6 September 2022

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 2022
Accelerating growth in private label volumes post year end, fuelling confidence

Accrol Group Holdings plc, the UK's leading independent tissue converter, announces its audited Final Results for the year ended 30 April 2022 ("FY22" or the "Period"), which show a resilient performance, delivered under extremely challenging macro conditions, marginally ahead of market expectations[1].

The new financial year ending 30 April 2023 ("FY23") has started well, with volumes, revenues and margins in line with market expectations.

Key financials

	FY22	FY21	*FY20*
Revenue	**£159.5m**	£136.6m	*£134.8m*
Gross margin	**22.7%**	27.7%	*21.9%*
Adjusted EBITDA[2]	**£9.1m**	£15.6m	*£10.6m*
Adjusted profit before tax[3]	**£1.1m**	£9.1m	*£4.7m*
Loss before tax[4]	**(£2.5m)**	(£3.1m)	*(£1.9m)*
Adjusted diluted earnings per share	**0.3p**	2.7p	*1.7p*
Diluted earnings/(loss) per share[4]	**(0.5p)**	(1.3p)	*(0.8p)*
Adjusted net debt[5]	**£27.5m**	£14.6m	*£17.9m*

Financial highlights

- Further strong revenue growth in line with expectations – up c.17% YoY
- Full recovery of over £70m of unprecedented, annualised input cost increases achieved by end of Q4 FY22
- Short term reduction in gross margin in H1 due to timing differences across period ends, as price increases to recover the rapid leap in input costs in H2 were actioned and secured
- Adjusted EBITDA and Adjusted profit before tax in line with expectations
- Upward movement in adjusted net debt, funding the concluding investment in automation, further market-leading product development and additional working capital required to manage supply constraints over the next 12 months
- Amended and extended banking arrangements to Aug 2024, providing 25% additional headroom, demonstrate continued confidence in the Group's operating performance and support the Board's growth ambitions

Operational and sustainability highlights

- Accrol's market share by volume increased to 19.5% (H1 FY22: 18.9%), compared to a flat overall UK market
- New customers secured through increasing product diversity – notably Amazon, Unitas (c.30,000 convenience stores), Spar, Ocado and Sainsbury's
- Completion of automation at Blackburn and Leicester sites – machine investment and full automation at Leyland completed in Q1 FY23
- Leicester Tissue Company ("LTC") and John Dale acquisitions were fully integrated, with outputs at the sites increasing by 60% and 270% respectively in volume terms on an annualised basis
- Delivering on customers' sustainability objectives – development of smaller core products (reducing logistics and packaging costs) and further development of the Oceans brand (paper wrap)
- Business continued to operate safely throughout the Period with zero lost time accidents and a 33% reduction in all accidents
- Continued focus on operational efficiency, reducing both waste and energy consumption
- First Environmental, Social and Governance ("ESG") Report published in September 2021

Current trading in FY23 and outlook

- The Group entered FY23 with pricing fully aligned with higher input costs
- Private label sector strengthening further post year end - Accrol volumes increased by 28% vs private label growth of 10% in Q1 FY23, while the overall market has remained flat[6]
- Private label volumes now higher than pre-pandemic levels – market share growing at an unprecedented rate against the traditional brands (Q1 FY23: 54% vs Q1 FY22: 50%)[6]
- Group revenue up 76% in Q1 FY23, compared to Q1 FY22, driven by price increases (48%) and volume growth (28%)
- Revenue and EBITDA on track to increase in line with market expectations for FY23[7] (+31% and +68% respectively)
- The Group is well positioned to benefit from the rapid rise in demand for best value tissue products
- While cognisant of ongoing macro inflationary dynamics, Accrol's strong market position, well invested manufacturing facilities and available capacity, give the Board confidence for FY23 and beyond

[1] *Market expectations are derived from the latest published equity research on the Company, as of 5 September 2022. For FY22, market revenue expectations were £159.1m and Adjusted EBITDA of £9.0m.*
[2] *Adjusted EBITDA is defined as profit before finance costs, tax, depreciation, amortisation, separately disclosed items and share based payments*
[3] *Adjusted profit before tax is defined as loss before tax, amortisation, separately disclosed items and share based payments*
[4] *FY21 restated due to an accounting policy change in FY22 in respect of the costs of configuration and customisation of cloud based software*
[5] *Adjusted net debt excludes operating type leases recognised on balance sheet in accordance with IFRS 16*
[6] *Source Kantar*
[7] *For FY23, market revenue expectations at 5 September 2022 were £208.5m and adjusted EBITDA of £15.1m*

Dan Wright, Executive Chairman of Accrol, added:

"Whilst remaining mindful of the extremely challenging macro environment, the Board views the prospects for Accrol with confidence, given the strong and rapid recovery of input cost rises in the second half of this year after the delay in the first half, our strengthened customer relationships, improved levels of service and quality, and its great value product range.

The Group's new banking arrangements demonstrate continued confidence in its operating performance and provide support for our development plans. The investments we have already made into the efficiency of our operations have served us well through incredibly challenging times and we are confident they will bear considerable fruit in FY23 and beyond.

Our markets are strengthening, our products are gaining share and our operations demonstrate leading efficiencies. The business is in a strong position to benefit considerably from the changing market dynamics over the next two to three years."

Gareth Jenkins, Chief Executive Officer of Accrol, said:

"Our goal, over the last four years, has been to create an innovative, sustainable and market-leading business, which I believe we have finally achieved. This has been delivered through the hard work and dedication of our team and never have their skills and commitment been more clearly demonstrated than in the year under review.

Accrol is unrecognisable from the business which floated in 2016. It is resilient, agile, and strong. The cost of living crisis, being faced by UK consumers, is driving demand for great value products across the board. The demand for private label tissue, which started to rebound in FY22, has accelerated rapidly since our financial year end. Private label comprised 50% of total UK sales volumes in FY22, and this has continued to grow since the start of May 2022 with private label now holding a 54% market share. Accrol volumes currently comprise over 32% of this private label market. The index linked pricing agreements we have put in place over the last 12 months, combined with the quality of our products, the efficiency of our operations and the capacity we have built into the business, have ensured Accrol is best placed in its market to capitalise on the opportunities.

While remaining conscious of the very significant ongoing macro uncertainties, we look forward to FY23 and beyond with continued confidence."

Online investor presentation

The management team is hosting an online investor presentation with Q&A at 12.30pm on Wednesday, 7 September 2022. To participate, please register with PI World at: https://bit.ly/ACRL_FY22.

For further information, please contact:

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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. The Group now operates from six manufacturing sites, including four in Lancashire, which now supplies 19% (volume) of the UK tissue market valued at £2.1bn at retail sales value.

The Group has produced a short video to showcase its operations and investment in the extensive automation of the business. Click here: Accrol Today.

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

Chairman's Report

The Group has delivered a set of results of which we are proud, despite the enormous macro-inflationary cost pressures faced during the year. The team successfully recovered more than £70m of annualised cost increase by the year end, quickly and skilfully negotiating and implementing price increases. This rapid action significantly mitigated the unavoidable impact on the Group's FY22 profitability. The management team simultaneously delivered the full integration of LTC and John Dale; finalised the automation of all four tissue manufacturing sites, which completed in August 2022; delivered further internal efficiencies; and increased Accrol's market share.

The work to automate, rationalise and simplify the business has put Accrol in a very strong market position. It is now, one of the most innovative, well-invested and automated tissue converters of scale in the UK.

Our vision

From the outset, our vision has been to build a diversified group of size and scale, better positioned to manage input cost fluctuations, focused on a broader private label household and personal hygiene market. We believe the combination of capacity, efficiency and the lowest cost base in its market is a compelling proposition.

