7 January 2020

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

HALF YEAR RESULTS
Strong revenue growth, improving profitability[3] and increasingly cash generative

Accrol (AIM: ACRL), the UK's leading independent tissue converter, announces its Half Year Results for the six months ended 31 October 2019 ("H1 20" or the "Period").

Summary of progress

The Board is pleased to report that the operational aspects of the complex and comprehensive turnaround plan, initiated by the new management team in February 2018, are now fully complete.

The financial benefits of these changes are now flowing through to the bottom line at an accelerating rate and these H1 results show the improving monthly run rate being achieved by the business. With the turnaround complete and a strong management team in place, the Board is now focusing on further automation of the Group's operations and strategic opportunities to diversify, scale and grow the business.

Whilst there will always be improvements to make and sector challenges to address, the Board believes that Accrol is more fit for purpose than it has ever been. Net debt is reducing at an accelerating rate and the Company remains on track to meet market expectations for the full year ending 30 April 2020 ("FY20").

	H1 20	*H1 19*	*FY 19*	*FY 18*	***H1 20 vs H1 19***
Reported results					
Revenue	**£65.1m**	£57.6m[1]	£119.1m[1]	£139.7m[1]	**+ 13%**
Gross profit	**£12.8m**	£6.9m	£17.5m	£24.5m	**+ £5.9m**
Gross margin	**19.7%**	12.0%	14.7%	17.5%	**+ 770bp**
Loss before tax	**£3.0m**	£9.0m	£14.0m	£24.1m	**+ £5.9m**
Net debt	**£24.8m**	£22.6m	£27.1m	£33.8m	**+ £2.2m**
Underlying results					
Consumer Revenue[2]	**£64.5m**	£53.9m	£116.7m	£115.3m	**+ 20%**
Adjusted gross profit[3]	**£13.0m**	£9.9m	£21.7m	£24.5m	**+ £3.1m**
Adjusted gross margin	**20.0%**	17.2%	18.2%	17.5%	**+ 280bp**
Adjusted EBITDA[4]	**£3.2m**	(£1.1m)	£1.0m	(£5.8m)	**+ £4.3m**

1 Includes revenue from discontinued "Away From Home" operations
2 Excludes revenue from discontinued "Away From Home" operations
3 Defined as gross profit before exceptional items. This is a non GAAP metric used by management and is not an IFRS disclosure
4 Defined as profit before finance costs, tax, depreciation, amortisation, share based payments, IFRS 16 changes (£1.3m) and exceptional items. This is a non GAAP metric used by management and is not an IFRS disclosure

Highlights:

- Strong growth in consumer revenue[2] of 20%, significantly ahead of market growth at 8% *(source: Kantar)*
- Gross margin up 770bp at 19.7% (H1 19: 12%)
- Further operational cost reduction of £1.1m or 11% (H1 19 to H1 20)
- Senior management team strengthened further to facilitate growth
- Exceptional costs relating to the turnaround reduced considerably to £0.6m (FY19: £7.9m)*

* This excludes the £1.3m exceptional costs in FY19 that related to share based payments

Current trading and outlook:

- Margins have continued to strengthen post Period end, as new agreements come into effect
- Additional production efficiencies through increasing automation is being introduced, with benefits expected in H2 of this year
- Strategic focus on continued automation of the Group's operations and opportunities to diversify, scale and grow the business
- Total exceptional costs at FY20, including costs associated with the FCA investigation, expected to be c.£1.0m (FY19: £7.9m), as forecast in the Final Results announced on 3 September 2019
- Net debt (on a like-for-like basis) expected to reduce at an accelerating rate to no more than £20m at 30 April 2020 following credit insurance approval expected in H2
- On track to meet market expectations for FY20 and the Board is increasingly confident in the prospects for the Group

Dan Wright, Chairman of Accrol, said:

"Accrol has been completely transformed by the new leadership team and is now a very different organisation. I am proud to say that our talented and experienced people have proved that it is possible to make good returns from tissue conversion, which has historically been viewed as a low margin sector. Group margins are returning to pre-IPO levels, as more robust commercial management programmes and operational efficiencies offset substantially higher comparative input costs. What is particularly pleasing is seeing volume growth at over 20% during this transformational business period."

"The future for the business is promising. With the turnaround behind us and an ambitious leadership team experienced in running much larger organisations in place, we are focusing on the medium to long term prospects for the Group and strategic opportunities that exist to diversify and scale up the business."

