

JAMES CROPPER PLC

ESTABLISHED 1845

The advanced materials and paper products Group is pleased to announce its

Preliminary results for the 52 weeks ended 28 March 2020

	52 weeks ended 28 March 2020	52 weeks ended 30 March 2019
	£'m	£'m
Revenue	104.7	101.1
Adjusted operating profit (excluding IAS19 impact)	7.2	4.3
Operating profit	6.6	3.4
Adjusted profit before tax (excluding IAS19 impact)	6.7	4.0
Impact of IAS19	(1.2)	(1.4)
Profit before tax	5.5	2.6
Earnings per share – basic and diluted	50.6p	24.3p
Dividend per share declared	2.5p	13.5p
Net borrowings	(11.1)	(8.6)
Net borrowings (excluding IFRS 16 impact)	(6.7)	(8.6)
Equity shareholders' funds	34.4	21.3
Gearing % - before IAS 19 deficit	26%	21%
Gearing % - after IAS 19 deficit	32%	40%
Capital expenditure	9.2	5.2

Highlights

- Record Group revenues of £105m.
- Record operating profits (excluding IAS 19 impact) at £7.2m
- Paper division return to profits with strong underlying growth.
- Colourform revenues up 800% at £2.6m.
- TFP growth in fuel cell and wind energy mitigating downturn in aerospace.
- Investment in research & development remains strong, supporting innovation.
- Capital investments for future growth started. Paused due to Covid 19 cash preservation, planned restart in Q4.
- No final dividend proposed as part of cash preservation exercise against the impact of Covid 19.

Mark Cropper, Chairman, commented:

“Against the dramatic background ushered in by Covid 19 towards the end of our financial year, I am especially pleased to report a record year for the Group. Group revenue once again set a new record at £105m while profit before tax more than doubled to £5.5m.”

“The result was buoyed up by a £5.4m rebound in our Paper division operating profits, moving from a £2m loss to a £3.4m gain. Whilst operating profits were down 13% for TFP, the business experienced good growth in fuel cell and green energy markets which will continue. Colourform saw 800% revenue growth in the year and cut losses by 45% to £1.4m.”

“Looking beyond the here and now, I believe there are now two additional questions to ask: can we grow our way out of the current economic environment and can we do so in a way that respects our environment, people and communities like never before? I would answer yes and yes.”

“I have no doubt we will rise to the challenge just as we have in recent months. For the year ending March 2021, we expect a break-even profit at least, excluding any impact of pension charges under IAS 19. Looking out further, I have no doubt we will emerge stronger and more resilient than ever”

Enquiries:

JAMES CROPPER PLC

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The Annual General Meeting of the Company will be held at 11.00am on Wednesday 29 July 2019 at the TFP offices, Burneside Mills, Kendal, Cumbria behind closed doors due to social distancing guidelines. The Board encourages all shareholders to vote on resolutions via proxy.

	52 weeks ended 28 March 2020	52 weeks ended 30 March 2019
	£'000	£'000
Summary of results		
Revenue	104,667	101,095
Adjusted operating profit (excluding IAS19 impact)	7,240	6,133
Adjusted profit before tax (excluding IAS19 impact)	6,674	3,962
Impact of IAS19	(1,215)	(1,386)
Profit before tax	5,459	2,576

	52 weeks ended 28 March 2020	52 weeks ended 30 March 2019
	£'000	£'000
Revenue		
James Cropper Paper	75,545	74,317
James Cropper 3D Products	2,586	290
Technical Fibre Products	26,536	26,487
	104,667	101,095
Adjusted operating profit (excluding IAS19 impact)	7,240	4,262
Net interest (excluding IAS19 impact)	(566)	(300)
Adjusted profit before tax (excluding IAS19 impact)	6,674	3,962
IAS19 pension adjustments		
Net current service charge against operating profits	(671)	(854)
Finance costs charged against interest	(544)	(532)
	(1,215)	(1,386)
Profit before tax	5,459	2,576

The IAS 19 pension adjustments are explained in detail in the Financial Review section of the Annual Report. The total amount excluded from the IAS pension Charge is £1,215,000 (2019: £1,386,000). The adjustment, which we refer to in these accounts as the "IAS 19 impact" represents the difference between the pension charge as calculated under IAS 19 and the cash contributions for the current service cost only as determined by the latest triennial valuation. The Directors consider that the adjusted pension charge better reflects the actual pension costs for ongoing service compared to the IAS 19 charge. This adjustment is made internally when we assess performance and is also used in the EBITDA and EPS targets used in management incentive schemes

The IAS 19 pension adjustment £1,215,000 (2019: £1,386,000) comprises:

	Period ended 28 March 2020	Period ended 30 March 2019
	£'000	£'000
Current service charge	1,188	1,423
Normal contributions	(517)	(569)
Interest charge	544	532
IAS 19 pension adjustment	1,215	1,386

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Balance sheet summary

	As at 28 March 2020	As at 30 March 2019
	£'000	£'000
Non-pension assets – excluding cash	72,084	64,871
Non-pension liabilities – excluding borrowings	(19,032)	(16,236)
	53,052	48,635
Net IAS19 pension deficit (after deferred tax)	(7,600)	(18,798)
	45,452	29,837
Net borrowings	(11,055)	(8,561)
Equity shareholders' funds	34,397	21,276
Gearing % - before IAS19 deficit	26%	21%
Gearing % - after IAS19 deficit	32%	40%
Capital expenditure	9,195	5,229

Chairman's Letter

Dear Shareholders

Against the dramatic background ushered in by Covid19 towards the end of our financial year, I am especially pleased to report a record year for the Group. Group revenue once again set a new record at £105m while profit before tax more than doubled to £5.5m. These were excellent results that allow us to enter a period of great uncertainty with a degree of fitness, especially compared to the challenging results of the prior two years.