Diversification

We are focused on adding new customers, expanding our product range, entering new categories, and finding additional routes to market. Fluctuations in market sub-sectors are smoothed through diversity, removing reliance on any one product, market, or customer.

While wet wipes sales represented only c.1% of Group revenue in FY22, we expect this to grow to £6m by the end of FY23 (representing c.3% of Group revenue). From a modest capital investment of c.£2m, we see a £20m plus revenue opportunity (representing c.5% of the total market) and the establishment of this product category as a new and sustainable leg to the business.

Good progress was achieved in terms of new category expansion, new customers, and deepened penetration of existing customers in FY22. This is detailed in the CEO's Review.

Size and scale

The acquisition of LTC, coupled with automation of the Group's other manufacturing sites, has added operational scale. Today, the Group has a core tissue capacity of c.150k tonnes and the headroom needed to deliver a market leading service to the industry. With the addition of facial tissue and wet wipes, the Group has the capacity and scale to grow to beyond £300m revenue across multiple categories.

Our addressable market, including wet wipes and facial tissue, now totals c.£3.0bn, a significant step change for the business from 18 months ago.

De-risking our business

Like many other sectors, the UK tissue market is not alone in being exposed to input cost volatility. However, a key focus for the team has been to control what can be controlled and to act swiftly and decisively to mitigate against the damaging effects on issues which fall outside our immediate control.

The progress that has been made on this front during the year has been especially pleasing and is testament to the strength of Accrol's products, service offering and customer relationships, which have been established in recent years. Price rises in a cost-conscious industry are not easy to deliver rapidly. They can only be achieved in partnership with our retail customers and only when our retail partners understand and value our proposition.

Managing cost volatility, however, is not just about price increases but also about internal efficiencies, flexibility and good capital allocation. Our historic investments in process automation provide us with more flexibility in product innovation and customer delivery, as well as improving our overall capacity.

Although the Group is well invested, a major differentiator for us relative to our competitors is that we never stand still. We continually review our options on capital investment opportunities. One such area, which we have previously discussed, is the investment in our own paper mill. The long term commercial and economic benefits of owning or building a paper mill remain transformational for us. However, against these material and longer-term benefits, we must weigh the shorter-term costs to deliver and the competing claims on our balance sheet. We remain committed to our ambition to own a paper mill but this will only be completed in a way that maximises shareholder value and minimises risk. We remain alert to any easing of the building cost environment and normalisation of the supply chain that will reduce working capital requirements. We have a strengthening balance sheet but intend to deploy it only when the time is right.

Maximising returns for shareholders

Strategic Review

The Strategic Review, which we announced earlier this year, is ongoing. We see considerable value within the Accrol Group, not least as a result of the actions taken by management over the last four years. Our market opportunity is substantial and growing and our business is well invested and well positioned relative to others. The Strategic Review is focused on how best to deliver that value for all our stakeholders.

Our short-term priority, however, remains on the effective management of macro inflationary pressures on the Group's costs, as well as handling other well-documented macro supply chain challenges, which require the team's full attention. We expect to provide shareholders with a full update on the Strategic Review early in 2023.

Dividend

When we issued our FY21 results in July last year, the Board was delighted to announce the restoration of dividend payments and a progressive dividend policy. This demonstrated our confidence in the business and was made possible by continuous improvement in operational efficiencies and strong cash management.

The world has changed greatly since that announcement and we have taken the difficult but prudent decision not to propose a final dividend for FY22. Capital allocation is an intrinsic component of the Strategic Review and the Board remains focused on determining the best use of the Group's free cashflow going forward, be it acquisitions, share buy-backs, dividend payments, increasing raw material stocks and or paying down debt further. Effective capital allocation is about weighing risk and return. The current market environment favours a more risk averse approach, especially around securing our supply chain and access to raw material, and this remains our short-term priority. Clearly, any easing of these pressures will make a return to dividends much more likely. We will provide an update on dividend policy as part of the Strategic Review update in early 2023.

Environmental, Social and Governance

We were delighted to launch our maiden ESG report in September 2021 with real and significant targets on which to judge progress and performance, which was well received by both internal and external stakeholders. We pride ourselves on ensuring that ESG is integrated throughout the business and makes a valuable contribution to the Group, as well helping us be better corporate citizens and minimising our impact on the environment. Since the publication of the report, we have made significant strides against our environmental and social aspirations, which have positively contributed to the wider business in terms of further improved employee engagement, energy and waste reduction. With underlying absentee levels at record lows, health and safety improvements, and cost and material savings made, ESG integration is evident.

A by-product of our waste reduction is reduced raw material usage. In the period since we last reported, waste was reduced by 0.5% creating a further reduction of raw material spend. In the year under review, the Group continued to buy all raw materials from FSC (Forest Stewardship Council) accredited suppliers.

The Group also introduced the use of 38mm cores to toilet rolls from 50mm in the Period. The project, which involved a wide range of internal and external stakeholders, has delivered significant material savings and a 10% reduction of vehicle movements for the business.

In addition, we are well on track to deliver our target of 25% of women in leadership roles by 2025 – up to 22% in FY22 (FY21: 17%), which aligns with the Group's recent achievement as a Living Wage Accredited Organisation. Both are key elements of an operationally excellent business.

We will launch our second ESG report this autumn and provide a more detailed update in our annual report, which will be posted to shareholders towards the end of September.

Our people

Engaged, well trained people are a key element of our business model and sustainability, with training and wellbeing at the centre. I am proud to report that Accrol is now an accredited Living Wage employer. This is especially important to our people at this time of heightened inflation and also allows Accrol the advantage of being able to retain the best talent from the communities in which it operates.

During the year, we appointed a Communications Manager, Vikki Makinson, who has made significant improvements to our internal communications and improved the efficiency and effectiveness of how we deliver training. To support this, we use an online training hub which delivered over 350 courses in its first three months. Our employee engagement scores remain high with an overall score of 84%.

I would like to thank all our people for their hard work and contribution during what has been a very challenging environment. I think the overall result, the further operational advance, and the level of costs recovered showcase the strength and capability of the management team in the Group.

Outlook

The cost of living crisis is driving consumer demand for great value products and Accrol has enjoyed a strong start to the new financial year FY23, and is fully on track to achieve market expectations. The margin erosion experienced in FY22, created by the rapid increase in input costs, has been rectified and contained, with cost increases being passed on as they arise.

The market share of the private label and tertiary brand segment increased to 54% in Q1 FY23, compared to 50% in the same period of the prior year. Accrol revenue increased by 76% in Q1 FY23, compared Q1 FY22, driven by price increases (48%) and volume growth (28%). The team's work and the capital investment in Accrol undertaken over the last four years have put the business in an excellent position to benefit from, what we believe will be, a sustained period of further growth for the private label and tertiary brand segment.

We remain mindful of the current macro challenges. The team leading Accrol, however, has demonstrated its expertise and ability to manage the business through multiple challenges and the Board views the future with confidence.

Dan Wright
Executive Chairman

Chief Executive Officer's Review

The Group has delivered a strong performance that is marginally ahead of market expectations under extremely challenging circumstances, having successfully recovered over £70m of annualised cost increases.

I am pleased to report that we generated substantial volume growth of 7.5% in the year and increased revenue by 17%. Given the unprecedented speed and magnitude of the cost increases, there was an unavoidable time lag in these passing on, which impacted the Group's underlying margin in the year. These costs were passed on in full by the year end and we now have mechanisms in place to pass on any further increases, in a more timely manner.

In every aspect of our manufacturing operations, we have successfully navigated unprecedented inflationary pressures. Tissue prices have reached their highest ever levels, driven by pulp, energy, and sea freight costs, and this was exacerbated by the weakening of sterling relative to the US Dollar and the war in Ukraine.

