JAMES CROPPER PLC

ESTABLISHED 1845

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

Half year results to 29 September 2018

	Half year to 29 September 2018	Half year to 30 September 2017	Full year to 31 March 2018
	£m	£m	£m
Revenue	50.3	47.4	96.3
Adjusted operating profit (excluding IAS19 impact)	2.0	3.0	6.1
Operating profit	1.8	2.7	5.4
Adjusted profit before tax (excluding IAS19 impact)	1.9	2.8	5.8
Impact of IAS19	(0.5)	(0.5)	(1.3)
Profit before tax	1.4	2.3	4.5
Earnings per share – basic	12.9p	23.1p	43.3p
Earnings per share - diluted	12.9p	22.9p	43.0p
Dividend per share declared	2.5p	2.5p	13.5p
Net borrowings	(6.6)	(4.7)	(4.8)
Equity shareholders' funds	23.0	20.0	23.3
Gearing % - before IAS 19 deficit	17%	12%	12%
Gearing % - after IAS 19 deficit	29%	23%	21%
Capital expenditure	1.9	1.3	1.9

Highlights

- Revenue growth in all divisions with total revenue up 6% on prior year comparative
- Continued higher pulp prices over 2018 impacting profitability for the year
- Adjusted PBT (excluding IAS 19 impact) at £1.9m, down 31% on prior year comparative
- PBT at £1.4m, down 39% on prior year comparative
- EPS (diluted) down 44% to 12.9p from 22.9p on prior year comparative
- Preparations in place for additional TFP non-woven capability increasing capacity by 50% by end of the 2020 calendar year
- Further investment in production capacity for 3DP Colourform™ in 2019 to increase capacity by 50%

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. Plans are in place for additional TFP non-woven capability increasing capacity by 50% by the end of the 2020 calendar year. Paper sales have grown by 6% compared to the prior period comparative but with pulp prices projected to add an additional £3.5m of costs compared to the prior year our paper business is severely impacted. 3DP Colourform™ is making progress with commercial projects, confirming the potential for this new business. Plans are in place to expand capacity by a further 50% for this division by early 2019.

Within the Group we continue to invest significantly in people, innovation and capability. This will ensure that over the long term the Group has the potential to sustain growth across all its businesses. In the nearer term, expectations for the full year remain unchanged from the previous trading update."

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Summary of results	Half year to 29 September 2018 £'000	Half year to 30 September 2017 £'000	Full year to 31 March 2018 £'000
Revenue	50,300	47,446	96,312
Adjusted operating profit (excluding IAS19 impact)	2,054	2,973	6,133
Operating profit	1,782	2,688	5,438
Adjusted profit before tax (excluding IAS19 impact)	1,956	2,837	5,825
Impact of IAS19	(542)	(536)	(1,284)
Profit before tax	1,414	2,301	4,541

	Half year to 29 September 2018 £'000	Half year to 30 September 2017 £'000	Full year to 31 March 2018 £'000
Revenue			
James Cropper Paper	37,227	35,283	71,237
James Cropper 3D Products	135	43	166
Technical Fibre Products	12,938	12,120	24,909
	50,300	**47,446**	**96,312**
Adjusted operating profit (excluding IAS19 impact)	**2,054**	**2,973**	**6,133**
Net interest (excluding IAS19 impact)	(98)	(136)	(308)
Adjusted profit before tax (excluding IAS19 impact)	**1,956**	**2,837**	**5,825**
IAS19 pension adjustments			
Net current service charge against operating profits	(272)	(285)	(695)
Finance costs charged against interest	(270)	(251)	(589)
	(542)	**(536)**	**(1,284)**
Profit before tax	**1,414**	**2,301**	**4,541**

Balance sheet summary	Half year to 29 September 2018 £'000	Half year to 30 September 2017 £'000	Full year to 31 March 2018 £'000
Non-pension assets – excluding cash	61,820	63,412	59,899
Non-pension liabilities – excluding borrowings	(15,709)	(20,600)	(15,585)
	46,111	42,812	44,314
Net IAS19 pension deficit (after deferred tax)	(16,447)	(18,102)	(16,162)
	29,664	24,710	28,152
Net borrowings	(6,626)	(4,685)	(4,806)
Equity shareholders' funds	23,038	20,025	23,346
Gearing % - before IAS19 deficit	17%	12%	12%
Gearing % - after IAS19 deficit	29%	23%	21%
Capital expenditure	1,944	1,272	1,935

