JAMES CROPPER PLC

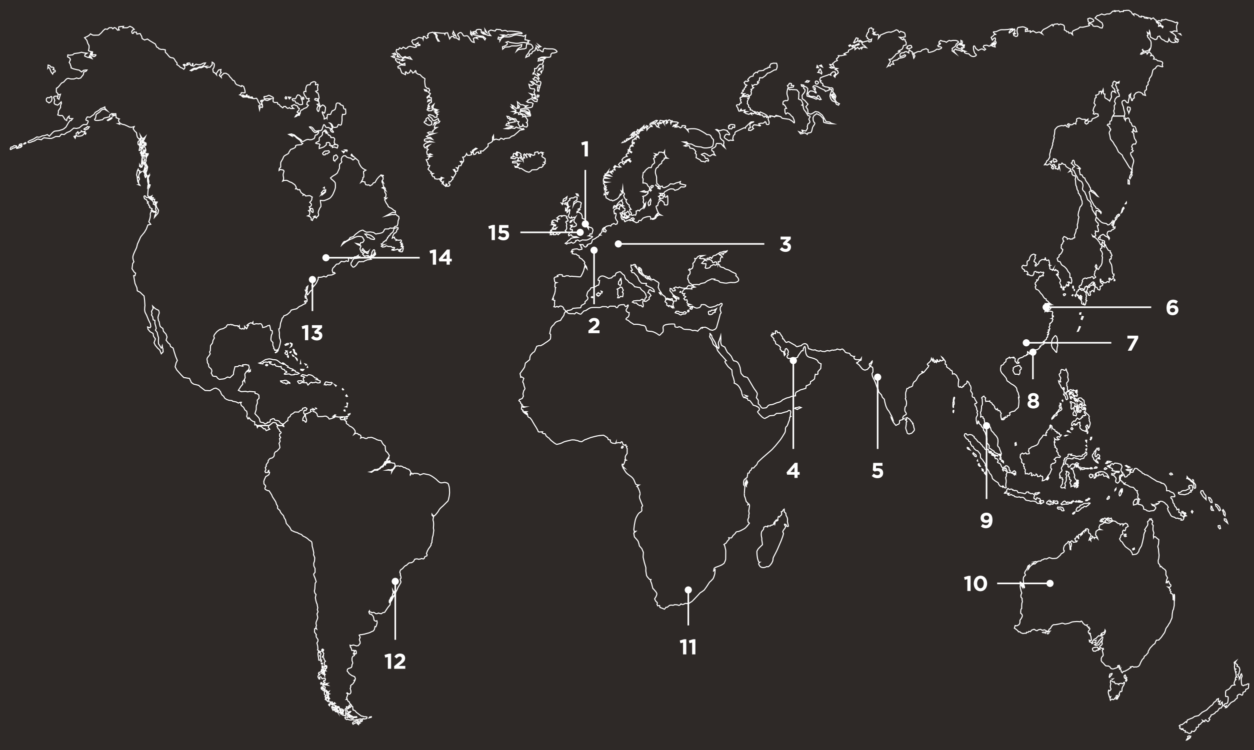
ESTABLISHED 1845

ANNUAL REPORT AND ACCOUNTS 2018

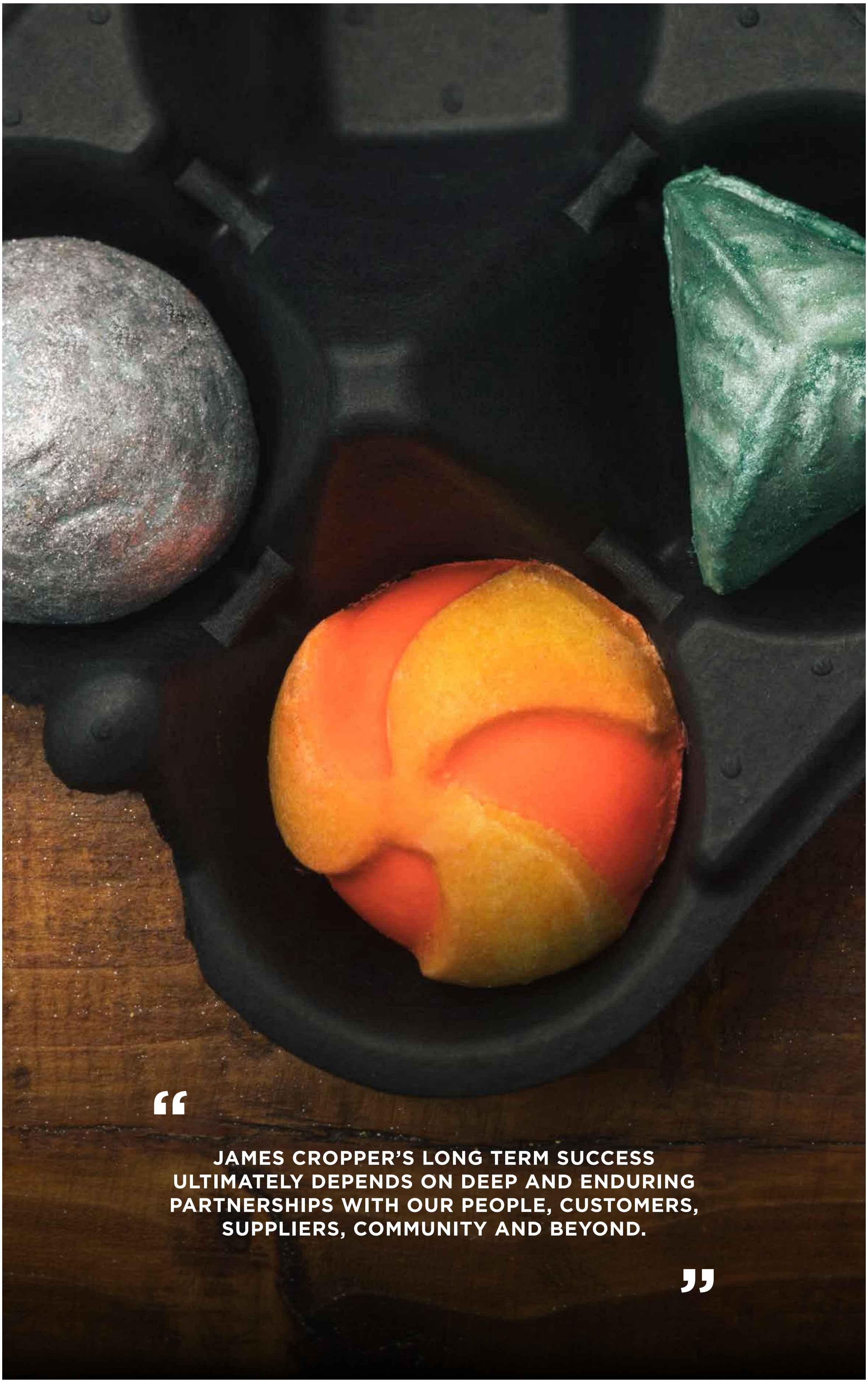
WE CREATE SOME OF THE WORLD'S MOST DISTINCTIVE AND TECHNICALLY ADVANCED PAPER PRODUCTS, USING MATERIALS FROM COTTON AND WOOD TO CARBON FIBRE.

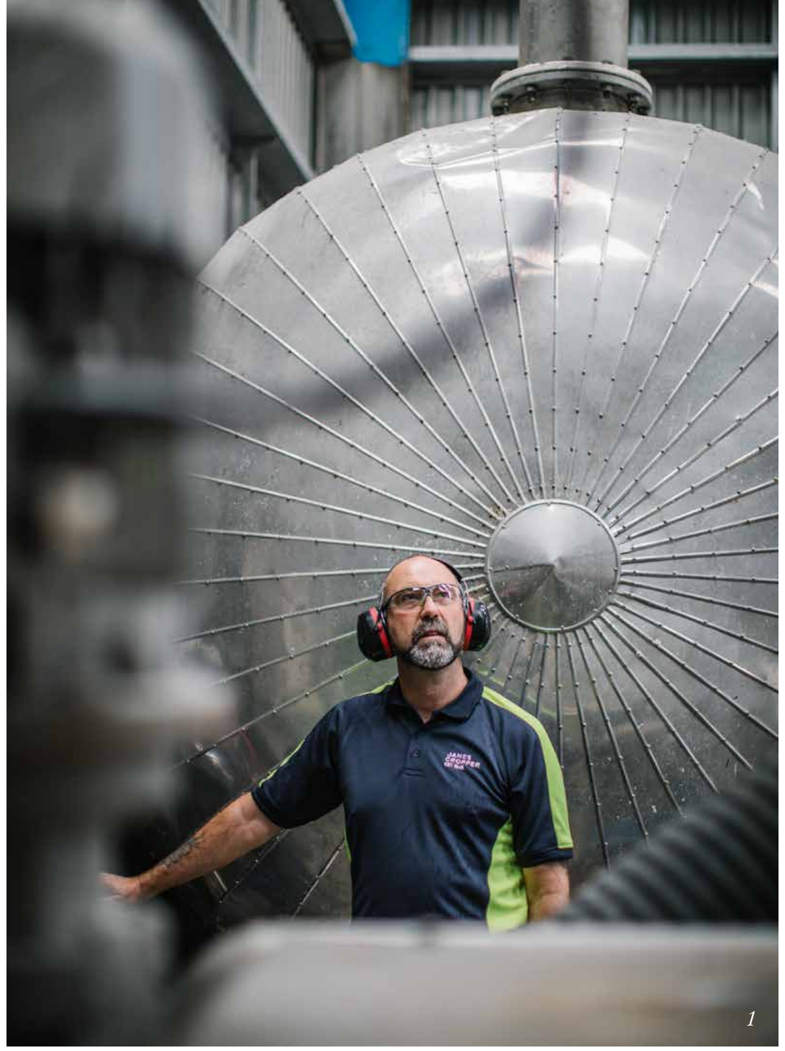
WE SUPPORT INDUSTRIES FROM PACKAGING TO DIGITAL IMAGING AND AEROSPACE WITH PRODUCTS THAT ARE AT THE CUTTING EDGE OF PERFORMANCE.

