

# JAMES CROPPER PLC

ESTABLISHED 1845

The advanced materials and paper products group, is pleased to announce its

## Half year results to 30 September 2017

	Half year to 30 September 2017	Half year to 1 October 2016	Full year to 1 April 2017
	£m	£m	£m
Revenue	47.4	45.4	92.4
Adjusted operating profit (excluding IAS19 impact)	3.0	2.6	6.9
Operating profit	2.7	2.3	6.2
Adjusted profit before tax (excluding IAS19 impact)	2.8	2.4	6.6
Impact of IAS19	(0.5)	(0.4)	(0.9)
Profit before tax	2.3	2.0	5.6
Earnings per share – basic	23.1p	17.4p	50.5p
Earnings per share - diluted	22.9p	17.2p	50.0p
Dividend per share declared	2.5p	2.5p	11.8p
Net borrowings	(4.7)	(6.6)	(7.3)
Equity shareholders' funds	23.4	16.0	21.9
Gearing % - before IAS 19 deficit	12%	19%	20%
Gearing % - after IAS 19 deficit	20%	41%	34%
Capital expenditure	1.3	2.1	5.3

### Highlights

- Adjusted PBT (prior to IAS 19 impact) at £2.8m, up 17% on prior year comparative
- PBT at £2.3m, up 14% on prior year comparative
- EPS (diluted) up 33% to 22.9p from 17.2p on prior year comparative
- Revenue in TFP up 20% on prior year comparative. Total revenue up by 4.5%
- TFP is benefitting from increased activity in the sales of products for fuel cells
- Paper launches CupCycling™ and focused on strategy to develop mix
- Paper endures high pulp prices and has remained resilient in the first half
- 3DP launches Colourform™ and has commenced commercial orders

Mark Cropper, Chairman, commented:

“TFP has delivered its best ever sales performance for a half year and is set to continue growth in the second half. Although Paper is facing severe headwinds from the price of pulp this year, it has so far remained resilient and I am confident that future growth prospects continue to strengthen. 3DP is still at an early stage but its potential is being proven with commercial contracts and increasing interest in the sustainable and aesthetically superior alternative it offers over plastic packaging.

Within the Group we continue to invest significantly in people, markets, innovation and equipment. This will ensure that over the long term the Group has the potential to sustain growth across all its businesses. In the nearer term, the full year is expected to deliver in line with the Board's expectations.”

Enquiries:

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	Half year to 30 September 2017 £'000	Half year to 1 October 2016 £'000	Full year to 1 April 2017 £'000
<b>Summary of results</b>			
Revenue	47,446	45,397	92,363
Adjusted operating profit (excluding IAS19 impact)	2,973	2,567	6,869
Operating profit	2,688	2,304	6,188
Adjusted profit before tax (excluding IAS19 impact)	2,837	2,432	6,566
Impact of IAS19	(536)	(407)	(926)
<b>Profit before tax</b>	<b>2,301</b>	<b>2,025</b>	<b>5,640</b>
	Half year to 30 September 2017 £'000	Half year to 1 October 2016 £'000	Full year to 1 April 2017 £'000
<b>Revenue</b>			
James Cropper Paper	35,283	35,279	71,024
James Cropper 3D Products	43	-	7
Technical Fibre Products	12,120	10,118	21,332
	<b>47,446</b>	<b>45,397</b>	<b>92,363</b>
<b>Adjusted operating profit (excluding IAS19 impact)</b>	<b>2,973</b>	<b>2,567</b>	<b>6,869</b>
Net interest (excluding IAS19 impact)	(136)	(142)	(283)
<b>Adjusted profit before tax (excluding IAS19 impact)</b>	<b>2,837</b>	<b>2,425</b>	<b>6,586</b>
Exceptional costs	-	7	(20)
<b>Adjusted profit before tax (excluding IAS19 impact)</b>	<b>2,837</b>	<b>2,432</b>	<b>6,566</b>
<b>IAS19 pension adjustments</b>			
Net current service charge against operating profits	(285)	(270)	(661)
Finance costs charged against interest	(251)	(137)	(265)
	<b>(536)</b>	<b>(407)</b>	<b>(926)</b>
<b>Profit before tax</b>	<b>2,301</b>	<b>2,025</b>	<b>5,640</b>
<b>Balance sheet summary</b>	Half year to 30 September 2017 £'000	Half year to 1 October 2016 £'000	Full year to 1 April 2017 £'000
Non-pension assets – excluding cash	63,331	56,021	63,374
Non-pension liabilities – excluding borrowings	(20,519)	(15,286)	(18,503)
	42,812	40,735	44,871
Net IAS19 pension deficit (after deferred tax)	(14,728)	(18,072)	(15,620)
	28,084	22,663	29,251
Net borrowings	(4,685)	(6,621)	(7,364)
Equity shareholders' funds	23,399	16,042	21,887
Gearing % - before IAS19 deficit	12%	19%	20%
Gearing % - after IAS19 deficit	20%	41%	34%
Capital expenditure	1,252	2,123	5,315

