30 January 2024

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

HALF YEAR RESULTS
Strong performance, with margins and volume continuing to grow, and uplift in FY25 expectations

Accrol (AIM: ACRL), the UK's leading independent tissue converter, announces its results for the six months ended 31 October 2023 ("H1 FY24" or the "Period").

The Board is pleased to report that the Group performed strongly in H1 FY24. While revenue reduced as expected, as prices eased following the significant inflationary-led increases in FY23, branded volumes continued to grow in our key markets, rising by 45% in H1 FY24, and margins returned to pre-pandemic levels rising by 930bp to 27.3%.

The Group is firmly on track to deliver FY24 results in line with the Board's expectations and, following the acquisition of Severn Delta Limited ("Severn Delta"), now expects to outperform its previous expectations for FY25.

Key Financials	**H1 FY24**	H1 FY23	**Change**
Revenue	**£100.3m**	£121.1m	**(17.2%)**
Adjusted Gross margin[1]	**27.3%**	18.0%	**930bps**
Adjusted EBITDA[2]	**£10.2m**	£7.1m	**43.7%**
Adjusted profit before tax[3]	**£5.0m**	£3.2m	**£1.8m**
Profit/(loss) before tax	**£0.4m**	(£0.9m)	**£1.3m**
Adjusted diluted earnings per share	**1.2p**	0.7p	**0.5p**
Diluted earnings per share	**0.2p**	(0.2p)	**0.4p**
Adjusted net debt[5]	**£25.5m**	£30.5m	**(£5.0m)**

Market expectations (Shore Capital & Zeus) as at 29 January 2024 for FY24 and FY25 respectively – Revenue £205.0m EBITDA £21.0m and Revenue £211.1m EBITDA £21.9m.

Gareth Jenkins, Chief Executive Officer of Accrol, said:

"We are pleased with the Group's performance which has come in ahead of our initial expectations at the start of the financial year. We continue to deliver by producing great quality and value products, which meet every consumer's budget. Our unrivalled retail relationships and robust supply model ensure that we can continue to deliver strong results in this dynamic market environment. The Group is delivering on its strategy and is well positioned to deliver further growth, as it builds upon its broad customer base and market-leading products."

H1 FY24 highlights:

- Private label market share increased to 55% in the Period (H1 FY23: 54%, H1 FY22: 50%) and is still growing against the traditional brands.
- Strong EBITDA performance of £10.2m (H1 FY23: £7.1m), as margins returned to pre-pandemic levels quicker than expected, and inflationary pressures ease compared to FY23.
- Return to profit before tax - £0.4m, an improvement of £1.3m.
- Margin enhancing volume growth achieved throughout the Period in core products.
- Adjusted net debt[2] at 31 October 2023 reduced by £5m to £25.5m (H1 FY23: £30.5m), as a result of strong cash generation driven by the operational efficiencies of the business.
- Strong performance in wet wipe business with a 33% increase in biodegradable sales – annualised sales run rate of c.£8m anticipated by FY24 end, up from c.£1.5m at acquisition.
- Capital expenditure in core tissue business has normalised, driving improved free cash flow generation, following completion of investment in automation and capacity to achieve of one of the lowest cost bases in the industry.
- Pocket-pack line introduced into facial tissue facility, driven by customer demand, further widening the product range.

Post period end

- Acquisition of Severn Delta in January 2024, a £5m revenue wet wipe and tumble dryer sheets business, in line with strategy to broaden product offering. Severn Delta will be integrated into the Group's fast-growing wet wipes business in H2 FY24.
- The acquisition brings significant increased scale in wet wipes and brings new products to the Group by producing household, disinfectant wipes and tumble dryer sheets.
- New long-term agreement signed with a global FMCG group to supply a well-known branded product under licence – due to launch in March 2024.

