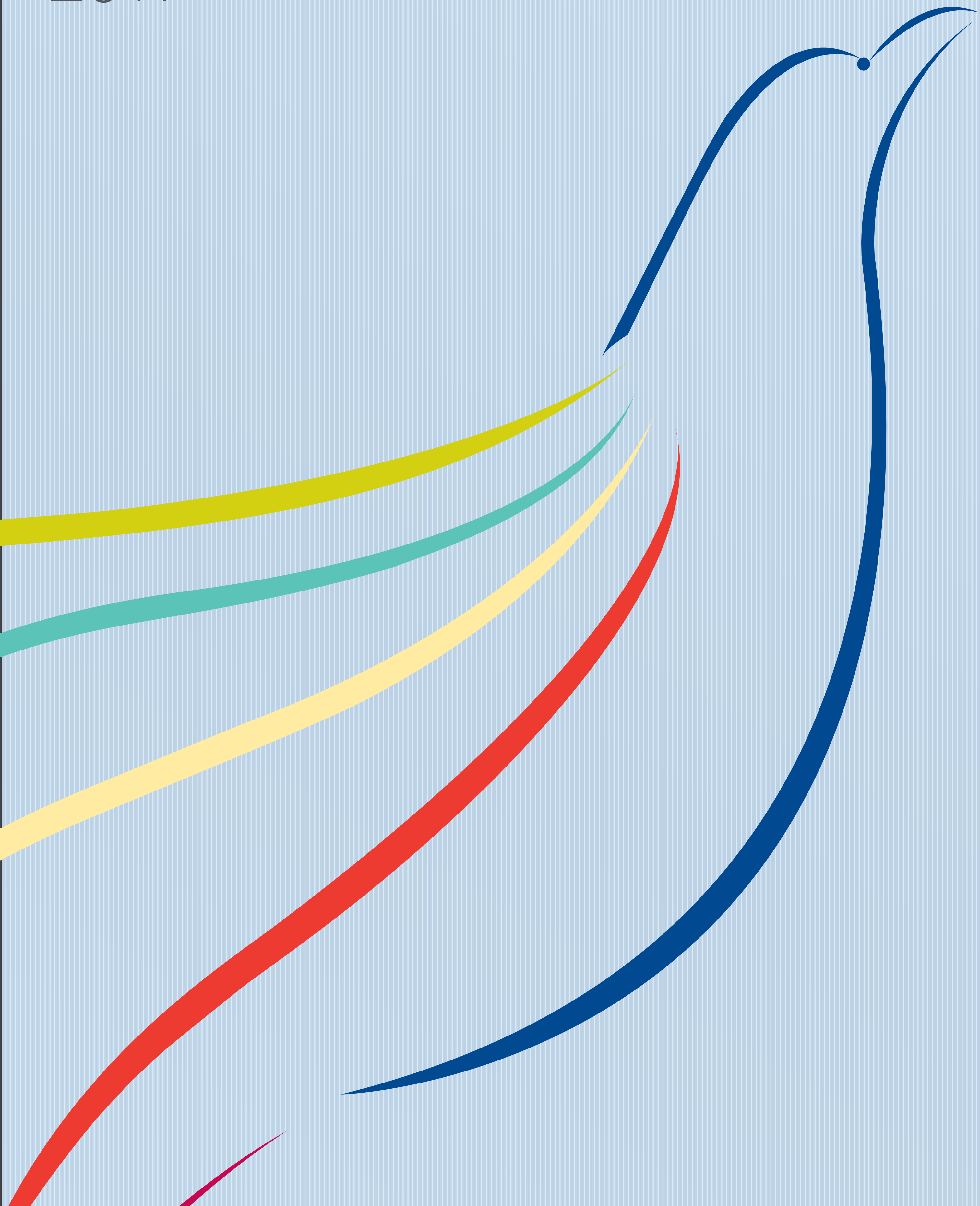
James Cropper plc
Annual Report & Accounts
2011



Vision Statement

Our Company Goal

To prosper and grow through developing a portfolio of complementary and successful business activities

Our Values

The beliefs and standards by which we will deliver our Company Goal

- An absolute commitment to safety and the environment
- Having integrity and high standards in everything we do
- Treating everyone with dignity and respect
- Valuing customers as the lifeblood of our business
- Developing the potential of our employees in a stimulating and enjoyable workplace
- Being enthusiastic about doing things better
- Making a positive contribution to our community
- Improving profitability and having the drive to succeed

Pride Awards 2010

Winners

Employees are nominated by their colleagues for special merit under the following categories that mirror the Group's values. Winners are selected by a panel comprising employees across the Group. *Donates Joint Winner.

Safety Improvement

Colin Miller

JCSP – Cutter Operator

"Colin has been a member of the Cutter Safety Team for many years and his passion for safety never wanes. He is always willing to take action himself but above all he regularly challenges the behaviour of others towards safety even if it risks him being unpopular".

The Environment

Ian Ferguson

JCSP - Salle

"Ian has been a volunteer for the National Trust "Fix the Fells" campaign for two years. His work involves maintaining footpaths and repairing walls. This takes a great deal of commitment. Without volunteers such as Ian the paths of the Lake District National Park would quickly deteriorate".

Support for Colleagues*

Dawn Hebblethwaite

Purchasing

"Dawn always goes the extra mile for everybody she deals with even when she is busy. She is always positive in her approach when helping colleagues and giving them support. Her positive attitude and approach has been especially appreciated during a time of change for those working in Purchasing".

Support for Colleagues*

Harvey Haygarth

JCSP - Salle

"Harvey regularly works through breaks and stays at the end of his shift to ensure continuation of production or to help colleagues. He is always willing to help out with problems from other sections of the Mill and often provides solutions".

Customer Service

Joe Coulson

Van Driver and Cleaner

"Joe is always willing to help others and often comes up with new ideas and solutions to problems without being asked. No task is too much for him even when it is outside his role. His positive attitude and cheerfulness are a real tonic".

The Community*

Rosemarie Fisher

TFP Research Specialist

"Rosemarie continues to support the long term development of future scientists. Over the past year she has mentored 11 secondary school students, many of whom have achieved CREST Awards. One of her Year 13 students won the North West Scientist of the Year Award and came runner-up in a prestigious National Award".

The Community*

Paula Butler

Finance

"Paula created the U16 Burneside Football team despite having no real knowledge or interest in Football. The Team is now competing in the Kent Valley Football League, which has proved a big boost for local lads by giving them a focus that keeps them healthy and helps them learn the benefits and enjoyment of being part of a team".

Innovation & Creativity

Mark Sorrenson

JCSP - Blenderman

"Mark has used his IT skills to make improvements in the department. He has created a number of spreadsheets that have helped his colleagues, set up data to assist in reducing shade change times and devised a new check-list for use with fork lift trucks".

Taking Pride

Glyn Gannon

JCSP – Engineering Manager

"Glyn is totally focused on giving the customer good service and takes real pride in his job. Nothing is too much trouble for him and his dedication is second to none. An example of this was when a faulty gearbox drive was sent away for repair one Saturday. Glyn decided to go with it and stayed all night until it was repaired. He then came back into work on Sunday night to check progress".

Summary of Results

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Group turnover					
Continuing operations	83,264	70,714	69,129	66,542	63,047
The Paper Mill Shop (discontinued operation)	3,609	5,516	5,674	6,202	6,038
	86,873	**76,230**	**74,803**	**72,744**	**69,085**
Trading profit before interest	**1,665**	**3,568**	**1,556**	**2,365**	**2,976**
Depreciation	3,072	3,138	3,179	3,280	3,315
EBITDA (before IAS 19 pension adjustment)	**4,737**	**6,706**	**4,735**	**5,645**	**6,291**
Trading profit before interest					
Continuing operations	**3,361**	**3,942**	**1,944**	**2,723**	**3,334**
The Paper Mill Shop (discontinued operation)	(1,696)	(374)	(388)	(358)	(358)
	1,665	3,568	1,556	2,365	2,976
Trading activities					
Technical Fibre Products	2,289	1,327	2,099	1,426	2,053
Speciality Papers	587	3,437	(310)	1,281	1,435
Converting	1,272	446	406	548	460
The Paper Mill Shop (discontinued operation)	(1,696)	(374)	(388)	(358)	(358)
Other Group expenses	(119)	(393)	(19)	(147)	(86)
Director and employee bonuses	(668)	(875)	(232)	(324)	(433)
Joint venture	-	-	-	(61)	(95)
Trading profit	**1,665**	**3,568**	**1,556**	**2,365**	**2,976**
Net interest	29	(271)	(448)	(402)	(438)
Trading profit before tax	**1,694**	**3,297**	**1,108**	**1,963**	**2,538**
(After future service pension contributions paid)					
Net IAS 19 pension adjustments to					
Net current service charge required	(763)	(255)	(476)	(610)	(610)
Exceptional curtailment adjustment	10,158	-	-	-	-
Operating profit	9,395	(255)	(476)	(610)	(610)
Net interest	(3)	(626)	226	227	179
Net pension adjustment before tax	**9,392**	**(881)**	**(250)**	**(383)**	**(431)**
Overall Group after pension adjustments					
Operating profit	11,060	3,313	1,080	1,816	2,461
Joint venture	-	-	-	(61)	(95)
Profit before interest	11,060	3,313	1,080	1,755	2,366
Net interest	26	(897)	(222)	(175)	(259)
Profit before tax	**11,086**	**2,416**	**858**	**1,580**	**2,107**
Continuing operations	**12,812**	**2,790**	**1,246**	**1,938**	**2,465**
The Paper Mill Shop (discontinued operation)	(1,726)	(374)	(388)	(358)	(358)
Profit before tax	**11,086**	**2,416**	**858**	**1,580**	**2,107**
Earnings/(losses) per Share - diluted	**117.4p**	**25.5p**	**(1.0p)**	**14.0p**	**16.2p**
Continuing operations after IAS 19					
Dividends per Share	**7.9p**	**7.5p**	**5.1p**	**7.3p**	**7.0p**
Balance Sheet Summary £'000					
Non-pension assets - excluding cash	44,000	43,852	43,753	45,616	45,758
Non-pension liabilities - excluding borrowings	(13,841)	(15,800)	(12,592)	(12,640)	(13,505)
	30,159	28,052	31,161	32,976	32,253
Net IAS 19 pension deficit (after deferred tax)	(1,039)	(10,210)	(6,535)	(1,299)	(4,306)
	29,120	17,842	24,626	31,677	27,947
Net borrowings	(1,711)	(31)	(4,452)	(6,016)	(5,294)
Equity shareholders' funds	**27,409**	**17,811**	**20,174**	**25,661**	**22,653**
Gearing % - after IAS 19 deficit	**6%**	**Nil**	**22%**	**23%**	**23%**
Capital Expenditure £'000	**2,276**	**1,228**	**1,333**	**2,337**	**2,756**

All references to:
1. "Trading Profit" refers to profits prior to interest on borrowings, "Net IAS 19 pension adjustment"and tax.
2. "Trading Profit before tax" refers to profits prior to "Net IAS 19 pension adjustment".
3. "Net IAS 19 pension adjustment" in the Profit and Loss Account refer to the net impact on the Profit and Loss Account of the pension schemes' operating costs and finance costs, as described in the IAS 19 section of the Financial Review.
4. All references to: "Profit and Loss Account" refers to the Statement of Comprehensive Income. "Balance Sheet" refers to the Statement of Financial Position. "Reserves" refers to the Statement of changes in Equity. Management have chosen to maintain the terminology that readers are familiar with.

Contents

Directors, Bankers and Advisers

Chairman

Mark Cropper, MA - Born in 1974. He joined the Board in 2006 and succeeded his father as Chairman following the AGM on 28 July 2010. Mark Cropper is the sixth generation of the Cropper family to be involved in the business. He is managing director of Ellergreen Hydro Ltd, a developer of hydro-electric projects. He is also a director of Ellergreen Ltd, Ellergreen Tidal Ltd and Logan Gill Hydro Ltd.

Executive Directors

Chief Executive
Managing Director, James Cropper Speciality Papers Ltd
Managing Director, The Paper Mill Shop Company Ltd
Alun I Lewis, BSc, MBA – Born 1957. He joined the Group in 1987 from Wiggins Teape Limited and the Board in April 1998, becoming Chief Executive in January 2001.

Group Finance Director
John M Denman, BSc, FCA – Born 1952. He joined the Group and the Board in 1995 from Cable & Wireless PLC. He is responsible for Finance, Purchasing, Information Systems and Safety and Environment. He is also a trustee of the James Cropper plc Pension Scheme, Treasurer of the Confederation of Paper Industries Limited and a former director of the Paper Federation of Great Britain Limited.

Sales & Marketing Director,
James Cropper Speciality Papers Ltd
Nigel A Read, BA – Born 1954. He joined the Group in 1981 from Robert Fletcher & Sons Limited and the Board in 1998. He is also a trustee of the James Cropper plc Pension Scheme.

Operations Director, James Cropper Speciality Papers Ltd
Patrick J Willink, BSc, MBA – Born 1964 – is also related to the founder. He joined the Group in 1990 from Aquascutum Limited and the Board in 1998.

Managing Director, Technical Fibre Products Ltd
George T Quayle, BSc, C. Chem, MRSC – Born 1953. He joined the Group in 1992 from Whatman PLC and the Board in 1998.

Non-Executive Directors

Sir James A Cropper, KCVO, BA, FCA – Born 1938 – He joined the Company in 1966. He became Non-Executive Chairman in 2001 and resigned from this position following the AGM on 28 July 2010. He is now a Non-Executive Director. He is Lord-Lieutenant of Cumbria and was appointed Knight Commander of the Royal Victorian Order in the 2011 New Year's Honours.

David R Wilks, LLB (Hons) – Born 1954. He joined the Board in April 2004. He is a Director of Wilks & Partners, a management consultancy company he founded in 2001. Prior to this he had extensive manufacturing operations experience with H. J. Heinz and United Biscuits and was a director of ER Consultants.

James Sharp, BA – Born 1967. He joined the Board in 2009. He is a partner of Sirius Equity LLP, an investment firm which specialises in the retail and luxury goods sectors, whose investments include L K Bennett and Jeckerson. Previously he was a Director of J. Henry Schroder & Co. Limited, the investment banking arm of Schroders plc.

Company Secretary

David R Carey, FCCA – Born 1947. He joined the Group in 1974 as Chief Accountant. He became Company Secretary in 1996.

Bankers
Barclays Bank PLC
HSBC Bank PLC
Fortis Bank SA/NV

Independent Auditors
KPMG Audit PLC, Preston

Tax Advisors
PricewaterhouseCoopers LLP, Newcastle upon Tyne

NOMAD & Stockbrokers
Arbuthnot Securities Limited, Leeds

Corporate Lawyers
Dickinson Dees, Newcastle upon Tyne

Registrars
Capita Registrars, Huddersfield

Pension Advisors
Towers Watson, Manchester

James Cropper plc
Burneside Mills, Kendal, Cumbria, LA9 6PZ, England
Telephone 01539 722002
Fax 01539 722001
email: info@cropper.com
website: www.cropper.com

Company Registration No: 30226 (Limited by shares)

BS EN ISO 9001: 2000
FM 10048

OHSAS 18001: 1999
OHS 93474

BS EN ISO 14001: 2004
EMS 57536

Chairman's Review

During the financial year we took steps to dramatically reduce the threats to the Group posed by its defined benefit pension schemes and retailing activities.

During the financial year we took steps to dramatically reduce the threats to the Group posed by its defined benefit pension schemes and retailing activities.

Pension scheme members' future service benefits have been reduced and as a consequence the IAS 19 deficit has fallen by £12,776,000 to £1,404,000 as at 2 April 2011. IAS 19 requires that any reduction in deficit arising from a curtailment of benefits should be shown on the face of the Statement of Comprehensive Income ("Profit and Loss Account"). This means that the Group's Profit and Loss Account shows an exceptional credit of £10,158,000 arising from curtailment.

All Paper Mill Shop ("TPMS") retail outlets were closed by 2 April 2011. Having taken full provision for closure and redundancy costs TPMS incurred a trading loss before tax of £1,726,000 in the financial year ended 2 April 2011. This is shown as a discontinued operation on the face of the Profit and Loss Account.

Prior to the IAS 19 adjustment profit before tax, inclusive of TPMS's losses, was £1,694,000, compared to £3,297,000 in 2009/10. Our continuing operations made a profit before tax of £3,420,000 against £3,675,000 in the previous year.

Group turnover for the financial year was up 14% to £86,873,000. Group export sales were up 19% and represented 53% of turnover. Sales growth in our three manufacturing businesses was export led across new and existing products.

Despite the 8% weakening of the US$ against £Sterling during the year strong profit performances were recorded by Technical Fibre Products and James Cropper Converting. Turnover at James Cropper Speciality Papers grew by 16%.

Diluted Earnings per Share of the continuing operations, before the adjustment for IAS 19 curtailment was 33.3 pence compared to 25.5 pence in the previous year (and 117.4 pence after adjustment for IAS 19 curtailment).

Dividend

In view of the measures taken and the strong performance of our manufacturing businesses the Board has decided to increase the final dividend from 5.3 pence to 5.7 pence per share making a total dividend for the full year of 7.9 pence compared to 7.5 pence in 2009/10.

Technical Fibre Products ("TFP")

TFP's operating profit for the year was £2,289,000 compared to £1,327,000 in 2009/10, with turnover up by 32% on the previous year to £13,152,000.

Strong growth was recorded in the insulation, energy, industrial and electronic sectors. Sales into the USA increased by 37% in £Sterling terms over the course of the financial year and accounted for 54% of TFP's turnover. Sales outside of the USA were up by 26%.

James Cropper Speciality Papers ("Speciality Papers")

Speciality Papers reported an operating profit of £587,000 against £3,437,000 in the previous year.
Turnover grew by £8,660,000 to £61,594,000, a 16% increase. Overall volume was up 8%, with UK and export volumes growing by 3% and 17% respectively.

The price of pulp continued to move upward during the financial year driven by supply constraints and continuing demand from China. Northern Bleached Softwood Kraft ("NBSK") pulp opened at US$880/tonne and closed the year at US$965/tonne, an increase of 10%. The weakening of the US$ against £Sterling during the year dampened the impact of the increasing price of pulp to some extent. Further increases took the price of NBSK to US$1010/tonne by the end of May 2011.

Supply constraints resulting from the harsh winter and geo-political events led to a strengthening in the cost of natural gas prices, with the overall cost of consumption in the year being £3.5 million compared to £2.3 million in the prior year.

Speciality Papers continues to agree further price rises with customers in order to pass on these cost increases.

James Cropper Converting ("Converting")

Converting's operating profit was £1,272,000 compared to £446,000 in the previous year.

Turnover increased by 17% to £12,981,000, with volume down by 2%. Sales denominated in US$s increased by 71% in £Sterling terms over the course of the financial year and accounted for 35% of Converting's turnover. Sales of digital printing grades into the US retail sector contributed significantly to the operating profit. As a proportion of the 2010/11 sales included customer launch stocks, sales of these products in 2011/12 are expected to be lower.

The Paper Mill Shop ("TPMS")

Following four years of losses and despite the best efforts of the TPMS management team to bring this subsidiary back to profitability, the Board of James Cropper plc took the decision to close and exit all TPMS retail outlets by 2 April 2011. Having taken full provision for closure and redundancy costs TPMS incurred an operating loss of £1,696,000 in the financial year.

TPMS's internet business, *papermilldirect*, continues to trade but has become a profit centre within James Cropper Speciality Papers Limited focusing increasingly on a paper-based offering.

Pensions and International Accounting Standard 19 ("IAS 19")

The Group operates two funded pension schemes providing defined benefits for the majority of its full time employees. As from 1 April 2011 active members' benefits have been reduced such that future increases in pensionable salaries are restricted to RPI up to a maximum of 2% per annum. Therefore the schemes will remain defined benefit schemes but they will no longer be "final salary" schemes. Thus as a consequence of this change to future benefits and other factors, the IAS 19 valuations of these schemes as at 2 April 2011 revealed a combined deficit of £1,404,000, compared with £14,180,000 at the previous year end, a decrease of £12,776,000. After allowing for deferred tax on the deficits, shareholders' funds were consequently uplifted by £9,199,000 as at 2 April 2011.

Cash and borrowing

Despite significant exit costs relating to TPMS, the combination of tight control over working capital and modest capital over the year ensured that net borrowings remained negligible. At 2 April 2011 gross drawn down loans totalled £6.0 million, with £4.3 million held as cash at bank. In addition the Group had undrawn overdraft facilities of £3.3 million, US$1.4 million and €1.0 million. Gearing at the financial year end, after deduction of the IAS 19 pension deficit, was 6%.

