipment

Accrol Papers Limited

Directors' report for the year ended 30 April 2021 (continued)

Statement of disclosure of information to auditors

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

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

Independent auditors

BDO LLP have expressed their willingness to continue in office and a resolution concerning their reappointment was passed at the Annual General Meeting on 24 September 2021.

On behalf of the board

Richard Newman
Director
27 January 2022

Accrol Papers Limited
Statement of Directors' Responsibilities

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' confirmations

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

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

Accrol Papers Limited

Independent auditor's report to the members of Accrol Papers Limited

Opinion on the financial statements

We have audited the financial statements of Accrol Papers Limited ("the Company") for the year ended 30 April 2021 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and the notes to the financial statements, including a summary of significant accounting policies The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 April 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

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

Other information

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

We have nothing to report in this regard.

Other Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Based on our understanding and accumulated knowledge of the Company and the sector in which it operates we considered the risks of acts by the Company which were contrary to applicable laws and regulations, including fraud, and whether such actions or non-compliance might have a material effect on the non-statutory financial statements. These included but are not limited to those that relate to the form and content of the financial statements, such as accounting policies, FRS 101 (UK GAAP), the Companies Act 2006, relevant taxation legislation, Health and Safety and the Bribery Act 2010.

We determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates. Our audit procedures included, but were not limited to:

- Agreement of the financial statement disclosures to underlying supporting documentation;
- Challenging assumptions and judgements made by management in their significant accounting estimates in particular in relation to the valuation of property, plant and equipment, intangible assets and inventory, recoverability of lease receivables and deferred tax assets and accuracy of provisions;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or including specific keywords;
- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Review of minutes of Board meetings throughout the period; and
- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations.

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

A further description of our responsibilities is available on the Financial Reporting Council's website at:

https://www.frc.org.uk/auditorsresponsibilities.

This description forms part of our auditor's report.

Use of our report

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

DocuSigned by:
Stuart Wood
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Stuart Wood (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Manchester, UK

31 January 2022

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

Accrol Papers Limited
Income Statement for the year ended 30 April 2021

	Note	2021 £'000	2020 £'000
Revenue	4	**124,599**	134,773
Cost of sales		**(92,474)**	(105,239)
Gross profit		**32,125**	29,534
Administrative expenses		**(19,963)**	(17,300)
Distribution costs		**(10,668)**	(11,490)
Other income		**-**	1,163
Operating profit	5	**1,494**	1,907
Analysed as:			
- Adjusted EBITDA [1]		**11,788**	10,671
- Depreciation	11	**(4,138)**	(4,183)
- Amortisation	13	**(613)**	-
- Share based payment	26	**(3,245)**	(2,351)
- Separately disclosed items	6	**(2,298)**	(2,230)
Operating profit	5	**1,494**	1,907
Finance costs	9	**(959)**	(1,230)
Finance income	9	**242**	267
Profit before taxation		**777**	944
Taxation	10	**(304)**	97
Profit for the financial year		**473**	1,041

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

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

Accrol Papers Limited
Statement of Other Comprehensive Income for the year ended 30 April 2021

	2021 £'000	2020 £'000
Profit for the year	**473**	1,041
Other comprehensive income/(expense) for the year		
Revaluation of derivative financial instruments [1]	-	(50)
Tax relating to components of other comprehensive income	-	9
Total comprehensive income for the year	**473**	1,000