Current trading and outlook

- Strong margin performance in H2 FY24 to date – driven by continued delivery of high quality, best-value products to our customer base.
- Further volume growth expected, driven by the Group's strong private label supply position, great brands, the new licenced products, which are benefiting from the cost-of-living pressures impacting consumers.
- Adjusted net debt on track to reduce to c.1x EBITDA by year end, even after the acquisition of Severn Delta.
- The Group on track to deliver FY24 revenue c.£205m and adjusted EBITDA in line with the Board's expectations of at least £21m in – up 34% year-on-year.
- Severn Delta expected to positively impact adjusted EBITDA in FY25.

Dan Wright, Executive Chairman of Accrol, said:

"*Over the last four years, Accrol has been transformed as an organisation into a leading manufacturer of private label, own branded and now licensed tissue products to the UK market. Our state-of-the-art businesses are in an incredibly strong position to benefit from the rapid and significant growth in the in these markets, and we have considerable further capacity to drive these opportunities. The growth in our branded range and the partnerships we are developing, to bring high quality valued licensed products with* *global brands, continues to strengthen our pricing and margin improvement. We look forward with increased confidence to the continued growth of the business."*

[1] *Adjusted Gross margin is defined as gross margin after direct depreciation*
[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 profit before amortisation, share based payments and gains/(losses) on derivative instruments*
[5] *Adjusted net debt excludes operating type leases recognised on the balance sheet in accordance with IFRS 16*

For further information, please contact:

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

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

Shore Capital Stockbrokers (Joint Broker) — Tel: +44 (0) 20 7408 4090
Malachy McEntyre/ Mark Percy / James Thomas / Isobel Jones

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. The Group now operates from five manufacturing sites suppling the UK tissue wet wipes market valued at c£3.0bn at retail sales value.

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

Link for Accrol Today video: https://www.accrol.co.uk/our-business/

OPERATIONAL REVIEW

Summary of progress

The Group has performed well in the Period, despite the ongoing volatility in global supply chains, due to our robust long-term supply arrangements and our simplified material requirements. We continue to benefit both from the strength of our key customer relationships and the extensive work undertaken over the last few years in building a highly-automated business of scale, efficiency, and product diversity.

The Group has made strong progress in returning gross margins back to pre-pandemic levels. In H1 FY24, adjusted gross margins improved materially to 27.3% up from 18% in H1 FY23, up 930 basis points. Revenue normalised in line with our expectations, as the benefits of lower input costs were passed on to our customers.

The Group's strategic move into higher value private label and own branded products helped to drive margins higher. In the Period, the Group grew its own brands significantly with sales in this area now accounting for 20% of revenue. In addition, the business recently signed a long-term agreement with another major global FMCG business to produce under licence a range of tissue-based products. The initial reaction from retailers has been extremely positive and we look forward to the launch of the product which is expected in March 2024. As stated in the Group strategy review, we expect this part of our business to form at least 20% of revenue in the next three years.

Operationally, the Group has made significant progress across all parts of the business:

- All major capital investment and restructuring completed;
- Leyland site improved output per head by 12% (excluding the new line);
- Wipes business output per head up 24%;
- Service level remains strong with on time delivery at more than 98.0%;
- Customer Survey score of 8.34 vs industry norm of 7.75 – Accrol's highest ever score;
- Flint site is now three years accident free, while Leicester is almost four years accident free;
- Absentee levels continue to be sector leading at 1.3% in the year to date; and
- The Group has achieved the highest Retailer Manufacturing Auditor scores with all sites achieving an AA rating.

The market

The market for the Group remains very strong; the cost-of-living crisis is pushing consumers to review their everyday essential items. Accrol's growth in its own brands over the last 12 months is clear evidence of this. In H1 FY24, we have seen our Magnum Kitchen towel range volumes grow by 27%, our Elegance toilet roll range by 78% and our Softy Facial Tissue range by 34%. This part of our business now equates to 20% of revenue and carries a higher margin and stronger price position.

The Group's total addressable market, following the acquisitions of John Dale (2021) and Severn Delta (2024), has expanded considerably to exceed £3.0bn. The Group expects to grow the Severn Delta business significantly and intends to roll out its broader product offering of tumble dryer towels and disinfectant wipes to its extensive UK customer base.

