14 July 2021

The information communicated within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

Accrol Group Holdings plc
("Accrol", the "Group" or the "Company")
AIM: ACRL
AUDITED FINAL RESULTS FOR THE YEAR ENDED 30 APRIL 2021

A transformed business, delivering further performance improvements, increased scale through acquisition and restoration of dividend

Accrol Group Holdings plc, the UK's leading independent tissue converter, announces its audited Final Results for the year ended 30 April 2021 ("FY21" or the "Period"), which show a transformed business, delivering further strong improvement in margins and a return to dividend payments.

Despite the challenges of the pandemic, the Group was able to deliver on its strategic objectives. The business was successfully scaled, through the acquisition of Leicester Tissue Company ("LTC") and diversified via the John Dale ("JD") wet wipes acquisition.

The team's continued focus on operational efficiency delivered an overall improvement in reported gross margin of 580ppt to 27.7% and a tripling of initial expectations on LTC synergies. Adjusted EBITDA rose by 47% in the year to £15.6m.

Despite the volatility created in the tissue market by the pandemic limiting the Group's revenue growth to 1.4% in the Period, Accrol outperformed its peers and increased its market share to 15.9% from 13.1% in FY21. Over the last 2 years the like for like sales (excluding Away from Home) have grown by 16% from £117.6m to £136.6m and market share growth for the Group has risen from 12% to 15.9%.

With the business in excellent operational shape, scalable foundations for growth in place, and a strong market position, the Group is very well placed to benefit from the anticipated recovery in tissue volumes, as the effects of the pandemic unwind.

Key financials

	FY21	FY20	**Change**	*FY19*	*FY18*
Revenue	**£136.6m**	£134.8m	**1.4%**	*£119.1m*	*£139.7m*
Gross margin	**27.7%**	21.9%	**26.5%**	*14.7%*	*17.5%*
Adjusted EBITDA[1]	**£15.6m**	£10.6m	**47.0%**	*£1.0m*	*(£5.8m)*
Adjusted profit/(loss) before tax[2]	**£9.1m**	£4.7m	**93.3%**	*(£2.8m)*	*(£9.1m)*
Loss before tax	**(£2.6m)**	(£1.9m)	**(35.7%)**	*(£14.0m)*	*(£24.1m)*
Adjusted diluted earnings/(loss) per share	**2.7p**	1.7p	***58.8%***	*(1.4p)*	*(7.4p)*
Diluted earnings/(loss) per share	**(1.1p)**	(0.8p)	***(37.5%)***	*(6.2p)*	*(18.7p)*
Adjusted net debt[3]	**£14.6m**	£17.9m	***(18.1%)***	*£27.1m*	*£33.8m*

1 *Adjusted EBITDA is defined as profit before finance costs, tax, depreciation, amortisation, separately disclosed items and share based payments*

2 *Adjusted profit before tax is defined as loss before tax, amortisation, separately disclosed items and share based payments*

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

Financial highlights

- Revenue of £136.6m reflecting third consecutive year of growth (FY20: £134.8m)
- Gross profits up 28% to £37.9m (FY20: £29.5m)
- Gross margin improved for the third consecutive year to 27.7%, up 5.8% (FY20: 21.9%)
- Adjusted EBITDA of £15.6m, an increase of 47% (FY20: £10.6m)
- Adjusted EBITDA margin improved by 3.5% to 11.4%
- Adjusted PBT almost doubled at £9.1m (FY20: £4.7m) - the third consecutive year of improvement
- Adjusted net debt reduced to £14.6m (FY20: £17.9m) – the third consecutive year of adjusted net debt reduction, despite the £3.4m cash acquisition of JD
- Adjusted net debt now equal to c.0.9x Adjusted EBITDA (FY20: 1.7x)
- Dividend payments restored with a proposed final dividend of 0.5p (FY20: nil), demonstrating the Board’s confidence in the future prospects of the business

Operational highlights

- Increasingly strong market position - market share up 2.8% to 15.9%
- Headcount reduced further and output per head increased for the third consecutive year
- Blackburn and LTC sites fully automated with no operational impact
- New fully integrated IT system installed throughout the business without interruption
- 11% reduction in CO_2 emissions per tonne of production (FY20: 25% reduction) with almost all energy requirements now sourced from renewables

Acquisitions

- LTC acquired with cash raised via a placing and open offer, bringing scale to the tissue operations - now fully integrated delivering an estimated £3m of annualised synergies compared to the £1m anticipated at the time of the acquisition
- JD acquired with existing cash resources, bringing a new product range, including fully flushable wet wipes, and the footprint and assets to build a business of scale

Current trading in FY22 and outlook

- Strong progress being made on the recovery of higher input costs, driven by rising global pulp prices, through prompt pricing actions post-year end
- Tissue market showing strong but steady signs of recovery as panic buying unwinds, with increased sales month on month and improvement in year on year sales
- Automation of tissue business to complete in FY22 with the installation of a new machine at Leyland, providing three fully invested, state-of-the-art operations in geographically pertinent locations
- Tissue operation capacity rising to £210m in revenue terms, following final element of automation at Leyland
- Investment in wet wipes planned for FY22 with material growth expected from FY23
- Longer term growth supported by major discounters’ acceleration of planned new store openings
- Significant advancement made on UK paper mill
- The Group expects to see FY22 exit run rates to be significantly improved with the major discounters expecting uplift in tissue volumes and Accrol’s recently secured additional new business has increased confidence for FY23 revenues and returns

- Trading in line with forecasts in FY22 to date and the Board remains confident in the long-term prospects for Accrol

Dan Wright, Executive Chairman of Accrol, said:

"This is the third straight year of strong improvements across many aspects of the business. Gross margins have improved again, and the business is even better placed to take advantage of the planned growth of the discounters. Whilst there may yet be some further short-term fluctuations in demand, as the effects of the pandemic unwind, I am more excited for the future of this business than ever. The growth opportunities for the Group over the next two years remain very strong."

Gareth Jenkins, Chief Executive Officer of Accrol, added:

"The opportunities for a relentlessly efficient business, which delivers great-value products, are growing, as the world recalibrates in the aftershock of COVID-19 and consumers continue to move away from brands which offer little value.

The discounters are recovering and Accrol is well positioned to take full advantage of this. Given this combination I am confident about the long-term prospects of the Group."

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Overview of Accrol

Accrol Group Holdings plc is a leading tissue converter and supplier of toilet tissues, kitchen rolls, facial tissues, and wet wipes to many of the UK's leading discounters and grocery retailers across the UK. Following the recent acquisitions of LTC in Leicester and JD in Flint, North Wales, the Group now operates from six manufacturing sites, including four in Lancashire, which generate revenues totalling c.16% of the £2.1bn UK retail tissue market.

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

CHAIRMAN'S STATEMENT

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

The foundations for our growth ambitions are now laid and our vision to build a diversified Group of size and scale, which is focused on the broader private label personal hygiene and household products markets and less exposed to input cost fluctuations, moves ever closer.

During the year we completed two acquisitions, creating scale and diversity, the Leicester Tissue Company ("LTC") in November 2020 (scale) and the John Dale ("JD") wet wipes business (diversity) in April 2021. In addition, we further improved efficiency with the completion of the automation of our Blackburn facility; and have advanced significantly towards our ambition to develop a UK paper mill, which will help to reduce the Group's exposure to cost fluctuations and increase supply security as the business grows.