GLOBAL LOCATIONS



LOCATION	MANUFACTURING	R&D	SALES OFFICE	PARTNERS
1 BURNESIDE, UK - HEAD OFFICE	●	●	●	
2 PARIS, FRANCE			●	
3 FRANKFURT, GERMANY			●	
4 DUBAI				●
5 INDIA				●
6 SHANGHAI, PRC				●
7 GUANGZHOU, PRC			●	
8 HONG KONG, PRC			●	
9 MALAYSIA				●
10 AUSTRALIA				●
11 SOUTH AFRICA				●
12 BRAZIL				●
13 PHILADELPHIA, USA			●	
14 SCHENECTADY, USA	●	●	●	
15 CREWE, UK	●		●	


“
JAMES CROPPER’S LONG TERM SUCCESS ULTIMATELY DEPENDS ON DEEP AND ENDURING PARTNERSHIPS WITH OUR PEOPLE, CUSTOMERS, SUPPLIERS, COMMUNITY AND BEYOND.
”



1. *Steven Gill, Cupcycling™ Operative*
2. *Procurement Team, Raw Materials*
3. *Colourform™ packaging produced for Lush*
4. *Mark James, TFP Research Specialist*
5. *Trevor Atkinson, Cutter Operator*
   with Isabelle Maddock, Finance Director
6. *No.3 Machine, TFP*
7. *Emma Matthews, TFP Materials Scientist*
8. *Paper reels in the high bay warehouse*
9. *Colourform™ apprentices.*
   Left - Mike Gardner, middle - Amos Aschilean,
   back right - Stephen Hull, front right - Matthew Lowther

1. *Colour laboratory*
2. *Operatives, No.4 Papermaking Machine*
3. *Sample analysis, TFP labs*
4. *Colourform™ production*

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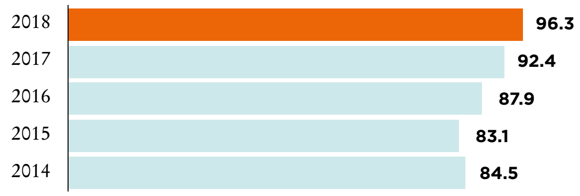
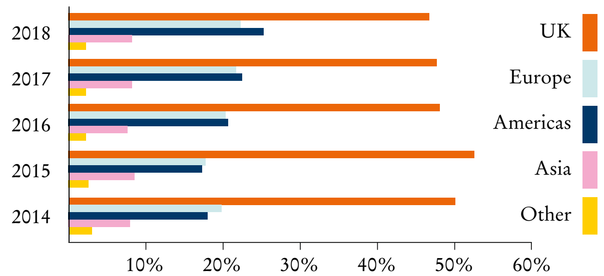
FINANCIAL HIGHLIGHTS

TOTAL REVENUE

£96.3m



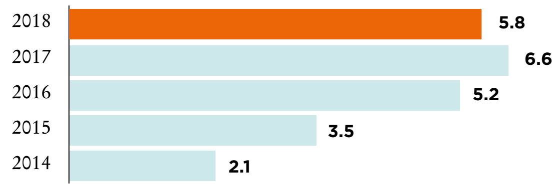
REVENUE BY REGION



ADJUSTED PROFIT BEFORE TAX (i)

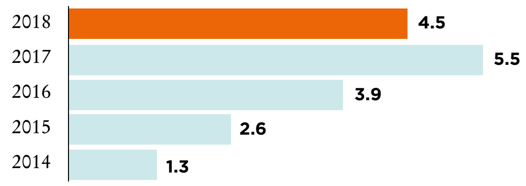
(excluding IAS 19 Pension adjustments)

£5.8m



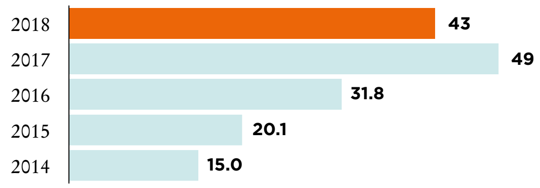
PROFIT BEFORE TAX (iv)

£4.5m



DILUTED EPS (iv)

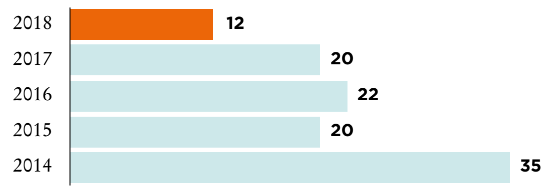
43.0p



GEARING (ii)

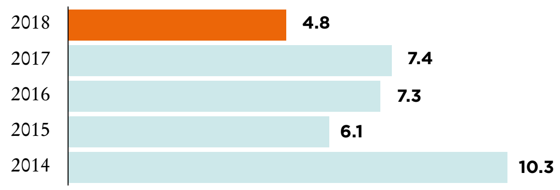
(excluding IAS 19 pension adjustment)

12%



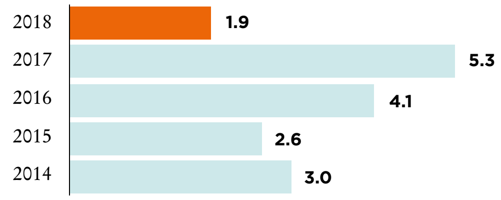
NET DEBT (iii)

£4.8m



CAPITAL EXPENDITURE

£1.9m



(i) Adjusted profit before tax equates to profit before tax excluding the IAS 19 impact
(ii) Gearing is calculated as the proportion of net debt to Total Shareholders' Equity, excluding the IAS 19 Pension deficit.
(iii) Net debt, and net borrowings, are calculated as total loans and borrowings less cash and cash equivalents.
(iv) The figures for 2017 have been restated following a prior year adjustment resulting from changes to the valuation of the pension scheme liabilities. Details can be found in note 25 on page 109.

FINANCIAL SUMMARY

SUMMARY OF RESULTS

	2018 £'000	RESTATED 2017 £'000	2016 £'000	2015 £'000	2014 £'000
Revenue	**96,312**	**92,363**	**87,920**	**83,052**	**84,518**
Adjusted operating profit (excluding IAS 19 impact & exceptionals)	6,133	6,849	6,264	3,899	2,545
Adjusted profit before tax (excluding IAS 19 impact)	5,825	6,566	5,173	3,494	2,088
Impact of IAS 19	(1,284)	(1,025)	(1,305)	(919)	(775)
Profit before tax	**4,541**	**5,541**	**3,868**	**2,575**	**1,313**
Earnings per share - diluted	43.0p	49.0p	31.8p	20.1p	15.0p

BALANCE SHEET SUMMARY

	2018 £'000	RESTATED 2017 £'000	2016 £'000	2015 £'000	2014 £'000
Non-pension assets – excluding cash	59,899	64,304	57,470	50,810	51,093
Non-pension liabilities – excluding borrowings	(15,585)	(19,433)	(17,019)	(14,289)	(11,230)
	44,314	44,871	40,451	36,521	39,863
Net IAS 19 pension deficit (after deferred tax)	(16,162)	(18,421)	(6,453)	(11,554)	(9,312)
	28,152	26,450	33,998	24,967	30,551
Net borrowings	(4,806)	(7,364)	(7,305)	(6,105)	(10,277)
Equity shareholders' funds	**23,346**	**19,086**	**26,693**	**18,862**	**20,274**
Gearing % - before IAS 19 deficit	12%	20%	22%	20%	35%
Gearing % - after IAS 19 deficit	21%	39%	27%	32%	51%
Capital expenditure £'000	1,935	5,315	4,086	2,619	2,958

Non GAAP Measures:

(i) The IAS 19 pension adjustments are explained in detail in the Financial Review section, page 13. The total amount excluded from the IAS pension charge is £1,284,000 (2017 restated: £1,025,000). The adjustment, which we refer to in these accounts as the "IAS 19 impact" represents the difference between the pension charge as calculated under IAS 19 and the cash contributions for the current service cost only as determined by the latest triennial valuation. The Directors consider that the adjusted pension charge better reflects the actual pension costs for ongoing service compared to the IAS 19 charge. This adjustment is made internally when we assess performance and is also used in the EBITDA and EPS targets used in management incentive schemes. EBITDA is defined as "operating profit before interest, tax, depreciation and amortisation".

(ii) We also exclude exceptional items from certain internal profit measures and in setting management incentive scheme targets. Items which, by their nature, are material items that are not expected to recur, are excluded in order to provide a clearer picture of the underlying performance of the Group.

(iii) The figures for 2017 have been restated following a prior year adjustment resulting from changes to the valuation of the pension scheme liabilities. Details can be found in note 25 on page 109.

CHAIRMAN'S LETTER

Dear Shareholders,

This year has been a year of contrasts for the Group. While we have continued to strengthen in numerous ways, as outlined in this report, we have been unable to sustain the upwards profits trajectory of recent years. This is primarily owing to dramatically rising pulp costs within our paper division, as well as increased losses incurred within our start-up business, James Cropper 3D Products Limited ("3DP").

Nevertheless, there is plenty to be positive about. The net impact of the headwinds faced were significantly lessened under the careful stewardship of CEO Phil Wild and his team, and across all divisions our ambitions remain undiminished. Our financial position under the leadership of Finance Director Isabelle Maddock also remains strong. Cash generation from operations was only very slightly lower than the prior year, and with strong working capital controls we were able to continue investment in 3DP. Borrowings are presently low giving us sufficient headroom within our financial covenants to fund future investments.

This year TFP has led the way in both revenue and profit growth, the latter jumping by 25 percent. This followed a marginal performance improvement in the prior year and was a welcome uplift given our significant investment in doubling production capacity in 2015. Orders for the third UK production line are growing in step with our ambitions and, as outlined by Managing Director Martin Thompson on page 31, further capacity is likely to be required by 2020. Aerospace and defence were behind much of the growth experienced this year, albeit outshone by demand for fuel cell materials which has doubled for the second year in a row. The fuel cell industry is in its infancy in most markets and accordingly has excellent growth prospects.

In the Paper division profits more than halved in 2017-18 owing to significant rises in the price of pulp, as noted above. It was not possible to recover these in the year though the impact was significantly mitigated by commercial and operational improvements. Mix and margin continue to be enhanced, helped by good demand for our products from customers new and old. Efficiency and productivity improvements continue apace and we see scope for many more. This year was noteworthy for process waste being cut to its lowest ever level.

Recycling has also featured highly in Paper's most public highlight of the year, the launch and ongoing publicity around the CupCycling™ initiative. Not least this attracted the attention of HRH The Prince of Wales and his Business in the Community responsible business network, the latter arranging a "Seeing is Believing" tour and waste summit to coincide with his visit to the mill in March.

Whilst we have operated our coffee cup recycling plant for some years, this project to upcycle used coffee cups into paper and packaging products (including the G . F Smith papers used in this annual report) brings the story full circle. It has raised James Cropper's profile greatly and is leading to many new lines of enquiry. At the outset of the year we could not have imagined how much prominence coffee cups were to gain in the national consciousness.

The similar attention being shone on single use plastics has also proved very timely for 3DP's Colourform™ moulded fibre range, specifically designed as a recyclable and attractive alternative to plastic. This was launched in September 2017 and we were greatly honoured that HRH The Prince of Wales officially opened the plant on his visit. The business was not cash positive this year as hoped but we remain as convinced by its long term potential and will continue to invest in pursuit of this.

This is but one example of the Board's longer term initiatives I referred to in last year's report. It is also indicative of the strength of the Group that we continue to grow our Technology & Innovation department under CTO Patrick Willink in order to explore several other avenues of future potential.

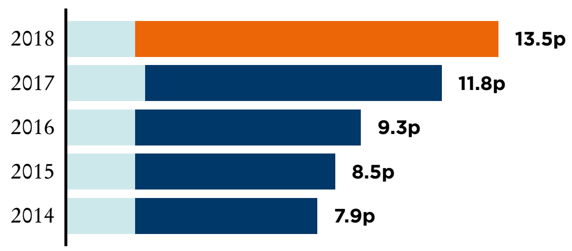
Within these we are mindful that innovation need not necessarily be technological but can also take many other forms, be they commercial, financial or otherwise. It is also central to our approach that we take an external view. On this note we are delighted to be welcoming Dr Andrew Hosty this year as a Non-Executive Director. Andrew will be joining the Board on 1 August, and brings a wealth of relevant experience and acumen to the Group, not least gained within Morgan Advanced Materials plc where he served as COO and most recently as Founding CEO of the Sir Henry Royce Institute for Advanced Materials.