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

Accrol Papers Limited

Statement of Financial Position as at 30 April 2021

	Note	2021 £'000	2020 £'000
Assets			
Non-current assets			
Property, plant and equipment	11	**44,934**	39,676
Lease receivables	12	**5,027**	5,703
Intangible assets	13	**3,895**	3,256
Deferred tax assets	10	**2,515**	1,801
Total non-current assets		**56,371**	50,436
Current assets			
Inventories	14	**16,867**	9,373
Trade and other receivables	15	**17,474**	20,680
Current tax assets		**-**	40
Lease receivables	12	**675**	649
Derivative financial instruments	20	**-**	28
Cash and cash equivalents	16	**5,850**	8,147
Total current assets		**40,866**	38,917
Total assets		**97,237**	89,353
Current liabilities			
Borrowings	19	**(8,837)**	(16,521)
Trade and other payables	17	**(64,272)**	(49,691)
Derivative financial instruments	20	**(120)**	-
Provisions	18	**(358)**	(158)
Total current liabilities		**(73,587)**	(66,370)
Total assets less current liabilities		**23,650**	22,983
Non-current liabilities			
Borrowings	19	**(11,255)**	(13,860)
Provisions	18	**-**	(383)
Total non-current liabilities		**(11,255)**	(14,243)
Total liabilities		**(84,842)**	(80,613)
Net assets		**12,395**	8,740
Capital and reserves			
Share capital	22	**10**	10
Retained earnings		**12,385**	8,730
Total equity shareholders' funds		**12,395**	8,740

The financial statements were approved by the Board of Directors on 27 January 2022 and were signed on its behalf by:

Richard Newman
Director
Registered Number: 03639930

Accrol Papers Limited

Statement of Changes in Equity for the year ended 30 April 2021

	Called up share capital £'000	Hedging reserve £'000	Retained earnings £'000	Total shareholders' funds £'000
Balance at 1 May 2019	**10**	**41**	**5,692**	**5,743**
Comprehensive income/(expense)				
Profit for the financial year	-	-	1,041	1,041
Revaluation of derivative financial instruments	-	(50)	-	(50)
Tax relating to components of other comprehensive income	-	9	-	9
Total comprehensive profit for the year	**-**	**(41)**	**1,041**	**1,000**
Transactions with owners recognised directly in equity				
Share based payment (incl. tax)	-	-	1,997	1,997
Total transactions with owners	**-**	**-**	**1,997**	**1,997**
Balance as at 30 April 2020	**10**	**-**	**8,730**	**8,740**
Comprehensive income/(expense)				
Profit for the financial year	-	-	473	473
Total comprehensive profit for the year	**-**	**-**	**473**	**473**
Transactions with owners recognised directly in equity				
Share based payment (incl. tax)	-	-	3,163	3,163
Other taxation			19	19
Total transactions with owners	**-**	**-**	**3,182**	**3,182**
Balance as at 30 April 2021	**10**	**-**	**12,385**	**12,395**

Accrol Papers Limited

Notes to the financial statements for the year ended 30 April 2021

1 General information

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

2 Accounting policies

Basis of preparation

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

The financial statements have been prepared on a going concern basis under the historical cost convention as modified by financial liabilities (including derivative instruments) at fair value through the income statement.

The financial statements are presented in pounds sterling and all values are rounded to the nearest thousand pounds, except where otherwise indicated.

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

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

2 Accounting policies (continued)

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 2021, but have not had a significant impact on the Company, are as follows:

- IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (Amendment – Definition of Material)
- IFRS 3 'Business Combinations' (Amendment – Definition of Business)
- Revised Conceptual Framework for Financial Reporting
- IBOR Reform and its Effects on Financial Reporting – Phase 1
- COVID-19-Related Rent Concessions (Amendments to IFRS 16)

New Standards, Interpretations and Amendments not yet effective
There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Company has decided not to adopt early. The Company 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 financial statements in the year of applications when the relevant standards come into effect.

Effective for the period beginning 1 May 2021:

- Interest Rate Benchmark Reform – IBOR 'phase 2' (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

Effective for the period beginning 1 May 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3)

Going concern
The going concern status of the Company is intrinsically linked to the success of the Accrol Group Holdings plc group ('The Group'), which as disclosed in its Annual Report and Accounts for the year ended 30 April 2021, and is dependent upon certain key assumptions being achieved.

In summary, the Group generated operating cash of £17.6m and reduced adjusted net debt from £17.9m to £14.6m, whilst significantly investing in automation and manufacturing infrastructure. The Directors recognise that as of 30 April 2021, the Group has net current liabilities of £9.2m (2020: net current liabilities of £3.4m), which was considered as part of this review. However, this includes £6.6m of contingent consideration that is likely to be settled by the issue of equity.