The result was buoyed up by a £5.4m rebound in our Paper division operating profits, moving from a £2m loss to a £3.4m gain. Whilst operating profits were down 13% for TFP, the business experienced good growth in fuel cell and green energy markets which will continue. Colourform saw 800% revenue growth in the year and cut losses by 45% to £1.4m. Our closing cash position was significantly up on last year, moving from £2.3m to £8.9m, underpinned by a record adjusted EBITDA result of £11.2m.

The strong financial performance was also mirrored elsewhere. Our capital investment programme (which was already significant as I noted in last year's report) changed up a gear again, moving from £5.2m to £9.2m, a level not seen in 30 years. More was to come in TFP and Paper, but the advent of Covid19 mean these have now been paused to conserve cash. Behind the investment figures, innovation spending was maintained at £4m; research and development personnel continue to comprise about 15% of all employees. Investing in research, innovation, and development is a key part of the Group's growth strategy and is an effective way to accelerate our manufacturing capabilities.

Paper's return to profitability was aided by lower pulp and energy costs, the former finally dropping after two years of extensive (and painful) rises. Paper also saw an underlying improvement in margin; itself helped by strong growth of 23% in its most important market, luxury packaging. We continue to seek top and bottom-line improvements in Paper in every way possible. Importantly, via our Big Listen and ensuing programmes, we are seeking and gaining more ideas than ever about how to improve performance. To date over 350 people have given input, the majority of the Paper team.

Colourform has yet to post a profit, but this year's 800% revenue growth and reduced loss have been important steps in the right direction. The growth has been significantly helped by brands secured via a partnership with a packaging company. This has included a two year programme to develop a revolutionary 'second skin' bottle wrap for champagne house Ruinart, which replaces traditional boxes. It is nine times lighter with a significantly lower environmental impact and Ruinart have made it front and centre of its current marketing campaigns, with direct credits to James Cropper included.

Our TFP business registered strong growth in sales into the fuel cell and wind energy markets. This growth in sales was enough to offset a reduction in our sales into the aerospace sector. Despite the well documented issues currently impacting the aerospace sector, we remain optimistic that there will be a slow but steady recovery over the next two or three years. Our success in growing sales into renewable and clean energy sectors is very well aligned with our ambitions to deliver green growth.

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Another important development this year was the appointment of Lyndsey Scott to the Group Board as a non-executive director. Lyndsey is currently Chief HR Officer at International Personal Finance plc and brings significant multi-national business experience to the Group gained across many different sectors.

The appointment followed the retirement of David Wilks who joined the board in 2004. David also brought a wealth of experience in organisational development to the Company and I would like to personally thank him for everything he did to help us strengthen the Board and Company in recent years.

175th Anniversary

This year we intended to celebrate history. Our 175th anniversary is 5 July 2020 and a long weekend of festivities was planned to mark this major milestone. Instead, since the new world presaged by Covid19 took hold in early March, we have of course delayed the celebrations until we can hold them safely, hopefully in 2021 or 2022.

Dividend

In response to the Covid19 pandemic and anticipated economic fallout, the Group Board took the decision that no final dividend would be paid. This is part of an all-encompassing cash preservation programme which is detailed later in this report. The last time the company cancelled a dividend payment was in the loss-making year of 1976 when no interim sum and only a very modest final payment was made.

Outlook

How do we look forward in times such as these? At one level it is tempting to try to learn from other key moments in our 175 year history: devastating fires in 1886 and 1903, world wars, stock-market crashes, the rise and fall of the British Empire, economic swings from free trade to protectionism and back, and so on. But in truth each one is different, requiring different responses.

This time, a global economic crash of unprecedented speed and depth comes at a time when mankind is only just waking up to the devastating impact our actions are having on the planet. At the same time there is growing unease about business and its unequal relationship with society, whether real or perceived. And what of Brexit, once front page news and only months away, but still with unclear outcomes? None of these issues will be overturned in the short term. And yet, throughout our history, we have demonstrated we can respond and adapt with speed and agility.

In the days following lockdown two simple questions were foremost in my mind: do we truly realise how serious this is, and will we survive? These are answered: yes and yes. But this is only owing to the extraordinary exertions and inputs from every level of the James Cropper team: IT setting up dozens of people to work from home within hours; cleaners adopting new regimes; the canteen team rapidly instigating a cashless takeaway; our maintenance staff adapting the site at record pace to the new landscape of hand sanitisers, wash-stations, 2 metre white lines, doors that can be opened and closed with no hands. The list goes on and on: everyone observing social distancing; finance and management redrafting plans and models again and again, delivering unprecedented cash savings; regular and direct communication to all from Phil Wild based around the three strands of protecting both people and customers and managing costs; the creation of virtual coffee breaks, and an online platform to share news with everyone especially those offsite on furlough. Unlike many businesses, we have never shut although, aided by the government furlough scheme, we have cycled production to match demand.

Looking beyond the here and now, I believe there are now two additional questions to ask: can we grow our way out of the current economic environment and can we do so in a way that respects our environment, people and communities like never before? I would again answer yes and yes. It is encouraging that the fastest growing areas of our business are in the environmental field, whether a recyclable alternative to plastic (Colourform) or renewable energy materials (TFP). Paper meanwhile is maintaining a commitment to transition to 50% waste fibre by 2025. We are also embarking on a programme to dramatically cut our carbon emissions significantly ahead of national decarbonisation targets. Around our sites, we are also playing a part in reimagining and supporting our communities better, a process we began in Burneside in 2015 and expanded to Kendal in 2019.

