12 January 2021

The information contained within this announcement is deemed by the Group to constitute inside information stipulated under the Market Abuse Regulation (EU) No. 596/2014. Upon the publication of this announcement via the Regulatory Information Service, this inside information is now considered to be in the public domain.

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

HALF YEAR RESULTS
Ongoing improvement in financial returns and restoration of dividend in FY21

Accrol (AIM: ACRL), the UK's leading independent tissue converter, announces its results for the six months ended 31 October 2020 ("H1 21" or the "Period").

Summary of progress

The Group's progress continues with all aspects of the business performing well. Margins are continuing to improve, and further improvements are expected, generating increasingly strong cash flows and reducing net debt at a faster rate than anticipated.

The integration of Leicester Tissue Company ("LTC"), acquired in November 2020 for a total maximum consideration of £41.8m, is progressing better than expected and the Board looks forward to providing more details on the positive impact of the acquisition on the Group as the year progresses.

With margins continuing to improve, LTC contributing positively and the business continuing to deliver strong organic growth, the Board is confident that the Group is fully on track to deliver a strong H2 performance and results for FY21 will be at least in line with market expectations.

As a result, the Board is delighted to announce its intention to restore dividend payments earlier than it anticipated and expects to propose a final dividend of no less than 0.5p per ordinary share for the year ending 30 April 2021 ("FY21"). Net debt (pre IFRS 16) 30 April 2021 is expected to be below consensus market forecasts (currently £12.2m), even after the intended dividend payment.

As announced in December 2020, Accrol's senior management team has been strengthened further with Richard Newman joining as Chief Financial Officer ("CFO") on 1 February 2021. Richard joins the Group from DS Smith Plc, where he is currently Finance Director for North Europe. The Group now has a leadership team of significant experience, capable of executing an ambitious growth strategy to deliver a diversified business of scale focused on the household and personal hygiene sectors.

	H1 21	*H1 20*	*H1 19*	***H1 21 vs H1 20***
Reported results				
Revenue	**£62.3m**	£65.1m	£57.6m[1]	**-4.3%**
Gross profit	**£14.8m**	£12.8m	£6.9m	**+ £2.0m**
Gross margin	**23.8%**	19.7%	12.0%	**+ 410bp**
Loss before tax	**(£0.5m)**	(£3.0m)	(£9.0m)	**+ £2.5m**
Net debt (pre IFRS 16 impact)	**£18.1m**	£24.8m	£22.6m	**+ £6.7m**
Net debt (post IFRS 16 impact)	**£26.8m**	£37.4m	-	**+ £10.6m**

Underlying results				
Consumer Revenue[2]	**£62.3m**	£64.5m	£53.9m	**-3.4%**
Adjusted gross profit[3]	**£15.4m**	£13.0m	£9.9m	**+ £2.4m**
Adjusted gross margin	**24.7%**	20.0%	17.2%	**+ 470bp**
Adjusted EBITDA[4]	**£5.4m**	£3.2m	(£1.1m)	**+ £2.2m**

1 *Includes revenue from discontinued "Away From Home" operations*

2 *Excludes revenue from discontinued "Away From Home" operations*

3 *Defined as gross profit before exceptional items. This is a non-GAAP metric used by management and is not an IFRS disclosure*

4 *Defined as profit before finance costs, tax, depreciation, amortisation, share based payments, IFRS 16 changes and exceptional items. This is a non-GAAP metric used by management and is not an IFRS disclosure*

H1 21 highlights:

- All aspects of the business operated safely and successfully throughout the pandemic with no furloughing or government support being accessed in any way
- Adjusted EBITDA increased by 69%, compared with H1 20, with returns improving to 8.7% of Group revenue
- Margin improvement driven by more selective product mix, resulting adjusted gross profit 18% ahead of H1 20
- The Group's share of the total UK tissue market rose by just under 1%* in the Period

* *After adjustment for reduction in brands sold at a discount and the increase in retailer margin during the Period*

Post H1 21 highlights:

