

# JAMES CROPPER PLC

ESTABLISHED 1845

The advanced paper products group, is pleased to announce its

## Half – year results to 26 September 2015

	Half – year to 26 September 2015	Half – year to 27 September 2014	Full – year to 28 March 2015
	£m	£m	£m
Revenue	42.1	40.1	83.1
Operating profit before interest (excluding IAS 19)	1.8	1.4	3.9
Profit before tax (excluding IAS 19)	1.7	1.2	3.5
Impact of IAS 19	(0.6)	(0.4)	(0.9)
Profit before tax (after IAS 19)	1.0	0.8	2.6
Earnings per share - diluted	8.3p	6.7p	20.1p
Dividend per share declared	2.2p	2.2p	8.5p
Net borrowings	(8.9)	(8.2)	(6.1)
Equity shareholders' funds	20.0	19.6	18.9
Gearing % - before IAS 19 deficit	29%	28%	20%
Capital expenditure	2.2	0.6	2.6

### Financial Highlights

- Sales in TFP up 25% on comparable period, up 1% in Paper
- PBT (prior to IAS 19) £1.7m up 37% on prior comparable period
- EPS up 24% to 8.3p from 6.7p on prior period comparative

### Operational Highlights

- TFP has strong US growth up 34% on comparable period
- Paper continues to focus on key growth markets
- New manufacturing equipment doubling capacity in TFP is now running
- New start up business plans for James Cropper 3D Products are on track

Mark Cropper, Chairman, commented:

“In the remainder of this year, James Cropper Paper is on track to deliver modest growth in a competitive market. Further growth in TFP is expected, while the new 3DP business will set a new course for the Group in 2016 and beyond.

It is anticipated that the Group will continue to operate in line with the Board's expectations for this year. I am pleased with the progress we have made in the first half of this financial year and that focused operational and commercial initiatives continue to strengthen our long term prospects.”

Enquiries:

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	Half – year to 26 September 2015	Half – year to 27 September 2014	Full – year to 28 March 2015
	£'000	£'000	£'000
<b>Summary of results</b>			
Revenue	42,098	40,109	83,052
Operating profit before interest (excluding IAS 19 impact)	1,814	1,431	3,899
Profit before tax (excluding IAS 19 impact)	1,662	1,217	3,494
Impact of IAS 19	(647)	(439)	(919)
Profit before tax (after IAS 19 impact)	1,015	778	2,575
Earnings per share - diluted	8.3p	6.7p	20.1p
	Half – year to 26 September 2015	Half – year to 27 September 2014	Full – year to 28 March 2015
	£'000	£'000	£'000
<b>Revenue</b>			
James Cropper Paper	33,711	33,408	68,505
Technical Fibre Products	8,387	6,701	14,547
	<b>42,098</b>	<b>40,109</b>	<b>83,052</b>
<b>Operating profit before interest (excluding IAS19 impact)</b>	<b>1,814</b>	<b>1,431</b>	<b>3,899</b>
Net interest (before IAS19 finance costs)	(152)	(214)	(405)
<b>Profit before tax (excluding IAS19 impact)</b>	<b>1,662</b>	<b>1,217</b>	<b>3,494</b>
<b>IAS 19 pension adjustments</b>			
Net current service charge against operating profits	(413)	(186)	(418)
Finance costs charged against interest	(234)	(253)	(501)
	<b>(647)</b>	<b>(439)</b>	<b>(919)</b>
<b>Profit before tax</b>	<b>1,015</b>	<b>778</b>	<b>2,575</b>
<b>Balance sheet summary</b>	Half – year to 26 September 2015	Half – year to 27 September 2014	Full – year to 28 March 2015
	£'000	£'000	£'000
Non-pension assets – excluding cash	54,168	50,864	50,810
Non-pension liabilities – excluding borrowings	(14,525)	(13,151)	(14,289)
	39,643	37,713	36,521
Net IAS 19 pension deficit (after deferred tax)	(10,728)	(9,932)	(11,554)
	28,915	27,781	24,967
Net borrowings	(8,906)	(8,178)	(6,105)
Equity shareholders' funds	20,009	19,603	18,862
Gearing % - before IAS 19 deficit	29%	28%	20%
Gearing % - after IAS 19 deficit	45%	42%	32%
Capital expenditure	2,173	616	2,619

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Dear Shareholders

I am pleased to report that James Cropper plc made a 37% increase in profit before tax (excluding the impact of IAS 19), delivering £1.7m in the first half of this financial year, compared to £1.2m in the prior year comparative. Profit before tax, after the impact of IAS 19, is £1m, up on the prior year of £0.8m. Group revenues have increased by 5%, largely from TFP, and with a high level of operational support and success the Group has effectively met demand and improved profitability.

