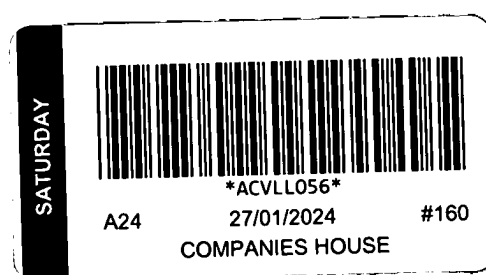


Accrol Papers Limited
Annual report and financial statements
for the year ended 30 April 2023

Registered Number: 03639930



Accrol Papers Limited
Annual report and financial statements
for the year ended 30 April 2023
Contents

	Page
Strategic Report for the year ended 30 April 2023	1
Directors' Report for the year ended 30 April 2023	3
Statement of Directors' Responsibilities	6
Independent auditors' report to the members of Accrol Papers Limited	7
Income statement for the year ended 30 April 2023	11
Statement of Other Comprehensive Income for the year ended 30 April 2023	12
Statement of Financial Position as at 30 April 2023	13
Statement of Changes in Equity for the year ended 30 April 2023	15
Notes to the financial statements for the year ended 30 April 2023	16

Directors

Gareth Jenkins

Graham Cox

Richard Newman (Resigned 2nd May 2023)

Christopher Welsh (Appointed 10th March 2023)

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 2023

The Directors present their Strategic Report on the Company for the year ended 30 April 2023.

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

The Company uses a number of financial and non-financial key performance indicators ("KPIs") to measure performance which are monitored against budget and the prior year.

The main financial KPI for the business is earnings before finance costs, taxation, depreciation, amortisation, separately disclosed items and share based payments (Adjusted EBITDA). Adjusted EBITDA for the Company for the year ending 30 April 2023 was £11.4m (2022: £2.5m).

The Company uses a number of other non-financial KPI's to measure performance including health, safety and environmental ("SHE") metrics such as Occupational Safety and Health Administration ("OSHA") incident and injury rates to measure the safe working of employees and contractors.

Health and Safety is a business fundamental for Accrol and this remains top of our agenda. Following the relentless focus on health and safety over the last five years has resulted in a further 7% reduction in total accidents. In addition, we have seen a 32% increase in safety observations.

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.

Over the last five 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 2023 (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/EUR. 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.

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



Christopher Welsh
Director
26 January 2024

Accrol Papers Limited

Directors' report for the year ended 30 April 2023

The Directors present their Directors' report and the audited financial statements of the Company for the year ended 30 April 2023.

Directors

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

- Gareth Jenkins
- Graham Cox
- Richard Newman (Resigned 2nd May 2023)
- Christopher Welsh (Appointed 10th March 2023)

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 2023 and is dependent upon certain key assumptions being achieved.

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.

Accrol Papers Limited

Directors' report for the year ended 30 April 2023 (continued)

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 which now expires in February 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.

Charitable and political donations

Charitable donations of £26,971 (2022: £23,655) were made during the year. There were no political donations during the financial year (2022: £nil).

Dividends

An interim dividend of £nil (2022: £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(1) Statement

The directors have the duty to promote the success of the Company for the benefit of the stakeholders as a whole and remain conscious of the impact their decisions have on employees, communities, suppliers, customers, investors and the environment.

The Company's governance and processes are operated to ensure that all relevant matters are considered by the Board in its principal decision-making, as a means of contributing to the delivery of the Company's long term success. In the performance of its duty to promote the success of the Company and in fairness in decision making the Board have regard (amongst other matters) for:

- the likely consequences of any decision in the long term;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

As a subsidiary of Accrol Group Holdings plc all stakeholder considerations are managed at a group level. Further detail of the policies in relation to the section 172(1) duties can be found in the Annual report and financial statements of Accrol Group Holdings plc which may be obtained from the Company Secretary at the registered office: Delta Building, Roman Road, Blackburn, BB1 2LD.

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.

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.

Accrol Papers Limited

Directors' report for the year ended 30 April 2023 (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

As at the date of the accounts, BDO LLP are appointed and willing to continue in office.

On behalf of the board



Christopher Welsh
Director
26 January 2024

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 2023 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 2023 and of its result 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.

We have audited the financial statements of Accrol Papers Limited ("the Company") for the year ended 30 April 2023 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Independence

We 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.

Accrol Papers Limited

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.

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.

Accrol Papers Limited

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Non-compliance with laws and regulations

Based on:

- Our understanding of the Company and the industry in which it operates;
- Discussion with management and those charged with governance;
- Obtaining and understanding of the Company's policies and procedures regarding compliance with laws and regulations.