People

In recent years, apprenticeships have once again become popular amongst employers. At James Cropper plc we can clearly see the reasons why; we view apprenticeships as an essential and excellent way to introduce and nurture young talent. Accordingly, we have recruited more than a dozen engineering and business administration apprentices in the last five years and invested in developing them through a blend of formal tuition at colleges and on the job experience. This is just a start; we intend to recruit more apprentices during the coming year and henceforth.

Following my appointment at last year's AGM I spent much of last summer meeting our employees in small groups, both to introduce myself and to begin to get know everyone here personally. I would like to thank them all for making me so welcome.

Business apprentices: Judith Burrow, Brett Ashley, Amie Knipe, Stefan Pryor and Anna Gledhill

Engineering apprentices: James Taylor, Toby Knowles, Jack Dixon, Jared Armistead, Craig Waller and Tom Voke

Outlook

As the end of my first year as Chairman nears, I am heartened by our prospects on many levels. We start the new financial year having taken significant steps to reduce the Group's risk exposure. Our retailing activities have ceased and our IAS 19 pension deficit has fallen by £12.8 million to £1.4 million primarily as a consequence of curtailing future benefits.

There are also other good reasons for the growing optimism that I have noticed within the Group. Demand for our products is growing. We have a strong competitive position, underpinned by the sale of service and capability as much as materials. We are more committed than ever to developing the skills of our people and the results of investment in this area are beginning to be felt. We are carefully recruiting to strengthen teams when the need is demonstrable. Although challenges lie ahead I am confident that our business prospects are bright.

Mark Cropper

Mark Cropper
Chairman

Financial Review

Overall performance

- Overall trading profit was £1,665,000 compared to £3,568,000 in the previous year.
- Trading profit of continuing operations was £3,361,000 compared to £3,946,000 in the previous year.
- The Paper Mill Shop incurred a trading operating loss of £1,696,000 having taken full provision for closure and redundancy costs.
- The net IAS 19 pension adjustment was a credit of £9,392,000, which took account of a curtailment of future service benefits as from 1 April 2011.
- The Group recorded an overall profit before tax of £11,086,000 for the year. This compares with £2,416,000 for the previous year.
- A tax charge of £2,598,000 arose; an effective rate of 23%.
- The profit after tax was therefore £8,488,000 compared to £1,808,000 in the previous year.
- After the IAS 19 adjustment the diluted earnings per share relating to continuing operations is 117.4 pence for the year compared to 21.1 pence in 2010.
- Shareholders' funds at the year-end were £27,409,000, with net debt of £1,711,000, resulting in a gearing ratio of 6%.

All references to:

"Profit and Loss Account" refers to the Statement of Comprehensive Income.

"Balance Sheet" refers to the Statement of Financial Position.

"Reserves" refers to the Statement of Changes in Equity.

Turnover	2011 £'000	2010 £'000	Change £'000s	Change %
Technical Fibre Products	13,152	9,989	3,163	32
Speciality Papers	61,594	52,934	8,660	16
Converting	12,981	11,130	1,851	17
The Paper Mill Shop (discontinued operation)	3,609	5,516	(1,906)	(35)
	91,336	79,569	11,768	15
Less inter-segmental sales	(4,463)	(3,339)	(1,125)	34
	86,873	76,230	10,643	14
Expenses				
Raw materials and consumables used	(41,950)	(32,338)	(9,612)	30
Energy costs	(4,268)	(3,111)	(1,157)	37
Employee benefit costs *	(20,070)	(19,654)	(416)	2
Depreciation and amortisation	(3,072)	(3,138)	66	(2)
Other expenses	(17,337)	(14,789)	(2,548)	17
Other income and changes in inventory	1,489	368	1,121	305
	(85,208)	(72,662)	(12,546)	17
Trading profit *	**1,665**	**3,568**	**(1,903)**	**(53)**
(*Before net pension adjustments)				
Continuing operations	**3,361**	**3,946**	(585)	
Discontinued operation	(1,696)	(378)		
	1,665	3,568		
Trading profit	1,665	3,568	(1,903)	
Depreciation	3,072	3,138	(66)	
EBITDA (before IAS 19 pension adjustment)	**4,737**	**6,706**	**(1,969)**	

Profit and Loss Summary			
Trading activities			
Technical Fibre Products	2,289	1,327	962
Speciality Papers	587	3,437	(2,850)
Converting	1,272	446	826
The Paper Mill Shop (discontinued operation)	(1,696)	(378)	(1,318)
Other Group expenses	(119)	(389)	270
	2,333	4,443	(2,110)
Director and employee bonuses	(668)	(875)	207
Trading profit	**1,665**	**3,568**	**(1,903)**
Net interest	29	(271)	300
Trading profit before tax	**1,694**	**3,297**	**(1,603)**
(After future service pension contributions paid)			
Net pension adjustments			
Net current service charge required	(763)	(255)	(508)
Exceptional curtailment adjustment	10,158	-	10,158
Group operating profit	9,395	(255)	9,650
Net interest	(3)	(626)	623
Net pension adjustment before tax	**9,392**	**(881)**	**10,273**
Overall Group after pension adjustments			
Profit before interest	11,060	3,313	7,747
Net interest	26	(897)	923
Profit before tax	**11,086**	**2,416**	**8,670**
Continuing operations	**12,812**	**2,794**	
Discontinued operation	(1,726)	(378)	
	11,086	2,416	

Balance Sheet Summary			
Non-pension Assets - excl. Cash	44,000	43,852	148
Non-pension Liabilities - excl. Borrowings	(13,841)	(15,800)	1,959
	30,159	28,052	2,107
Net pension liabilities	(1,039)	(10,210)	9,171
	29,120	17,842	11,278
Net Borrowings	(1,711)	(31)	(1,680)
Equity shareholders' funds	**27,409**	**17,811**	**9,598**
Gearing % - after IAS 19 deficit	6%	Nil	

Trading Profit and Loss Account

Group turnover was £86,873,000 compared to £76,230,000 last year, up 14%. Overall Group raw material and consumable costs, excluding energy, were £41,950,000 up 30% on last year. The cost of energy consumption increased over the previous year by £1,157,000 to £4,268,000, up 37%.

TFP's turnover rose overall by 32% on the previous year to £13,152,000. Sales into the USA increased by 37% in £Sterling terms over the course of the financial year and accounted for 54% of TFP's turnover. Sales outside of the USA were up by 26%. As momentum returned during the year Metal Coated Fiber Inc.'s facility was re-activated having been mothballed in the previous year. (This facility produces components for materials sold into consumer electronics applications).

Speciality Papers' turnover grew by £8,660,000 to £61,594,000, a 16% increase. Overall volume was up 8%, with UK and export volumes growing by 3% and 17% respectively. The price of Northern Bleached Softwood Kraft ("NBSK") pulp opened the financial year at US$880/tonne and has been on a rising trend since then. By the end of the year the price of NBSK was US$965/tonne, up 10% on the year and 66% over two years.

Converting's turnover rose by 17% to £12,981,000, with volume down by 2%. Sales denominated in US$s increased by 71% in £Sterling terms over the course of the financial year and accounted for 35% of Converting's turnover.

The Paper Mill Shop incurred a trading operating loss of £1,696,000 having taken full provision for closure and redundancy costs.

Prior to the net IAS 19 pension adjustment employment costs were £20,070,000 compared to £19,654,000 in the previous year, an increase of £416,000. The average number of people employed decreased from 625 to 597 over the year. For greater analysis of employment costs see Table G.

Other external charges increased from £14,789,000 to £17,337,000 up £2,548,000. This included;

- Exit costs relating to TPMS, £695,000,
- Increased distribution costs, £556,000,
- Increased selling and marketing spend, £506,000 and
- Increased repairs and maintenance costs, £385,000.

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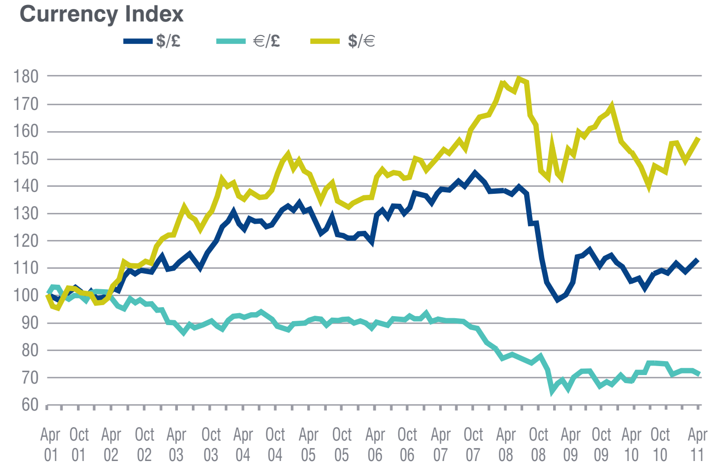
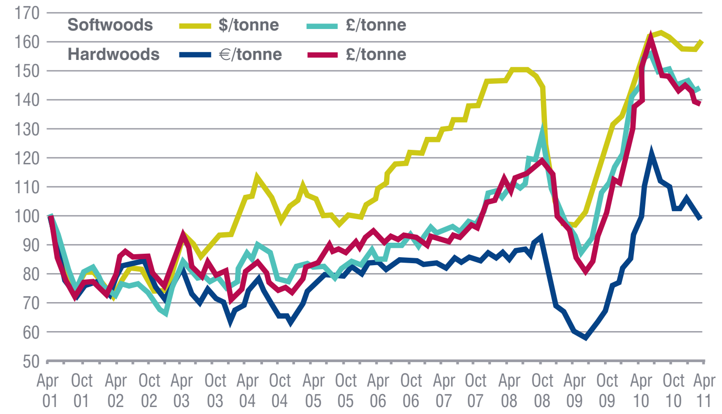
Taxation

Table A	Prior years £000	Current year £000	Total charge £000
Corporation Tax	(349)	829	480
Deferred Tax	(193)	2311	2,118
	(542)	3,140	2,598
Effective tax rate - %			23%

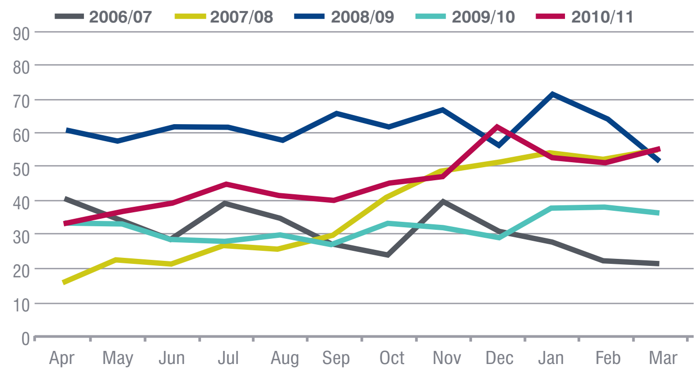
Currency Index



Pulp Index in Denominated Currencies



Gas Cost (pence per therm)



Financial Review

continued

Balance Sheet

Shareholders' Funds increased by £9,598,000 from £17,811,000 at the previous year-end to £27,409,000 as at 2 April 2011. Net borrowings increased by £1,680,000, whilst other liabilities excluding pensions fell by £1,959,000. The IAS 19 pension deficit net of Deferred Tax decreased by £9,171,000.

The overall IAS 19 pension deficit decreased by £12,776,000 to £1,404,000. This was off-set by a £3,605,000 decrease in the Deferred Tax Asset to £365,000. For greater analysis of IAS 19 see Table F.

Capital expenditure was £2,276,000.

Net current assets increased by £3,638,000 over the year from £14,729,000 to £18,367,000, with working capital (stocks, debtors, net of creditors) increasing by £2,637,000 and net cash increasing by £1,001,000. Working capital movements included;

- A £1,761,000 increase in stocks and a £935,000 decrease in trade and other creditors offset by
- A £28,000 increase in trade and other debtors and a £31,000 increase in current tax liabilities.

The increase in the value of stocks largely reflects rising raw material and energy costs.

Over the year bank loans falling due after more than a year increased by £2,681,000 from £1,886,000 to £4,567,000.

Cash Flow

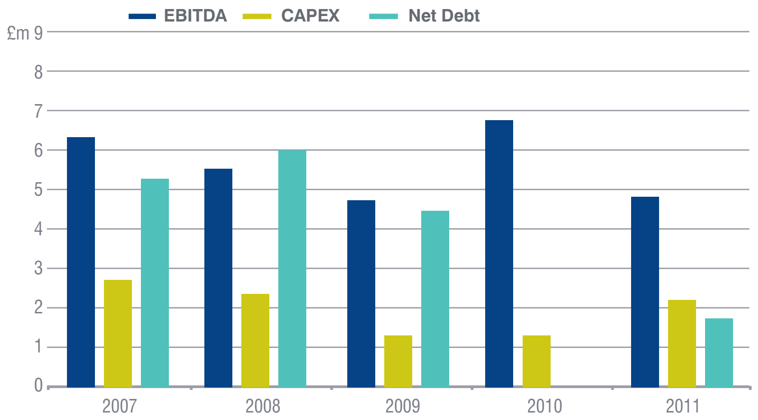
Summarised cash flow is shown in Table B.

Net cash inflow from operating activities in the year was after deducting past service pension deficit payments of £996,000. Net cash outflow from investing activities in the year includes capital expenditure totalling £2,276,000.

Total cash and borrowing changes over the year and facilities available are shown in Table C.

At 2 April 2011 the Group had un-drawn overdraft facilities of £3.3 million, US$1.4 million and €1.0 million. At this date these facilities, which are renewable annually, were valued in total at £5,001,000.

Funds and Capital Expenditure



Gearing

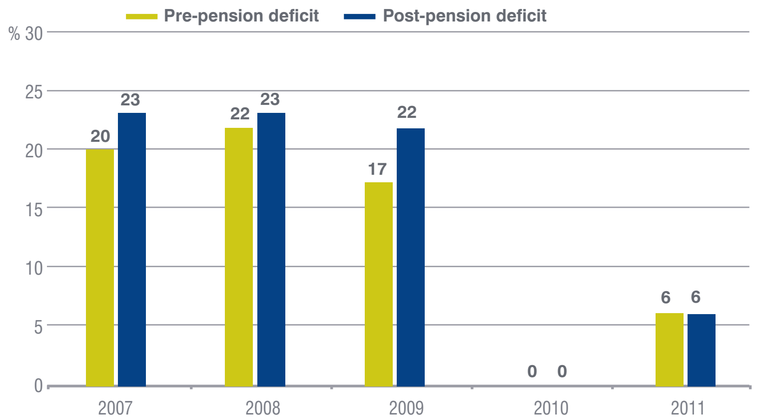


Table B Cash Flow	2011 £'000	2010 £'000	Change £'000
Net cash inflow from operating activities	1,172	6,288	(5,152)
Net cash outflow from investing activities	(2,269)	(1,226)	(1,044)
	(1,097)	5,062	(6,196)
Net cash flow from financing activities	329	(2,648)	3,014
Net increase in cash and cash equivalents	(768)	2,414	(3,182)
Opening cash and cash equivalents	5,050	2,636	2,414
Closing cash and cash equivalents	4,282	5,050	(768)

Foreign Currency

The majority of exports into continental Europe are invoiced in €s. €s are used to purchase € priced pulp and other raw materials sourced from Europe in €s. Similarly, export sales outside Europe are invoiced in US$ and the receipts fund the purchase of US$ priced pulp. These steps reduce exposure to foreign currency rate fluctuations. The situation is monitored to ensure that whenever possible currency receipts and payments are matched. Table D compares the impact of the opening and closing exchange rates for the financial year.

Potential foreign currency surpluses or deficits are dealt with by a combination of currency forward selling and forward purchasing contracts.

Pensions

The Group operates two funded pension schemes providing defined benefits for the majority of its full time employees including Executive Directors. Membership of the Schemes has been closed to new members for a number of years in order to contain the Group's exposure to rising pension costs. Since 2001 all new employees have been able to join a defined contribution Group Personal Pension Plan. The Group exposure to employee's GPP plans is limited to a fixed percentage of contractual pay. The latest actuarial "on-going" valuations of the James Cropper plc Pension Scheme (the "Staff Scheme") and the James Cropper plc Works Pension Plan (the "Works Scheme") were conducted as at April 2010.

As from 1st April 2011 active members' benefits have been reduced such that future increases in pensionable salaries are restricted to RPI up to a maximum of 2% per annum. Thus the Staff and Works Schemes will remain defined benefit schemes but they will no longer be "final salary" schemes. Table E reflects the "on-going" valuations as at April 2010 based upon these reduced benefits.

The Group intends to continue paying deficit contributions on a equal monthly basis, totaling £876,000 per annum, with the aim of removing the combined deficit in accordance with the Schemes' agreed Schedules of Contributions.

IAS 19

IAS 19 requires that actuaries calculate the assets and liabilities of companies' pension schemes based on values and interest rates at their annual balance sheet date. Under IAS 19 pension scheme liabilities are measured on an actuarial basis using the projected unit method. Pension liabilities are discounted at the current rate of return on an AA rated quality corporate bond of equivalent currency and term. The pension scheme assets are measured at fair value at the Balance Sheet date. The net of these two figures gives the scheme surplus or deficit. 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" year on year. An "on-going" valuation takes account of the projected growth in the pension schemes' assets by asset type over the projected life of the scheme.

Table C Net debt	2011 £'000	2010 £'000	Change £'000
Cash and cash equivalents	4,282	5,050	(768)
Borrowings: repayable within one year	(1,426)	(3,195)	1,769
Net cash	2,856	1,855	1,001
Borrowings: non-current	(4,567)	(1,886)	(2,681)
Net debt	**(1,711)**	**(31)**	**(1,680)**
Facilities			
Borrowings: repayable within one year	1,426	3,195	(1,769)
Borrowings: non-current	4,567	1,886	2,681
Facilities drawn down	5,993	5,081	912
Undrawn facilities	5,001	5,087	(86)
Facilities	**10,994**	**10,168**	**826**
Funds available			
Cash and cash equivalents	4,282	5,050	(768)
Undrawn facilities	5,001	5,087	(86)
Funds available at year end	**9,283**	**10,137**	**(854)**
Borrowings: repayable within one year	(1,426)	(3,195)	1,769
Funds available in excess of one year	**7,857**	**6,942**	**915**

Table D Currency		US$	€
Opening rate March 2010 v. £		1.50	1.11
Closing rate April 2011 v. £		1.61	1.13
Exchange rate movement	%	(7.8)	(2.1)
Strengthen/(Weaken) v. £			
Currency transactions in year			
Sales receipts	'000	24,527	22,061
Purchase payments	'000	(23,774)	(23,538)
Surplus/(deficit)	'000	753	(1,477)
£ @ Opening rate	£'000	503	(1,329)
£ @ Closing rate	£'000	466	(1,302)
Gain/(loss)	£'000	(37)	27

Table E	Staff	Works	Total
Discount rate	5.60% £'000	5.60% £'000	£'000
Assets	28,877	33,301	62,178
Liabilities	(31,794)	(35,642)	(67,436)
(Deficit)	(2,917)	(2,341)	(5,258)
Funding level - %	91	93	92

Financial Review

continued

IAS 19 continued

The assumptions used by the actuaries for their IAS 19 valuations are likely to be very different from those that they used with regard to their “on-going” valuations.

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. On the introduction of IAS 19 the net position, surplus or deficit, is brought onto the sponsoring company’s Balance Sheet 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. Upon valuation at subsequent year-ends the movement in value from the previous valuation is expressed in the following component parts:

Those which affect Profit

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

Those which do not affect Profit

- Actuarial gains and losses arising from variances against previous actuarial assumptions.

The above items are offset in the year-to-year movement by actual contributions paid by the employer in the period.

Table F shows the results of the IAS 19 valuations.