As well as new and external ways of thinking, another core tenet that is central to our prospects is that of partnership. This is not new. For generations we have prized our relationships with stakeholders, be they customers, suppliers, banks and advisers, shareholders or employees. Indeed, we measure the longevity of these by the decade. What is changing, however, is the depth and scale of many. In recent years more and more of our growth has been underpinned by close collaborations with global corporations in sectors ranging from luxury retail to aerospace. All value us for our creativity and agility, often beyond what is possible within very large organisations, and we value them for the challenge and magnitude of potential they bring us. Many we can't talk about, but a few related stories are told in the ensuing pages, including our programme with Selfridges, McDonalds and Veolia which recently won a global supply chain award for Best Collaborative Effort.

DIVIDEND PER SHARE

The Board is recommending a final dividend of 11.0 pence per share, making a total dividend for the financial period of 13.5 pence per share, an increase of 14%.

Basic earnings per share in the period fell by 12% to 43.3 pence per share with diluted earnings per share falling by 12% to 43.0 pence per share.



OUTLOOK

As already noted, and intimated by the recommended final dividend increase, the Board and I continue to be excited about the prospects of the Group. We recognise there are significant challenges in recovering the margins lost in Paper to pulp costs and that continued research, innovation and investment will be vital to maintaining our position and creating future value.

This year I have been heartened by the growing recognition the Group is receiving for our sustainable products, and the integrity of our operations and employees. The latter matters most of all. Indeed more than ever we are dedicating time and investment to ensure all who work for James Cropper are given the skills, know-how, accountability and awareness of our ambitions to have successful long term careers within the Group. These in turn, I hope, will ensure we can continue to expand for many years to come.

Mark Cropper

Mark Cropper
Chairman
25 June 2018

CHIEF EXECUTIVE'S REVIEW

REVENUE (2017: £92.4m)	**£96.3m**	+4%
ADJUSTED OPERATING PROFIT (excluding IAS 19 impact) (2017: £6.9m)	**£6.1m**	-10%
ADJUSTED PROFIT BEFORE TAX (excluding IAS 19 impact) (2017: £6.6m)	**£5.8m**	-11%
PROFIT BEFORE TAX (2017 restated: £5.5m)	**£4.5m**	-18%
NET BORROWINGS (2017: £7.4m)	**£4.8m**	-35%
DILUTED EARNINGS PER SHARE (2017 restated: 49.0p)	**43.0p**	-12%
FULL YEAR DIVIDEND PER SHARE (2017: 11.8p)	**13.5p**	+14%

KEY PERFORMANCE INDICATORS

In the period we have observed a significant increase in pulp price impacting the Paper division. The full period impact of the higher pulp price on the Group's pre-tax profits was approximately £3.5m. In response the Group implemented interim cost savings and together with the trading strength of the Technical Fibre Products Division ("TFP"), the headwind created from the pulp price increase was mitigated by over £2.0m.

At the start of the period the Group's expectation for Profit before tax (excluding IAS 19) was £7.2m. This was subsequently revised following the significant movement on pulp price, to £5.7m. The final result taking into account the headwinds and mitigation actions was just ahead of our latest forecast at £5.8m.

The underlying performance of the Paper division remains healthy with improving operating margins and additional interest shown following the media interest in our Cupcycling™ brands. TFP have had a successful period with strong growth in revenues and operating profits. James Cropper 3DP ("3DP") has seen slow growth in revenue but increasing interest in Colourform™ as a sustainable alternative to plastic packaging.

Group profit before tax was £4.5m, compared to £5.5m in the prior period (restated).

REVENUE AND OPERATING PROFIT

Group revenue for the financial period was £96.3m, up 4% on the prior period. Revenue for James Cropper Paper grew by 0.3% in the period to £71.2m with operating profit lower by 54% to £1.5m. Revenue for Technical Fibre Products grew by 17% in the year to £24.9m and operating profit up 25% at £7.4m.

RESEARCH AND DEVELOPMENT

Research and development is a fundamental part of our growth strategy, adding to our capability, maintaining our competitiveness and bringing new product lines into our target markets. The Group continues to invest in research and development with expenditure in R&D of £2.6m in the period, compared to £1.4m in the prior period.

CAPITAL EXPENDITURE

Capital expenditure during the period was £1.9m (2017: £5.3m).

CASH AND DEBT

The Group had gross debt of £10.4m at the balance sheet date and cash of £5.6m, giving a net debt of £4.8m (2017: £7.4m). The Group had un-drawn overdraft and revolving credit facilities of £8.9m at the balance sheet date and borrowings of £1.6m to be repaid within 12 months. The undrawn facilities and the cash provide funds against which the short term borrowings can be paid, leaving £12.9m of funds available to the Group at the period end.

Gearing at the financial period end, after deduction of the IAS 19 pension deficit, was 21%, down from 39% (restated) on the previous period. Gearing, excluding the impact of IAS 19, was 12% down from 20% on the previous period.

CORE PRINCIPLES SUPPORTING OUR GROWTH STRATEGY

While we've long believed that 'no man is an island', this year is testimony that the same is true for businesses. James Cropper owes its 173 year history of success to the partnerships it has fostered with customers, suppliers and the local community.

It is this collaborative attitude which allows us to claim a 40 year partnership with picture framing experts Arqadia, 100 years working alongside pulp supplier UPM Kaukas, and creating new partnerships with brands such as CCM Hockey and Lush Fresh Handmade Cosmetics.

The highlights of the Group's performance this year have been supported by partnerships; but they have also been driven by our collaborative approach to people, innovation and sustainability.

PEOPLE

When it comes to recruiting our people, we have a clear strategy: we look for the absolute best. As a Group with global reach and ambition, a fantastic heritage and a focus on world-class innovation, diversity and equality are not just nice to haves, they are an essential part of securing the future of our business. That's why, outside of ability and shared values there are no barriers to joining the James Cropper team.

We see the relationship we have with each of our people as a partnership. I believe this approach underpins our low staff turnover and outstanding record for long-term service. The result is a wealth of knowledge and skills staying in the business that are fundamental to our capacity for growth.

Our commitment to building a culture with no obstacles to progression is reflected in the productivity we see every day, as well as our world-class products and service. Our investment of hundreds of thousands of pounds in training is essential to this output and we're proud that five per cent of our staff are currently active in apprenticeships.

INNOVATION

This year, the spotlight on James Cropper's position as an innovator has been particularly bright. Recognition from both inside and outside of the industry has come in the form of award wins, media profile and even a Royal visit.

Over the course of the year, our CupCycling™ facility began upcycling used coffee cups into premium paper products in a supply-chain partnership with McDonalds, Costa and Selfridges to name a few. Our 3D Products business has evolved from producing the inlays for packaging to providing full packaging solutions that are 100% plastic-free, broadening opportunities significantly. In addition, Technical Fibre Products has worked with clients to develop composite fuel pipes designed to replace metallic equivalents, saving weight and therefore fuel consumption for the aerospace industry. Additionally TFP are developing a range of new applications using nano coating technologies.

Carving new avenues for growth through innovation is part of the James Cropper legacy, but it is not accidental. Each business has its own dedicated Research and Development team and we invest around £2m annually across our businesses. Fifteen per cent of our workforce is fully dedicated to R&D activities and a large proportion hold roles with part-time responsibility for driving innovation.

SUSTAINABILITY

Sustainability is no longer a word used to describe an intention or idea of the future. Consumers and investors want to see the businesses they engage with taking tangible steps towards sustainable practice. For those who cannot find a solution to sustainability challenges, key stakeholders will start to walk with their feet towards the businesses who can.

The culture of sustainability runs deep at James Cropper but working with our people, suppliers and community to ensure we continue to do better every day is key. Whether it's the use of renewable energy or investing in innovative processes to meet recycling challenges, we are always making change, and the last year is a tribute to this.

Most notably, James Cropper was highlighted as an example of best practice when Business in the Community, founded by The Prince of Wales, chose to hold a summit at our mill. There, a group of cross sector leaders met in the spirit of collaboration to discuss some of the key challenges and opportunities related to bringing waste back into value chains. Our processes and products were used as inspiration, notably our used coffee cup recycling and our capability to create beautiful plastic-free packaging.

However, the work is never done. We continue to study our own practice through formal life-cycle analysis across the business. This examines the provenance of the materials we use, how they get to us, the manufacturing process, and whether our products can be recycled or contribute to a value stream at the end of their lifespan.

Our activities across innovation, sustainability and investment in our people provides a solid foundation and vehicle for long-term commercial success. These core principles will remain at the heart of our growth strategy for the years ahead.

Phil Wild
Chief Executive Officer
25 June 2018

FINANCE DIRECTOR'S REVIEW

REVENUE AND TRADING PROFITS

Group adjusted profit before tax (excluding IAS 19 impact), fell by 11% on the prior period to £5,825,000 (2017: Restated £6,566,000). Higher operating costs experienced in Paper, coming largely from increased pulp prices, have been partially offset by an improved mix and raised average selling prices in the Paper division, accompanied by a strong performance in TFP and interim cost savings in Paper and across the Group.

After taking into account the headwinds and mitigation actions, this is the second best performing year in the Group's recent 10 year history. Group profit before tax for the period fell by 18% on the prior period to £4,541,000 (2017: Restated £5,541,000).

PROFIT SUMMARY	2018 £'000	RESTATED 2017 £'000	CHANGE £'000	CHANGE %
Paper Products	1,468	3,209	(1,741)	-54%
Technical Fibre Products	7,449	5,940	1,509	25%
3D Products	(1,639)	(426)	1,213	-285%
Other Group expenses	(1,145)	(1,874)	(729)	39%
Adjusted operating profit	6,133	6,849	716	-10%
Net interest (excluding IAS 19 impact)	(308)	(283)	(25)	-9%
Adjusted profit before tax	**5,825**	**6,566**	**(741)**	**-11%**
Net IAS 19 pension adjustments				
Net current service charge required*	(695)	(661)	(34)	5%
Net interest	(589)	(364)	(225)	62%
Net IAS 19 pension impact	(1,284)	(1,025)	(259)	25%
Profit before tax	**4,541**	**5,541**	**(1,000)**	**-18%**

*Net current service charge required is the difference between the current service cost (£1,285,000) less normal contributions (£590,000)

ALTERNATIVE PERFORMANCE MEASURES – ADJUSTED OPERATING PROFIT AND ADJUSTED PROFIT BEFORE TAX

James Cropper uses alternative performance measures to allow users of the financial statements to gain a clearer understanding of the underlying performance of the business.

Total reported profit before tax represents the Group's overall performance and financial position, however it contains significant non-operational items relating to IAS 19 that the directors believe obscure an understanding of the key performance trend. Measures used to evaluate business performance are "Adjusted operating profit (Operating profit excluding the impact of IAS 19)" and "Adjusted Profit before Tax (Profit before tax excluding the impact of IAS 19)". Both are used in the profit summary table shown here.

The Group's total reported profit before tax is based on the adjustments required for IAS 19, which are further described in the pensions section of this report. The IAS 19 pension impact on profits for the period ended 31 March 2018 is £1,284,000 (2017: Restated £1,025,000).