In addition, the Group is seeing new growth opportunities to sell toilet roll and disinfectant wipes into the hotel, restaurant, and pubs markets, currently dominated by Essity and Kimberley Clark. Group sales volumes in this area have grown by 42% when compared to H1 FY23.

Capital allocation

As the Group embarks on its next stage of strategic growth, as outlined in the Strategic Review Outcomes announced on 24 January 2023, and taking into consideration the higher interest rate levels, we continue to review our capital allocation policy and decisions.

In the Strategic Review Outcomes announcement, we outlined our core medium term ambitions:

- Continue to focus on our core toilet and kitchen towel business;
- Grow our facial and wet wipe business;
- Develop a licensed business model and grow direct to consumer Oceans brand;
- Build a sustainable paper mill;
- Acquire selectively to strengthen and extend our product offering; and
- Maximise medium term tangible shareholder returns, through a combination of dividends and, potentially, share buybacks.

A disciplined and regular review of our capital allocation priorities is an essential part of our decision-making process. The Board undertakes a rigorous approach to assessing all incremental investment decisions, including capital expenditure relating to the increase in Group capacity and efficiency. Underpinning all our decision making is an internal rate of return ("IRR") hurdle today of in excess of 20%.

In line with our medium-term ambitions, the Group has also made a number of acquisitions; two in FY 2021, Leicester Tissue Company ("LTC") and John Dale, and, most recently, Severn Delta. LTC and John Dale have enabled us to further transform and grow the Group and their financial performance has been excellent.

The acquisition of LTC in November 2020 was for a total cash outlay of £29.5m on a debt and cash free basis. The deal was prudently structured with a deferred contingent element which never became payable. At the time, the business had revenues totalling £31.5m and an adjusted EBITDA of £5.4m, equating to an EBITDA multiple of 5.6x, reducing to 4.6x post synergies.

After allowing for incremental capital expenditure and the charging of an appropriate element of Group overhead, the acquisition has delivered a return on invested capital of 77%.

John Dale, the wet wipe business, was purchased in April 2021 for a consideration of £3.4m on a debt and cash free basis. Total revenues at the time were £6.4m and adjusted EBITDA was £0.6m. The split of sales was £3.9m for facial tissue and £2.4m for wet wipes. This gave an initial multiple of 5.7x EBITDA, reducing to 3.1x post synergies.

The subsequent outcome has far exceeded our projected returns, largely driven by our ability to leverage our existing customer relationships to drive sales growth. By the FY24 year end, our wet wipes sales are projected to have a run rate of £8.0m. After allowing for incremental capital expenditure and the charging of an appropriate element of Group overhead, the wet wipes element of the John Dale business alone has delivered a return on invested capital of 57%.

The facial tissue business of John Dale was moved into our state-of-the-art facility in Blackburn, and, over the same period, this part of our business has doubled in size from £10m to £20m – with John Dale facial tissue volumes accounting for £3.9m of this growth. Whilst it is not possible to accurately identify the returns relating to the John Dale facial tissue business in isolation, the Blackburn site has a generated a return on invested capital in excess of 50% over this period.

We have recently announced the acquisition of Severn Delta, a £5m revenue wet wipe business, predominately supplying and manufacturing industrial cleaning type wipes into a market worth c.£500m in the UK. The amount paid is confidential but, based on current EBITDA performance, it amounts to a multiple of less than 3x, which is expected to reduce to less than 1.5x post synergies. More importantly, it opens up significant new customers and markets to the Group. We anticipate a similar trajectory here to the John Dale experience, where we successfully imported our broader base of customer relationships to drive incremental sales growth. In a similar fashion to John Dale, we anticipate delivering a very healthy return on invested capital and an overall IRR significantly ahead of our internal benchmark. Severn Delta is expected to positively impact earnings in FY25.

There is no change anticipated to the Group's year end net debt position for the year end FY24 with an already announced expectation that leverage will be c.1x EBITDA.

