

JAMES CROPPER PLC

ESTABLISHED 1845

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

Preliminary results for the 52 weeks ended 30 March 2019

	52 weeks ended 30 March 2019	52 weeks ended 31 March 2018
	£m	£m
Revenue	101.1	96.3
Adjusted operating profit (excluding IAS19 impact)	4.3	6.1
Operating profit	3.4	5.4
Adjusted profit before tax (excluding IAS19 impact)	4.0	5.8
Impact of IAS19	(1.4)	(1.3)
Profit before tax	2.6	4.5
Earnings per share – basic	24.3p	43.3p
Dividend per share declared	13.5p	13.5p
Net borrowings	(8.6)	(4.8)
Equity shareholders' funds	21.3	23.3
Gearing % - before IAS 19 deficit	21%	12%
Gearing % - after IAS 19 deficit	40%	21%
Capital expenditure	5.2	1.9

Highlights

- Group revenue exceeds £100m for the first time with growth in all divisions.
- Adjusted PBT (excluding IAS 19 impact) at £4.0m
- Continued higher pulp prices over 2019 impacting profitability for the year.
- Paper to become more resilient to pulp market, delivering profitable growth.
- TFP on schedule to add 50 % capacity.
- Colourform: major contracts have gone live since the period end.
- Dividend maintained at 13.5p.

Mark Cropper, Chairman, commented:

“The strength of the Group remains strong with record revenues, product mix improvements, investment on the increase and sound EBITDA levels providing clear headroom against our covenants.”

“For the second year in succession pulp prices have outstripped market expectations, increasing cost pressures on our paper business by over £6.5m over two years.”

“I remain confident that we are deploying and evolving the right strategies in this regard and this will ensure sustained - and sustainable - growth for the long term.”

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The Annual General Meeting of the Company will be held at 11.00am on Wednesday 31 July 2019 at the Bryce Institute, Burneside, Kendal, Cumbria.

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	52 weeks ended 30 March 2019	52 weeks ended 31 March 2018
	£'000	£'000
Summary of results		
Revenue	101,095	96,312
Adjusted operating profit (excluding IAS19 impact)	4,262	6,133
Adjusted profit before tax (excluding IAS19 impact)	3,962	5,825
Impact of IAS19	(1,386)	(1,284)
Profit before tax	2,576	4,541

	52 weeks ended 30 March 2019	52 weeks ended 31 March 2018
	£'000	£'000
Revenue		
James Cropper Paper	74,318	71,237
James Cropper 3D Products	290	166
Technical Fibre Products	26,487	24,909
	101,095	96,312
Adjusted operating profit (excluding IAS19 impact)	4,262	6,133
Net interest (excluding IAS19 impact)	(300)	(308)
Adjusted profit before tax (excluding IAS19 impact)	3,962	5,825
IAS19 pension adjustments		
Net current service charge against operating profits	(854)	(695)
Finance costs charged against interest	(532)	(589)
	(1,386)	(1,284)
Profit before tax	2,576	4,541

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 £1,386,000 (2018: £1,284,000). 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 £1,386,000 (2018: £1,284,000) comprises:

	Period ended 30 March 2019	Period ended 31 March 2018
	£'000	£'000
Current service charge	1,423	1,285
Normal contributions	(569)	(590)
Interest charge	532	589
IAS 19 pension adjustment	1,386	1,284

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Balance sheet summary

	As at 30 March 2019	As at 31 March 2018
	£'000	£'000
Non-pension assets – excluding cash	64,871	59,899
Non-pension liabilities – excluding borrowings	(16,236)	(15,585)
	48,635	44,314
Net IAS19 pension deficit (after deferred tax)	(18,798)	(16,162)
	29,837	28,152
Net borrowings	(8,561)	(4,806)
Equity shareholders' funds	21,276	23,346
Gearing % - before IAS19 deficit	21%	12%
Gearing % - after IAS19 deficit	40%	21%
Capital expenditure	5,229	1,935

Chairman's Letter

Dear Shareholders,

This has been another challenging year for the Group, with profit before tax falling by 43% to £2.6m. As detailed in the Finance Director's review section of the Annual Report, the dominant headwind has continued to be pulp cost increases. For the second year in succession these have outstripped market expectations, increasing cost pressures on our Paper business by over £6.5m over two years. It has been impossible to pass all of this on within the timeframes, resulting in a loss for Paper of £2m in the current period. In addition, Group profits have also been weakened by operating losses within James Cropper 3D Products Ltd ("3DP"), incurred as we scale up our investment to meet anticipated demand for this new subsidiary.