REVENUES

REVENUE SUMMARY	2018 £'000	2017 £'000	CHANGE £'000	CHANGE %
Paper Products	71,237	71,024	213	0.3%
Technical Fibre Products	24,909	21,332	3,577	17%
3D Products	166	7	159	2,271%
Revenue	**96,312**	**92,363**	**3,949**	**4%**

Group revenues are £96,312,000, a 4% increase from £92,363,000 in 2017. 55% of Group revenues come from export sales (2017: 54%), with strong growth coming from US markets.

3DP is acknowledging a longer than anticipated cycle time to switch from plastic to moulded fibre packaging, which resulted in lower than anticipated sales in the period. Overall the Paper market remained flat as our strategy to change mix continues and with some customers delaying projects or switching to alternative lower quality solutions rather than take on the increased prices being forced through due to pulp prices. Despite the weakness of the US Dollar which impacted revenues, TFP experienced top line growth with revenues up by 17% with progress experienced across all market areas.

DIVISIONAL PERFORMANCE

The Group operates three separate trading divisions; Paper, Technical Fibre Products ('TFP') and James Cropper 3D Products ('3DP') which is a business recently established in 2016. Each business and its related performance in the period is described here.

PAPER

The Paper division is a custom speciality papermaker and converter manufacturing exclusively in Great Britain. We are globally renowned for expertise in the low volume tailor made manufacture of high value, uncoated, textured, coloured papers. We pride ourselves in the personal relationships, strength of strategic partnerships and in the number of productive collaborations that create sustainable value for our customers. CupCycling™ (recycling of used paper coffee cups) was launched in the year and its success comes from productive collaborations between supply chain partners and environmentally conscious brands. The major challenge this year has come from the extended rise in pulp prices, the full year impact being circa £3.5m. A combination of price increases, cutting back on expenditure and selective investment has helped to mitigate this impact. Paper has operating profits of £1,468,000 (2017: £3,209,000), down 54% on prior period.

TFP

Technical Fibre Products develops and manufactures high performance non-woven and other advanced materials at manufacturing locations in Great Britain and the USA. TFP offers not just a diverse product range, but the capability to research, develop and tailor materials to meet specific performance requirements. A key part of our ethos is to work in partnership with our global customer base to develop solutions for their specific technically demanding challenges. TFP has grown its revenues, and profitability is 25% up on prior period with operating profits of £7,449,000 (2017: £5,940,000).

3DP

James Cropper 3D Products is a recently added business producing moulded fibre (paper) packaging parts in a wide range of colours, providing an alternative to single use plastic packaging. Colourform™ is the core product range from 3DP, and it represents a viable and high quality alternative to plastic packaging, being fully recyclable, compostable and biodegradable.

Project origination is a lengthy process incorporating design, prototyping and production tooling manufacture. Conversion of projects from plastic to pulp has been slow, however early adopters of pulp solutions are now on-board and the business was running all production lines at the end of the period. During the period the business has reduced the origination costs and time involved in prototyping, by developing a unique "studio prototyping" service. Customers now experience a more rapid response time and service as their ideas are turned into reality. Key focus is on managing the pipeline of customer projects from concept to commercialisation. Recent media coverage on CupCycling™ and Colourform™ has led to an increase in projects. 3DP made a loss in the period of £1,639,000 (2017: £426,000).

CURRENCY

	US$	€
Opening rate March 2017 v. £	1.2465	1.1686
Closing rate March 2018 v. £	1.4075	1.1403
Exchange rate movement (Weaken) / Strengthen v. £	(12.92%)	2.42%

This table compares the opening and closing exchange rates for the financial period. The value of the Pound Sterling dropped moderately against the Euro, having experienced a significant weakening in the prior period. The Pound Sterling strengthened against the US Dollar. Currency movements had a net negative impact on operating profit versus the comparable prior period, driven mainly by a weaker US Dollar relative to the Pound Sterling.

55% of the Group's sales are exports bringing in US Dollars and Euros to the Group. Euros are used to purchase Euro priced pulp and other Euro priced raw materials and US Dollar receipts are used to fund the purchase of US Dollar priced pulp. Potential exposure to foreign currency surpluses or deficits are dealt with via foreign currency trades using forward selling or forward purchasing contracts. No material contracts are in place at the period end.

ALTERNATIVE PERFORMANCE MEASURES

EBITDA (EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION)

The Group monitors EBITDA where EBITDA is defined as "operating profit before interest, tax, depreciation and amortisation". Adjusted EBITDA is EBITDA excluding the impact of IAS 19. It provides an indication of cash generated from the Group's operations.

ADJUSTED EBITDA (EXCLUDING THE IMPACT OF IAS 19)	2018 £'000	2017 £'000	CHANGE £'000	CHANGE %
Adjusted operating profit (excluding the impact of IAS 19)	6,133	6,849	(716)	-10%
Depreciation and amortisation	2,678	2,297	381	17%
Adjusted EBITDA (excluding the impact of IAS 19)	**8,811**	**9,166**	**(355)**	**-4%**

The Group's Adjusted operating profit decreased by 10% year on year and the Group's depreciation costs were 17% higher than in the prior period. 3DP is not yet generating cash however both Paper and TFP continue to be strongly cash generative. The group delivered an Adjusted EBITDA of £8,811,000 (2017: £9,166,000).

TAX

The Group's total tax charge for the period is £451,000 (2017: £910,000) an effective tax rate of 10% on profit before tax. The effective rate is lower than the standard rate of corporation tax in the UK (19%) as a result of a retrospective claim for Research and Development ("R&D") tax relief and a current year claim for RDEC (R&D Expenditure Credit). Investing in research, innovation and development is a key part of our growth strategy and an effective way to stimulate and advance our manufacturing capabilities.

STATEMENT OF FINANCIAL POSITION (SFP)	2018 £'000	RESTATED 2017 £'000
Non-pension assets - excluding cash	59,899	64,304
Non-pension liabilities - excluding borrowings	(15,585)	(19,433)
	44,314	44,871
Net IAS 19 pension deficit (after deferred tax)	(16,162)	(18,421)
	28,152	26,450
Net borrowings	(4,806)	(7,364)
Equity shareholders' funds	23,346	19,086
Gearing % - before IAS 19 deficit	12%	20%
Gearing % - after IAS 19 deficit	21%	39%
Capital expenditure £'000	1,935	5,315

Non-pension assets have decreased from £64,304,000 to £59,899,000 driven by a reduced level of capital investment this year, tight control over stock levels and trade receivables. There was moderate capital investment across all divisions this year with spend continuing on site resilience, IT and energy infrastructure projects. Non-pension liabilities have decreased by £3,848,000 largely due to balances on trade payables. The Net IAS 19 pension deficit has reduced by £2,259,000. Shareholders' funds show an overall increase of £4,260,000 to £23,346,000.

SFP IAS 19 PENSION	2018 £'000	RESTATED 2017 £'000	CHANGE £'000
Retirement benefit liabilities	(19,472)	(22,194)	2,722
Deferred tax asset	3,310	3,773	(463)
Net IAS 19 pension deficit	**(16,162)**	**(18,421)**	**2,259**

The Group has a net deficit on its defined benefit retirement schemes of £16,162,000 (2017: Restated £18,421,000). The deficit at 31 March 2018 includes a past service reserve of £3,315,000 (2017: Restated £3,374,000) in relation to potential liabilities arising from the normal retirement dates for male and female members of the Staff Scheme. The reduction in deficit during the period is principally attributable to the discount rate and mortality assumptions. A full retirement benefit disclosure is provided in note 18 to the financial statements and a greater analysis of IAS 19 on pensions is provided within the pensions section of this report.

CASH FLOW

	2018 £'000	2017 £'000
Adjusted EBITDA (excluding IAS 19 impact)	8,811	9,166
Pension deficit payments	(1,413)	(1,362)
Increase in working capital	(436)	(76)
Other	(1,444)	(1,012)
Net cash generated from operations	**5,518**	**6,716**
Capital expenditure	(1,935)	(5,315)
Dividends paid	(1,097)	(881)
Increase / (decrease) in loans	1,650	(1,665)
Other	(500)	(120)
Increase / (decrease) in cash	**3,636**	**(1,265)**
Opening cash	1,921	3,186
Closing cash	5,557	1,921

In the period the Group's net cash inflow was £3,636,000 (2017: outflow £1,265,000). Cash through Adjusted EBITDA delivered £8,811,000. Past service deficit payments of £1,413,000 are made in accordance with the agreed schedule of contributions. The Group controls working capital appropriately to support growing revenues and during the year working capital investment increased by £436,000 whilst revenues grew by £3,949,000. Capital expenditure in the period was £1,935,000 (2017: £5,315,000). Available cash reserves have grown and the closing cash position for the Group is £5,557,000 (2017: £1,921,000).

FUNDING, FACILITIES AND NET DEBT

	2018 £'000	2017 £'000	CHANGE £'000
Cash and cash equivalents	5,557	1,921	3,636
Borrowings: repayable within one year	(1,600)	(1,570)	(30)
Borrowings: non-current	(8,763)	(7,715)	(1,048)
Net debt	**(4,806)**	**(7,364)**	**2,558**
Borrowings: repayable within one year	1,600	1,570	30
Borrowings: non-current	8,763	7,715	1,048
Facilities drawn down	10,363	9,285	1,078
Undrawn facilities	8,944	7,751	1,193
Facilities	**19,307**	**17,036**	**2,271**
Cash and cash equivalents	5,557	1,921	3,636
Undrawn facilities	8,944	7,751	1,193
Funds available at year end	**14,501**	**9,672**	**4,829**
Borrowings: repayable within one year	(1,600)	(1,570)	(30)
Funds available in excess of one year	**12,901**	**8,102**	**4,799**

The Group funds its operations and investments from operating cash flow and from borrowings and finance leases. During the period net debt reduced by £2,558,000 to £4,806,000.

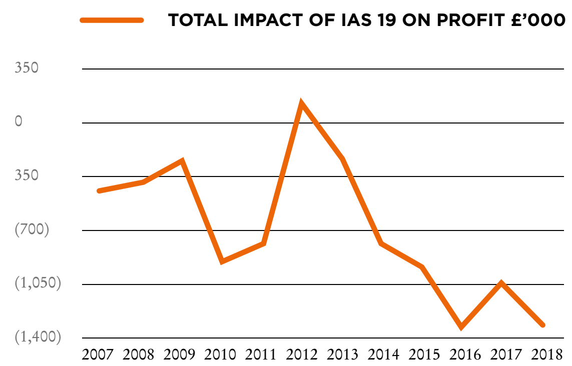
The Group has two revolving credit facilities secured with different high street banks. Revolving credit facilities provide the Group with optional draw down at short notice, repayment flexibility, reduced margins and facilities on an unsecured basis. Total revolving credit facilities, from two supporting banks, amount to £10,500,000, of which £5,243,000 is drawn down at the period end. Long term borrowings (falling due after more than a year) increased by £1,048,000 to £8,763,000 whilst cash and cash equivalents increased from £1,921,000 to £5,557,000 in the period. Undrawn facilities comprise of unused overdraft facilities of £3,687,000 plus the total unused revolving credit facilities of £5,257,000. Having taken account of current borrowings to be paid within 12 months of the balance sheet date the Group has £12,901,000 available to the Group beyond 12 months. Current availability of finance is good and the Group expects to be able to re-finance, or renew funding on favourable terms. Further details can be found in note 17.3 in the notes to the financial statements.