Gareth Jenkins, Chief Executive Officer of Accrol, said:

"We are assembling an exceptional team of highly experienced industry professionals, focused on growth and capable of delivering substantial commercial and operational improvements. The team we have already put in place has achieved a margin increase of 770bp in H1 20 and adjusted EBITDA growth of £4.3m. Gross profit has been increased by 86% in the Period and net debt reduced to less than £25m (c.£34m at 30 April 2018). The improved quality and service levels, which Accrol now delivers to a broadened customer base, also resulted in consumer revenue growth of c.20%.

"Now the turnaround phase is complete, our vision is to build a diversified Group of size and scale, which encompasses both the tissue market and personal hygiene. Personal hygiene product manufacture is less exposed to macro-economic fluctuations in input costs than tissue conversion. We estimate the personal hygiene market in the UK, excluding tissue, to be worth c.£1bn with forecast overall CAGR of 6.5% and private label CAGR of 10%.

"I am confident that our people will continue to deliver as the Group seeks to diversify into this new market and grow its operations substantially."

For further information, please contact:

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Notes to Editors

Accrol Group Holdings plc, based in Lancashire, is a leading tissue converter and supplier of toilet rolls, kitchen rolls and facial tissues, as well as other tissue products, to major discounters and grocery retailers throughout the UK.

The business operates from four sites in Lancashire:

- A manufacturing, storage and distribution facility in Blackburn;
- A storage and administrative centre in Blackburn;
- A facial tissue plant, also in Blackburn; and
- A manufacturing, storage and distribution facility in Leyland.

OPERATIONAL REVIEW

I am pleased to report the Group's much improved results for the six months to 31 October 2019. The turnaround phase is complete, and the organisation and its management are ready for the next phase in its development.

With strong foundations now in place, our vision is to build a diversified Group of size and scale, which is less exposed to input cost fluctuations and is focused on the broader private label personal hygiene market. Our experienced team of industry professionals, which we are progressively scaling, is highly capable of building a large and sustainable growth business within this rapidly expanding market.

Results

In the six months ended 31 October 2019, the Group reported revenues of £65.1m (H1 19: £57.6m) - an increase of 13%. Consumer revenue, which excludes discontinued AFH activities, increased by 20% to £64.5m (H1 19: £53.9m). Gross margin rose by 770bp to 19.7% (H1 19: 12.0%), as operational improvements to efficiency began to flow through. Adjusted EBITDA improved by £4.3m to £3.2m from a loss of £1.1m in H1 19.

Accrol is now benefiting from the improved quality of its range and service offering and our ability to facilitate sector-outperforming growth in our major retailer customers' market shares, versus well-known brands.

Exceptional costs associated with the execution of the complex and comprehensive turnaround reduced significantly in the Period, as predicted, amounting to £0.6m. A further exceptional cost of £0.3m was recorded in the Period, relating to the cancellation of FX contracts as trading terms across the Group's supply base began to improve.

Net debt at 31 October 2019 was reduced to £24.8m, compared with £27.1m at 30 April 2019 with no seasonal weighting.

Turnaround completed

The scale and complexity of the turnaround programme, which was initiated in February 2018, should not be underestimated. Our aim was simple: to build a robust, agile and market-leading business, capable of delivering growth and reasonable levels of return to shareholders in the toughest economic conditions.

Given the Group's current monthly run rate, which is set to improve further, we believe that we have achieved this primary goal.

Our markets

The UK tissue market is worth c.£1.6bn and it continues to increase in line with population growth - currently c.2.8%. The private label element of the industry, however, continues to take market share from the best-known tissue brands and is delivering c.8% growth year on year (*source: Kantar*). With the leading discounter retailers outperforming the market further with reported tissue sales growth in excess of 12% year on year (*source: Kantar*).

Accrol remains the largest independent supplier of toilet roll and kitchen towel products in the UK, supplying three of the top four retailers and all the major discounters.

The Board believes that the business is in a strong position to deliver further growth, profitably, in the UK market.

Sector challenges

The sector will always be exposed to macro-economics and associated fluctuations. Our job is to ensure the business remains as fit for purpose, commercial and efficient as it can possibly be. We continue to raise the bar in our markets, constantly improving the quality of products we produce for the price paid and the levels of customer service we deliver.