Table F	Staff	Works	Total	Total	Change	Change
	2011	2011	2011	2010		
IAS19 DEFICIT	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**%**
Current Service Charge	(481)	(889)	(1,370)	(826)	(544)	
Future service contributions paid	277	330	607	571	36	
Curtailment	4,156	6,002	10,158	0	10,158	
Net impact on Operating Profit	**3,952**	**5,443**	**9,395**	**(255)**	**9,650**	
Finance costs	64	(67)	(3)	(626)	623	
Net impact on Profit and Loss Account	**4,016**	**5,376**	**9,392**	**(881)**	**10,273**	
Past service deficit contributions paid	432	564	996	626	370	
Actuarial (losses)/gains	292	2,096	2,388	(4,849)	7,237	
Opening deficit	(5,301)	(8,879)	(14,180)	(9,076)	(5,104)	
Closing deficit	**(561)**	**(843)**	**(1,404)**	**(14,180)**	**12,776**	
Deferred Taxation	146	219	365	3,970	(3,605)	
Net deficit	**(415)**	**(624)**	**(1,039)**	**(10,210)**	**9,171**	
Assets	32,744	35,445	68,189	63,950	4,239	6.6%
Liabilities	(33,305)	(36,288)	(69,593)	(78,130)	8,537	-10.9%
Closing deficit	**(561)**	**(843)**	**(1,404)**	**(14,180)**	**12,776**	**-90.1%**
Assets						
Equities	17,482	20,902	38,384	35,276	3,108	
Gilts and Corporate Bonds	13,037	12,630	25,667	25,273	394	
Property	-	80	80	76	4	
Annuities	1,992	-	1,992	1,901	91	
Cash	233	1,833	2,066	1,424	642	
	32,744	**35,445**	**68,189**	**63,950**	**4,239**	
Asset - %						
Equities	53.4	59.0	56.3	55.2		
Gilts and Corporate Bonds	39.8	35.6	37.7	39.5		
Property	-	0.2	0.1	0.1		
Annuities	6.1	-	2.9	3.0		
Cash	0.7	5.2	3.0	2.2		
	100.0	100.0	100.0	100.0		

As from 1 April 2011 active members’ benefits have been reduced such that future increases in pensionable salaries are restricted to RPI up to a maximum of 2% per annum. Thus as a consequence of this change to future benefits and other factors, the IAS 19 valuations of these schemes as at 2 April 2011 revealed a combined deficit of £1,404,000, compared with £14,108,000 at the previous year end, a decrease of £12,776,000.

IAS 19 requires that any reduction in deficit arising from a curtailment of benefits should be shown on the face of the Statement of Comprehensive Income. This means that the Group’s published Statement of Comprehensive Income shows a credit of £10,158,000 arising from curtailment. After allowing for deferred tax on the deficits, shareholders’ funds were consequently uplifted by £9,171,000 as at 2 April 2011.

Actual future service pension contributions paid in the period by the Group to its two final salary schemes in accordance with the actuaries’ recommendations, resulting from their 2008 “on-going” valuations, were £607,000. Under IAS 19 the charge against operating profit in the year was £1,370,000. This sum represents an excess charge required by IAS 19 over and above the future service contributions.

Table G analyses employment costs charged against Operating Profit.

Table G

Total adjusted employment costs (including TPMS)	**2011 £'000**	**2010 £'000**	**Change £'000**
Wages and salaries	16,874	16,243	(631)
Director and employee bonuses	668	875	207
Social security costs	1,339	1,416	77
Future service pension contributions paid	607	571	(36)
Other pension costs	582	549	(33)
Chargeable against Trading Operating Profit	**20,070**	**19,654**	**(416)**
Wages and salaries	16,874	16,243	(631)
Director and employee bonuses	668	875	207
Social security costs	1,339	1,416	77
Current service pension charge (IAS 19)	1,370	826	(544)
Other pension costs	582	549	(33)
Chargeable against Group Operating Profit	**20,833**	**19,909**	**(924)**
Difference being:			
Net IAS 19 pension adjustment against operating profit	(763)	(255)	508
Average monthly number of employees	597	625	28

Technical Fibre Products

Business Review

Delivery of a record year for revenue and operating profit has put the business back on track to meet our longer term aspirations. Throughout the first half of the year we experienced surges in demand across all our major markets on a global basis as supply chains restocked on the back of improving economic conditions.

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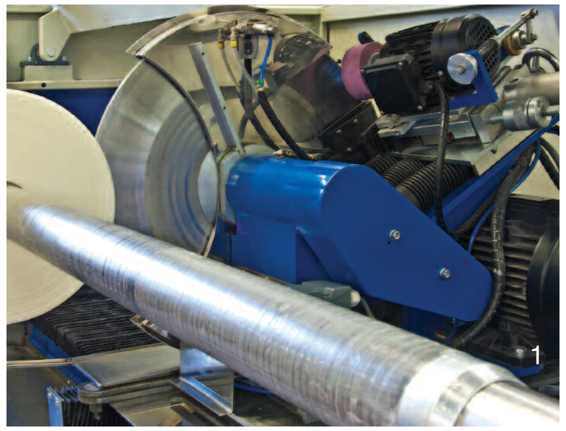
In the second half demand settled down to pre-recession levels in most markets. However, in recent months the effects of US Federal and State austerity measures has started to impact on the funding of Defence and subsidised renewable energy programmes thereby curtailing near term growth in our carbon fuel cell electrode components and metal coated carbon materials.

Increasing market confidence brought with it an accelerated appetite for introducing new products, which pulled through commercialisation of new materials used in high temperature insulation, fire protection and automotive friction components.

Our investment programme to upgrade equipment performance and increase capacity commenced at three of our four manufacturing sites. At Burneside we installed an advanced drying oven on one of our forming machines to increase capacity and improve control of product properties. This investment attracted 25% Government funding under the TSB's Fuel Cells and Hydrogen Demonstration Programme and is now fully operational.

During the year investments were made at our UK and US facilities to increase the capacity and product quality of certain processes to meet customer demands. A pilot electro-plating line, equipped with a novel plating concept, was also installed at Electro Fiber Technologies LLC to extend our offering of plated metals and alloys for new developments in EMI shielding, electronic fabrications and lightning strike protection systems.

As we move into the new financial year we are being confronted with significant price hikes for fibres and chemicals as suppliers expect to pass on escalating energy and base chemical costs. Due to the fragility of the recovery of some market sectors and volatile future prospects we may not be able to recover all increases from our existing customer base, or through increased efficiencies, and expect to see an erosion of margins in these sectors over the short term. Despite these challenges we remain confident in growing revenues and returns through commercialisation of our healthy pipeline of new product developments and by extending our market reach via new and enhanced capabilities.



1 The new slitting machine in TFP replacing an older obsolete model and bringing with it enhanced capability.

2 The new dryer installed on TFP's number 2 machine line, designed to increase running speeds and reduce lost time at changeovers.

	2011 £'000	2010 £'000	Change £'000	Change %
Turnover	13,152	9,989	3,163	32
Operating profit	2,289	1,327	962	

Speciality Papers

Business Review

After the turmoil of the previous two years, trading conditions in 2010/11 were better. The recovery in the worldwide economy, although fragile, was maintained and, as a result, demand for our higher quality papers continued to improve.

After the turmoil of the previous two years, trading conditions in 2010/11 were better. The recovery in the worldwide economy, although fragile, was maintained and, as a result, demand for our higher quality papers continued to improve.

This global recovery was however sufficiently strong to support further increases in the cost of pulp in the first months of the year, this then remained at or close to record levels throughout the whole period. Together with the high price of energy and significant increases in other key input costs, margins inevitably remained under pressure.

These cost rises drove some significant price increases to customers but, as always, we worked extremely closely with customers to ensure that the timing and scale of these increases did not threaten the viability of important long term business. The result was an inevitable time lag before cost increases were recovered but the Mill's average price at the end of the year was 10% higher than at the beginning.

Overall volume was up 8%, with UK and export volumes growing by 3% and 17% respectively. (The UK was much slower to recover than many of the major European and Asian economies). It is pleasing to note that virtually all of this growth came in the key speciality niche markets which we have strategically targeted over recent years. These higher value products offer us better prices and margins than many 'middle of the road' paper grades. They require our expertise in producing high quality coloured and textured papers and in meeting demanding technical specifications – in both these areas the competitive landscape is a little less crowded.

At the start of the new financial year, demand for our papers appears resilient although recent events in Ireland, Spain, Portugal and Greece show that the global economy is not out of the woods yet. We have however a number of exciting new opportunities which will continue the developments of recent years in both enriching our product mix and increasing our sales volumes.

Our production capability continues to evolve in order to serve our chosen markets. Flexibility, good planning and a commitment to keep our customers at the heart of our business are critical to ensuring that our marketing strategies are effective and successful.

1 James Cropper Speciality Papers colour library has more than 3500 shades

2 William Morris limited edition catalogue printed on Text and Cover papers

3 Paper from the making of the Royal British Legion commemorative poppies

	2011 £'000	2010 £'000	Change £'000	Change %
Turnover	61,594	52,934	8,660	16
Operating profit	587	3,437	(2,850)	

Converting

Business Review

Further progress was made in developing sales of digital printing media in export markets. Mount-board sales benefited from an increased market share in a market which continued to be challenging. A chaotic sign and display market saw sales volume slowing towards the end of the year.

Further progress was made in developing sales of digital printing media in export markets. Mount-board sales benefited from an increased market share in a market which continued to be challenging. A chaotic sign and display market saw sales volume slowing towards the end of the year.

Sales of mountboard are closely related to general activity in the housing market, with consumers generally looking to buy new pictures when they move into a new home. UK residential property transactions trended lower in 2010 than the prior year. In the USA, removal of a tax credit scheme added momentum to a sharp reduction in new and existing home sales. However, Converting remains the world's only picture mountboard producer vertically integrated with a world class speciality paper mill capable of supplying all elements of the product. This competitive advantage, together with a strong global distribution network, resulted in a stepwise improvement in sales volume as we increased our market share in a difficult market.

UK advertising spend did recover somewhat in 2010 but it seems likely this improvement was focused on online and TV advertising as activity in the sign and display market was muted, particularly towards the end of the year. The situation was complicated when shortages of our main raw material for display board resulted in a series of aggressively applied price increases.

Sales of digital products to major OEMs continued to grow and Converting benefited from some large initial stock orders.

Progress was made in the key luxury packaging market as close cooperation with our sister company, James Cropper Speciality Papers, resulted in the introduction of an innovative new surface effect.

This was an exciting year for investment in the factory as we upgraded two of our laminating machines to further reduce waste and increase capacity for new luxury packaging grades. In the second half of the year, all employees took part in a "Listening Exercise". The aim of this exercise was to seek views on how we could create an environment that allows each individual employee to personally contribute to our plans for the business.

1

2

3

4

1 Our natural fibre signs are fully recyclable - eliminating landfill costs for the advertiser.
2 Just one of Converting's innovative new surface effects for luxury packaging
3 Sophisticated new IR dryers have boosted capacity for luxury packaging
4 Inkjet printable boards - straight from the printer to the frame!

	2011 £'000	2010 £'000	Change £'000	Change %
Turnover	12,981	11,130	1,851	17
Operating profit	1,272	446	826	

Health and Safety

The Group's Safety Strategy embraces the need to create well-developed safety management processes and a sound safety culture. The aim of the Strategy is to achieve zero Lost Time Accidents ("LTAs"). By adopting the principle that all LTAs are preventable, management are accepting that it is their responsibility to achieve this aim.

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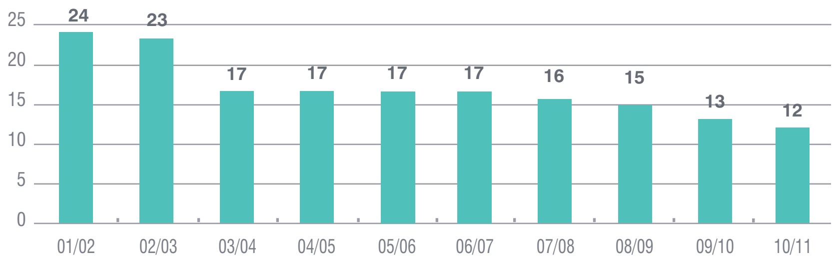
Accidents

There were 12 LTAs in the past financial year compared to 10 in the previous year. Although this is naturally disappointing the Accident Frequency rate continues to improve. This measures the number of accidents multiplied by 100,000 divided by the numbers of hours worked. The graph illustrates the sharp decline in accidents per hour worked over the past 10 years.

James Cropper plc Site Frequency Rate



"Safety at the core of our business"

Managing safety improvement in Converting

Converting operates with a safety structure that involves three Safety Action Teams ("SAT") reporting into a Safety Steering Group. Each of these SATs takes responsibility for safety and safety improvement work in their respective areas. Their remit includes

- Risk Assessments
- Auditing
- Training
- Communication
- PPE / Life Saving Equipment

Each SAT meets ten times per year as part of a strictly maintained schedule. A range of measures is in place to ensure appropriate progress is being made and a large proportion of the workforce is directly involved in SAT work. The SATs are supplemented by a Manual Handling Support Group, which is a team of manual handling "Super Users" who take every opportunity to discuss any physical tasks that may potentially be problematic. This combination of high employee involvement allied to good management controls has delivered impressive results. Since the new structure was put in place, Converting's lost time accidents have progressively fallen from 14 in 2002/03 to average between 1 and 2 per year today. Crucially, today's accidents are less severe.

A selection of the Safety Action Team members at JCC

Health and Safety

continued

The changing role of the Safety Representatives in the Finishing Department, Speciality Papers.

Improving safety in the workplace is a never ending journey. There is always a constant supply of new challenges, whether that be as a result of introducing new manufacturing processes, new learning following an incident or simply transferring good practice from elsewhere. The best safety improvements occur when those at the 'sharp end' are involved, i.e. the engineers and process operators.

Geoff Coleman and Dave Cornell are process operators who are also Safety Representatives within the Embossing and the High Bay Warehouse Section of Finishing Department. Dave and Geoff are given regular time off their normal jobs to work on improving safety in the Section.

"There is no doubt that by giving process operators time, training and resources they can make a significant contribution to improving safety in the workplace. Their detailed knowledge of the jobs and their colleagues means that they are very aware of the key risks and how best to tackle them. Dave and Geoff's enthusiasm and commitment have always been there but giving them the time and training has meant that they can make a real impact – which rubs off on colleagues in the Department"

Mike Dent
Section Coordinator

Dave and Geoff explain how this works and the benefits :

"Being given this time to do Safety work is a massive step forward in my opinion and a show of faith from the Company. Although we are fully supported with training, technical support and information on the whole we are left to our own devices. As we make progress in improving the safety in the Section our colleagues are coming forward more and more with their ideas and advice".

"It is satisfying to know that I've made a difference not just for myself but others too. The work we have done already has improved guarding, introduced new Safe Systems and improved Control of Contractors. Following a Risk Assessment that we did we are now working on the segregation of forklift trucks and pedestrians in a particularly busy area. It's working really well."

Dave Cornell
Embosser Operator

"I am responsible for the storing and issuing of our branded stock. I've been a Safety Rep for seven years. Every three weeks Dave and I are released from our normal jobs for two days and given time to work on safety improvements. We have great support from our managers who supply us with any resources that we require such as access to computers, training or arranging meetings with relevant people. We have quite a lot of freedom as to what we work on but do follow a general programme that is planned and reviewed at our monthly safety meeting".

"I have completed the Union Safety Reps course and have an IOSH certificate in Managing Safely. I have also been trained in using the Accident and Incident reporting system and how to carry out a Risk Assessment and develop safe working practices. As a Safety Rep I can get a more open and honest view from my colleagues on the shop floor than my manager would be able to do. I can then make sure that the real issues get onto the improvement plans."

Geoff Coleman
High Bay Warehouse Operative

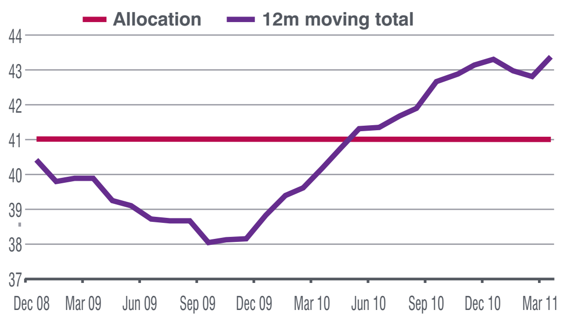
Environment

The aims of the Group's Environment Strategy are primarily to:

- Identify and deal with those environmental issues that are business critical so that they do not become a constraint on the business.
- Establish early and continuing compliance with emerging environmental legislation.
- Maintain ISO14001 certification
- Ensure that the approach to compliance and improvements delivers cost saving and efficiency gains.
- Improve environmental performance by ensuring accountability for environmental matters are an integral part of the day-to-day management of operational activities.
- Devise meaningful measures and targets against which to monitor performance.

Over the next few years it is anticipated that there will be a significant increase in output from our manufacturing facility in Burneside. As a consequence there will be a corresponding increase in energy consumption, water abstraction and waste generation, balanced wherever possible by in-house conservation and minimization activities. This expansion will take place against the background of increasingly tighter regulatory control by Government agencies, most notably through the terms and conditions of the Group's EPR Environmental Permit to Operate, Climate Change Agreement and the European Union Emission Trading Scheme ("EUETS"). The Group's location on the edge of the Lake District National Park and on the River Kent, a Site of Special Scientific Interest and a European Site, Special Area of Conservation, will ensure that its activities will come under close scrutiny. In addition the rapid increase in energy costs in recent years brings consumption and conservation of energy into sharp business focus particularly when weighed against the background of increasing manufacturing output. Unless managed effectively, a number of energy and environmental issues could constrain the Group from meeting its strategic objectives.

EUETS Performance ('000 tonnes of CO_2)



Climate Change Regulations

EUETS, a mandatory scheme for greenhouse gas emission allowance trading within the EU, was introduced in phases from 2005. It is one of the policies being introduced by the EU to tackle emissions of carbon dioxide and other greenhouse gases from a number of specific industrial activities. The Group's combustion facilities became subject to this Scheme as from 1 January 2008. Under the Scheme the Group is allocated carbon allowances to emit 41,000 tonnes per annum. Any emissions above 41,000 tonnes must be covered by additional allowances that may be purchased, banked from earlier years or brought forward from future years The chart displays the Group's actual performance.

The Group is a signatory to the paper sector Climate Change Agreement ("CCA") negotiated with HM Government by the Confederation of Paper Industries, the industry's trade association. Under the Agreement, by virtue of the classification of the Group's Combined Heat and Power (CHP) Plant as "Good Quality" by the Government's CHP Quality Assurance (CHPQA) scheme, the Group receives:

- exemption from the Climate Change Levy for the vast majority of its natural gas consumption,
- an 80% discount (65% as from 1 April 2011) against the Levy attributable to imported electricity and
- exemption from Business Rates otherwise chargeable on our CHP plant.

In return, the Group is committed to a series of increasingly stringent energy use targets that take effect over milestone target periods, every other year, for the 10 year term of the CCA. Although the CCA has passed its tenth anniversary it has been extended until a new CCA is agreed between Confederation of Paper Industries and HMG.

The Group, along with other UK paper companies receives considerable assistance and support from the Confederation of Paper Industries in dealing with the myriad of issues that arise in collating and verifying the complex energy and carbon emission data required by HM Government.

"Biomass" project

The proposal to build a "biomass" plant was granted planning permission by Cumbria Country Council in 2009. However the feasibility study has had to be extended on technical grounds and it is unlikely that a decision to proceed with the project will be taken during the course of the current financial year.

Forestry

James Cropper plc continues its policy of purchasing only from those suppliers who demonstrate practical application of sound environmental management. Annually James Cropper Speciality Papers purchases some 40,000 tonnes of virgin wood pulp of the highest environmental pedigree, which is largely sourced from long established suppliers based in Sweden and Finland . All suppliers are committed to sustainable forest management and comply fully with their local national standards and legislation. The fine paper mill has also attained the International Standards ISO 9000 and ISO 14001 relating to quality and environmental management procedures respectively. In addition to the Group's ISO 14001 accreditation, James Cropper Speciality Papers also holds dual accreditation to FSC (Forest Stewardship Council) and PEFC (Programme for the Endorsement of Forest Certification) standards. Certification imposes strict controls, including an auditable chain of custody for pulp sourced by the mill. This enables the subsidiary to satisfy the increasing demand from customers and end consumers for creditable certification of the source of fibre used in the products they purchase.

Risk Management

The management of risk is fundamental to sound business management and underlying profit performance.

Risk management transcends every aspect of the organisation and its activities, affecting policies, employees, assets, customers, suppliers and the wider community. The Group manages risk by a combination of insurance and self-insurance. Self-insurance refers to actions taken internally or in conjunction with other third parties. In broad terms, high risks in financial and operational areas are more dependent on insurance than risks in commercial and personnel areas, which because of their nature are more likely to be managed by self-insurance.

In addition to the Audit Committee, which is a mandatory requirement under the Combined Code, the Board has for some time established other Steering Groups with risk management briefs. These include:

- Health & Safety
- Environment
- Insurance
- Human Resources
- Foreign Currency
- Purchasing
- Pensions
- Information Systems
- Energy

BS EN ISO 9001: 2000 FM 10048

OHSAS 18001: 1999 OHS 93474

BS EN ISO 14001: 2004 EMS 57536

The Board sets appropriate policies on internal control. It seeks regular assurance that processes are functioning effectively. In determining its policies with regard to internal control the Board's consideration includes the following factors:

- The extent and categories of risk which it regards as acceptable for the Group to bear;
- The likelihood of the risks concerned materialising;
- The nature and extent of the risks facing the Group;
- The Group's ability to reduce the incidence and impact on the business of risks that do materialise; and
- The costs of operating particular controls relative to the benefit thereby obtained in managing the related risks.