Environmental, Social and Governance ("ESG")

A number of UK businesses have recently warned about significant costs increases to the labour element of their operations, as minimum wage levels have increased materially. Accrol already pays more than the new minimum wage rates and is an accredited Living Wage Employer. We have, over the last three years, invested significantly in automation, mitigating the wage inflation we expected would impact the Group and as a result have seen headcount reduce by 26% and output increase by 24%. Whilst we are not complacent in this area and believe people should be appropriately rewarded, we expect and have consistently delivered operational improvements that more than offset wage rate increases.

The business has delivered the following key improvements in the last six months:

- Ahead of schedule to achieve 50% PCR film objective during 2024;
- Waste down to 6% (from 6.4%) and on track to deliver 5% which would be industry leading;
- The only UK tissue company who is a "Living Wage" accredited member; and
- Donated 320,000 toilet rolls to charity.

A summary of the Group's progress is available in our ESG Report, which was published in our Annual Report in October 2023. This is available to view on the Group's website:
https://www.accrol.co.uk/app/uploads/2023/10/Annual-Report-2023.pdf.

Current Trading and Outlook

Accrol's main markets in toilet roll, kitchen towel, facial tissue and flushable wet wipes continue to grow strongly, driven by the ongoing cost-of-living crisis. We continue to trade strongly and the Group is maintaining pre-pandemic margins.

Our increasingly strong market position and customer relationships position us very well to continue to capitalise on the structural change in consumers' buying behaviour, moving away from high-cost brands into better value everyday products. The Group is focused on volume growth which delivers the right levels of return and expects to deliver further growth in its own branded range. The long-term agreement with a global FMCG group, to manufacturer a tissue-based product, which we have announced today, adds a further significant leg to growth.

Whilst always mindful of the wider economic uncertainties, the Group's model is robust, and the Board is confident that the business is firmly on track to deliver FY24 revenue of £205m and at least £21m of EBITDA, with the acquisition of Severn Delta also positively impacting earnings in FY25.

Gareth Jenkins,
Chief Executive Officer

FINANCIAL REVIEW

Revenue

Revenue for the Period was £100.3m (H1 FY23: £121.1m), a decrease of £20.8m (17.2%) compared to H1 FY23. This decrease in revenue represents an easing of prices offered to customers following significant inflationary pressures in FY23. The Group remains on course to deliver FY24 revenue in line with the Board's expectations at £205m.

Gross profit

Gross profit performance for the Period was strong at £27.4m (H1 FY23: £21.7m), a notable increase of £5.7m (26.3%), compared to H1 FY23. Adjusted gross profit as a percentage of revenue at 27.3% (H1 FY23: 18.0%) was higher than H1 FY23, as margins recovered to pre-pandemic levels following a partial settling of challenging inflationary input costs in FY23 and these have now stabilised as we move through FY24.

The business continues to manage customer supply effectively; having invested in both working capital and securing additional key raw material products to maintain consistent supply.

Adjusted EBITDA

Adjusted EBITDA increased to £10.2m (H1 FY23: £7.1m), an increase of £3.1m (43.7%), compared to H1 FY23, largely reflecting the strong recovery in adjusted gross profit margin performance. Operating costs remain a key focus of the Group and, following the successful investments in automation and capacity, provide a solid base for the business to continue to be one of the lowest cost operators in its market.

Depreciation and amortisation

The total charge for the Period was £6.2m (H1 FY23: £5.3m) of which £3.3m (H1 FY23: £3.1m) related to the amortisation of intangible assets. This increase represents the unwinding of a higher capital base following investments to operating facilities.

Share-based payments

The total charge for the Period under IFRS 2 "Share-based payments" was £0.4m (H1 FY23: £0.6m).

Operating profit and earnings per share

Net finance costs were £3.3m (H1 FY23: £1.6m), with the increase attributable to the growth in underlying UK base rates resulting in a profit before taxation of £0.4m (H1 FY23: loss £0.9m). Basic earnings per share was 0.2 pence (H1 FY23: loss 0.2 pence). Adjusted diluted earnings per share was 1.2 pence (H1 FY23: 0.7 pence), representing the growth in profitability year-on-year as operating margins continued to improve.