Nevertheless, the strength of the Group remains strong with record revenues, product mix improvements delivering good underlying performance, investment on the increase and sound EBITDA levels providing clear headroom against our covenants. I am particularly pleased to report increased profits within Technical Fibre Products Ltd ("TFP"), with operating profit growing by almost 20% to £8.8m, another record for this subsidiary. This was underpinned by revenue growth of 6.3% which itself was spread across all products and markets.

Coupled with positive revenue growth of 4.3% for Paper, Group turnover exceeded £100m for the first time. Positively, the growing demand for our products continues to become more global. Exports edged upwards to 56.3% in the current year, although this only tells part of the story: the growth of many of our UK customers has also been export driven, further shielding us from any potential Brexit related weakness in our domestic market.

A positive sense of the progress of the Group can also be gained from a walk around our Burnside site, home to the majority of operations. In the last year we have increased 3DP capacity by 50% and commenced construction of a new TFP machine house, the most significant addition to our operations in 25 years. Both have required reorganisation of other areas, furthering the overall level of activity. There are also more mundane indicators, such as growth in parking provision and a fleet of new trucks in our distinctive green livery. Burnside truly feels like a place on the move.

Rather harder to gauge are all the internal changes in hand, both commercial and operational. Based on the numerous plans in place, I am confident Paper will be restored to profitability in the current financial year and advance thereafter. As well as working carefully with our long term customers to recover margin, Paper is also winning new contracts at improved margins, not least to meet the retail packaging needs of global brands.

Our sustainability credentials are helping in this regard, not least our CupCycling™ papers. Coffee cup waste continues to grow as a source of fibre, and greater use is forecast, supported by internal investment as well as initiatives led by retailers

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and waste management companies. This is just a start: our Technology & Innovation department is leading a forensic investigation of other sources of waste and related technologies that will hopefully, in time, reduce our reliance on pulp as well as our overall environmental impact. Our footprint will also shortly be lessened by the second rooftop solar installation to be delivered by our partners Burnside Community Energy Ltd. This will double on-site renewable electricity generation.

3DP did not grow as quickly as hoped in the year, owing to the timing of its first significant contracts, but the business is now moving rapidly beyond proof of concept. While the business is bringing exceptional quality and colour to market, transitioning customers from existing packaging options (not least plastic) is taking longer than anticipated. Nevertheless we continue to see great potential, not least in the beauty and cosmetics market. The target is for the business to be cash flow neutral in the current financial year and it will grow to become a significant division for the Group.

TFP continues to advance in aerospace and automotive fuel cell markets with new major contracts agreed and research into lightweight solutions and emerging technologies high on the agenda. We continue to invest in our US and UK research facilities, enhancing TFP's global reputation for quality and technical expertise, and its unique ability to understand, interpret and deliver on customer needs. TFP is well positioned to continue to grow robustly.

Dividend per share

The Board is recommending a final dividend of 11.0 pence per share, bringing the total dividend for the financial period of 13.5 pence per share.

Basic earnings per share in the period fell by 44% to 24.3 pence per share with diluted earnings per share falling by 43% to 24.3 pence per share.

The recommendation to maintain the dividend directly reflects the confidence the Board continues to have in the Company's prospects in the coming years.

Outlook

For all the headwinds of the last two years, not to mention the uncertainty surrounding Brexit, I am pleased to say our long-term aspirations are undiminished. With an eye to the long term, we believe we can be the best in the world at what we do and have kept investment and related recruitment plans on track in support of this, the latter closely tied to apprenticeship and graduate programmes.

There is also much more we can do. Our most valuable asset is our people. Everyone matters in this business and we will only truly succeed if we support each other, and the communities that sustain us, every day. Our work over the last year on the importance of mental health is but one example of this. We have much more to do but our people show us the way. As I witnessed at our annual Pride Awards earlier this year, every thought and idea, however small, can make a difference.

Likewise, albeit on a different note, we will only secure our future as a business if we balance our outputs with the impacts that we, together with the rest of mankind, are having on our planet. We are justly proud of the contribution made by initiatives such as Colourform™ and CupCycling™, but if we are to truly respond to the emergency represented by climate change and declining biodiversity we must do much, much more.