How we do all of the above remains to be finalised, but I have no doubt we will rise to the challenge just as we have in recent months. For the year ending March 2021, we expect a break-even profit at least, excluding any impact of pension charges under IAS 19. Looking out further, I have no doubt we will emerge stronger and more resilient than ever.

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For now, I wish to thank the James Cropper team like never before. You have shown your true colours and I am proud to be associated with each and every one of you.

Mark Cropper

Chairman

22 June 2020

Chief Executive's Review

I was pleased to see continued sales growth now achieving £105m in sales for the first time. The resulting profits before tax for the group increased by 120% to £5.5m (2019: £2.6m) delivering the most profitable year so far.

After a period of increased sales and improved mix, along with a steady decline in pulp price, the Paper division delivered a strong performance.

Following the successful commercialisation of the Colourform offering, business sales in this division delivered strong growth. Technical Fibre Products delivered a solid performance, with a dip in the aerospace market mitigated by the increasing growth experienced in fuel cell and wind energy sectors.

As a consequence of the increased profits, earnings per share is 108% higher than the previous period at 50.6p per share (2019: 24.3p per share).

Revenue and Operating Profit

Group revenue for the financial period was £104.7m, up 4% on the prior period.

Revenue for James Cropper Paper grew by 2% in the period to £75.5m with the division generating an operating profit of £3.4m, compared to an operating loss of £2.0m in the prior period. Revenue for the Technical Fibre Products division ("TFP") remained flat in the period at £26.5m and operating profit down 13% at £7.8m. Revenue for Colourform grew to £2.5m, compared to £0.3m in 2019, and operating losses reduced from a loss of £2.5m to a loss by £1.4m.

Research and development

Research and development is a fundamental part of our growth strategy, adding to our capability, maintaining our competitiveness and bringing new product lines into our target markets. The Group continues to invest in research and development with expenditure in R & D of £3.9m this period, compared to £4.0m in the prior period.

Capital expenditure

Capital expenditure during the period was £9.2m (2019: £5.2m).

Targeted growth

Each business focuses on its target market; however, all have key strategies in common:

- focusing on niche growth markets to match our unique capabilities;
- expand global diversity to target these niche markets across the world; and

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- deliver constant innovation to these chosen markets.

Growth in Niche Markets:

Each business is focused on niche markets. Each market is chosen to provide long term growth potential matched with our unique capabilities.

Technical Fibre Products (TFP) operate within the advanced composites market. TFP's nonwoven products provide unique solutions for light-weighting, conductivity and fracture resistance, to name a few.

James Cropper Paper (JCP) produces speciality papers in low volume and high quality, with the highest growth coming from the luxury packaging sector. Within this sector, JCP provides ranges of colours, textures and coating using a range of environmental materials including post-consumer waste.

Colourform (3DP) operates within the moulded fibre packing market, providing environmental alternatives to single-use plastics. Uniquely, Colourform offers high-quality packaging across the spectrum of colours.

Global Diversity

To reduce the dependence from a specific geography, the company has executed on a strategy to grow exports. This has been a result of investment in key regions and targeted growth plans. Sales exports have grown from 47% to 60% of sales in the last five years. As a result of targeted portfolio growth, export sales now deliver close to 75% of the company profits.

Innovation

Over the past five years, we have invested over £13m in research and development activities, with over 15% of our employees directly involved in these programmes.

Last year over £28m sales came from products that have been developed and introduced in the previous five years.

Sustainability is supported through our drive to innovate. Examples include, recycling sources of waste paper products, introducing renewable energy, developing products for clean technology such as wind and hydrogen fuel cell.

People

The approach to building skills and talent can be seen at all levels within the company. Graduate intake has traditionally been within technical and now benefits from a wider range of functions. Similarly, apprenticeships traditionally were focused on engineering disciplines; however, today cover broader functions within the business.

The annual Pride awards recognise employees going "above and beyond" demonstrating creativity, significant improvements and dedicating personal time to good causes.

There are a number of cultural programmes designed to gain input from every employee within the company to support building a collaborative approach to changes we adopt. These include a detailed employee survey, "The Big Listen" run within the paper business and structured, regular communication, to name a few.

Our people programmes together with a strong emphasis on training and development, underpin our initiatives to grow in each business.

COVID 19

At the start of the new financial year, we experienced the initial impact of the Covid-19 global pandemic. Our Guiding principles on how we responded to Covid-19 were:-

- Health and wellbeing of employees
- Supporting customers
- Reducing costs

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Our goal through these priorities is to emerge from the pandemic as a stronger company. Some examples of activities include:

Health and wellbeing of employees

- Implementing government guidelines such as sanitation and social distancing.
- Providing personal protective equipment (PPE).
- Directors visible on-site each day.
- Up to 30% of employees working from home.
- Utilising the Job Retention Scheme.
- Regular communication of status updates.
- Providing mental health support.
- Community support programmes.

Supporting customers

- Sharing best practices.
- Rescheduling orders and production to best match customers' needs and costs.
- Logistic and delivery challenges are overcome. E.g. import restrictions, reduced air carriers.
- Payment plans to support customers.

Reducing costs

- Cost of living pay increases and bonus payments suspended.
- Planned production temporary closures.
- Employees placed on Job Retention Schemes reducing the workforce to minimum requirements.
- A hiring freeze, a release of agency workers and other operational costs.
- Significant spending cuts in all areas that are not directly related to the production for our customers, and spending cuts which do not impact our ability to grow.
- Capital investment projects for strategic growth programmes postponed.
- Adopting payment suspensions and plans where government and tax authority support is in place.
- Shareholder dividends stopped.

