18 January 2022

Accrol Group Holdings plc

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

HALF YEAR RESULTS

Continued progress in a challenging environment

Accrol (AIM: ACRL), the UK's leading independent tissue converter, announces its unaudited results for the six months ended 31 October 2021 ("H1 22" or the "Period").

Gareth Jenkins, Chief Executive Officer of Accrol, said:

"This has been one of the most challenging periods in the industry that I have experienced in my 25-year career. Tissue pricing has reached unprecedented levels, driven by escalating energy costs (rising as much as 500% for certain suppliers) and global sea freight charges, combined with increased UK transport costs, resulting from HGV driver shortages.

"Despite the challenges, the Group is on track to recover the cost increases that it has absorbed, as a result of these challenging market dynamics, from its supportive retailer customer base. Whilst the profitability of the Group will be impacted in the short-term, due to the time-lag on price increase implementation (averaging 2-3 months), we expect to exit the year in a strong position both operationally and commercially.

"Improving market conditions during the period did, however, result in month-on-month growth throughout H1 22, as shopping behaviours started to normalise. Q2 revenues were 17% higher than Q1 and market share was 15.3%, as we entered H2 22. We have also seen pleasing progress at John Dale, our biodegradable wet wipe business. The flushable range of products has been well received by retailers and wet wipe sales were up 33% in the first six months of ownership. In addition, our new direct to consumer markets, supplied by our Oceans brand (revenues up c.140% in last six months, compared to prior six months) and our recently launched Amazon offering."

Key financials

	H1 22	*H1 21*	***Change***
Revenue	**£73.7m**	£62.3m	**18.3%**
Gross margin	**24.7%**	23.7%	**4.2%**
Adjusted EBITDA[1]	**£5.0m**	£5.4m	**-6.7%**
Adjusted profit before tax[2]	**£0.7m**	£2.6m	**(£1.9m)**
Loss before tax	**(£3.5m)**	(£0.5m)	**(£3.0m)**
Adjusted diluted earnings/(loss) per share	**0.2p**	0.9p	**(0.7p)**
Diluted (loss) per share	**(0.8p)**	(0.2p)	***(0.6p)***
Adjusted net debt[3]	**£21.6m**	£18.1m	***19.4%***

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

Highlights

- Revenue growth of 18.3% to £73.7m, reflecting the successful scaling and diversification of the business since the acquisitions of Leicester Tissue Company ("LTC") and John Dale ("JD")
- Improving trend throughout the Period with Q2 revenues (£39.8m) 17% higher than Q1 (£33.9m)
- Gross margins improved versus H1 21, despite raw material cost increases
- Adjusted EBITDA of £5.0m achieved, despite increased operational costs caused by supply chain issues
- Significant price increases delivered in the Period with a supportive retail customer base
- Strong performance from JD with a 33% increase in its biodegradable wet wipe sales in the first six months of ownership
- Strong market position maintained, despite a 1% reduction in market size and ongoing impacts of the pandemic in Q1
- LTC and JD acquisitions fully integrated and synergies being realised, as anticipated
- Business continued to operate safely throughout the Period with zero lost time accidents

Current trading and outlook

- Stronger volume momentum, as the Group entered H2 22
- Operational improvements on track with the final automation of the Leyland site to complete by the end of March 2022, which, alongside the final machine installation, will complete the major investment into the Group's Tissue business
- Despite a slower than anticipated recovery from the discount retailers, many discounters have announced accelerated store openings over the next 12 months, from which the Group is well positioned to benefit
- Following another uplift in energy costs impacting all parent reel suppliers, a further product price increase is being implemented. A successful outcome to this process is supported by Accrol's strong position in a tightening market for finished tissue products and parent reels.
- A full strategic review is being initiated to capitalise on the evident strength of the business' market position, its balance sheet, and its solvency, underpinned by significant banking support, to ensure that shareholder value is optimised
- Group on track to deliver revenue growth of 17% to c.£160m and Adjusted EBITDA of c.£9.0m, despite an annualised increase in costs of c.£50m

Dan Wright, Executive Chairman of Accrol, said:

"On 12 January, we issued a trading update as unavoidable surcharges to parent reel prices, relating to exceptional energy price increases, were levied on the Company, and this, together with further inflationary pressure on input costs since the end of H1 22, will impact growth in the current year.