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Dear Shareholders

I am pleased to report that James Cropper PLC recorded a 17% increase in adjusted profit before tax (excluding the impact of IAS 19) of £2.8m for the first half of the current financial year. This compares to £2.4m in the prior year. After the impact of IAS19, profit before tax is £2.3m, up from £2m in the prior comparative period. Meanwhile, Group revenues have increased by 4.5%.

The Group continues to experience increased pulp prices as first noted at the AGM in July. Since then prices have continued to rise, with corresponding impacts on margins in the Paper division. Nevertheless, Paper has so far been able to sustain profit levels compared to the prior year. Meanwhile, TFP profits have grown in the period. Finally, 3DP has commenced full-scale production on receipt of its first commercial contracts.

## James Cropper Paper (“Paper”)

Paper revenues have been maintained compared to the comparable period last year, with the UK experiencing a small planned downturn in sales and the US picking up contracts in digital and packaging, which are delivering growth.

The paper division has recently launched CupCycling™, a closed loop system which recycles post-consumer coffee cups into luxury bags. Our launch partner for this new capability was Selfridges and the offer is generating significant interest from industry and customers.

As noted above, during the first half and into the second half, pulp prices have placed downward pressure on our margins. Accordingly, profit growth for this business for the full year will be challenging.

## Technical Fibre Products (“TFP”)

TFP grew revenue by 20% over the comparable period last year. Double digit growth was achieved in aerospace, defence and fuel cell markets.

With regards to the latter, TFP supplies carbon fibre based substrates, which are used as the basis for manufacturing GDL (Gas Diffusion Layer) parts for fuel cells. TFP supplies substrate for various fuel cell technologies predominantly in Europe and the USA. After many years of development, this market is beginning to deliver commercial products.

TFP has over 30 years of experience in designing and manufacturing bespoke advanced non-woven materials for a variety of end uses and market sectors and continues to see significant growth potential through partnerships with corporations and institutions. The group has outstanding technical and marketing expertise and expects continued growth in the second half and beyond.

## James Cropper 3D Products (“3DP”)

3DP has launched Colourform™, a product range offering renewable, recyclable moulded fibre packaging in almost limitless colours, shapes and surface finishes. Colourform™ provides a sustainable alternative to plastic packaging and is beginning to catch the imagination of global and domestic brands.

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The production lines are fulfilling a number of commercial contracts which will aid this year's start up performance. The Division has a larger number of projects in the development pipeline. Capacity with existing production equipment is satisfactory to meet initial demand however the Group fully expects to invest further in due course as the attention and demand for the differentiated product offer grows. The Board remains confident that 3DP provides another significant growth platform for the Group.

## Pension

The Group operates three pension schemes with close to 60% of employees holding a defined contribution personal payment plan. The Group operates two funded pension schemes providing defined benefits, for a decreasing number of its employees. The IAS19 valuations, for the defined benefit schemes as at 30 September 2017, revealed a combined deficit of £18.0m, compared with £18.8m as at 1 April 2017. After deferred taxation the net deficit stands at £14.7m.

## Earnings per share and Dividend

Diluted earnings per share increased to 22.9 pence, compared to 17.2 pence in the prior year comparative period.

The Board have declared an interim dividend of 2.5p per share (2016: 2.5p). The final dividend for the year to 31 March 2018 will be subject to shareholder approval at the AGM on 25 July 2018.

## Outlook

TFP has delivered its best ever sales performance for a half year and is set to continue growth in the second half. Although Paper is facing severe headwinds from the price of pulp this year, it has so far remained resilient and I am confident that future growth prospects continue to strengthen. 3DP is still at an early stage but its potential is being proven with commercial contracts and increasing interest in the sustainable and aesthetically superior alternative it offers over plastic packaging.

Within the Group we continue to invest significantly in people, markets, innovation and equipment. This will ensure that over the long term the Group has the potential to sustain growth across all its businesses. In the nearer term, the full year is expected to deliver in line with the Board's expectations.