Dear Shareholders

I am pleased to report that James Cropper PLC recorded a 6% increase in revenue for the first half, compared to the prior year comparative, with growth in all divisions. Adjusted profit before tax (excluding the impact of IAS 19) was £1.9m for the first half of the current financial year, compared to £2.8m in the prior comparative period. After the impact of IAS19, profit before tax is £1.4m, down from £2.3m in the prior comparative period.

The Group continues to experience higher than expected pulp prices as noted at the trading update issued in September. The high pulp prices are projected to add an additional £3.5m of costs in the current financial year versus last year with the returns from our paper business severely impacted. Meanwhile, TFP profits have grown in the period on record first half sales. Finally, 3DP sales have progressed with a growing pipeline.

Technical Fibre Products ("TFP")

TFP has delivered its best ever sales performance for a first half year, with 7% revenue growth over the comparable period last year and is expected to deliver further growth in the second half. There was growth across all the targeted global market sectors, with notable performances in the aerospace, defence and fuel cell markets.

Plans are in place for additional non-woven capability at Burneside, which will increase capacity by a further 50% by the end of the 2020 calendar year.

James Cropper Paper ("Paper")

Paper revenues have grown by 6% compared to the comparable period last year, with growth seen in all geographical markets. During the first half and into the second half, pulp prices have placed downward pressure on our margins and profitability.

Further commercialisation of CupCycling™ has increased the output of the existing coffee cup recycling plant, providing further independence from virgin pulp. As the proportion of recycled coffee cup pulp currently used is relatively low compared to virgin pulp, activities are underway to increase recycling capacity and capability to use alternative fibres rather than virgin pulp.

James Cropper 3D Products ("3DP")

Colourform™ revenues are making progress, with the pipeline building well; confirming the potential for this new business. Revenues have been generated predominantly in the UK but includes exports to the Americas and Europe.

High production demand is predicted by early 2019, in response to which we have earmarked further investment in production capacity to increase it by a further 50% in early 2019.

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 29 September 2018, revealed a combined deficit of £19.8m, compared with £19.5m as at 31 March 2018. After deferred taxation the net deficit stands at £16.4m.

Earnings per share and Dividend

Diluted earnings per share decreased to 12.9 pence, compared to 22.9 pence in the prior year comparative period.

The Board has declared an interim dividend of 2.5p per share (2017: 2.5p). The final dividend for the year to 30 March 2019 will be subject to shareholder approval at the AGM on 31 July 2019.

Outlook

TFP has delivered its best ever sales performance for a half year and is set to continue growth in the second half. Plans are in place for additional non-woven capability in TFP to provide an additional 50% capacity by the end of the 2020 calendar year. Pulp prices are expected to level out and fall slightly into 2019. Paper sales are projected to grow year on year with an improved mix, however, the year remains challenging due to the impact of pulp pricing. Investment evaluations are ongoing to give the business greater independence versus the volatility of commodity pulp pricing. Continued commercialisation for the 3DP Colourform™ business is projected and plans are in place to expand capacity for the division early in 2019.

Within the Group we continue to invest significantly in people, innovation and capability. This will ensure that over the long term the Group has the potential to sustain growth across all its businesses. In the nearer term, expectations for the full year remain unchanged from the previous trading update.

