

# JAMES CROPPER PLC

ESTABLISHED 1845

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

## Half – year results to 1 October 2016

	Half – year to 1 October 2016	Half – year to 26 September 2015	Full – year to 2 April 2016
	£m	£m	£m
Revenue*	45.4	42.1	87.9
Operating profit before interest (excluding IAS 19 and net exceptional costs)**	2.6	1.8	6.3
Profit before tax (excluding IAS 19)	2.4	1.7	5.2
Impact of IAS 19	(0.4)	(0.6)	(1.3)
Profit before tax (after IAS 19)	2.0	1.0	3.9
Earnings per share – basic	17.4p	8.5p	32.6p
Earnings per share - diluted	17.2p	8.3p	31.8p
Dividend per share declared	2.5p	2.2p	9.3p
Net borrowings	(6.6)	(8.9)	(7.3)
Equity shareholders' funds	16.0	20.0	26.7
Gearing % - before IAS 19 deficit	19%	29%	22%
Gearing % - after IAS 19 deficit	41%	45%	27%
Capital expenditure	2.1	2.2	4.1

\* Includes Business Insurance Income of £750,000 in full year to 2 April 2016

\*\* Net exceptional costs of £0.77m in full year to 2 April 2016

### Highlights

- Sales in TFP up 21% on comparable period, up 5% in Paper
- PBT (prior to IAS 19) £2.4m up 46% on prior comparable period
- EPS (diluted) up 107% to 17.2p from 8.3p on prior period comparative
- 3DP launches business to the market
- Investment remains an important aspect for profitable growth

Mark Cropper, Chairman, commented:

“Innovation, driven from research & development activities, continues to be a major focus across the Group, delivering new products, solutions and technologies to the market.

The full year is expected to deliver in line with the Board’s expectations and the outlook for the business this year remains encouraging.”

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	Half – year to 1 October 2016	Half – year to 26 September 2015	Full – year to 2 April 2016
	£'000	£'000	£'000
<b>Summary of results</b>			
Revenue*	45,397	42,098	87,920
Operating profit before interest (excluding IAS 19 and exceptionals)**	2,567	1,814	6,264
Profit before tax (excluding IAS 19 impact)	2,432	1,662	5,173
Impact of IAS 19	(407)	(647)	(1,305)
<b>Profit before tax (after IAS 19 impact)</b>	<b>2,025</b>	<b>1,015</b>	<b>3,868</b>
* Includes Business Insurance Income of £750,000 in full year to 2 April 2016			
** Net exceptional costs of £765,000 in full year to 2 April 2016			
	Half – year to 1 October 2016	Half – year to 26 September 2015	Full – year to 2 April 2016
	£'000	£'000	£'000
<b>Revenue</b>			
James Cropper Paper	35,279	33,711	69,182
Technical Fibre Products	10,118	8,387	18,738
	<b>45,397</b>	<b>42,098</b>	<b>87,920</b>
<b>Operating profit before interest (excluding IAS19 impact and exceptionals)</b>	<b>2,567</b>	<b>1,814</b>	<b>6,264</b>
Net interest (before IAS19 finance costs)	(142)	(152)	(326)
<b>Profit before tax (excluding IAS19 impact)</b>	<b>2,425</b>	<b>1,662</b>	<b>5,938</b>
Exceptional costs	7	-	(765)
<b>Profit before tax (excluding IAS19 impact)</b>	<b>2,432</b>	<b>1,662</b>	<b>5,173</b>
<b>IAS 19 pension adjustments</b>			
Net current service charge against operating profits	(270)	(413)	(839)
Finance costs charged against interest	(137)	(234)	(466)
	<b>(407)</b>	<b>(647)</b>	<b>(1,305)</b>
<b>Profit before tax</b>	<b>2,025</b>	<b>1,015</b>	<b>3,868</b>
<b>Balance sheet summary</b>			
	Half – year to 1 October 2016	Half – year to 26 September 2015	Full – year to 2 April 2016
	£'000	£'000	£'000
Non-pension assets – excluding cash	56,021	54,168	57,470
Non-pension liabilities – excluding borrowings	(15,286)	(14,525)	(17,019)
	40,735	39,643	40,451
Net IAS 19 pension deficit (after deferred tax)	(18,072)	(10,728)	(6,453)
	22,663	28,915	33,998
Net borrowings	(6,621)	(8,906)	(7,305)
Equity shareholders' funds	16,042	20,009	26,693
Gearing % - before IAS 19 deficit	19%	29%	22%
Gearing % - after IAS 19 deficit	41%	45%	27%
Capital expenditure	2,123	2,173	4,086

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Dear Shareholders

I am pleased to report that, in the first half of this financial year, James Cropper PLC made a 46% increase in profit before tax (excluding the impact of IAS 19), delivering £2.4m, compared to £1.7m in the prior year comparative. After the impact of IAS 19, profit before tax is £2m, up on £1m in the prior comparative period. Group revenues have increased by 8% compared to the prior year comparative, with sterling's depreciation only enriching revenues from export markets in the latter months. Sales, and profit have increased in both trading divisions.