## James Cropper Paper

Whilst sales in paper have marginally increased on the prior period the strong Sterling has impacted European export sales, although market share has remained stable. However UK and USA markets are continuing to grow both in market share and sales revenue. In the first half we have launched 2 further stock ranges, and are developing a range of food contact stock papers as we further expand our presence in the packaging, food contact, inkjet media markets. The business has approved capital equipment to create additional finishing capacity that will allow a greater level of higher-value demand to be processed. This will impact the final quarter onwards. During the second half Paper will continue to drive focused business initiatives whilst delivering reduced and sustainable operational cost savings.

## Technical Fibre Products ("TFP")

TFP enjoys strong demand across all sectors with growth in aerospace, automotive and energy. Revenues are up 25% on the comparable period last year. Strong first half demand was managed well as we improved manufacturing efficiencies. Commissioning of our new non-woven line commenced as expected in July this year with full production capability scheduled to be achieved this calendar year. Installation of a new particle plating facility in the US will be complete by the end of Q3, adding additional technical capability and commercial potential in the field of metal coated carbon particles. TFP expects sales to grow in the second half supported by further operational improvements.

## James Cropper 3D Products

In June 2015 the company announced the formation of James Cropper 3D Products (James Cropper 3DP). 3DP creates cellulose based paper products that provide a genuinely sustainable and high quality alternative to plastic packaging. Investments are underway and on schedule with production due to commence during 2016. Production of these products will integrate easily into existing operations in Burnside as many elements of the supply chain are shared and already in place.

Our commitment to continuous learning and development programmes remains strong as investing in our people is one of our key values and a fundamental part of our HR strategy. Our 2015 employee engagement survey revealed a 12% increase in engagement levels when compared with the 2013 survey. This is 10% higher than the national average.

The Group operates three pension schemes with close to 55% 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. On the defined benefit schemes the overall value of the Schemes' assets decreased by 7% over the period, whilst the schemes' liabilities also decreased by 7%. The IAS19 valuations of these schemes as at 26 September 2015 revealed a combined deficit of £13.4m compared with £14.4m at 28 March 2015, a decrease of £1m, principally caused by an increase in the discount rate.

Diluted Earnings per Share (after the adjustment for IAS 19) increased by 24% to 8.3 pence compared to 6.7 pence in the prior year comparative period.

## Outlook

In the remainder of this year, James Cropper Paper is on track to deliver modest growth in a competitive market. Further growth in TFP is expected, while the new 3DP business will set a new course for the Group in 2016 and beyond.

It is anticipated that the Group will continue to operate in line with the Board's expectations for this year. I am pleased with the progress we have made in the first half of this financial year and that focused operational and commercial initiatives continue to strengthen our long term prospects.

Mark Cropper

Chairman

# JAMES CROPPER PLC

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

	26 week period to 26 September 2015	26 week period to 27 September 2014	52 week period to 28 March 2015
	£'000	£'000	£'000
<b>Continuing operations</b>			
Revenue	42,098	40,109	83,052
Operating profit	1,402	1,245	3,481
Finance costs			
Interest payable and similar charges	(389)	(467)	(906)
Interest receivable and similar income	1	-	-
<b>Profit before taxation</b>	<b>1,014</b>	<b>778</b>	<b>2,575</b>
Taxation	(233)	(168)	(694)
<b>Profit for the period</b>	<b>781</b>	<b>610</b>	<b>1,881</b>
Earnings per share – basic	8.5p	6.8p	20.8p
Earnings per share – diluted	8.3p	6.7p	20.1p
Dividend declared in the period – pence per share	2.2p	2.2p	8.5p
<b>OTHER COMPREHENSIVE INCOME</b>			
Profit for the period	781	610	1,881
Items that are or may be reclassified to profit or loss			
Foreign currency translation	48	(12)	(47)
Items that will never be reclassified to profit or loss			
Retirement benefit liabilities – actuarial losses	1,037	(1,055)	(3,244)
Deferred tax on actuarial losses on retirement benefit liabilities	(206)	211	560
Deferred tax on share options	-	-	(225)
Income tax on other comprehensive income	-	-	214
Other comprehensive expense for the year	879	(856)	(2,742)
<b>Total comprehensive income for the period attributable to equity holders of the Company</b>	<b>1,660</b>	<b>(246)</b>	<b>(861)</b>