The simplification measures executed over the last four years are now bearing fruit with gross margins recovered to historical levels, delivering adjusted EBITDA growth of 47%. Our relentless drive for efficiency, however, is unabated and we will continue to set ourselves challenging improvement targets.

With our market share now 15.9% (FY20: 13.1%) of the total UK tissue market and a strong infrastructure for growth in place, Accrol is increasingly well positioned to benefit in a value-conscious, post COVID-19 world. We will continue to invest in our people, automation and to reduce our impact on the environment to ensure the sustainability of the business throughout its planned growth. With all this in mind, I view the future of the business with increasing confidence.

Results

Total revenues increased by 1.4% to £136.6m (FY20: £134.8m), compared with an overall market decline of 1.2% as buying patterns were disrupted by the pandemic; a combination of stockpiling in early 2020 and the closure of many small businesses that would have purchased toilet rolls from grocery retailers. Gross margin improved significantly, rising to 27.7% (FY20: 21.9%) and despite lower turnover growth in the period, adjusted EBITDA, rose by 47.0% to £15.6m (FY20: £10.6m), largely due to continued improvements in efficiency and further automation. Adjusted net debt reduced again, ending the Period at £14.6m (FY20: £17.9m) compared with £27.1m at 30 April 2019, and £33.8m at 30 April 2018.

Acquisitions

The Group made its first major acquisition in November 2020, acquiring LTC for an initial consideration of £35.0m, funded via a placing and open offer which raised £38.5m, and a maximum contingent consideration of £6.8m which is subject to new contractual earnings. LTC is a well invested business, delivering revenue of £28.0m in the year ended 30 September 2020. The acquisition was immediately earnings enhancing and increased Accrol's share of the tissue market significantly. LTC has brought scale to the Group, expanding overall capacity to above £210m in revenue terms and providing a geographical advantage for more efficient logistics.

In April 2021, the Group diversified with the acquisition of JD, a flushable and biodegradable wet wipes business for £3.9m. This strategic move into a high growth product has provided a well invested platform from which the Group intends to build a sizable business. In addition, it brings incremental volume to Accrol's facial tissue business. The business operates from its owned premises in Flint, North Wales, generating annualised revenue of c.£6.0m.

Both LTC and JD are integrating well and further details are given in the CEO statement.

Dividend

I am delighted to report that the Group is restoring its dividend and returning to a progressive dividend policy, which has been made possible by the continuous improvement in operational efficiency and strong cash management. The proposed dividend per share is 0.5 pence (FY20: nil).

The final dividend, which is subject to the approval of the Company's shareholders, will be paid on 30 September 2021 to shareholders on the register on 20 August 2021. The Company's ordinary shares will become ex-dividend on 19 August 2021.

Our people

People are key to us achieving our ambitions, and, during the year, we have continued to strengthen the team below senior management, adding further strength in depth, and increasing skill levels across the Group.

In February 2021, we strengthened the senior team further with the appointment to the Board of Richard Newman as Chief Financial Officer. Richard is a highly accomplished executive with 30 years' experience in senior finance roles at FTSE 100 and FTSE 250 companies, Cadbury PLC, National Express Group PLC and DS Smith PLC. The Board considers that Richard's proven leadership skills, knowledge, and breadth of experience in M&A, FX Management and FMCG, gained during his career with large PLCs, will significantly strengthen the Group's finance function and be invaluable in the delivery of the Group's significant expansion plans over the coming years.

We value all our people and strive to demonstrate this in actions rather than words. Through our operational efficiency programme, we have seen output per head increase again by 9.4%. By attracting the best operational talent to drive the Group, we have reduced our cost base further (on a like for like basis). At 30 April 2018, the percentage of employees on or above the Real Living Wage, as defined by the Living Wage Foundation, was only 35%. By 30 April 2020, we had increased this to 94%, primarily through automation and rising skills throughout the business. The recent acquisitions have reduced this figure, but we will continue to strive to achieve 100%.

As automation of the business progresses higher skills are required and, to support the building of a highly capable workforce, we have implemented a new grading and training structure that provides a highly visible career path within the Group and ensures we attract and retain more skilled and talented people.

COVID-19

I would like to take this opportunity to thank all our colleagues across the business for their unremitting hard work and commitment. They have performed exceptionally throughout the COVID-19 pandemic and delivered consistently despite the disruptive backdrop.

As an essential supplier to critical supply chains, all sites across the Group have remained fully operational throughout the COVID-19 pandemic, with clear and effective procedures in place. To help ensure that we managed the day-to-day safety of our employees and were sensitive to their needs and concerns, we established a COVID-19 Steering Group putting employees at the centre.

More recently, we have engaged a mental health professional provider to offer support to employees across the Group, enhancing awareness of the importance of self-care and developing mental resilience.

Environmental, Social and Governance ("ESG")

I am delighted to report that we will launch our first Sustainability Programme in September 2021. Our vision for ESG is to be a carbon neutral business that improves the lives of its people and communities, while working in partnership with suppliers to deliver sustainable products to customers and consumers, and consistent results to our investors. To achieve this, we have created a reporting framework aligned to clear targets, KPIs and guided by a key principle in each segment:

Environmental: Carbon neutrality, plastic free, sustainable products.

Social: Positively impact the lives of our people and communities.

Governance: Delivering long-term success.

The publication of the report, which will be posted on our website, will be announced via RNS.

Current Trading and Outlook

We are pleased with the progress of the Group during the year, which is on track to achieving its ambition to build a diversified and efficient Group of size and scale in the broader private label personal hygiene and household products markets. With our market share at 15.9% and the management team's ability to deliver strong returns, Accrol is increasingly well positioned to benefit in a value-conscious world, post-pandemic, and to capitalise on the recovery in tissue volumes and improving Discounter sales.

The Board's confidence is demonstrated by the Group's return to dividend payments and the directors remains very positive about the Group's strategy, markets and prospects, both in FY22 and beyond.

Dan Wright
Executive Chairman
14 July 2021

CHIEF EXECUTIVE OFFICER'S REVIEW

Accrol has completed its transformation into a business that is both capable of, and well positioned to, take significant advantage of the recovering market as the UK exits lockdown. For the third year in a row, the Group increased its market share, and for three years in a row, it has improved gross margins and reduced net debt, which now stands at below 1x FY21 adjusted EBITDA.

The Board is delighted with the improvement of the business over a relatively short period of time and proud of what has been achieved. However, we consider this to represent a new starting point, which gives the business the right foundations on which to build. Returns are substantially better, but there are still further improvements to be made. Management's attention continues to be focused on building a more diversified business, of size and scale, that delivers significant consumer benefits through the supply of great value products, and produces better returns for shareholders.

The acquisitions of LTC and JD are helping deliver this diversity and adding scale.

The relentless drive for increasing efficiency throughout the organisation will continue. Over the first quarter of FY21, a new IT system has successfully fulfilled every aspect of the business' needs, from finance, procurement and operations, to stock management. The full automation of the Blackburn tissue plant has been completed, with robotization replacing all manual finished goods movements. With a small element of automation to be completed in Leyland in FY22, as a new machine arrives, the Group will have three fully automated greenfield sites to achieve the lowest possible operational cost base in the UK.

Strategy

Following the acquisition of LTC and a review of our full range of products, we have simplified our ranges further. We have also developed new products for toilet tissue, kitchen towel and facial tissue, which, under independent testing, outperform the market leaders for softness for toilet tissue and absorbency for kitchen towel. We intend to launch a plastic free range in H1 FY22. The Board believe this will be a game changer in the industry and is fully supported by our customers. We will use this range to target the major brands further and improve our e-commerce offering significantly.