Overall, as we enter our 175th year, I feel the business is not getting older so much as younger. That our brightest prospects are ahead of us is also suggested by the sustained growth of R&D investment in recent years. The Board and I are ambitious for our culture of innovation to become even more embedded within each business and function across the Group as it is this that will ultimately ensure our long term success, whether in relation to our products, people or planet. I remain confident that we are deploying and evolving the right strategies in this regard and this will ensure sustained - and sustainable - growth for the long term.

Mark Cropper
Chairman
24 June 2019

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Chief Executive's Review

I was pleased to see continued sales growth across each division with the Group now exceeding £100 million sales for the first time.

In the period pulp price has continued to increase from the highs of the previous period, raising the overall impact from pulp price to over £6.5 million over the past two years. This has impacted the paper division however the underlying performance remains healthy with the progression of an improved value portfolio.

The performance of the Technical Fibre Products division ("TFP") has continued to strengthen with growth across each sector and the results demonstrating another record achievement.

We have continued to invest in James Cropper 3DP ("3DP") adding further capability and capacity. Whilst this has added to the operating costs, it positions the business well as larger commercial contracts are now becoming a reality.

Group profit before tax was £2.6m, compared to £4.5m in the prior period.

Revenue and Operating Profit

Group revenue for the financial period was £101.1m, up 5% on the prior period.

Revenue for James Cropper Paper grew by 4.3% in the period to £74.3m with the division generating an operating loss of £1.9m, compared to an operating profit of £1.5m in the prior period.

Revenue for TFP grew by 6.3% in the period to £26.5m and operating profit up 19% at £8.9m. The performance of TFP has continued to strengthen with growth across each sector and the results demonstrating another record achievement.

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. Some examples of the research and development work undertaken are explained in the Innovation section below. The Group continues to invest in research and development with expenditure in R & D of £4.0m this period, compared to £2.6m in the prior period.

Growth build from solid foundations

Whilst each business has a unique growth plan, common strategic themes sit at the heart of each plan.

A combination of product and process innovation, technological and capital investment, process and application lead sustainability and the skills and knowledge of our employees build the growth plans of each business.

A Long-term view on Growth

Over many decades James Cropper have provided a focus on the long-term growth of the Company. Today this remains unchanged with all key strategic decisions aligned to the medium to long term growth of the Company.

James Cropper are specialists with each business providing niche solutions in our chosen markets, such as materials essential for a hydrogen fuel cell, a bespoke colour and texture for a luxury brand's packaging, or 3D modelling a sustainable alternative to single use plastics. Our relentless focus on being the best in our field and driving innovation is at the heart of our Company.

Over the past year we have seen growth across each business. TFP continues to experience organic growth across each sector and geography, leading to our next stage of capacity expansion due in mid-2020. Paper's focus on value has delivered growth within chosen markets such as packaging and has been awarded new key contracts from luxury brands.

Colourform has been commercialising the pipeline and whilst supporting existing contracts they have been awarded more significant contracts supporting the global cosmetics market.

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Innovation

Over 15% of James Cropper's employees are involved with research and development activities and the company has invested over £8 million in the last 3 years.

Some examples of recent developments include: -

- TFP have developed advanced particulate and fibre metallised coatings to enhance shielding and conductivity properties without compromising weight.
- Colourform have invested in the latest 3D modelling design capability allowing seamless product design, computer aided design and computer aided manufacture for tool production in order to create high quality and complex moulded fibre products.
- Paper have developed an environmentally friendly whitening process to lighten consumer waste providing it with a new lease of life as high-quality fine paper.

Investment

The Company has a strong history of targeted strategic investments to implement technology, supporting both product and process developments aligned to each business's growth plans. Recent investments include production capacity expansion for Colourform, specialist cutting technology for Paper and increased TFP capacity for particle plating.

Moving forward further strategic investments are planned and include increased independence from commodity pulp prices with the expansion of Paper's coffee cup recycling capability and additional finishing capacity to support a higher value portfolio, an additional non-woven production line in TFP increasing capacity by 50% and in Colourform the capability to rapid prototype.

Sustainability

Sustainability sits at the heart of each business. Paper and Colourform provide recyclable, reusable and compostable solutions in a 'single-use' market, whilst TFP plays a vital role in providing lightweight solutions for transportation and materials used in green energy such as wind and hydrogen fuel cells.