Mark Cropper

Chairman

JAMES CROPPER PLC

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UN-AUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	26 week period to 29 September 2018	26 week period to 30 September 2017	52 week period to 31 March 2018
	£'000	£'000	£'000
Revenue	50,300	47,446	96,312
Operating profit	1,782	2,688	5,438
Finance costs			
Interest payable and similar charges	(486)	(391)	(908)
Interest receivable and similar income	118	4	11
Profit before taxation	**1,414**	**2,301**	**4,541**
Taxation	(190)	(112)	(451)
Profit for the period	**1,224**	**2,189**	**4,090**
Earnings per share – basic	12.9p	23.1p	43.3p
Earnings per share – diluted	12.9p	22.9p	43.0p
Dividend declared in the period – pence per share	2.5p	2.5p	13.5p

UN-AUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Profit for the period	1,224	2,189	4,090
Items that are or may be reclassified to profit or loss			
Foreign currency translation	137	55	(82)
Cash flow hedges – effective portion of changes in fair value	6	-	57
Items that will never be reclassified to profit or loss			
Retirement benefit liabilities – actuarial (loss)/gain	(509)	689	2,593
Deferred tax on actuarial loss/(gain) on retirement benefit liabilities	87	(124)	(441)
Income tax on other comprehensive income	-	-	91
Other comprehensive (expense)/income for the period	(279)	620	2,218
Total comprehensive income for the period attributable to equity holders of the Company	**945**	**2,809**	**6,308**

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UN-AUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	29 September 2018	30 September 2017	31 March 2018
	£'000	£'000	£'000
Assets			
Intangible assets	424	509	496
Property, plant and equipment	25,924	26,369	25,113
Deferred tax assets	2,112	2,303	2,053
Total non-current assets	**28,460**	**29,181**	**27,662**
Inventories	15,458	14,471	14,854
Trade and other receivables	18,771	21,982	18,522
Other financial assets	53	-	47
Cash and cash equivalents	4,388	5,911	5,557
Current tax assets	1,190	81	867
Total current assets	**39,860**	**42,445**	**39,847**
Total assets	**68,320**	**71,626**	**67,509**
Liabilities			
Trade and other payables	14,452	19,660	14,328
Other financial liabilities	-	10	-
Loans and borrowings	1,672	1,001	1,600
Total current liabilities	**16,124**	**20,671**	**15,928**
Long-term borrowings	9,342	9,595	8,763
Retirement benefit liabilities	19,816	21,335	19,472
Total non-current liabilities	**29,158**	**30,930**	**28,235**
Total liabilities	**45,282**	**51,601**	**44,163**
Equity			
Share capital	2,386	2,370	2,370
Share premium	1,569	1,472	1,472
Translation reserve	657	657	520
Reserve for own shares	(1,246)	(970)	(1,445)
Retained earnings	19,672	16,496	20,429
Total shareholders' equity	**23,038**	**20,025**	**23,346**
Total equity and liabilities	**68,320**	**71,626**	**67,509**

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UN-AUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	26 week period to 29 September 2018	26 week period to 30 September 2017	52 week period to 31 March 2018
	£'000	£'000	£'000
Cash flows from operating activities			
Net profit	**1,224**	**2,189**	**4,090**
Adjustments for:			
Tax	190	112	451
Depreciation and amortisation	1,394	1,363	2,678
Net IAS 19 pension adjustments within Statement of comprehensive income	542	536	1,284
Past service pension deficit payments	(707)	(706)	(1,413)
Foreign exchange differences	(190)	38	(626)
Profit on disposal of property, plant and equipment	(11)	-	(11)
Net bank interest expense	98	136	308
Share based payments	(24)	186	341
Changes in working capital:			
Increase in inventories	(585)	(408)	(807)
Decrease in trade and other receivables	214	408	4,400
(Decrease) / increase in trade and other payables	(699)	1,363	(4,029)
Interest received	118	5	11
Interest paid	(216)	(140)	(320)
Tax paid	272	(356)	(839)
Net cash generated from operating activities	**1,620**	**4,726**	**5,518**
Cash flows from investing activities			
Purchase of intangible assets	(7)	(19)	(41)
Purchases of property, plant and equipment	(1,937)	(1,253)	(1,894)
Proceeds from sale of property, plant and equipment	11	-	12
Net cash used in investing activities	**(1,933)**	**(1,272)**	**(1,923)**
Cash flows from financing activities			
Proceeds from issue of ordinary shares	113	3	3
Proceeds from issue of new loans	1,194	2,456	4,220
Repayment of borrowings	(845)	(903)	(2,570)
Purchase of LTIP investments	(315)	(117)	(441)
Dividends paid to shareholders	(1,027)	(864)	(1,097)
Net cash (used) / generated in financing activities	**(880)**	**575**	**115**
Net (decrease) / increase in cash and cash	**(1,193)**	**4,029**	**3,710**
Effect of exchange rate fluctuations on cash held	24	(39)	(74)
Net (decrease) / increase in cash and cash equivalents	**(1,169)**	**3,990**	**3,636**
Cash and cash equivalents at the start of the period	5,557	1,921	1,921
Cash and cash equivalents at the end of the period	**4,388**	**5,911**	**5,557**
Cash and cash equivalents consists of:			
Cash at bank and in hand	4,388	5,911	5,557