Our direct-to-consumer environmentally friendly product, Oceans has sold at a rate well in advance of any other similar product in its first year. It will be expanded to include a wider range of paper-wrapped and environmentally friendly products. With its accelerating rates of sale, we believe Oceans is on target to become the market leader in its space in the next three years. Over the next 12 months, we intend to invest in driving this range further.

In addition, we have recently agreed an online strategy with a large e-retail supplier in the UK. We expect this to grow over the next three years to being one of our largest customers, supporting their expectations of growth in the sector.

Market overview

Tissue sales have been volatile throughout the pandemic and FY21.

As previously reported, Accrol sales for FY20 saw a benefit of c£3m sales uplift as lockdown began, which unwound in FY21. The UK market experienced a 1.3% reduction in total tissue sales for FY21 with brands performing better than private label, due to higher stock levels and a consumer move to the major retailers. Private label sales were down 1.8% year on year although market volumes, between brands and private label, remained broadly in line with previous years with a 50:50 split between them.

Most retailers over FY21 have reported volatile sales revenues with many showing a decline in sales revenue for FY21 compared to FY20, with the exceptions of note coming from those businesses with significant online capabilities, who have generally outperformed the market during this Period. Accrol has the largest range of retailer customers in the UK industry which enabled the Group to benefit overall.

Customers

Over the two-year period from FY19 to FY21 Accrol revenues, excluding Away from Home, have increased by 16.2% and market share has grown by 390ppts, from 12% to 15.9%. This shows that our strategy of delivering great-value products with great service continues to be the right one. The widening range of customers also ensured that the Group has again grown ahead of the market throughout FY21 – the third year of growth for the Group.

With shoppers returning to instore purchasing, we and the major discounters expect to see a significant uplift in tissue volumes in H2 of FY22 with their confidence being demonstrated by the acceleration of new store openings in FY22 and into FY23.

In FY21, we relaunched our toilet tissue range, which has seen our sales in this part of the business outperformed the private label market and maintained our overall market share of the total tissue market at 18% despite an overall market decline of 2.5%. This is as a result of the significant improvements in our simplified range.

Within kitchen towel, our volumes grew 8% in line with the industry again maintaining our market share at 15.8%. We have recently completed the redesign and relaunch of a new kitchen towel range which has been tested against and outperforms the leading brand. Over the course of FY22, we expect this much simplified and improved range to gain significant traction, in a similar way to the Group's toilet tissue range in FY21.

Operations

The full automation of the Blackburn factory has been transformational, having removed all manual movements of pallets throughout the organisation.

Following the acquisition of LTC in November 2020, the Group completed the full automation of this site. The new geographical footprint of the enlarged Group has created more efficiencies, enabling the Group to reduce its logistics costs significantly by allocating production to maximise the supply chain efficiently for its UK wide customer base.

The Group's shift patterns and working practices were also reviewed and changed. This generated ongoing cost savings, which helped drive the reduction in operating costs achieved in FY21. The changes also give the Group "sprint" capacity, enabling it to benefit further from the promotional demands of the industry going forward.

The final automation of the Leyland factory, planned for FY22, and a further machine investment at this site will give the Group further headroom capacity. This will complete the major investment requirements for the tissue converting business, which will then require very limited capital going forward. The result for the organisation will be four toilet tissue productions sites in total (two in Blackburn; one in Leyland and one in Leicester) that have a geographical advantage compared to our UK competitors. They are, in effect, greenfield site operations and with the latest consistent machine technology and an overall capacity above £230m, in revenue terms, including the facial tissue plant.

Our paper mill development continues at pace with significant advancement across all aspects. This is a major project and we will update the market as our plans progress. We have finalised the specifications of the machine and the building and we are currently running a selection process for the mill's location. This machine will be a UK leader in efficiency, quality and carbon neutrality. No additional funding is expected to be required from shareholders to deliver this investment.

Acquisitions & Integrations

Following the acquisition of LTC in November 2020, we have completed the integration of the business and expect to deliver annualised synergy benefits of £3.0m - three times greater than originally anticipated at the time of the acquisition. These are being driven through operational improvements across the wider group, including logistics, operational simplification, and procurement. The revenue synergies, which are measured over an agreed period of time, will be lower during this Period, due to the impact of the pandemic, but are expected to benefit the Group in the longer term

In April 2021, the Group acquired the JD business in North Wales, a highly scalable flushable and bio-degradable wet wipe business. Early integration activities have progressed ahead of schedule and initial synergies are expected to be c£1m in the first full year of ownership. These will be delivered through operational synergies with the Group's existing facial tissue business, procurement benefits of the enlarged Group, simplification of organisation, and revenue growth opportunities, as the product offering to Accrol's existing customer base now includes its range of wet wipes. The Group's expectation with additional capital investment is to build a wet wipe business of significant scale by 2024.

People and culture

Our Company values remain at the core of everything the business does - we challenge, we are honest, we add value, and we deliver. Accrol's business model is based on being the lowest cost producer in the marketplace. However, this is not at the expense of our employees' welfare or their ability to grow within the organisation. Building on welfare changes already made in FY21, the Group has just launched an employee share save scheme to enable all employees to benefit from the Group's future success. Whilst take-up is expected to be modest, the positive reaction throughout the organisation continues to add to the quality of business we are building.

Health and safety / COVID-19

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

The achievements of all our employees at every site is something we are incredibly proud of. They have responded magnificently during the pandemic, keeping all our operations open and maintaining the highest standards in service and product quality for our customers. The pandemic is one of the biggest challenges ever to hit the UK. To help transform a business, build the foundations for a great one, and be part of a team that has performed throughout this COVID-19 crisis is humbling.

Outlook

The long-term outlook for the business is strong and the opportunity to increase our share in our core markets remains significant. The Group we have built over the last four years has firm foundations from which we can accelerate growth and, importantly, deliver strong shareholder 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.

The Group is well positioned for the long-term future. With no further significant capital requirements for the Tissue Converting division and the Group able to use its own resources for its planned investment in a state-of-the-art mill, due to be operational by 2024, the Group is in a very strong position to continue to grow.

FY22 has begun well with increased sales month-on-month and an improvement in year-on-year sales. The Group has also recently secured additional new volume, which will impact H2 FY22 positively. With the tissue market showing strong but steady signs of recovery as panic buying unwinds, the Board is confident that Group will deliver forecast revenue growth for FY22, albeit with an increased H2 weighting, which also co-ordinates with the installation of our final machine in Leyland. These exit run rates give the board increased confidence for the FY23 revenues and returns.

We look to the long-term future with increasing confidence.

Gareth Jenkins
Chief Executive Officer
14 July 2021

CHIEF FINANCIAL OFFICER'S REVIEW

Summary

The overall performance of the Group continued to improve and strengthen in FY21. Whilst this COVID-19 pandemic required significant changes to working practices for factory and office-based employees, the business continued without interruption to provide essential products to our customers.

The integration of Leicester Tissue Company ("LTC"), acquired in November 2020, and John Dale ("JD"), acquired in April 2021, continue to make excellent progress, benefitting from the Group's established manufacturing and commercial best practice programmes.