Capital allocation and dividends

The Group intends to resume dividend payments, as soon as is practicable, with a prudent and sustainable dividend cover of c.2.5x – 3.5x. Furthermore, the Board, albeit mindful of liquidity constraints, continues to see significant value in the current Accrol equity valuation and seeks the flexibility to act accordingly in terms of potential share buybacks. Current operating performance is expected to continue to drive strong free cash-flow, through both margin recovery and the step down in capital expenditure requirements in the core business moving forward. The increasing visibility over free cash-flow generation increases the range of options in front of the Board, when it comes to broader capital allocation, and the balance between organic and inorganic growth investment.

Cashflow

The net cash flow from operating activities was £7.1m (H1 FY23: £6.1m) with the increase reflecting improved operating margins and an anticipated release of working capital of £0.8m (H1 FY23: £1.0m).

Capital expenditure in the Period was £1.8m (H1 FY23: £5.8m), which included the purchase and implementation of a pocket-pack line into our facial tissue facility bringing in-house a wider product range to offer to our valued customers. Lease payments of £3.6m (H1 FY23: £3.0m) include leases capitalised in accordance with IFRS 16.

Balance Sheet

The Group had net assets of £78.6m (H1 FY23: £82.7m) as 31 October 2023 and adjusted net debt had improved to £25.5m (H1 FY23: 30.5m), representing 1.4x leverage down from 2.7x H1 FY23. The Group has strong liquidity with cash and equivalents totalling £3.3m (H1 FY23: £7.6m). The Group maintains a £24.0m revolving credit facility, of which £10.0m (H1 FY23: £10.0m) was drawn at the balance sheet date. The Group continues to operate within the associated covenants attached to this facility and access to liquidity remains available.

The Group maintained its £30.0m multi-currency factoring facility, used to provide financing for general working capital requirements; of which £12.8m (H1 FY23: £25.5m) was drawn at the balance sheet date.

The Group is well invested with net debt on track to be c.1.0x EBITDA by the current year end (FY23: 1.7x).

Post Period end acquisition

In January 2024, the Group completed the acquisition of Severn Delta, a £5m revenue wet wipe and tumble dryer sheets business based in Somerset, which will be integrated in to the Accrol Group in H2 FY24. Consideration was funded from cash generation with no further contingent or deferred considerations. This acquisition offers significant increased scale for our already growing wet wipes business, as well as the ability to enhance our product offering to our broad range of customers.

Outlook

The Group has continued to perform well in to H2 FY24 with gross profit margins having stabilised and returned to pre-pandemic levels quicker than originally anticipated. The Group is continuing to trade in line with the market expectations of at least £21m of adjusted EBITDA.

Following the recent acquisition, the Group looks forward to integrating Severn Delta in to our already growing wet wipes business and, therefore, expects FY25 adjusted EBITDA to be positively impacted.

Christopher Welsh,
Chief Financial Officer

Consolidated Interim Income Statement
For six months ended 31 October 2023

Continuing operations	**Note**	**Unaudited Six months ended 31 October 2023 £'000**	Unaudited Six months ended 31 October 2022 £'000	Audited Year ended 30 April 2023 £'000
Revenue	4	**100,316**	121,072	241,914
Cost of sales		**(72,946)**	(99,332)	(196,749)
Gross profit		**27,370**	21,740	45,165
Administration costs		**(17,473)**	(13,429)	(28,459)
Distribution costs		**(6,161)**	(7,651)	(14,284)
Group operating profit		**3,736**	660	2,422
Finance costs	7	**(3,390)**	(1,770)	(10,505)
Finance income	7	**91**	166	265
Profit/(loss) before taxation		**437**	(944)	(7,818)
Tax (charge)/credit	8	**102**	179	2,123
Profit/(loss) for the period attributable to equity shareholders		**539**	(765)	(5,695)
Earnings per share (pence)				
Basic	6	**0.2**	(0.2)	(1.8)
Diluted	6	**0.2**	(0.2)	(1.7)
Group Operating profit		**3,736**	660	2,422
Adjusted for:				
Depreciation and amortisation		**6,152**	5,348	11,666
Share based payments		**354**	565	459
Separately disclosed items	5	**-**	487	1,003
Adjusted EBITDA		**10,242**	7,060	15,550