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UN-AUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Translation reserve	Own shares	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 31 March 2018	**2,370**	**1,472**	**520**	**(1,445)**	**20,429**	**23,346**
Profit for the period	-	-	-	-	1,224	1,224
Exchange differences	-	-	137	-	-	137
Gain on cash flow hedges	-	-	-	-	6	6
Actuarial loss on retirement benefit liabilities (net of deferred tax)	-	-	-	-	(422)	(422)
Total other comprehensive income	-	-	137	-	(416)	(279)
Dividends paid	-	-	-	-	(1,027)	(1,027)
Share based payments	-	-	-	-	(154)	(154)
Proceeds from issue of ordinary shares	16	97	-	-	-	113
Distribution of own shares	-	-	-	514	(384)	130
Consideration paid for own shares	-	-	-	(315)	-	(315)
Total contributions by and distributions to owners of the Group	16	97	-	199	(1,565)	(1,253)
At 29 September 2018	**2,386**	**1,569**	**657**	**(1,246)**	**19,672**	**23,038**
At 1 April 2017	**2,367**	**1,472**	**602**	**(853)**	**14,925**	**18,513**
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)
At 30 September 2017	**2,370**	**1,472**	**657**	**(970)**	**16,496**	**20,025**

NOTES TO THE CONDENSED CONSOLIDATED HALF YEAR 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 half year financial statements of the Company for the twenty six weeks ended 29 September 2018, which have not been audited or reviewed, 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) IAS 34 'Interim Financial Reporting' 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 31 March 2018. 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 31 March 2018.

The comparative figures for the 52 week period ended 31 March 2018 are not the Group's statutory accounts for that financial period. Those accounts which were prepared under the International Financial Reporting Standards (IFRS) as adopted by the EU (adopted IFRS), have been reported on by the Group's auditors and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors 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 consolidated financial statements of the Group for the 52 week period ended 31 March 2018 are available upon request from the Company's registered office Burneside Mills, Kendal, Cumbria, LA9 6PZ or at www.cropper.com.

The half year 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 30 March 2019 and longer term strategic forecasts and plans, including consideration of the principal risks faced by the Group and the Company, as detailed in the Group's Annual Report 2018. 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 31 March 2018.

A number of new standards and amendments to existing standards are effective for the financial period ending 30 March 2019. None of these have had a material impact and accordingly the 30 September 2017 and 31 March 2018 comparatives have not been restated.

The Group has adopted IFRS 15 'Revenue from contracts with customers' which it sets out in note 9. The Group has adopted IFRS 9 'Financial Instruments' which it sets out in note 10. Neither of these are considered to have a material impact.

2 Accounting estimates and judgements

The preparation of half year 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 31 March 2018.

3 Risks and uncertainties

The principal risks and uncertainties which may have the largest impact on performance in the second half of the year are the same as disclosed in the 2018 Annual Report on pages 20-26. The principal risks set out in the 2018 Annual Report were:

Employee safety; environmental sustainability; environmental taxation; energy taxation; environmental flooding; energy price volatility; fire; pulp price volatility and availability; exchange rate volatility; fall in demand; pension; attraction and retention of key skills and talent; Brexit and information security, cyber risk and data protection.

The Board considers that the principal risks and uncertainties set out in the 2018 Annual report have not changed and remain relevant for the second half of the 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.

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 8.