All employees have some responsibility for internal control as part of their accountability for achieving objectives. They, collectively, have the necessary knowledge, skills, information and authority to establish, operate and monitor the systems of internal control. This requires an understanding of the Group, its objectives, the industries and markets in which it operates, and the risks it faces.

The Group does not have an internal audit department. However cross-functional teams regularly carry out Health & Safety and Environmental audits. We work with our external auditors and other specialist consultants to identify risks and weaknesses in internal controls.

The Group's operational quality processes and environmental and safety management systems are accredited with ISO 9001, ISO 14001 and OHSAS 18001 respectively. Not only does compliance with these standards form the basis of sound internal control but also they are increasingly important in satisfying customers' aspirations with regard to the management of their supply chains. BSI audits our processes for continuing compliance every six months. TFP is accredited with the Investor in People Award.

Sound internal control is primarily dependent on people understanding the key issues that relate to their area of activity and what they are expected to do in certain circumstances. This understanding stems from the Group's Goal and its Values. The Goal sets the direction. Our Values influence our behaviours. Sound behaviours are critical to the development of successful relationships between people. The Group's strategic aims are encompassed in a comprehensive financial planning and budgeting process with performance monitored on monthly basis. Through our performance management process the Group's strategic aims, plans and budgets are translated into objectives at all levels of the organisation. The performance management process is seen as a key vehicle through which individual employee's performance can be enhanced and developed for the mutual benefit of the individual and organisation as a whole. Training and development increases employees' competencies and therefore enables them to deal with risks more effectively. Clearly defined policies, processes and procedures (P, P & Ps) provide employees with guidance. There has been considerable effort in recent years to document and revise our P, P & Ps across all areas of activity. These allow employees to understand the relevant practices to be deployed. Our information systems are being extensively modernised to provide faster communications and greater accuracy that will enable the organisation to become more efficient and effective. Throughout our organisation we are working strenuously to eliminate waste. All these initiatives will allow us to become more responsive to the needs of our customers and manage our risk exposure more effectively.

Facing Africa

For the first time in a number of years James Cropper plc chose to actively support a specific charity during 2010/11. The choice was Facing Africa, a UK charity established in 1998. Facing Africa funds teams of volunteer surgeons from the UK, Germany and Holland to travel to Nigeria and Ethiopia to perform facial reconstruction surgery on the child victims of the disease Noma and to buy related equipment for hospitals in Addis Ababa in Ethiopia and Sokoto in Nigeria. The average cost of an operation is £1,000 and so far Facing Africa has transformed the lives of over 2,000 children in the two countries.

What is Noma?

Noma (cancrum oris) is an acute and ravaging gangrenous infection affecting the face. The victims of Noma are mainly children under the age of 6, caught in a vicious circle of extreme poverty and chronic malnutrition.

The World Health Organisation (WHO) estimates that 140,000 new cases of Noma occur each year and of these, a mere 10% survive. That means that 126,000 die each year, mainly in sub-Saharan countries from Senegal to Ethiopia, a region known as "the Noma belt".

Moreover the WHO has reported that Noma may be on the increase in various African countries. This is a result of the economic crisis in many sub-Saharan countries which impairs the health and well being of children through increasingly overcrowded conditions, deteriorating sanitation and inadequate nutrition. Food supplies in some sub-Saharan countries have declined over the past decade and many people are afflicted by severe chronic malnutrition. The situation is exacerbated by increasing numbers of armed conflicts, the AIDS epidemic and a high level of corruption.

Fund raising by James Cropper plc

Many of our business partners contributed to the fundraising efforts and we are indebted to many customers, suppliers, banks and professional advisors who were very generous in their support for this project. Within the Company one of the highlights was a quiz evening held in the Bryce Institute with almost 100 contestants in teams of four.

However the outstanding effort was by Chief Executive, Alun Lewis who was sponsored by many employees and others to run the legendary Marathon des Sables.

The total amount raised as at June was in excess of £37,000. This will transform the lives and prospects of at least 37 African children.

The Marathon des Sables

The Marathon des Sables (MdS), an annual event held in the Sahara Desert in Morocco, is considered the toughest footrace on earth. Each year around 800 competitors or so from 30 countries assemble in a remote part of the Sahara to take part in a race covering 150 miles (about 243 km) in temperatures of up to 120°F and crossing miles of sand and rocky terrain over a period of 6 days. Not only do the competitors have to suffer trashed feet, blistering backs, intense heat, dehydration, extreme fatigue but they also have to compete in an event of self-sufficiency and carry everything they will need for the 6 days (food, clothing, medical supplies, etc). Great Britain now enters the largest contingent with 235 competitors. The majority of Facing Africa's funding comes from the efforts of British competitors at the MdS.

Alun Lewis' thoughts before the event were:

"Despite a few niggling doubts that I'm getting a little bit too old for this sort of game, the opportunity of experiencing the physical and mental challenges presented by the infamous Marathon des Sables while at the same time raising money for a really worthwhile cause, makes this adventure one of the best yet!"

"For those who might understandably ask "Why?", it probably comes down to three reasons:

- *Researching the kit provides hours of entertainment*
- *A good excuse for getting out to train in the beautiful setting of the Lakeland fells*
- *The challenge itself"*

"The fourth element that adds a bit of extra spice to this adventure is knowing that for every £1,000 raised, the life of a child who's known nothing but disfigurement and poverty is transformed - some of the 'before and after images' are both heart rendering and inspirational.

So, with the generous support of family, friends, the local community and business contracts, I'm hoping that together we can make a fairly decent contribution to the fantastic work of Facing Africa".

Alun completed the 150 mile race having run (and walked) for 40 hours plus a few minutes finishing 224th place out of 811 finishers. His comments on returning to work were …

"It was really fun. I might do it again!"

Report of the Directors

The Directors have pleasure in submitting to the members their Annual Report and the audited accounts of the Group for the 53 weeks ended 2 April 2011.

The Annual General Meeting of the Group will be held at the Bryce Institute, Burneside on Wednesday, 3 August 2011 at 11.00am.

Review of the Business

The Group's principal activities comprise the manufacture and retail of paper and paper related products.

The Chairman's Review includes a review of business activities during the year and comments on future developments and prospects. Details of the Group's activities are included in the Divisional Reviews.

Results

The profit attributable to equity holders of the Company for the 53 weeks ended 2 April 2011 is set out in the Income Statement. The dividends paid during the year, and the proposed final dividend, are set out in the Notes to the financial statements.

Research and Development

The Group continues to invest in research and development to ensure that the range and quality of products are continually updated.

Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare both the group and the parent company financial statements in accordance with IFRSs as adopted by the EU and applicable law. As required by the AIM Rules of the London Stock Exchange they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Corporate Governance

(i) Directors' Responsibilities

The Board is accountable to the Group's shareholders for corporate governance. Whilst there is no requirement to comply with the Combined Code, the Group is committed to a high standard of corporate governance and this section describes how the relevant principles of governance are applied to the Group.

(ii) The Board

The Group Board considers that it is well balanced and operates in an effective manner and is collectively responsible for the success of the Company. It comprises five Executive Directors and four Non-Executive Directors.

Despite two directors not being independent under the Combined Code, the Board deems all the Non-Executive Directors to be independent even though Mark Cropper and James Cropper have close family ties. They display independence of character and judgment and provide unequivocal counsel and advice to the Board.

Mark Cropper is the Chairman of the Company and is responsible for the running of the Board. Alun Lewis is the Chief Executive and is responsible for the running of the Company's business. David Wilks is the senior independent Non-Executive Director.

The Group Board met eight times during the year, with prepared agendas for discussion and formal schedules of items to be approved covering structure and strategy, management, financial reporting and controls, board membership and committees, and corporate governance. There is a schedule of matters reserved for the Board's decision.

The Executive Committee, under the chairmanship of Alun Lewis, met twelve times during the year with prepared agendas for discussion.

All Directors have access to the advice and services of the Company Secretary. The Board has also established a formal procedure whereby Directors, wishing to do so in the furtherance of their duties, may take independent professional advice, if necessary, at the Company's expense. All Directors are aware of their responsibility to regularly update their skills and knowledge.

(iii) Board Committees

There are four sub-committees reporting to the Group Board:

- Executive Committee
- Remuneration & Management Development Committee
- Audit Committee
- Nomination Committee

The Executive Committee comprises the executive directors and one senior executive. The Committee's terms of reference include the development and implementation of strategies, operational plans, and the assessment and control of risk. Alun Lewis, the Company's Chief Executive, is Chairman of the Committee.

The Audit Committee, the Remuneration & Management Development Committee, and the Nomination Committee comprise the Non-Executive Directors of the Company. Jim Sharp is Chairman of the Audit Committee, David Wilks is Chairman of the Remuneration & Management Development Committee, and Mark Cropper is Chairman of the Nomination Committee. These committees do not consist solely of directors deemed independent under the Combined Code.

The Board is satisfied that the Audit Committee has at least two members who have relevant financial experience.

The Committees' terms of reference are displayed on the Company's website.

(iv) Re-election

The Directors are subject to retirement on a periodic basis and re-election by the shareholders in accordance with the Articles of Association whereby a director shall retire from office at the first AGM after their appointment and thereafter shall retire at every third AGM after the AGM at which last appointed. John Denman and Nigel Read retire by rotation in accordance with the Articles of Association and, being eligible, offer themselves up for re-election.

Non-Executive directors who have served on the Board for more than 9 years are put forward for re-election on an annual basis. James Cropper has served on the Board for more than 9 years and offers himself for re-election.

Resolutions 3 to 5 at the Annual General Meeting deal with the proposed re-election of directors.

(v) Performance Evaluation

The Chairman undertakes an annual Group Board appraisal with each Executive Director.

The performance evaluation process includes the Chairman reviewing and monitoring the Chief Executive's performance on an annual basis and the Chief Executive reviewing and monitoring the Executive Directors. The high level individual objectives agreed at the reviews are communicated to the Remuneration & Management Development Committee.

The Chairman reviews the non-executive directors' performance annually on an individual basis.

The Chairman's performance is appraised by the senior independent director and the other non-executive directors without the Chairman being present, and the comments fed back to him for discussion.

(vi) Financial Policies and Internal Controls

The Board is committed to presenting a full, balanced and understandable assessment of the Company's position and prospects, both in the Annual Report and at other times as appropriate throughout the year.

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The Directors are responsible for preparing financial statements for each financial year which give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements comply with IFRSs as adopted by the European Union;

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Board is responsible for and sets appropriate policies on internal control and seeks regular assurance, at least annually, that enables it to satisfy itself that processes are functioning effectively. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide reasonable, but not absolute, assurance against material misstatement or loss. If a failure is discovered the Board will take remedial action.

There is no internal audit function within the Company and the Board consider that this is appropriate given the nature of the Group's activities. The letter from the external auditors' confirming their independence and objectivity was reviewed by the Audit Committee. KPMG Audit Plc have confirmed their independence and the Directors believe KPMG Audit Plc to be independent and objective.

The Audit Committee monitors and reviews the effectiveness of the Company's financial accounting process.

The Key Performance Indicators (KPIs) and principal risks and uncertainties affecting the Group are considered in the Chairman's Review and the Financial Review.

Report of the Directors

continued

(vii) Risk Management

The Directors continually review the effectiveness of the Group's system of internal controls.

The Board has overall ownership of the risk management strategy and process and coordinates activity across the Group. There is an ongoing process for identifying, evaluating and managing significant risks faced by the Group, which has been in place for the year under review and up to the date of approval of this Annual Report. The Group manages risk by a combination of insurance and self-insurance. Self-insurance refers to actions taken internally or in conjunction with other third parties. In broad terms, high risks in financial and operational areas are more dependent on insurance than risks in commercial and personnel areas, which because of their nature are more likely to be managed by self-insurance.

Each subsidiary company has a strategy and process for highlighting the key risk areas of their business, and explaining the control measures and risk exposure. It then takes appropriate steps to manage the risk exposure taking into consideration the likelihood, impact and cost/benefit of each of the risks. In addition to the Audit Committee, which is a mandatory requirement under the Combined Code, the Board has Steering Groups with risk management briefs.

These include:

- Health & Safety
- Environment
- Insurance
- Foreign Currency
- Human Resources
- Purchasing
- Pensions
- Information Systems

(viii) Relations with Shareholders

The Finance Director, the Chairman and the Chief Executive maintain contact with institutional investors as appropriate and any presentations made to them can be found on the Company's website.

Arbuthnot Securities were appointed as the Company's stockbroker in June 2011.

The Non-Executive Directors attend the Annual General Meeting and are available for discussions with shareholders.

Currently the Company makes available its financial results on the website www.cropper.com and also issues to shareholders hard copies of the Interim Report and the Annual Report. As from September 2011 the Company will cease to issue hard copies of the Interim Report. The Company is setting up a database of shareholders e-mail addresses and should you wish to have your e-mail address included on the database please e-mail joanna.parkins@cropper.com and then the Company will be able to send an e-mail that informs the shareholder of the date that the Interim Report can be viewed.

(ix) Going Concern

The Directors consider that the risks noted in (vii) above are the most significant to the Group but these do not necessarily comprise all risks to which the Group is exposed. In particular, the Group's performance could be adversely affected by poor economic conditions. Additional risks and uncertainties currently unknown to the Directors, or which the Directors currently believe are immaterial, may also have a material adverse effect on its business, financial condition or prospects.

At 2 April 2011 the Group's available borrowing facilities were £9,283,000, of which £5,001,000 was undrawn. Having taken account of current borrowings to be repaid within 12 months of the balance sheet date, £7,857,000 was available to the Group beyond 12 months.

The Directors having considered the current trading prospects, identifiable risks, working capital requirements and the availability of finance are of the opinion that the Group and Company are going concerns. The accounts have been prepared on this basis.

At the Annual General Meeting the Chairman will give an update on the current trading position and invites shareholders to table any questions and encourages their participation.

Payment of Creditors

The Company had 36 days (2010: 40 days) purchases outstanding at 2 April 2011. It is the Group's policy to agree terms of payment with its suppliers when agreeing the terms of a business transaction or transactions. All suppliers are aware of this procedure and the Group abides by the agreed payment terms subject to the terms and conditions being met by the supplier.

Employee Involvement

Regular Consultative Meetings are held with the employee trade union representatives to advise them on all aspects of company developments. A monthly briefing on Group performance is carried out for all employees and they have access to a copy of the Annual Report. As a matter of policy, plans are formally discussed with those who will use new equipment, plant and computer systems before designs are finalised. Safety Improvement Teams deal with day-to-day aspects of safety improvement.

The Group operates an Employee Profit Sharing Scheme which is made up of three elements – financial performance, safety performance, and attendance performance. A Save as You Earn Share Option Scheme is also available to encourage employee involvement.

Independent to the assets on the Group Balance Sheet there is an Employee Share Trust which currently holds approx 128,000 shares in James Cropper plc for the benefit of all employees so that their interests are linked to the Company's future growth.

The Trust was set up in 1997 and the initial finance came from savings achieved through the introduction of a Profit Related Pay salary replacement scheme.

The share dividends relating to the shareholding are paid into the Trust.
No director is a trustee of the Scheme, and the trustees confirm that they apply the assets for purely benevolent purposes.

Employment of Disabled People

It is the Group's policy to give equality of opportunity when considering applications from disabled people where the job requirements are considered to be within their ability. When existing employees become disabled they are retained wherever reasonable and practicable. The Group tries to provide equal promotion opportunities wherever possible.

Donations for Political and Charitable Purposes

It is the Company's policy not to make any donations to, or incur expenditure on behalf of political parties, other political organisations or independent election candidates and the Board does not intend to change this policy. However the Companies Act 2006 contains restrictions on companies making political donations and incurring political expenditure and it defines these terms very widely. Resolution 9 relating to political donations is again being proposed as an ordinary resolution at the Annual General Meeting to ensure that the Company does not commit an inadvertent or technical infringement of the 2006 Act.

Donations totalling £14,000 (2010: £14,000) were made for various local charitable purposes.

Directors' Authority to Allot Shares

Resolution 10 which will be proposed as an special resolution renews an existing authority which expires this year and gives the Directors authority to exercise the powers of the Company to allot un-issued shares.

The Directors have no present intention of exercising the allotment authority proposed by the resolution other than pursuant to existing rights under employee share schemes. To ensure compliance with institutional guidelines and market practice, it is proposed that the authority will:

- be limited to £381,908, being less than one-third of the Company's issued share capital; and
- expire at the conclusion of the next Annual General Meeting or, if earlier, 15 months from the forthcoming Annual General Meeting except insofar as commitments to allot shares have been entered into before that date.

It is the intention of the Directors to seek a similar authority annually.

Directors' Power to Disapply Pre-emption Rights

Resolution 11 is being proposed as a special resolution granting the Directors authority for the ensuing year to allot shares by way of rights to shareholders and to issue a maximum of £211,810 of the nominal share capital of the Company for cash without first offering the shares to the existing shareholders pursuant to Section 570 of the Companies Act 2006. The resolution also disapplies pre-exemption rights in the event of the sale of treasury shares. Other than in the case of rights issues, the amount of the general authority to the Directors is limited to allotments of shares for cash up to a total nominal value of £211,810 which represents approximately 10% of the issued ordinary share capital. The authority will terminate at the next Annual General meeting or 15 months after the forthcoming Annual General Meeting, whichever comes first. The Directors propose to renew this authority annually.

Company's Authority to Purchase Shares

Resolution 12 will be proposed as a special resolution to renew an existing authority which expires at the Annual General Meeting and gives the Company authority to make market purchases of its own shares. The Directors would only exercise this power when it would be in the interests of the Group's shareholders as a whole to do so, having regard to the effect on both earnings and net asset values per share. Currently there is no intention of making repurchases.

If such repurchases were made, the Directors would have to agree whether the shares are to be cancelled or to be held in treasury so as to be available for sale at a later date.

The amount of the general authority to the Directors represents approximately 15% of the issued ordinary share capital. The authority will terminate at the next Annual General Meeting or 15 months after the forthcoming Annual General Meeting, whichever comes first. The Directors intend to renew this authority annually.

Substantial Interests

Shareholdings in excess of 3% of the issued capital at 4 June 2011 were as follows:

Name of Shareholding	Number of Shares	% holding	Note No. below
M A J Cropper – Directors' Beneficial Interest	1,206,540	14.2	
P J Willink – Directors' Non-beneficial Interest	1,132,408	13.4	1
J A Cropper 1974 Settlement	1,062,974	12.5	2
J A Cropper – Directors' Beneficial Interest	568,337	6.7	
Adam & Co Nominees Ltd	566,682	6.7	6
J A Cropper – Directors' Non-beneficial Interest	532,752	6.3	3
Barclayshare Nominees Ltd	421,118	5.0	4
Pershing Nominees Ltd	399,626	4.7	5
J M Denman – Directors' Non-beneficial Interest	381,000	4.5	
N A Read – Directors' Non-beneficial Interest	381,000	4.5	

Notes on Shareholding Table

1. Included in this percentage is 12.5% disclosed in the shareholding of J A Cropper 1974 Settlement.
2. Included in this percentage is 6.3 % disclosed in the shareholding of M A J Cropper – Directors' Beneficial Interest.
3. Included in this percentage is 3.3% disclosed in the shareholding of M A J Cropper – Directors' Beneficial Interest.
4. Included in this percentage is 4.2% disclosed in the shareholding of M A J Cropper – Directors' Beneficial Interest.
5. Included in this percentage is 4.5% disclosed in the shareholding of J M Denman – Directors' Non-beneficial Interest and 4.5% disclosed in the shareholding of N A Read – Directors' Non-beneficial Interest.
6. Included in this percentage is 0.7% disclosed in the shareholding name of J A Cropper – Directors' Beneficial Interest.

Auditors and Disclosure of Information to Auditors

Each Director, as at the date of this report, has confirmed that insofar as they are aware there is no relevant audit information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware, and they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The auditor's, KPMG Audit Plc, have indicated their willingness to continue in office and Resolution 6 will be proposed at the Annual General Meeting for their re-appointment.