"To mitigate these further significant cost increases, the Group is engaged with all its customers to achieve further substantial price increases, over and above those secured in mid-2021. This is an ongoing process but the initial response from all our customers has been very supportive. These price increases will start to impact from February onwards.

"Despite facing short-term price recovery challenges in H2 22, the Group continues to strengthen its market position with the operational foundations in place to enable future growth. The Board is confident that the strong pricing actions taken in FY22, to recover unprecedented cost increases, will ensure a strong recovery of margins and profitability in FY23."

For further information, please contact:

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

Zeus Capital Limited (Nominated Adviser & Broker)
Dan Bate / Jordan Warburton — Tel: +44 (0) 161 831 1512
Dominic King — 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
accrolpr@belvederepr.com

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 c£2.1bn UK retail tissue market.

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

OPERATIONAL REVIEW

Summary of progress

The Group's progress has continued strongly despite the ongoing well-reported macro challenges. We have built a UK business with scale, geographic footprint and innovation, which is able to continue volume and market share growth. We are well positioned to benefit from the significant growth expected across our sector with many of the discount retailers having announced accelerated store openings over the next 12 months.

Group revenues increased by 18.3% versus H1 21, reflecting the successful scaling and diversification of the business since the acquisitions of LTC and JD, with month-on-month growth throughout the Period and into H2 22. Our market share reduced slightly in the Period to 15.3% (FY 21: 15.9%), in a market that showed an overall decline of 1%, reflecting a weaker performance in Q1. Revenues in Q2 showed a strong recovery, as the impacts of the pandemic started to fully unwind. Post Period end, our market share has continued to grow month on month, as revenues continued to increase.

However, much of our hard work and achievement has been overshadowed by the short-term impact of the significant increases in raw material costs, UK supply chain costs, as well as global sea freight charges, which are currently dominating the narrative.

I would like to take this opportunity to thank our employees across the Group, who have been fantastic, working relentlessly to meet the challenges presented. Our absence rate has been less than 3%, which is outstanding for our industry, and even more notable considering the continued high levels of COVID-19 in the areas in which we operate. I am particularly proud that our lost time accident rate dropped to zero in the Period and it is thanks to our team that our service record to our retailer base continues to be strong, despite the challenging environment.

The challenges

Whilst the Group's supply chain has shown significant resilience in H1 22, considerable raw material cost increases were absorbed and shortages managed with the usual 3-month time lag between the impact of the costs and being able to pass them on to customers. I am pleased to report that cost increases passed on though price increases to date amount to over £40 million on an annualised basis.

To better understand what has been happening, it is worth detailing the events and performance on a quarterly basis.

Q1 22

In Q1, tissue prices began to increase, with the usual 3-month time horizon, and Accrol was engaging successfully with its customer base to pass on these additional costs. Over the last 18 months, the Group has put in place indexation agreements with many customers to enable it to better manage these fluctuations. To help mitigate the supply chain challenges, the Group actively increased its raw material and finished goods stock positions to ensure its supply positions. Logistics bottlenecks in incoming parent reels and UK transportation had significant impact in the quarter but the Group's careful management of this ensured service levels to all customers remained high, albeit with significant related on-costs to the business.

Q2 22

In Q2, the recovery of the cost increases incurred in Q1 progressed well across all retailers. Further increases of c.20% on tissue prices were forecast across the industry, with additional increases across all other raw materials including cartons, corrugated, plastic wrap, paper wrap and core board. Many of these cost increases were being driven by significant upward movements in energy cost, impacting all aspects of the supply chain. The total cost to the business of the first two tissue price increases was c.£40 million on an annualised basis. Significant recovery of these increased costs was achieved from retailers, with many price increases being agreed that would positively impact in Q3 and fully across Q4, given the usual 3-month time lag. Margins in H1 showed an improvement on the same period in the prior financial year, showing the robustness of the business model and the improved relationships the business has with its customer base.

Q3 22

As the Group entered Q3, accelerating energy costs were impacting the paper reel supply, which, over a short period of time (c.5 months) saw energy costs for some suppliers increase by up to 500%, as hedging positions came to a close. Several suppliers in different regions globally ceased trading. As a percentage of the overall selling price of paper, energy costs currently comprise as much as 50% (previously 10%), meaning that without significant paper price increases the industry was unsustainable. As announced in the Group's Trading Update on 12 January 2022, these sharp and rapid (the average time horizon reduced significantly) price rises in paper costs have materially impacted Accrol in the short term. As with previous paper price increases, however, these are in the process of being recovered from customers. A successful outcome to this process is supported by Accrol's strong position in a tightening market for finished tissue products and parent reels.