THE PENSION REPORT

ADJUSTED OPERATING PROFIT PRIOR TO THE IMPACT OF IAS 19 IS AN ALTERNATIVE PERFORMANCE MEASURE. (REFER TO DEFINITION ON PAGE 13).

James Cropper uses alternative performance measures to allow users of the financial statements to gain a clearer understanding of the underlying performance of the business. Total reported Profit before tax represents the Group's overall performance and financial position, however it contains significant non-operational items relating to IAS 19 that the Directors believe obscure an understanding of the key business performance trend. A measure used internally to evaluate business performance is "Adjusted operating profit" (see definition on page 13).

It is the on-going triennial valuations which the Group monitors and tracks in order to manage pensions, rather than the annual IAS 19 valuations. The IAS 19 period end valuations require the Group's actuaries to make a number of assumptions on a different basis to the on-going valuations, frequently resulting in wide fluctuations and large variations year on year. As an indication of the variable impact of IAS 19 on profits this chart sets out the impact for the last 10 years.



The high point in 2012 under IAS 19 resulted in an additional £128,000 being added to reported profits.

The lowest point in 2016 resulted in a £1,305,000 reduction to reported profits under IAS 19.

THE IAS 19 IMPACT ON PROFITS

The Group's total reported profit before tax is based on the adjustments required for IAS 19, and these adjustments fall within operating costs and finance costs. **The total charge against profits for the period ended 31 March 2018 is £1,284,000 (2017: Restated £1,025,000).** Operating costs and finance costs are further described below.

OPERATING COSTS

The cost of providing pension benefits is included within "employee benefits costs" in the Statement of Comprehensive Income. These costs include; the costs for the defined contribution schemes, personal pension plans, defined benefit schemes, life assurance and government pension protection levies. These costs also include an excess charge of £695,000 (2017: £661,000) determined by IAS 19 which is over and above the future service contributions for the defined benefit schemes.

Under IAS 19 valuation movements are based on assumptions at the start of the period and those operating costs affecting "employee benefit costs" consist of;

- 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 changes.
- Curtailment and settlement costs.
- Any government pension protection levies paid over the period.

ANALYSIS OF EMPLOYMENT COSTS	2018 £'000	2017 £'000	CHANGE £'000
Wages and salaries	22,819	21,991	(828)
Social security costs	2,282	2,180	(102)
Pension costs - future service pension contributions paid	590	529	(61)
Other pension costs	928	877	(51)
Employee benefit costs prior to IAS 19	**26,619**	**25,577**	**(1,042)**
Additional pension cost recognised under IAS 19	**695**	**661**	**(34)**
Employee benefit costs after IAS 19	**27,314**	**26,238**	**(1,076)**

FINANCE COSTS

Finance costs which affect profit, consist of the net of:

- Interest income on pension scheme assets
- Interest cost on the accrued pension scheme liabilities

THE STATEMENT OF FINANCIAL POSITION IAS 19 DEFICIT

The Group has a net deficit on its defined benefit retirement schemes of £19.5m (2017: Restated £22.2m). Full retirement benefit disclosure is provided in note 18 to the financial statements.

The methodology set out under IAS 19 is just one of a number of ways of calculating the deficit at a point in time. Under IAS 19 the deficit is likely to be volatile and may, in the future, be very different from the 31 March 2018 position. IAS 19 requires the Group's actuaries to make a number of assumptions including, rates of inflation, discount rates and current and future life expectancies, based on values and market conditions at the period end date. Discount rates for IAS 19 are based on corporate bond yields, whereas the discount rate used for the triennial on-going valuations was based on a premium above gilt yields which reflects the investment strategy of the scheme. The use of assumptions can have a material effect on the accounting values of the relevant assets and liabilities recognised on the Group's Statement of Financial Position (SFP).

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. The actuarial gains and losses arising from variances against previous actuarial assumptions are passed through to the Statement of Financial Position with corresponding movements in reserves. Specific movements are offset by actual contributions paid by the employer in the period. A past service reserve of £3,315,000 (2017: Restated £3,374,000) has been adjusted for on the valuation to capture an estimate of the potential additional liabilities arising from an issue which has arisen in relation to the normal retirement dates for male and female members of the Staff Scheme (See note 25).

The table below shows the overall value of the schemes' assets which have increased by 1% over the period. The schemes liabilities increased by 2%. The IAS 19 valuations of these schemes as at 31 March 2018 reveal a combined deficit of £19.5m compared with £22.2m (restated) at the previous period end, a decrease of £2.7m.

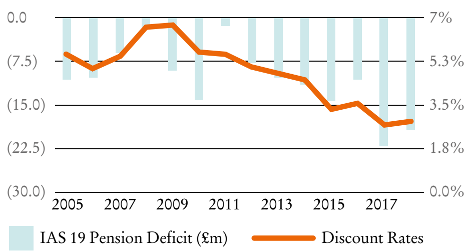
IAS 19 PENSION VALUATION 2018

	STAFF SCHEME	WORKS SCHEME	BOTH SCHEMES TOTAL 2018	RESTATED TOTAL 2017	CHANGE %
Discount Rate	2.80%	2.80%	2.70%	2.70%	
	£'000	**£'000**	**£'000**	**£'000**	
Assets	52,152	54,455	106,607	105,832	1%
Liabilities	(58,560)	(67,519)	(126,079)	(128,026)	2%
Deficit	6,408	13,064	19,472	22,194	12%
Funding Level - %	89%	81%	85%	83%	2%

The combined decrease in the schemes overall deficit is principally caused by two factors; an increase in the discount rate of 0.1% to 2.8% (2017: 2.7%), this is fixed by reference to corporate bond yields with longer maturities, and the adoption of the latest mortality assumptions which has resulted in an overall reduction of liabilities.

Under IAS 19 the pension deficit is likely to be volatile and may in the future be very different from this current period end position. The chart below provides an indication of the variability of pension deficit under IAS 19.

SCHEME DISCOUNT RATES AND PENSION DEFICIT UNDER IAS 19



The Group's IAS 19 deficit has fluctuated markedly since 2005. The large declines in the combined deficit in 2008 and 2011 were as a result of significant reductions in future benefits for active members introduced in April of those years.

DEFINED BENEFIT SCHEMES THE TRIENNIAL "ON-GOING" VALUATION

The Group operates two funded pension schemes providing defined benefits for a number of its employees; the James Cropper PLC Pension Scheme (the "Staff Scheme") and the James Cropper PLC Works Pension Plan (the "Works Scheme").

UK legislation requires the Scheme Trustees to carry out actuarial funding valuations at least every three years and to target full funding over an appropriate time period, taking into account the current circumstances of the Group schemes, and the current circumstances of the Group, on a basis that prudently reflects the risks to which the Group scheme is exposed (the "Technical Provision" basis). The triennial ongoing valuations provide the Group with a steady platform to manage the deficit from one valuation to the next and to agree a funding plan.

The most recent funding valuations were carried out at April 2016 and these determined the combined deficit of the schemes to be £15.8m.

THE APRIL 2016 TRIENNIAL "ON-GOING" VALUATIONS

	STAFF SCHEME £'000	WORKS SCHEME £'000	TOTAL
Discount Rate	3.55%	3.55%	3.55%
Assets	44,401	47,901	92,302
Liabilities	(48,079)	(60,045)	(108,124)
Deficit	**(3,678)**	**(12,144)**	**(15,822)**
Funding level - %	92.4%	79.8%	85.4%

The defined benefit pension schemes are sensitive to a number of key factors: the value of the assets, the discount rate used to calculate the schemes liabilities (based on a premium above gilt yields), the expected rate of inflation in the future and the mortality assumptions for members of the schemes. Changes in these assumptions will impact the deficit positively or negatively.

Following the April 2016 "on-going" valuation a deficit recovery plan was agreed with the Trustees which included contributions of £1.3m per annum to reduce the past service deficits and a further £0.1m per annum to meet pension protection levy payments*, a total of £1.4m each year. These have an impact on both cash and the deficit and are recognised on the Statement of Financial Position.

**The UK Pension Protection Fund provides insurance for pension plans whose employer becomes insolvent, the cost of this insurance is met by levies on defined benefit plans and these create an additional cash obligation on the employer.*

Further details on the agreements are set out below:

THE STAFF SCHEME

The actuarial valuation revealed a deficit of £3.7m. The Group has agreed that it will aim to eliminate the deficit over a period of 4 ½ years by the payment of annual contributions of £470,000 in respect of the deficit. The Group will also meet the expenses of the Scheme and the levies paid to the Pension Protection Fund.

THE WORKS SCHEME

The actuarial valuation showed a deficit of £12.1m. The Group has agreed that it will aim to eliminate the deficit over a period of 9 years by the payment of annual contributions of £810,000 in respect of the deficit. These payments will increase as the staff scheme deficit is eliminated. The Group will also meet the expenses of the Scheme and the levies paid to the Pension Protection Fund.

PENSION RISK MANAGEMENT

The Schemes were closed to new members in the year 2000 in order to contain the Group's exposure to rising pension costs and to safeguard the accrued benefits to existing members. Future annual increases in pensionable pay were capped at a maximum of 2% from 1st April 2011, and starting in April 2014 employee contributions were increased. From 1 July 2017 the Staff Scheme rate of pensionable accrual was reduced from 1/60th to 1/75th for each future year of pensionable service. For both the Staff and the Works Scheme increases in pension once it is in payment, for future benefits accrued, will be in line with the annual increase in the Consumer Price Index, these actions protect the Group's exposure to future costs.

PENSION SCHEME INVESTMENT STRATEGY

The Group agrees an investment strategy with the Trustees taking account of risk. In April 2018 (after the March 2018 year-end) a new investment strategy was introduced with the aim to significantly reduce risk whilst maintaining a similar level of overall return and protecting asset values. The revised investment strategies aim to more closely align movements in each of the Scheme's assets to their liabilities.

RISK MANAGEMENT

VIABILITY

The Board believes that the three years to March 2021 is an appropriate period over which a reasonable expectation of the Group's longer term viability can be evaluated. The Group's current financial position, along with its strategy and plans for the next three years, mark the end of the Group's formal mid-term planning horizon. The Board believes that given the principal risks described in this report, the period beyond three years becomes increasingly less predictable.

The Group's budget and plan has been tested for severe but plausible downside scenarios linked to the Group's principal risks, these include a weaker demand for product, the potential impact of exchange rate fluctuations and increasing pulp prices. The Board is satisfied that the Group will be able to respond to such circumstances through various means which may include a reduced capital expenditure programme to ensure that the Group can continue to meet its ongoing obligations. The Board is satisfied that the Group will have sufficient liquidity to meet its needs over the planning horizon. In the scenarios evaluated the Group remains within its two key financial covenants; its net debt to a rolling 12-month EBITDA ratio must not exceed 3.5 times, it's rolling 12-month EBITDA must always exceed interest payable by 4 times.

Current availability of finance is good and the Group expects to be able to re-finance, or renew funding on favourable terms. Taking into account the principal risks and the results of the downside scenario assessments, the directors have a reasonable expectation that the Group remains viable over the period of assessment.

RISK MANAGEMENT

The Board has overall responsibility for risk management which is key to ensuring good governance and to achieving the Group's strategy. The Board coordinates activity across the Group ensuring risk management remains relevant to each business, the Group as a whole and that it is responsive to changing business conditions. 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 is 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. High risks in financial and operational areas are normally more dependent on insurance, however selected self-insurance activities can provide key protection. Risks in commercial and personnel areas, because of their nature, are more likely to be managed by self-insurance.