Consolidated Interim Statement of Comprehensive Income
For six months ended 31 October 2023

	Unaudited Six months ended 31 October 2023 £'000	Unaudited Six months ended 31 October 2022 £'000	Audited Year ended 30 April 2023 £'000
Profit/(loss) for the period attributable to equity shareholders	**539**	(765)	(5,695)
Total comprehensive expense attributable to equity shareholders	**539**	(765)	(5,695)

Consolidated Interim Balance Sheet
As at 31 October 2023

	Note	**Unaudited As at 31 October 2023 £'000**	Unaudited As at 31 October 2022 £'000	Audited As at 30 April 2023 £'000
ASSETS				
Non-current assets				
Property, plant, and equipment		**86,900**	87,276	87,420
Intangible assets		**51,308**	56,782	54,254
Lease receivables		**2,988**	4,233	3,617
Total non-current assets		**141,196**	148,291	145,291
Current assets				
Inventories		**22,312**	36,767	32,132
Trade and other receivables		**29,895**	31,868	30,900
Lease receivables		**1,244**	888	1,097
Cash and cash equivalents		**3,262**	7,590	3,460
Derivative financial instruments		**171**	-	-
Total current assets		**56,884**	77,113	67,589
Total assets		**198,080**	225,404	212,880
Current liabilities				
Borrowings	9	**(31,023)**	(37,886)	(31,849)
Trade and other payables		**(53,927)**	(62,498)	(63,882)
Derivative financial instruments		**-**	(154)	(2,973)
Provisions		**-**	-	-
Total current liabilities		**(84,950)**	(100,538)	(98,704)
Total assets less current liabilities		**113,130**	124,866	114,176
Non-current liabilities				
Borrowings	9	**(33,808)**	(34,274)	(35,605)
Deferred tax liabilities		**(743)**	(2,922)	(863)
Provisions		**-**	-	-
Total non-current liabilities		**(34,551)**	(42,196)	(36,468)
Total liabilities		**(119,501)**	(142,734)	(135,172)
Net assets		**78,579**	82,670	77,708
Capital and reserves				
Share capital		**319**	319	319
Share premium		**108,782**	108,782	108,782
Capital redemption reserve		**27**	27	27
Retained earnings		**(30,549)**	(26,458)	(31,420)
Total equity shareholders' funds		**78,579**	82,670	77,708

Consolidated Interim Statement of Changes in Equity
For six months ended 31 October 2023

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Retained earnings/ (deficit) £'000	Total £'000
Balance at 31 October 2022 (audited)	319	108,782	27	(26,458)	82,670
Comprehensive income					
Loss for the period	-	-	-	(4,930)	(4,930)
Total comprehensive expense	-	-	-	(4,930)	(4,930)
Transactions with owners recognised directly in equity					
Share-based payment (inc. tax)	-	-	-	(32)	(32)
Total transactions recognised directly in equity	-	-	-	(32)	(32)
Balance at 30 April 2023 (audited)	319	108,782	27	(31,420)	77,708
Comprehensive income					
Profit for the period	-	-	-	539	539
Total comprehensive income	-	-	-	539	539
Transactions with owners recognised directly in equity					
Share-based payment (inc. tax)	-	-	-	332	332
Total transactions recognised directly in equity	-	-	-	332	332
Balance at 31 October 2023 (unaudited)	**319**	**108,782**	**27**	**(30,549)**	**78,579**