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## JAMES CROPPER PLC

### UN-AUDITED STATEMENT OF FINANCIAL POSITION

	26 September 2015	27 September 2014	28 March 2015
	£'000	£'000	£'000
<b>Assets</b>			
Intangible assets	246	419	297
Property, plant and equipment	22,737	20,790	21,707
Deferred tax assets	967	974	1,174
<b>Total non- current assets</b>	<b>23,950</b>	<b>22,183</b>	<b>23,178</b>
Inventories	14,448	14,383	13,089
Trade and other receivables	16,737	15,272	15,717
Cash and cash equivalents	-	1,629	2,721
<b>Total current assets</b>	<b>31,185</b>	<b>31,284</b>	<b>31,527</b>
<b>Total assets</b>	<b>55,135</b>	<b>53,467</b>	<b>54,705</b>
<b>Liabilities</b>			
Trade and other payables	12,696	11,541	12,445
Other financial liabilities	-	4	-
Loans and borrowings	1,963	2,884	2,720
Current tax liabilities	114	97	130
<b>Total current liabilities</b>	<b>14,773</b>	<b>14,526</b>	<b>15,295</b>
Long-term borrowings	6,943	6,923	6,106
Retirement benefit liabilities	13,410	12,415	14,442
<b>Total non-current liabilities</b>	<b>20,353</b>	<b>19,338</b>	<b>20,548</b>
<b>Total liabilities</b>	<b>35,126</b>	<b>33,864</b>	<b>35,843</b>
<b>Equity</b>			
Share capital	2,296	2,244	2,292
Share premium	1,036	918	1,034
Translation reserve	312	299	264
Reserve for own shares	(277)	(102)	(269)
Retained earnings	16,642	16,244	15,541
<b>Total shareholders' equity</b>	<b>20,009</b>	<b>19,603</b>	<b>18,862</b>
<b>Total equity and liabilities</b>	<b>55,135</b>	<b>53,467</b>	<b>54,705</b>

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## JAMES CROPPER PLC

### UN-AUDITED STATEMENT OF CASH FLOWS

	26 week period to 26 September 2015	26 week period to 27 September 2014	52 week period to 28 March 2015
	£'000	£'000	£'000
<b>Cash flows from operating activities</b>			
<b>Net profit</b>	<b>781</b>	<b>610</b>	<b>1,881</b>
<b>Adjustments for:</b>			
Tax	233	168	694
Depreciation and amortisation	1,139	1,233	2,502
Net IAS 19 pension adjustments within SCI	647	439	919
Past service pension deficit payments	(642)	(720)	(1,362)
Foreign exchange differences	(106)	7	41
(Profit)/loss on disposal of property, plant and equipment	-	-	(2)
Net bank interest expense	152	212	405
Share based payments	137	78	155
<b>Changes in working capital:</b>			
Decrease / (increase) in inventories	(1,368)	(1,079)	236
Decrease / (increase) in trade and other receivables	(968)	585	196
Increase / (decrease) in trade and other payables	255	2,221	3,043
Interest received	1	-	-
Interest paid	(162)	(215)	(414)
Tax paid	(247)	(217)	(448)
<b>Net cash (used by) / generated from / operating activities</b>	<b>(148)</b>	<b>3,322</b>	<b>7,846</b>
<b>Cash flows from investing activities</b>			
Purchase of intangible assets	-	-	(136)
Purchases of property, plant and equipment	(2,173)	(616)	(2,483)
Proceeds from sale of property, plant and equipment	-	-	41
<b>Net cash used in investing activities</b>	<b>(2,173)</b>	<b>(616)</b>	<b>(2,578)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of ordinary shares	6	4	168
Proceeds from issue of new loans	1,692	-	-
Repayment of borrowings	(2,450)	(1,234)	(2,497)
Purchase of LTIP investments	-	-	(167)
Dividends paid to shareholders	(571)	(508)	(708)
<b>Net cash used in financing activities</b>	<b>(1,323)</b>	<b>(1,738)</b>	<b>(3,204)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(3,644)</b>	<b>968</b>	<b>2,064</b>
Effect of exchange rate fluctuations on cash held	8	(31)	(35)
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(3,636)</b>	<b>937</b>	<b>2,029</b>
Cash and cash equivalents at the start of the period	2,721	692	692
<b>Cash and cash equivalents at the end of the period</b>	<b>(915)</b>	<b>1,629</b>	<b>2,721</b>
<b>Cash and cash equivalents consists of:</b>			
Cash at bank and in hand	(915)	1,629	2,721