Each subsidiary company has a strategy and within that a process for highlighting the key risk areas of their business, and explaining the control measures and risk exposure. Each subsidiary takes appropriate steps to manage their risk exposure taking into consideration the likelihood, impact and cost/benefit of each of the risks. The Executive Committee takes a number of Group level risk management briefs these include: Health and Safety, Environment, Insurance, Treasury, Gas purchasing, Brexit, Pensions, Human Resources and Information systems.

PRINCIPAL RISKS

The principal risks and uncertainties that may adversely impact the performance of the Group are set out in the table on the following pages, along with the steps taken to address these. Each risk should be considered independently. Other factors could adversely affect Group performance and so the risks and uncertainties tabled should not be considered a complete set of potential risks, this report only addresses the Group's most significant risks.

EMPLOYEE SAFETY

RISK DESCRIPTION AND IMPACT	MITIGATION
Employee safety is paramount and the Group embraces the ethos that nothing we do is worth getting hurt for. If an incident were to arise this could potentially result in harm to employees, contractors, property, lost production time, financial penalties, restitution costs, and harm to the Group's reputation.	We have a goal of zero lost time accidents and aim to continuously advance our safety mind-set, programmes, behaviours and culture to achieve this. The Group has an extensive Health & Safety programme built around the ISO 18001 framework which is proactively driven across every division. We continually monitor incidents, improvement suggestions and close calls and actively build on learnings across the Group. The Executive and senior management teams drive our Workplace Standards Inspections initiative, where time is taken to review, grade and promote a safe working environment with employees at all levels across the organisation. Our dedication to continuously improving occupational health and safety has been recognised on four consecutive years as RoSPA (Royal Society For the Prevention of Accidents) has accredited the James Cropper Group with a Gold Award for 2014, 2015, 2016 and 2017. The James Cropper Group remains fully committed to continuously improving its rigorous health and safety management system as it strives to deliver world class standards of safety. The Group participates in external benchmarking and best practice set across the paper industry and is a proactive committee member of PABIAC (Paper And Board Industry Advisory Committee), a tripartite strategic health and safety delivery partnership for the paper, board and recovered paper industries, Health & Safety Executive ('HSE') and union representatives.

ENVIRONMENTAL SUSTAINABILITY

RISK DESCRIPTION AND IMPACT	MITIGATION
Environmental sustainability is at the heart of what we do at James Cropper. Our operations are water and energy intensive, and are subject to a wide range of international, national and local environmental laws and regulations. The requirements of legislation, our customers and the expectations of our broader stakeholders are all key to ensuring we operate to safeguard against environmental incidents. Should a material environmental incident occur at a James Cropper site this could result in financial penalties, the cost of clean-up and restoration activities, adverse reputational damage and an adverse effect on profitability.	As a minimum the Group complies with all environmental rules and regulations and we have detailed processes in place around the ISO 14001 framework which is proactively driven across every division to ensure compliance. The Group engages with the Environment Agency and interested parties to enhance the way organisations can work together on environmental matters, controls and governance. The Group prides itself on securing pulp from responsibly managed and accredited sources. In collaboration with external stakeholders we are promoting the adoption of circular economies, converting waste into beautiful packaging.

ENVIRONMENTAL TAXATION - EUETS

RISK DESCRIPTION AND IMPACT

The EU Emissions Trading scheme ('EUETS') is Europe's key tool for reducing greenhouse gas emissions. The EUETS is now in its third phase and the key change is to reduce the Group's annual allowance to an average of 15,000 tonnes of CO_2 per annum (phase 2: 41,000 tonnes) resulting in around 25,000 tonnes of CO_2 to be purchased each year.

Risk on price

Carbon emission prices have been low due to over-supply in the market, there is a risk that actions will be taken to address the markets over supply and this will have a significant effect on prices and an adverse effect on profitability.

MITIGATION

The Group monitors its electricity usage, carbon emissions levels and the use of renewable energy. As we operate a gas-fired combined heat and power system ('CHP') we have high levels of electricity self-sufficiency. As part of its energy strategy the Group considers diversification away from gas to alternative fuels, this includes consideration of investments into sustainable energy saving solutions including technologies to reduce emissions, or technologies which do not emit CO_2 whilst generating energy.

In order to comply with EUETS phase 3 the Group actively considers forward contracts to manage and secure its shortfall in CO_2 allowance and its costs in this area. If emissions are reduced, or allowances not fully used, the Group can keep the spare allowances to cover its future needs. At the period end March 2018 a forward carbon emission purchase commitment is in place to December 2018, providing some certainty over future cost.

ENERGY TAXATION

RISK DESCRIPTION AND IMPACT

The Group faces a number of taxation and regulatory environment risks in the ever changing UK energy regulatory landscape, these are;

- The risk of an implementation of Ofgems' Total Charging Review that adds increased cost and charges to on-site generated electricity.
- The risk that our "Energy Intensive Industry ('EII') at risk of carbon leakage" status is removed by the EU or no longer applicable under UK Brexit.
- The risk that carbon price floor exemptions are withdrawn.
- The risk of increasing Climate Change levy ('CCL') rates on gas and electricity.

All of the above risks place James Cropper at a distinct disadvantage to its EU competitors, and the Group will face ever increasing costs of energy taxes making operations unaffordable, creating an adverse impact on profitability with the risk of operations moving outside of the UK to remain competitive.

MITIGATION

The Group's energy strategy is to consider investments which reduce emissions, or technologies which do not emit CO_2 whilst generating energy. Until a suitable investment opportunity is found, the Group will continue to operate within the existing framework, which is at present subject to EC regulation in this area, albeit this may change under Brexit.

James Cropper PLC is a member of the Confederation of Paper Industries ('CPI') an organisation which works on behalf of the UK's Paper-based Industries. The CPI lobbies HM Government alongside other UK intensive energy users to protect UK manufacturing from carbon leakage. The CPI performs an excellent service on the Group's behalf as programme administrator placed between the Group and HM Government to monitor the CCL levies under the Climate Change Agreement. The CPI also addresses issues that impact UK manufacturers such as the Carbon Price Floor, Ofgems Total Charging Review and is a leading trade association that monitors proposals to tax carbon and represents industries which are threatened by new taxes or changes to the existing compensation structures.

The Group evaluates operational energy efficient improvements on a continuous basis and is keen to recognise and adopt energy reduction measures. James Cropper obtained ISO 50001 accreditation in November 2015 an international standard recognising the best energy management practices and a continual improvement process. James Cropper through ISO 50001 is in compliance with the Energy Savings Opportunities Scheme ('ESOS') a mandatory initiative for large UK enterprises requiring regular 4–yearly audits of energy use.

ENVIRONMENTAL FLOODING

RISK DESCRIPTION AND IMPACT

The risk that a flood on one of the Group's operational sites causes significant business interruption, cost and disruption to business, with consequences on customer confidence, cash, insurance and business continuity.

MITIGATION

Ensuring effective crisis management in a flood response situation is part of our risk management. Flood risk is covered through insurance, albeit the Group's main aim is to build protection on site and not rely on insurance.

The Group has invested in flood resilience capital projects which aim to; minimise the impact of a future flood and enable prompt operational recovery in the event of a flood.

The Group is also working closely with the Environmental Agency to support local flood avoidance schemes.

ENERGY PRICE VOLATILITY

RISK DESCRIPTION AND IMPACT

Gas prices are affected by global supply and demand and price can be subject to significant fluctuations. Factors that influence these include natural disasters, climate, political instability, conflicts, economic conditions, shale gas reserves and actions by major oil and gas exporting countries.

Price fluctuations on key input costs which cannot be passed onto customers in all cases can affect our business assumptions, margins and investment decisions.

MITIGATION

The Group aims to mitigate its exposure to energy costs by a combination of strategically considering diversification away from gas to alternative fuels, investing in sustainable energy saving solutions and securing long term purchase forward prices.

FIRE

RISK DESCRIPTION AND IMPACT

The Group recognises the importance of protecting employees, contractors, visitors and members of the public from any fire related risks whilst on site.

A large fire incident could cause harm to people and the business, resulting in safety incidents, property damage, loss of production and reputational damage.

MITIGATION

James Cropper adheres to their legal and moral responsibilities with regard to fire including the following:

- Fire risk assessments to identify and prioritise hazards and necessary control measures.
- Maintaining and protecting buildings, equipment, raw materials and associated services across manufacturing operations.
- Developing and implementing new arrangements and procedures based on the risk assessment findings and fire prevention measures.
- Providing information, instructions supervision and training.
- Ensuring fire safety responsibilities are designated and made known to all employees.

PULP PRICE VOLATILITY AND AVAILABILITY

RISK DESCRIPTION AND IMPACT

One of the Group's divisions is subject to unexpected and prolonged price volatility of pulp and the availability of other specific fibre grades.

Price is subject to global supply and demand and factors that influence these include natural disasters, climate, political instability, conflicts, economic conditions and actions by major pulp producers.

Price fluctuations on key input costs which cannot be passed onto customers in all cases can affect our business assumptions, margins and investment decisions. In the event that competitor behaviours and global economic factors mean that the Group is unable to recover further price increases the profitability of the Group would be reduced.

MITIGATION

The Board regularly received updates on pulp and fibre risk and price trends.

The Paper division aims to maximise the recovery of paper price changes through timely commercial negotiations and recover costs via market price increases typically a few months following a pulp price increase.

Pulp substitution from recycled coffee cups or post-consumer waste passed through our Reclaimed Fibre plant mitigates some of the impact of virgin pulp costs. The Paper division will continue to leverage its reclaimed fibre technology plant and seek to work collaboratively with the waste fibre supply chain to secure grades that are suitable for re-use. The Paper division is also looking to qualify alternative sources of fibre to reduce its reliance on virgin fibre from trees and waste grade material.

Diversification and success of all the divisions offers the Group greater long term stability.

EXCHANGE RATE VOLATILITY

RISK DESCRIPTION AND IMPACT

The Group operates on a global basis, and earns revenues, incurs costs and makes investments in a number of currencies; the three major operating currencies are Pound Sterling, Euro and US Dollar. The Group's financial results are reported in Pound Sterling. Volatile exchange rates could have a significant impact on the Group's results.

MITIGATION

The Group matches receipts and payments in the same foreign currency due in the same period. The Group's treasury function uses a variety of swaps and forward options to hedge anticipated unmatched cash flows.

The Group prepares consolidated financial statements for reporting purposes, the consolidation process entails translating the financial statements of foreign subsidiaries from foreign to domestic currency. A US Dollar hedge is in place to mitigate the impact of translation exposure with the subsidiaries based in the USA.

FALL IN DEMAND

RISK DESCRIPTION AND IMPACT

The profitability of the Group is sensitive to economic slowdown in its UK, European and US markets. A 5% reduction in sales in any division could result in a fall in operating profits if not mitigated by a cost reduction programme or growth in other areas.

MITIGATION

The global expansion of the Group helps to mitigate economic risks. Plans are being deployed to grow our market presence and diversify product ranges and geographical markets. The Group will continue to build on existing skills, and the skills development of sales executives, and the recruitment of experienced sales and planning professionals to effectively deploy these diversification plans. This included the deployment of regional sales roles, and agents in overseas markets.

The Group's new division, James Cropper 3DP will bring increased market and geographic diversification.