Report of the Directors

continued

Details of Directors' Interests

Director	Interest	At 2 April 2011 Ordinary Shares	At 2 April 2011 Options on Ordinary Shares	At 27 March 2010 Ordinary Shares	At 27 March 2010 Options on Ordinary Shares
M A J Cropper	Beneficial	1,206,540	-	1,206,540	-
	Non-beneficial	174,000	-	160,000	-
J A Cropper	Beneficial	568,337	-	583,337	-
	Non-beneficial	532,752	-	598,129	-
A I Lewis	Beneficial	55,261	103,000	37,761	105,000
J M Denman	Beneficial	7,716	75,000	5,110	87,000
	Non-beneficial	381,000	-	431,000	-
N A Read	Beneficial	9,289	75,000	3,289	77,000
	Non-beneficial	381,000	-	431,000	-
P J Willink	Beneficial	26,306	75,000	19,781	77,000
	Non-beneficial	1,132,408	-	1,132,408	-
G T Quayle	Beneficial	10,327	75,000	4,221	77,000
	Non-beneficial	28,084	-	28,084	-
D R Wilks	Beneficial	7,445	-	7,445	-
	Non-beneficial	174,000	-	160,000	-
J E Sharp	Beneficial	7,950	-	7,950	-
	Non-beneficial	174,000	-	160,000	-

Details of Directors' Interests

The Directors who served throughout the period are detailed in the Directors' Remuneration Report, and details of their interests in shares of the Company are listed above.

The Company pays £35,000 annually to J A Cropper for the use of reservoirs to supply water to the factory premises.

The contract is based on a twenty year repairing lease with rent reviews every five years.

There have been no material changes between the year end and 27June 2011.

Further information relating to the interests of the Directors regarding options on ordinary shares is given in the Directors' Remuneration Report.

Non-beneficial interests include shares held jointly as trustee with other Directors.

Approved by the Board of Directors on 27 June 2011 and were signed on its behalf by

M A J Cropper
Chairman

Burneside Mills
Kendal

Directors' Remuneration Report

This Report provides details of Directors' remuneration.

Service Contracts

The Executive Directors are employed on rolling one year contracts subject to one year's notice served by the Group on the Executive, and six months notice served by the Executive on the Group. The Chairman is employed on a rolling contract subject to twelve months notice by either side. Other Non-Executive Directors are on one month's notice by either side and they are typically expected to serve two three-year terms, with additional terms of office agreed on an annual basis.

Salaries and Fees

The remuneration and emoluments of Executive Directors are determined by the Remuneration Committee. The remuneration of the Non-Executive Directors is agreed by the Group Board and they are not entitled to participate in pension schemes, bonus arrangements or share schemes. The basic salaries of the Executive Directors are reviewed annually and take into consideration cost of living and overall accountability. Also considered is remuneration paid to senior executives in comparable public companies. This information is checked by reference to published surveys, but no formula is in place to determine any specific relationship.

The remuneration of senior management is discussed by the Chairman of the Remuneration Committee and the Chief Executive and their recommendations endorsed by the Remuneration Committee.

No Director can take part in the decision on his own salary or reward.

Annual Bonus

The Group operates an Executive Directors' Reward Scheme which is structured to reward the Executive Directors if targets are achieved on group profitability, return on investment, safety, productivity improvements and a discretionary element agreed by the Remuneration Committee. The total bonus payable to a director is capped at 25% of their contractual salary and is not pensionable.

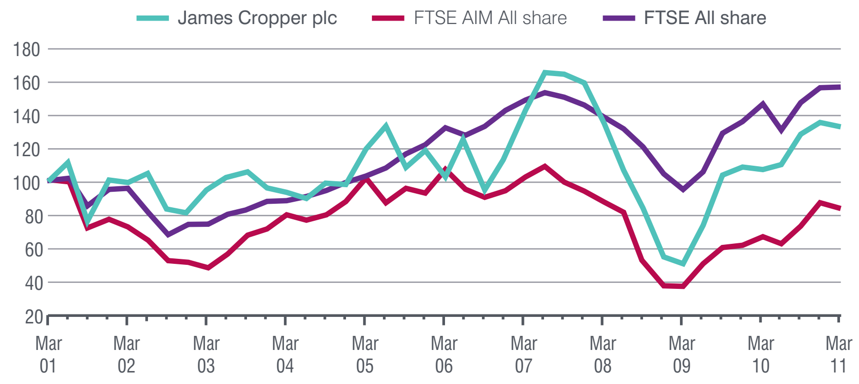
Employee Share Schemes

The Group operates Inland Revenue Approved and Unapproved Share Option Schemes, and a Long Term Incentive Plan Scheme for the Executive Directors, of which details of the options granted are shown later in this Report.

Comparison of Ten Year Cumulative Total Shareholder Return (TSR)

To enable shareholders to assess the Company's performance against the London Stock Exchange, the cumulative TSR for the period ended 2 April 2011 is shown in the graph below. The FTSE All Share is deemed to be the most appropriate comparison in terms of performance. TSR is the total return to shareholders in terms of capital growth and dividends reinvested.

Total Shareholder Return



Details of Directors' Remuneration

The financial details within this report have been audited. The following table brings together the various elements of remuneration of each director for the financial year period ended 2 April 2011:

	Salary and Fees		Benefits		Annual Bonus		Total	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Executive								
A I Lewis	114	113	17	17	17	28	148	158
J M Denman	91	90	17	17	17	23	125	130
N A Read	86	85	16	15	15	21	117	121
P J Willink	86	85	19	18	15	21	120	124
G T Quayle	91	90	17	17	24	23	132	130
Non-Executive								
M A J Cropper	40	30	-	-	-	-	40	30
J A Cropper	37	32	11	17	-	-	48	49
D R Wilks	21	20	-	-	-	-	21	20
J E Sharp	18	10	-	-	-	-	18	10
P L Herring*	-	5	-	-	-	-	-	5
	584	560	97	101	88	116	769	777

*Retired 2009

Highest paid Director

	2011 £'000	2010 £'000
Aggregate emoluments	148	158
Accrued pension under defined benefit pension scheme	45	42
Long term incentive scheme	7	15

Directors' Remuneration Report

continued

Directors' Pensions

The Executive Directors who served during the year have retirement benefits accruing under the Group's Staff Pension Scheme, which is a Defined Benefit Scheme.

The following table shows the amount of entitlements earned, the accrued pension liabilities and the changes therein:

	Increase in accrued pension during year after inflation	Increase in accrued pension during year before inflation	Total accrued pension at 2 April 2011	Transfer value of net increase in accrual after inflation during year	Increase in transfer value less directors' contributions	Transfer value of accrued pension at 2 April 2011	Transfer value of accrued pension at 27 March 2010
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
A I Lewis	2	3	45	13	69	660	583
J M Denman	3	5	49	38	109	849	733
N A Read	1	3	43	11	71	697	620
P J Willink	1	3	29	5	30	291	255
G T Quayle	1	3	29	16	57	489	425

The accrued pension is the amount that the director would receive if he retired at the end of the year.

The increase in the accrued pension is the difference between the accrued benefit at the year end and that at the previous year end.

All transfer values have been calculated on the basis of actuarial advice in accordance with technical actuarial standards issued by the Board for Actuarial Standards. The transfer values represent the value of assets that the pension scheme would need to transfer to another pension provider on transferring the scheme's liability in respect of the directors' pension benefits. They do not represent sums payable to individual directors and therefore cannot be added meaningfully to annual remuneration.

The increase in transfer value less directors' contributions is the increase in the transfer value of the accrued benefits during the year after deducting the directors' personal contributions to the scheme.

The transfer value of net increase in accrual, required by the Listing Rules, discloses the current value of the increase in accrued benefits that the director has earned in the period, whereas his change in transfer value, required by the Companies Act, discloses the absolute increase or decreases in his transfer value and includes the change in value of the accrued benefits that results from market volatility affecting the transfer value at the beginning of the period, as well as the additional value earned in the year.

Share Options

At the 2000 Annual General Meeting shareholders approved the introduction of the Unapproved Part of the 1998 Senior Executive Share Option Scheme.

The movements on this Scheme during the year were:

	Number at 27 March 2010	Number granted in period	Number exercised in period	Options lapsed in period	Exercise Price £	Exercisable	Number at 2 April 2011
A I Lewis	10,000	-	-	10,000	2.615	August 2003 to August 2010	-
	30,000	-	-	-	2.065	June 2004 to June 2011	30,000
J M Denman	20,000	-	-	20,000	2.615	August 2003 toAugust 2010	-
	15,000	-	-	-	2.065	June 2004 to June 2011	15,000
N A Read	10,000	-	-	10,000	2.615	August 2003 to August 2010	-
	15,000	-	-	-	2.065	June 2004 to June 2011	15,000
P J Willink	10,000	-	-	10,000	2.615	August 2003 to August 2010	-
	15,000	-	-	-	2.065	June 2004 to June 2011	15,000
G T Quayle	10,000	-	-	10,000	2.615	August 2003 to August 2010	-
	15,000	-	-	-	2.065	June 2004 to June 2011	15,000

The options are subject to the performance condition that before the options can be exercised, the growth in earnings per share must exceed the growth in Retail Price Index plus 3% per annum over a period of three consecutive years commencing no earlier than the date of the grant of the options. These performance conditions were considered to be appropriate measures when the schemes were introduced.

The options can be exercised at any time after three years as long as the performance conditions have been reached in any three year period since the option was granted.

Long Term Incentive Plans

Awards were made during the year under the Long Term Incentive Plan were as follows:

	Number at 27 March 2010	Number granted in period	Number exercised in period	Options lapsed in period	Number at 2 April 2011
A I Lewis	65,000	23,000	15,000	-	73,000
J M Denman	52,000	20,000	12,000	-	60,000
N A Read	52,000	20,000	12,000	-	60,000
P J Willink	52,000	20,000	12,000	-	60,000
G T Quayle	52,000	20,000	12,000	-	60,000

The maximum number of shares that can be awarded to any participant in a financial year under the Long Term Incentive Scheme, determined by reference to average mid market prices at the time of the award, is limited to 50% of the participant's basic salary. The average mid market price of the awards granted in the year was £1.487.

The Awards are subject to the following performance conditions:

- Awards will vest in full if the earnings per share, adjusted for IFRS pension adjustments, exceed the increase in retail price index plus 10% per annum over a three year period;
- Awards will vest as to 10% if the earnings per share, adjusted for IFRS pension adjustments, exceed the increase in retail price index plus 2.5% per annum over a three year period;
- Awards will vest proportionally between 10% and 100% if the earnings per share, adjusted for IFRS adjustments, exceed the increase in retail price index by more than 2.5% and less than 10% per annum over a three year period;
- Awards will lapse if earnings per share, adjusted for IFRS pension adjustments, do not exceed the increase in retail price plus 2.5% per annum over a three year period.

The market price of the shares at the period end was £1.66 and the high and low for the period was £1.83 and £1.25 respectively.

D R Wilks

Chairman of the Remuneration Committee

27 June 2011

Independent Auditor's Report

to the members of James Cropper plc

We have audited the financial statements of James Cropper plc for the period ended 2 April 2011 set out on pages 31 to 60. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 22, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 2 April 2011 and of the group's profit for the 53 week period then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Jonathan Hurst
Senior Statutory Auditor
for and on behalf of
KPMG Audit Plc, Statutory Auditor
Chartered Accountants
Edward VII Quay
Navigation Way
Preston
PR2 2YF

27 June 2011

Statement of Comprehensive Income

	Note	53 week period to 2 April 2011 Continuing Operations £'000	53 week period to 2 April 2011 Pension Curtailment £'000	53 week period to 2 April 2011 Total £'000	52 week period to 27 March 2010 * Restated £'000
Continuing operations					
Revenue	2	83,264	-	83,264	70,714
Other income		209	-	209	208
Changes in inventories of finished goods and work in progress		1,281	-	1,281	160
Raw materials and consumables used		(40,494)	-	(40,494)	(30,095)
Energy costs		(4,255)	-	(4,255)	(3,035)
Employee benefit costs	20	(19,596)	-	(19,596)	(18,467)
Depreciation and amortisation	4	(2,908)	-	(2,908)	(2,966)
Exceptional Pension Credit	16	-	10,158	10,158	-
Other expenses		(14,903)	-	(14,903)	(12,832)
Operating Profit	2	2,598	10,158	12,756	3,687
Interest payable and similar charges	3			(137)	(906)
Interest receivable and similar income	3			193	13
Profit before taxation	4			**12,812**	**2,794**
Tax expense	5			(2,598)	(608)
Profit from continuing operations				**10,214**	**2,186**
Discontinued operation	19			(1,726)	(378)
Profit for the period				**8,488**	**1,808**
Other comprehensive income					
Foreign currency translation				4	(267)
Retirement benefit liabilities – actuarial gains / (losses)	16			2,388	(4,849)
Deferred tax on actuarial (gains) / losses on retirement benefit liabilities	17			(621)	1,358
Total comprehensive income for the period attributable to equity holders of the Company				**10,259**	**(1,950)**
Earnings per share - basic	6			100.2p	21.3p
Earnings per share -diluted	6			97.6p	21.1p
Continuing Operations Earnings per share - basic	6			120.6p	25.8p
Continuing Operations Earnings per share - diluted	6			117.4p	25.5p
Dividend declared in the period - pence per share				7.9p	7.5p

* See note 19.

Statement of Financial Position

	Note	Group As at 2 April 2011 £'000	Group As at 27 March 2010 £'000	Company As at 2 April 2011 £'000	Company As at 27 March 2010 £'000
Assets					
Intangible assets	8	1,386	2,096	1,140	1,879
Property, plant and equipment	9	16,177	16,863	2,137	2,258
Investments in subsidiary undertakings	10	-	-	7,350	7,350
Deferred tax assets	17	-	189	-	3,462
Total non-current assets		**17,563**	**19,148**	**10,627**	**14,949**
Inventories	11	11,956	10,195	-	-
Trade and other receivables	12	14,481	14,509	27,540	33,739
Cash and cash equivalents		4,282	5,050	3,001	3,420
Current tax assets		-	-	-	42
Total current assets		**30,719**	**29,754**	**30,541**	**37,201**
Total assets		**48,282**	**48,902**	**41,168**	**52,150**
Liabilities					
Trade and other payables	13	10,146	11,081	11,985	18,338
Loans and borrowings	14	1,426	3,195	1,399	1,525
Current tax liabilities		780	749	-	-
Total current liabilities		**12,352**	**15,025**	**13,384**	**19,863**
Long-term borrowings	14	4,567	1,886	2,909	1,886
Retirement benefit liabilities	16	1,404	14,180	1,404	14,180
Deferred tax liabilities	17	2,550	-	108	-
Total non-current liabilities		**8,521**	**16,066**	**4,421**	**16,066**
Total liabilities		**20,873**	**31,091**	**17,805**	**35,929**
Equity					
Share capital	18	2,118	2,118	2,118	2,118
Share premium		573	573	573	573
Translation reserve		269	265	-	-
Reserve for own shares		(222)	(128)	-	-
Retained earnings		24,671	14,983	20,672	13,530
Total shareholders' equity		**27,409**	**17,811**	**23,363**	**16,221**
Total equity and liabilities		**48,282**	**48,902**	**41,168**	**52,150**

The financial statements on pages 31 to 60 were approved by the Board of Directors on 27 June 2011 and were signed on its behalf by:

M A J Cropper
Chairman

Company Registration No: 30226

Statement of Cash Flows

fot the period ended 2 April 2011
(2010: for the period ended 27 March 2010)

	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Cash flows from operating activities				
Net Profit	8,488	1,808	5,954	872
Adjustments for:				
Tax	2,598	608	2,899	(104)
Depreciation	3,072	3,138	500	505
Net IAS 19 pension adjustments within SCI	(9,392)	881	(9,392)	881
Past service pension deficit payments	(996)	(626)	(996)	(626)
Foreign exchange gain on currency borrowings	(121)	(96)	-	-
Loss on disposal of property, plant and equipment	113	28	-	-
Net bank interest income & expense	(29)	270	(736)	(849)
Share based payments	114	102	114	102
Dividends received from Subsidiary Companies	-	-	(2,500)	(2,700)
Changes in working capital:				
(Increase) / decrease in inventories	(1,767)	227	-	-
(Increase) / decrease in trade and other receivables	(26)	(1,673)	294	(1,608)
(Decrease) / increase in trade and other payables	(326)	2,832	(5,224)	6,011
Interest received	197	14	802	1,042
Interest paid	(309)	(136)	(211)	(42)
Tax paid	(444)	(1,089)	(452)	(1,128)
Net cash generated from / (used by) operating activities	**1,172**	**6,288**	**(8,948)**	**2,356**
Cash flows from investing activities				
Purchase of intangible assets	(75)	(15)	-	(15)
Purchases of property, plant and equipment	(2,200)	(1,213)	(80)	(239)
Proceeds from sale of property, plant and equipment	6	2	-	-
Dividends received	-	-	2,500	2,700
Net cash (used in) / generated from investing activities	**(2,269)**	**(1,226)**	**2,420**	**2,446**
Cash flows from financing activities				
Proceeds from issue of new loans	3,153	329	3,000	329
Repayment of borrowings	(2,120)	(2,240)	(2,104)	(2,240)
Issue / (repayment) of inter-company loans	-	-	5,848	(1,000)
Purchase of LTIP investments	(152)	-	-	-
Dividends paid to shareholders	(623)	(515)	(635)	(525)
Net cash generated from / (used in) financing activities	**258**	**(2,426)**	**6,109**	**(3,436)**
Net (decrease) / increase in cash and cash equivalents	**(839)**	**2,636**	**(419)**	**1,366**
Effect of exchange rate fluctuations on cash held	71	(222)	-	-
Net (decrease) / increase in cash and cash equivalents	**(768)**	**2,414**	**(419)**	**1,366**
Cash and cash equivalents at the start of the period	5,050	2,636	3,420	2,054
Cash and cash equivalents at the end of the period	**4,282**	**5,050**	**3,001**	**3,420**
Cash and cash equivalents consists of:				
Cash at bank and in hand	**4,282**	**5,050**	**3,001**	**3,420**

Statement of Changes in Equity

Group	Share capital £'000	Share premium £'000	Translation reserve £'000	Own shares £'000	Retained earnings £'000	Total £'000
At 28 March 2009	2,118	573	532	(128)	17,079	20,174
Profit for the period	-	-	-	-	1,808	1,808
Exchange differences	-	-	(267)	-	-	(267)
Actuarial losses on retirement benefit liabilities (net of deferred tax)	-	-	-	-	(3,491)	(3,491)
Total other comprehensive income	-	-	(267)	-	(3,491)	(3,758)
Dividends paid	-	-	-	-	(515)	(515)
Share based payment charge	-	-	-	-	102	102
Total contributions by and distributions to owners of the Group	-	-	-	-	(413)	(413)
At 27 March 2010	**2,118**	**573**	**265**	**(128)**	**14,983**	**17,811**
Profit for the period	-	-	-	-	8,488	8,488
Exchange differences	-	-	4	-	-	4
Actuarial gains on retirement benefit liabilities (net of deferred tax)	-	-	-	-	1,767	1,767
Total other comprehensive income	-	-	4	-	1,767	1,771
Dividends paid	-	-	-	-	(623)	(623)
Share based payment charge	-	-	-	-	114	114
Distribution of own shares	-	-	-	58	(58)	-
Consideration paid for own shares	-	-	-	(152)	-	(152)
Total contributions by and distributions to owners of the Group	-	-	-	(94)	(567)	(661)
At 2 April 2011	**2,118**	**573**	**269**	**(222)**	**24,671**	**27,409**

Company	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
At 28 March 2009	2,118	573	16,572	19,263
Profit for the period	-	-	872	872
Actuarial losses on retirement benefit liabilities (net of deferred tax)	-	-	(3,491)	(3,491)
Total other comprehensive income	-	-	(3,491)	(3,491)
Dividends paid	-	-	(525)	(525)
Share based payment charge	-	-	102	102
Total contributions by and distributions to owners of the Group	-	-	(423)	(423)
At 27 March 2010	**2,118**	**573**	**13,530**	**16,221**
Profit for the period	-	-	5,954	5,954
Actuarial gains on retirement benefit liabilities (net of deferred tax)	-	-	1,767	1,767
Total other comprehensive income	-	-	1,767	1,767
Dividends paid	-	-	(635)	(635)
Share based payment charge	-	-	114	114
Distribution of own shares	-	-	(58)	(58)
Total contributions by and distributions to owners of the Group	-	-	(579)	(579)
At 2 April 2011	**2,118**	**573**	**20,672**	**23,363**

Notes to the Financial Statements

1 Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The accounting "year" for the Group is a 53 week accounting period ending 2 April 2011, (2010: 52 week accounting period ended 27 March 2010).

Throughout these notes, the following references apply:
The Statement of Comprehensive Income is referenced as "SCI"
The Statement of Financial Position is referenced as "SFP"

Both the parent company financial statements and the Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). On publishing the parent company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual Statement of Comprehensive Income and related notes that form a part of these approved financial statements.

Use of estimates and judgements

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and judgements that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The following are the policies and accompanying notes are where the assumptions and judgements made by management could have an impact on the Group's consolidated financial statements.