The Board expects significant margin recovery by the end of Q4 22 and Accrol is expected to enter FY23 with good margins and an operationally well-placed business to take advantage of the UK market, which is forecast to grow significantly as the planned new store openings across many discounters begin to take effect.

Commercial Development

We continue to make good progress to develop our product range and add new sales channels. The Group has secured an extended sole supply position with Morrisons for its paper category and increased its own brands, Magnum and Oceans, into an initial 100 stores. The Magnum brand is also in Poundland, Wilko, Iceland and other independents and continues to grow strongly with a current Retail Sales Value of c.£20 million pa.

We have secured our Softy facial tissue brand with Sainsburys, from February 2022 and other Accrol branded ranges now being supplied into Unitas, which represents 33,000 independent retailers.

Oceans, which is the Group's plastic free brand sold direct to consumers, continues to gain traction, growing 143% in the Period. It is now available in a retail pack and on Amazon, where all of Accrol's other branded products are also now available.

The development of wet wipes is making good progress. Further accreditation has been achieved, including Fine to Flush and BRCGS (UK Retailers Accreditation), which will help to drive growth further across all retailers. In addition, the Group has secured business with Ocado, across all biodegradable wet wipes, and we are actively cross selling wipes into existing retailers offering a 'one stop shop' for paper products.

CURRENT TRADING AND OUTLOOK

Despite continued supply chain disruption, particularly at ports around the world and specifically in the UK, the business continues to manage customer supply well, having secured and maintained additional stocks in paper and finished goods.

Whilst short-term profitability has been unavoidably impacted by these significant prices increases, despite having recovered c.£40 million from customer price increases to date, the Group is confident in its ability to recover the further cost increases, albeit with an approximately 3-month time lag.

As previously announced, FY22, revenue is now expected to grow by 17% to c.£160m (FY21: £136.6m), generating adjusted EBITDA[1] of c.£9.0m (FY21: £15.6m) with margin recovery anticipated in FY23. The Group continues to operate well within its existing banking covenants and has more than sufficient liquidity to meet its existing and future needs.

Accrol continues to strengthen its market position with the operational foundations in place to enable future growth. Volumes are continuing to strengthen with overall Tissue sales from Q1 to Q2 rising by 17% - Toilet Tissue up 16%, the newly improved kitchen towel range up 18%, and facial tissue up 1%, with our newly acquired JD business growing by 8% and our biodegradable wet wipes sales up 33%. The Board is confident that the strong pricing actions, taken to recover unprecedented cost increases, will ensure a strong recovery of margins and profitability in FY23.

STRATEGIC REVIEW

Notwithstanding the resilient performance of the Group under exceptional macro pressures, in light of the short-term but inherent volatility of earnings experienced in the current year, as announced in the Group's Trading Update on 12 January 2022, the Board has concluded that it is appropriate for Accrol to conduct a full strategic review of its business. Such review will be designed to capitalise on the evident strength of the business' market position, its balance sheet, and its solvency, underpinned by significant banking support, to ensure that shareholder value is optimised, and the Company will provide an update on progress in due course.

Gareth Jenkins
Chief Executive Officer

FINANCIAL REVIEW

Revenue

Revenue for the Period to 31 October was £73.7m (H1 21: £62.3m), an increase of £11.4m (18.3%) compared to H1 21, reflecting the increased scale and diversification of the Group following the acquisition of LTC in November 2020 and JD in April 2021. Month on month revenues increased steadily during the Period as volumes strengthened and price increases started to impact.

Gross profit

In line with the wider market, pressures on the Group's raw material supply chains increased during the Period and, whilst they have shown significant resilience and supply shortages, considerable cost increases had to be absorbed in the short term.

Gross profit as a percentage of revenue at 24.6% (H1 21: 23.7%) was lower than FY21 exit rates, as higher input costs were only partially mitigated by pricing increases in the Period, given the lag in timing of implementation with retail customers.

Adjusted EBITDA

Adjusted EBITDA[1] declined slightly to £5.0m (H1 21: £5.4m), reflecting an increase in operating costs driven by distribution pressures, notably the availability of HGV drivers, and the increased scale of the operational cost base following the acquisitions of LTC and JD.