## James Cropper Paper ("Paper")

Paper revenues grew by 5% compared to the comparable period last year, driven by growing demand from both new and existing customers. In line with our growth plans, the domestic and overseas markets continue to offer opportunities for our packaging and photo quality papers. This year, the paper division brought several new products and solutions to market, making full use of exhibition presence and marketing media to launch. These include: Dolcelicious, Tailor - Made and Wall Ready Media, each a specialist and niche offering. During the second half, James Cropper Paper will continue to drive these initiatives as well as targeting continued growth.

## Technical Fibre Products ("TFP")

TFP grew revenue by 21% compared to the comparable period last year, with demand across aerospace, energy and defence markets continuing to be strong. Commercial opportunities continue to rise in line with our aspirations. These include: providing materials for fuel cell technologies, fire protection, aircraft primary structure solutions and supporting advances in key areas of defence. Our R&D teams are well resourced, with both pilot and production scale equipment, and they are driving innovation internally as well as supporting customer driven developments. TFP expects continued growth in the second half.

## James Cropper 3D Products ("3DP")

3DP was formally launched at the London Packaging Innovations show in September 2016. 3DP showcased its range of sustainable moulded fibre products for use in packaging, an offer that is beginning to capture the attention of domestic and global brands. Subsequently, a number of exciting development projects and prototyping activities have commenced. The first phase of our investment, earlier this calendar year, facilitated the development and has proven a standout ability to create moulded paper packaging in vibrant colour. The second phase of investment, planned for early 2017, will deliver greater capacity with additional production equipment. This safeguards the business's ability to meet initial demand from future customers. The business remains confident that 3DP provides another 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 1 October 2016, revealed a combined deficit of £22.3m, compared with £7.9m as at 2 April 2016. The increase of £14.4m was principally caused by the drop in discount rates from 3.55% to 2.4% in the period. The overall value of the schemes' assets increased by 15% over the period, whilst the schemes' liabilities increased by 28%. The schemes are 83% funded at 1 October 2016 and after deferred taxation the net deficit stands at £18m.

## Earnings per share and Dividend

Diluted earnings per share (after the adjustment for IAS19) increased to 17.2 pence, compared to 8.3 pence in the prior year comparative period.

The Board has agreed an interim dividend of 2.5 pence per share, up 13.6% on the prior year interim. The final dividend for the year to 1 April 2017 will be subject to shareholder approval at the AGM on 26 July 2017.

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## Outlook

Innovation, driven from research & development activities, continues to be a major focus across the Group, delivering new products, solutions and technologies to the market.

Our investment plans for people, development and equipment remain on track, and independent of political changes such as Brexit.

Each business division is expected to grow during the second half, albeit at a higher rate in the TFP division.

The full year is expected to deliver in line with the Board's expectations and the outlook for the business this year remains encouraging.

Mark Cropper

Chairman

# JAMES CROPPER PLC

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

	26 week period to 1 October 2016	26 week period to 26 September 2015	53 week period to 2 April 2016
	£'000	£'000	£'000
<b>Continuing operations</b>			
Revenue*	45,397	42,098	87,920
Operating profit**	2,304	1,402	4,660
Finance costs			
Interest payable and similar charges	(279)	(389)	(793)
Interest receivable and similar income	-	1	1
<b>Profit before taxation</b>	<b>2,025</b>	<b>1,014</b>	<b>3,868</b>
Taxation	(405)	(233)	(874)
<b>Profit for the period</b>	<b>1,620</b>	<b>781</b>	<b>2,994</b>
Earnings per share – basic	17.4p	8.5p	32.6p
Earnings per share – diluted	17.2p	8.3p	31.8p
Dividend declared in the period – pence per share	2.5p	2.2p	9.3p
<b>OTHER COMPREHENSIVE INCOME</b>			
Profit for the period	1,620	781	2,994
Items that are or may be reclassified to profit or loss			
Foreign currency translation	189	48	114
Items that will never be reclassified to profit or loss			
Retirement benefit liabilities – actuarial (loss)/gain	(14,715)	1,037	6,554
Deferred tax on actuarial loss/gain on retirement benefit liabilities	2,796	(206)	(1,488)
Income tax on other comprehensive income	-	-	77
Other comprehensive expense for the year	(11,730)	879	5,257
<b>Total comprehensive income for the period attributable to equity holders of the Company</b>	<b>(10,110)</b>	<b>1,660</b>	<b>8,251</b>

\* Includes Business Insurance Income of £750,000 for the 53 week period to 2 April 2016

\*\* The 53 week period to 2 April 2016 includes £765,000 net exceptional costs.