We considered the significant laws and regulations to be the applicable accounting framework, and UK tax legislation, etc.

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

Our procedures in respect of the above included:

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

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Company's policies and procedures relating to:
 - Detecting and responding to the risks of fraud; and
 - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

Accrol Papers Limited

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

(continued)

Based on our risk management, we considered the areas most susceptible to fraud to be management override and revenue recognition.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- Assessing significant estimates made by management for bias; and
- Confirmation of revenue recognition through to supporting documentation.


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

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

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

D8CD362D513C4D9...

Stuart Wood (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Manchester, UK
26 January 2024

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 2023

	Note	2023 £'000	2022 £'000
Revenue	4	264,488	145,429
Cost of sales		(227,459)	(122,569)
Gross profit		37,029	22,860
Administrative expenses		(21,458)	(19,728)
Distribution costs		(11,908)	(10,091)
Operating profit/(loss)	5	3,663	(6,959)
Analysed as:			
- Adjusted EBITDA ⁽¹⁾		11,411	2,455
- Depreciation	11	(4,043)	(4,257)
- Amortisation	13	(2,243)	(1,034)
- Share based payment	26	(459)	(508)
- Separately disclosed items	6	(1,003)	(3,615)
Operating profit/(loss)	5	3,663	(6,959)
Finance costs	9	(8,988)	(1,271)
Finance income	9	265	216
Loss before taxation		(5,060)	(8,014)
Taxation	10	1,190	1,488
Loss for the financial year		(3,870)	(6,526)

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.

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

Accrol Papers Limited**Statement of Other Comprehensive Income for the year ended 30 April
2023**

	2023	2022
	£'000	£'000
Loss for the financial year	(3,870)	(6,526)
Total comprehensive loss for the year	(3,870)	(6,526)

Accrol Papers Limited

Statement of Financial Position as at 30 April 2023

	Note	2023 £'000	2022 £'000
Assets			
<i>Non-current assets</i>			
Property, plant and equipment	11	70,243	56,838
Lease receivables	12	3,617	4,325
Intangible assets	13	5,304	5,545
Deferred tax assets	10	5,054	3,749
Total non-current assets		84,218	70,457
<i>Current assets</i>			
Inventories	14	22,927	19,907
Trade and other receivables	15	27,572	25,025
Lease receivables	12	1,097	703
Derivative financial instruments	20	-	805
Cash and cash equivalents	16	3,393	62
Total current assets		54,989	46,502
Total assets		139,207	116,959
<i>Current liabilities</i>			
Borrowings	19	(24,843)	(18,865)
Trade and other payables	17	(79,811)	(68,720)
Derivative financial instruments	20	(2,973)	-
Provisions	18	-	(33)
Total current liabilities		(107,627)	(87,618)
Total assets less current liabilities		31,580	29,341
<i>Non-current liabilities</i>			
Borrowings	19	(29,332)	(23,682)
Total non-current liabilities		(29,332)	(23,682)
Total liabilities		(136,959)	(111,300)
Net assets		2,248	5,659
<i>Capital and reserves</i>			
Share capital	22	10	10
Retained earnings	23	2,238	5,649
Total equity shareholders' funds		2,248	5,659

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

Accrol Papers Limited

Statement of Financial Position as at 30 April 2023 (continued)

The financial statements were approved by the Board of Directors on 26 January 2024 and were signed on its behalf by:

A handwritten signature in black ink, appearing to read 'C. J. Welsh', followed by a long horizontal line extending to the right.

Christopher Welsh

Director

Registered Number: 03639930

Accrol Papers Limited

Statement of Changes in Equity for the year ended 30 April 2023

	Called up share capital £'000	Retained earnings £'000	Total shareholders' funds £'000
Balance as at 30 April 2021	10	11,835	11,845
Comprehensive income/(expense)			
Loss for the financial year	-	(6,526)	(6,526)
Total comprehensive loss for the year	-	(6,526)	(6,526)
Transactions with owners recognised directly in equity			
Share based payment (incl. tax)	-	321	321
Other taxation	-	19	19
Total transactions with owners	-	340	340
Balance as at 30 April 2022	10	5,649	5,659
Comprehensive income/(expense)			
Loss for the financial year	-	(3,870)	(3,870)
Total comprehensive loss for the year	-	(3,870)	(3,870)
Transactions with owners recognised directly in equity			
Share based payment (incl. tax)	-	441	441
Other taxation	-	18	18
Total transactions with owners	-	459	459
Balance as at 30 April 2023	10	2,238	2,248

Accrol Papers Limited

Notes to the financial statements for the year ended 30 April 2023

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).