Separately disclosed items

Separately disclosed items totalled £0.7m (H1 21: £0.6m) of which £0.4m related to incremental costs of supply chain disruption, particularly at ports and in securing additional vehicles to ensure continuity of service to our customers. Other items largely related to operational restructuring measures and specific COVID-19 related costs within the manufacturing environment.

Depreciation and amortisation

The total charge for the Period was £6.1m (H1 21: £3.2m) of which £2.7m (H1 21: £1.2m) related to the amortisation of intangible assets. This increase reflects the Group's acquisitions of LTC and JD.

Share-based payments

The total charge for the Period under IFRS 2 "Share-based payments" was £0.6m (H1 21: £1.3m). This charge related to the awards made under the 2021 Long Term Incentive Plan, that was approved on 5 March 2021.

Operating profit and earnings per share

Net finance costs were £1.1m (H1 21: £0.8m), resulting in a loss before taxation of £3.5m (H1 21: £0.5m). Basic losses per share were 0.8 pence (H1 21: 0.2 pence). Adjusted diluted earnings per share were 0.2 pence (H1 21: 0.9 pence)

Dividends

A payment of £1.6m (equating to 0.5 pence per share) was made on 30 September 2021, in respect of the final dividend for the year ended 30 April 2021. No interim dividend will be paid and the payment of a final dividend for FY22 will be considered by the Board as part of the Company's strategic review.

Cashflow

The Group's adjusted net debt was £21.6m (H1 21: 18.1m). The net cash flow from operating activities was £0.9m (H1 21: £8.7m) with the reduction reflecting a working capital outflow of £3.4m (H1 21: £4.0m inflow). This outflow reflected a reduction in trade payables over the Period, as payments were made for incremental raw materials stocks that were purchased at the end of FY21 in order to reduce supply chain risks.

Capital expenditure in the Period was £3.4 m (H1 21: £6.4m) including £1.2m (H1 21: £1.1m) in respect intangible assets that include IT infrastructure and product development costs. Lease payments of £3.4m (H1 21: £2.2m) include leases capitalised in accordance with IFRS 16. The increase arises as results of the acquisitions of LTC and JD.

Balance Sheet

The Group's balance sheet reflects the acquisitions of LTC and JD with net assets increasing to £82.7m (H1 21: £46.0m). The increase in intangible assets represent mostly goodwill and customer relationships arising upon acquisition.

Investment

The final automation of the Leyland site is due to be completed by the end of March 22, notably on time and to budget. Alongside a final machine installation, this will complete all major investments into the Tissue businesses with only c.£3m investment required in existing machinery per year going forward for general maintenance capital. This will result in the Group having four state-of-the-art fully automated factories in Blackburn (x2), Leyland and Leicester operating at significantly lower cost levels.

The Group has continued to develop its mill plans but, in light of the current spike in energy costs and building material cost inflation, investment in a mill will form a part of the strategic review announced in the Trading Update on 12 January 2022.

Richard Newman
Chief Financial Officer

Consolidated Interim Income Statement
For six months ended 31 October 2021

Continuing operations	**Note**	**Unaudited Six months ended 31 October 2021 £'000**	Unaudited Six months ended 31 October 2020 £'000	Audited Year ended 30 April 2021 £'000
Revenue	4	**73,709**	62,306	136,594
Cost of sales		**(55,526)**	(47,532)	(98,710)
Gross profit		**18,183**	14,774	37,884
Administration costs		**(14,480)**	(10,221)	(27,072)
Distribution costs		**(6,083)**	(4,262)	(11,424)
Group operating (loss)/profit		**(2,380)**	291	(612)
Finance costs	7	**(1,198)**	(918)	(2,196)
Finance income	7	**111**	124	242
Loss before taxation		**(3,467)**	(503)	(2,566)
Tax credit/(charge)	8	**795**	94	(74)
Loss for the period attributable to equity shareholders		**(2,672)**	(409)	(2,640)
Loss per share (pence)				
Basic	6	**(0.8)**	(0.2)	(1.1)
Diluted	6	**(0.8)**	(0.2)	(1.1)
Group Operating (loss)/profit		**(2,380)**	291	(612)
Adjusted for:				
Depreciation & Amortisation		**6,072**	3,176	8,306
Share based payments		**638**	1,250	3,245
Separately disclosed items	5	**675**	649	4,705
Adjusted EBITDA		**5,005**	5,366	15,644