Growth plans

The Company prudently selected a severe framework against which to build and action immediate plans when assessing a pessimistic view of Covid-19 on the business over the next two years. Whilst in the short term costs & cash are managed to ensure liquidity; our objective is to continue and accelerate growth plans. Some examples include:-

Paper

- New product development to extend the range such as PaperGard and Biomaster, which treats paper against cross-contamination of bacteria. Applications which lend themselves to medical markets.
- Growth volume, including products such as manila and filing products.
- Gain market share by working with merchants to win volume projects.
- Accelerate the introduction of new projects such as a new Mountboard range to capitalise on an expected home refurbishment spike.
- Launch new ranges such as the Mill Collection, black & white folding boxboard for cosmetics packaging which will show rebound benefit from online purchasing.

Technical Fibre Products

- Accelerate new products and applications such as high-value fire retardant products.
- Drive new markets such as marine defence.
- Growth in the existing market, for example, markets supporting the movement away from fossil fuels, such as fuel cells.
- Gain volume growth and market share such as the wind energy market selling high-value materials in Europe and China.

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Colourform

- Accelerating new projects such as bottle wraps for the high end drinks industry.
- Line extensions for existing beauty and perfume customers.
- Expanding the range with existing customers.
- Licencing technology. Colourform uniquely delivers a full range of coloured products, however only currently focused on the European market. Working with partners in other geographies and sharing selective colour technology allows licencing revenue to be achieved.

Outlook

At the start of the pandemic, the Paper business experienced a sharp downturn in orders, aligned to the lockdown imposed around the world and especially in the UK. Much less impact was experienced in the TFP business, with a downturn in aerospace observed, however, continued growth in other markets such as green technology. While the order intake for Colourform has been moderated, year on year growth continues to be achieved. The impact on group sales for the start of the current financial year was approximately 30% less compared to the same period in the prior year. We expect to fall further during Q2, with growth being experienced in the second half of the year.

Impacts on profits have been less severe due to quick and significant actions taken to reduce costs at the start of the pandemic. While we expect profit to be significantly affected, as a result, we do expect to end the current financial year at least at break-even profit, excluding any impact of pension charges under IAS 19.

Phil Wild

Chief Executive Officer

22 June 2020

From the Chief Financial Officer's Review:

- Cash flow
- Funding, facilities and net debt
- Going concern

Cash flow

In the period the Group's net cash inflow was £6,612,000 (2019: outflow £3,205,000).

A positive cash inflow in the year: the Group generated cash through its strong operating performance and good working capital management. Past service deficit payments of £1,424,000 are made in accordance with the agreed schedule of contributions covering £1,284,000 to reduce past service deficits and a further £140,000 to meet protection levy payments. Strategic investments increased in the year supported by additional debt drawdowns. Debt drawdowns also provided the Group with good availability of funds ahead of the evolving impact of the Covid 19 pandemic.

Capital investment in the period was £9,195,000 (2019: £5,229,000). Investments are driven by the requirement to enable growth, largely in the form of generating revenue by increasing capacity, improving capability or generating cost savings. Other expenditure supports resilience, safety and workplace improvements. Capital was invested in all divisions this year. Last year we announced the strategic decision to provide an additional nonwoven production line, expanding capacity by a further 50% in TFP to support future growth. The programme of work progressed well during the year, and it constitutes the largest spend in the year. Prior to the year-end with Covid-19 impacting (see CEO report), the completion of this project has been deferred as one of a number of immediate actions to safeguard cash and preserve liquidity. Early signs show that the TFP markets are more resilient to the general market downturn created from Covid-19 and commercial growth opportunities will be optimised by the completion of this project.

Capital projects remain under regular review as the Executive Committee monitors and assesses performance, funding and market conditions prior to re-starting or approving new or existing investment projects.

The closing cash position for the Group is £8,964,000 (2019: £2,352,000).

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The closing cash position of £8,964,000 along with existing overdraft facilities of £3,500,000 ensures the Group holds sufficient funds by way of buffer as the Covid 19 pandemic takes effect on the world. The Company has selected a prudent framework against which to action immediate plans and assess the impact of Covid-19 on the business over the next two years. Whilst in the short term costs and cash are managed to ensure liquidity and support working capital requirements our objective is to continue and accelerate growth plans. Key immediate uses of cash will therefore be available to back working capital requirements during the downturn and in readiness to gear up out of the downturn, however some flexibility is also retained to re-start our investment programmes if certain conditions are met.

Funding, facilities and net debt

Funding	2020	2019	Change
	£'000	£'000	£'000
Cash and cash equivalents	8,964	2,352	6,612
Borrowings: repayable within one year	(3,756)	(1,545)	(2,211)
Borrowings: non-current	(16,263)	(9,368)	(6,895)
Net debt	(11,055)	(8,561)	(2,494)
Borrowings: repayable within one year	3,756	1,545	2,211
Borrowings: non-current	16,263	9,368	6,895
Facilities drawn down	20,019	10,913	9,106
Undrawn facilities	5,367	8,119	(2,752)
Facilities	25,386	19,032	6,354
Cash and cash equivalents	8,964	2,352	6,612
Undrawn facilities	5,367	8,119	(2,752)
Funds available at year end	14,331	10,471	3,860
Borrowings: repayable within one year	(3,756)	(1,545)	(2,211)
Funds available in excess of one year	10,575	8,926	1,649

The Group funds its operations and investments from operating cash flow and from borrowings and leases. During the period net debt increased by £2,494,000 to £11,055,000, however the Group has adopted IFRS 16 and incorporates £4,328,000 of right-of-use leases in its 2020 borrowings figure. Net debt on an equivalent comparative basis is reduced to £6,727,000 in the year down by £1,834,000.