Discretionary spend controls will be implemented to mitigate seasonal and small levels of demand decline.

PENSION

RISK DESCRIPTION AND IMPACT

The Group operates 2 defined benefit pension schemes which are in deficit. Actuarial deficits are sensitive to a number of key factors: the value of the assets, the discount rate used to calculate the schemes liabilities (based on corporate bond yields), the rate of inflation and the mortality assumptions for members of the schemes.

The April 2016 triennial valuation concluded a combined deficit of the schemes to be £15.8m.

Changes in these assumptions could mean that the deficit increases further.

MITIGATION

The Group's strategy is to ensure the profitable and sustainable growth of the Group, to protect pensions earned, to ensure future obligations do not overburden the Group and to monitor opportunities in the economic environment which may be favourable to the closing deficit.

Closure of schemes and benefit reductions
Membership of the Schemes was closed to new members in 2000. Future annual increases in pensionable pay were reduced to a cap of 2% as from 1 April 2011. In April 2014 increases in employee contributions were phased in. The future service accrual rates have reduced to 1/75th on the staff scheme from July 2017. During 2017 the Consumer Price Index has been adopted as the inflationary measure for all future service pension pay-outs.

Deficit reduction contributions
A renewed deficit reduction contribution plan has been agreed with the trustees and equates to payments of £1.4m (including PPF levies) per year across both schemes.

Investment strategy
The Group agrees an investment strategy with the trustees taking account of risk.

ATTRACTION AND RETENTION OF KEY SKILLS AND TALENT

RISK DESCRIPTION AND IMPACT

The Group's success is through the people that make it happen. The risk that the Group may fail to attract, recruit, retain, develop and grow our own skilled and committed workforce.

Failure to access the right skills and engagement critical to support performance and growth has the potential to delay delivery on our strategic objectives.

MITIGATION

Our culture embraces diversity, strives for equality and seeks to create opportunities for the global workforce, and this plays a key role in empowering and inspiring our people. Our aim is to create a healthy balance between attracting high calibre recruits and developing our existing talent.

We drive training and development programmes for the needs of the organisation at all levels. Programme requirements are identified via regular reviews of business exposures, career path development, succession planning and performance reviews. External organisations, and consultants are routinely engaged to support programmes and apprenticeship levy training is taken when appropriate to requirements.

We conduct performance and development reviews twice-yearly for more than 200 staff employees, achieving 100% completion rates. The Group listens to feedback gained from employee surveys conducted every 2 years.

Performance related bonus schemes are in place across the business, providing an opportunity for employees to take shares in James Cropper Plc.

The executive team routinely evaluate supporting initiatives that make our Group a great place to work, these include; policy updates, phased retirement support, being a foster friendly employer and providing medical care benefits.

BREXIT

RISK DESCRIPTION AND IMPACT	MITIGATION
The risk that in March 2019 the UK has no deal with Europe, or reaches a deal on terms comparatively unfavourable to today's trading environment. An exit with no deal could introduce tariffs, border controls and economic disruption. The additonal risk that European bodies are not replaced with a British regulatory regime.	There is little clarity on the likely shape of future relationships between the UK and the EU. Brexit scenarios can present the Executive team with a better understanding of the risks and opportunities that the Group can directly focus on. The Group works with representative organisations assisting UK manufacturing companies to understand and prepare for the Brexit outcomes. The Group works with organisations lobbying government to drive effective measures that will protect and stimulate manufacturing growth across the UK which is an important part of providing the UK with resilience.

INFORMATION SECURITY, CYBER RISK AND DATA PROTECTION

RISK DESCRIPTION AND IMPACT	MITIGATION
Our divisions are dependent on the availability of IT services. Cybercrime attempts are on the increase and are more and more sophisticated, the consequences of a successful attack includes regulatory sanctions and fines, financial loss and a denial of service. An extended interruption, via a cyber breach will interrupt our IT services and may result in a prolonged plant shutdown and an inability to meet customer requirements, a reduction in profits and reputational damage.	The organisation is committed to information security management and implements a robust IT security programme. We organise an extensive training and awareness programme for all our users including risk identification and expected behaviours and conduct. We utilise external providers to conduct threat assessments and review our security landscape. We aim to ensure the confidentiality, integrity and availability of information in all its forms, plus ongoing sustainable controls. This enables us to effectively protect, detect, mitigate, respond to, and recover from information security risks and incidents. This programme also encompasses measures for compliance with the introduction of GDPR (General Data Protection Regulations) in May 2018.

On behalf of the Board.

Isabelle Maddock
Group Finance Director
25 June 2018

CREATING VALUE FROM WASTE

BUSINESS IN THE COMMUNITY

SEEING IS BELIEVING

In March, The Prince of Wales learned how master papermaker James Cropper turns paper fibre including single-use coffee cups into plastic-free packaging.

As well as visiting James Cropper's new COLOURFORM™ production unit, The Prince of Wales also joined a Seeing is Believing, Business in the Community roundtable to discuss and learn what more businesses can do to create value from waste.

The group of cross sector experts and leaders met to discuss some of the key challenges and opportunities related to bringing waste back into value chains. The move is part of the Business in the Community's ambition to create a collaborative plan to tackle the UK's growing waste problem, which will be brought to life at a significant summit later in 2018.

Gudrun Cartwright, Environment Director at Business in the Community said: "There needs to be a change in mindset in how we handle waste and source materials for our products and packaging, and we have a responsibility to do something different. To achieve this, government and business need to come together to lead by example. This includes showcasing businesses like James Cropper, bringing waste back into value chains and unpicking the challenges that lie in the way of creating change at scale."

James Cropper's plastic-free packaging launch builds on the papermaker's unique CupCycling™ technology - the world's first process dedicated to upcycling disposable coffee cups. The cups are saved from landfill and incineration, and turned instead into beautiful papers and consumer packaging such as COLOURFORM™.

"THERE NEEDS TO BE A CHANGE IN MINDSET IN HOW WE HANDLE WASTE AND SOURCE MATERIALS FOR OUR PRODUCTS AND PACKAGING, AND WE HAVE A RESPONSIBILITY TO DO SOMETHING DIFFERENT.

TO ACHIEVE THIS, GOVERNMENT AND BUSINESS NEED TO COME TOGETHER TO LEAD BY EXAMPLE. THIS INCLUDES SHOWCASING BUSINESSES LIKE JAMES CROPPER, BRINGING WASTE BACK INTO VALUE CHAINS AND UNPICKING THE CHALLENGES THAT LIE IN THE WAY OF CREATING CHANGE AT SCALE."

Gudrun Cartwright, Environment Director at Business in the Community

Technical Fibre Products

TECHNICAL FIBRE PRODUCTS LTD DIVISIONAL REPORT

Over my five years in this business, the global TFP team has seen sales of advanced materials almost double and profits multiplied by a factor of 5.7. Our products are sold into a wide range of applications and markets, ensuring that we are never overly reliant on any one part of our business. Today, we have healthy positions in aerospace, defence, thermal insulation, fire protection and fuel cells.

Despite some issues such as trade disputes and some industry challenges in scale up, there is definitely a sense of optimism in the aerospace industry. We can see this in the form of investments by our customers in both R&D and increasing capacity. While the development of growth in widebody aircraft is less clear, Morgan Stanley (April 2018) has estimated approximately 10% narrowbody delivery growth annually over the next five years.

In 2017, Lockheed Martin delivered 66 F-35 fighter aircraft. This year will see production and deliveries of 91 aircraft. Subject to completion of key operational tests by May 2019 (albeit a year late), production of this advanced aircraft will rise to 160 per year by 2023 (Investor's Business Daily, April 2018). TFP is also engaged in some interesting R&D on a number of defence projects that will leverage some of our most state of the art technology in future years.

One of our most exciting and dynamic markets currently is for fuel cells. TFP has a strong position in this sector and we provide carbon nonwovens which are used in fuel cells as a substrate for the Gas Diffusion Layer ('GDL'), a critical component of the Membrane Electrode Assembly ('MEA') – the heart of a fuel cell. TFP is one of a limited number of companies that has the know-how and capacity to service this market, which includes static fuel cells, fuel cells for buses and increasingly, automotive.

Finally, I would like to take this opportunity to announce that the team in TFP has formally started a project that will see us invest in a fourth nonwoven machine installed at our Burneside, Kendal site. We expect the machine to be commissioned by late 2020. This is a necessary step to support projected demand.

Martin Thompson,
Managing Director.

Technical Fibre Products Ltd

F35 LIGHTNING II

NONWOVENS AT THE CUTTING EDGE OF TECHNOLOGY

Many applications for TFP's nonwovens are at the cutting edge of technology and none more so than our role in the F-35 Lightning II stealth fighter.

The technology in these fighter jets is so advanced that they have been heralded as the most advanced and dynamic fighter aircraft in the RAF's 100 year history. This has no doubt influenced the RAF's decision to reform the legendary 617 squadron on their 75th anniversary to fly the new jets. 617 squadron was famous for its vital role in destroying German dams in the Ruhr Valley during World War II, where they employed the state of the art 'bouncing bomb' developed by Barnes Wallis, earning the squadron of Lancaster Bombers the nickname 'The Dambusters'.

617 squadron is therefore associated with being at the forefront of defence technology, and it is very fitting that the squadron has been reformed to operate the UK's fleet of F-35 Lightnings; highlighting both the revolutionary nature of these new aircraft and the crucial role that they will play in national defence.

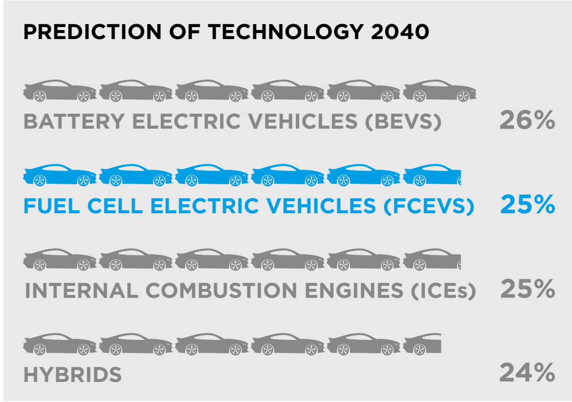
James Cropper PLC is involved every year in remembering those who lost their lives defending the UK by manufacturing the paper for the Royal British Legion poppies. And now TFP's nonwovens, as part of the F-35, will play an active role in protecting the pilots who will fly these next generation aircraft to defend the UK in the future.

FUEL CELLS

ENABLING EMERGING TECHNOLOGIES

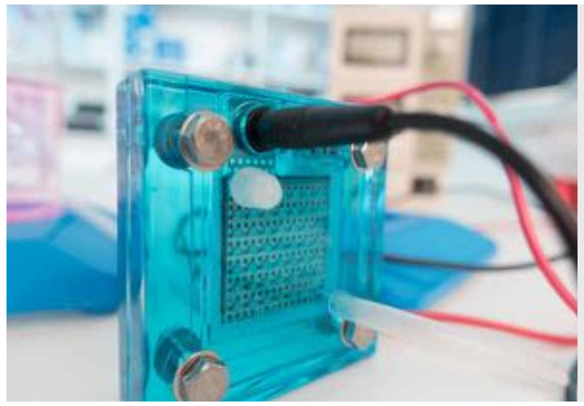
TFP's advanced nonwovens play an important role in enabling emerging technologies; fuel cells are a prime example of this. We have been developing gas diffusion layer ('GDL') materials for over a decade, building the capability and expertise to meet the forecast growth in fuel cell production.