Whilst we have grown the Group's consumer revenues by 20% in the Period, we have also improved our product mix, moving the business into higher value, higher margin products, which are in direct competition with the major brands. This strategy has outperformed our initial expectations and contributed significantly to the 770bp improvement in margins from 12% to almost 20% in a 12-month period.

The Group will continue to drive for profitable growth. Whilst we do not expect to achieve the same level of growth in the second half of the year, the Board does expect margins to continue improving as our new products gain further traction in H2 20.

People and the Board

The leadership team has been strengthened further in the period with Graham Cox joining the business as Commercial Director. Having previously been employed by DS Smith Packaging as US Managing Director, Graham has an exceptional track record in delivering commercial and operational improvements in large organisations. With Mark Dewhurst, also ex-DS Smith, having joined Accrol some 12 months ago, the commercial and operational team is now complete. This set of results proves the team's capabilities and I am confident that they will continue to deliver significant ongoing improvements to the business.

We believe that we have the right team in place to lead the Group successfully through the next stage of its development - expansion and diversification in private label personal hygiene sector. This team will be progressively scaled and strengthened as the Group expands, to ensure the highest calibre of people are driving the business forward.

FCA investigation

The business continues to be supportive with the ongoing FCA investigation and shareholders will be updated on any developments in a timely manner.

Dividend

Whilst there is no plan to return to the dividend list in the short term, it remains the Board's intention to do so in the medium term, assuming the Group continues to perform in line with the management's expectations.

Outlook

Following the conclusion of the turnaround programme, the Group is achieving an accelerating monthly run rate which puts the business on track to meet market expectations. The Board, however, remains mindful of the challenges that can arise following major changes to the established way of working. Further new contracts are benefiting the Group and margins have continued to strengthen post the Period end, as a result of the new improved products of higher quality we are delivering to customers and our clear focus on delivering growth in quality earnings from higher margin products.

As part of this strategy, the management team has turned its focus in the short-term to increasing automation across the Group's production lines. The planned improvements in automation are a cost-effective and efficient way to improve the quality and presentation of our product range, whilst facilitate more rapid growth and further reducing operating costs significantly. The new line, which was scheduled for installation in Q4 20, will be installed in FY21 to enable the automation improvements to be implemented without delay or distraction.

The Board expects terms of credit with suppliers to improve considerably during the second half of the year, as a result of the turnaround work successfully completed by the management team and the Company's restored financial stability. This will have a positive impact on net debt which is now expected to be not more than £20m at 30 April 2020 (FY19: £27.1m).

While a step change of improvements is still in progress, the Board is confident that the Group is on track to meet market expectations for FY20. With our vision for the business firmly in mind, the directors believe the prospects and opportunities for the continued growth and development of the business are strong.

Gareth Jenkins
Chief Executive Officer

Consolidated Interim Income Statement
For six months ended 31 October 2019

Continuing operations	**Note**	**Unaudited Six months ended 31 October 2019 £'000**	Unaudited Six months ended 31 October 2018 £'000	Audited Year ended 30 April 2019 £'000
Revenue	4	**65,067**	57,584	119,111
Cost of sales		**(52,230)**	(50,677)	(101,559)
Gross profit		**12,837**	6,907	17,552
Administration costs		**(9,481)**	(10,624)	(19,228)
Distribution costs		**(5,494)**	(4,722)	(11,066)
Group operating loss		**(2,138)**	(8,439)	(12,742)
Finance costs	7	**(911)**	(545)	(1,276)
Loss before taxation		**(3,049)**	(8,984)	(14,018)
Tax credit	8	**572**	1,512	2,270
Loss for the period attributable to equity shareholders		**(2,477)**	(7,472)	(11,748)
Loss per share (p)				
Basic	6	**(1.3)**	(4.1)	(6.2)
Diluted		**(1.3)**	(4.1)	(6.2)
Group Operating Loss		**(2,138)**	(8,439)	(12,742)
Adjusted for:				
Depreciation & Amortisation		**3,256**	2,442	4,528
Share based payments		**1,177**	493	1,316
Turnaround & Operational costs	5	**619**	4,438	7,906
Exceptional foreign exchange costs	5	**302**	-	-
Adjusted EBITDA		**3,216**	(1,066)	1,008

Consolidated Interim Statement of Comprehensive Income
For six months ended 31 October 2019