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 £1.483m. 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.

Accrol Papers Limited

Notes to the financial statements for the year ended 30 April 2023

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 directors have considered the Company's projected future cash flows and working capital requirements and are confident that the Company has sufficient cash flows to meet its requirements for the next twelve months from the date of signing these financial statements. At 30 April 2023 the Company had net assets of £2.2m (2022: £5.7m). The directors have received confirmation that the parent will continue to support the Company for at least the next 12 months from the date of signing these financial statements.

After making enquiries, the directors have a reasonable expectation that the parents going concern assessment confirms that there is sufficient forecast committed liquidity headroom for the parent to provide this support and the Company will therefore have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Company continues to adopt the going concern basis in preparing its 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.

Accrol Papers Limited

Notes to the financial statements for the year ended 30 April 2023

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 Company 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/(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.

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.

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.

Accrol Papers Limited

Notes to the financial statements for the year ended 30 April 2023

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 |
| • 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.

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.

Accrol Papers Limited

Notes to the financial statements for the year ended 30 April 2023

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.

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.

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.

Accrol Papers Limited

Notes to the financial statements for the year ended 30 April 2023

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

Accrol Papers Limited

Notes to the financial statements for the year ended 30 April 2023

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:

	2023	2022
	£'000	£'000
United Kingdom	252,608	138,790
Europe	11,880	6,639
Total	264,488	145,429

5 Operating profit/(loss)

	2023	2022
	£'000	£'000
Operating profit/(loss) is stated after (crediting)/charging:		
Employee benefit expense	15,382	13,385
Depreciation of property, plant and equipment	4,043	4,257
Impairment of property, plant and equipment	-	965
Profit on disposal of property, plant and equipment	14	(296)
Net foreign exchange (gain)/losses	(939)	651

Auditors' remuneration

	2023	2022
	£'000	£'000
Fees payable for the audit	215	162
Non audit – tax compliance services	20	8
	235	170

Accrol Papers Limited

Notes to the financial statements for the year ended 30 April 2023

6 Separately disclosed items

	2023	2022
	£'000	£'000
Integration costs	-	851
Operational reorganisation and restructure	413	-
Impairment of property, plant and equipment	-	965
Supply chain disruption	590	696
Covid-19 costs	-	153
Accounting policy change	-	637
Setting up and subsequent exit from Skelmersdale site	-	12
Other	-	301
	1,003	3,615

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

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 been closed.

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.

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

Integration £851,000

In concluding negotiations with the sellers upon the acquisition of LTC and JD, 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.

Accrol Papers Limited

Notes to the financial statements for the year ended 30 April 2023

Impairment of property £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 and automation of packing and palletisation (completed July 2023) 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.

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.

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 2023. 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 2022 these previously recognised intangible assets have been treated as an expense, impacting both the current and prior periods presented.

Other items £301,000

Other items largely relate to redundancy costs of £241,000 related to consolidation of activities across the Group following the acquisitions made in the previous financial year, and other largely property related items of £60,000.

7 Directors' emoluments

	2023	2022
	£'000	£'000
Emoluments	2,091	1,578
Pension costs	121	103
	2,212	1,681

Retirement benefits are accruing to five Directors (2022: one) under a defined contribution benefit scheme. The aggregate amount of emoluments paid to the highest paid Director was £937,000 (2022: £601,000).

Accrol Papers Limited

Notes to the financial statements for the year ended 30 April 2023

8 Employee information

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

By activity	2023	2022
	Number	Number
Production	245	226
Administration	70	60
	315	286
<hr/>		
Staff costs (for the above persons)	£'000	£'000
Wages and salaries	13,178	11,255
Social security costs	1,467	1,361
Other pension costs	278	261
Share based payment	459	508
	15,382	13,385

9 Finance costs

	2023	2022
	£'000	£'000
Bank loans and overdrafts	1,379	311
Lease interest	1,487	954
Unwind of discount on provisions	-	6
Unrealised Foreign currency losses on derivatives	2,973	-
Realised Foreign currency losses on derivatives	3,149	-
Total finance costs	8,988	1,271
<hr/>		
	2023	2022
	£'000	£'000
Lease interest income	265	216
Total finance income	265	216

Accrol Papers Limited

Notes to the financial statements for the year ended 30 April 2023

10 Taxation

	2023 £'000	2022 £'000
Current income tax:		
Current tax on (loss)/profit for the year	-	-
Adjustment in respect of prior periods	-	-
Total current tax credit	-	-
Deferred tax:		
Origination and reversal of timing differences	934	863
Adjustment in respect of prior periods	(69)	(45)
Effects of rate change	325	670
Total deferred tax credit	1,190	1,488
Total tax credit	1,190	1,488