- Strategic ambition demonstrated with a successful placing and open offer to fund the acquisition of LTC in November 2020 for a total maximum consideration of £41.8m:
  - Well invested modern machine asset base providing transformational step change in Group capacity (now c.£220m including facial tissue)
  - Initial EBITDA multiple paid for LTC will fall from 7.8x to 5.5x, if LTC achieves criteria for payment of maximum deferred consideration
  - Central UK location provides significant logistic cost advantages for the enlarged group
- Richard Newman appointed as the Group's new CFO from 1 February 2021
- Full automation of the Blackburn site delivered on time and to budget, completing the final major operational change at the site

Current trading and outlook:

- The integration of LTC has begun well with no issues to report and volumes across the Group strengthening further in H2 21 as expected
- Margins and cash generation are continuing to strengthen, as new products are rolled out across the wider customer base
- Net debt reducing at a faster rate than anticipated, as a result of ongoing margin improvement and cash generation, and is expected to be below consensus market expectations for FY21, even after the intended dividend payment
- The Board is confident that the Group is fully on track to deliver FY21 results at least in line with market expectations with the business continuing to deliver strong organic growth
- The Board intends to restore dividend payments and expects to propose a final dividend for FY21 of no less than 0.5p per ordinary share

Dan Wright, Executive Chairman of Accrol, said:

"I am particularly proud of the professionalism, commitment and flexibility our employees have demonstrated, in the face of the many and diverse challenges, both personal and work-related, which have been thrust upon us by the COVID-19 pandemic. Throughout everything, our operations have performed exceptionally well without any disruption to supply.

The margin improvement, that we have continued to deliver in the Period, is a result of our determination to deliver great products, that the consumer wants, on a consistent basis, and builds on our key partnerships. Our strategy to supply the widest possible group of retailers, furthered by our acquisition of LTC in November 2020, gives us the strongest opportunity to grow profitably and deliver double digit EBITDA margins.

In our Final Results for the year ended 30 April 2020, announced in September 2020, we stated that it was our plan to return to dividend payments in the medium term, should the Group's financial performance continue on its current and expected trajectory. We deliver on our promises and, as a result of our relentless drive on operational efficiency and our ability to deliver product innovation the consumer wants to buy, we are announcing our intention to return to dividend payments earlier than expected. Our shareholders, old and new, have been incredibly supportive of our strategy and ambitions and to announce this gives us an enormous amount of satisfaction.

The Group's recent acquisition of LTC and the announcement of a high calibre Chief Financial Officer puts the enlarged business in an even stronger position to grow into adjacent markets and through vertical integration. The expectations and ambitions of the Board and the senior management team are high, and we move into 2021 with confidence."

Gareth Jenkins, Chief Executive Officer of Accrol, said:

"I would like to thank our people for delivering another strong performance, continuing to deliver improvement across every aspect of the business and building further on the achievements of FY20.

Our relentless approach to efficiency remains at the core of everything that we do, and we will continue to deliver margin improvement in all areas of the business. Our team remains focused on delivering great products and great service and we are not afraid to churn the mix of our work further, as we target the leading brands for our growth. Sales to the Group's top four customers have continued to grow and I feel very confident, as the UK emerges from this pandemic, that the growth of the discounters, the private label brands and great value products will accelerate.

The long-term structural growth in the sector is significant and our recent acquisition of LTC, with its outstanding modern machine assets and capabilities, provides a significant opportunity to accelerate the switch to best value products and place increasing pressure on the leading luxury brands.

Our team's capability and ambitions are strong, and we will continue to explore opportunities to deliver yet more value to the consumer and our investors, through acquisition, new product development and vertical integration."