Net Debt before IFRS 16	2020	2019	Change
	£'000	£'000	£'000
Cash and cash equivalents	8,964	2,352	6,612
All Borrowings excluding IFRS 16	(15,691)	(10,913)	(4,778)
Net debt on an equivalent comparison basis	(6,727)	(8,561)	1,834

The Group has two revolving credit facilities secured with different high street banks. Revolving credit facilities provide the Group with optional draw down at short notice, repayment flexibility, reduced margins and facilities on an unsecured basis. Total revolving credit facilities, from two supporting banks, amount to £11,000,000, of which £10,934,226 is drawn down at

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the period end. Cash and cash equivalents increased from £2,352,000 up to £8,964,000 in the year whilst long term borrowings (falling due after more than a year) increased by £6,895,000 to £16,263,000 after the adoption of IFRS 16.

The group is in compliance with all its banking covenants at the period end. The group has since arranged new covenant measures, with its supporting banks, which enable new parameters to be monitored during the Covid 19 pandemic, and our expected recovery period.

Undrawn facilities comprise of unused overdraft facilities of £3,500,000 plus the total unused credit facilities of £1,867,000, the majority of cash under revolving credit facilities having been drawn down prior to the year end. This means a total of £5,367,000 remains unutilised at the year-end date.

Having taken account of current borrowings to be paid within 12 months of the balance sheet date the Group has £10,575,000 available to the Group beyond 12 months.

Going Concern

The Company has carried out extensive financial modelling of the most severe impact of the Covid-19 pandemic. The Company has used this framework to inform its strategic response and to engage with its stakeholders. In particular, the directors considered the Group's profit and cash flow forecasts for the coming two financial years in this context, which foresees a particularly challenging sales outlook over the twelve month period from April 2020 to March 2021.

This framework has formed the basis of our opinion of the Group's cash and debt requirements. We have reviewed these with our bank lenders and agreed adjusted financial covenants with them. The Group's revised financial covenants are not breached in this severe framework.

The UK government has announced a number of assistance measures for businesses. The Company has sought to utilise these schemes where it is eligible and beneficial to do so.

For planning purposes, the Company frequently updates its view on likely trading patterns, incorporating latest intelligence on demand, cost reduction actions, reduced capital expenditure and the furlough of employees. Importantly these realistic scenarios provide good headroom against the Covid 19 severe framework and our covenants.

At the time of writing this report the Company is trading very significantly ahead of the most severe forecasts at both the sales and profit level. Nevertheless there still remains a risk that the impact of Covid-19 could be more significant than presented in the Company's severe case. In the event that there is a more significant downturn there are further mitigating actions that could be enacted, these could include but are not limited to, further reductions in capital expenditure, further reductions in business expenditure and overheads. The Company believes that with the stronger than feared start to the year and with the on-going government support measures, the cost savings enacted and the potential for further savings, should the impact of Covid-19 be more significant than our most pessimistic current view, the Company has sufficient headroom to remain within covenants and to be able to continue to operate within available banking facilities.

The Board is satisfied it has sufficient cash resources to meet its obligations as they fall due throughout this duration and the Board has a reasonable expectation that the Company and the Group has adequate resources to continue in operational existence for the foreseeable future.

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CONSOLIDATED INCOME STATEMENT

	52 week period to 28 March 2020	52 week period to 30 March 2019
	£'000	£'000
Revenue	104,667	101,095
Provision for impairment	(308)	(101)
Other income	486	614
Changes in inventories of finished goods and work in progress	(1,330)	798
Raw materials and consumables used	(38,200)	(43,074)
Energy costs	(4,539)	(5,615)
Employee benefit costs	(30,388)	(28,183)
Depreciation and amortisation	(3,950)	(2,952)
Other expenses	(19,869)	(19,174)
Operating Profit	6,569	3,408
Interest payable and similar charges	(1,136)	(965)
Interest receivable and similar income	26	133
Profit before taxation	5,459	2,576
Taxation	(630)	(262)
Profit for the period	4,829	2,314
Earnings per share – basic and diluted	50.6p	24.3p

OTHER COMPREHENSIVE INCOME

Profit for the period	4,829	2,314
<i>Items that are or may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	181	(117)
Cash flow hedges – effective portion of changes in fair value	(295)	(29)
<i>Items that will never be reclassified to profit or loss</i>		
Retirement benefit liabilities – actuarial gains/(losses)	13,057	(3,258)
Deferred tax on actuarial (gains)/losses on retirement benefit liabilities	(2,481)	554
Other comprehensive income/(expense) for the period	10,462	(2,850)
Total comprehensive income/(expense) for the period		
Attributable to equity holders of the Company	15,291	(536)

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STATEMENT OF FINANCIAL POSITION