Note 9 Property, plant and equipment

It is the Group's policy to depreciate categories within property, plant and equipment on a straight line basis over their estimated useful lives. A key element of this policy is the estimate of the useful life applied to each category of asset which in turn determines the annual depreciation charge. Variations in asset lives could affect Group profit through an increase or decrease in the depreciation charge.

Note 11 Inventories

In the course of normal trading activities management uses its judgement to establish the net realisable value of it's stocks. Provisions are established for obsolete or slow moving stocks, based on past practice, current conditions and aged inventory facts available to management.

Note 12 Trade debtors

In estimating the collectability of trade debtors judgement is required and the policies in regard to credit risk are further described in note 15.2.

Note 16 Retirement benefits

Assumptions used in the calculation of the Group's retirement liability have the biggest impact on these financial statements and are detailed in note 16.

Basis of consolidation

The financial statements of the Group consolidate the accounts of the company and those of its subsidiary undertakings. No subsidiaries are excluded from consolidation. The results and cash flows of subsidiary undertakings acquired are included from the effective date of acquisition. Intragroup balances and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Revenue recognition

Revenue comprises the fair value of the consideration for the sale of goods and services, net of value added tax, rebates and discounts. Revenue from the sale of goods is recognised when the Group has transferred risks and rewards of ownership of products to the customer, the amount of revenue can be measured reliably and collectability of the related receivables is reasonably assured. Whilst the Groups revenue in respect of services is minimal where such services are provided revenue is recognised on completion of the services, when the amount can be reliably measured and collection is reasonably assured.

Operating segments

IFRS 8 Operating Segments has been adopted by the Group and requires that entities reflect the 'management approach' to reporting the financial performance of it's 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 five main business segments, on the basis of it's statutory structure. Business segments are those components of the Group that are engaged in providing a group of related products that are subject to risks and returns that are different to other business segments. Geographical segments are components where the eventual product destination is in a particular geographic environment which is subject to risks and returns that are different from other such segments. Costs are allocated to segments based on the segment to which they relate. Central costs are recharged on an appropriate basis.

Notes to the Financial Statements

continued

Foreign currencies
Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Statement of Financial Position date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Statement of Comprehensive Income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

The assets and liabilities of foreign operations are translated at foreign exchange rates ruling at the Statement of Financial Position date. The revenues and expenses of foreign operations are translated at an average rate for the period where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from translation of foreign operations are taken directly to the translation reserve, they are released into the Statement of Comprehensive Income upon disposal.

The portion of gain or loss on foreign currency borrowings that are used to hedge a net investment in a foreign operation, that is determined to be an effective hedge, is included as a movement in the cumulative translation reserve. On subsequent disposal such gains or losses will form part of the profit/loss on disposal within the Statement of Comprehensive Income. Any ineffective portion is recognised immediately in the Statement of Comprehensive Income. This Policy was adopted for the first time in the period ended 27 March 2010.

Research and development
Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the IAS38 conditions are met. Other development expenditures are recognised as an expense is incurred. Development costs with a finite useful life that have been capitalised are amortised from the commencement of the commercial production of the product on a straight-line basis over the period of its expected benefit, not exceeding 5 years.

Retirement benefits
The Group operates various pension schemes. The schemes are generally funded through payments to trustee-administered funds, determined by periodic actuarial valuations. The Group has both defined benefit and defined contribution plans. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement. A defined contribution plan is a pension plan under which the Group pays fixed contributions.

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the Statement of Financial Position date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur outside of Statement of Comprehensive Income in the Statement of Changes in Equity.

Past service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Group pays agreed contributions to the schemes. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due.

Share based payments
Options granted to employees are recognised as employee expenses based on fair value at grant date, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due only to share prices not achieving the threshold for vesting.

Intangible fixed assets
Intangible assets are stated at cost less accumulated amortisation and accumulated impairments losses, if any. The following useful lives have been determined for intangible assets.

Trade secrets such as processes or unique recipes	10 years
Computer software	3 - 10 years
Emission Allowances	0 years (refer to note below on Emissions trading scheme for policy)

Property plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is provided on all property, plant and equipment, other than freehold land, at rates calculated to write off the cost less residual value of each asset evenly over its expected useful life, as follows:

Freehold land and buildings	14 – 40 years
Plant and machinery	4 – 20 years

Residual values and useful lives are reviewed annually.

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Emissions trading scheme
The Group's power generation facilities became subject to the European Union Emission Trading Scheme ("EUETS") as from 1 January 2008. The Group's is permitted to emit 41,000 tonnes of carbon dioxide in a calendar year. Credits for this quantum are issued to the Group free of charge by HM Government. The Group has adopted an accounting policy which recognises the emission allowances as an intangible asset and an associated liability. The intangible asset is valued at the market price on the date of issue. The liability is valued at the market price on the date of issue up to the level of allocated allowances held. Should emissions exceed the annual allowance any excess of liability above the level of the allowances held is valued at the market price ruling at the Statement of Financial Position date and charged against operating profit. Un-utilised allowances are maintained against a potential future shortall. When allowances are utilised both the intangible asset and liability are amortised to the Statement of Comprehensive Income. Currently the Group's emissions are running in line with its permitted EUETS allowance and hence there is no impact on profit. At 2 April 2011 the intangible asset and an associated liability were valued at £378,000. The liability is categorised under current liabilities.

Grants
Capital grants are credited to a deferral account and released to income over the expected useful lives of the relevant assets. Grants of a revenue nature are credited to the Statement of Comprehensive Income in the period to which they relate.

Leasing
Leases are classified as finance leases at inception where substantially all of the risks and rewards of ownership are transferred to the Group. Assets classified as finance leases are capitalised on the Statement of Financial Position and are depreciated over the expected useful life of the asset. The interest element of the rental obligation is charged to the Statement of Comprehensive Income over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. Operating lease payments are charged to the Statement of Comprehensive Income in the appropriate period.

Taxation
Tax on the Statement of Comprehensive Income for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the Statement of Financial Position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Financial instruments
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at each Statement of Financial Position date. The resulting gain or loss on re-measurement is recognised in the Statement of Comprehensive Income, unless hedge accounting is applicable. There were no material balances at the year end.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except those with maturities greater than twelve months after the Statement of Financial Position date, which are classified as non-current assets. Loans and receivables are included within trade and other receivables in the Statement of Financial Position.

The fair value of financial instruments traded in active markets is based on quoted market prices at the Statement of Financial Position date.

Investments
Trade investments are stated at cost less any impairment in value.

The Group's share of the profit is included in the Statement of Comprehensive Income on the equity accounting basis. The carrying value of joint ventures in the Group Statement of Financial Position is calculated by reference to the Group's equity in the net assets of such joint ventures as shown in the most recent accounts.

Cash and cash equivalents
Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown as borrowings within current liabilities on the Statement of Financial Position. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the Statement of Cash Flows.

Notes to the Financial Statements

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Borrowing costs
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Comprehensive Income over the period of the borrowings using the effective interest method. Interest is not capitalised within property, plant and equipment.

Interest
Interest is recognised in the Statement of Comprehensive Income on an accruals basis using the effective interest method.

Trade receivables
Trade receivables are recorded at their initial fair value after appropriate revision of impairment.

Trade payables
Trade payables are stated at their fair value.

Impairment of assets
At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes an estimate of recoverable amount. Where the carrying value of an asset exceeds its recoverable amount the asset is written down to its recoverable amount. Recoverable amount is the higher of fair value less costs to sell and value in use and is deemed for an individual asset. If the asset does not generate cash flows that are largely independent of those from other assets or groups of assets, the recoverable amount of the cash generating unit to which the asset belongs is determined. Discount rates reflecting the asset specific risks and the time value of money are used for the value in use calculation.

Capital Management
Group and Company's capital includes share capital, reserves and retained earnings. The Group and Company'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. The Group, and Company, invest in financial assets that will provide an adequate level of return to the shareholder commensurate with the level of risk.

The Group and Company manages the capital structure and adjusts this in light of the changes in the economic conditions and risk associated with the underlying assets. In order to maintain or adjust the capital structure, the Group and Company may adjust the amount of any dividend paid to the shareholder, return capital to the shareholder, issues new shares, or sell assets to reduce debt. The Group, and Company, are not subject to any externally imposed capital requirements. There have been no material changes in the management of capital during the period.

Going Concern
James Cropper plc is accounting under the going concern assumption. See the Report of the Directors section (ix) for the basis of the going concern assumption.

New standards and interpretation not applied
A number of new standards, amendments to standards and interpretations have been issued during the year ended 2 April 2011 but are not yet effective, and therefore have not yet been adopted by the Group.

Revised IAS 24 'Related Party Disclosure' is mandatory for years commencing on or after 1 January 2011. The standard amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The adoption of this standard is not expected to have a significant impact on the Group.

The Group continues to monitor the potential impact of other new standards and interpretations which may be endorsed by the European Union and require adoption by the Group in future reporting periods.

2 Segmental reporting
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 five main business segments, on the basis of it's statutory structure, principally based in the UK:

- JC Speciality Papers – relates to James Cropper Speciality Papers a manufacturer of coloured paper and boards.
- The Paper Mill Shop – relates to the retailing of paper and associated products and is a discontinued segment at 2 April 2011.
- JC Converting – relates to James Cropper Converting – a converter of paper.
- Technical Fibre Products – Manufacture of high performance wet-laid non-wovens from fibres.
- Group Services – comprises central functions providing services to the subsidiary companies.

Business segments

Period ended 2 April 2011

	Speciality Papers	Converting	Technical Fibre Products	Group Services	Other	Eliminations	**Continuing Operations**	The Paper Mill Shop Discontinued	**Group**
	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**	£'000	**£'000**
Revenue									
- External	57,999	12,113	13,152	-	-	-	**83,264**	3,609	**86,873**
- Inter-segment	3,595	868	-	-	-	(4,463)	**-**	-	**-**
	61,594	**12,981**	**13,152**	**-**	**-**	**(4,463)**	**83,264**	**3,609**	**86,873**
Segment Profit									
Trading Operating Profit before Interest	587	1,272	2,289	(787)	-	-	**3,361**	(1,696)	**1,665**
IAS 19 Pension adjustments to profit	-	-	-	(763)	-	-	**(763)**	-	**(763)**
Pension curtailment	-	-	-	10,158	-	-	**10,158**	-	**10,158**
Operating Profit	**587**	**1,272**	**2,289**	**8,608**	**-**	**-**	**12,756**	**(1,696)**	**11,060**
Interest Expense							**(137)**	(34)	**(171)**
Interest Income							**193**	4	**197**
Profit before tax							**12,812**	(1,726)	**11,086**
Tax on profit for year									**(2,598)**
Profit for the year									**8,488**
Total Assets	28,485	10,595	18,130	41,169	1,902	(51,999)	**48,282**	-	**48,282**
Total Liabilities	(21,419)	(8,208)	(15,622)	(17,805)	(462)	42,643	**(20,873)**	-	**(20,873)**

"Eliminations" refers to the elimination of inter-segment revenues, profits and investments. "Trading Operating Profit before Interest" refers to profits prior to other income and expenditure and the IAS 19 pension adjustment. The "IAS 19 pension adjustment" refers to the impact on operating profits of the pension schemes' operating costs, as described in the IAS 19 section of the Financial Review. "Interest Expense" incorporates the IAS 19 pension impact of the pension schemes' finance costs, as described in the IAS 19 section of the Financial Review. The net IAS 19 pension adjustments to Operating profit and interest can be seen in the Summary of Results "Profit before tax" is consistent with that reported in the Statement of Comprehensive Income. Inter segment transactions are performed at arms length.

Notes to the Financial Statements

continued

2 Segmental reporting continued

Business segments

Period ended 27 March 2010

	Speciality Papers	Converting	Technical Fibre Products	Group Services	Other	Eliminations	**Continuing Operations**	The Paper Mill Shop Discontinued	**Group**
	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**	£'000	**£'000**
Revenue									
- External	50,283	10,442	9,989	-	-	-	**70,714**	5,516	**76,230**
- Inter-segment	2,651	688	-	-	-	(3,339)	**-**		**-**
	52,934	**11,130**	**9,989**	**-**	**-**	**(3,339)**	**70,714**	**5,516**	**76,230**
Segment Profit									
Trading Operating Profit before Interest	3,437	446	1,327	(1,268)		-	**3,942**	(374)	**3,568**
IAS 19 Pension adjustments to profit	-	-	-	(255)		-	**(255)**	-	**(255)**
Operating Profit	**3,437**	**446**	**1,327**	**(1,523)**	**-**	**-**	3,687	**(374)**	**3,313**
Interest Expense							**(906)**	(4)	**(910)**
Interest Income							**13**	-	**13**
Profit before tax							**2,794**	**(378)**	**2,416**
Tax on profit for year									**(608)**
Profit for the year									**1,808**
Total Assets	32,647	8,699	16,048	52,150	1,794	(63,902)	**47,436**	1,466	**48,902**
Total Liabilities	(26,252)	(6,310)	(13,109)	(35,929)	(368)	53,147	**(28,821)**	(2,270)	**(31,091)**

The Group's manufacturing operations are principally based in the UK. The sales analysis in the table below is based on the location of the customer.

	UK	Europe	Asia	The Americas	Australasia	Africa	**Continuing operations**	Discontinued	**Group**
Period ended 27 March 2010	37,814	17,758	4,960	8,899	839	444	**70,714**	5,516	**76,230**
Period ended 2 April 2011	41,172	20,484	6,853	12,795	1,182	778	**83,264**	3,609	**86,873**

3 Finance Costs

	2011 £'000	**2010 £'000**
Interest expense		
Interest payable on bank borrowings	104	251
Interest payable on finance leases	30	29
Retirement benefits:		
Expected return on pension scheme assets	(4,430)	(3,202)
Interest on pension scheme liabilities	4,433	3,828
Total interest expense	**137**	**906**
Interest income		
Interest receivable on bank borrowings	28	13
Other Interest received	165	-
Total interest income	**193**	**13**
Finance costs - net	**(56)**	**893**

4 Profit before tax

	2011 £'000	**2010 £'000** restated
The following items have been charged/(credited) in arriving at profit before tax:		
Staff Costs	19,596	18,467
Depreciation of property, plant and equipment		
- owned assets	2,576	2,606
- amortisation of intangibles	332	360
Loss/ (profit) on disposal of fixed assets	(6)	28
Other operating lease rentals payable		
- Plant & machinery	634	657
- Retail outlets	-	-
Repairs and maintenance expenditure on property, plant and equipment	3,566	3,078
Government grants received	(172)	(150)
Research and development expenditure	975	1,148
Foreign exchange differences	163	(3)
Trade receivables impairment	(193)	191

Government grants relate to assistance received for research projects and the development of new technology

Services Provided by the Group's Auditor and network firms

During the year the group obtained the following services from the group's auditor at costs as detailed below:	**2011 £'000**	**2010 £'000**
Audit Services		
- Fees payable to the company's auditor for the audit of parent company and consolidated accounts	17	17
Other services		
- Remuneration payable to the company's auditor for the auditing of subsidiary accounts and associates of the company pursuant to legislation (including that of countries and territories outside Great Britain	38	36
Auditors renumeration relating to discontinued operations	5	5
- Fees in respect of other accountancy matters	7	11
- Tax advisory services	5	19
	72	88

Notes to the Financial Statement

continued

5 Taxation

Analysis of charge in the period

Continuing operations	**Note**	**2011 £'000**	**2010 £'000**
Current tax		817	1,066
Adjustments in respect of prior period current tax		(349)	(42)
Foreign tax		12	3
Total current tax		**480**	**1,027**
Deferred tax		2,311	(406)
Adjustments in respect of prior period deferred tax		(193)	(13)
Total deferred tax	17	2,118	(419)
Taxation		**2,598**	**608**

Tax on items charged to equity		
Deferred tax on actuarial gains on retirement benefit liabilities	621	(1,358)

The tax for the period is higher from the standard rate of corporation tax in the UK (28%).
The differences are explained below:

	2011 £'000	**2010 £'000**
Profit before tax	11,087	2,416
Profit on ordinary activities multiplied by rate of corporation tax in the UK of 28% (2010:28%)	3,104	677
Effects of:		
Adjustments to tax in respect of prior period	(568)	(56)
Overseas tax rates	1	1
Expenses not deductible for tax purposes	218	(32)
Rate change on deferred tax	(156)	-
Other	(1)	18
Total tax charge for the period	**2,598**	**608**

6 Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of shares outstanding during the year.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has one class of dilutive potential ordinary shares - those share options granted to employees where the exercise price is less than the average market price of the company's ordinary shares during the year. Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below.

Group	**2011**			**2010**		
	Earnings £'000	**Weighted average number of shares '000**	**Per-share amount pence**	**Earnings £'000**	**Weighted average number of shares '000**	**Per-share amount pence**
Basic EPS						
Earnings/(losses) attributable to ordinary shareholders	8,488	8,472	100.2	1,808	8,472	21.3
Effect of dilutive securities – Options	-	227	-	-	95	-
Diluted EPS	8,488	8,699	97.6	1,808	8,567	21.1

Continuing Operations	**2011**			**2010**		
	Earnings £'000	**Weighted average number of shares '000**	**Per-share amount pence**	**Earnings £'000**	**Weighted average number of shares '000**	**Per-share amount pence**
Basic EPS						
Earnings/(losses) attributable to ordinary shareholders	10,214	8,472	120.6	2,186	8,472	25.8
Effect of dilutive securities – Options	-	227	-	-	95	-
Diluted EPS	10,214	8,699	117.4	2,186	8,567	25.5

Discontinuing Operations	**2011**			**2010**		
	Earnings £'000	**Weighted average number of shares '000**	**Per-share amount pence**	**Earnings £'000**	**Weighted average number of shares '000**	**Per-share amount pence**
Basic EPS						
Earnings/(losses) attributable to ordinary shareholders	(1,726)	8,472	(20.4)	(378)	8,472	(4.5)
Effect of dilutive securities – Options	-	227	-	-	95	-
Diluted EPS	(1,726)	8,699	(19.8)	(378)	8,567	(4.4)

7 Dividends

	2011 £'000	**2010 £'000**
Final paid for the period ended 27 March 2010 / period ended 28 March 2009	440	332
Interim paid for the period ended 2 April 2011 / period ended 27 March 2010	183	183

In addition, the directors are proposing a final dividend in respect of the financial period ended 2 April 2011 of 5.7p per share (2010: 5.3p per share) which will absorb an estimated £474,000 (2010: £440,000) of shareholders' funds. If approved by members at the Annual General Meeting, it will be paid on 12 August 2011 to shareholders who are on the Register of Members at 15 July 2011. There are no tax implications in respect of this proposed dividend.

The proposed dividend is not accounted for until it is formally approved at the Annual General Meeting.

Notes to the Financial Statement

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8 Intangible assets

	Computer Software £'000	Trade Secrets £'000	Emission Allowances £'000	Group Total £'000	Computer Software £'000	Emission Allowances £'000	Company Total £'000
Cost							
At 27 March 2010	3,461	322	1,590	5,373	3,461	1,590	5,051
Additions – externally generated	75	-	505	580	-	505	505
Effects of movements in foreign exchange	-	(14)	-	(14)	-	-	-
At 2 April 2011	3,536	308	2,095	5,939	3,461	2,095	5,556
Aggregate amortisation							
At 27 March 2010	2,399	105	773	3,277	2,399	773	3,172
Charge for Period	300	32	944	1,276	300	944	1,244
At 2 April 2011	2,699	137	1,717	4,553	2,699	1,717	4,416
Net book value at 2 April 2011	**837**	**171**	**378**	**1,386**	**762**	**378**	**1,140**
Net book value at 27 March 2010	**1,062**	**217**	**817**	**2,096**	**1,062**	**817**	**1,879**

	Computer Software £'000	Trade Secrets £'000	Emission Allowances £'000	Group Total £'000	Computer Software £'000	Emission Allowances £'000	Company Total £'000
Cost							
At 28 March 2009	3,446	340	1,143	4,929	3,446	1,143	4,589
Additions -externally generated	15	-	447	462	15	447	462
Effects of movements in foreign exchange	-	(18)	-	(18)	-	-	-
At 27 March 2010	3,461	322	1,590	5,373	3,461	1,590	5,051
Aggregate amortisation							
At 28 March 2009	2,103	41	773	2,917	2,103	773	2,876
Charge for Period	296	64	-	360	296	-	296
At 27 March 2010	2,399	105	773	3,277	2,399	773	3,172
Net book value at 27 March 2010	**1,062**	**217**	**817**	**2,096**	**1,062**	**817**	**1,879**
Net book value at 28 March 2009	**1,343**	**299**	**370**	**2,012**	**1,343**	**370**	**1,713**

The computer software capitalised principally relates to the ongoing development of the Group's Enterprise Resource Planning and Financial systems. The remaining amortisation period of the assets at the period end is 4 years (2010: 5 years). There is a separate Enterprise Resource Planning system for the Technical Fibre Products Business segment and the remaining amortisation period of this asset at the period end is 10 years.