5 Earnings per share

		Six months ended 29 September 2018	**Six months ended 30 September 2017**	**Year ended 31 March 2018**
Earnings per share	- basic	12.9p	23.1p	43.3p
	- diluted	12.9p	22.9p	43.0p
Profit for the financial period (£'000)		1,224	2,189	4,090
Weighted average number of shares	- basic	9,483,193	9,470,339	9,448,737
	- diluted	9,492,939	9,539,300	9,515,857

6 Dividend

The proposed interim dividend of 2.5p (2017: 2.5p) per 25p ordinary share is payable on 11 January 2019 to those shareholders on the register of the Company at the close of business on 30 November 2018, with the last day for DRIP elections being 14 December 2018. The dividend recognised in the condensed consolidated statement of changes in equity is the final dividend for the 52 week period ended 31 March 2018 of 11.0p which was paid on 10 August 2018.

7 Retirement benefit obligations

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

	26 week period ended 29 September 2018	**26 week period ended 30 September 2017**	**52 week period ended 31 March 2018**
	£'000	**£'000**	**£'000**
Obligation brought forward	(19,472)	(22,194)	(22,194)
Expense recognised in the income statement	(826)	(838)	(1,874)
Contributions paid to the schemes	991	1,008	2,003
Remeasurement (losses) and gains	(509)	689	2,593
Obligation carried forward	(19,816)	(21,335)	(19,472)

On 26 October 2018, the High court of Justice of England and Wales issued a judgement in a claim between Lloyds Banking Group Pension Trustees Limited as claimant and Lloyds Bank plc and others as defendants regarding the rights of female members of certain pension schemes to equality of treatment in relation to pension benefits.

The judgement concluded that the claimant is under a duty to amend the schemes in order to equalise benefits for men and women in relation to guaranteed minimum pension benefits. The judgement also provided comments on the method to be adopted in order to equalise benefits, on the period during which a member can claim in respect of previously underpaid benefits, and on what should be done in relation to benefits that have been transferred into, and out of, the relevant schemes.

The issues determined by the judgement arise in relation to many other occupational pension schemes. The extent to which judgement will increase the liabilities of the James Cropper Plc pension schemes is under consideration. Any adjustment has not been recognised in the interim results and will be recognised by the Group in the second half of the 52 week period ending 30 March 2019.

8 Alternative performance measures

	26 week period ended 29 September 2018	**26 week period ended 30 September 2017**	**52 week period ended 31 March 2018**
	£'000	**£'000**	**£'000**
Adjusted operating profit	2,054	2,973	6,133
Net IAS 19 pension adjustments			
- current service costs	(556)	(587)	(1,285)
- future service contributions paid	284	302	590
Operating profit	1,782	2,688	5,438

	26 week period ended 29 September 2018	26 week period ended 30 September 2017	52 week period ended 31 March 2018
	£'000	£'000	£'000
Adjusted profit before tax	1,956	2,837	5,825
Net IAS 19 pension adjustments			
- current service costs	(556)	(587)	(1,285)
- future service contributions paid	284	302	590
- finance costs	(270)	(251)	(589)
Profit before tax	1,414	2,301	4,541

9 IFRS 15 'Revenue from contracts with customers'

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 April 2018). Accordingly, the information presented for the 52 week period ended 31 March 2018 has not been restated.

Revenue represents income derived from contracts for the provision of goods and services by the Company and its subsidiary undertakings to customers in exchange for consideration in the ordinary course of the Group's activities.

Performance obligations
Upon approval by the parties to a contract, the contract is assessed to identify each promise to transfer either a distinct good or service or a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer. Goods and services are distinct and accounted for as separate performance obligations in the contract if the customer can benefit from them either on their own or together with other resources readily available to the customer and they are separately identifiable in the contract.

Revenue and profit recognition
Revenue is recognised as performance obligations are satisfied as control of the goods is transferred to the customer. For each performance obligation within a contract, the Group determines whether it is satisfied over time or at a point in time.

There are a number of contracts in which customers are given volume rebates based on quantities purchased over an extended period of time. The Group would provide for any such rebates on the basis that an estimate of total quantities purchased in the contract period would determine the level of rebate, not the amount purchased up to the balance sheet date. Likewise, any contracts where it is highly probable that the customer will not achieve the required volume for a rebate over the period of the contract, will not be provided for.