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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>29 March 2014</b>	<b>2,243</b>	<b>915</b>	<b>311</b>	<b>(102)</b>	<b>16,907</b>	<b>20,274</b>
Profit for the period	-	-	-	-	1,881	1,881
Exchange differences	-	-	(47)	-	-	(47)
Actuarial gains on retirement benefit liabilities (net of deferred tax)	-	-	-	-	(2,684)	(2,684)
Tax on share options	-	-	-	-	(225)	(225)
Other comprehensive income tax	-	-	-	-	214	214
Total other comprehensive income	-	-	(47)	-	(2,695)	(2,742)
Dividends paid	-	-	-	-	(708)	(708)
Share based payment charge	-	-	-	-	156	156
Proceeds from issue of ordinary shares	49	119	-	-	-	168
Consideration paid for own shares	-	-	-	(167)	-	(167)
Total contributions by and distributions to	49	119	-	(167)	(552)	(551)
<b>At 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	-	-	-	-	781	781
Exchange differences	-	-	48	-	-	48
Actuarial gains on retirement benefit liabilities (net of deferred tax)	-	-	-	-	831	831
Total other comprehensive income	-	-	48	-	831	879
Dividends paid	-	-	-	-	(571)	(571)
Share based payment charge	-	-	-	-	60	60
Proceeds from issue of ordinary shares	4	2	-	-	-	6
Consideration paid for own shares	-	-	-	(8)	-	(8)
Total contributions by and distributions to	4	2	-	(8)	(511)	(513)
<b>At 26 September 2015</b>	<b>2,296</b>	<b>1,036</b>	<b>312</b>	<b>(277)</b>	<b>16,642</b>	<b>20,009</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:

- i. “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 26 September 2015, which have not been audited or reviewed, have been prepared in accordance with the accounting policies adopted in the accounts for the 52 week year ended 28 March 2015.
- b. The financial information set out above does not constitute statutory accounts within the meaning of the Companies Act 2006. The figures for the 52 week year ended 28 March 2015 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 26 September 2015 have been calculated by dividing the profits attributable to ordinary shareholders by 9,171,153 (2014: 8,973,980) ordinary shares, being the weighted average number of ordinary shares during the period.

#### 4. Dividend

A net interim dividend of 2.2p per Ordinary Share (2014: 2.2p per share) is proposed and will be paid on 8 January 2016 to holders on the register at the close of business on 11 December 2015. The dividend relating to the 52 week year to 28 March 2015 was made up of an interim payment of £199,000 (2.2p per share) and a final dividend payment of £571,000 (6.3p per share). The dividend is payable in cash. Shareholders have the opportunity to elect to reinvest their cash dividend and purchase existing shares in the Company through a Dividend Reinvestment Plan.



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## 5. Pensions

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 26 September 2015</b>	<b>Half year to 27 September 2014</b>	<b>Half year to 28 March 2015</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Current service charge	(676)	(459)	(979)
Future service contributions paid	263	273	561
Net impact on operating profit	(413)	(186)	(418)
Finance costs	(234)	(253)	(501)
Net impact on profit and loss account	(647)	(439)	(919)
Past service deficit contributions paid	642	719	1,361
Actuarial gains / (losses)	1,037	(1,055)	(3,244)
Opening deficit	(14,442)	(11,640)	(11,640)
Closing deficit	(13,410)	(12,415)	(14,442)
Deferred taxation	2,682	2,483	2,888
Net deficit	(10,728)	(9,932)	(11,554)

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 26 September 2015</b>	<b>Half year to 27 September 2014</b>	<b>Half year to 28 March 2015</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Trading profit	1,662	1,217	3,494
Net pension adjustment			
Current service charge	(676)	(459)	(979)
Future service contributions paid	263	273	561
Net impact on operating profit	(413)	(186)	(418)
Finance costs	(234)	(253)	(501)
Net impact on profit before tax	(647)	(439)	(919)
As reported	1,015	778	2,575