	Unaudited Six months ended 31 October 2019 £'000	Unaudited Six months ended 31 October 2018 £'000	Audited Year ended 30 April 2019 £'000
Loss for the period attributable to equity shareholders	**(2,477)**	(7,472)	(11,748)
Revaluation of derivative financial instruments	**(918)**	215	50
Tax relating to components of other comprehensive income	**175**	(36)	(9)
Total comprehensive expense attributable to equity shareholders	**(3,220)**	(7,293)	(11,707)

Consolidated Interim Balance Sheet
For six months ended 31 October 2019

	Note	**Unaudited Six months ended 31 October 2019 £'000**	Unaudited Six months ended 31 October 2018 £'000	Audited Year ended 30 April 2019 £'000
ASSETS				
Non-current assets				
Property, plant and equipment		**29,635**	27,727	29,302
Intangible assets	9	**24,641**	26,681	25,661
Right-of-use assets		**11,264**	-	-
Deferred tax asset		**790**	-	-
Total non-current assets		**66,330**	54,408	54,963
Current assets				
Inventories		**13,033**	13,268	11,162
Trade and other receivables		**21,443**	18,383	23,057
Current tax asset		**-**	191	191
Derivative financial instruments	11	**-**	227	50
Cash and cash equivalents		**282**	1,369	2,176
Total current assets		**34,758**	33,438	36,636
Total assets		**101,088**	87,846	91,599
Current liabilities				
Borrowings	10	**(15,712)**	(9,554)	(16,709)
Trade and other payables		**(19,823)**	(12,812)	(15,986)
Provisions	12	**(155)**	(738)	(571)
Derivative financial instruments	11	**(868)**	(12)	-
Total current liabilities		**(36,558)**	(23,116)	(33,266)
Total assets less current liabilities		**64,530**	64,730	58,333
Non-current liabilities				
Borrowings	10	**(21,480)**	(13,453)	(11,838)
Provisions	12	**(462)**	(2,326)	(2,140)
Deferred tax liabilities		**-**	(876)	(33)
Total non-current liabilities		**(21,942)**	(16,655)	(14,011)
Total liabilities		**(58,500)**	(39,771)	(47,277)
Net assets		**42,588**	48,075	44,322
Capital and reserves				
Share capital		**195**	195	195
Share premium		**68,015**	68,015	68,015
Hedging reserve		**(702)**	179	41
Capital redemption reserve		**27**	27	27
Retained earnings		**(24,947)**	(20,341)	(23,956)
Total equity shareholders' funds		**42,588**	48,075	44,322

Consolidated Interim Statement of Changes in Equity
For six months ended 31 October 2019

	Share capital £'000	Share premium £'000	Hedging reserve £'000	Capital redemption reserve £'000	Retained earnings/ (deficit) £'000	Total £'000
Balance at 30 April 2019 (audited)	**195**	**68,015**	**41**	**27**	**(23,956)**	**44,322**
Comprehensive income						
Loss for the period	-	-	-	-	(2,477)	(2,477)
Revaluation of derivative financial instruments	-	-	(918)	-	-	(918)
Tax relating to components of other comprehensive income	-	-	175	-	-	175
Total comprehensive expense	-	-	(743)	-	(2,477)	(3,220)
Transactions with owners recognised directly in equity						
Share-based payment (inc. tax)	-	-	-	-	1,040	1,040
IFRS16 transition adjustment	-	-	-	-	446	446
Total transactions recognised directly in equity	-	-	-	-	1,486	1,486
Balance at 31 October 2019 (unaudited)	**195**	**68,015**	**(702)**	**27**	**(24,947)**	**42,588**