We are constantly improving our manufacturing processes in order to use less energy and water. Our demand is partially met using hydro and solar energy, but our ambition is to incorporate new and emerging technologies to drive towards carbon neutrality.

James Cropper continues to receive widespread industrial recognition for its work on sustainability, from luxury packaging awards to public recognition from HRH The Prince of Wales.

People

Employees over the generations have built a strong culture of loyalty and care for the products we produce and the community we support. The Company's approach to building skills and talent can be seen at all levels. There are now over 30 employees who are in the process of, or have completed, apprenticeships across multiple disciplines including finance, marketing, HR and engineering.

The graduate intake programme now benefits each business supported by regular recruitment programmes working with high performing universities.

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The annual Pride Awards celebrate employees going “above and beyond” demonstrating significant improvements, creativity and selflessly giving time to good causes.

Over the past year the Company has invested in dedicated trainers to support Mental Health. This has resulted in nearly 50 mental health first aiders and over 20 health advocates.

These programmes together with a strong emphasis on training and development underpin all of our initiatives to grow the Company.

Phil Wild
Chief Executive Officer
24 June 2019

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CONSOLIDATED INCOME STATEMENT

	52 week period to 30 March 2019	52 week period to 31 March 2018
	£'000	£'000
Revenue	101,095	96,312
Other income	614	346
Changes in inventories of finished goods and work in progress	798	767
Raw materials and consumables used	(43,074)	(40,661)
Energy costs	(5,615)	(4,021)
Employee benefit costs	(28,183)	(27,314)
Depreciation and amortisation	(2,952)	(2,678)
Other expenses	(19,275)	(17,313)
Operating Profit	3,408	5,438
Interest payable and similar charges	(965)	(908)
Interest receivable and similar income	133	11
Profit before taxation	2,576	4,541
Taxation	(262)	(451)
Profit for the period	2,314	4,090
Earnings per share – basic	24.3p	43.3p
Earnings per share – diluted	24.3p	43.0p
OTHER COMPREHENSIVE INCOME		
Profit for the period	2,314	4,090
<i>Items that are or may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	(117)	(82)
Cash flow hedges – effective portion of changes in fair value	(29)	57
<i>Items that will never be reclassified to profit or loss</i>		
Retirement benefit liabilities – actuarial (losses) / gains	(3,258)	2,593
Deferred tax on actuarial losses / (gains) on retirement benefit liabilities	554	(441)
Income tax on other comprehensive income	-	91
Other comprehensive (expense) / income for the period	(2,850)	2,218
Total comprehensive (expense) / income for the period		
Attributable to equity holders of the Company	(536)	6,308

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STATEMENT OF FINANCIAL POSITION

	Group		Company	
	As at 30 March 2019	As at 31 March 2018	As at 30 March 2019	As at 31 March 2018
	£'000	£'000		£'000
Assets				
Intangible assets	365	496	106	112
Property, plant and equipment	27,639	25,113	1,906	1,732
Investments in subsidiary undertakings	-	-	7,350	7,350
Deferred tax assets	2,234	2,053	3,840	3,649
Total non-current assets	30,238	27,662	13,202	12,843
Inventories	16,410	14,854	-	-
Trade and other receivables	19,012	18,522	49,323	45,651
Other financial assets	24	47	24	47
Cash and cash equivalents	2,352	5,557	-	3,004
Current tax assets	1,421	867	446	530
Total current assets	39,219	39,847	49,793	49,232
Total assets	69,457	67,509	62,995	62,075
Liabilities				
Trade and other payables	14,620	14,328	18,555	21,823
Loans and borrowings	1,545	1,600	361	43
Total current liabilities	16,165	15,928	18,916	21,866
Long-term borrowings	9,368	8,763	4,004	4,070
Retirement benefit liabilities	22,648	19,472	22,648	19,472
Total non-current liabilities	32,016	28,235	26,652	23,542
Total liabilities	48,181	44,163	45,568	45,408
Equity				
Share capital	2,389	2,370	2,389	2,370
Share premium	1,588	1,472	1,588	1,472
Translation reserve	403	520	-	-
Reserve for own shares	(1,251)	(1,445)	(1,251)	(1,445)
Retained earnings	18,147	20,429	14,701	14,270
Total shareholders' equity	21,276	23,346	17,427	16,667
Total equity and liabilities	69,457	67,509	62,995	62,075

The Parent Company reported a profit for the period ended 30 March 2019 of £4,903,000 (2018: £5,422,000).