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 did experience some minor operational disruption resulting from Brexit, but this is not expected to impact the business going forward. The Group's forecasted performance has been tested for downside scenarios, including reverse stress tests, relating to sales volume, parent reel prices and foreign exchange rate movements. It also considered the impact of the COVID-19 pandemic on forecasted performance. The Group considered the likelihood of such events occurring together with the relevant impact thereof and was satisfied that if a scenario partly or fully takes place the Group has mitigating options available to maintain liquidity and continue its operations.

The Group is currently operating comfortably 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.

2 Accounting policies (continued)

Going concern (continued)
The Directors confirm that, after due consideration, they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Revenue
Performance obligations and timing of revenue recognition
The Company'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 Company 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 Company 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.

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

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

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

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

The Company's share based payment charge represents incremental incentives to attract new management as part of the turnaround process. 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 Company these items are excluded from EBITDA to calculate Adjusted EBITDA. The Directors primarily use the Adjusted EBITDA measure when making decisions about the Company's activities. As these are non-GAAP measures, EBITDA and Adjusted EBITDA measures used by other entities may not be calculated in the same way and hence are not directly comparable.

2 Accounting policies (continued)

Foreign currency

Functional and presentation currency

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

Transactions and balances

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

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

Property, plant and equipment

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

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

• Land and Buildings	straight line over term of lease
• Plant and Machinery	4% straight line, 20% residual value
• Motor vehicles	30% straight line
• Fixtures, fittings and office equipment	25% reducing balance

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

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.

2 Accounting policies (continued)

Financial instruments

Financial assets

The Company classifies its financial assets as either amortised cost, fair value through comprehensive income or fair value through profit or loss depending on the purpose for which the asset was acquired. The Company does not currently have any assets categorised as fair value through profit or loss.

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 Company has applied a hold to collect business model.

For those where the credit risk has not increased significantly since initial recognition of the financial asset, 12 month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The Company'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 Company 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 Company does not currently have any liabilities categorised as fair value through profit or loss.

Other financial liabilities

Bank borrowings (including amounts owed to factors) 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 payables and other short-term monetary liabilities are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

2 Accounting policies (continued)

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

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

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

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

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

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

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

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

2 Accounting policies (continued)

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 Company 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 Company accounts as a lessor when accounting for sub-leases. In these instances, the Company 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.

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

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

3 Significant accounting judgements, estimates and assumptions

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

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

Critical accounting judgements in applying the entity's accounting policies

Development costs
The Company 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.

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

Critical accounting estimates in applying the entity's accounting policies

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 Company 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 Company's trading performance remains sensitive to a number of key variables which could have a significant effect (positive or negative) on the Company's cashflows.

4 Revenue

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

	2021	2020
	£'000	£'000
United Kingdom	**116,423**	128,078
Europe	**8,176**	6,695
Total	**124,599**	134,773

In 2021 there were five major customers that individually accounted for c.10% and above of total revenues *(2020: five customers)*. The revenues relating to these customers in 2021 were £26.1m, £23.3m, £22.5m, £21.8m and £12.9m *(2020: £34.6m, £26.1m, £20.8m, £17.1m and £13.8m)*.

Notes to the financial statements for the year ended 30 April 2021

5 Operating profit

	2021 £'000	2020 £'000
Operating profit is stated after (crediting)/charging:		
Employee benefit expense	**17,788**	15,952
Depreciation of property, plant and equipment	**4,141**	4,183
Profit on disposal of property, plant and equipment	**-**	(585)
Net foreign exchange (gain)/losses	**(1,054)**	1,174
Grant income	**-**	(578)

Auditors' remuneration

	2021 £'000	2020 £'000
Fees payable for the audit	**130**	67
Non audit – tax compliance services	**17**	4
	147	71

6 Separately disclosed items

	2021 £'000	2020 £'000
Integration costs	**613**	-
Operational reorganisation and restructure	**1,034**	856
Loss on derivative financial instruments	**-**	639
Covid-19 costs	**617**	209
FCA investigation legal costs	**22**	125
Management reorganisation and restructure	**-**	118
Setting up and subsequent exit from Skelmersdale site	**12**	90
Impairment of property, plant and equipment	**-**	-
Raw materials waste	**-**	-
Other	**-**	193
	2,298	2,230

6 Separately disclosed items (continued)

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

Integration £613,000 ***(2020: £nil)***

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

Project management costs of £314,000 included expert consultancy advice to support the integration process. Other incremental costs to support this activity included £107,000 of labour and £162,000 of operational costs, largely relating to transportation and short-term paper transfers. Incremental audit fees of £30,000 have been necessary due to added complexity.