We entered FY23 with more secure revenues, underpinned by the right products, the biggest range of customers in the sector and a fully automated, well-invested business in a rapidly growing market - private label volume has grown 10%, since the full year end, and is once again, out-stripping the traditional brands, which declined by 5% in the same period. Market share for private label now stands at 54% vs 46% for brands.

Momentum on volume growth and underlying margin has been maintained. Accrol volumes in Q1 FY23 increased by 28% and revenue by 76%, compared to the same period in the prior year. This volume growth is on track with market expectations for FY23, which forecast YoY revenue and EBITDA growth of 31% and 67% respectively, underpinning our confidence for the year ahead.

Our business today

As a result of the extensive work done over the last four years to build an operationally robust business, we have continued to deliver on our vision to build a diversified group of size and scale. Highlights during the year included:

- New customer wins;
- Deeper penetration of existing customers;
- Product ranged expanded; and
- New routes to market opened.

Product extensions will be a key driver behind further volume and market share growth:

- The acquisition of John Dale in April 2021 gave the Group entry into the rapidly growing biodegradable flushable wet wipes market. During the Period, we achieved 'Fine to Flush' and BRCGS (UK Retailers Accreditation – AA rating) on a range of wet wipe products; and
- We developed and launched several new wet wipe products, including 'Little Heroes', a brand-new baby and toddler wipes range being sold through a number of retailers and Quantum moist toilet tissue, again being sold through a number of retailers. In addition, we won a contract to supply Ocado's own-label biodegradable wet wipes and deepened our relationship with the award-winning 'Kinder by Nature' wet wipes brand.

We continue to expand our sales to retailer customers, either through adding new ones or deepening existing relationships. The team also secured an extended sole supply position with several retailers for their paper category. In addition, we have generated significant growth in volume sales of our own brands, Elegance (toilet roll), Magnum (kitchen towel) and Oceans (paper wrapped), which are all now being sold through a number of major retailers.

Accrol's own branded products, which stay close to our mission to deliver quality and value to consumers, have also made good progress. All these products are now available on Amazon, and all have grown in volume and revenue over the last 12 months, now making up c.18% of our total sales - up from c.10% in FY21. This range of products commands a higher margin than private label products in the main and increases the importance of our supply relationship with the retailers.

Our Elegance toilet tissue is now the fastest growing brand in cash and carries, and since its launch on Amazon only six months ago, it is now in the top ten toilet tissue brands on the site. Softy facial tissue, which has sold through one of the top four Grocers since February 2022, as well as Amazon, is the now the second biggest box brand in the UK. Our Magnum kitchen towel product, which is sold across several retailers, has had an exceptional year, and is now the fastest growing and currently fourth largest brand in the UK.

The Oceans plastic-free brand sold direct to consumers on subscription had a strong run early in the Period, giving an overall growth rate of 30%. We do not expect this rate of growth to be maintained, as it benefited from Covid related consumer behaviour change, which is now 'normalising' post-pandemic. However, we continue to be excited by the product's potential. More recently, we added Oceans kitchen towel to the range, which has received excellent online consumer reviews.

Further capacity in the business has been added with the final site, Leyland, becoming fully automated from August this year. Further machine capacity at the Leyland site will also be operational from October. Accrol is a well invested platform with the internal capacity to support further organic volume growth without further material capital investment. The Group now offers a core paper capacity of c.150k tonnes, and a total revenue capacity in excess of £300m when we include wet wipes and facial tissue capacity. Utilisation of this capacity, as we continue to execute commercially and build on our impressive market share foundations, is a key driver behind our future free cash flow generation.

The integration of the John Dale acquisition has been completed, with facial tissue machinery and volumes moving to our fully automated state of the art facial plant in Blackburn. We now expect our facial value run rate to double over the next 12 months from c.£10m (FY21) to c.£20m in FY23. In addition, our wet wipe business, which had annualised wet wipe sales of c.£2.2m on acquisition, has won business delivering a simplified flushable range that will deliver c.£6m sales in FY23.

Market overview

The improved market conditions that began at the start of the Period continued, strengthening throughout the year. Shopping behaviours returned to normal levels and the tissue market grew by 0.7% to £2.1bn based on Retail Sales Value. Our market share rose from 15.3% at the half year end to 16% at the year end, reflecting the recovery of the discount retailers. Private label grew by 1.5%, versus a small decline of 0.2% across brands, bringing the ratio back to 50:50.

Post year end, the private label sector has continued to strengthen. We expect the private label sector to grow at c.10% this year as consumers are driven to best value products, as inflationary pressures bite. In Q1 FY23, Accrol volumes grew by 28% versus private label growth of 10% in an overall flat market (when you exclude the inflationary price increases). This success has been driven by supplying a broad customer range with all in growth, as opposed to the prior financial year. The market share of the traditional brands segment fell by c.5% in Q1 FY23 to 46% of the market. Accrol's position at the same time last year was exacerbated by a poor online presence, both directly and through the retailers, both of which have been addressed over the last 12 months.

Our market share growth has been further enhanced by growth across our range of branded toilet and kitchen towel products, as well as the new channel development. Our branded range of toilet tissue (Accrol Elegance) has grown by 14% FY22 vs FY21, facial tissue (Accrol Softy) by 70% and kitchen towel (Accrol Magnum) by 19%. We expect to see further substantial gains against market leaders in kitchen roll in FY23 from further product changes.

The facial tissue market, which was in decline during Covid, due to increased mask wearing and the reduction in common colds is back in growth. Over this period, we have simplified the range further, transferred machinery, moved volume from John Dale and invested in low-cost automation. This has more than doubled the Group's facial tissue capacity from £10m to £20m. Whilst there was a decline in volumes for reasons outlined above, the Group now expects its facial tissue business to double in size over the next 12-18 months.

Finally, our move into wet wipes is starting to deliver on our early expectations. The pipeline of new customers is beginning to positively impact volumes with revenue run rates expected to treble in size to c.£6m per year by the end of FY23, up from £2.2m at the point of acquisition. This has been delivered with a much-simplified range of products with a particular emphasis on a water industry approved flushable wet wipe range. With modest capital (c.£2m), the Group expects the wet wipe business to grow revenue to c.£10m-£15m by 2024, with a particular focus on higher value range of wipes. Our extensive customer range has enabled the business to grow at a pace with the business now expecting the revenue growth to accelerate over the next two years.

Following the well-publicised inflationary pressure in the UK, the retailer market is seeing a significant shift in shopping habits, with an enormous shift away from high-cost brands across every category. Over the next 12 months, as further energy price increases continue to impact shoppers' budgets, we expect to see the private label market grow further. Accrol will continue to develop and bring to market innovative solutions that meet customer needs.

The Group is well positioned to benefit from growth in value products with no major capital required and available capacity.

Operations

The Group is benefiting significantly from the full automation of all of its sites. This, together with shift patterns that were changed last year and further simplification of the business, has helped mitigate margin erosion and will help drive margins back to the equivalent of pre-pandemic levels in the medium term.

Since all the automation programmes have been completed, the Group has improved its output significantly across all sites - the facial plant output increased by 16%, the Blackburn and Leyland sites improved by 25% and 30% respectively, and Leicester rose by 60%. Like for like headcount in the Group's core tissue businesses has reduced from 425 to 275 over the last two years. All remaining employees now paid the living wage as a minimum and the Group joined the Living Wage Foundation in May 2022.

In addition, the move to 38mm cores from 50mm has increased the "rolls per lorry" by 15%. The aspiration set as part of the ESG announcement in 2021 was to increase this by 15% by 2025. The Group is significantly ahead of this target in both timescale and delivery.