Mark Cropper

Chairman

# JAMES CROPPER PLC

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## JAMES CROPPER PLC UN-AUDITED STATEMENT OF COMPREHENSIVE INCOME

	26 week period to 30 September 2017	26 week period to 1 October 2016	52 week period to 1 April 2017
	£'000	£'000	£'000
<b>Continuing operations</b>			
Revenue	47,446	45,397	92,363
Operating profit	2,688	2,304	6,188
Finance costs			
Interest payable and similar charges	(391)	(279)	(548)
Interest receivable and similar income	4	-	-
<b>Profit before taxation</b>	<b>2,301</b>	<b>2,025</b>	<b>5,640</b>
Taxation	(112)	(405)	(910)
<b>Profit for the period</b>	<b>2,189</b>	<b>1,620</b>	<b>4,730</b>
Earnings per share – basic	23.1p	17.4p	50.5p
Earnings per share – diluted	22.9p	17.2p	50.0p
Dividend declared in the period – pence per share	2.5p	2.5p	11.8p
<b>OTHER COMPREHENSIVE INCOME</b>			
Profit for the period	2,189	1,620	4,730
Items that are or may be reclassified to profit or loss			
Foreign currency translation	55	189	224
Loss on interest rate hedge	-	-	(9)
Items that will never be reclassified to profit or loss			
Retirement benefit liabilities – actuarial gain/(loss)	689	(14,715)	(11,386)
Deferred tax on actuarial (gain)/loss on retirement benefit liabilities	(124)	2,796	1,847
Income tax on other comprehensive income	-	-	-
Other comprehensive income/(expense) for the year	620	(11,730)	(9,324)
<b>Total comprehensive income for the period attributable to equity holders of the Company</b>	<b>2,809</b>	<b>(10,110)</b>	<b>(4,594)</b>

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## JAMES CROPPER PLC

### UN-AUDITED STATEMENT OF FINANCIAL POSITION

	30 September 2017	1 October 2016	1 April 2017
	£'000	£'000	£'000
<b>Assets</b>			
Intangible assets	509	126	569
Property, plant and equipment	26,369	24,932	26,572
Deferred tax assets	2,303	2,901	2,270
<b>Total non-current assets</b>	<b>29,181</b>	<b>27,959</b>	<b>29,411</b>
Inventories	14,471	14,354	14,097
Trade and other receivables	21,982	16,609	23,066
Cash and cash equivalents	5,911	3,426	1,921
<b>Total current assets</b>	<b>42,364</b>	<b>34,389</b>	<b>39,084</b>
<b>Total assets</b>	<b>71,545</b>	<b>62,348</b>	<b>68,495</b>
<b>Liabilities</b>			
Trade and other payables	19,660	13,563	18,493
Other financial liabilities	10	-	9
Loans and borrowings	1,001	792	1,570
Current tax liabilities	(81)	385	1
<b>Total current liabilities</b>	<b>20,590</b>	<b>14,740</b>	<b>20,073</b>
Long-term borrowings	9,595	9,255	7,715
Retirement benefit liabilities	17,961	22,311	18,820
<b>Total non-current liabilities</b>	<b>27,556</b>	<b>31,566</b>	<b>26,535</b>
<b>Total liabilities</b>	<b>48,146</b>	<b>46,306</b>	<b>46,608</b>
<b>Equity</b>			
Share capital	2,370	2,364	2,367
Share premium	1,472	1,465	1,472
Translation reserve	657	567	602
Reserve for own shares	(970)	(651)	(853)
Retained earnings	19,870	12,297	18,299
<b>Total shareholders' equity</b>	<b>23,399</b>	<b>16,042</b>	<b>21,887</b>
<b>Total equity and liabilities</b>	<b>71,545</b>	<b>62,348</b>	<b>68,495</b>

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### UN-AUDITED STATEMENT OF CASH FLOWS