The trade secrets relate to certain recipes and know how acquired within the TFP division. The remaining amortisation period of the assets at the period end is 8 years.

The Emission Allowances relate to the allowances received through the European Emissions Trading Scheme (EUETS) and are valued at market value at the date of initial recognition. The allocated allowances are held throughout each compliance period and are used to meet the Group's emissions obligations.

9 Property plant and equipment

Group	Freehold land & buildings £'000	Plant & machinery £'000	Total £'000
Cost			
Brought forward at 27 March 2010	10,181	66,282	76,463
Additions at cost	48	2,152	2,200
Disposals	-	(2,541)	(2,541)
Effects of movements in foreign exchange	-	(27)	(27)
At 2 April 2011	10,229	65,866	76,095
Accumulated Depreciation			
Brought forward at 27 March 2010	4,996	54,604	59,600
Charge for Period	252	2,488	2,740
Disposals	-	(2,422)	(2,422)
At 2 April 2011	5,248	54,670	59,918
Net book value at 2 April 2011	**4,981**	**11,196**	**16,177**
Net book value at 27 March 2010	**5,185**	**11,678**	**16,863**

	Freehold land & buildings £'000	Plant & machinery £'000	Total £'000
Cost			
Brought forward at 28 March 2009	10,079	67,959	78,038
Transfers	36	(36)	-
Additions at cost	69	1,144	1,213
Disposals	(3)	(2,760)	(2,763)
Effects of movements in foreign exchange	-	(25)	(25)
At 27 March 2010	10,181	66,282	76,463
Accumulated Depreciation			
Brought forward at 28 March 2009	4,739	54,816	59,555
Charge for Period	261	2,517	2,778
Disposals	(4)	(2,729)	(2,733)
At 27 March 2010	4,996	54,604	59,600
Net book value at 27 March 2010	**5,185**	**11,678**	**16,863**
Net book value at 28 March 2009	**5,340**	**13,143**	**18,483**

Assets held under finance leases, capitalised and included in tangible fixed assets:

	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Brought forward NBV	1,457	1,544	1,457	1,544
Additions in period	221	-	-	-
Depreciation in period	(93)	(87)	(89)	(87)
Net book value	**1,585**	**1,457**	**1,368**	**1,457**

Notes to the Financial Statement

continued

9 Property plant and equipment

Company	Freehold land & buildings £'000	Plant & machinery £'000	Total £'000
Cost			
Brought forward at 27 March 2010	863	3,731	4,594
Transfers	-	69	69
Additions at cost	-	81	81
Disposals	-	(52)	(52)
At 2 April 2011	863	3,829	4,692
Accumulated Depreciation			
Brought forward at 27 March 2010	293	2,043	2,336
Charge for Period	14	188	202
Transfers	-	69	69
Disposals	-	(52)	(52)
At 2 April 2011	307	2,248	2,555
Net book value at 2 April 2011	**556**	**1,581**	**2,137**
Net book value at 27 March 2010	**570**	**1,688**	**2,258**

	Freehold land & buildings £'000	Plant & machinery £'000	Total £'000
Cost			
Brought forward at 28 March 2009	853	3,479	4,332
Transfers	-	286	286
Additions at cost	10	40	50
Disposals	-	(74)	(74)
At 27 March 2010	863	3,731	4,594
Accumulated Depreciation			
Brought forward at 28 March 2009	281	1,823	2,104
Charge for Period	12	294	306
Disposals	-	(74)	(74)
At 27 March 2010	293	2,043	2,336
Net book value at 27 March 2010	**570**	**1,688**	**2,258**
Net book value at 28 March 2009	**572**	**1,656**	**2,228**

10 Investments

(i) Investments in subsidiary undertakings

	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
At 2 April 2011 and 27 March 2010	-	-	7,350	7,350

Investments in subsidiary undertakings are stated at cost. A list of principal subsidiary undertakings is given below:

	Country of incorporation	% holding (of ordinary shares)	Nature of business
James Cropper Speciality Papers Limited	England	100	Manufacture of coloured paper and boards
The Paper Mill Shop Company Limited	England	100	Retailing of paper
James Cropper Converting Limited	England	100	Paper converter
Technical Fibre Products Limited	England	100	Manufacture of high performance wet-laid nonwovens from fibres
Tech Fibers Inc	USA	100	Holding Company
Technical Fiber Products Inc	USA	100	Sales and marketing organisation
Metal Coated Fibers Inc	USA	100	Manufacturer of metal coated carbon fibres
Electro Fiber Technologies LLC	USA	100	Manufacturer of metal coated fibres
Melmore Limited	England	100	Dormant company
Papermilldirect.com Limited	England	100	Dormant company
James Cropper EBT Limited	England	100	Trustee of an employee benefit trust

11 Inventories

	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Materials	5,954	5,269	-	-
Work in progress	2,525	2,013	-	-
Finished goods	3,477	2,913	-	-
	11,956	10,195	-	-

Inventories are stated after a provision for impairment of £122,000 (2010: £116,000).

The cost of inventories recognised as expenses and included in cost of sales for continuing operations for the year ended 2 April 2011 was £40,494,000, (2010: £30,095,000).

12 Trade and other receivables

	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Trade debtors	13,581	13,829	-	-
Less: Provision for impairment of receivables	(148)	(340)	-	-
Trade debtors -net	13,433	13,489	-	-
Amounts owed by group undertakings	-	-	26,753	33,201
Other debtors	191	274	190	144
Prepayments	857	746	597	394
	14,481	14,509	27,540	33,739

Management believe there is no further credit risk provision required in excess of normal provision for doubtful receivables. The adoption of IFRS 7 "Financial Instruments: Disclosure" has resulted in additional disclosures on credit risk which can be viewed in note 15.

Notes to the Financial Statement

continued

13 Trade and other payables

	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Trade payables	2,475	2,410	1,959	1,880
Amounts owed to group undertakings	-	-	8,130	13,577
Other tax and social security payable	481	430	143	100
Other creditors	1,306	2,088	1,116	1,959
Accruals	5,884	6,153	637	822
Total contractual cash flows	10,146	11,081	11,985	18,338

14 Borrowings

	Note	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Current					
Bank loans and overdrafts due within one year or on demand:					
Unsecured bank loans		1,061	2,850	1,061	1,180
Secured finance lease		365	345	338	345
		1,426	3,195	1,399	1,525
Non-current loans					
Unsecured bank loans		4,013	1,104	2,464	1,104
Secured finance lease		554	782	445	782
	15.3	4,567	1,886	2,909	1,886

Bank loans bear interest at rates between 1% and 4.5% above UK bank base rates.

The future minimum lease payments under finance leases held, together with the value of principal are as follows:

Group and Company	Minimum lease payments 2011 £'000	Interest 2011 £'000	Principal 2011 £'000	Minimum lease payments 2010 £'000	Interest 2010 £'000	Principal 2010 £'000
Within one year	389	24	365	369	24	345
Greater than one year and less than five years	575	21	554	805	23	782

15 Financial Instruments and Risk

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Currency risk
- Interest rate risk

This note presents information about the fair value of the Group's financial instruments, the Group's exposure to each of the risks noted and the Group's objectives, policies and processes for measuring and managing risk. The Board has overall responsibility of the risk management strategy and coordinates activity across the Group. This responsibility is discussed further in the Directors' Report.

Exposure to the financial risks noted, arise in the normal course of the Group's business.

15.1 Categories of non-derivative financial assets and liabilities and fair values

The fair values of the financial assets and liabilities of the Group together with their book values are as follows:

	Note	Group Book value 2011 £'000	Group Fair value 2011 £'000	Group Book value 2010 £'000	Group Fair value 2010 £'000
Financial assets					
Current					
Trade and other receivables	12	14,481	14,481	14,509	14,509
Cash and cash equivalents		4,282	4,282	5,050	5,050
		18,763	18,763	19,559	19,559
Financial liabilities					
Current					
Trade and other payables	13	10,146	10,146	11,081	11,081
Short term borrowings	14	1,426	1,426	3,195	3,195
		11,572	11,572	14,276	14,276
Non-current					
Long term borrowings	14	4,567	4,567	1,886	1,886

	Note	Company Book value 2011 £'000	Company Fair value 2011 £'000	Company Book value 2010 £'000	Company Fair value 2010 £'000
Financial assets					
Current					
Trade and other receivables	12	27,540	27,540	33,739	33,739
Cash and cash equivalents		3,001	3,001	3,420	3,420
		30,541	30,541	37,159	37,159
Non current					
Investments in subsidiary undertakings	10	7,350	7,350	7,350	7,350
Financial liabilities					
Current					
Trade and other payables	13	11,985	11,985	18,338	18,338
Short term borrowings	14	1,399	1,399	1,525	1,525
		13,384	13,384	19,863	19,863
Non-current					
Long term borrowings	14	2,909	2,909	1,886	1,886

The fair values are stated at the reporting date and may be different from the amounts which will be actually paid or received on settlement of the instruments. The fair values are based on book values as the directors do not consider that there is a material difference between the book values and the fair values.

Notes to the Financial Statement

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15.2 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty fails to meet its contractual obligations. Credit risk arising from the Group's normal commercial activities are controlled by individual business units operating in accordance with Group policies and procedures. Exposure to credit risk arises from the potential of a customer defaulting on their invoiced sales. Some of the Group's businesses have credit insurance in place. For un-insured customers, the financial strength and credit worthiness of the customer is assessed from a variety of internal and external information, and specific credit risk controls that match the risk profile of those customers are applied.

Trade receivables recorded by business held at the 2 April 2011 were:

	2011 £'000	2010 £'000
James Cropper Speciality Papers	9,673	8,887
The Paper Mill Shop	-	96
James Cropper Converting	1,922	2,459
Technical Fibre Products	1,838	2,047
	13,433	13,489

The Company does not have trade receivables.

The ageing of trade receivables at the reporting date was:

	2011 £'000	2010 £'000
Not past due	11,564	13,385
Past due 0-30 days	1,890	271
Past due 31 -60 days	102	52
Over 61 days	25	121
	13,581	13,829
Less impairment	(148)	(340)
	13,433	13,489

At the end of each reporting period a review of the provision for bad and doubtful debts is performed. It is an assessment of the potential amount of trade debtors which will not be paid by customers after the balance sheet date. This amount is calculated by reference to the age, status and risk of each receivable.

Provision for doubtful debts.

Group	2011 £'000	2010 £'000
Balance at start of period	340	249
(Released) / created during the period	(88)	190
Utilised during the period	(105)	(99)
Balance at end of period	**147**	**340**

Included in the outstanding trade receivables balance are debtors with an overdue amount of £1,869,000 (2010: £144,000) that the Group has not provided for. The directors believe that these amounts are still considered recoverable from customers for whom there is no recent history of default.

15.3 Liquidity risk

Liquidity risk is the risk that the Group will have sufficient funds to meet liabilities. The Group's policy is to maintain a mix of short, medium and long term borrowings with a number of banks. Short term flexibility is achieved through overdraft facilities. In addition, it is the Group's policy to maintain undrawn committed borrowing facilities in order to provide flexibility in the management of liquidity.

Current and non- current financial liabilities

The maturity profile of the carrying amount of the current and non-current financial liabilities, at 2 April 2011, was as follows:

Group	Debt 2011 £'000	Finance lease obligations 2011 £'000	Total 2011 £'000	Debt 2010 £'000	Finance lease obligations 2010 £'000	Total 2010 £'000
In less than one year	1,061	365	1,426	2,850	345	3,195
In more than one year but not more than two years	814	484	1,298	746	343	1,089
In more than two years but not more than five years	3,199	70	3,269	358	439	797
	5,074	919	5,993	3,954	1,127	5,081

Company	Debt 2011 £'000	Finance lease obligations 2011 £'000	Total 2011 £'000	Debt 2010 £'000	Finance lease obligations 2010 £'000	Total 2010 £'000
In less than one year	1,061	338	1,399	1,180	345	1,525
In more than one year but not more than two years	814	375	1,189	746	343	1,089
In more than two years but not more than five years	1,650	70	1,720	358	439	797
	3,525	783	4,308	2,284	1,127	3,411

Trade payables

Trade payables at the reporting date was:

	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Trade payables at the reporting date was	2,475	2,410	1,959	1,880
Total contractual cash flows	2,475	2,410	1,959	1,880

Borrowing facilities

The Group has the following undrawn committed borrowing facilities available at 2 April 2011:

	at 2 April 2011 Floating rate £'000	at 27 March 2010 Floating rate £'000
Expiring within one year (renewable annually)	5,001	5,087

The Group's expiry profile of the drawn down facilities is as follows:

Bank Borrowings		Group at 2 April 2011 £'000	Group at 27 March 2010 £'000	Company at 2 April 2011 £'000	Company at 27 March 2010 £'000
Expiry by:	August 2010	-	1,670	-	-
	September 2010	-	143	-	143
	January 2011	-	714	-	714
	April 2012	175	355	175	355
	December 2012	-	286	-	286
	January 2013	500	786	500	786
	May 2013	1,549	-	-	-
	September 2015	2,850	-	2,850	-
		5,074	**3,954**	**3,525**	**2,284**

Notes to the Financial Statement

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15.4 Currency risk

The Group publishes it's consolidated financial statements in sterling but also conducts business in foreign currencies. As a result it is subject to foreign currency exchange risk arising from exchange rate movements which will be reflected in the Group's transaction costs or in the underlying foreign currency assets of its foreign operations. The Group has operations in the US. The Group is exposed to foreign exchange risks primarily with respect to US Dollars and the Euro. Where possible, the Group maintains a policy of balancing sales and purchases denominated in foreign currencies. Where an imbalance remains, the group has also entered into certain forward exchange contracts. No material contracts were outstanding at the year end. The management of foreign currency is described in further detail in the Financial Review.

Represented below is the net exposure to foreign currencies, reported in pounds sterling, and arising from all Group activities, as at 2 April 2011.

	USD £'000	Euro £'000	GBP £'000	Total £'000
Trade Receivables	2,009	3,344	8,080	13,433
Cash and cash equivalents	1,012	17	3,253	4,282
Trade Payables	(348)	(378)	(1,749)	(2,475)
Unsecured current loans	-	-	(1,061)	(1,061)
Finance lease current	-	-	(365)	(365)
Unsecured non-current loans	(1,549)	-	(2,464)	(4,013)
Finance lease non-current	-	-	(554)	(554)
Net exposure	1,124	2,983	5,140	9,247

At the 27 March 2010 the Group's exposure to foreign currency risk was as follows:

	USD £'000	Euro £'000	GBP £'000	Total £'000
Trade Receivables	2,445	2,754	8,290	13,489
Cash and cash equivalents	958	999	3,093	5,050
Trade Payables	(63)	(545)	(1,802)	(2,410)
Unsecured current loans	(1,670)	-	(1,180)	(2,850)
Finance lease current	-	-	(345)	(345)
Unsecured non-current loans	-	-	(1,104)	(1,104)
Finance lease non-current	-	-	(782)	(782)
Net exposure	1,670	3,208	6,170	11,048

This represents the net exposure to foreign currencies, reported in pounds Sterling, and arising from all Group activities.

15.4 Currency risk

At the 2 April 2011 the Company's exposure to foreign currency risk was as follows:

	USD £'000	Euro £'000	GBP £'000	Total £'000
Cash and cash equivalents	2	5	2,994	3,001
Trade Payables	(335)	(221)	(1,403)	(1,959)
Unsecured current loans	-	-	(1,061)	(1,061)
Finance lease current	-	-	(338)	(338)
Unsecured non-current loans	-	-	(2,464)	(2,464)
Finance lease non-current	-	-	(445)	(445)
Net exposure	(333)	(216)	(2,717)	(3,266)

At the 27 March 2010 the Company's exposure to foreign currency risk was as follows:

	USD £'000	Euro £'000	GBP £'000	Total £'000
Cash and cash equivalents	1	790	2,629	3,420
Trade Payables	-	(507)	(1,373)	(1,880)
Unsecured current loans	-	-	(1,180)	(1,180)
Finance lease current	-	-	(345)	(345)
Unsecured non-current loans	-	-	(1,104)	(1,104)
Finance lease non-current	-	-	(782)	(782)
Net exposure	1	283	(2,155)	(1,871)

A one percent strengthening of the pound against the Euro and the US Dollar at 2 April 2011 would have had the following impact on equity and profit by the amounts shown below.

Group		Equity £'000	SCI £'000
2 April 2011	USD	(11)	(16)
2 April 2011	Euro	(30)	(29)
27 March 2010	USD	(17)	(24)
27 March 2010	Euro	(32)	(22)

Company		Equity £'000	SCI £'000
2 April 2011	USD	3	3
2 April 2011	Euro	2	2
27 March 2010	USD	-	-
27 March 2010	Euro	(3)	5

This sensitivity analysis is indicative only and it should be noted that the Group's exposure to such market rate changes is continually changing. The calculations assume all other variables, in particular interest rates, remain constant.

Notes to the Financial Statement

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15.5 Interest rate risk

Interest rate risk derives from the Group's exposure to changes in value of an asset or liability or future cash flow through changes in interest rates. The Group finances its operations through a mixture of retained profits and bank borrowings. The Group borrows in the desired currencies at fixed or floating rates of interest. There are no outstanding financial instruments that are designated as hedges outstanding at the year-end. The exposure is therefore measured on variable rate debt and instruments. The net exposure to interest rates at the Statement of Financial Position date can be summarised as follows:

The net exposure to interest rates at the SFP date can be summarised as follows:

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Interest bearing liabilities - floating				
Borrowings	5,074	3,953	3,525	2,283
Finance lease	782	1,128	783	1,128
	5,856	5,081	4,308	3,411
Interest bearing liabilities - fixed				
Finance lease	137	-	-	-
Interest bearing liabilities	**5,993**	**5,081**	**4,308**	**3,411**

The effective interest rates at the SFP date were as follows:

	2011 %	2010 %
Bank overdraft	1.5	1.5
Borrowings	3.7	1.8

The sensitivity analysis below assumes a 100 basis point change in interest rates from their levels at the reporting date, with all other variables held constant. A 1% rise in interest rates would result in an additional £42,000 for the Group and £34,000 for the Company in interest expense being incurred per year. The impact of a decrease in rates would be an identical reduction in the annual charge.

	Group SCI £'000	Company SCI £'000
2 April 2011	42	34
27 March 2010	51	34

16 Retirement benefits

The Group operates a number of pension schemes. Two of these schemes, the James Cropper plc Works Pension Plan ("Works Scheme") and the James Cropper plc Pension Scheme ("Staff Scheme") are funded schemes of the defined benefit type. The Group also operates a defined contribution scheme and makes contributions to personal pension plans for its employees in the USA.

Pension costs for the defined contribution scheme and personal pension contributions are as follows:

	Group	
	2011 £'000	2010 £'000
Defined contribution schemes	267	244
Personal pension contributions	28	23

Other pension costs totalled £312,000 (2010: £228,000) and represent life assurance charges and government pension protection fund levies.

16 Retirement benefits

Defined benefit plans

As from 1 April 2011 active members' benefits have been reduced such that future increases in pensionable salaries are restricted to RPI up to a maximum of 2% per annum. Thus the Staff and Works Schemes will remain defined benefit schemes but they will no longer be "final salary" schemes. The most recent actuarial valuations of the Staff Scheme and the Works Scheme have been updated to 2 April 2011 by qualified independent actuaries. The major assumptions used by the actuary for each scheme were as noted below. The expected return on plan assets is calculated by using a weighted average across each category of asset:

	Staff Scheme		Works Scheme	
	2011 %	2010 %	2011 %	2010 %
Inflation assumption	3.6	3.7	3.6	3.7
Rate of increase in pensionable salaries	2.0	4.5	2.0	4.5
Discount rate	5.5	5.6	5.5	5.6
Allowance for pension in payment increases of RPI or 5% p.a. if less (subject to minimum of 3% p.a)	3.7	3.8	3.7	3.8
Allowance for revaluation of deferred pensions of CPI or 5% p.a if less on the Staff scheme, or RPI or 2.5% p.a. if less on the Works scheme	3.1	3.7	2.5	2.5
Expected return on plan assets	6.5	6.8	6.6	6.9

In respect of mortality for the Works members the PA92 series table has been used with the medium cohort projections applied, and a plus three year age rating. For the Staff members the PNA00 tables with a 120% rating has been used with the long cohort projections and a 1% underpin. The different tables and methods applied to each Scheme reflect the different characteristics of the members within these Schemes. The long-term expected rate of return on cash is determined by reference to bank base rates at the SFP dates. The long-term expected return on bonds is determined by reference to UK long dated government and corporate bond yields at the SFP date. The long-term expected rate of return on equities is based on the rate of return on bonds with an allowance for out-performance. Following the Government's change in the statutory inflation measure for pension increases and legal advice provided to the Trustees of the Schemes, allowance has been made for the rate of increase in some scheme benefits to be linked to the CPI measure of inflation in the future. This has been allowed for as a change in assumptions within Other Comprehensive Income.