Pulp prices over the Period increased significantly, driven in the main by energy price increases. Whilst there is further capacity coming on stream globally, we do not expect to see any erosion in the pricing of tissue and would not be surprised to see further increases in the short term. The business remains well placed to pass on these increase as they are encountered. The Group has long term supply relationships with all suppliers and, due to the uncertainty in the supply chains and the ongoing conflict in Ukraine, has doubled the amount of raw material stocks it normally carries. This will have a short-term impact on adjusted net debt but, due to improved performance elsewhere in the Group we expect adjusted net debt to be less than 2x and in line with market expectations for FY23.

Since the start of FY22, the Group has successfully passed on over £70m of annualised cost increases across three different price increases, with the majority of its supply agreements now having in place some form of index-linked pricing.

Whilst the war in Ukraine does not directly impact the Group, the business has significantly increased its raw material stocks to mitigate any supply chain issues. With regard to energy costs the group has longer term hedging policies in place and any increases are managed through price increases in finished goods. In addition, the group has in place a significant energy reduction programme which has seen a 3% reduction in usage over the last 12 months on a like for like basis despite the full automation of 2 factories in this period.

People and culture

As I have stated here before, our operational efficiencies are not at the expense of our people. Engaged people are a key part of our business model and sustainability. Employee wellbeing plays a crucial role in this. I am proud to report that Accrol is now an accredited Living Wage employer, which is especially important at this time. We have also launched several initiatives this year around caring for employees including, Mental Health First Aiders, Employee Assistance program, and training around dealing with mental health issues. It therefore gives me pleasure to report that our absentee levels are at 1.7% (Q1 FY23), which is outstanding when compared to the UK average of 2.2% (source: FY21 – ONS data)

I would like to take this opportunity to thank all our employees for their hard work and determination in delivering a strong set of results in what has been a very difficult environment.

Health and safety

The relentless focus on health and safety over the last four years has resulted in a further 33% reduction in total accidents, with the Group delivering zero lost time accidents over the last two years across all of its sites. In addition, we have seen a 28% reduction in accident frequency rates. These results are transformational and are something of which we are all incredibly proud.

Outlook

We continue to see inflationary issues, not least on account of sterling weakness, and do not see these abating in the short to medium term. However, the operational strength of the business and a supportive retailer customer base has enabled us to recover cost increases and put in place new index linked customer contracts to ensure that costs and inflation are now aligned. As a result, we do not anticipate a repeat of FY22 gross margin impact looking forward.

In addition, work carried out as part of the Group's commitment to ESG has seen initiatives to reduce energy and waste having a positive financial impact. Lorry journeys have reduced by 10% as a result of smaller toilet roll core sizes; and waste reduced by 0.5%, lowering raw material usage.

Despite the wider macro challenges, the Group has performed strongly in the new financial year to date, with volumes growing ahead of the total market (28% compared to 10%) and the rapidly recovering private label market. It is clear that there is an economic shift away from high-cost products to items that give great value to the shopper and Accrol is extremely well placed to capitalise on this opportunity.

Acquisitions, automation and operational efficiency have given us the foundations with which to expand the business. As the balance sheet strengthens, the Group is well placed to take advantage of the many opportunities that exist to accelerate this growth.

The Board is pleased with the progress of the Group and has continued confidence for FY23 and beyond.

Gareth Jenkins
Chief Executive Officer

Chief Financial Officer's Review

Summary

The overall performance of the Group was resilient despite the challenges of a volatile trading environment where we have worked through the end of the pandemic, rapidly rising commodity costs, and significant supply chain disruption. The business benefited from its increased scale and diversity following the acquisition of LTC, acquired in November 2020, and John Dale, acquired in April 2021, both of which have been fully integrated with significant benefits in line with our expectations.

Trading results

Group revenue increased by 16.7% to £159.5m (FY21: £136.6m), with volumes bouncing back as the year progressed from the subdued levels experienced during lockdowns, reflecting changes in consumer shopping habits as the impacts of the pandemic receded. H1 volumes were strengthened by the impact of the Group's two acquisitions in the previous year, whilst H2 showed strong organic growth as price increases were implemented to recover significant increases in input costs. The total tissue market increased in value by 0.7% and our market share increased to 16.0% from 15.9% in FY21. Many retailers did not move shelf sales pricing, during the period under review, despite record price increases. We are now starting to see the price movements in stores.

Gross margins declined to 22.7% (FY21: 27.7%), reflecting the significant impact of escalating pulp, energy, and sea freight costs, exacerbated by the weakening of sterling relative to the dollar. 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, considerable cost increases had to be absorbed in the short term. The Group has taken the necessary actions to recover these cost increases from its supportive retailer customer base, albeit with a lag that impacted profitability in the year.

Administration and distribution costs decreased by £2.6m, reflecting the unwinding of the deferred consideration provision made during FY21. There was a further £0.3m increase related to non-cash items (depreciation, amortisation and share based payments), reflecting an increase in the amortisation of intangible assets (related to the acquisitions), largely offset by a reduction in the charge for share-based payments (reflecting the end of the three year Management Incentive Plan).

Adjusted EBITDA declined to £9.1m (FY21: £15.6m), whilst operating losses reduced to £0.2m (FY21: loss of £1.2m), reflecting the reduction in administration costs above.

Separately disclosed items

Separately disclosed income totalled £2.6m (net), compared with a £5.3m cost in FY21.

Acquisition related items totalled income of £5.4m (2021: cost of £2.9m). On 24 November 2020, the Group acquired 100% of the issued share capital of LTC Parent Limited and its subsidiaries, whose principal activity is paper tissue converting. An element of the consideration was contingent upon 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. This consideration was measured on a sliding scale with a maximum of £6.8m payable to the vendors if EBITDA targets were met, for which provision was made in the prior year. Negotiations with the sellers in respect of the contingent consideration and other matters have been concluded with no payment made. Therefore, contingent consideration of £6.3m has been credited to the Income Statement after the recognition of £0.5m of one-off contract related costs that were incurred in the year. In concluding negotiations with the sellers during the financial year the Group also incurred professional fees of £0.8m in respect of legal and accounting services. Consultancy costs of £0.1m were also incurred in finalising the integration of the businesses.

Supply chain disruption costs totalled £0.7m (2021: £nil). In line with the wider market, pressures on the Group's supply chain have been considerable, particularly over the autumn period when there was significant disruption to shipping, container capacity at ports, and haulage. Whilst the Group's supply chain demonstrated good resilience, we did incur incremental costs in order to maintain service levels to our customers. These incremental costs included port charges of £0.4m, largely related to demurrage costs incurred because of shipping container congestion and a lack of capacity to manage increased demand. Additional distribution costs of £0.3m were also incurred, largely related to the procurement of day rate vehicles at an incremental cost, to ensure continuity of supply in the October to December period, when haulage driver availability was severely constrained. We do not expect any of these costs to be repeated as we enter FY23.

Asset impairment costs totalled £1.0m (2021: £nil). Significant progress has been made over previous years to transform the manufacturing capability of the business, with investment made in automation and in the expansion of overall capacity and capability. The final element of the manufacturing re-organisation comprises investment in a new manufacturing line (expected October 2022) and automation of packing and palletisation (completed August 2022) at the Leyland manufacturing site. To enable this investment, the Leyland manufacturing facility has been re-organised, involving the physical movement of existing manufacturing lines and the scrapping of a specific 're-wind' asset that was deemed surplus to requirement, and therefore redundant. The removal of this asset has facilitated the wider site re-organisation but has resulted in an impairment charge.

COVID-19 related costs were £0.2m (2021: £0.7m), as the COVID-19 pandemic continued to have an impact on the business during the financial year under review, although those impacts are now much reduced and are again not expected to repeat. The Group plans on a certain level of resource, factoring in normal levels of absence and holiday, to maintain a 24/7 manufacturing operation that is as efficient as possible. High levels of absence due to COVID-19 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.