	Group		Company	
	As at	As at	As at	As at
	28 March 2020	30 March 2019	28 March 2020	30 March 2019
	£'000	£'000	£'000	£'000
Assets				
Intangible assets	495	365	366	106
Property, plant and equipment	31,882	27,639	1,925	1,906
Right-of-use assets	4,907	-	301	-
Investments in subsidiary undertakings	-	-	7,350	7,350
Deferred tax assets	1,921	2,234	1,934	3,840
Total non-current assets	39,205	30,328	11,876	13,202
Inventories	13,956	16,410	-	-
Trade and other receivables	19,363	19,234	51,455	49,323
Provision for impairment	(530)	(222)	(350)	-
Other financial assets	-	24	-	24
Cash and cash equivalents	8,964	2,352	6,658	-
Corporation tax	1,872	1,421	1,509	446
Total current assets	43,625	39,219	59,272	49,793
Total assets	82,830	69,457	71,148	62,995
Liabilities				
Trade and other payables	16,544	14,620	23,421	18,555
Other financial liabilities	275	-	275	-
Loans and borrowings	3,756	1,545	174	361
Total current liabilities	20,575	16,165	23,870	18,916
Long-term borrowings	16,263	9,368	7,983	4,004
Retirement benefit liabilities	9,382	22,648	9,382	22,648
Deferred tax liabilities	2,213	-	114	-
Total non-current liabilities	27,858	32,016	17,479	26,652
Total liabilities	48,433	48,181	41,349	45,568
Equity				
Share capital	2,389	2,389	2,389	2,389
Share premium	1,588	1,588	1,588	1,588
Translation reserve	584	403	-	-
Reserve for own shares	(1,251)	(1,251)	(1,251)	(1,251)
Retained earnings	31,087	18,147	27,073	14,701
Total shareholders' equity	34,397	21,276	29,799	17,427
Total equity and liabilities	82,830	69,457	71,148	62,995

The Parent Company reported a profit for the period ended 28 March 2020 of £3,416,000 (2019: £4,902,000).

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STATEMENT OF CASH FLOWS

	Group	
	52 weeks ended 28 March 2020	52 weeks ended 30 March 2019
	£'000	£'000
Cash flows from operating activities		
Net profit	4,829	2,314
Adjustments for:		
Tax	630	262
Depreciation and amortisation	3,950	2,952
Net IAS 19 pension adjustments within SCI	1,215	1,386
Past service pension deficit payments	(1,424)	(1,468)
Foreign exchange differences	(74)	(312)
Loss/(profit) on disposal of property, plant and equipment	23	(12)
Net bank interest income and expense	566	300
Share based payments	(252)	(49)
Decrease/(increase) in inventories	2,475	(1,529)
Decrease / (increase) in trade and other receivables	149	(2,072)
Increase in trade and other payables	1,719	1,659
Tax paid	(741)	(65)
Net cash generated from operating activities	13,065	3,366
Cash flows from investing activities		
Purchase on intangible assets	(190)	(67)
Purchase of property, plant and equipment	(9,005)	(5,162)
Proceeds from sale of property, plant and equipment	-	12
Net cash used in investing activities	(9,195)	(5,217)
Cash flows from financing activities		
Proceeds from issue of ordinary shares	-	135
Proceeds from issue of new loans	9,121	1,568
Repayment of borrowings	(3,301)	(1,311)
Repayment of lease liabilities	(1,488)	-
Interest on lease liabilities	(200)	-
Interest received	26	133
Interest paid	(234)	(391)
Purchase of LTIP investments	-	(315)
Sale of own shares	-	130
Dividends paid to shareholders	(1,275)	(1,263)
Net cash generated from / (used in) financing activities	2,649	(1,314)
Net increase / (decrease) in cash and cash equivalents	6,519	(3,165)
Effect of exchange rate fluctuations on cash held	93	(40)
Net increase / (decrease) in cash and cash equivalents	6,612	(3,205)
Cash and cash equivalents at the start of the period	2,352	5,557
Cash and cash equivalents at the end of the period	8,964	2,352
Cash and cash equivalents consists of:		
Cash at bank and in hand	8,964	2,670
Bank overdraft	-	(318)
	8,964	2,352

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Translation reserve	Own shares	Retained earnings	Total
Group	£'000	£'000	£'000	£'000	£'000	£'000
At 31 March 2018	2,370	1,472	520	(1,445)	20,305	23,222
Comprehensive income for the period	-	-	-	-	2,314	2,314
Total other comprehensive income	-	-	(117)	-	(2,733)	(2,850)
Dividends paid	-	-	-	-	(1,263)	(1,263)
Share based payments	-	-	-	-	(49)	(49)
Tax on share options	-	-	-	-	(48)	(48)
Proceeds from issue of ordinary shares	19	116	-	-	-	135
Sale of own shares	-	-	-	509	(379)	130
Consideration paid for own shares	-	-	-	(315)	-	(315)
Total contributions by and distributions to owners of the Group	19	116	-	194	(1,739)	(1,410)
At 30 March 2019	2,389	1,588	403	(1,251)	18,147	21,276
Adjustment on initial application of IFRS 16¹	-	-	-	-	(519)	(519)
At 31 March 2019	2,389	1,588	403	(1,251)	17,628	20,757
Comprehensive income for the period	-	-	-	-	4,829	4,829
Total other comprehensive income	-	-	181	-	10,281	10,462
Dividends paid	-	-	-	-	(1,275)	(1,275)
Share based payment charge	-	-	-	-	(376)	(376)
Total contributions by and distributions to owners of the Group	-	-	-	-	(1,651)	(1,651)
At 28 March 2020	2,389	1,588	584	(1,251)	31,087	34,397

1. The Group has initially applied IFRS 16 at 31 March 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of applying IFRS 16 is recognized in retained earnings at the initial date of application.