Consolidated Interim Cash Flow Statement
For six months ended 31 October 2019

	Note	**Unaudited Six months ended 31 October 2019 £'000**	Unaudited Six months ended 31 October 2018 £'000	Audited Year ended 30 April 2019 £'000
Cash flows from operating activities				
Operating loss		**(2,138)**	(8,439)	(12,742)
Adjustment for:				
Depreciation of property, plant and equipment		**2,236**	1,422	2,488
Impairment of property, plant and equipment		**-**	-	-
Amortisation of intangible assets	9	**1,020**	1,020	2,040
Grant income		**(59)**	(59)	(118)
Turnaround & Operational costs		**-**	-	340
(Profit)/loss on disposal of fixed assets		**(598)**	-	117
Share based payments		**1,177**	493	1,316
Operating cash flows before movements in working capital		**1,638**	(5,563)	(6,559)
(Increase)/decrease in inventories		**(1,871)**	789	2,554
Decrease/(increase) in trade and other receivables		**1,488**	11,603	6,929
Increase/(decrease in trade and other payables		**3,798**	(1,651)	1,971
Decrease in provisions		**(159)**	(102)	(501)
Decrease in derivatives		**-**	-	(668)
Cash generated from operations		**4,894**	5,076	3,726
Tax received		**197**	2,006	2,006
Net cash flows from operating activities		**5,091**	7,082	5,732
Cash flows from investing activities				
Purchase of property, plant and equipment		**(1,397)**	(1,356)	(3,581)
Proceeds from sale of property, plant and equipment		**598**	-	358
Net cash flows used in investing activities		**(799)**	(1,356)	(3,223)
Cash flows from financing activities				
Proceeds of issue of Ordinary shares		**-**	9,935	9,935
Cost of raising finance		**-**	(686)	(686)
Amounts received from factors		**76,100**	66,503	141,352
Amounts paid to factors		**(79,631)**	(78,375)	(146,339)
New finance leases		**22**	-	142
Repayment of capital element of finance leases		**(1,949)**	(452)	(1,011)
Repayment of bank loans		**-**	(1,000)	(3,000)
Transaction costs of bank facility		**-**	(284)	(284)
Interest paid		**(728)**	(429)	(873)
Net cash flows used in financing activities		**(6,186)**	(4,788)	(764)
Net (decrease) / increase in cash and cash equivalents		**(1,894)**	938	1,745
Cash and cash equivalents at beginning of the period		**2,176**	431	431
Cash and cash equivalents at period end		**282**	1,369	2,176

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

Notes to the Interim Financial Statements
For six months ended 31 October 2019

1. General Information

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

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

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

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

The condensed consolidated interim financial information was approved and authorised for issue by a duly appointed and authorised committee of the Board of Directors on 7 January 2020.

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 2019 should be read in conjunction with the group's Annual Report and Accounts for the year ended 30 April 2019, 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 2019 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 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 2019 as set out in the Group's Annual Report and Accounts.

The following new accounting standards, amendments or interpretations are effective from 1 May 2019

- IFRS 16 *Leases*;
- IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments*;
- Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures*; and
- Amendments to IAS 19 *Plan Amendment, Curtailment or Settlement*.

IFRS16 *Leases*

IFRS 16 has replaced IAS17 *Leases* and is effective on 1 January 2019. The Group has adopted IFRS 16 using the modified retrospective basis with recognition of a transitional adjustment on the date of initial application being 1 May 2019. As per the specific transitional arrangements in the standard, comparative information has not been restated. All adjustments were made to the opening balance sheet as at 1 May 2019. Therefore, results for the year ended 30 April 2019 and the half year ended 31 October 2018 continue to be reported under the previous standard, IAS 17 *Leases*.

IFRS 16 introduces a single lessee accounting model, where the Group now recognises a right-of-use asset and a corresponding lease liability and for all leases over 12 months unless the underlying asset is of low value.

IFRS16 provided for certain optional practical expedients, including those in relation to the initial adoption of the standard. The Group applied the following practical expedients:

- The Group did not reassess any contracts not previously identified as a lease under IAS17 or IFRIC4 prior to the transition date of 1 May 2019;
- A single discount rate was applied to a portfolio of leases with reasonably similar characteristics;
- Applied the exemption not to recognise a right-of-use asset and liability for leases with less than 12 months of lease term remaining as at the date of initial application.

On implementation of IFRS 16 there was a material increase in right-of-use assets and lease liabilities. Further detail can be found in note 14.

After transition, the Group recognises a right-of-use asset and lease liability at the lease commencement date.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset.

Right-of-use assets are depreciated on a straight-line basis over the lease term, or the useful life, if shorter.