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STATEMENT OF CASH FLOWS

	Group		Company	
	52 weeks ended 30 March 2019	52 weeks ended 31 March 2018	52 weeks ended 30 March 2019	52 weeks ended 31 March 2018
	£'000	£'000	£'000	£'000
Cash flows from operating activities				
Net profit	2,314	4,090	4,903	5,422
Adjustments for:				
Tax	262	451	321	200
Depreciation and amortisation	2,952	2,678	153	161
Net IAS 19 pension adjustments within SCI	1,386	1,284	1,386	1,284
Past service pension deficit payments	(1,468)	(1,413)	(1,468)	(1,413)
Foreign exchange differences	(312)	(626)	(59)	142
Profit on disposal of property, plant and equipment	(12)	(11)	-	-
Net bank interest income and expense	300	308	(774)	(554)
Share based payments	(49)	341	(49)	341
Dividends received from subsidiary companies	-	-	(6,000)	(7,500)
Increase in inventories	(1,529)	(807)	-	-
(Increase) / decrease in trade and other receivables	(2,072)	4,400	(5,767)	(1,954)
Increase / (decrease) in trade and other payables	1,659	(4,029)	(1,416)	2,314
Tax paid	(65)	(839)	(65)	(839)
Net cash generated from / (used by) operating activities	3,366	5,827	(8,835)	(2,396)
Cash flows from investing activities				
Purchase on intangible assets	(67)	(41)	(61)	(22)
Purchase of property, plant and equipment	(5,162)	(1,894)	(608)	(73)
Proceeds from sale of property, plant and equipment	12	12	303	-
Dividends received	-	-	6,000	7,500
Net cash (used in) / generated from investing activities	(5,217)	(1,923)	5,634	7,405
Cash flows from financing activities				
Proceeds from issue of ordinary shares	135	3	135	3
Proceeds from issue of new loans	1,568	4,220	768	131
Repayment of borrowings	(1,311)	(2,570)	(848)	(118)
Repayment / (issue) of intercompany loans	-	-	568	(1,451)
Purchase of LTIP investments	(315)	(441)	(315)	(441)
Interest received	133	11	946	631
Interest paid	(391)	(320)	(137)	(79)
Sale of own shares	130	-	130	-
Dividends paid to shareholders	(1,263)	(1,097)	(1,263)	(1,097)
Net cash (used in) / generated from financing activities	(1,314)	(194)	(16)	(2,421)
Net (decrease) increase in cash and cash equivalents	(3,165)	3,710	(3,217)	2,588
Effect of exchange rate fluctuations on cash held	(40)	(74)	(103)	(110)
Net (decrease) / increase in cash and cash equivalents	(3,205)	3,636	(3,320)	2,478
Cash and cash equivalents at the start of the period	5,557	1,921	3,004	526
Cash and cash equivalents at the end of the period	2,352	5,557	(316)	3,004
Cash and cash equivalents consists of:				
Cash at bank and in hand	2,670	5,557	2	3,004
Bank overdraft	(318)	-	(318)	-
	2,352	5,557	(316)	3,004