Accounting policy changes totalled £0.6m (2021:£0.5m). The Group's accounting policy has historically been to capitalise all costs related to the configuration or customisation of Software-as-a-Service (SaaS) arrangements as intangible assets. Following the agenda decision of The International Financial Reporting Standards Interpretations Committee (IFRIC) in April 2021 these previously recognised intangible assets have been treated as an expense, impacting both the current and prior periods presented.

Other items totalling £0.4m (2021: £0.1m) largely relate to redundancy costs related to consolidation of activities across the Group following the acquisitions made in the previous financial year.

Depreciation and amortisation

The total charge for the Period was £11.4m (FY21: £8.3m), of which £5.5m (FY21: £3.5m) related to the amortisation of intangible assets. The vast majority of this increase reflects the full year impact of the Group's acquisitions of LTC and John Dale.

Share-based payments

The total charge for the Period under IFRS 2 "Share-based payment" was £0.5m (FY21: £3.2m). This charge related to the awards made under the 2021 Long Term Incentive Plan, that was approved on 5 March 2021.

Interest, tax and earnings per share

Net finance costs were £2.3m (FY21: £2.0m). The Group also recorded a deferred tax credit of £0.8m (FY21: charge of £0.1m). The loss before tax was £2.5m (FY21: £3.1m), due to flow through of the lower gross margin. Adjusted profit before tax of £1.1m (FY21: £9.1m) was lower due to the decline in adjusted operating profit. Basic losses per share were 0.5 pence (FY21: 1.3 pence) reflecting higher amortisation costs and adjusting items. Adjusted diluted earnings per share were 0.3 pence (FY21: 2.7 pence), reflecting the decline in adjusted EBITDA.

Dividend

As noted in the Chairman's Statement, the Board favours a risk averse approach in the current market conditions. Our balance sheet has continued to strengthen, and we have increased our debt facilities but our short term priority remains focused on securing our supply chain and access to raw material stocks. In this context, the payment of a final dividend would not be the best use of capital. Payment of future dividends will be reviewed as part of the Strategic Review. The proposed final dividend is nil pence per share (FY21: 0.5 pence).

Cashflow

The Group's adjusted net debt was £27.5m (FY21: £14.6m). The net cash flow from operating activities was £1.4m (FY21: £17.0m) with the reduction reflecting a working capital outflow of £4.6m (FY21: £6.6m inflow). This outflow provided the necessary expansion in working capital to manage supply constraints over the next 12 months to reduce supply chain risks.

Capital expenditure (net of new finance leases) in the Period was £6.2m (FY21: £8.6m), including £3.1m (FY21: £1.2m) in respect of intangible assets that principally relate to product development costs. Lease payments of £5.5m (FY21: £5.8m) include leases capitalised in accordance with IFRS 16.

The Group recently amended and extended its existing banking arrangements, through to August 2024 providing additional facilities to support its growth. These new facilities provide increased headroom in both the scale, tenure and liquidity of the facilities and the associated banking covenants. The amended facilities provide an additional £8.5m of funding headroom, an increase of c.25% over and above the previous arrangements that would have expired in August 2023.

Balance Sheet

The Group's balance sheet reflects net assets of £82.9m (FY21: £85.9m). Property, plant, and equipment increased, reflecting the renewal of property related leases, capitalised in accordance with IFRS 16. We have significantly invested in automation at our Blackburn and Leyland manufacturing facilities, to improve productivity, operational flexibility, and to enhance customer service. Intangible assets represent mostly goodwill and customer relationships.

Significant progress has also been made in further improving the IT infrastructure and critical manufacturing systems throughout the Group, including the further enhancement of the ERP system. All scheduled work has now successfully been completed.

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 which will be amortised over the anticipated life of the products.

Investment

The final automation of the Leyland site was completed in August 2022. Alongside a final machine installation, this will complete all major investments into the tissue businesses. This will result in the Group having four state-of-the-art fully automated factories in Blackburn (x2), Leyland and Leicester.

Ownership of a paper mill would be transformational for Accrol and the Group has continued develop its plans in the Period. As detailed in the Chairman's Statement, however, such investment will only be completed in a way that maximises shareholder value and minimises risk.

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 had taken advantage of the short-term VAT Payment Deferral Scheme, which was launched in March 2020, which has now been repaid.

Richard Newman
Chief Financial Officer

CONSOLIDATED INCOME STATEMENT FOR YEAR ENDED 30 APRIL 2022

			Restated
		2022	2021
	Note	**£'000**	£'000
Revenue	4	**159,450**	136,594
Cost of sales		**(123,211)**	(98,710)
Gross profit		**36,239**	37,884
Administration expenses		**(23,687)**	(27,622)
Distribution costs		**(12,778)**	(11,424)
Operating loss		**(226)**	(1,162)
Analysed as:			
– Adjusted EBITDA[(1)]		**9,056**	15,644
– Depreciation	9	**(5,857)**	(4,786)
– Amortisation	11	**(5,494)**	(3,520)
– Share based payments		**(508)**	(3,245)
– Separately disclosed items	5	**2,577**	(5,255)
Operating loss		**(226)**	(1,162)
Finance costs	7	**(2,522)**	(2,196)
Finance income	7	**216**	242
Loss before tax		**(2,532)**	(3,116)
Tax credit/(charge)	8	**835**	(74)
Loss for the year attributable to equity shareholders		**(1,697)**	(3,190)
Earnings per share		**Pence**	**Pence**
Basic loss per share	6	**(0.5)**	(1.3)
Diluted loss per share	6	**(0.5)**	(1.3)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR YEAR ENDED 30 APRIL 2022

		Restated
	2022	2021
	£'000	£'000
Loss for the year attributable to equity shareholders	**(1,697)**	(3,190)
Other comprehensive income for the year	**-**	-
Total comprehensive loss attributable to equity shareholders	**(1,697)**	(3,190)

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

(1) Adjusted EBITDA, which is defined as loss 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 15).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 APRIL 2022

			Restated
		2022	2021
	Note	**£'000**	£'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	**77,803**	63,341
Lease receivables	10	**4,325**	5,027
Intangible assets	11	**58,958**	61,213
Total non-current assets		**141,086**	129,581
Current assets			
Inventories		**26,241**	23,185
Trade and other receivables		**31,592**	26,480
Lease receivables	10	**703**	675
Cash and cash equivalents		**243**	7,604
Derivative financial instruments		**805**	**-**
Total current assets		**59,584**	57,944
Total assets		**200,670**	187,525
Current liabilities			
Borrowings	12	**(26,482)**	(12,349)
Trade and other payables		**(52,367)**	(47,031)
Derivative financial instruments		**-**	(120)
Income taxes		**(300)**	(300)
Provisions		**(33)**	(7,321)
Total current liabilities		**(79,182)**	(67,121)
Total assets less current liabilities		**121,488**	120,404
Non-current liabilities			
Borrowings	12	**(35,169)**	(30,851)
Deferred tax liabilities	8	**(3,100)**	(3,666)
Provisions		**(275)**	-
Total non-current liabilities		**(38,544)**	(34,517)
Total liabilities		**(117,726)**	(101,638)
Net assets		**82,944**	85,887
Capital and reserves			
Share capital	13	**319**	311
Share premium		**108,782**	108,782
Capital redemption reserve		**27**	27
Accumulated losses		**(26,184)**	(23,233)
Total equity shareholders' funds		**82,944**	85,887