Operational reorganisation and restructure £1,034,000 ***(2020: £856,000)***

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

COVID-19 £617,000 ***(2020: £209,000)***

The COVID-19 pandemic has continued to have a significant impact on how the Group conducts its operations, and on the availability of resource and personnel, to continue to function as an essential provider of products to UK retailers. The Group plans on a certain level of resource, factoring in normal levels of absence and holiday, to maintain a 24/7 manufacturing operation that is as efficient as possible. High levels of absence during the pandemic, due to illness or self-isolation, required incremental labour resources to be deployed to maintain service levels to our customers through additional overtime, additional temporary labour and the deferment of holidays – all of which resulted in additional costs of £294,000.

Additional labour costs of £152,000 were incurred as a dedicated team of people worked on the practical changes that were required in each of our factories, warehouses, and offices to ensure we maintained fully compliant working environments and to protect our employees. Extra logistics, PPE, cleaning and security costs of £171,000 were also incurred.

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

Operational reorganisation and restructure £856,000
The current year saw the final stages of the complex and comprehensive turnaround activities completed. This included costs associated principally with additional labour and material costs, as legacy performance issues were corrected. The business undertook a full review of the products the site manufactured and the way it was planned, an assessment of the leadership capabilities and reassignment, a skills assessment and training programme, maintenance regimes and a capital investment plan for key upgrades. Transportation and storage costs of £108,000 were also incurred in supporting these activities.

6 Separately disclosed items (continued)

Loss on derivative financial instruments £639,000
Costs of £639,000 were recorded in the period as the business experienced significant positive changes to its supplier terms as a result of improved trading/turnaround actions. This happened much quicker than expected, giving an excess of contract requirements which were subsequently cancelled.

COVID-19 £209,000
The Company incurred incremental costs in March and April, principally relating to overtime and temporary labour of £119,000, to cover employees who were in isolation. Additional logistics, PPE, cleaning and security costs of £90,000 were also incurred.

FCA investigation legal costs £125,000
As previously disclosed, the FCA initiated an investigation into statements made by the Company between 10 June 2016 and 30 September 2018. Significant consultancy and legal costs associated with the management of this investigation have been incurred, but the Company is pleased to confirm that the FCA have closed their investigation with no action to be taken.

Management reorganisation and restructure £118,000
In the early part of the current financial year, final dual resourcing and legal costs of £118,000 were incurred as activities relating to financial planning/reporting and procurement, started in the prior year, were concluded.

7 Directors' emoluments

	2021	2020
	£'000	£'000
Emoluments	**1,784**	1,371
Pension costs	**81**	10
	1,865	1,381

Retirement benefits are accruing to one Director *(2020: one)* under a defined contribution benefit scheme.
The aggregate amount of emoluments paid to the highest paid Director was £838,000 *(2020: £613,000).*

8 Employee information

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

By activity	**2021**	2020
	Number	Number
Production	**313**	372
Administration	**76**	46
	389	418

Staff costs (for the above persons)	**£'000**	£'000
Wages and salaries	**12,795**	12,096
Social security costs	**1,436**	1,218
Other pension costs	**312**	287
Share based payment	**3,245**	2,351
	17,788	15,952

Notes to the financial statements for the year ended 30 April 2021

9 Finance costs

	2021	2020
	£'000	£'000
Bank loans and overdrafts	**248**	331
Lease interest	**697**	881
Unwind of discount on provisions	**14**	18
Other	**-**	-
Total finance costs	**959**	1,230

	2021	2020
	£'000	£'000
Lease interest income	**242**	267
Total finance income	**242**	267

10 Taxation

	2021	2020
	£'000	£'000
Current income tax:		
Current tax on profit for the year	-	-
Adjustment in respect of prior periods	-	6
Total current tax credit	-	6
Deferred tax:		
Origination and reversal of timing differences	**(379)**	(50)
Adjustment in respect of prior periods	**75**	(14)
Effects of rate change	**-**	155
Total deferred tax (charge)/credit	**(304)**	91
Total tax (charge)/credit	**(304)**	97