Trading results

Group revenue increased by 1.4% to £136.6m (FY20: £134.8m), although volumes were more volatile than normal, reflecting changes in consumer shopping habits during the pandemic. Short-term panic buying in March and April 2020, during the first national lockdown, strengthened FY20 volumes leading to a weaker H1 as demand normalised. H2 volumes were strengthened by the impact of the Group's two acquisitions. The total tissue market declined by 1.2% and our market share increased to 15.9% from 13.1% in FY20.

Gross margins improved again to 27.7% reflecting the ongoing work to improve productivity and reduce operating costs, underpinned by our investment in new systems and operating processes.

Administration costs have increased by £8.3m and include specific one-off costs of £2.9m related to acquisitions made during the year. There was a further £3.0m increase related to non-cash items (depreciation, amortisation and share based payments). Other cost increases reflect the larger scale of the business following the acquisitions during the year. Distribution costs were similar to last year and represented 8.4% of total revenues (FY20 8.5%).

Adjusted EBITDA improved by 47% to £15.6m (FY20: £10.6m) whilst operating losses increased to £0.6m (FY20: loss of £0.2m), reflecting the increase in operating costs above.

Separately disclosed items

Separately disclosed items totalled £4.7m, compared with £2.2m in FY20.

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

In April 2021, the Group acquired John Dale, whose principal activity is the manufacture of wet wipes and facial tissue. Professional fees of £225,000 arose as a result of the transaction.

Upon completion of the acquisition of LTC and JD, the Group immediately commenced a structured integration programme. This covered all key areas of the business including external relationships with customers and suppliers, as well as internal functional reviews to consolidate or integrate activities where appropriate. Project management costs of £314,000 included expert consultancy advice to support the integration process. Other incremental costs to support this activity included £218,000 of labour and £162,000 of operational costs, largely relating to transportation and short-term paper transfers. Incremental audit fees of £30,000 have been necessary due to added complexity.

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

The COVID-19 pandemic has continued to have a significant impact on how the Group conducts its operations, and on the availability of resource and personnel, to continue to function as an essential provider of products to UK retailers. The Group plans on a certain level of resource, factoring in normal levels of absence and holiday, to maintain a 24/7 manufacturing operation that is as efficient as possible. High levels of absence during the pandemic, due to illness or self-isolation, required incremental labour resources to be deployed to maintain service levels to our customers through additional overtime, additional temporary labour and the deferment of holidays – all of which resulted in additional costs of £292,000.

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

Interest, tax and earnings per share

Net finance costs were £1.9m (FY20: £1.7m). The Group also recorded a deferred tax charge of £0.1m (FY20: credit of £0.3m).

The loss before tax was £2.6m (FY20: £1.9m), due to flow through of higher acquisition related costs. Adjusted profit before tax of £9.1m (FY20: £4.7m) was higher due to the growth in adjusted operating profit.

Basic losses per share were 1.1 pence (FY20: 0.8 pence) reflecting higher amortisation costs and adjusting items. Adjusted diluted earnings per share were 2.7 pence (FY20: 1.7 pence), an increase of 59% driven by the growth in adjusted EBITDA. Earnings per share were impacted in the period by the equity issue in November 2020 which raised funds for the LTC acquisition.

Dividend

The proposed final dividend is 0.5 pence (FY20: nil).

Acquisitions

This year the Group made significant strategic steps with the acquisition of LTC in November 2020 and JD in April 2021.

The acquisition of LTC, following a successful placing of ordinary shares in the market and an open offer, added valuable new assets and capacity to the Group and new and complementary customers. The initial consideration for LTC was £35.0m, with a maximum contingent consideration of £6.8m, which is subject to new contractual earnings.

The acquisition of JD provides an established and scalable platform on which to enter the wet wipes market, a high growth and complementary sector of the tissue market. The total net consideration of £3.4m was funded from the Group's cash resources.

Cashflow

The Group achieved a further improvement in its adjusted net debt position of £14.6m, an improvement of £3.3m on the prior year (FY20: £17.9m). There was a £17.6m cashflow from operations (FY20: £19.4m) reflecting the improved trading performance and a continued improvement in working capital, despite an increase in raw material and finished good stock levels to support service responsiveness.

Balance sheet

Property, plant and equipment all increased, reflecting the acquisitions during the year and continued investment in our core machines and supporting infrastructure. We have significantly invested in automation at our Blackburn manufacturing facility, to improve productivity, operational flexibility, and to enhance customer service.

Significant progress has also been made in further improving the IT infrastructure and critical manufacturing systems including the implementation of NetSuite, which went live in July 2020.

Intangible assets represent mostly goodwill and customer relationships that have both increased because of the acquisitions of LTC and JD.

Goodwill is not amortised but is subject to an annual impairment review. After considering various scenarios and sensitivities, the Directors concluded that no impairment is required. During the year the Group invested further in product development and innovation including 'Magnum' and 'Oceans'. Together they created an intangible asset of £0.7m (FY20: £0.8m) which will be amortised over the anticipated life of the products.

COVID-19

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

Richard Newman
Chief Financial Officer
14 July 2021

CONSOLIDATED INCOME STATEMENT FOR YEAR ENDED 30 APRIL 2021

		2021	2020
	Note	**£'000**	£'000
Revenue	4	136,594	134,773
Cost of sales		(98,710)	(105,239)
Gross profit		37,884	29,534
Administration expenses		(27,072)	(18,810)
Distribution costs		(11,424)	(11,490)
Other income		-	585
Operating loss		(612)	(181)
Analysed as:			
– Adjusted EBITDA[1]		15,644	10,641
– Depreciation	9	(4,786)	(4,201)
– Amortisation	11	(3,520)	(2,040)
– Share based payments		(3,245)	(2,351)
– Separately disclosed items	5	(4,705)	(2,230)
Operating loss		(612)	(181)
Finance costs	7	(2,196)	(1,977)
Finance income	7	242	267
Loss before tax		(2,566)	(1,891)
Tax (charge)/credit	8	(74)	312
Loss for the year attributable to equity shareholders		(2,640)	(1,579)
Earnings per share		**Pence**	Pence
Basic loss per share	6	(1.1)	(0.8)
Diluted loss per share	6	(1.1)	(0.8)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR YEAR ENDED 30 APRIL 2021

	2021	2020
	£'000	£'000
Loss for the year attributable to equity shareholders	(2,640)	(1,579)
Other comprehensive income for the year		
Revaluation of derivative financial instruments [2]	-	(50)
Tax relating to components of other comprehensive income	-	9
Total comprehensive loss attributable to equity shareholders	(2,640)	(1,620)

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

(1) Adjusted EBITDA, which is defined as profit before finance costs and income, tax, depreciation, amortisation, share based payments and separately disclosed items, is a non-GAAP metric used by management and is not an IFRS disclosure (see note 16).