Consolidated Interim Statement of Comprehensive Income
For six months ended 31 October 2021

	Unaudited Six months ended 31 October 2021 £'000	Unaudited Six months ended 31 October 2020 £'000	Audited Year ended 30 April 2021 £'000
Loss for the period attributable to equity shareholders	**(2,672)**	(409)	(2,640)
Total comprehensive expense attributable to equity shareholders	**(2,672)**	(409)	(2,640)

Consolidated Interim Balance Sheet
As at 31 October 2021

	Note	**Unaudited 31 October 2021 £'000**	Unaudited 31 October 2020 £'000	Audited 30 April 2021 £'000
ASSETS				
Non-current assets				
Property, plant and equipment		**65,207**	43,131	63,341
Intangible assets		**60,408**	26,754	61,763
Lease receivables		**4,680**	5,368	5,027
Deferred tax asset		**-**	895	-
Total non-current assets		**130,295**	76,148	130,131
Current assets				
Inventories		**20,787**	12,830	23,185
Trade and other receivables		**24,487**	17,550	26,480
Lease receivables		**689**	662	675
Derivative financial instruments		**-**	203	-
Cash and cash equivalents		**3,074**	5,791	7,604
Total current assets		**49,037**	37,036	57,944
Total assets		**179,332**	113,184	188,075
Current liabilities				
Borrowings	9	**(17,488)**	(14,102)	(12,349)
Trade and other payables		**(39,593)**	(28,531)	(47,031)
Derivative financial instruments		**(2)**	-	(120)
Income taxes		**-**	-	(300)
Provisions	10	**(7,327)**	(368)	(7,321)
Total current liabilities		**(64,410)**	(43,001)	(67,121)
Total assets less current liabilities		**114,922**	70,183	120,954
Non-current liabilities				
Borrowings	9	**(29,310)**	(24,024)	(30,851)
Deferred tax liabilities		**(2,886)**	-	(3,666)
Provisions	10	**-**	(186)	-
Total non-current liabilities		**(32,196)**	(24,210)	(34,517)
Total liabilities		**(96,606)**	(67,211)	(101,638)
Net assets		**82,726**	45,973	86,437
Capital and reserves				
Share capital		**319**	195	311
Share premium		**108,782**	68,015	108,782
Capital redemption reserve		**27**	27	27
Retained earnings		**(26,402)**	(22,264)	(22,683)
Total equity shareholders' funds		**82,726**	45,973	86,437

Consolidated Interim Statement of Changes in Equity
For six months ended 31 October 2021

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Retained earnings/ (deficit) £'000	Total £'000
Balance at 30 April 2021 (audited)	**311**	**108,782**	**27**	**(22,683)**	**86,437**
Comprehensive income					
Loss for the period	-	-	-	(2,672)	(2,672)
Total comprehensive expense	-	-	-	(2,672)	(2,672)
Transactions with owners recognised directly in equity					
Proceeds from shares issued	8	-	-	-	8
Share-based payment (inc. tax)	-	-	-	(1,047)	(1,047)
Total transactions recognised directly in equity	8	-	-	(1,047)	(1,039)
Balance at 31 October 2021 (unaudited)	**319**	**108,782**	**27**	**(26,402)**	**82,726**