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

	2023 £'000	2022 £'000
Loss before taxation	(5,060)	(8,014)
Tax credit/(charge) using UK corporation tax rate of 19% (2022: 19%)	961	1,522
Effects of:		
Expenses not deductible for tax purposes	(15)	(68)
Group relief	(12)	(591)
Adjustment in respect of prior periods	(69)	(45)
Change in rate	325	670
Total tax credit for year	1,190	1,488

Accrol Papers Limited

Notes to the financial statements for the year ended 30 April 2023

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

	Accelerated capital allowances £'000	Losses £'000	Share based payment £'000	Other £'000	Total £'000
As at 30 April 2022	(3,907)	7,627	65	(36)	3,749
Credited/(charged) to Income Statement	(1,513)	2,590	128	(15)	1,190
Credited to equity	-	-	96	19	115
At 30 April 2023	(5,420)	10,217	289	(32)	5,054

A deferred tax asset of £10,217,000 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.

Accrol Papers Limited

Notes to the financial statements for the year ended 30 April 2023

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 2022	557	40,679	3,218	4,613	25,942	75,009
Additions	-	313	65	7,979	10,597	18,954
Reclassification	-	5,473	298	(11,205)	5,284	(150)
Disposals	-	-	-	-	(4,295)	(4,295)
At 30 April 2023	557	46,465	3,581	1,387	37,528	89,518
Accumulated depreciation						
At 1 May 2022	312	11,817	2,417	-	3,625	18,171
Charge for the year	67	821	335	-	2,820	4,043
Reclassification	-	-	-	-	(65)	(65)
Disposals	-	-	-	-	(2,874)	(2,874)
At 30 April 2023	379	12,638	2,752	-	3,506	19,275
Net book value						
At 30 April 2023	178	33,827	829	1,387	34,022	70,243
At 30 April 2022	245	28,862	801	4,613	22,317	56,838

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

Accrol Papers Limited

Notes to the financial statements for the year ended 30 April 2023

12 Leases

Leases receivable

	Land & Buildings £'000	Total £'000
At 1 May 2022	5,028	5,028
Interest receivable	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
At 30 April 2023	4,714	4,714

Lease liabilities

	Land & Buildings £'000	Plant & machinery £'000	Total £'000
At 1 May 2022	23,639	3,281	26,920
New leases in the year	10,100	4,837	14,937
Termination of lease in the year	(1,406)	-	(1,406)
Interest payable	1,262	225	1,487
Lease payments	(2,828)	(2,445)	(5,273)
At 30 April 2023	30,767	5,898	36,665

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.

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

Accrol Papers Limited

Notes to the financial statements for the year ended 30 April 2023

13 Intangible assets

	Developme nt costs £'000	Computer Software £'000	Assets Under Construction £'000	Right of Use £'000	Total £'000
Cost					
At 1 May 2022	3,966	3,225	-	-	7,191
Internally developed additions	173	-	1,745	-	1,918
Reclassifications	968	583	(1,551)	150	150
At 30 April 2023	5,107	3,808	194	150	9,259
Accumulated depreciation					
At 1 May 2022	605	1,042	-	-	1,647
Charge for the year	1,102	1,141	-	-	2,243
Reclassifications	-	-	-	65	65
At 30 April 2023	1,707	2,183	-	65	3,955
Net book value					
At 30 April 2023	3,400	1,625	194	85	5,304
At 30 April 2022	3,361	2,184	-	-	5,545

14 Inventories

	2023 £'000	2022 £'000
Raw materials and consumables	12,921	10,714
Finished goods and goods for resale	10,006	9,193
	22,927	19,907

There are £296,000 provisions held against inventories (2022: £nil).

Accrol Papers Limited

Notes to the financial statements for the year ended 30 April 2023

15 Trade and other receivables

	2023 £'000	2022 £'000
Trade receivables	23,980	20,814
Less: provision for impairment of trade receivables	(10)	-
	23,970	20,814
Prepayments and other debtors	3,602	4,211
	27,572	25,025

Trade receivables are stated after a provision for impairment of £10,000 (2022: £nil).

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

	2023 £'000	2022 £'000
Cash and cash equivalents	3,393	62

17 Trade and other payables

	2023 £'000	2022 £'000
Trade payables	43,337	33,343
Amounts owed to group undertakings	21,353	23,068
Social security and other taxes	9,416	6,235
Accruals and deferred income	5,705	6,074
	79,811	68,720

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.