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Company	Share capital £'000	Share premium £'000	Own shares £'000	Retained earnings £'000	Total £'000
At 31 March 2018	2,370	1,472	(1,445)	14,270	16,667
Comprehensive income for the period	-	-	-	4,902	4,902
Total other comprehensive income	-	-	-	(2,733)	(2,733)
Dividends paid	-	-	-	(1,263)	(1,263)
Share based payment charge	-	-	-	(48)	(48)
Tax on share options	-	-	-	(48)	(48)
Proceeds from issue of ordinary shares	19	116	-	-	135
Sale of own shares	-	-	509	(379)	130
Consideration paid for own shares	-	-	(315)	-	(315)
Total contributions by and distributions to owners of the Group	19	116	194	(1,738)	(1,409)
At 30 March 2019	2,389	1,588	(1,251)	14,701	17,427
Adjustment on initial application of IFRS 16¹	-	-	-	24	24
At 31 March 2019	2,389	1,588	(1,251)	14,725	17,451
Comprehensive income for the period	-	-	-	3,416	3,416
Total other comprehensive income	-	-	-	10,583	10,583
Dividends paid	-	-	-	(1,275)	(1,275)
Share based payment charge	-	-	-	(376)	(376)
Total contributions by and distributions to owners of the Group	-	-	-	(1,651)	(1,651)
At 28 March 2020	2,389	1,588	(1,251)	27,073	29,799

1. The Company has initially applied IFRS 16 at 31 March 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of applying IFRS 16 is recognized in retained earnings at the initial date of application.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 BASIS OF PREPARATION

James Cropper Plc (the Company) is a public limited company incorporated and domiciled in the United Kingdom and listed on the Alternative Investment Market (AIM). The condensed consolidated financial statements of the Company for the 52 weeks ended 28 March 2020, comprise the Company and its subsidiaries (together referred to as the Group).

Statement of compliance

The condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) as adopted by the European Union (EU). As required by the Disclosure and Transparency Rules of the Financial Services Authority, the condensed consolidated set of financial statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the Group's published consolidated financial statements for the 52 week period ended 28 March 2020. They do not include all the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the 52 week period ended 28 March 2020.

The consolidated financial statements of the Group for the 52 week period ended 28 March 2020 are available upon request from the Company's registered office Burneside Mills, Kendal, Cumbria, LA9 6PZ or at www.jamescropper.com.

The financial information is presented in Sterling and all values are rounded to the nearest thousand pounds (£'000) except where otherwise indicated.

Going concern

The Directors have performed a robust assessment, including review of the forecast for the 52 week period ending 28 March 2021 and longer term strategic forecasts and plans, including consideration of the principal risks faced by the Group and the Company, including the potential impact of Covid 19 on the business, as detailed in the Group's Annual Report 2020. Following this review the Directors are satisfied that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the condensed consolidated financial statements.

Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the 52 week period ended 28 March 2020.

The Group has applied IFRS 16 'leases' which it sets out in note 10.

2 Accounting estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the 52 week period ended 28 March 2020.

3 Risks and uncertainties

The principal risks and uncertainties which may have the largest impact on performance are disclosed in the 2020 Annual Report on pages 21-25, namely:

Impact of Covid 19; Employee health and safety; energy price volatility; pulp price volatility and sustainability; exchange rate volatility; pension; Brexit and information security and cyber risk.

The Board considers that the principal risks and uncertainties set out in the 2020 Annual Report remain relevant for the current financial year.

4 Alternative performance measures

The Company uses alternative performance measures to allow users of the financial statements to gain a clearer understanding of the underlying performance of the business.

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Profit before tax represents the Group's overall performance and financial position, however it contains significant non-operational items relating to IAS 19 that the directors believe obscure an understanding of the key performance trend.

Measures used to evaluate business performance are 'Adjusted operating profit' (operating profit excluding the impact of IAS 19), and 'Adjusted profit before tax' (profit before tax excluding the impact of IAS 19). The alternative performance measures are reconciled in note 9.

5 Earnings per share

The calculation of basic earnings per share is based on earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year. The calculation of diluted earnings per share is based on the basic earnings per share adjusted to assume conversion of all dilutive options.

6 Segmental information

IFRS 8 Operating Segments - requires that entities adopt the 'management approach' to reporting the financial performance of its operating segments. Management has determined the segments that are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, identified as the Executive Committee that makes strategic decisions. The committee considers the business principally via the four main operating segments, principally based in the UK:

- **James Cropper Paper Products (Paper):** comprising:
 - JC Speciality Papers – relates to James Cropper Speciality Papers a manufacturer of specialist paper and boards.
 - JC Converting – relates to James Cropper Converting - a converter of paper.
- **James Cropper 3D Products (Colourform)** – a manufacturer of moulded fibre products.
- **Technical Fibre Products (TFP)** – a manufacturer of advanced materials.
- **Group Services** – comprises central functions providing services to the subsidiary companies.

	Revenue		Operating profit / (loss)	
	52 week period ended	52 week period ended	52 week period ended	52 week period ended
	28 March 2020	30 March 2019	28 March 2020	30 March 2019
	£'000	£'000	£'000	£'000
Paper	75,545	74,314	3,406	(1,992)
Colourform	2,586	290	(1,378)	(2,462)
TFP	26,536	26,487	7,753	8,883
Group services and other	-	-	(3,212)	(1,021)
	104,667	101,095	6,569	3,408

7 Dividend

As part of the cash preservation exercise undertaken to mitigate the impact of the Covid 19 pandemic, the Board are not recommending a final dividend. (2019: 11.0p per ordinary share). The dividends recognised in the condensed consolidated statement of changes in equity is the final dividend for the 52 week period ended 30 March 2019 of 11.0p which was paid on 9 August 2019 and the interim dividend for the 52 week period ended 28 March 2020 of 2.5p, which was paid on 10 January 2020.