For further information, please contact:

Accrol Group Holdings plc
Dan Wright, Executive Chairman — Via Belvedere Communications
Gareth Jenkins, Chief Executive Officer

Zeus Capital Limited (Nominated Adviser & Broker)
Dan Bate / Jordan Warburton — Tel: +44 (0) 161 831 1512
Dominic King / John Goold — Tel: +44 (0) 203 829 5000

Liberum Capital Limited (Joint Broker) — Tel: +44 (0) 20 3100 2222
Clayton Bush / Edward Thomas

Belvedere Communications Limited
Cat Valentine — Tel: +44 (0) 7715 769 078
Keeley Clarke — Tel: +44 (0) 7967 816 525
Llew Angus — Tel: +44 (0) 7407 023 147
accrolpr@belvederepr.com

Overview of Accrol

Accrol Group Holdings plc is a leading tissue converter and supplier of toilet tissues, kitchen rolls and facial tissues to many of the UK's leading discounters and grocery retailers across the UK. Following the recent acquisition of a state-of-the-art tissue converter based in Leicester, the Group now operates from five sites, including four in Lancashire, which generate revenues totalling c.16% of the £1.7bn UK retail tissue market.

OPERATIONAL REVIEW

Overview

The Group has continued to build on the progress achieved in FY20, delivering a further sizeable improvement in financial performance in the Period under review and an acceleration of margin growth in the early stages of H2 21.

We focused on keeping our people safe during the pandemic and continue to operate the business without disruption, successfully delivering essential everyday products to fulfil the UK consumer's needs. Accrol has demonstrated that its products are resilient, even in difficult social and economic circumstances, and we will continue to focus on great value everyday essentials, as we pursue our strategy to build a diversified personal hygiene and household products business of scale.

Results

In the six months to 31 October 2020, the Group generated slightly reduced revenue of £62.3m (H1 20: £64.5m). This was a result of the short-term change in consumer shopping habits, driven by panic buying in March and April 2020 in the first national lockdown. Gross margin, however, rose by 410bp to 23.8% (H1 20: 19.7%), as the drive to deliver higher value products to the consumers accelerated throughout the Period. As a result, Adjusted EBITDA increased by 69% to £5.4m (H1 20: £3.2m).

Free cashflow improved by £5.5m, as cash management and margins continued to improve throughout the Period. Net debt (pre IFRS 16) at 31 October 2020 was £18.1m, down substantially from £24.8m at 31 October 2020 and £27.9m at 30 April 2020. This strong cash flow has continued to accelerate in H2 21. Net debt (pre IFRS 16) at 30 April 2021 is now expected to be below consensus market expectations (currently £12.2m) on a like for like basis, a multiple to EBITDA of less than 1x, comfortably beating the Group's medium-term target of less than 2x. With improvements in terms with suppliers and customers and credit insurance continuing to return, the Group's strengthened balance sheet will allow us to continue delivering on our strategy to build a personal hygiene and household products business of scale and accelerate our investment programme as appropriate.

Acquisition of LTC and progress update

The acquisition of LTC, which completed on 25 November 2020 following a successful placing and open offer, added valuable new assets with significant capacity, complementary customers, and substantial synergies across both businesses. Whilst we are only seven weeks in, the integration has progressed incredibly well. With multiple different synergy work streams underway, our team is increasingly confident of delivering cost synergies in excess of £1m. A full update on the integration of LTC will be provided no later than May 2021. No issues have been encountered since completion and the positive reaction of customers gives the Group confidence of delivering the revenue expectations already announced.

The initial consideration paid for LTC was £35.0 million, representing an enterprise value / FY20 adjusted EBITDA* multiple of 7.8x before synergies and 5.5x when combined with the maximum deferred consideration of £6.8m, which is subject to new contract incremental EBITDA contributions of £3.1m. Deferred consideration will be satisfied in cash and/or by the issue of new Ordinary Shares, at the Group's discretion.

People and the Board

As announced in December 2020, Richard Newman will join the Board on 1 February 2021 as Chief Financial Officer. He is currently with DS Smith where he is Finance Director for North Europe, a c.£2billion revenue division. Richard brings an enormous amount of experience to the team and his decision to join Accrol is indicative of the Group's ambitions. We have high expectations for the Group and Richard is clear on how he will help the achievement of those goals. Following this key appointment, the assembled leadership team is now more than capable of running and growing a business of scale, delivering the returns the management expect and shareholders appreciate.