10 Taxation (continued)

The tax charge for the year is higher *(2020: credit is lower)* than the effective rate of corporation tax in the UK of 19% *(2020: 19%)*. The differences are explained below:

	2021 £'000	2020 £'000
Profit/(loss) before taxation	**777**	944
Tax (charge)/credit using UK corporation tax rate of 19% *(2020: 19%)*	**(148)**	(179)
Effects of:		
Expenses not deductible for tax purposes	**(63)**	(13)
Group relief	**(168)**	148
Adjustment in respect of prior periods	**75**	(14)
Change in rate	**-**	155
Total tax (charge)/credit for year	**(304)**	97

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

	Derivative Financial Instruments £'000	**Accelerated capital allowances £'000**	**Losses £'000**	**Share based payment £'000**	**Other £'000**	**Total £'000**
As at 30 April 2020	-	(1,999)	3,040	834	(74)	1,801
Credited/(charged) to Income Statement	-	(402)	1,088	(990)	-	(304)
Credited/(charged) to equity	-	-	-	999	19	1,018
At 30 April 2021	**-**	**(2,401)**	**4,128**	**843**	**(55)**	**2,515**

A deferred tax asset of £4,128,000 relating to tax losses has been recognised on the basis that forecasts show sufficient taxable profits in the foreseeable future to utilise these losses.

Deferred tax assets and liabilities have been measured at the rate expected to be in effect when the deferred tax asset or liability reverses. An increase in the corporation tax rate to 25% with effect from 1 April 2023 was substantively enacted on 24 May 2021, therefore has not been reflected in these consolidated financial statements. If this rate had been substantively enacted this would have reduced the deferred tax asset at 30 April 2021 by £643,000.

Accrol Papers Limited

Notes to the financial statements for the year ended 30 April 2021

11 Property, plant and equipment

	Land and Buildings £'000	Plant and Machinery £'000	Fixtures, Fittings and Office Equipment £'000	Assets Under Construction £'000	Right-of-use assets £'000	Total £'000
Cost						
At 1 May 2020	497	26,990	2,096	3,354	16,158	49,095
Additions	29	560	131	8,199	477	9,396
Reclassification	-	8,335	-	(10,457)	2,122	-
At 30 April 2021	**526**	**35,885**	**2,227**	**1,096**	**18,757**	**58,491**
Accumulated depreciation						
At 1 May 2020	178	4,789	1,365	-	3,087	9,419
Charge for the year	58	721	325	-	3,034	4,138
At 30 April 2021	**236**	**5,510**	**1,690**	**-**	**6,121**	**13,557**
Net book value						
At 30 April 2021	**290**	**30,375**	**537**	**1,096**	**12,636**	**44,934**
At 30 April 2020	319	22,201	731	3,354	13,071	39,676

Depreciation is charged to the income statement within administrative expenses.

Accrol Papers Limited

Notes to the financial statements for the year ended 30 April 2021

12 Leases

Leases receivable

	Land & Buildings £'000	Total £'000
At 1 May 2020	6,352	6,352
Interest receivable	242	242
Lease receipts	(892)	(892)
At 30 April 2021	**5,702**	**5,702**
Analysed as:		
Receivable > 1 year	**5,027**	**5,027**
Receivable < 1 year	**675**	**675**
	5,702	**5,702**

Lease liabilities

	Land & Buildings £'000	Plant & machinery £'000	Total £'000
At 1 May 2020	16,364	2,200	18,564
New leases in the year	-	2,170	2,170
Interest payable	595	102	697
Lease payments	(3,877)	(1,797)	(5,674)
At 30 April 2021	**13,082**	**2,675**	**15,757**

Short-term lease expense for the year was £nil. Short-term lease commitment at 30 April 2021 was £nil. Income from sub-leases for the year totalled £242,000.