Consolidated Interim Cash Flow Statement
For six months ended 31 October 2023

	Unaudited Six months ended 31 October 2023 £'000	Unaudited Six months ended 31 October 2022 £'000	Audited Year ended 30 April 2023 £'000
Cash flows from operating activities			
Operating profit	**3,736**	660	2,422
Adjustment for:			
Depreciation	**2,836**	2,248	4,964
(Profit)/loss on disposal of property, plant, and equipment	**(2)**	(10)	4
Amortisation of intangible assets	**3,316**	3,100	6,702
Share based payments	**354**	565	459
Mark to market movement in derivatives	**(4,019)**	-	805
Operating cash flows before movements in working capital	**6,221**	6,563	15,356
Decrease/(increase) in inventories	**9,818**	(10,525)	(5,891)
Decrease/(increase) in trade and other receivables	**1,005**	(277)	692
(Decrease)/increase in trade and other payables	**(9,989)**	9,944	10,941
Increase/(decrease) in provisions	**-**	350	(608)
Cash generated from operations	**7,055**	6,055	20,490
Net cash flows from operating activities	**7,055**	6,055	20,490
Cash flows from investing activities			
Purchase of property, plant, and equipment	**(1,458)**	(3,867)	(8,701)
Proceeds from sale of property, plant, and equipment	**-**	10	10
Purchase of intangible assets	**(371)**	(1,938)	(1,918)
Receipt of capital element of leases	**482**	536	776
Lease interest received	**91**	166	265
Net cash flows used in investing activities	**(1,256)**	(5,093)	(9,568)
Cash flows from financing activities			
Amounts paid to / (received from) factoring facility	**(4,977)**	2,606	(981)
Loan advance in respect of property, plant, and equipment	**-**	1,691	4,255
Repayment of capital element of leases	**(3,583)**	(3,039)	(5,642)
Advance of bank loans	**5,000**	7,000	2,000
Transaction costs of bank facility	**-**	(98)	-
Profit/(loss) on foreign currency derivatives	**181**	-	(3,149)
Lease interest paid	**(969)**	(819)	(1,818)
Other interest paid	**(1,649)**	(956)	(2,370)
Net cash flows (used)/from in financing activities	**(5,997)**	6,385	(7,705)
Net (decrease)/increase in cash and cash equivalents	**(198)**	7,347	3,217
Cash and cash equivalents at beginning of the period	**3,460**	243	243
Cash and cash equivalents at period end	**3,262**	7,590	3,460

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

Notes to the Interim Financial Statements
For six months ended 31 October 2023

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 AIM market of the London Stock Exchange.

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 30 January 2024.

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 2023 should be read in conjunction with the Group's Annual Report and Accounts for the year ended 30 April 2023, 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 2023 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 2023 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 2023 £'000	Unaudited Six months ended 31 October 2022 £'000	Audited Year ended 30 April 2023 £'000
United Kingdom	**96,069**	114,086	229,784
Europe	**4,247**	6,986	12,130
Total	**100,316**	121,072	241,914

5. Separately disclosed items

	Unaudited Six months ended 31 October 2023 £'000	Unaudited Six months ended 31 October 2022 £'000	Audited Year ended 30 April 2023 £'000
Operational reorganisation and restructure	**-**	-	413
Supply chain disruption	**-**	465	590
Other	**-**	22	-
Other items	**-**	487	1,003
Total	**-**	487	1,003

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

Operational reorganisation and restructure £413,000
Significant progress has been made over previous years to transform the manufacturing capability of the business, with investment made in automation and in the expansion of overall capacity and capability.

The final element of the manufacturing re-organisation was completed in FY23 reflecting investment in a new manufacturing line and automation of packing and palletisation at the Leyland manufacturing site.

Supply chain disruption costs £590,000

In line with the wider market, pressures on the Group's supply chain were considerable, particularly in the early part of FY23 when there was significant disruption at several UK ports due to industrial strike action.

This disruption caused severe shipping container congestion at the Liverpool port resulting in incremental demurrage costs being incurred for a period, until the industrial dispute was resolved. In addition, the Group incurred further incremental costs related to a period where inbound shipping containers were diverted to unaffected ports (e.g. London Gateway) in order to maintain service to our customers.