Consolidated Interim Cash Flow Statement
For six months ended 31 October 2021

	Unaudited Six months ended 31 October 2021 £'000	Unaudited Six months ended 31 October 2020 £'000	Audited Year ended 30 April 2021 £'000
Cash flows from operating activities			
Operating (loss)/profit	**(2,380)**	291	(612)
Adjustment for:			
Depreciation	**3,401**	1,940	4,786
Amortisation of intangible assets	**2,671**	1,236	3,520
Share based payments	**638**	1,250	3,245
Operating cash flows before movements in working capital	**4,330**	4,717	10,939
Decrease/(increase) in inventories	**2,398**	(3,457)	(8,553)
Decrease in trade and other receivables	**1,994**	3,130	604
(Decrease)/increase in trade and other payables	**(7,688)**	4,467	14,800
Increase/(decrease) in provisions	**6**	13	(418)
(Increase)/decrease in derivatives	**(118)**	(175)	148
Cash generated from operations	**922**	8,695	17,520
Tax received	**15**	40	40
Net cash flows from operating activities	**937**	8,735	17,560
Cash flows from investing activities			
Purchase of property, plant and equipment	**(2,300)**	(5,331)	(9,112)
Purchase of intangible assets	**(1,222)**	(1,114)	(1,702)
Acquisition of subsidiaries net of cash acquired	**-**	-	(32,235)
Receipt of capital element of leases	**334**	321	650
Lease interest received	**111**	124	242
Net cash flows used in investing activities	**(3,077)**	(6,000)	(42,157)
Cash flows from financing activities			
Proceeds of issue of ordinary shares	**8**	-	42,610
Cost of raising equity	**-**	-	(1,727)
Amounts received from factors	**76,284**	69,995	151,645
Amounts paid to factors	**(74,391)**	(75,221)	(161,489)
New finance leases	**1,940**	131	1,694
Repayment of capital element of leases	**(3,404)**	(2,241)	(5,764)
Advance/(repayment) of bank loans	**-**	3,266	(997)
Transaction costs of bank facility	**-**	(306)	(413)
Dividends paid	**(1,594)**	-	-
Interest paid	**(1,233)**	(715)	(1,505)
Net cash flows used in financing activities	**(2,390)**	(5,091)	24,054
Net decrease in cash and cash equivalents	**(4,530)**	(2,356)	(543)
Cash and cash equivalents at beginning of the period	**7,604**	8,147	8,147
Cash and cash equivalents at period end	**3,074**	5,791	7,604

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

Notes to the Interim Financial Statements
For six months ended 31 October 2021

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 18 January 2022.

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 2021 should be read in conjunction with the Group's Annual Report and Accounts for the year ended 30 April 2021, 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 2021 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. The Group continues to monitor the impact of the COVID-19 pandemic on performance along with the ongoing disruption of the supply chain, particularly at ports, exacerbated by the national shortage of haulage drivers.

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 2021 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 2021 £'000	Unaudited Six months ended 31 October 2020 £'000	Audited Year ended 30 April 2021 £'000
United Kingdom	**71,855**	57,874	127,107
Europe	**1,854**	4,432	9,487
Total	**73,709**	62,306	136,594

5. Separately disclosed items

	Unaudited Six months ended 31 October 2021 £'000	Unaudited Six months ended 31 October 2020 £'000	Audited Year ended 30 April 2021 £'000
Acquisition professional fees	**-**	-	2,150
Acquisition integration costs	**-**	-	724
Acquisition related items	**-**	-	2,874
Operational restructure	**145**	327	,1,034
COVID-19 costs	**43**	245	670
Set up & exit costs relating to Skelmersdale warehouse	**5**	6	12
FCA investigation legal costs	**-**	-	22
Supply chain disruption	**430**	-	-
Other	**52**	71	93
Other items	**675**	649	1,831
Total	**675**	649	4,705

Operational restructure costs - £145,000 (31 October 2020: £327,000)
Salary and settlement costs due to the reorganising and restructuring of its operations to improve the long-term profitability and efficiencies**.**

COVID-19 - £43,000 (31 October 2020: £245,000)
The Group incurred incremental costs principally relating to overtime and temporary labour, to cover employees who were in isolation during this period. There were additional costs for COVID safety representatives and also PPE/cleaning costs.

Supply chain disruption - £430,000 (31 October 2020: £nil)
The Group has incurred additional costs due to ongoing disruption of the supply chain, particularly at ports, exacerbated by the national shortage of haulage drivers.

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 above by the weighted average number of shares in issue during the year, adjusted for potentially dilutive shares.

	Unaudited Six months ended 31 October 2021 £'000	Unaudited Six months ended 31 October 2020 £'000	Audited Year ended 30 April 2021 £'000
Loss for the period attributable to equity shareholders	**(2,672)**	(409)	(2,640)
	Number '000	Number '000	Number '000
Issued ordinary shares at beginning of period	**311,355**	195,247	195,247
Effect of shares issued in the period	**4,088**	-	51,214
Basic weighted average number of shares at end of period	**315,443**	195,247	246,461
Effect of conversion of Accrol Group Holdings plc share options	**-**	-	-
Diluted weighted average number of shares at end of period	**315,443**	195,247	246,461
Basic loss per share (pence)	**(0.8)**	(0.2)	(1.1)
Diluted loss per share (pence)	**(0.8)**	(0.2)	(1.1)