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Notes to the financial statements for the year ended 30 April 2021

13 Intangible assets

	Development costs £'000	Computer Software £'000	Total £'000
Cost			
At 1 May 2020	764	2,492	3,256
Additions	231	1,021	1,252
At 30 April 2021	**995**	**3,513**	**4,508**
Accumulated depreciation			
At 1 May 2020	-	-	-
Charge for the year	273	340	613
At 30 April 2021	**273**	**340**	**613**
Net book value			
At 30 April 2021	**722**	**3,173**	**3,895**
At 30 April 2020	764	2,492	3,256

14 Inventories

	2021 £'000	2020 £'000
Raw materials and consumables	**10,877**	5,517
Finished goods and goods for resale	**5,990**	3,856
	16,867	9,373

There are £nil provisions held against inventories *(2020: £32,000)*.

Notes to the financial statements for the year ended 30 April 2021

15 Trade and other receivables

	2021 £'000	2020 £'000
Trade receivables	**14,824**	16,918
Less: provision for impairment of trade receivables	**(22)**	(9)
	14,802	16,909
Prepayments and other debtors	**2,672**	3,771
	17,474	20,680

Trade receivables are stated after a provision for impairment of £22,000 *(2020: £9,000).*

The Company 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 Company's historical credit losses experienced. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Company's customers. The Company has identified the current state of the economy and industry specific factors as the key macroeconomic factors in the countries where the Company operates.

16 Cash and cash equivalents

	2021 £'000	2020 £'000
Cash and cash equivalents	**5,850**	8,147

17 Trade and other payables

	2021 £'000	2020 £'000
Trade payables	**24,091**	17,099
Amounts owed to group undertakings	**30,275**	25,753
Social security and other taxes	**3,872**	3,094
Accruals and deferred income	**6,034**	3,745
	64,272	49,691

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

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

18 Provisions

	As at 1 May 2020 £'000	IFRS 16 adjustment £'000	Utilised £'000	Discount unwind £'000	As at 30 April 2021 £'000	Current £'000	Non-current £'000
Onerous contracts	541	-	(197)	14	358	358	-
	541	**-**	**(197)**	**14**	**358**	**358**	**-**

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

19 Borrowings

	2021 £'000	2020 £'000
Current		
Factoring facility	**4,335**	11,817
Leases	**4,502**	4,704
	8,837	16,521
Non-current		
Leases	**11,255**	13,860
	11,255	13,860
Loan maturity analysis:		
Within one year	**8,837**	16,521
Between one and two years	**3,659**	3,351
Between two and five years	**6,658**	8,072
After five years	**938**	2,437
	20,092	30,381

The following amounts remain undrawn and available.

	2021 £'000	2020 £'000
Factoring facility	**4,078**	1,012
	4,078	1,012

Notes to the financial statements for the year ended 30 April 2021

19 Borrowings (continued)

HSBC factoring facility

The Company has a £22.5m multi-currency factoring facility to provide financing for general working capital requirements. 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 Company is subject to financial covenants in relation to the factoring facility. The covenants cover the following: a) Debt dilution, b) Disputed debt and c) Tangible net worth. Breach of the covenants would render any outstanding borrowings subject to immediate settlement.

20 Financial instruments

Derivative financial instruments

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

Foreign currency contracts	**2021 £'000**	2020 £'000
Current assets	-	28
Current liabilities	(120)	-
	(120)	**28**

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

Fair value hierarchy

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

Level 1: inputs are quoted prices in active markets.

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

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

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

21 Financial instruments (continued)

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

	Fair values and carrying values	
	2021	2020
Financial assets	**£'000**	£'000
Current		
Trade and other receivables	**14,802**	16,909
Cash and short-term deposits	**5,850**	8,147
Derivative financial instruments	**-**	28
Financial liabilities		
Current		
Borrowings	**8,837**	16,521
Trade and other payables	**64,272**	49,691
Derivative financial instruments	**120**	-
Non-Current		
Borrowings	**11,225**	13,860

22 Capital and financial risk management objectives and policies

(a) Capital risk management
The Company's objective when managing capital is to safeguard its 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 Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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