	26 week period to 30 September 2017	26 week period to 1 October 2016	52 week period to 1 April 2017
	£'000	£'000	£'000
<b>Cash flows from operating activities</b>			
<b>Net profit</b>	<b>2,189</b>	<b>1,620</b>	<b>4,730</b>
<b>Adjustments for:</b>			
Tax	112	405	910
Depreciation and amortisation	1,363	1,099	2,297
Net IAS 19 pension adjustments within Statement of comprehensive income	536	407	926
Past service pension deficit payments	(706)	(681)	(1,362)
Foreign exchange differences	38	112	84
Loss on disposal of property, plant and equipment	-	15	14
Profit on disposal of investments	-	(178)	-
Net bank interest expense	136	142	282
Share based payments	186	142	283
<b>Changes in working capital:</b>			
(Increase) / decrease in inventories	(408)	(150)	105
Decrease / (increase) in trade and other receivables	408	2,971	(4,113)
Increase / (decrease) in trade and other payables	1,363	(1,526)	3,932
Interest received	5	1	2
Interest paid	(140)	(148)	(293)
Tax paid	(356)	(657)	(1,081)
<b>Net cash generated from operating activities</b>	<b>4,726</b>	<b>3,574</b>	<b>6,716</b>
<b>Cash flows from investing activities</b>			
Purchase of intangible assets	(19)	-	(486)
Purchases of property, plant and equipment	(1,253)	(2,123)	(4,828)
Profit on disposal of investments	-	178	-
Proceeds from sale of property, plant and equipment	-	2	4
<b>Net cash used in investing activities</b>	<b>(1,272)</b>	<b>(1,943)</b>	<b>(5,310)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of ordinary shares	3	444	454
Proceeds from issue of new loans	2,456	2,451	2,450
Repayment of borrowings	(903)	(3,179)	(4,115)
Purchase of LTIP investments	(117)	(479)	(510)
Dividends paid to shareholders	(864)	(648)	(881)
<b>Net cash generated / (used) in financing activities</b>	<b>575</b>	<b>(1,411)</b>	<b>(2,602)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>4,029</b>	<b>220</b>	<b>(1,196)</b>
Effect of exchange rate fluctuations on cash held	(39)	20	(69)
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>3,990</b>	<b>240</b>	<b>(1,265)</b>
Cash and cash equivalents at the start of the period	1,921	3,186	3,186
<b>Cash and cash equivalents at the end of the period</b>	<b>5,911</b>	<b>3,426</b>	<b>1,921</b>
<b>Cash and cash equivalents consists of:</b>			
Cash at bank and in hand	5,911	3,426	1,921

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### STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Translation reserve	Own shares	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>2 April 2016</b>	<b>2,306</b>	<b>1,079</b>	<b>378</b>	<b>(343)</b>	<b>23,273</b>	<b>26,693</b>
Profit for the period	-	-	-	-	4,730	4,730
Exchange differences	-	-	224	-	-	224
Actuarial losses on retirement benefit liabilities (net of deferred tax)	-	-	-	-	(9,539)	(9,539)
Loss on interest rate hedge	-	-	-	-	(9)	(9)
Total other comprehensive income	-	-	224	-	(9,548)	(9,548)
Dividends paid	-	-	-	-	(881)	(881)
Share based payment charge	-	-	-	-	283	283
Tax on share options	-	-	-	-	634	634
Proceeds from issue of ordinary shares	61	393	-	-	-	454
Distribution of own shares	-	-	-	192	(192)	-
Consideration paid for own shares	-	-	-	(702)	-	(702)
Total contributions by and distributions to owners of the Group	61	393	-	(510)	(156)	(212)
<b>At 1 April 2017</b>	<b>2,367</b>	<b>1,472</b>	<b>602</b>	<b>(853)</b>	<b>18,299</b>	<b>21,887</b>
Profit for the period	-	-	-	-	2,189	2,189
Exchange differences	-	-	55	-	-	55
Actuarial gains on retirement benefit liabilities (net of deferred tax)	-	-	-	-	565	565
Total other comprehensive income	-	-	55	-	565	620
Dividends paid	-	-	-	-	(864)	(864)
Share based payment charge	-	-	-	-	183	183
Proceeds from issue of ordinary shares	3	-	-	-	-	3
Distribution of own shares	-	-	-	324	(502)	(178)
Consideration paid for own shares	-	-	-	(441)	-	(441)
Total contributions by and distributions to owners of the Group	3	-	-	(117)	(1,183)	(1,297)
<b>At 30 September 2017</b>	<b>2,370</b>	<b>1,472</b>	<b>657</b>	<b>(970)</b>	<b>19,870</b>	<b>23,399</b>



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### NOTES TO THE UN-AUDITED INTERIM RESULTS

#### 1. Basis of the preparation of IFRS financial information

- a. These interim results have been prepared in accordance with the historical cost convention, as modified by the revaluation of land and buildings, and derivative financial instruments, and in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union (with the exception of IAS 34, Interim Financial Reporting) and International Financial Reporting Interpretation Committee (“IFRIC”) interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

All references to:

Non GAAP measures “(excluding IAS19 impact)” have been used to understand and compare the performance of the Group excluding the volatility of the pension adjustments under IAS19.