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 2019 £'000	Unaudited Six months ended 31 October 2018 £'000	Audited Year ended 30 April 2019 £'000
United Kingdom	**61,722**	54,907	113,736
Europe	**3,345**	2,677	5,375
Total	**65,067**	57,584	119,111

5. Turnaround & Operational costs

	Unaudited Six months ended 31 October 2019 £'000	Unaudited Six months ended 31 October 2018 £'000	Audited Year ended 30 April 2019 £'000
Management reorganisation and restructure	**113**	301	724
Set up & exit costs relating to Skelmersdale warehouse	**112**	2,104	3,174
Loss on derivative financial instruments	**302**	-	-
Surplus waste	**-**	1,431	2,308
Operational reorganisation and restructure	**-**	417	872
Impairment of property, plant and equipment	**-**	-	130
Other	**394**	185	698
Total	**921**	4,438	7,906

The turnaround & operational costs are further described below. For the current period, £155,000 is included within cost of sales and £766,000 in included within administration expenses.

Loss on derivative financial instruments - £302,000 (31 October 2018: £nil)
Costs associated with contracts that were no longer required in the period as the Group continued to improve trading terms across the supply base.

Other - £394,000 (31 October 2018: £215,000)
Principal items include £177,000 relating to the ongoing FCA investigation and £112,000 in respect of the new line improvement programme.

6. Earnings per share

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

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

	Unaudited Six months ended 31 October 2019 £'000	Unaudited Six months ended 31 October 2018 £'000	Audited Year ended 30 April 2019 £'000
Loss for the period attributable to shareholders	**(2,477)**	(7,472)	(11,748)
	Number '000	Number '000	Number '000
Issued ordinary shares at beginning of period	**195,247**	183,533	129,012
Effect of shares issued in the period	**-**	-	60,180
Basic weighted average number of shares at end of period	**195,247**	183,533	189,192
Effect of conversion of Accrol Group Holdings plc share options	**-**	-	-
Diluted weighted average number of shares at end of period	**195,247**	183,533	189,192
Basic earnings per share (pence)	**(1.3)**	(4.1)	(6.2)
Diluted earnings per share (pence)	**(1.3)**	(4.1)	(6.2)

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.

7. Finance costs

	Unaudited Six months ended 31 October 2019 £'000	Unaudited Six months ended 31 October 2018 £'000	Audited Year ended 30 April 2019 £'000
Bank loans and overdrafts	**208**	**209**	415
Finance lease interest	**357**	**63**	167
Interest on factoring facility	**154**	**155**	291
Amortisation of finance fees	**183**	**116**	297
Provision discount unwind	**9**	**2**	48
Other interest	**-**	**-**	58
Total finance costs	**911**	545	1,276

8. Taxation

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

The tax credit for the period has been calculated at an effective rate of 18.8% (half year ended 31 October 2018: 16.8%; year ended 30 April 2019: 16.2%). As at 31 October 2019, the Group has recognised a deferred tax asset of £3.4m in relation to current and prior year losses on the basis that, following a review of forecasts, management expect that these will be recovered against future taxable profits.

9. Intangible assets

	Goodwill £'000	**Customer relationships £'000**	**Other £'000**	**Total £'000**
Cost				
At 30 April 2019 (audited)	**14,982**	**20,427**	**126**	**35,535**
Additions	-	-	-	-
At 31 October 2019 (unaudited)	**14,982**	**20,427**	**126**	**35,535**
Amortisation				
At 30 April 2019 (audited)	**-**	**9,788**	**86**	**9,874**
Charge	-	1,020	-	1,020
At 31 October 2019 (unaudited)	**-**	**10,808**	**86**	**10,894**
Net book value				
At 30 April 2019 (audited)	14,982	10,639	40	25,661
At 31 October 2019 (unaudited)	**14,982**	**9,619**	**40**	**24,641**

The balance for Goodwill and Customer relationships arose on the Group's Acquisition of Accrol Holdings Limited and are attributed to the sole cash-generating unit ('CGU').

10. Borrowings

	Unaudited As at 31 October 2019 £'000	Unaudited As at 31 October 2018 £'000	Audited As at 30 April 2019 £'000
Current			
Bank facility	**1,636**	1,636	1,636
Factoring facility	**10,159**	6,805	13,690
Finance leases	**3,917**	1,113	1,383
Total current	**15,712**	9,554	16,709
Non-current			
Bank facility	**9,785**	11,421	9,602
Finance leases	**11,695**	2,032	2,236
Total non-current	**21,480**	13,453	11,838
Total current & non-current	**37,192**	23,007	28,547

Finance costs incurred to arrange the Revolving Credit Facility have been capitalised and are included in the table above. They are amortised through interest payable.