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Group	Share capital £'000	Share premium £'000	Translation reserve £'000	Own shares £'000	Retained earnings £'000	Total £'000
At 1 April 2017	2,367	1,472	602	(853)	15,498	19,086
Prior year adjustment (i)	-	-	-	-	(219)	(219)
At 1 April 2017 restated	2,367	1,472	602	(853)	15,279	18,867
Profit for the period	-	-	-	-	4,090	4,090
Exchange differences	-	-	(82)	-	-	(82)
Gain on cash flow hedges	-	-	-	-	57	57
Actuarial gains on retirement benefit liabilities (net of deferred tax)	-	-	-	-	2,152	2,152
Total other comprehensive income	-	-	(82)	-	2,209	2,127
Dividends paid	-	-	-	-	(1,097)	(1,097)
Share based payments	-	-	-	-	341	341
Tax on share options	-	-	-	-	(201)	(201)
Tax on other comprehensive income	-	-	-	-	91	91
Proceeds from issue of ordinary shares	3	-	-	-	-	3
Sale of own shares	-	-	-	324	(324)	-
Consideration paid for own shares	-	-	-	(916)	(178)	(1,094)
Total contributions by and distributions to owners of the Group	3	-	-	(592)	(1,368)	(1,957)
At 31 March 2018	2,370	1,472	520	(1,445)	20,210	23,127
Prior year adjustment (i)	-	-	-	-	95	95
At 31 March 2018 restated	2,370	1,472	520	(1,445)	20,305	23,222
Profit for the period	-	-	-	-	2,314	2,314
Exchange differences	-	-	(117)	-	-	(117)
Loss on cash flow hedges	-	-	-	-	(29)	(29)
Actuarial losses on retirement benefit liabilities (net of deferred tax)	-	-	-	-	(2,704)	(2,704)
Total other comprehensive income	-	-	(117)	-	(2,733)	(2,850)
Dividends paid	-	-	-	-	(1,263)	(1,263)
Share based payment charge	-	-	-	-	(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

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- (i) The balance on retained earnings as at 1 April 2017 and 31 March 2018 have been adjusted to reflect the change in the Group's practice following adoption of IFRS 15 *Revenue from contracts with customers* with regards to recognizing revenue when control of the products is passed to the customer.

Company	Share capital £'000	Share premium £'000	Own shares £'000	Retained earnings £'000	Total £'000
At 1 April 2017	2,367	1,472	(853)	7,829	10,815
Profit for the period	-	-	-	5,422	5,422
Gain on cash flow hedges	-	-	-	57	57
Actuarial gains on retirement benefit liabilities (net of deferred tax)	-	-	-	2,152	2,152
Total other comprehensive income	-	-	-	2,209	2,209
Dividends paid	-	-	-	(1,097)	(1,097)
Share based payment charge	-	-	-	341	341
Tax on share options	-	-	-	(201)	(201)
Tax on other comprehensive income	-	-	-	91	91
Proceeds from issue of ordinary shares	3	-	-	-	3
Sale of own shares	-	-	324	(324)	-
Consideration paid for own shares	-	-	(916)	-	(916)
Total contributions by and distributions to owners of the Group	3	-	(592)	(1,190)	(1,779)
At 31 March 2018	2,370	1,472	(1,445)	14,270	16,667
Profit for the period	-	-	-	4,903	4,903
Loss on cash flow hedges	-	-	-	(29)	(29)
Actuarial losses on retirement benefit liabilities (net of deferred tax)	-	-	-	(2,704)	(2,704)
Total other comprehensive income	-	-	-	(2,733)	(2,733)
Dividends paid	-	-	-	(1,263)	(1,263)
Share based payment charge	-	-	-	(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	(1,251)	14,701	17,427

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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 30 March 2019, 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 30 March 2019. 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 30 March 2019.

The consolidated financial statements of the Group for the 52 week period ended 30 March 2019 are available upon request from the Company's registered office Burneside Mills, Kendal, Cumbria, LA9 6PZ or at www.cropper.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 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 30 March 2019.

The Group has adopted IFRS 15 'Revenue from contracts with customers' which it sets out in note 10. The Group has adopted IFRS 9 'Financial Instruments' which it sets out in note 11. Neither of these are considered to have a material impact.

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 30 March 2019.

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3 Risks and uncertainties

The principal risks and uncertainties which may have the largest impact on performance are the same as disclosed in the 2019 Annual Report on pages 21-25. The principal risks set out in the 2019 Annual Report were:

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 2019 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.

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

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
	30 March 2019	31 March 2018	30 March 2019	31 March 2018
	£'000	£'000	£'000	£'000
Paper	74,314	71,237	(1,992)	1,468
Colourform	290	166	(2,462)	(1,639)
TFP	26,487	24,909	8,883	7,449
Group services	-	-	(1,021)	(1,840)
	101,095	96,312	3,408	5,438

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7 Dividend

The proposed final dividend of 11.0p (2018: 11.0p) per 25p ordinary share is payable on 9 August 2019, subject to approval by the shareholders at the Annual General Meeting, to those shareholders on the register of the Company at the close of business on 5 July 2019. The dividends 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 and the interim dividend for the 52 week period ended 30 March 2019 of 2.5p, which was paid on 11 January 2019.