(2) Items that could potentially be reclassified subsequently to profit and loss.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 APRIL 2021

		2021	2020
	Note	**£'000**	£'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	63,341	39,740
Lease receivables	10	5,027	5,703
Intangible assets	11	61,763	26,877
Deferred tax assets	8	-	288
Total non-current assets		130,131	72,608
Current assets			
Inventories		23,185	9,373
Trade and other receivables		26,480	20,680
Current tax asset		-	40
Lease receivables	10	675	649
Cash and cash equivalents		7,604	8,147
Derivative financial instruments		-	28
Total current assets		57,944	38,917
Total assets		188,075	111,525
Current liabilities			
Borrowings	12	(12,349)	(18,157)
Trade and other payables		(47,031)	(23,988)
Financial instruments		(120)	-
Income taxes		(300)	-
Provisions		(7,321)	(158)
Total current liabilities		(67,121)	(42,303)
Total assets less current liabilities		120,954	69,222
Non-current liabilities			
Borrowings	12	(30,851)	(23,827)
Deferred tax liabilities	8	(3,666)	-
Provisions		-	(383)
Total non-current liabilities		(34,517)	(24,210)
Total liabilities		(101,638)	(66,513)
Net assets		86,437	45,012
Capital and reserves			
Share capital	13	311	195
Share premium		108,782	68,015
Capital redemption reserve		27	27
Retained earnings		(22,683)	(23,225)
Total equity shareholders' funds		86,437	45,012

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 30 APRIL 2021

	Share capital £'000	Share premium £'000	Hedging reserve £'000	Capital redemption reserve £'000	Retained earnings/ (accumulated losses) £'000	Total equity £'000
Balance at 30 April 2019	195	68,015	41	27	(23,956)	44,322
Effect of adoption of IFRS 16 (net of tax)	-	-	-	-	314	314
Balance at 1 May 2019	195	68,015	41	27	(23,642)	44,636
Comprehensive (expense)/income						
Loss for the year	-	-	-	-	(1,579)	(1,579)
Revaluation of derivative financial instruments	-	-	(50)	-	-	(50)
Tax relating to components of other comprehensive income	-	-	9	-	-	9
Total comprehensive expense	-	-	(41)	-	(1,579)	(1,620)
Transactions with owners recognised directly in equity						
Share based payments (net of tax)	-	-	-	-	1,996	1,996
Total transactions recognised directly in equity	-	-	-	-	1,996	1,996
Balance at 30 April 2020	**195**	**68,015**	-	**27**	**(23,225)**	**45,012**
Comprehensive (expense)/income						
Loss for the year	-	-	-	-	(2,640)	(2,640)
Total comprehensive expense	-	-	-	-	(2,640)	(2,640)
Transactions with owners recognised directly in equity						
Proceeds from shares issued	116	42,494	-	-	-	42,610
Transaction costs	-	(1,727)	-	-	-	(1,727)
Share based payments (net of tax)	-	-	-	-	3,163	3,163
Other taxation	-	-	-	-	19	19
Total transactions recognised directly in equity	116	40,767	-	-	3,182	44,065
Balance at 30 April 2021	**311**	**108,782**	**-**	**27**	**(22,683)**	**86,437**

CONSOLIDATED CASHFLOW STATEMENT FOR THE YEAR ENDED 30 APRIL 2021

		2021	2020
	Note	**£’000**	£’000
Cashflows from operating activities			
Operating loss		(612)	(181)
Adjustment for:			
Depreciation	9	4,786	4,201
Profit on disposal of property, plant and equipment		-	(585)
Amortisation	11	3,520	2,040
Grant income		-	(578)
Share based payments		3,245	2,351
Operating cashflows before movements in working capital		10,939	7,248
(Increase)/decrease in inventories		(8,553)	1,789
Decrease in trade and other receivables		604	2,251
Increase in trade and other payables		14,800	8,176
Decrease in provisions		(418)	(254)
Decrease in derivatives		148	22
Cash generated from operations		17,520	19,232
Tax received		40	197
Net cashflows generated from operating activities		17,560	19,429
Cashflows from investing activities			
Purchase of property, plant and equipment		(9,112)	(3,680)
Proceeds from sale of property, plant and equipment		-	650
Purchase of intangible assets		(1,702)	(3,256)
Acquisition of subsidiaries net of cash acquired		(32,235)	-
Receipt of capital element of leases		650	623
Lease interest received		242	267
Net cashflows used in investing activities		(42,157)	(5,396)
Cashflows from financing activities			
Proceeds of issue of ordinary shares		42,610	-
Cost of raising equity		(1,727)	-
Amounts received from factoring facility		151,645	161,650
Amounts paid to factoring facility		(161,489)	(163,523)
New leases in year		1,694	-
Repayment of capital element of leases		(5,764)	(4,595)
Repayment of bank loans		(997)	-
Transaction costs of RCF		(413)	-
Lease interest paid		(844)	(882)
Other interest paid		(661)	(712)
Net cashflows used in financing activities		24,054	(8,062)
Net increase in cash and cash equivalents		(543)	5,971
Cash and cash equivalents at beginning of the year		8,147	2,176
Cash and cash equivalents at year end		7,604	8,147

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION FOR THE YEAR ENDED 30 APRIL 2021

1. GENERAL INFORMATION

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

The Company's subsidiaries are Accrol UK Limited, Accrol Holdings Limited, Accrol Papers Limited, LTC Parent Limited, Leicester Tissue Company Limited, Art Tissue Ltd, John Dale (Holdings) Ltd and John Dale Limited which together with the Company form the Accrol Group Holdings plc Group (the "Group").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006.

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

New standards, interpretations and amendments effective in the year

New standards that have been adopted in the financial statements for the year ended 30 April 2021, but have not had a significant impact on the Group are as follows:

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

New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the 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 2021:

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

Effective for the period beginning 1 May 2022:

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

- References to Conceptual Framework (Amendments to IFRS 3)

Going concern

The Chairman's Statement and the Chief Executive's Review outline the business activities of the Group along with the factors which may affect its future development and performance. The Financial Review discusses the Group's financial position, along with details of cashflow and liquidity. In summary, the Group generated operating cash of £17.6m and reduced adjusted net debt from £17.9m to £14.6m, whilst significantly investing in automation and manufacturing infrastructure. The Directors recognise that as of 30 April 2021, the Group has net current liabilities of £9.2m (2020: net current liabilities of £3.4m), which was considered as part of this review. However, this includes £6.6m of contingent consideration that is likely to be settled by the issue of equity.

As in previous years, the Group's forecasted performance is dependent on a number of market and macroeconomic factors particularly the sensitivity to the price of parent reels and the sterling/USD exchange rate which are inherently difficult to predict. The Group did experience some minor operational disruption resulting from Brexit, but this is not expected to impact the business going forward. The Group's forecasted performance has been tested for downside scenarios, including reverse stress tests, relating to sales volume, parent reel prices and foreign exchange rate movements. It also considered the impact of the COVID-19 pandemic on forecasted performance. The Group considered the likelihood of such events occurring together with the relevant impact thereof and were satisfied that if a scenario partly or fully takes place the Group has mitigating options available to maintain liquidity and continue its operations.

The Group is currently operating comfortably within its covenants. It also considered the impact of the above downside scenarios on covenant headroom. The directors were satisfied that after evaluating the probability of events and available mitigating actions, covenant breaches would be unlikely. At 30 April 2021, available funds were £12.1m, with further details of the borrowing facilities set out in note 12.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

Critical accounting judgements in applying the entity's accounting policies

Business combinations

Significant judgement is exercised in determining the forecasted performance targets used to calculate the contingent consideration and the discount rates and weighted average cost of capital to calculate the fair value of the contingent consideration.

The Group exercised judgement in identifying and valuing intangible assets such as customer relationships. This involved calculating discounted cash flows, applying appropriate attrition rates and discount rates.

Development costs

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

Separately disclosed items

During the course of the year the Group 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 mis-stating the Group's underlying performance.

Critical accounting estimates in applying the entity's accounting policies

Goodwill and intangible asset impairment

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

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

The future underlying cashflows remain sensitive to a number of key variables, including the sterling/USD exchange rate and parent reel pricing, both of which are inherently difficult to predict, and which could have a significant effect (positive or negative) on the Group's cashflows. COVID-19 pandemic has increased the variability in this calculation.