The amounts recognised in the Statement of Financial Position are determined as follows:

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Present value of scheme liabilities	(69,593)	(78,130)	(57,333)	(60,335)	(66,733)
Fair value of plan assets	68,189	63,950	48,257	58,531	60,581
Net liability recognised in the SFP	(1,404)	(14,180)	(9,076)	(1,804)	(6,152)

The fair value of the plan assets comprises the following categories of asset in the stated proportions:

	Staff Scheme		Works Scheme	
	2011 %	2010 %	2011 %	2010 %
Equities	53	53	59	57
Bonds	15	15	36	39
Property	-	-	-	-
Cash	1	1	5	4
Annuities	6	6	-	-
Corporate Bonds	25	25	-	-

The pension plan assets include investments in the shares of the Company with a fair value of £626,000 (2010: £580,000).

The amounts recognised in the Statement of Comprehensive Income are as follows:

	2011 £'000	2010 £'000
Total included within employee benefit costs – Current service cost	1,370	826
Expected return on plan assets	(4,430)	(3,202)
Interest on pension scheme liabilities	4,433	3,828
Total included within interest	3	626
Total	**1,373**	**1,452**

Notes to the Financial Statement

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16 Retirement benefits continued

Analysis of the movement in the Statement of Financial Position liability

	2011 £'000	2010 £'000
At brought forward	(14,180)	(9,076)
Total expense as above	(1,373)	(1,452)
Contributions paid	1,603	1,197
Gains on curtailment	10,158	-
Actuarial gains/(losses) recognised in SCI	2,388	(4,849)
At 2 April 2011	**(1,404)**	**(14,180)**

The actual return on plan assets was £4,542,000 (2010: £15,746,000). The Company expects to pay £710,000 (2010: £774,000) in contributions to the Staff Scheme and £857,000 (2010: £987,000) in contributions to the Works Scheme in the next financial period.

The cumulative amount of gains/losses recognised in the Statement of Comprehensive Income since the adoption of IAS 19 are losses of £407,000 (2010: losses of £2,795,000).

Analysis of the movement in the defined benefit obligation (DBO) and scheme assets

	Works Scheme		Staff Scheme		Works Scheme		Staff Scheme	
	Assets 2011 £'000	DBO 2011 £'000	Assets 2011 £'000	DBO 2011 £'000	Assets 2010 £'000	DBO 2010 £'000	Assets 2010 £'000	DBO 2010 £'000
Brought forward	33,172	(42,051)	30,778	(36,079)	24,467	(30,172)	23,790	(27,161)
Expected return on assets	2,322	-	2,108	-	1,622	-	1,580	-
Current service costs	-	(889)	-	(481)	-	(608)	-	(218)
Benefits paid	(1,433)	1,433	(1,073)	1,073	(1,014)	1,014	(790)	790
Contributions by plan participants	386	(386)	214	(214)	331	(331)	223	(223)
Employer contributions	894	-	709	-	657	-	540	-
Interest cost	-	(2,389)	-	(2,044)	-	(2,019)	-	(1,809)
Gains on curtailment	-	6,002	-	4,156	-	-	-	-
Actuarial (losses)/gains	104	1,992	8	284	7,109	(9,935)	5,435	(7,458)
At 2 April 2011	**35,445**	**(36,288)**	**32,744**	**(33,305)**	**33,172**	**(42,051)**	**30,778**	**(36,079)**

Experience adjustments

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Arising on plan assets	112	12,544	(14,718)	(5,780)	763
Percentage of scheme assets	0.2%	19.6%	(30.5%)	(9.9%)	1.3%
Arising on plan liabilities	2,717	(15)	152	3,291	(204)
Percentage of scheme liabilities	3.9%	-	0.3%	5.5%	0.3%

17 Deferred taxation

The movement on the deferred tax account is shown below:

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
At 27 March 2010	189	(1,588)	3,462	1,993
Deferred tax on actuarial gains on retirement liabilities	(621)	1358	(621)	1,358
SCI (charge) / credit	(2,118)	419	(2,949)	111
At 2 April 2011	**(2,550)**	**189**	**(108)**	**3,462**

17 Deferred taxation continued

Deferred tax assets have been recognised in respect of all temporary differences giving rise to deferred tax assets because it is probable that these assets will be recovered. No deferred tax is recognised on the un-remitted earnings of overseas subsidiaries.

Based on the combined distributable reserves in the US Companies of £254,000 (2010: deficit £133,000), tax at 28% of £71,000 could be receivable, before any application for double tax relief, which could be expected to reduce the UK liability to nil.

Deferred tax liabilities

	Accelerated capital allowances £'000	Other £'000	Total £'000
At 27 March 2010	(3,551)	(230)	(3,781)
SCI credit/(charge)	552	314	866
At 2 April 2011	**(2,999)**	**84**	**(2,915)**

Deferred tax assets	Pension £'000	Total £'000
At 27 March 2010	3,970	3,970
Deferred tax on actuarial gains on retirement liabilities	(621)	(621)
Adjustment on opening balance to accommodate		
Change in tax rate	(283)	(283)
Deferred tax on difference between contribution paid and net pension cost to the SCI	(2,701)	(2,701)
At 2 April 2011	**365**	**365**

	Total £'000
Net deferred tax liability	**(2,550)**

On 23 March 2011 the Chancellor announced the reduction in the main rate of UK corporation tax to 26 per cent with effect from 1 April 2011. This change became substantively enacted on 29 March 2011 and therefore the effect of the rate reduction creates a reduction in the deferred tax liability which has been included in the figures above. The Chancellor also proposed changes to further reduce the main rate of corporation tax by one per cent per annum to 23 per cent by 1 April 2014, but these changes have not yet been substantively enacted and therefore are not included in the figures above.

18 Called up equity share capital

Group and Company

Authorised	2011 £'000	2010 £'000
10,000,000 (2010: 10,000,000) ordinary shares of 25p each	2,500	2,500

Issued and fully paid

	Number of Ordinary shares	£'000
At 27 March 2010	8,472,368	2,118
Issued during the period	-	-
At 2 April 2011	**8,472,368**	**2,118**

Potential issue of ordinary shares

Under the James Cropper plc Executive Share Option Scheme, options were outstanding at 2 April 2011 in respect of the following:

Year of grant	Exercise price (p)	Exercise period	2011 Number	2010 Number
2000	261.5	August 2003 to August 2010	-	60,000
2001	206.5	June 2004 to June 2011	90,000	90,000
			90,000	150,000

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18 Called up equity share capital continued

For share options outstanding at the end of the period, the exercise price was 206.5p and the weighted average contractual life was 7 years.

Under the Group's long-term incentive plan for executive directors and senior executives, such individuals hold rights over ordinary shares that may result in the issue of up to 361,000 25p ordinary shares by 2014 (2010: 312,000 25p ordinary shares by 2013). There were 72,000 share options exercised in the period (2010: no options were exercised). Further information on directors share options can be seen in the directors remuneration report.

The Save As You Earn (SAYE) schemes were introduced in August 2007, August 2009 and September 2010 respectively and each run for either a three or five year period. Options were valued using a Black-Scholes option pricing model. The fair value per option and assumptions used in the calculation are as follows:

	Aug 2007 3 year scheme	Aug 2007 5 year scheme	Aug 2009 3 year scheme	Aug 2009 5 year scheme	Sept 2010 3 year scheme	Sept 2010 5 year scheme
Fair value per option	62p	69p	23p	23p	42p	46p
Date of grant	21 Aug 2007	21 Aug 2007	18 Aug 2009	18 Aug 2009	30 Sept 2010	30 Sept 2010
Exercise Price	191p	191p	85p	85p	130p	130p
Market Price at date of grant	235p	235p	112p	112p	163p	163p
Volatility	22%	22%	27%	27%	35%	35%
Net dividend yield	3%	3%	6%	6%	4%	4%
Term of option	3.25 years	5.25 years	3.25 years	5.25 years	3.25 years	5.25 years
Risk free rate of interest	5.2%	5.2%	1.9%	2.8%	0.9%	1.6%

During the period no options were exercised (2010: no options were exercised).

19 Discontinued operation

The Paper Mill Shop (TPMS), was a segment dedicated to the retailing of paper and associated products. After six years of profits TPMS suffered four years of losses and despite the best efforts of the TPMS management team to bring this subsidiary back to profitability, the Board of James Cropper plc took the decision to close and exit all TPMS retail outlets by 2 April 2011. The segment was not a discontinued operation at 27 March 2010. The comparative Statement of Comprehensive Income (SCI) has been re-presented to show the discontinued operation separately from continuing operations. The Board of James Cropper plc are now focused on the development of the 3 remaining manufacturing operations, being:

- James Cropper Speciality Papers – a manufacturer of coloured paper and boards.
- James Cropper Converting – a converter of paper.
- Technical Fibre Products – a manufacturer of high performance wet-laid non-wovens from fibres.

	Note	2011 £'000	2010 £'000
Results of discontinued operation			
Revenue		3,609	5,517
Expenses		(5,335)	(5,894)
Results from operating activities		(1,726)	(377)
Tax		-	-
Loss for the year		**(1,726)**	**(377)**
Basic loss per share	6	(20.4p)	(4.5p)
Diluted loss per share	6	(19.8p)	(4.4p)

Cash flows (used in) / from discontinued operation	2011 £'000	2010 £'000
Net cash used in operating activities	(150)	187
Net cash from investing activities	-	(39)
Net cash flows for the year	(150)	148

20 Employees and directors

Staff costs during the period

Continuing operations	Note	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Wages and salaries		16,305	15,790	2,382	2,716
Social Security costs		1,339	1,328	195	216
Pension costs	16	1,952	1,349	1,015	462
		19,596	18,467	3,592	3,394

The average monthly number of people (including executive directors) employed in the Group during the year, analysed by division was as follows:

	2011 Number	2010 Number
Continuing operations		
James Cropper Speciality Papers	302	294
James Cropper Converting	56	54
Technical Fibre Products	91	91
James Cropper plc company	61	61
	510	500
Discontinued operation		
The Paper Mill Shop	87	125

Key management compensation

	2011 £'000	2010 £'000
Salaries and short term benefits	1,093	1,072
Post-employment benefits	102	98
Shared based payments	70	74
	1,265	**1,244**

21 Commitments under operating leases

Group	2011 Property £'000	2011 Plant & machinery £'000	2010 Property £'000	2010 Plant & machinery £'000
Commitments under non-cancellable operating leases expiring:				
Within one year	20	-	141	-
later than one year and less than five years	398	1,314	2,017	1,431
After five years	-	-	545	-
	418	1,314	2,703	1,431

Company	2011 Property £'000	2011 Plant & machinery £'000	2010 Property £'000	2010 Plant & machinery £'000
Commitments under non-cancellable operating leases expiring:				
Within one year	10	-	-	-
Later than one year and less than five years	353	520	-	572
	363	520	-	572

Notes to the Financial Statement

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22 Capital commitments

	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Contracts placed for future capital expenditure not provided in the financial statements	655	556	-	-

23 Contingent liabilities

There were no contingent liabilities at the period end for the Group. The Company is included in a cross guarantee between itself and its subsidiaries.

24 Related party transactions

Group

The Group has taken advantage of the exemption not to disclose intra-group transactions that are eliminated on consolidation.

Company

The Company pays £35,000 (2010: £35,000) annually to Mr J A Cropper for the use of reservoirs to supply water to the factory premises.

The contract is based on a twenty year repairing lease with rent reviews every five years. The rent is negotiated through independent advisers representing each party. The Company paid £Nil (2010: £1,700) to Wilks & Partners, a company in which David R Wilks, (a non executive director for James Cropper plc), is a director, in the period for consultancy services relating to strategic development programmes.

The Company also has the following transactions with related entities:

2011	Sales £'000	Management charges £'000	Receivable / (Payable) £'000	Loans and net intercompany funding £'000
James Cropper Speciality Papers Limited	3,548	3,828	4,652	8,031
The Paper Mill Shop Company Limited (discontinued operation)	7	188	-	-
James Cropper Converting Limited	599	768	920	5,679
Technical Fibre Products Limited	84	882	219	(1,340)
James Cropper EBT Limited	-	-	-	462
	4,238	5,666	5,791	12,832

2010	Sales £'000	Management charges £'000	Receivable / (Payable) £'000	Loans and net intercompany funding £'000
James Cropper Speciality Papers Limited	32,438	3,090	3,670	7,462
The Paper Mill Shop Company Limited (discontinued operation)	72	115	(100)	1,075
James Cropper Converting Limited	7,289	605	786	4,934
Technical Fibre Products Limited	436	757	596	833
James Cropper EBT Limited	-	-	-	368
	40,235	4,567	4,952	14,672

2010 - 2011 Shareholder Information

Reporting

Interim Results announced and sent to Ordinary Shareholders	16 November 2010
Final results announced	28 June 2011
Annual Report issued by	13 July 2011

Annual General Meeting -
at Bryce Institute, Burneside, Kendal

Wednesday 3 Aug 2011 at 11.00am.

Dividends on Ordinary Shares

Interim dividend paid on 14 January 2011 to Ordinary Shareholders registered on 17 December 2010.

Final dividend to be paid on 12 August 2011 to Ordinary Shareholders registered on 15 July 2011.

Registrars

Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
HD8 0GA
Tel 0871 664 0300
www.capitaregistrars.com

Notice of Annual General Meeting

Notice is hereby given that the one hundred and twenty-second annual general meeting of James Cropper plc (the "Company") will be held at The Bryce Institute, Burneside, Kendal, Cumbria at 11.00am on Wednesday 3 August 2011 to consider and, if thought fit, pass the following resolutions of which resolutions 1 to 10 are being proposed as ordinary resolutions and resolutions 11 and 12 as special resolutions:-

1. To receive and consider the statement of accounts and reports of the directors and the auditors for the 53 weeks ended 2 April 2011.
2. To declare a final dividend of 5.7p per share in respect of the ordinary shares in the Company payable on 12 August 2011 to all ordinary shareholders on the register at the close of business on 15 July 2011.
3. To re-elect James A Cropper as a director of the Company.
4. To re-elect John M Denman as a director of the Company.
5. To re-elect Nigel A Read as a director of the Company.
6. To re-appoint KPMG Audit Plc as auditors to hold office from the conclusion of the meeting until the next Annual General Meeting.
7. To authorise the directors to agree the remuneration of the auditors of the Company.
8. To consider and approve the directors' remuneration report for the 53 weeks ended 2 April 2011.
9. That the Company and all companies that are or become its subsidiaries at any time during the period for which this resolution is effective are hereby authorised to:-

   9.1 make political donations to political parties and/or to independent election candidates;

   9.2 make political donations to political organisations other than political parties; and

   9.3 incur political expenditure

   during the period commencing on the date of the passing of this resolution and ending on the earlier of fifteen months from that date and the date of next year's annual general meeting provided that any such donation and expenditure made by the Company and any subsidiary do not in aggregate exceed £25,000.

   For the purposes of this resolution, the terms "political donations" "political parties", "independent election candidates", "political organisation" and "political expenditure" have the meanings set out in Sections 363 to 365 of the Companies Act 2006.

10. That the directors be authorised for the purpose of Section 551 of the Companies Act 2006 to allot shares in the Company or grant rights to subscribe for, or to convert any security into, shares in the Company up to an aggregate nominal amount of £381,908 provided that:-

    10.1 except as provided in paragraph 10.2 below this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, or 15 months from the date of this resolution (whichever is earlier) but may be previously revoked or varied by an ordinary resolution of the Company; and

    10.2 the Company may before such expiry make an offer or agreement which would or might require the allotment of shares in the Company or the grant of rights to subscribe for, or to convert any security into, shares in the Company after such expiry and the directors may allot shares in the Company, or grant rights to subscribe for, or convert any security into, shares in the Company, in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

11. That subject to the passing of and pursuant to the general authority conferred by the resolution numbered 10 in the notice convening this meeting the directors be empowered pursuant to Section 570 of the Companies Act 2006 (the "Act") to allot equity securities (as defined in Section 560 of the Act) for cash, either pursuant to the authority so conferred or where the equity securities are held by the Company as treasury shares (within the meaning of Section 724(5) of the Act), as if Section 560 of the Act did not apply to any such allotment, provided that this power shall be limited to:-

    11.1 the allotment of equity securities in connection with any rights or other pre-emptive issue in favour of the ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them on a fixed record date (but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange in any territory or any other matter whatsoever); and

    11.2 otherwise than pursuant to paragraph (a) of this resolution, the allotment of equity securities up to an aggregate nominal amount of £211,810,

    and shall expire on the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or 15 months from the date of this resolution (whichever is earlier) except that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred by this resolution had not expired.

12. That the Company be generally and unconditionally authorised for the purposes of Section 701 of the Companies Act 2006 ("the Act") to make market purchases (within the meaning of Section 693(4) of the Act) on the London Stock Exchange of ordinary shares of 25p each in the capital of the Company either for cancellation or to hold as treasury shares (within the meaning of Section 724(5) of the Act) provided that:-

    12.1 the maximum aggregate number of ordinary shares hereby authorised to be purchased is 1,270,855;

    12.2 the maximum number of shares held in treasury will never exceed 10% of the issued share capital of the Company;

    12.3 the minimum price which may be paid for such shares is 25p per ordinary share;

    12.4 the maximum price which may be paid for such ordinary shares shall not be more than 5% above the average of the market values for a ordinary share as derived from the AIM appendix to the London Stock Exchange's Daily Official List for the five business days immediately preceding the date on which the ordinary shares are purchased;

    12.5 unless previously renewed, varied or revoked, the authority hereby conferred shall expire at the conclusion of the Company's next Annual General Meeting or 15 months from the date of this resolution (whichever is earlier); and

    12.6 the Company may make a contract or contracts to purchase ordinary shares under the authority conferred by this resolution prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of ordinary shares in pursuance of any such contract or contracts.

By order of the Board

D.R.Carey
Secretary

11 July 2011

Registered office:

Burneside Mills
Kendal
Cumbria
LA9 6PZ

Registered in England and Wales No. 30226

Notes

The following notes explain your general rights as a shareholder and your right to attend and vote at this meeting or to appoint someone else to vote on your behalf.

1. Only those members registered in the Register of Members of the Company as at 6.00pm on 1 August 2011 shall be entitled to attend and vote at the meeting convened above in respect of the number of shares registered in their names at that time.
2. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint another person as his proxy to exercise all or any of his rights to attend and to speak and vote at a meeting of the Company. Any such member may appoint more than one proxy provided that each proxy is appointed to exercise the rights attached to a different share or shares held by such member. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please photocopy the form of proxy and indicate in the box next to the proxy's name the number of shares in relation to which he or she is authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope. A proxy need not be a member of the Company. Appointing a proxy will not prevent a shareholder from attending in person and voting at the meeting. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the Chairman of the meeting) and give your instructions directly to that person.
3. A form of appointment of proxy is enclosed. If you return more than one proxy appointment, that received last by the registrar before the latest time for the receipt of proxies will take precedence.
4. The form of proxy includes a vote withheld option. Please note that a vote withheld is not a vote in law and will not be counted in the calculation of the proportion of votes for and against any particular resolution.
5. The appointment of a proxy and the original or duly certified copy of the power of attorney or other authority (if any) under which it is signed or authenticated should be deposited with the Company's registrar at the address shown on the proxy form not later than 11.00am on 1 August 2011 or 48 hours before the time for holding any adjourned meeting.
6. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

Notice of Annual General Meeting

continued

7. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10 no later than 48 hours before the time set for the Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
8. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those Sections of the CREST Manual concerning practical limitations of the CREST system and timings.
9. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
10. As at 9.00am on 4 June 2011, being the last practicable day prior to the publication of this notice, the Company's issued share capital comprised 8,472,368 ordinary shares of 25p each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 9.00am on 4 June 2011, being the last practicable date prior to the publication of this notice is 8,472,368.
11. Copies of the contracts of service for directors and a statement of directors' interests are available for inspection during normal business hours at the registered office of the Company and they may be inspected at the place of the Annual General Meeting for at least 15 minutes prior to the meeting and at the meeting.

Production
Produced in Cumbria

Paper
All the paper used in this report has been produced by James Cropper plc
Cover
Comet Tungsten 300gsm with Cord embossing
Inset
Accent Glacier White 160gsm
Available from
Accent is made exclusively for GFSmith & Son (London) Limited

Printed by
Dixons Printing Company Ltd
Design
RJ Design UK Ltd

James Cropper plc

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