Dividend

At the end of 2017, when the business found itself in an untenable financial position, the Board had no options but to suspend dividend payments. Following a highly complex and successful turnaround of the Group and an acceleration in margin improvements and cash generation, the Board is able to announce its intention to return to dividend payments, and that it expects to propose a final dividend of no less than 0.5p per ordinary share for FY21 in the announcement of the Group's Audited Final Results.

The Board considers a progressive dividend policy to be an important component of shareholder returns. In considering future payments, the Board will be mindful of the Group's earnings growth potential, future expansion plans and leverage. As previously stated, net debt after the dividend payment will be lower than current consensus market expectations for FY21 and FY22 on a like for like basis.

COVID-19 and Brexit

The Board is pleased that the Group is continuing to operate safely, despite the challenges of the pandemic, but remains mindful of the short-term challenges facing the retail sector as new lockdowns are imposed.

Whilst each location in which the Group now operates has been affected by different levels of lockdown, all sites have remained fully operational, as an essential supplier to critical supply chains. In the first quarter, volumes were negatively impacted as the panic buying that positively impacted the Q4 FY20 unwound. During the first national lockdown, branded products saw a short-lived resurgence in market share as the greater stock positions of the major brands fulfilled rising demand with no need for promotional discounting to generate sales. The balance of private label to branded sales has now reverted to the pre-pandemic position with brands now back to +80% on promotion and private label sales taking more than 50% share.

The Group's performance in H1 21 exceeded management expectations, despite incurring a modest amount of exceptional costs related to the additional personal protection measures implemented to ensure the ongoing health and safety of our employees. Whilst there remains some uncertainty in the economic outlook, the Group remains confident in achieving its short-term and medium-term targets. The Board's intention to resume dividend payments highlights the Group's confidence in its improving financial position and future ability to deliver on its business model.

With regard to Brexit, the Group had robust contingency plans for every potential outcome and is well positioned to manage in the new environment. As experienced by many UK businesses in the build up to Brexit, the Group incurred some additional one-off logistics costs. Further one-off costs, relating to logistics, are expected to be minimal, as the Central UK location of our recent acquisition, LTC, will help significantly with the Group's distribution going forward. The Group has a number of supply chains positions in place, outside the European Union, for most of its major materials. In addition, we continue to explore the benefits of vertical integration for a percentage of our material requirements, which will continue to strengthen our supply position and reduce risks further in the medium to long-term.

Environment, Social and Governance ("ESG")

Whilst there is increasing governmental, investor and media attention on ESG, we are proud to say that it is genuinely important to us at Accrol. ESG is an integral part of our relentless improvement programme and has been a key element of our strategy since the early days of the turnaround. We believe that protecting the environment, looking after our employees and our communities, and monitoring our supply chain, whilst ensuring that our business is well managed through a strong governance framework, is the only way to ensure Accrol meets it ambitious growth plans and is sustainable for the long term.

We are in the process of producing our first ESG report, in which we will demonstrate precisely what we are doing and how that benefits both our business and our stakeholders. This report, which we expect to publish soon, will be made readily available to shareholders.

Current trading and outlook

The Board looks to the future with increased confidence but is, of course, mindful that the challenges resulting from the pandemic will remain in the short-term. The enlarged Accrol Group, with its broad range of customers and high added value products, is very well positioned to benefit from the continued growth in the private label sector where every consumer pound spent will be on products that add real value to people's everyday costs. The Group's ability to deliver products which outperform the competition on a quality and value basis gives the Board confidence in delivering its target growth of +8% over the cycle and furthering the demise of the major brands.

With margins continuing to improve and further operational synergies being generated from the integration of LTC, the Board is confident that the Group is fully on track to deliver results for FY21 at least in line with expectations. The longer-term prospects for the enlarged Group remain strong, with further growth in the private label market forecast and a strong pipeline of opportunities identified for additional complementary acquisitions in the household and personal hygiene markets.