More information including carrying values is included in note 11.

Right-of-use assets

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

Deferred taxation

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

4. REVENUE

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

	2021	2020
	£'000	£'000
United Kingdom	127,107	128,078
Europe	9,487	6,695
	136,594	134,773

5. SEPARATELY DISCLOSED ITEMS

	2021	2020
	£'000	£'000
Acquisition professional fees	2,150	-
Acquisition integration costs	724	-
Acquisition related items	2,874	-
Operational reorganisation and restructure	1,034	856
Loss on derivative financial instruments	-	639
COVID-19 costs	670	209
FCA investigation legal costs	22	125
Management reorganisation and restructure	-	118
Setting up and subsequent exit from Skelmersdale site	12	90
Other items	93	193
Other items	1,831	2,230
	4,705	2,230

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

Acquisition costs £2,150,000 (2020: £nil)
In November 2020, the Group acquired Leicester Tissue Company, whose principal activity is paper tissue converting. Professional fees of £1,925,000 arose as a result of the transaction.

In April 2021, the Group acquired John Dale, whose principal activity is the manufacture of wet wipes and facial tissue. Professional fees of £225,000 arose as a result of the transaction.

Integration £724,000 (2020: £nil)
Upon completion of the acquisition of LTC and JD, the Group immediately commenced a structured integration programme. This covered all key areas of the business including external relationships with customers and suppliers, as well as internal functional reviews to consolidate or integrate activities where appropriate. Project management costs of £314,000 included expert consultancy advice to support the integration process. Other incremental costs to support this activity included £218,000 of labour and £162,000 of operational costs, largely relating to transportation and short-term paper transfers. Incremental audit fees of £30,000 have been necessary due to added complexity.

Operational reorganisation and restructure £1,034,000 (2020: £856,000)
Following the significant progress made during FY20 to transform the manufacturing capability of the business, it was appropriate to review the whole organisation to ensure it was aligned with Accrol's future growth strategy and to deliver world class standards in safety and performance every day. The final elements of the business turnaround plan were completed during the year with significant capital investment in automation at our Blackburn manufacturing site. The complexity of maintaining a 24/7 operation during the implementation of this substantial project resulted in an element of incremental labour costs as service levels needed to be maintained despite the inevitable disruption to normal operations during the period of transition. Once the project had been completed a number of redundancies were incurred as the overall headcount reduced, reflecting the benefits from the automation investment. The total labour cost of the above was £948,000, with associated fees of £86,000.

COVID-19 £670,000 (2020: £209,000)
The COVID-19 pandemic has continued to have a significant impact on how the Group conducts its operations, and on the availability of resource and personnel, to continue to function as an essential provider of products to UK retailers. The Group plans on a certain level of resource, factoring in normal levels of absence and holiday, to maintain a 24/7 manufacturing operation that is as efficient as possible. High levels of absence during the pandemic, due to illness or self-isolation, required incremental labour resources to be deployed to maintain service levels to our customers through additional overtime, additional temporary labour and the deferment of holidays – all of which resulted in additional costs of £292,000.

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

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

Operational reorganisation and restructure
The prior year saw the final stages of the complex and comprehensive turnaround activities completed. This included costs of £748,000 associated principally with additional labour and material costs, as legacy performance issues were corrected. The business undertook a full review of the products the site manufactured and the way it was planned, an assessment of the leadership capabilities and reassignment, a skills assessment and training programme, maintenance regimes and a capital investment plan for key upgrades. Transportation and storage costs of £108,000 were also incurred in supporting these activities.

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

COVID-19
The Group incurred incremental costs in March and April 2020, principally relating to overtime and temporary labour of £119,000, to cover employees who were in isolation. Additional logistics, PPE, cleaning and security costs of £90,000 were also incurred.

FCA investigation legal costs
As previously disclosed, the FCA initiated an investigation into statements made by the Company between 10 June 2016 and September 2018. Significant consultancy and legal costs associated with the management of this investigation have been incurred, and the investigation was closed with no action to be taken.

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

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

		2021	2020
		£'000	£'000
Loss for the year attributable to shareholders		(2,640)	(1,579)

		Number	Number
Weighted average number of shares		**'000**	'000
Issued ordinary shares at 1 May		195,247	195,247
Effect of shares issued in the year		51,214	-
Weighted average number of ordinary shares at 30 April		246,461	195,247
Basic loss per share (pence)		(1.1)	(0.8)

Diluted loss per share

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

		2021	2020
		£'000	£'000
Loss for the year attributable to shareholders		(2,640)	(1,579)

		Number	Number
		'000	'000
Weighted average number of shares (basic)		246,461	195,247
Effect of conversion of Accrol Group Holdings plc share options		-	-
Weighted average number of ordinary shares at 30 April		246,461	195,247
Diluted loss per share (pence)		(1.1)	(0.8)

No adjustment has been made in 2021 and 2020 to the weighted average number of shares for the purpose of the diluted earnings per share calculation as the effect would be anti-dilutive.

7. FINANCE COSTS

		2021	2020
		£'000	£'000
Bank loans and overdrafts		661	712
Lease interest		844	882
Amortisation of finance fees		438	365
Unwind of discount on provisions		253	18
Total finance costs		2,196	1,977

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

8. INCOME TAX EXPENSE

Tax (charged)/credited in the income statement

		2021	2020
		£'000	£'000
Current income tax			
Current tax on losses for the year		-	-
Adjustment in respect of prior periods		-	6
Total current income tax credit		-	6
Deferred tax			
Origination and reversal of temporary differences		(28)	337
Adjustment in respect of prior periods		(46)	(14)
Change in tax rate		-	(17)

Total deferred tax (charge)/credit		(74)	306
Tax (charge)/credit in the income statement		(74)	312

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

	Accelerated capital allowances £'000	Intangible assets £'000	Derivative financial instruments £'000	Losses £'000	Share based payments £'000	Other £'000	Total £'000
30 April 2019	(1,911)	(1,846)	(9)	3,425	308	-	(33)
Credit/(charge) in year	(88)	212	-	(264)	446	-	306
Credit/(charge) to equity	-	-	9	-	80	(74)	15
30 April 2020	**(1,999)**	**(1,634)**	-	**3,161**	**834**	**(74)**	**288**
Acquired on business combinations	(1,030)	(4,154)	-	177	-	109	(4,898)
Credit/(charge) in year	(542)	552	-	949	(990)	(43)	(74)
Credit/(charge) to equity	-	-	-	-	999	19	1,018
30 April 2021	(3,571)	(5,236)	-	4,287	843	11	(3,666)

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

Deferred tax expected to be settled within 12 months of the reporting date is approximately £2,177,000 (2020: £563,000).

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

An increase in the corporation tax rate to 25% with effect from 1 April 2023 was substantively enacted on 24 May 2021, therefore has not been reflected in these consolidated financial statements. If this rate had been substantively enacted this would have increased the deferred tax liability at 30 April 2021 by £2,335,000.

9. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land & buildings £'000	Fixtures & fittings £'000	Plant and machinery £'000	Assets under construction £'000	Right-of-use assets £'000	Total £'000
Cost						
At 30 April 2019	445	1,911	37,475	294	-	40,125
Adjustment on initial application of IFRS 16	-	-	(5,619)	-	16,621	11,002
Additions	52	185	383	3,060	22	3,702
Reclassification	-	-	-	-	-	-
Disposals	-	-	(5,052)	-	(485)	(5,537)
At 30 April 2020	497	2,096	27,187	3,354	16,158	49,292
Acquired through business combinations	1,043	164	9,545	-	8,046	18,798
Additions	31	149	733	8,199	477	9,589
Reclassification	-	-	8,335	(10,457)	2,122	-
At 30 April 2021	1,571	2,409	45,800	1,096	26,803	77,679
Accumulated depreciation						
At 30 April 2019	136	998	9,689	-	-	10,823
Adjustment on initial application of IFRS 16	-	-	(727)	-	727	-
Charge for the year	42	367	1,012	-	2,780	4,201
Disposals	-	-	(5,052)	-	(420)	(5,472)
At 30 April 2020	178	1,365	4,922	-	3,087	9,552
Charge for the year	70	337	879	-	3,500	4,786
At 30 April 2021	248	1,702	5,801	-	6,587	14,338
Net book value						
At 30 April 2021	1,323	707	39,999	1,096	20,216	63,341
At 30 April 2020	319	731	22,265	3,354	13,071	39,740

Assets with a value of £63,341,000 (2020: £39,740,000) form part of the security against the RCF as described in note 12.

10. LEASES

Leases receivable

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

Lease liabilities

	Land & buildings	Plant & machinery	Total
	£'000	£'000	£'000
At 1 May 2020	16,364	2,200	18,564
Acquired under business combinations	8,457	4,169	12,626
New leases in the year	-	2,171	2,171
Interest expense	731	113	844
Lease payments	(4,357)	(2,251)	(6,608)
At 30 April 2021	21,195	6,402	27,597

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

11. INTANGIBLE ASSETS

	Goodwill	Customer relationships	Development costs	Computer software	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 30 April 2019	14,982	20,427	-	-	126	35,535
Internally developed additions	-	-	764	2,492	-	3,256
At 30 April 2020	14,982	20,427	764	2,492	126	38,791
Acquired through business combinations	14,812	21,864	-	28	-	36,704
Internally developed additions	-	-	684	1,018	-	1,702
At 30 April 2021	29,794	42,291	1,448	3,538	126	77,197
Amortisation						
At 30 April 2019	-	9,788	-	-	86	9,874
Charge for the year	-	2,040	-	-	-	2,040
At 30 April 2020	-	11,828	-	-	86	11,914
Charge for the year	-	2,903	273	344	-	3,520
At 30 April 2021	-	14,731	273	344	86	15,434
Net book value						
At 30 April 2021	29,794	27,560	1,175	3,194	40	61,763
At 30 April 2020	14,982	8,599	764	2,492	40	26,877

Goodwill

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

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

		2021	2020
		£'000	£'000
Accrol		17,917	14,982
Leicester Tissue Company ("LTC")		11,742	-
John Dale ("JD")		135	-
		29,794	14,982

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

At 30 April 2021, the impairment tests concluded that there was headroom across each of the CGUs. At a Group level the estimated value in use at 30 April 2021 exceeds the carrying value by £100m (Accrol £81m, LTC £17m, JD £2m). The recoverable amounts of the CGUs have been determined from value-in-use calculations.

Key assumptions

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

The cash flow forecasts have been derived from the most recent forecast presented to the Board for the year ending 30 April 2022. The cash flows utilised are based upon forecast sales volumes and product mix, anticipated movements in tissue prices and input costs and known changes and expectations of current market conditions.

The pre-tax discount rate used in the value in use calculations is 13.0% (2020: 14.0%) and this has been used consistently across each CGU. This is derived from the Group's weighted average cost of capital and is calculated with reference to latest market assumptions for the risk-free rate, equity market risk premium and the cost of debt. The values reflect both past experience and external sources of information. The long-term growth rate assumed across all CGUs is 2% (2020: 2%).

Sensitivity to changes in assumptions

To support their assertions, the Directors have conducted sensitivity analyses to determine the impact that would result from changes in the above assumptions. Based on this analysis, the Directors believe that a reasonably possible change in any of the key assumptions detailed above would not cause the carrying value of CGU groups to exceed their recoverable amounts, although the headroom would decrease. Therefore, at 30 April 2021 no impairment charge is required against the carrying value of goodwill.

At a Group level impairment would be caused by either increasing the pre-tax discount rate by 11% or reducing the average EBIT performance by £11m. A combination of increasing the pre-tax discount rate by 5% and reducing average EBIT performance by £6m results in an impairment.

At a CGU level the equivalent sensitives are Accrol (16% increase in pre-tax discount rate or £9m reduction in EBIT); LTC (5% increase in pre-tax discount rate or £2m reduction in EBIT) and JD (7% increase in pre-tax discount rate or £0.2m reduction in EBIT).

Notwithstanding the above sensitivities, the Directors are satisfied that they have applied reasonable and supportable assumptions based on their best estimate of the range of future economic conditions that are forecast and consider that an impairment is not required in the current year. However, the position will be monitored on a regular basis. Going forward, as the acquired operations become fully integrated, it is likely that the Group will return to a sole CGU.

Development costs
During the year, the Group developed new innovative products 'Magnum' and 'Oceans'. The development costs capitalised are to be amortised over the life of the products (typically three years).

Computer software
During the year, the Group has continued in the development of a new ERP system and warehouse management system.

Customer relationships
During the year, customer relationships of £21,864,000 arose on the Group's acquisition of Leicester Tissue Company and John Dale. Customer relationships have a useful economic life of 6-10 years.

12. BORROWINGS

		2021	2020
		£'000	£'000
Current			
Revolving credit facility		1,821	1,636
Factoring facility		3,975	11,817
Leases		6,553	4,704
		12,349	18,157
Non-current			
Revolving credit facility		9,807	9,967
Leases		21,044	13,860
		30,851	23,827

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

	Current loans & borrowings	Non-current loans & borrowings	Total
	£'000	£'000	£'000
At 1 May 2020	18,157	23,827	41,984
Cashflows	(16,829)	-	(16,829)
Non-cashflows:			
New leases acquired through business combinations	2,016	10,610	12,626
New leases	477	-	477
Loans acquired through business combinations	997	-	997
Factoring facility acquired through business combinations	2,002	-	2,002
Interest accrued	1,505	-	1,505
Amortisation of finance fees (note 7)	438	-	438
Allocation from non-current to current in the year	3,586	(3,586)	-
At 30 April 2021	**12,349**	**30,851**	**43,200**

Finance costs incurred to arrange the revolving credit facility have been capitalised and are being amortised through interest payable. Unamortised finance costs at 30 April 2021 are £372,000 (2020: £397,000).

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

		2021	2020
		£'000	£'000
Loan maturity analysis			
Within one year		12,528	18,521
Between one and two years		7,666	13,351
Between two and five years		18,986	8,072
After five years		4,392	2,437
		43,572	42,381

The following amounts remain undrawn and available:

		2021	2020
		£'000	£'000
Revolving credit facility		5,000	-
Factoring facility		7,128	1,012
		12,128	1,012

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

HSBC revolving credit facility agreement ("RCF")

The Group has a £17m multi-currency revolving credit facility that expires in August 2023. The facility requires repayment of £2m on each of 30 April 2022 and 30 April 2023.

Interest charged on the facility is at LIBOR plus a margin of 2.20%-2.95%. A commitment fee of 40% of applicable margin on any undrawn RCF is also payable.