Based on the Group's assessment, the application of IFRS 15 has not resulted in a significant impact.

10 Financial instruments

IFRS 9 'Financial Instruments' is effective for periods beginning on or after 1 January 2018 and has been adopted by the Group in the year. IFRS 9 sets out requirements for recognising and measuring financial assets and financial liabilities and replaces IAS 39 'Financial Instruments: Recognition and Measurement'. The impact on the consolidated financial statements of the Group is detailed below.

Classification of financial assets
IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and cash flow characteristics of the assets.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income and fair value through profit and loss. The new classification requirements do not impact the accounting for the Group's financial assets.

Impairment of financial assets
IFRS 9 replaces the incurred loss model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. The new impairment model will apply to financial assets measured at amortised cost. The financial assets at amortised cost consist of trade receivables, cash and cash equivalents.

The Group has elected to measure loss allowances for trade receivables at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 60 days past due.

The Group considers a financial asset to be in default when:
- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security; or
- The financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Cash and cash equivalents
Cash and cash equivalents are held at banks with a strong credit rating and are not subject to any period of notice. The Group typically maintains healthy balances of cash and cash equivalents and often a net debt cash position as part of the RCF funding arrangement. There is no impact on the values reported in the financial statements from adopting IFRS 9 in respect of expected credit losses.

Hedge accounting
The Group has elected to adopt the new general hedge accounting model in IFRS 9. This requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

The Company entered into a hedging instrument (Interest Rate Swap, the 'SWAP') with HSBC Bank plc ('HSBC') on 17 February 2017 to protect variability in the interest payments arising in a floating rate financing. The objective of the hedge relationship is to protect against any change in GBP 3M LIBOR rates, the interest rate arising from coupon payments of a generic floating rate liability denominated in GBP.

In addition, the Company entered into a hedging instrument (Interest Rate Swap, the 'SWAP') with Svenska Handelsbanken AB (publ) ('Handelsbanken') on 17 February 2017 to protect variability in the interest payments arising in a floating rate financing. The objective of the hedge relationship is to protect against any change in USD 3M LIBOR rates, the interest rate arising from coupon payments of a generic floating rate liability denominated in USD.

The strategy of the Company with these swaps is to hedge their current debt and successive, if a refinancing or substitution of the debt takes place.

The Company has entered into these swaps, where the floating leg terms and cash flows match the terms of the related facilities, to hedge the risk in the variability of the cash outflows (interest payments) of the facility to changes in the respective LIBOR rates.

Swap restructurings/amendments will not constitute a de-designation as the hedging instrument is replaced by another without changing the strategy nor the objective of the hedge relationship.

The Company believes that there are clear direct economic relationships between the hedged items and the hedging instruments, as the critical terms are identical:

- The notional amounts of the hedging instruments equal the notional amounts of the hedged items
- The maturity dates of the hedged instruments are the same as the respective hedged items
- The interest reference for both the hedged items and the hedging instruments are the same.

IFRS 9 has been implemented prospectively from 1 April 2018 and the impact on the Group has not been material. The key areas of focus for the Group under IFRS 9 are:

- Expected credit loss being recognized on trade receivables; and
- Hedge accounting and related hedge documentation

11 Other financial assets

	As at 29 September 2018	As at 30 September 2017	As at 31 March 2018
	£'000	**£'000**	**£'000**
Interest rate swaps used for hedging	50	(10)	44
Foreign exchange rate swaps used for hedging	3	-	3
	53	(10)	47

12 Related parties

There have been no significant changes in the nature of related party transactions in the period ended 29 September 2018 from that disclosed in the 2018 Annual report.

Statement of Directors' responsibilities

The Directors confirm that these condensed consolidated interim financial statements have been prepared in accordance with IAS 34 as adopted by the European Union and that the interim management 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 first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

(ii) Material related party transactions in the first six months and any material changes in the related party transactions described in the last Annual report.

During the period since approval of the Annual Report for the 52 weeks ended 31 March 2018, Dr Andrew Hosty was appointed as a Non-Executive Director on 1 August 2018.

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

Forward-looking statements

Sections of this half-yearly 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 half-yearly 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.