The Group will continue to target improvements in its product mix and grow the business with a clear focus on quality revenue, generated through the delivery of excellent products and service.

Gareth Jenkins
Chief Executive Officer

CONSOLIDATED INTERIM INCOME STATEMENT
For six months ended 31 October 2020

Continuing operations	**Note**	**Unaudited Six months ended 31 October 2020 £'000**	Unaudited Six months ended 31 October 2019 £'000	Audited Year ended 30 April 2020 £'000
Revenue	4	**62,306**	65,067	134,773
Cost of sales		**(47,532)**	(52,230)	(105,239)
Gross profit		**14,774**	12,837	29,534
Administration costs		**(10,221)**	(9,481)	(18,810)
Distribution costs		**(4,262)**	(5,494)	(11,490)
Other income		**-**	-	585
Group operating profit/(loss)		**291**	(2,138)	(181)
Finance costs	7	**(794)**	(911)	(1,710)
Loss before taxation		**(503)**	(3,049)	(1,891)
Tax credit	8	**94**	572	312
Loss for the period attributable to equity shareholders		**(409)**	(2,477)	(1,579)
Loss per share (pence)				
Basic	6	**(0.2)**	(1.3)	(0.8)
Diluted		**(0.2)**	(1.3)	(0.8)
Group Operating profit/(loss)		**291**	(2,138)	(181)
Adjusted for:				
Depreciation & Amortisation		**3,176**	3,256	6,241
Share based payments		**1,250**	1,177	2,351
Separately disclosed items	5	**649**	921	2,230
Adjusted EBITDA		**5,366**	3,216	10,641

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
For six months ended 31 October 2020

	Unaudited Six months ended 31 October 2020 £'000	Unaudited Six months ended 31 October 2019 £'000	Audited Year ended 30 April 2020 £'000
Loss for the period attributable to equity shareholders	**(409)**	(2,477)	(1,579)
Revaluation of derivative financial instruments	**-**	(918)	(50)
Tax relating to components of other comprehensive income	**-**	175	9
Total comprehensive expense attributable to equity shareholders	**(409)**	(3,220)	(1,620)

CONSOLIDATED INTERIM BALANCE SHEET
For six months ended 31 October 2020

	Note	**Unaudited Six months ended 31 October 2020 £'000**	Unaudited Six months ended 31 October 2019 £'000	Audited Year ended 30 April 2020 £'000
ASSETS				
Non-current assets				
Property, plant and equipment		**43,131**	40,899	39,740
Intangible assets		**26,754**	24,641	26,877
Lease receivables		**5,368**	6,030	5,703
Deferred tax asset		**895**	790	288
Total non-current assets		**76,148**	72,360	72,608
Current assets				
Inventories		**12,831**	13,033	9,373
Trade and other receivables		**17,550**	21,443	20,680
Current tax asset		**-**	-	40
Lease receivables		**662**	636	649
Derivative financial instruments		**203**	-	28
Cash and cash equivalents		**5,791**	282	8,147
Total current assets		**37,037**	35,384	38,917
Total assets		**113,184**	107,744	111,525
Current liabilities				
Borrowings	9	**(14,102)**	(16,348)	(18,157)
Trade and other payables		**(28,531)**	(19,823)	(23,988)
Provisions	10	**(368)**	(155)	(158)
Derivative financial instruments		**-**	(868)	-
Total current liabilities		**(43,001)**	(37,194)	(42,303)
Total assets less current liabilities		**70,183**	70,550	69,222
Non-current liabilities				
Borrowings	9	**(24,024)**	(27,510)	(23,827)
Provisions	10	**(186)**	(462)	(383)
Total non-current liabilities		**(24,210)**	(27,972)	(24,210)
Total liabilities		**(66,806)**	(65,166)	(66,513)
Net assets		**45,973**	42,588	45,012
Capital and reserves				
Share capital		**195**	195	195
Share premium		**68,015**	68,015	68,015
Hedging reserve		**-**	(702)	-
Capital redemption reserve		**27**	27	27
Retained earnings		**(22,264)**	(24,947)	(23,225)
Total equity shareholders' funds		**45,973**	42,588	45,012