Accrol Papers Limited

Notes to the financial statements for the year ended 30 April 2023

18 Provisions

	As at 1 May 2022 £'000	Utilised £'000	Discount unwind £'000	As at 30 April 2023 £'000	Current £'000	Non- current £'000
Onerous contracts	33	(33)	-	-	-	-
	33	(33)	-	-	-	-

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

19 Borrowings

	2023 £'000	2022 £'000
<i>Current</i>		
Factoring facility	17,510	15,630
Leases	7,333	3,235
	24,843	18,865
<i>Non-current</i>		
Leases	29,332	23,682
	29,332	23,682
Loan maturity analysis:		
Within one year	24,843	18,865
Between one and two years	4,101	5,871
Between two and five years	8,281	4,637
After five years	16,950	13,174
	54,175	42,547

The following amounts remain undrawn and available.

	2023 £'000	2022 £'000
Factoring facility	1,277	795
	1,277	795

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

Accrol Papers Limited

Notes to the financial statements for the year ended 30 April 2023

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

	2023	2022
	£'000	£'000
<i>Foreign currency contracts</i>		
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 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.

Accrol Papers Limited

Notes to the financial statements for the year ended 30 April 2023

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	
	2023	2022
	£'000	£'000
Financial assets		
<i>Current</i>		
Trade and other receivables	28,669	20,814
Cash and short-term deposits	3,393	62
Derivative financial instruments	-	805
Financial liabilities		
<i>Current</i>		
Borrowings	24,843	18,865
Trade and other payables	79,811	68,720
Derivative financial instruments	2,973	-
<i>Non-Current</i>		
Borrowings	29,332	23,682

21 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.

	2023	2022
	£'000	£'000
Total borrowings (excluding finance fees)	54,175	42,547
Less: lease receivables	(4,714)	(5,028)
Less: cash and cash equivalents	(3,393)	(62)
Net debt	46,068	40,945
Less: leases recognised on adoption of IFRS 16	(26,451)	(22,097)
Adjusted net debt/(cash) (excluding leases recognised on adoption of IFRS 16)	19,617	18,848

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

Accrol Papers Limited

Notes to the financial statements for the year ended 30 April 2023

(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:

	2023 £'000	2022 £'000
USD – loss	(631)	(251)
	<u>(631)</u>	<u>(251)</u>

(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 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	24,843	4,101	8,281	16,950	54,175
Trade and other payables	79,811	-	-	-	79,811
Derivative financial instruments	2,973	-	-	-	2,973
Total financial liabilities	107,627	4,101	8,281	16,950	136,959

Accrol Papers Limited

Notes to the financial statements for the year ended 30 April 2023

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	18,865	5,871	4,637	13,174	42,547
Trade and other payables	68,720	-	-	-	68,720
Derivative financial instruments	-	-	-	-	-
Total financial liabilities	87,585	5,871	4,637	13,174	111,267

(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 2023 the lifetime expected loss provision for trade receivables is as follows:

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

Accrol Papers Limited

Notes to the financial statements for the year ended 30 April 2023

	<1 month £'000	1-2 months £'000	2-3 months £'000	>3 months £'000	Total £'000
Expected loss rate	0%	0%	0%	1.5%	
Gross carrying amount	78	6	12	71	167
Loss provision (£'000)	-	-	-	10	10

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

	2023 £'000	2022 £'000
At the beginning of the year	-	(22)
Impairment losses recognised	(10)	-
Provisions utilised	-	22
	(10)	-

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

22 Share capital

	2023 £'000	2022 £'000
Called up, allotted and fully paid		
10,000 Ordinary shares of £1 each (2022: 10,000)	10	10

23 Reserves

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

24 Dividends

The Company did not pay an interim dividend (2022: £nil). The Directors do not propose a final dividend (2022: £nil). The total dividend for the year was therefore £nil (2022: £nil).

25 Commitments and contingencies

Capital commitments

	2023 £'000	2022 £'000
Contracted for but not provided	47	4,355

Accrol Papers Limited

Notes to the financial statements for the year ended 30 April 2023

26 Share based payment

Description of share option schemes

Employees of the Company participate in the Group's Long Term Incentive Plan, namely the Accrol Group Holdings Long Term Incentive Plan 2022 ("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 Accrol Group Holdings Plc 2023 Annual Report.

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:

Thousands of shares	LTIP	Total
In issue 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 at 30 April 2023	-	6,253

27 Subsequent events

HSBC factoring facility

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 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.