- b. The Group’s policy is to maintain the ability to continue as a going concern, in order to provide returns to the shareholder and benefits to other stakeholders. Accordingly the going concern basis has been adopted in preparing these interim results.

#### 2. Interim Statement

- a. The summarised results for the half-year to 30 September 2017, which have not been audited or reviewed, have been prepared in accordance with the accounting policies adopted in the accounts for the 52 week year ended 1 April 2017.
- b. The financial information set out above does not constitute statutory accounts within the meaning of the Companies Act 2006. The figures for the 52 week year ended 1 April 2017 are an extract of the full accounts for that year, which have been filed with the Registrar of Companies and on which the auditors gave an unqualified opinion.
- c. A copy of the interim statement is available on our website ([www.cropper.com](http://www.cropper.com)).

#### 3. Earnings per share

Basic earnings per share for the half year to 30 September 2017 have been calculated by dividing the profits attributable to ordinary shareholders by 9,470,339 (2016: 9,284,126) ordinary shares, being the weighted average number of ordinary shares during the period.

#### 4. Dividend

A net interim dividend of 2.5p per Ordinary Share (2016: 2.5p per share) will be paid on 12 January 2018 to holders on the register at the close of business on 1 December 2017, with the last day for DRIP elections being 15 December 2017. The dividend relating to the 52 week year to 1 April 2017 was made up of an interim payment of £233,000 (2.5p per share) and a final dividend payment of £864,000 (9.3p per share). The dividend is payable in cash. Shareholders have the opportunity to elect to reinvest their cash dividend and purchase existing shares in the Company through a Dividend Reinvestment Plan.

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## 5. Pensions

IAS19 regards a sponsoring company and its pension schemes as a single accounting entity rather than two or more separate legal entities. The actuarial valuation is the starting point for the creation of the IAS19 accounting entity. The valuation determines the net position of a pension scheme, i.e. the difference between its assets and liabilities. The net position, surplus or deficit, is brought onto the sponsoring company's statement of financial position such that Reserves are immediately adjusted by the net position reduced by deferred tax. This obviously results in either an increase or decrease in the net asset value of the sponsoring company. At subsequent period-ends the movement in value from the previous valuation is expressed in the following component parts:

### Statement of comprehensive income

Operating costs

Current service charge, being the cost of benefits earned in the current period shown net of employees' contributions.

- Past service costs, being the costs of benefit improvements.
- Curtailment and settlement costs.

Finance costs, being the net of

- Expected return on pension scheme assets.
- Interest cost on the accrued pension scheme liabilities.

### Other comprehensive income

Actuarial gains and losses arising from variances against previous actuarial assumptions.

The above items are offset by actual contributions paid by the employer in the period.

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IAS19 deficits are shown below at the corresponding financial position dates.

<b>IAS19 Deficit</b>	<b>Half year to 30 September 2017</b>	<b>Half year to 1 October 2016</b>	<b>Full year to 1 April 2017</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Current service charge	(587)	(534)	(1,190)
Future service contributions paid	302	264	529
Net impact on operating profit	(285)	(270)	(661)
Finance costs	(251)	(137)	(265)
Net impact on profit and loss account	(536)	(407)	(926)
Past service deficit contributions paid	706	681	1,362
Actuarial (losses) / gains	689	(14,715)	(11,386)
Opening deficit	(18,820)	(7,870)	(7,870)
Closing deficit	(17,961)	(22,311)	(18,820)
Deferred taxation	3,233	4,239	3,200
Net deficit	(14,728)	(18,072)	(15,620)

It should be noted that the assumptions underlying the IAS19 valuation are based on financial conditions at the financial position date. As market values of the scheme assets and the discount factors applied to the scheme liabilities will fluctuate, this method of valuation will often lead to large variations in the "pension balance" from period to period. Pension liabilities are discounted at the current rate of return on an AA rated quality corporate bond of equivalent currency and term. The actual contributions paid by the Group to its two final salary schemes are determined by the actuaries' "on-going" valuation.

<b>Profit before tax</b>	<b>Half year to 30 September 2017</b>	<b>Half year to 1 October 2016</b>	<b>Full year to 1 April 2017</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Adjusted profit before tax prior to IAS 19	2,837	2,432	6,566
Net pension adjustment			
Current service charge	(587)	(534)	(1,190)
Future service contributions paid	302	264	529
Net impact on operating profit	(285)	(270)	(661)
Finance costs	(251)	(137)	(265)
Net impact on profit before tax	(536)	(407)	(926)
Profit before tax	2,301	2,025	5,640