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
For six months ended 31 October 2020

	Share capital £'000	Share premium £'000	Hedging reserve £'000	Capital redemption reserve £'000	Retained earnings/ (deficit) £'000	Total £'000
Balance at 30 April 2020 (audited)	**195**	**68,015**	**-**	**27**	**(23,225)**	**45,012**
Comprehensive income						
Loss for the period	-	-	-	-	(409)	(409)
Total comprehensive expense	-	-	-	-	(409)	(409)
Transactions with owners recognised directly in equity						
Share-based payment (inc. tax)	-	-	-	-	1,370	1,370
Total transactions recognised directly in equity	-	-	-	-	1,370	1,370
Balance at 31 October 2020 (unaudited)	**195**	**68,015**	**-**	**27**	**(22,264)**	**45,973**

CONSOLIDATED INTERIM CASH FLOW STATEMENT
For six months ended 31 October 2020

	Note	**Unaudited Six months ended 31 October 2020 £'000**	Unaudited Six months ended 31 October 2019 £'000	Audited Year ended 30 April 2020 £'000
Cash flows from operating activities				
Operating profit/(loss)		**291**	(2,138)	(181)
Adjustment for:				
Depreciation		**1,940**	2,236	4,201
Amortisation of intangible assets		**1,236**	1,020	2,040
Grant income		**-**	(59)	(578)
Profit on disposal of fixed assets		**-**	(598)	(585)
Share based payments		**1,250**	1,177	2,351
Operational cash flows before movements in working capital		**4,717**	1,638	7,248
(Increase)/decrease in inventories		**(3,457)**	(1,871)	1,789
Decrease in trade and other receivables		**3,130**	1,488	2,251
Increase in trade and other payables		**4,467**	3,798	8,176
Increase/(decrease) in provisions		**13**	(159)	(254)
(Increase)/decrease in derivatives		**(175)**	-	22
Cash generated from operations		**8,695**	4,894	19,232
Tax received		**40**	197	197
Net cash flows from operating activities		**8,735**	5,091	19,429
Cash flows from investing activities				
Purchase of property, plant and equipment		**(5,331)**	(1,397)	(3,680)
Proceeds from sale of property, plant and equipment		**-**	598	650
Purchase of intangible assets		**(1,114)**	-	(3,256)
Receipt of capital element of leases		**321**	-	623
Lease interest received		**124**	-	267
Net cash flows used in investing activities		**(6,000)**	(799)	(5,396)
Cash flows from financing activities				
Amounts received from factors		**69,995**	76,100	161,650
Amounts paid to factors		**(75,221)**	(79,631)	(163,523)
New finance leases		**131**	22	-
Repayment of capital element of finance leases		**(2,241)**	(1,949)	(4,595)
Receipt of bank loans		**3,266**	-	-
Transaction costs of bank facility		**(306)**	-	-
Interest paid		**(715)**	(728)	(1,594)
Net cash flows used in financing activities		**(5,091)**	(6,186)	(8,062)
Net (decrease) / increase in cash and cash equivalents		**(2,356)**	(1,894)	5,971
Cash and cash equivalents at beginning of the period		**8,147**	2,176	2,176
Cash and cash equivalents at period end		**5,791**	282	8,147

The notes below form part of these condensed interim financial statements.

NOTES TO THE INTERIM FINANCIAL STATEMENTS
For six months ended 31 October 2020

1. General Information

Accrol Group Holdings plc (the "Company") and its subsidiaries (together "the Group") is incorporated in the United Kingdom with company number 09019496.

The registered address of the Company is the Delta Building, Roman Road, Blackburn, United Kingdom, BB1 2LD.

The Company's shares are quoted on the Alternative Investment Market.

The principal activity of the Company and its subsidiaries (together the 'Group') is soft paper tissue conversion.

The condensed consolidated interim financial information was approved and authorised for issue by a duly appointed and authorised committee of the Board of Directors on 12 January 2021.