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 2021 £'000	Unaudited Six months ended 31 October 2020 £'000	Audited Year ended 30 April 2021 £'000
Bank loans and overdrafts	**375**	402	661
Finance lease interest	**521**	313	844
Amortisation of finance fees	**106**	196	438
Unwind of discount on provisions	**196**	7	253
Total finance costs	**1,198**	918	2,196
Lease interest income	**111**	124	242
Total finance income	**111**	124	242
Net finance costs	**1,087**	794	1,954

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 22.9% (half year ended 31 October 2020: 18.6%; year ended 30 April 2021: 19%).

9. Borrowings

	Unaudited 31 October 2021 £'000	Unaudited 31 October 2020 £'000	Audited 30 April 2021 £'000
Current			
Bank facility	**1,854**	2,949	1,821
Factoring facility	**5,869**	6,591	3,975
Leases	**9,765**	4,562	6,553
Total current	**17,488**	14,102	12,349
Non-current			
Bank facility	**9,880**	11,810	9,807
Leases	**19,430**	12,214	21,044
Total non-current	**29,310**	24,024	30,851
Total current & non-current	**46,798**	38,126	43,200

	31 October 2021 £'000	31 October 2020 £'000	30 April 2021 £'000
Total borrowings (excluding finance fees)	**47,064**	38,633	43,572
Less: lease receivables	**(5,369)**	(6,030)	(5,702)
Less: cash and cash equivalents	**(3,074)**	(5,791)	(7,604)
Net debt	**38,621**	26,812	30,266
Less: leases recognised on adoption of IFRS16	**(17,008)**	(8,709)	(15,628)
Adjusted net debt (excl leases recognised on adoption of IFRS16)	**21,613**	18,103	14,638

10. Provisions

	Unaudited 31 October 2021 £'000	Unaudited 31 October 2020 £'000	Audited 30 April 2021 £'000	Current £'000	Non-current £'000
Onerous contracts	**172**	554	358	172	-
Contingent consideration	**6,800**	-	6,608	6,800	-
Other	**355**	-	355	355	-
Total provisions	**7,327**	554	7,321	7,327	-

The onerous contract provision of £172,000 relates to a logistics agreement resulting from the decision to exit from the Skelmersdale facility.

Other provisions of £355,000 arose on the Group's acquisition of Leicester Tissue Company and John Dale, relating to dilapidation and other compliance provisions.

The contingent consideration relates to the acquisition of Leicester Tissue Company.

11. Dividends

On 30 September 2021, the Company paid a final dividend of 0.5p per share for the year ended 30 April 2021, totalling £1,594,000.

12. Non-GAAP measures

Adjusted profit before tax

	Unaudited Six months ended 31 October 2021 £'000	Unaudited Six months ended 31 October 2020 £'000	Audited Year ended 30 April 2021 £'000
Reported (loss) before tax	**(3,467)**	(503)	(2,566)
Adjustment for:			
Amortisation	**2,671**	1,236	3,520
Separately disclosed items	**675**	649	4,705
Share based payment	**638**	1,250	3,245
Discount unwind on contingent consideration	**192**	-	239
Adjusted profit before tax	**709**	2,632	9,143

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 2021 £'000	Unaudited Six months ended 31 October 2020 £'000	Audited Year ended 30 April 2021 £'000
Earnings attributable to shareholders	**(2,672)**	(409)	(2,640)
Adjustment for:			
Amortisation	**2,671**	1,236	3,520
Separately disclosed items	**675**	649	4,705
Share based payment	**638**	1,250	3,245
Discount unwind on contingent consideration	**192**	-	239
Tax effect of adjustments above	**(961)**	(596)	(2,225)
Adjusted earnings attributable to shareholders	**543**	2,130	6,844

	Number £'000	Number £'000	Number £'000
Basic weighted average number of shares	**315,443**	195,247	246,461
Dilutive share options	**3,152**	30,463	10,675
Diluted weighted average number of shares	**318,595**	225,710	257,136
	pence	pence	pence
Adjusted earnings per share	**0.2**	1.1	2.7
Diluted adjusted earnings per share	**0.2**	0.9	2.6

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

13. Events after the balance sheet date

There are no subsequent events after the reporting date which require disclosure other than those already announced in the trading update of 12th January 2022.