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## JAMES CROPPER PLC

### UN-AUDITED STATEMENT OF FINANCIAL POSITION

	1 October 2016	26 September 2015	2 April 2016
	£'000	£'000	£'000
<b>Assets</b>			
Intangible assets	126	246	123
Property, plant and equipment	24,932	22,737	23,650
Deferred tax assets	4,239	2,682	1,417
<b>Total non- current assets</b>	<b>29,297</b>	<b>25,665</b>	<b>25,190</b>
Inventories	14,354	14,448	14,102
Trade and other receivables	16,609	16,737	19,595
Cash and cash equivalents	3,426	-	3,186
<b>Total current assets</b>	<b>34,389</b>	<b>31,185</b>	<b>36,883</b>
<b>Total assets</b>	<b>63,686</b>	<b>56,850</b>	<b>62,073</b>
<b>Liabilities</b>			
Trade and other payables	13,563	12,696	15,067
Loans and borrowings	792	1,963	3,886
Current tax liabilities	385	114	613
<b>Total current liabilities</b>	<b>14,740</b>	<b>14,773</b>	<b>19,566</b>
Long-term borrowings	9,255	6,943	6,605
Retirement benefit liabilities	22,311	13,410	7,870
Deferred tax liabilities	1,338	1,715	1,339
<b>Total non-current liabilities</b>	<b>32,904</b>	<b>22,068</b>	<b>15,814</b>
<b>Total liabilities</b>	<b>47,644</b>	<b>36,841</b>	<b>35,380</b>
<b>Equity</b>			
Share capital	2,364	2,296	2,306
Share premium	1,465	1,036	1,079
Translation reserve	567	312	378
Reserve for own shares	(651)	(277)	(343)
Retained earnings	12,297	16,642	23,273
<b>Total shareholders' equity</b>	<b>16,042</b>	<b>20,009</b>	<b>26,693</b>
<b>Total equity and liabilities</b>	<b>63,686</b>	<b>56,850</b>	<b>62,073</b>

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## JAMES CROPPER PLC

### UN-AUDITED STATEMENT OF CASH FLOWS

	26 week period to 1 October 2016	26 week period to 26 September 2015	53 week period to 2 April 2016
	£'000	£'000	£'000
<b>Cash flows from operating activities</b>			
<b>Net profit</b>	<b>1,620</b>	<b>781</b>	<b>2,994</b>
<b>Adjustments for:</b>			
Tax	405	233	874
Depreciation and amortisation	1,099	1,139	2,306
Net IAS 19 pension adjustments within SCI	407	647	1,305
Past service pension deficit payments	(681)	(642)	(1,323)
Foreign exchange differences	112	(106)	(166)
Loss on disposal of property, plant and equipment	15	-	-
Profit on disposal of investments	(178)	-	-
Net bank interest expense	142	152	326
Share based payments	142	137	274
<b>Changes in working capital:</b>			
(Increase) in inventories	(150)	(1,368)	(1,021)
Decrease / (increase) in trade and other receivables	2,971	(968)	(3,861)
(Decrease) / increase in trade and other payables	(1,526)	255	2,770
Interest received	1	1	2
Interest paid	(148)	(162)	(333)
Tax paid	(657)	(247)	(429)
<b>Net cash generated from / (used by) operating activities</b>	<b>3,574</b>	<b>(148)</b>	<b>3,718</b>
<b>Cash flows from investing activities</b>			
Purchase of intangible assets	-	-	(133)
Purchases of property, plant and equipment	(2,123)	(2,173)	(3,953)
Profit on disposal of investments	178	-	-
Proceeds from sale of property, plant and equipment	2	-	-
<b>Net cash used in investing activities</b>	<b>(1,943)</b>	<b>(2,173)</b>	<b>(4,086)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of ordinary shares	444	6	59
Proceeds from issue of new loans	2,451	1,692	4,790
Repayment of borrowings	(3,179)	(2,450)	(3,284)
Purchase of LTIP investments	(479)	-	(74)
Dividends paid to shareholders	(648)	(571)	(772)
<b>Net cash (used in) / generated from financing activities</b>	<b>(1,411)</b>	<b>(1,323)</b>	<b>719</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>220</b>	<b>(3,644)</b>	<b>351</b>
Effect of exchange rate fluctuations on cash held	20	8	114
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>240</b>	<b>(3,636)</b>	<b>465</b>
Cash and cash equivalents at the start of the period	3,186	2,721	2,721
<b>Cash and cash equivalents at the end of the period</b>	<b>3,426</b>	<b>(915)</b>	<b>3,186</b>
<b>Cash and cash equivalents consists of:</b>			
Cash at bank and in hand	3,426	(915)	3,186