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 30 APRIL 2022

	Share capital £'000	Share premium £'000	Capital Redemption Reserve £'000	Accumulated losses/ (Retained earnings) £'000	Total equity £'000
Balance at 30 April 2020	195	68,015	27	(23,225)	45,012
Comprehensive (expense)					
Loss for the year (restated)	-	-	-	(3,190)	(3,190)
Total comprehensive expense (restated)	-	-	-	(3,190)	(3,190)
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 (restated)	**311**	**108,782**	**27**	**(23,233)**	**85,887**
Comprehensive (expense)					
Loss for the year	-	-	-	(1,697)	(1,697)
Total comprehensive expense	-	-	-	(1,697)	(1,697)
Transactions with owners recognised directly in equity					
Proceeds from shares issued	8	-	-	-	8
Dividends	-	-	-	(1,594)	(1,594)
Share based payments (net of tax)	-	-	-	321	321
Other taxation	-	-	-	19	19
Total transactions recognised directly in equity	8	-	-	(1,254)	(1,246)
Balance at 30 April 2022	**319**	**108,782**	**27**	**(26,184)**	**82,944**

CONSOLIDATED CASHFLOW STATEMENT FOR THE YEAR ENDED 30 APRIL 2022

			Restated
		2022	2021
	Note	**£'000**	£'000
Cashflows from operating activities			
Operating loss		**(226)**	(1,162)
Adjustment for:			
Depreciation	9	**5,857**	4,786
Impairment of tangible fixed assets	9	**965**	-
Profit on disposal of property, plant and equipment		**(296)**	-
Amortisation	11	**5,494**	3,520
Separately disclosed items – acquisition contingent consideration	5	**(6,277)**	-
Share based payments		**508**	3,245
Operating cashflows before movements in working capital		**6,025**	10,389
(Increase) in inventories		**(3,056)**	(8,553)
(Increase)/decrease in trade and other receivables		**(5,112)**	604
Increase in trade and other payables		**5,422**	14,800
(Decrease) in provisions		**(934)**	(418)
(Increase)/decrease in derivatives		**(925)**	148
Cash generated from operations		**1,420**	16,970
Tax received		**15**	40
Net cashflows generated from operating activities		**1,435**	17,010
Cashflows from investing activities			
Purchase of property, plant and equipment	9	**(4,987)**	(9,112)
Proceeds from sale of property, plant and equipment		**48**	-
Purchase of intangible assets	11	**(3,145)**	(1,152)
Acquisition of subsidiaries net of cash acquired		**-**	(32,235)
Receipt of capital element of leases	10	**674**	650
Lease interest received	10	**216**	242
Net cashflows used in investing activities		**(7,194)**	(41,607)
Cashflows from financing activities			
Proceeds of issue of ordinary shares		**8**	42,610
Cost of raising equity		**-**	(1,727)
Amounts received from factoring facility	12	**187,204**	151,645
Amounts paid to factoring facility	12	**(172,436)**	(161,489)
Loan advance in respect of property, plant and equipment		**1,939**	1,694
Repayment of capital element of leases		**(5,463)**	(5,764)
Advance on revolving credit facility		**6,000**	-
Repayment of revolving credit facility		**(15,000)**	(997)
Transaction costs of revolving credit facility		**(115)**	(413)
Dividends paid		**(1,594)**	-
Lease interest paid		**(1,354)**	(844)
Other interest paid		**(791)**	(661)
Net cashflows (used in)/generated from financing activities		**(1,602)**	24,054
Net increase in cash and cash equivalents		**(7,361)**	(543)
Cash and cash equivalents at beginning of the year		**7,604**	8,147
Cash and cash equivalents at year end		**243**	7,604

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION FOR THE YEAR ENDED 30 APRIL 2022

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 Limited, John Dale (Holdings) Limited 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
These financial statements have been prepared in accordance with UK adopted International accounting standards in conformity with the requirements of the Companies Act 2006. The preparation of financial statements requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 3.

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 2022, but have not had a significant impact on the Group are as follows:

- Interest Rate Benchmark Reform – IBOR 'phase 2' (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
- COVID-19-Related Rent Concessions beyond June 2021 (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 2022:

- Annual Improvements to IFRS Standards 2018-2020;
- Amendment to IAS 16 'Property, Plant & Equipment';
- Amendment to IAS 37 'Provisions, Contingent Liabilities & Contingent Assets'; and
- Amendment to IFRS 3 'Business Combinations'

Effective for the period beginning 1 May 2023:

- Amendment to IAS 1 ‘Presentation of financial statements’
- Amendment to IAS 1 ‘Presentation of financial statements’ & IFRS Practice statement 2
- Amendment to IAS 8 ‘Accounting policies, Changes in Accounting Estimates and Errors’
- Amendment to IAS 12 'Income Taxes’
- IFRS 17 ‘Insurance Contracts’

Accounting policy change

The Group’s accounting policy has historically been to capitalise all costs related to the configuration or customisation of Software-as-a-Service (SaaS) arrangements as intangible assets. Following the agenda decision of The International Financial Reporting Standards Interpretations Committee (IFRIC) in April 2021 these previously recognised intangible assets have been treated as an expense, impacting both the current and prior periods presented.

In the current year, administration expenses have increased by £637,000 (2021: £550,000), reducing retained earnings. The current year cumulative impact on intangible fixed assets is a reduction of £1,187,000 (2021: £550,000).

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. The Group encountered enormous macro-inflationary cost pressures during the year but has been successful in negotiating more than £70m of annualised price increases by the end of the year, with £11m of this impacting FY22. In addition, the Group continued its investment in automation, infrastructure and product development, whilst also increasing working capital to manage supply constraints over the coming 12 months.

The acquired businesses, LTC and John Dale, have been fully integrated and the automation of all four manufacturing sites (which completed in August 2022) has been finalised; delivering further efficiencies. The cost of living crisis is driving consumer demand for great value products and Accrol has enjoyed a strong start to the new financial year (FY23). The margin erosion experienced in FY22, created by the rapid increase in input costs, has been rectified and contained, with cost increases being passed on as they arise.

As in previous years, the Group’s forecasted performance is dependent on a number of market and macroeconomic factors particularly the sensitivity to the price of parent reels and the sterling/USD exchange rate which are inherently difficult to predict. The Group’s forecasted performance has been tested for downside scenarios, including reverse stress tests, relating to sales volume, price erosion and parent reel prices. The Group considered the likelihood of such events occurring together with the relevant impact thereof and were satisfied that if a scenario partly or fully takes place the Group has mitigating options available, which may include further price increases, further operational restructuring and a reduced or deferred capital expenditure programme, to maintain liquidity and continue its operations.

The Group is currently operating within its covenants. It also considered the impact of the above downside scenarios on covenant headroom. The directors were satisfied that after evaluating the probability of events and available mitigating actions, covenant breaches would be unlikely. At 30 April 2022, available funds were £15.4m, 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 a period of at least 12 months from the date of signing the financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

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

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. Further details are provided in Note 11.

Separately disclosed items

During the course of the year the Group incurred income and 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 items 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 CGU. 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.

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 Group's country of domicile is the UK. Revenue from external customers is based on the customers location and arises entirely from the sale of goods.

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

	2022	2021
	£'000	£'000
United Kingdom	**149,914**	127,107
Europe	**9,536**	9,487
	159,450	136,594

5. SEPARATELY DISCLOSED ITEMS

		Restated
	2022	2021
	£'000	£'000
Acquisition contingent consideration	**(6,277)**	-
Acquisition professional fees	**766**	2,150
Acquisition integration costs	**85**	724
Acquisition related items	**(5,426)**	2,874
Supply chain disruption	**696**	-
Impairment of property, plant and equipment	**965**	-
Operational reorganisation and restructure	**-**	1,034
COVID-19 costs	**153**	670
Accounting policy change	**637**	550
Other items	**398**	127
Other items	**2,849**	2,381
	(2,577)	5,255

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

Acquisition related items credit of £5,426,000 (2021: charge of £2,874,000)
On 24 November 2020, the Group acquired 100% of the issued share capital of LTC Parent Limited and its subsidiaries, whose principal activity is paper tissue converting. An element of the consideration

was contingent upon 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. This consideration was measured on a sliding scale with a maximum of £6,800,000 payable to the vendors if EBITDA targets were met, for which provision was made in the prior year.