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

HSBC factoring credit facility ("factoring facility")

The Group has a £22.5m multi-currency factoring facility to provide financing for general working capital requirements. Under the terms of this facility the drawdown is based upon gross debtors less a retention (typically 15%), with the remaining debt funded. Each drawing under the facility is repayable within a maximum of 90 days from date of invoice for jurisdictions within the United Kingdom and 120 days for other countries.

Covenants

The Group is subject to financial covenants in relation to the RCF and the factoring facility. The RCF covenants are interest cover and net 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.

13. SHARE CAPITAL AND RESERVES

		2021	2020
		£'000	£'000
Called up, allotted and fully paid			
Ordinary shares of £0.001 each		311	195
		311	195

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

		2021	2020
		Number	Number
Ordinary shares of £0.001 each		311,354,632	195,246,536

In November 2020, 116,108,096 £0.001 ordinary shares were issued. Transaction costs of £1,727,000 were incurred in relation to the above share issues.

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

14. ACQUISITION OF GROUP COMPANIES

Acquisition of Leicester Tissue Company

In November 2020, the Group acquired 100% of the issued share capital of Leicester Tissue Company ("LTC"), whose principal activity is soft paper tissue converting. LTC qualifies as a business as defined in IFRS 3 'Business Combinations'. This acquisition represents another milestone on our journey to build a world-class operationally efficient business of size and scale. It is well invested, ideally located in central England and its product mix and customer base are complementary to our existing business.

Details of the fair value of identifiable assets acquired and liabilities assumed, purchase consideration and resulting goodwill are as follows:

	£'000
Property, plant and equipment	9,739
Right-of-use assets	7,911
Intangible assets	20,269
Inventories	4,008
Trade & other receivables	5,605
Cash	683
Trade & other payables	(6,376)
Borrowings	(2,999)
Lease liabilities	(12,491)
Provisions	(550)
Corporation tax liability	(200)
Deferred tax liability	(4,436)
Total identifiable assets acquired and liabilities assumed	21,163
Goodwill	14,677
Total consideration	35,840
Satisfied by:	
Cash	29,471
Contingent consideration	6,369
Total consideration transferred	35,840
Net cash outflow arising on acquisition	
Cash consideration	29,471
Less: Cash and cash equivalent balances acquired	(683)
	28,788

On acquisition Leicester Tissue Group held trade receivables with a book and fair value of £4,805,000 representing contractual receivables of £4,853,000. Whilst the Group will make every effort to collect all contractual receivables, it considers it unlikely that £48,000 will ultimately be received.

The contingent consideration can be settled in cash or Accrol Group Holdings plc shares (at the Group's discretion) and is calculated on the incremental EBITDA performance of contracts secured prior to the acquisition that had yet to be delivered, measured over a four-month period from 1 March 2021. Consideration is measured on a sliding scale with a maximum of £6,800,000 payable to the vendors if EBITDA targets are met. The calculation of the contingent consideration liability has been based upon the Group's forecast, both at acquisition and at the reporting date, of the contract performance over the four-month period. It has been discounted at acquisition date using the Group's short term WACC of 9% and is recognised in provisions less than one year. The unwind of the discount is charged to interest payable.

The main factors leading to the recognition of goodwill are the presence of certain intangible assets, such as the assembled workforce of the acquired entity, which do not qualify for separate recognition and the anticipation of significant synergies, particularly in material, operational and logistics costs.

The goodwill recognised will not be deductible for tax purposes.

Acquisition costs of £1,925,000 arose as a result of the transaction. These have been recognised as part of administrative expenses in the Statement of Comprehensive Income.

Since the acquisition date, LTC has contributed £18,053,000 to Group revenues and £2,561,000 to Group profit before tax.

Acquisition of John Dale

In April 2021, the Group acquired 100% of the issued share capital of John Dale ("JD"), whose principal activity is the manufacturer of wet wipes and facial tissue. JD qualifies as a business as defined in IFRS3 'Business Combinations'. This acquisition further advances Accrol's reach into the soft tissue market whilst also moving into an adjacent sector to diversify the business.

Details of the fair value of identifiable assets acquired and liabilities assumed, purchase consideration and resulting goodwill are as follows:

	£'000
Property, plant and equipment	1,013
Right-of-use assets	135
Intangible assets	1,623
Inventories	1,252
Trade & other receivables	798
Cash	1,674
Trade & other payables	(787)
Borrowings	-
Lease liabilities	(135)
Provisions	(25)
Corporation tax liability	(100)
Deferred tax liability	(462)
Total identifiable assets acquired and liabilities assumed	4,986
Goodwill	135
Total consideration	5,121

Satisfied by:	
Cash	5,121
Total consideration transferred	5,121
Net cash outflow arising on acquisition	
Cash consideration	5,121
Less: Cash and cash equivalent balances acquired	(1,674)
	3,447

On acquisition John Dale held trade receivables with a book and fair value of £522,000 representing contractual receivables of £539,000. Whilst the Group will make every effort to collect all contractual receivables, it considers it unlikely that £17,000 will ultimately be received.

The main factors leading to the recognition of goodwill are, the presence of certain intangible assets, such as the assembled workforce of the acquired entity, which do not qualify for separate recognition and the anticipation of significant synergies, particularly in material, operational and logistics costs.

The goodwill recognised will not be deductible for tax purposes.

Acquisition costs of £225,000 arose as a result of the transaction. These have been recognised as part of administrative expenses in the Statement of Comprehensive Income.

Since the acquisition date, John Dale has contributed £335,000 to Group revenues and £54,000 to Group profit before tax.

15. EVENTS AFTER THE BALANCE SHEET DATE

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

16. ALTERNATIVE PERFORMANCE MEASURES

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

Adjusted earnings per share

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

		2021	2020
		£'000	£'000
Loss attributable to shareholders		(2,640)	(1,579)
Adjustment for:			
Amortisation		3,520	2,040
Separately disclosed items		4,705	2,230
Share based payments		3,245	2,351
Discount unwind on contingent consideration		239	-
Tax effect of adjustments above		(2,225)	(1,258)

Adjusted earnings attributable to shareholders		6,844	3,784

		Number	Number
		’000	’000
Basic weighted average number of shares		246,461	195,247
Dilutive share options		10,675	30,463
Diluted weighted average number of shares		257,136	225,710

		pence	pence
Basic adjusted earnings per share		2.7	1.9
Diluted adjusted earnings per share		2.6	1.7

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

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

Consolidated income statement

		2021	2020
		£’000	£’000
Adjusted EBITDA			
Operating loss		(612)	(181)
Adjusted for:			
Depreciation		4,786	4,201
Amortisation		3,520	2,040
Separately disclosed items		4,705	2,230
Share based payments		3,245	2,351
Adjusted EBITDA		15,644	10,641

		2021	2020
		£’000	£’000
Adjusted Gross Profit			
Gross Profit		37,884	29,534
Adjusted for:			
Separately disclosed items		1,220	1,008
Adjusted Gross Profit		39,104	30,542
Revenue		136,594	134,773
Adjusted Gross Margin		28.6%	22.7%

		2021	2020
		£’000	£’000
Adjusted profit before tax			
Reported (loss) before tax		(2,566)	(1,891)
Adjusted for:			
Amortisation		3,520	2,040
Separately disclosed items		4,705	2,230
Share based payments		3,245	2,351
Discount unwind on contingent consideration		239	-
Adjusted profit before tax		9,143	4,730