This condensed interim financial information has not been audited or reviewed by the Company's auditor.

Forward looking statements

Certain statements in this results announcement are forward looking. The terms "expect", "anticipate", "should be", "will be" and similar expressions identify forward-looking statements. Although the Board of Directors believes that the expectations reflected in these forward-looking statements are reasonable, such statements are subject to a number of risks and uncertainties and events could differ materially from these expressed or implied by these forward-looking statements.

2. Basis of preparation

This condensed consolidated interim financial information for the six months ended 31 October 2020 should be read in conjunction with the Group's Annual Report and Accounts for the year ended 30 April 2020, prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs'), IFRIC Interpretations and the Companies Act 2006.

The interim financial statements included in this report are not audited and do not constitute statutory accounts within the meaning of the Companies Act 2006. The Annual Report and accounts for the year ended 30 April 2020 have been filed with Companies House. The Group's auditor, BDO LLP have reported on those accounts and their report was unqualified.

The interim financial statements have been prepared on a going concern basis and on the historical cost convention modified for the revaluation of certain financial instruments.

In assessing the Group's ability to continue as a going concern, the Board has reviewed the Group's cash flow and profit forecasts. The impact of potential risks and related sensitivities to the forecasts were considered, whilst assessing the available mitigating actions.

The Group's 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. Brexit is likely to determine the scale of any foreign exchange risk, but operational risk is expected to be limited as most purchases are made outside of Europe, however there is a small risk arising from administrative complexity at the docks. The Group is reassured that the principal docks used have sufficient capacity to handle any issues.

The Board has formed a judgement that there is reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis has been adopted in preparing the interim financial statements.

3. Accounting Policies

The accounting policies applied in preparing the unaudited interim financial statements are consistent with those used in preparing the statutory financial statements for the year ended 30 April 2020 as set out in the Group's Annual Report and Accounts.

4. Revenue

The Group has one type of revenue and class of business.

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

	Unaudited Six months ended 31 October 2020 £'000	Unaudited Six months ended 31 October 2019 £'000	Audited Year ended 30 April 2020 £'000
United Kingdom	**57,874**	61,722	128,078
Europe	**4,432**	3,345	6,695
Total	**62,306**	65,067	134,773

5. Separately disclosed items

	Unaudited Six months ended 31 October 2020 £'000	Unaudited Six months ended 31 October 2019 £'000	Audited Year ended 30 April 2020 £'000
Operational restructure	**327**	-	856
COVID-19 costs	**245**	-	209
Set up & exit costs relating to Skelmersdale warehouse	**6**	112	90
Management reorganisation and restructure	**-**	113	118
Loss on derivative financial instruments	**-**	302	639
Other	**71**	394	318
Total	**649**	921	2,230

Operational restructure costs - £327,000 (31 October 2019: £nil)
The current period saw the final stages of salary and settlement costs due to the reorganising and restructuring of its operations to improve the long-term profitability and efficiencies.

COVID-19 - £245,000 (31 October 2019: £nil)
The Group incurred incremental costs principally relating to overtime and temporary labour of £87,000, to cover employees who were in isolation during this period. There were additional costs for COVID safety representatives of £78,000 and also PPE/cleaning costs of £80,000.

Other - £71,000 (31 October 2019: £394,000)
Principal items include £44,000 relating to M&A activity and £27,000 in respect of the new line improvement programme.

6. Loss per share

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

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

	Unaudited Six months ended 31 October 2020 £'000	Unaudited Six months ended 31 October 2019 £'000	Audited Year ended 30 April 2020 £'000
Loss for the period attributable to shareholders	**(409)**	(2,477)	(1,579)
	Number '000	Number '000	Number '000
Issued ordinary shares at beginning of period	**195,247**	195,247	195,247
Effect of shares issued in the period	**-**	-	-
Basic weighted average number of shares at end of period	**195,247**	195,247	195,247
Effect of conversion of Accrol Group Holdings plc share options	**-**	-	-
Diluted weighted average number of shares at end of period	**195,247**	195,247	195,247
Basic loss per share (pence)	**(0.2)**	(1.3)	(0.8)
Diluted loss per share (pence)	**(0.2)**	(1.3)	(0.8)

For the periods above, no adjustment has been made to the weighted average number of shares for the purpose of the diluted loss per share calculation as the effect would be anti-dilutive.