Included within finance lease liabilities as at 31 October 2019 are £12,695,000 of IFRS 16 lease liabilities.

Loan maturity analysis:

	£'000	£'000	£'000
Within one year	16,076	9,918	17,073
Between one and two years	13,530	3,114	11,438
Between two and five years	8,165	10,918	798
After five years	-	-	-
	37,771	23,950	29,309
Unamortised finance costs	(579)	(943)	(762)
Total	**37,192**	23,007	28,547

The following amounts remain undrawn and available

	Unaudited As at 31 October 2019 £'000	Unaudited As at 31 October 2018 £'000	Audited As at 30 April 2019 £'000
Revolving credit facility	**-**	1,000	-
Factoring facility	**4,906**	5,188	1,203
Total	**4,906**	6,188	1,203

11. Financial instruments

Derivative financial instruments represent the Group's forward foreign exchange contracts. The assets/(liabilities) representing the valuations of the forward foreign exchange contracts at the period end are:

Foreign currency contracts	Unaudited As at 31 October 2019 £'000	Unaudited As at 31 October 2018 £'000	Audited As at 30 April 2019 £'000
Current assets	**-**	227	50
Current liabilities	**(868)**	(12)	-
Asset/(liability)	**(868)**	215	50

The fair value of a derivative financial instrument is split between current and non-current depending on the remaining maturity of the derivative contract and its contractual cash flows. The foreign currency contracts are designated as hedged accounted at initial recognition. The fair value of the Group's foreign currency derivatives is calculated as the difference between the contract rates and the mark to market rates which are current at the balance sheet date. This valuation is obtained from the counterparty bank and at each period end is categorised as a Level 2 valuation. The maximum exposure to credit risk is the fair value of the derivative as a financial asset.

12. Provisions

The onerous contract provision of £617,000 as at 31 October 2019 relates to a logistics agreement resulting from the decision to exit from the Skelmersdale facility. At the period end, £155,000 is due in less than one year and £462,000 is due greater than one year. As at 30 April 2019, provisions totalled £2,711,000. During the period, £159,000 of provisions were utilised, with £1,935,000 relating to the lease of the Skelmersdale facility adjusted against right-of-use assets on transition to IFRS 16 *Leases*.

13. Dividends

The Board does not propose an interim dividend for the period ending 30 April 2020 (H1 FY19: £nil).

14. Adoption of IFRS 16 *Leases*

As detailed in note 3, the Group adopted IFRS 16 on 1 May 2019 using the modified retrospective approach.

On implementation of IFRS 16, the Group recognised right-of-use assets within non-current assets of £12.4m and corresponding lease liabilities of £13.9m. The impact on the Group's opening equity as a result of adopting IFRS 16 was an increase of £0.4m.

The weighted average incremental borrowing rate applied to the Group's lease liabilities on transition at 1 May 2019 was 4%.

At 31 October 2019, the right-of-use assets within non-current assets were £11.3m, with corresponding lease liabilities of £12.7m.

The impact of the adoption of IFRS 16 on the consolidated income statement was:

	6 months ended 31 October 2019 £'000
Operating lease costs removed	1,265
Depreciation	(1,172)
Operating profit	**93**
Finance costs	(246)
Loss before tax	**(153)**

On a cash-flow basis, the overall impact is £nil. However, the presentation has changed, such that repayments of the capital and interest elements of finance lease liabilities are included within financing activities, whereas operating lease costs were presented within operating activities.

15. 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 2019 £'000	Unaudited Six months ended 31 October 2018 £'000	Audited Year ended 30 April 2019 £'000
Earnings attributable to shareholders	**(2,477)**	(7,472)	(11,748)
Adjustment for:			
Amortisation	**1,020**	1,020	2,040
Turnaround & Operational items	**921**	4,438	7,906
Share based payment	**1,177**	-	1,316
Tax effect of adjustments above	**(592)**	(1,037)	(2,140)
Adjusted earnings attributable to shareholders	**49**	(3,051)	(2,626)

	Number £'000	Number £'000	Number £'000
Basic weighted average number of shares	**195,247**	183,533	189,192
Dilutive share options	**-**	-	-
Diluted weighted average number of shares	**195,247**	183,533	189,192

	pence	pence	pence
Adjusted earnings per share	**0.0**	(1.7)	(1.4)
Diluted adjusted earnings per share	**0.0**	(1.7)	(1.4)

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.