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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>28 March 2015</b>	<b>2,292</b>	<b>1,034</b>	<b>264</b>	<b>(269)</b>	<b>15,541</b>	<b>18,862</b>
Profit for the period	-	-	-	-	2,994	2,994
Exchange differences	-	-	114	-	-	114
Actuarial gains on retirement benefit liabilities (net of deferred tax)	-	-	-	-	5,066	5,066
Other comprehensive income tax	-	-	-	-	77	77
Total other comprehensive income	-	-	114	-	5,143	5,257
Dividends paid	-	-	-	-	(772)	(772)
Share based payment charge	-	-	-	-	274	274
Tax on share options	-	-	-	-	135	135
Proceeds from issue of ordinary shares	14	45	-	-	-	59
Distribution of own shares	-	-	-	42	(42)	-
Consideration paid for own shares	-	-	-	(116)	-	(116)
Total contributions by and distributions to	14	45	-	(74)	(405)	(420)
<b>At 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	-	-	-	-	1,620	1,620
Exchange differences	-	-	189	-	-	189
Actuarial losses on retirement benefit liabilities (net of deferred tax)	-	-	-	-	(11,919)	(11,919)
Total other comprehensive income	-	-	189	-	(11,919)	(11,730)
Dividends paid	-	-	-	-	(648)	(648)
Share based payment charge	-	-	-	-	142	142
Proceeds from issue of ordinary shares	58	386	-	-	-	444
Distribution of own shares	-	-	-	171	(171)	-
Consideration paid for own shares	-	-	-	(479)	-	(479)
Total contributions by and distributions to	58	386	-	(308)	(677)	(541)
<b>At 2 October 2016</b>	<b>2,364</b>	<b>1,465</b>	<b>567</b>	<b>(651)</b>	<b>12,297</b>	<b>16,042</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:

“Net IAS 19 pension adjustment” refer to the net impact on the statement of comprehensive income of the pension schemes’ operating costs and finance costs.

- 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 2 October 2016, which have not been audited or reviewed, have been prepared in accordance with the accounting policies adopted in the accounts for the 53 week year ended 2 April 2016.
- b. The financial information set out above does not constitute statutory accounts within the meaning of the Companies Act 2006. The figures for the 53 week year ended 2 April 2016 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 1 October 2016 have been calculated by dividing the profits attributable to ordinary shareholders by 9,284,126 (2015: 9,171,153) 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 (2015: 2.2p per share) is proposed and will be paid on 13 January 2017 to holders on the register at the close of business on 16 December 2016. The dividend relating to the 53 week year to 2 April 2016 was made up of an interim payment of £201,000 (2.2p per share) and a final dividend payment of £648,000 (7.1p 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

IAS 19 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 IAS 19 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 1 October 2016</b>	<b>Half year to 26 September 2015</b>	<b>Full year to 2 April 2016</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Current service charge	(534)	(676)	(1,363)
Future service contributions paid	264	263	524
Net impact on operating profit	(270)	(413)	(839)
Finance costs	(137)	(234)	(466)
Net impact on profit and loss account	(407)	(647)	(1,305)
Past service deficit contributions paid	681	642	1,323
Actuarial (losses) / gains	(14,715)	1,037	6,554
Opening deficit	(7,870)	(14,442)	(14,442)
Closing deficit	(22,311)	(13,410)	(7,870)
Deferred taxation	4,239	2,682	1,574
Net deficit	(18,072)	(10,728)	(6,296)

It should be noted that the assumptions underlying the IAS 19 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 2 October 2016</b>	<b>Half year to 26 September 2015</b>	<b>Full year to 2 April 2016</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Trading profit	2,432	1,662	5,173
Net pension adjustment			
Current service charge	(534)	(676)	(1,363)
Future service contributions paid	264	263	524
Net impact on operating profit	(270)	(413)	(839)
Finance costs	(137)	(234)	(466)
Net impact on profit before tax	(407)	(647)	(1,305)
As reported	2,025	1,015	3,868