8 Retirement benefit obligations

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

	52 week period ended 30 March 2019	52 week period ended 31 March 2018
	£'000	£'000
Obligation brought forward	(19,472)	(22,194)
Expense recognised in the income statement	(1,955)	(1,874)
Contributions paid to the schemes	2,037	2,003
Actuarial (losses) and gains	(3,258)	2,593
Obligation carried forward	(22,648)	(19,472)

During the period an estimate of £133,000 for the financial cost to correct the gender inequalities inherent in Guaranteed Minimum Pensions (GMPs) was taken to the Income statement.

9 Alternative performance measures

	52 week period ended 30 March 2019	52 week period ended 31 March 2018
	£'000	£'000
Adjusted operating profit	4,262	6,133
Net IAS 19 pension adjustments		
- current service costs	(1,423)	(1,285)
- future service contributions paid	569	590
Operating profit	3,408	5,438

	52 week period ended 30 March 2019	52 week period ended 31 March 2018
	£'000	£'000
Adjusted profit before tax	3,962	5,825
Net IAS 19 pension adjustments		
- current service costs	(1,423)	(1,285)
- future service contributions paid	569	590
- finance costs	(532)	(589)
Profit before tax	2,576	4,541

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10 IFRS 15 'Revenue from contracts with customers'

With effect from 1 April 2018, the Group has applied IFRS 15, *Revenue from contract with customers*. IFRS 15 replaces all existing revenue requirements in IFRS and applies to all revenue arising from contracts with customers unless the contracts are within the scope of other standards. The cumulative effect method of adoption has been used, with 2018 comparatives not being restated. The adoption of IFRS 15 has had no material effect on transition and is not expected to materially alter revenue recognition patterns going forward.

Revenue represents income derived from contracts for the provision of goods or services by the Company and its subsidiary undertakings to customers in exchange for consideration in the ordinary course of the Group's business. 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. Revenue from the sale of goods is recognised when control of the goods have been transferred to the buyer. Goods are identified as products made from either natural fibres, (e.g. paper or moulded paper products, or man-made fibres, (e.g. highly technical nonwoven products made by the TFP division). In addition, revenue for services are also received (e.g. revenue for design and set up of moulded fibre Colourform products). Any revenue received for such services are recognised over the term of the contract.

Revenue is recognised when:

- all significant performance obligations have been met;
- the Group retains neither continuing managerial involvement nor effective control over the goods;
- It is probable that the economic benefits associated with the transaction will flow to the Group;
- The amount of revenue can be measured reliable.

Transfer of control varies depending on the individual terms of the contract of sale. For sales in the UK, transfer of control occurs when the goods are despatched to the customer. However, for some international shipments, transfer of control occurs either upon loading the goods onto the relevant carrier or when the goods have arrived in the overseas port. The point of transfer of control for international shipments is dictated by the terms of each sale.

Although the majority of the group's contracts with customers are not complex, with revenue being fixed for a specific quantity of goods, the Group has identified a number of contracts in which customers are given volume rebates and/or other promotional rebates based on quantities purchased over a contractually agreed period of time. Under IFRS 15, revenue that varies due to rebates or brand support costs is only recognised to the extent that it is highly probable that a significant reversal of that revenue will not occur at the end of the rebate assessment period.

Based on the timing of the agreements entered into with customers, the level of estimation in year-end accruals is insignificant, and as such there is not considered to have been a significant impact on deductions to revenue under IFRS 15.

11 IFRS 9 'Financial instruments'

IFRS 9 *Financial Instruments*, has impacted the way in which the Group accounts for certain financial assets and liabilities. The standard has introduced an expected credit loss model when assessing impairment of financial assets. The Group has applied the simplified model to recognise expected lifetime losses on its trade receivables.

Previously, impairment of trade receivables was based on the ageing of the debt and whether or not credit insurance covered the debt, whilst assessing the likelihood of the debt not being settled.

Impairment provisions for receivables from and to Group undertakings are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

Notwithstanding the high value of trade receivables, the application of IFRS 9 and the expected credit loss impairment model has not had a material effect on the group, due to the fact the most of the Group's trade receivables are covered by Credit insurance and those that are not covered are tightly managed to mitigate the likelihood of any credit loss.

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12 Related parties

There have been no significant changes in the nature of related party transactions in the period ended 30 March 2019 from that disclosed in the 2018 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.

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