Negotiations with the sellers in respect of the contingent consideration and other matters have been concluded during this financial year with no payment made. Therefore, contingent consideration of £6,277,000 has been credited to the Income Statement after the recognition of £523,000 of one-off contract related costs that were incurred in the year. In concluding negotiations with the sellers during the financial year, the Group also incurred professional fees of £766,000 in respect of legal and accounting services. Consultancy costs of £85,000 were also incurred in finalising the integration of the businesses.

Supply chain disruption costs £696,000 (2021: £nil)
In line with the wider market, pressures on the Group's supply chain have been considerable, particularly over the autumn period when there was significant disruption to shipping, container capacity at ports, and haulage. Whilst the Group's supply chain demonstrated significant resilience, considerable incremental costs were incurred to maintain service to our customers.

These incremental costs included port charges of £398,000, largely related to demurrage costs incurred because of shipping container congestion and a lack of capacity to manage increased demand. Additional distribution costs of £269,000 were also incurred, largely related to the procurement of day rate vehicles at an incremental cost, to ensure continuity of supply in the October to December period, when haulage driver availability was severely constrained. External consultancy costs of £29,000 were also incurred to support the supply chain planning of the business during this volatile period.

Impairment of property, plant and equipment £965,000 (2021: £nil)
Significant progress has been made over previous years to transform the manufacturing capability of the business, with investment made in automation and in the expansion of overall capacity and capability. The final element of the manufacturing re-organisation comprises investment in a new manufacturing line (expected September 2022) and automation of packing and palletisation (completed July 2022) at the Leyland manufacturing site.

To enable this investment, the Leyland manufacturing facility has been re-organised, involving the physical movement of existing manufacturing lines and the removal of a specific 're-wind' asset that was deemed surplus to requirement, and therefore redundant. The removal of this asset has facilitated the wider site re-organisation but has resulted in an impairment charge of £965,000.

COVID-19 £153,000 (2021: £670,000)
The COVID-19 pandemic continued to have an impact on the business during the financial year, although those impacts are now much reduced and are being absorbed as part of normal operational costs from January 2022. The Group plans on a certain level of resource, factoring in normal levels of absence and holiday, to maintain a 24/7 manufacturing operation that is as efficient as possible. High levels of absence due to illness or self-isolation, required incremental labour resources to be deployed to maintain service levels to our customers through additional overtime, additional temporary labour and the deferment of holidays, all of which resulted in additional costs of £133,000. A further £20,000 of additional costs related to incremental cleaning, safety, and PPE equipment.

Accounting policy change £637,000 (2021: £550,000)
The Group's accounting policy has historically been to capitalise all costs related to the configuration or customisation of Software-as-a-Service (SaaS) arrangements as intangible assets. Following the agenda decision of The International Financial Reporting Standards Interpretations Committee (IFRIC) in April 2021 these previously recognised intangible assets have been treated as an expense, impacting both the current and prior periods presented.

Other items £398,000 (2021: £127,000)
Other items largely relate to redundancy costs of £327,000 related to consolidation of activities across the Group following the acquisitions made in the previous financial year; and other largely property related items of £71,000.

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

Acquisition costs (£2,150,000)
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 2022, 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)
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)
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)
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.

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.

		Restated
	2022	2021
	£'000	£'000
Loss for the year attributable to equity shareholders	**(1,697)**	(3,190)

	Number	Number
Weighted average number of shares	**'000**	'000
Issued ordinary shares at 1 May	**311,355**	195,247
Effect of shares issued in the year	**5,792**	51,214
Weighted average number of ordinary shares at 30 April	**317,147**	246,461
Basic loss per share (pence)	**(0.5)**	(1.3)

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.

		Restated
	2022	2021
	£'000	£'000
Loss for the year attributable to equity shareholders	**(1,697)**	(3,190)

	Number	Number
	'000	'000
Weighted average number of shares (basic)	**317,147**	246,461
Effect of conversion of Accrol Group Holdings plc share options	**-**	-
Weighted average number of ordinary shares at 30 April	**317,147**	246,461
Diluted loss per share (pence)	**(0.5)**	(1.3)

No adjustment has been made in 2022 and 2021 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 AND INCOME

	2022	2021
	£'000	£'000
Bank loans and overdrafts	**791**	661

Lease interest	**1,354**	844
Amortisation of finance fees	**179**	438
Unwind of discount on provisions	**198**	253
Total finance costs	**2,522**	2,196

	2022	2021
	£'000	£'000
Lease interest income	**216**	242
Total finance income	**216**	242

8. TAXATION

Tax credit/(charged) in the income statement

	2022	2021
	£'000	£'000
Current income tax		
Current tax on losses for the year	**-**	-
Adjustment in respect of prior periods	**15**	-
Total current income tax credit	**15**	-
Deferred tax		
Origination and reversal of temporary differences	**1,551**	(28)
Adjustment in respect of prior periods	**73**	(46)
Change in tax rate	**(804)**	-
Total deferred tax credit/(charge)	**820**	(74)
Tax credit/(charge) in the income statement	**835**	(74)

The tax credit for the year is higher than (2021: charge is higher than) the effective rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

		Restated
	2022	2021
	£'000	£'000
Loss before income tax	**(2,532)**	(3,116)
Effective rate	**19%**	19%
At the effective income tax rate	**481**	592
Expenses not deductible for tax purposes	**(123)**	(516)
Tax exempt income	**1,193**	-
Adjustment in respect of prior periods	**88**	(46)
Movement in unrecognised deferred tax assets	**-**	(104)
Change in rate	**(804)**	-
Total tax credit/(charge)	**835**	(74)

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

	Accelerated			Share		
	capital	Intangible		based		
	allowances	assets	Losses	payments	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
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)
(Charge)/credit in year	(1,842)	(338)	3,550	(505)	(45)	820
(Charge)/credit to equity	-	-	-	(273)	19	(254)
30 April 2022	**(5,413)**	**(5,574)**	**7,837**	**65**	**(15)**	**(3,100)**

A deferred tax asset of £7,837,000 (2021: £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 £328,000 (2021: £2,177,000).

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

9. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land & buildings	Fixtures & fittings	Plant and machinery	Assets under construction	Right-of-use assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
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
Additions	69	136	1,050	3,732	21,713	26,700
Reclassification	(68)	39	1,268	(94)	(1,239)	(94)
Disposals	-	-	(95)	-	(9,803)	(9,898)
At 30 April 2022	1,572	2,584	48,023	4,734	37,474	94,387
Accumulated depreciation						
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
Charge for the year	142	317	1,895	-	3,503	5,857
Reclassification	-	84	347	-	(431)	-
Disposals	-	-	(95)	-	(4,481)	(4,576)
Impairment	-	-	965	-	-	965
At 30 April 2022	390	2,103	8,913	-	5,178	16,584
Net book value						
At 30 April 2022	**1,182**	**481**	**39,110**	**4,734**	**32,296**	**77,803**
At 30 April 2021	1,323	707	39,999	1,096	20,216	63,341

Assets with a value of £77,803,000 (2021: £63,341,000) form part of the security against the RCF as described in note 12.

As part of the reorganisation of the Leyland manufacturing facility, a specific 're-wind' asset was deemed surplus to requirement, resulting in an impairment charge of £965,000. See note 5.