	2021	2020
	£'000	£'000
Total borrowings (excluding finance fees)	**20,092**	30,381
Less: lease receivables	**(5,702)**	(6,352)
Less: cash and cash equivalents	**(5,850)**	(8,147)
Net debt	**8,540**	15,882
Less: leases recognised on adoption of IFRS 16	**(13,081)**	(10,012)
Adjusted net (cash)/debt (excluding leases recognised on adoption of IFRS 16)	**(4,541)**	5,870

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

(b) Financial risk management

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

- Foreign currency risk;
- Liquidity risk; and
- Credit risk

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

(i) Foreign currency risk

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

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

	2021	2020
	£'000	£'000
USD – loss	**(215)**	(98)
	(215)	(98)

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Notes to the financial statements for the year ended 30 April 2021

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

(ii) Liquidity risk

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

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

As at 30 April 2021

	Due within 1 year £'000	Due between 1 and 2 years £'000	Due between 2 and 5 years £'000	Due in more than 5 years £'000	Total £'000
Borrowings	**8,837**	**3,659**	**6,658**	**938**	**20,092**
Trade and other payables	**64,272**	**-**	**-**	**-**	**64,272**
Derivative financial instruments	**120**	**-**	**-**	**-**	**120**
Total financial liabilities	**73,229**	**3,659**	**6,658**	**938**	**84,484**

As at 30 April 2020

	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	16,521	3,351	10,509	-	30,381
Trade and other payables	49,691	-	-	-	49,691
Derivative financial instruments	-	-	-	-	-
Total financial liabilities	66,212	3,351	10,509	-	80,072

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

(iii) Credit risk

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

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

The Company 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 Company'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 Company's customers.

At 30 April 2021 the lifetime expected loss provision for trade receivables is as follows:

	<1 month £'000	**1-2 months £'000**	**2-3 months £'000**	**>3 months £'000**	**Total £'000**
Expected loss rate	**0%**	**5%**	**15%**	**25%**	
Gross carrying amount	**-**	**137**	**63**	**24**	**224**
Loss provision (£'000)	**-**	**7**	**9**	**6**	**22**

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

	2021 £'000	2020 £'000
At the beginning of the year	**(9)**	(15)
Impairment losses recognised	**(22)**	(1)
Provisions utilised	**9**	7
	(22)	(9)

Impairment losses recognised are included in the administrative expenses in the Income Statement, unless otherwise stated.

22 Share capital

	2021	2020
	£'000	£'000
Called up, allotted and fully paid		
10,000 Ordinary shares of £1 each *(2020: 10,000)*	**10**	10

23 Reserves

Retained earnings represent retained profits/(losses) for the current and prior reporting periods.

24 Dividends

The Company did not pay an interim dividend *(2020: £nil)*. The Directors do not propose a final dividend *(2020: £nil)*. The total dividend for the year was therefore £nil *(2020: £nil)*.

25 Commitments and contingencies

Capital commitments

	2021	2020
	£'000	£'000
Contracted for but not provided	**301**	2,583

The capital commitments above are expected to be settled in the following financial year.

26 Share based payment

Description of share option schemes

Employees of the Company participate in the Group's Management Incentive Plan, namely the Accrol Group Holdings plc Unapproved Share Option Plan ("MIP"). The MIP provides for the grant, to eligible employees, of options to acquire shares in the parent company at a nominal exercise price. The contractual life of the options is 10 years. Eligible employees are determined at the discretion of the Remuneration Committee. Further details of the MIP are provided in the Accrol Group Holdings Plc 2021 Annual Report.

Income statement charge

The share based payment charge for the year was £3,245,000 *(2020: £2,351,000)*, all of which relates to equity-settled awards.

Movements in share options

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

thousands of shares	**MIP**	**LTIP**	**Total**
In issue at 1 May 2020	30,463	-	30,463
Granted in the year	-	3,152	3,152
Exercised in the year	(19,311)	-	(19,311)
Lapsed in the year	(3,629)	-	(3,629)
In issue at 30 April 2021	**7,523**	**3,152**	**10,675**

27 Subsequent events

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

28 Related party transactions

The Company has taken advantage of the exemption conferred by FRS 101 paragraph 8(j) and 8(k) not to disclose key management personnel compensation or transactions between fellow group companies that are wholly owned by the ultimate parent company.

29 Ultimate parent company

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

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