7. Finance costs

	Unaudited Six months ended 31 October 2020 £'000	Unaudited Six months ended 31 October 2019 £'000	Audited Year ended 30 April 2020 £'000
Bank loans and overdrafts	**402**	362	712
Finance lease interest	**313**	357	882
Amortisation of finance fees	**196**	183	365
Unwind of discount on provisions	**7**	9	18
Total finance costs	**918**	911	1,977
Lease interest income	**124**	-	267
Total finance income	**124**	-	267
Net finance costs	**794**	911	1,710

8. Taxation

The taxation credit recognised is based on management's best estimate of the weighted average annual tax rate expected for the full financial year.

The tax credit for the period has been calculated at an effective rate of 18.6% (half year ended 31 October 2019: 18.8%; year ended 30 April 2020: 16.5%).

9. Borrowings

	Unaudited As at 31 October 2020 £'000	Unaudited As at 31 October 2019 £'000	Audited As at 30 April 2020 £'000
Current			
Bank facility	**2,949**	1,636	1,636
Factoring facility	**6,591**	10,159	11,817
Finance leases	**4,562**	4,553	4,704
Total current	**14,102**	16,348	18,157
Non-current			
Bank facility	**11,810**	9,785	9,967
Finance leases	**12,214**	17,725	13,860
Total non-current	**24,024**	27,510	23,827
Total current & non-current	**38,126**	43,858	41,984
Total borrowings as above	**38,126**	43,858	41,984
Unamortised finance fees	**507**	579	397
Total borrowings excluding unamortised finance fees	**38,633**	44,437	42,381
Less: lease receivables	**(6,030)**	(6,666)	(6,352)
Less: cash and cash equivalents	**(5,791)**	(282)	(8,147)
Net debt	**26,812**	37,489	27,882
Less: leases recognised on adoption of IFRS16	**(8,709)**	(12,695)	(10,012)
Adjusted net debt	**18,103**	24,794	17,870

10. Provisions

The onerous contract provision of £554,000 as at 31 October 2020 relates to a logistics agreement resulting from the decision to exit from the Skelmersdale facility. At the period end, £368,000 is due in less than one year and £186,000 is due greater than one year.

11. Dividends

The Board is recommending a return to the dividend list for the year ended 30 April 2021. The dividend will be finalised following the approval of the FY21 Annual Report but it is intended that this first payment will be no less than 0.5p per share and paid no later than September 2021.

12. Non-GAAP measures

Adjusted earnings per share

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

	Unaudited Six months ended 31 October 2020 £'000	Unaudited Six months ended 31 October 2019 £'000	Audited Year ended 30 April 2020 £'000
Earnings attributable to shareholders	**(409)**	(2,477)	(1,579)
Adjustment for:			
Amortisation	**1,236**	1,020	2,040
Separately disclosed items	**649**	921	2,230
Share based payment	**1,250**	1,177	2,351
Tax effect of adjustments above	**(596)**	(592)	(1,256)
Adjusted earnings attributable to shareholders	**2,130**	49	3,784

	Number £'000	Number £'000	Number £'000
Basic weighted average number of shares	**195,247**	195,247	195,247
Dilutive share options	**30,463**	-	30,463
Diluted weighted average number of shares	**225,710**	195,247	225,710

	pence	pence	pence
Adjusted earnings per share	**1.1**	0.0	1.9
Diluted adjusted earnings per share	**0.9**	0.0	1.7

13. Events after the balance sheet date

In November 2020, the Group acquired Leicester Tissue Company Limited, a Leicester based toilet tissue and kitchen towel business for initial cash consideration of £35m.