10. LEASES
Leases receivable

	Land & buildings	**Total**
	£'000	**£'000**
At 1 May 2021	5,702	**5,702**
Interest received	216	**216**
Lease receipts	(890)	**(890)**
At 30 April 2022	**5,028**	**5,028**
Analysed as:		
Receivable > 1 year	4,325	**4,325**
Receivable < 1 year	703	**703**

Lease liabilities

	Land & buildings	Plant & machinery	Total
	£'000	£'000	£'000
At 1 May 2021	21,195	6,402	27,597
New leases in the year	21,242	2,410	23,652
Leases terminated in the year	(5,570)	-	(5,570)
Interest expense	1,124	230	1,354
Lease payments	(3,925)	(2,892)	(6,817)
At 30 April 2022	**34,066**	**6,150**	**40,216**

Short-term lease expense for the year was £nil. Short-term lease commitment at 30 April 2022 was £nil. Income from sub-leases for the year totalled £216,000.

11. INTANGIBLE ASSETS

	Goodwill	Customer relationships	Development costs	Computer software	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
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 (restated)	-	-	684	468	-	1,152
At 30 April 2021 (restated)	29,794	42,291	1,448	2,988	126	76,647
Internally developed additions	-	-	2,974	171	-	3,145
Reclassification	-	-	-	94	-	94
At 30 April 2022	29,794	42,291	4,422	3,253	126	79,886
Amortisation						

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
Charge for the year	-	4,299	332	863	-	5,494
At 30 April 2022	-	19,030	605	1,207	86	20,928
Net book value						
At 30 April 2022	**29,794**	**23,261**	**3,817**	**2,046**	**40**	**58,958**
At 30 April 2021 (restated)	29,794	27,560	1,175	2,644	40	61,213

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:

	2022	2021
	£'000	£'000
Accrol Group Holdings plc	**29,794**	-
Accrol	**-**	17,917
Leicester Tissue Company ("LTC")	**-**	11,742
John Dale ("JD")	**-**	135
	29,794	29,794

As disclosed in the prior year financial statements, as anticipated, the acquired operations have become fully integrated within the Group. The performance of the Group provided to the Chief Operating Decision Maker (the AGH plc Board) does not split between the above CGUs, therefore the Group has decided to return to a sole CGU.

The recoverable amount of the 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.

The recoverable amounts of the CGUs have been determined from value-in-use calculations. At 30 April 2022, the impairment tests concluded that the estimated value in use at 30 April 2022 exceeds the carrying value by £50m (2021: £100m).

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 2023. 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 12.4% (2021: 13.0%) and is derived from the Group's weighted average cost of capital, 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 is 2.4% (2021: 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 the CGU to exceed its recoverable amount, although the headroom would decrease. Therefore, at 30 April 2022 no impairment charge is required against the carrying value of goodwill.

Impairment would be caused by either increasing the pre-tax discount rate by 4% or reducing the average EBIT performance by £5m. A combination of increasing the pre-tax discount rate by 2% and reducing average EBIT performance by £2.6m results in an impairment.

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.

Development costs
During the year, the Group developed a number of new innovative products including 'Softy', 'Elegance', 'Magnum' and 'Little Heroes'. It also developed a range of fragranced products under the 'Fabulosa' brand and transitioned the majority of the product range to a 38mm core. 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 its IT structure.

Customer relationships
Customer relationships are amortised over their useful economic life of 6-10 years.

12. BORROWINGS

	2022	2021
	£'000	£'000
Current		
Revolving credit facility	**2,692**	1,821
Factoring facility	**18,743**	3,975
Leases	**5,047**	6,553
	26,482	12,349
Non-current		
Revolving credit facility	**-**	9,807
Leases	**35,169**	21,044
	35,169	30,851

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

		Non-	
	Current	current	

	loans & borrowings	loans & borrowings	**Total**
	£'000	£'000	**£'000**
At 1 May 2021	12,349	30,851	**43,200**
Cashflows	(16)	-	**(16)**
Non-cashflows:			
New leases	159	21,554	**21,713**
Leases terminated on disposal of Right of Use assets	(1,658)	(3,912)	**(5,570)**
Interest accrued	2,145	-	**2,145**
Amortisation of finance fees (note 7)	179	-	**179**
Allocation from non-current to current in the year	13,324	(13,324)	**-**
At 30 April 2022	26,482	35,169	**61,651**

	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 2022 are £308,000 (2021: £372,000).

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

	2022	2021
	£'000	£'000
Loan maturity analysis		
Within one year	**26,790**	12,528
Between one and two years	**7,622**	7,666
Between two and five years	**8,003**	18,986
After five years	**19,544**	4,392
	61,959	43,572

The following amounts remain undrawn and available:

	2022	2021
	£'000	£'000
Revolving credit facility	**14,000**	5,000

Factoring facility	**1,179**	7,128
	15,179	12,128

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")
During the year, the Group extended its £17m multi-currency revolving credit facility, which now expires in August 2024. Previously required repayments of £2m on each of 30 April 2022 and 30 April 2023 have now been removed.

Interest charged on the facility is at SONIA plus a margin of 2.20%-3.20%. 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")
During the year, the Group increased its multi-currency factoring facility, used to provide financing for general working capital requirements, from £22.5m to £27m. Under the terms of this facility the drawdown is based upon gross debtors less a retention (typically 15%), with the remaining debt funded. Each drawing under the facility is repayable within a maximum of 90 days from date of invoice for jurisdictions within the United Kingdom and 120 days for other countries.

Covenants
The Group is subject to financial covenants in relation to the RCF and the factoring facility. The RCF covenants are interest cover and gross leverage ratios. The covenants in relation to the factoring facility cover debt dilution and disputed debt. Breach of the covenants would render any outstanding borrowings subject to immediate settlement. The Group is currently operating within its covenants.

13. SHARE CAPITAL AND RESERVES

	2022	2021
	£'000	£'000
Called up, allotted and fully paid		
Ordinary shares of £0.001 each	**319**	311
	319	311

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

	2022	2021
	Number	Number
Ordinary shares of £0.001 each	**318,878,097**	311,354,632

In July 2021, 7,523,465 £0.001 ordinary shares were issued.

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. EVENTS AFTER THE BALANCE SHEET DATE
There are no adjusting or non-adjusting events subsequent to the year end.

15. 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.

		Restated
	2022	2021
	£'000	£'000
Loss attributable to shareholders	**(1,697)**	(3,190)
Adjustment for:		
Amortisation	**5,494**	3,520
Separately disclosed items	**(2,577)**	5,255
Share based payments	**508**	3,245
Discount unwind on contingent consideration	**192**	239
Tax effect of adjustments above	**(832)**	(2,225)
Adjusted earnings attributable to shareholders	**1,088**	6,844

	Number	Number
	'000	'000
Basic weighted average number of shares	**317,147**	246,461
Dilutive share options	**11,119**	10,675
Diluted weighted average number of shares	**328,266**	257,136

	pence	pence
Basic adjusted earnings per share	**0.3**	2.7
Diluted adjusted earnings per share	**0.3**	2.7

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

		Restated
	2022	2021
	£'000	£'000
Adjusted EBITDA		
Operating loss	**(226)**	(1,162)
Adjusted for:		
Depreciation	**5,857**	4,786
Amortisation	**5,494**	3,520
Separately disclosed items	**(2,577)**	5,255
Share based payments	**508**	3,245
Adjusted EBITDA	**9,056**	15,644

	2022	2021
	£'000	£'000
Adjusted Gross Profit		
Gross Profit	**36,239**	37,884
Adjusted for:		
Separately disclosed items	**905**	1,220
Adjusted Gross Profit	**37,144**	39,104
Revenue	**159,450**	136,594
Adjusted Gross Margin	**23.3%**	28.6%

		Restated
	2022	2021
	£'000	£'000
Adjusted profit before tax		
Reported (loss) before tax	**(2,532)**	(3,116)
Adjusted for:		
Amortisation	**5,494**	3,520
Separately disclosed items	**(2,577)**	5,255
Share based payments	**508**	3,245
Discount unwind on contingent consideration	**192**	239
Adjusted profit before tax	**1,085**	9,143