8 Retirement benefit obligations

Movements during the period in the Group's defined benefit pension schemes are set out below:

	52 week period ended	52 week period ended
	28 March 2020	30 March 2019
	£'000	£'000
Obligation brought forward	(22,648)	(19,472)
Expense recognised in the income statement	(1,732)	(1,955)
Contributions paid to the schemes	1,941	2,037
Actuarial gains and (losses)	13,057	(3,258)
Obligation carried forward	(9,382)	(22,648)

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9 Alternative performance measures

	52 week period ended 28 March 2020	52 week period ended 30 March 2019
	£'000	£'000
Adjusted operating profit	7,240	4,262
Net IAS 19 pension adjustments		
- current service costs	(1,188)	(1,423)
- future service contributions paid	517	569
Operating profit	6,569	3,408

	52 week period ended 28 March 2020	52 week period ended 30 March 2019
	£'000	£'000
Adjusted profit before tax	6,674	3,962
Net IAS 19 pension adjustments		
- current service costs	(1,188)	(1,423)
- future service contributions paid	517	569
- finance costs	(544)	(532)
Profit before tax	5,459	2,576

10 IFRS 16 'Leases'

The Group has adopted IFRS 16 from 31 March 2019 using a modified retrospective transition approach, under which the cumulative effect of initial application is recognised in retained earnings at 31 March 2019. The comparative information presented for the period ended 30 March 2019 has not been restated.

The main impact of IFRS 16 for the Group is the recognition of all future lease liabilities on the balance sheet. Corresponding right-of-use assets have also been recognised on the balance sheet representing the economic benefits of the Group's right to use the underlying leased assets.

On transition to IFRS 16, the Group has elected to apply the following practical expedients permitted by the standard:

- Excluding any operating leases with a remaining lease term of less than 12 months.
- Excluding any low value leases (less than £5,000).

For the period ended 28 March 2020, the Group had no low value leases and two leases with a lease term of less than 12 months. On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities where no rate is included in the lease contract was 3.6%.

For any new contracts entered into on or after 31 March 2019, the Group considered whether a contract is or contains a lease. A lease is defined as a contract that conveys the right to use of an asset for a period of time in exchange for consideration. To apply this definition, the Group assesses whether the contract meets three key evaluations:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract;
- the Group has the right to direct the use of the identified asset throughout the period of use.

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For all periods prior to 31 March 2019, the Group classified its vehicle and equipment leases as finance leases. These leases are on terms that transfer substantially all the risks and rewards of ownership. The accounting treatment for finance leases is similar to the accounting treatment for leases under IFRS 16. Leased assets are capitalised at inception and payments apportioned between finance charges and reduction of the lease liability. The interest element is charged to the income statement and the capitalised leased assets are depreciated over the shorter of the estimated useful economic life of the asset or the lease term. For finance leases, the carrying amounts of the right-of-use assets and the lease liabilities on transition at 31 March 2019 were equal to the carrying amounts of the finance lease assets and finance lease liabilities recognised at the 30 March year end.

The Group also previously held leases in relation to long leasehold property leases and operating assets. Under IFRS 16, there is no longer a distinction between operating and finance leases. As a result, the operating leases have been remeasured on transition with future lease payments discounted at the incremental borrowing rate applicable on 31 March 2019. The following table presents the reconciliation of lease liabilities at 30 March 2019:

	£'000
Minimum lease payments under non-cancellable operating leases at 30 March 2019	4,346
Minimum lease payments under non-cancellable finance leases at 30 March 2019	1,920
Discounted using the incremental borrowing rate at 31 March 2019	(1,228)
Assessment of lease term on transition	1,092
Lease liabilities recognised under IFRS 16 at 31 March 2019	6,130

Transition

The opening balance sheet position as at 31 March 2020 has been restated on transition to IFRS 16. The Group recognised additional right-of-use assets, lease liabilities and deferred tax liabilities, recognising the difference in retained earnings. Comparative periods have not been restated.

Increase / (decrease)	£'000
Assets	
Property, plant and equipment	(4,274)
Right of use assets	7,967
Liabilities	
Lease liabilities - current	(980)
Lease liabilities – non current	(5,150)
Finance Lease liabilities – current	778
Finance lease liabilities – non current	1,142
Deferred tax liabilities	(2)
Equity	
Retained earnings	(519)

11 Related parties

There have been no significant changes in the nature of related party transactions in the period ended 28 March 2020 from that disclosed in the 2019 Annual report.

Statement of Directors' responsibilities

The Directors confirm that these condensed consolidated financial statements have been prepared in accordance with International Financial Reporting standards as adopted by the European Union and that the preliminary report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- (i) An indication of important events that have occurred during the period and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the financial period; and
- (ii) Material related party transactions in the period and any material changes in the related party transactions described in the last Annual report.

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The Directors of James Cropper Plc are detailed on our Group website www.jamescropper.com

Forward-looking statements

Sections of this financial report may contain forward-looking statements with respect to the Group's plans and expectations relating to its future performance, results, strategic initiatives, objectives and financial position, including liquidity and capital resources. These forward-looking statements are not guarantees of future performance. By their very nature, all forward-looking statements involve risks and uncertainties because they relate to events that may or may not occur in the future and are or may be beyond the Group's control. Accordingly, the Group's actual results and financial condition may differ materially from those expressed or implied in any forward-looking statements. Forward-looking statements in this financial report are current only as of the date on which such statements are made. The Group undertakes no obligation to update any forward-looking statements, save in respect of any requirement under applicable law or regulation. Nothing in this announcement shall be construed as a profit forecast.

Content of this report

The financial information set out above does not constitute the Group's statutory accounts for the 12 months ended 28 March 2020 or 30 March 2019 but is derived from those accounts.

Statutory accounts for the 12 months ended 30 March 2019 have been delivered to the Registrar of Companies. The auditor, BDO LLP, has reported on the 2019 accounts; the report (i) was unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The statutory accounts for the 12 month period ended 28 March 2020 will be delivered to the Registrar of Companies following the Annual General Meeting. The auditor, BDO LLP, has reported on these accounts; their report (i) is unqualified, (ii) does not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) does not include a statement under either section 498 (2) or (3) of the Companies act 2006.