6. Earnings/(loss) per share

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

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

	Unaudited Six months ended 31 October 2023 £'000	Unaudited Six months ended 31 October 2022 £'000	Audited Year ended 30 April 2023 £'000
Earnings/(loss) for the period attributable to shareholders	**539**	(765)	(5,695)
	Number '000	Number '000	Number '000
Issued ordinary shares at beginning of period	**318,878**	318,878	318,878
Effect of shares issued in the period	**-**	-	-
Basic weighted average number of shares at end of period	**318,878**	318,878	318,878
Effect of conversion of Accrol Group Holdings plc share options	**13,971**	11,119	9,044
Diluted weighted average number of shares at end of period	**332,849**	329,997	327,922
Basic earnings/(loss) per share (pence)	**0.2**	(0.2)	(1.8)
Diluted earnings/(loss) per share (pence)	**0.2**	(0.2)	(1.7)

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 2023 £'000	Unaudited Six months ended 31 October 2022 £'000	Audited Year ended 30 April 2023 £'000
Bank loans and overdrafts	**1,627**	852	2,370
Other interest	**787**	820	1,818
Amortisation of finance fees	**101**	98	195
Unrealised Foreign currency losses on derivatives	**875**	-	2,973
Realised Foreign currency (gains)/losses on derivatives	**-**	-	3,149
Total finance costs	**3,390**	1,770	10,505
Lease interest income	**91**	166	265
Total finance income	**91**	166	265
Net finance costs	**3,299**	1,604	10,240

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 21% (half year ended 31 October 2022: 19%; year ended 30 April 2023: 19%).

9. Borrowings

	Unaudited	Unaudited	Audited
	As at 31 October 2023	As at 31 October 2022	As at 30 April 2023
	£'000	£'000	£'000
Current			
Bank facility	**9,966**	9,790	4,887
Factoring facility	**12,785**	21,348	17,762
Leases	**8,272**	6,748	9,200
Total current	**31,023**	37,886	31,849
Non-current			
Bank facility	**-**	-	-
Leases	**33,808**	39,274	35,605
Total non-current	**33,808**	39,274	35,605
Total current & non-current	**64,831**	77,160	67,454

	Unaudited	Unaudited	Audited
	As at 31 October 2023	As at 31 October 2022	As at 30 April 2023
	£'000	£'000	£'000
Total borrowings (excluding finance fees)	**64,865**	77,371	67,454
Less: lease receivables	**(4,232)**	(5,121)	(4,714)
Less: cash and cash equivalents	**(3,262)**	(7,590)	(3,460)
Net debt	**57,371**	64,660	59,280
Less: leases recognised on adoption of IFRS16	**(31,909)**	(34,142)	(32,462)
Adjusted net debt (excl. leases recognised on adoption of IFRS16)	**25,462**	30,518	26,818

10. Dividends

The Company did not pay a final dividend for the year ending 30 April 2023 nor does it propose an interim dividend for the period ending 31 October 2023.

11. Non-GAAP measures

Adjusted earnings per share

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

	Unaudited Six months ended 31 October 2023 £'000	Unaudited Six months ended 31 October 2022 £'000	Audited Year ended 30 April 2023 £'000
Earnings attributable to shareholders	**539**	(765)	(5,695)
Adjusted for:			
Amortisation	**3,316**	3,100	6,702
Separately disclosed items	**-**	487	1,003
Share based payment	**354**	565	459
Net loss on foreign currency derivatives	**875**	-	6,122
Tax effect of adjustments above	**(829)**	(954)	(2,714)
Adjusted earnings attributable to shareholders	**4,255**	2,433	5,877

	Number £'000	Number £'000	Number £'000
Basic weighted average number of shares	**318,878**	318,878	318,878
Dilutive share options	**13,971**	11,119	9,044
Diluted weighted average number of shares	**332,849**	329,997	327,922
	Pence	Pence	Pence
Adjusted earnings per share	1.3	0.8	1.8
Diluted adjusted earnings per share	1.2	0.7	1.8

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.

12. Events after the balance sheet date

Subsequent to the balance sheet date, in January 2024, the Group acquired the share capital of Severn Delta Limited for cash consideration. Severn Delta is a £5m revenue wet wipe manufacturer based in Somerset, UK and will be integrated in to the Accrol Group moving forward.