It is only in recent years that the potential in fuel cells has been fully recognised, the latest figures from the KPMG automotive executive survey put fuel cells ahead of battery electric vehicles ('BEVs') as the number one key trend until 2025 and concluded that there will not be a single solitary drivetrain technology in the future; predicting the split below by 2040.



At present over 6500 FCEVs have been sold and it is predicted that large scale production of these will start between 2025 and 2030. All very positive.

The potential for fuel cells extends far beyond just FCEVs though. Individual fuel cells are compiled to form stacks, which can be combined into larger systems. This means that fuel cell systems vary in both size and power, ranging from small portable systems for charging a phone to large scale installations that provide electricity for high energy demand applications such as schools & hospitals. Our materials are primarily used in the latter at present, but we are working with key players in the industry to tap into the potential in portable fuel cells and FCEVs.



SO, WHAT IS A FUEL CELL?

A fuel cell is an electrochemical device that combines hydrogen (or hydrogen-rich) fuel and oxygen to produce electricity, heat and water. It is much cleaner and more efficient than a conventional engine as it does so without burning the fuel, essentially more of the fuel is converted into electricity and less into heat.

Further research is underway to establish efficient ways of producing hydrogen and to build suitable infrastructure for delivery.

HOW ARE TFP'S MATERIALS USED?

TFP's carbon nonwoven is widely utilised in fuel cells as a substrate for the GDL, a critical component of the Membrane Electrode Assembly ('MEA'). The GDL forms the basis of both the anode and cathode, and is responsible for water management, providing structural support to the assembly and controlling the transport of reactants, electricity and heat.

WHAT'S THE ADVANTAGE?

Fuel cells offer a number of benefits compared to batteries or ICEs such as:

- High levels of efficiency. If both the electricity and heat generated can be utilised, a fuel cell can be considered up to 85% efficient in converting hydrogen to energy. By comparison, the best ICEs are less than 40% efficient.
- Fuel cells are very quiet in operation and have fewer moving parts than traditional generators. This makes them more reliable and simpler to maintain.
- The only by-product of a hydrogen fuel cell is water, eliminating the pollutants associated with burning fossil fuels. In addition, the fact that they don't use oil or gas as fuel also reduces economic dependence on these resources, creating greater energy security.
- Unlike batteries, fuel cells do not need to be periodically recharged. They continue to produce electricity for as long as fuel is provided.

AEROSPACE DEVELOPMENTS

THE NEXT GENERATION OF AEROSPACE MATERIALS

TFP's nonwovens are used extensively as part of composite structures in aerospace applications, and through this are present on most commercial aircraft in operation. Our materials are already qualified for long term use in a number of different programmes in applications such as adhesive carriers and processing aids to support fragile materials. However, the extended development and qualification times associated with the aerospace industry means that it is essential to be involved already with the next generation of projects. These are focussed on increasing production efficiency without compromising performance.

The vast majority of aero composites use thermoset resins which must be cured to achieve the necessary mechanical properties. Curing has historically been carried out in an autoclave which, due to the high temperatures and pressures used, adds significant cost and processing time to part production. A lot of research is underway to streamline production, reducing cycle time and cost, and one of the means to achieve this is out of autoclave ('OOA') curing. TFP have been working closely with a number of OEMs and Tier 1 suppliers to overcome the technical challenges associated with this processing route, as well as developing materials to improve the properties of the finished composite part. An example of the latter is our range of lightweight thermoplastic veils which aid composite toughening, when incorporated between layers of reinforcement these veils can increase the composites resistance to cracking by up to 400%.

The details of our long term aerospace projects are, for the most part, strictly confidential. However, the results generated by this collaborative and forward-looking approach put the company in a strong position to continue future growth in this market sector.

TFP APPLICATION DIVERSITY

FROM HOCKEY STICKS TO FALSE LEGS!

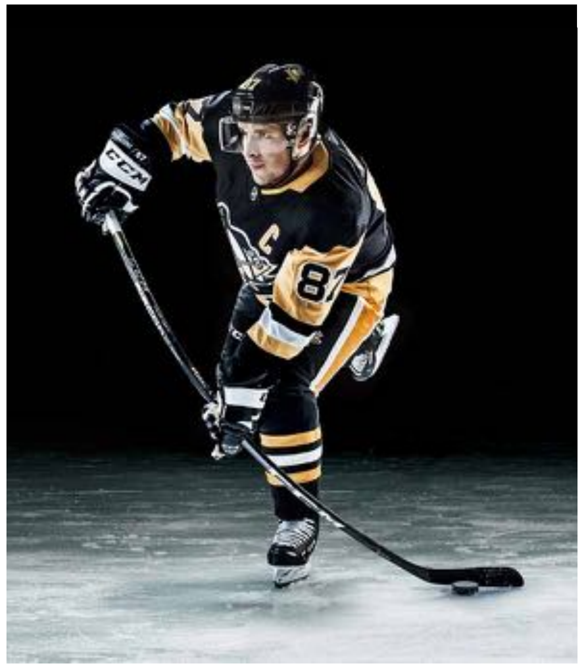
We have touched upon some of the key markets for TFP; fuel cells, aerospace and defence, but it is also interesting to highlight the ever increasing diversity in the applications for our nonwovens. Existing applications for our products include satellites, defibrillators, laptops and sports cars, and we can now add performance hockey sticks and prosthetics to the list for 2017/18.

TFP NONWOVENS AT THE OLYMPICS

CCM Hockey, one of the largest ice hockey equipment manufacturers in the world, recently started using our lightweight glass veil to enhance the composite fabrication of their ice hockey sticks. The next generation sticks have been engineered to deliver industry leading performance and strength, and were used in this year's Winter Olympics.

The project is not just a success story in terms of technical benefit; though our nonwovens do simultaneously increase manufacturing efficiency and provide a superior aesthetic finish. It also demonstrates the benefit to our partnership approach; with CCM's product development in Canada and manufacturing in China, it has been a transglobal project involving the Sales Teams in the UK and USA as well as Technology and Manufacturing in Burneside.

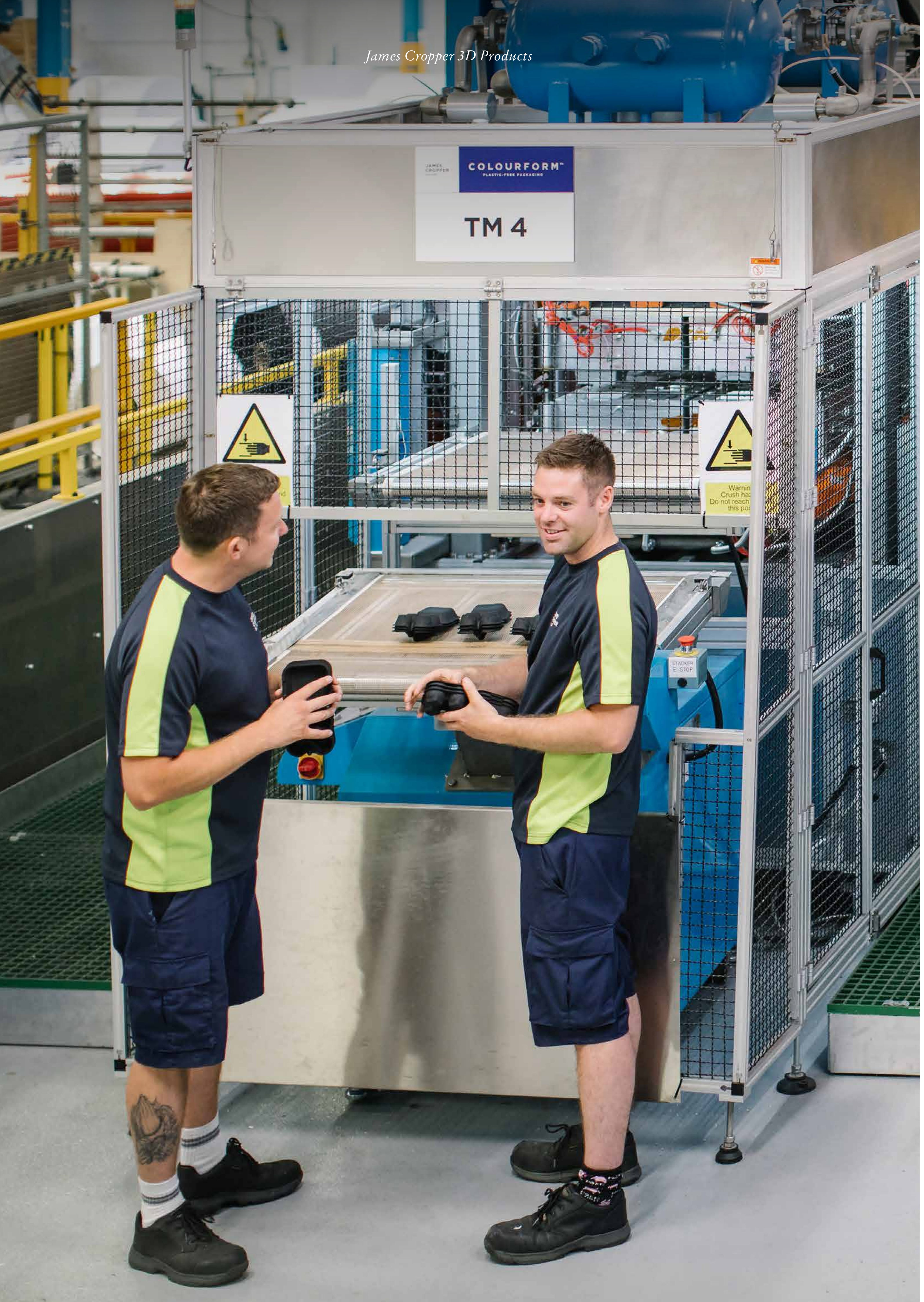
It's not the first time our materials have been used to enhance the fabrication and performance of advanced sporting goods. Previous examples include bicycle frames, skis and snowboards, tennis racquets, archery materials and fishing rods.



PROSTHETICS

Another new use for TFP's carbon veil is in prosthetics. The veil is incorporated into a composite laminate called Pro-Comp which can then be formed into complex shapes that exhibit good strength. The laminate has a variety of potential uses, but the key application to date is in creating false limbs, such as the leg opposite.

This is just one interesting example from a range of diverse end uses for TFP's materials. It is also typifies the approach we take in working with both the inventor of a new technology and the companies in the wider supply chain in developing a solution.



James Cropper 3D Products

COLOURFORM™

JAMES CROPPER 3D PRODUCTS DIVISIONAL REPORT

In a year when the spotlight has been vigorously thrown onto the issue of single-use plastics, Colourform™ has never been more relevant. Indeed James Cropper 3D Products and Colourform™ have seen significant development and significant demand.

Colourform's appeal has been further strengthened by a unique partnership with James Cropper Paper and its CupCycling™ facility. Not only do we provide plastic-free packaging with the premium appeal that discerning consumers expect; we can create it using fibre from upcycled coffee cups. This unique combination has been of enormous interest to our customers and we are approached frequently as a result.

With a very strong and active project pipeline interest is high however we are realising the commercialisation of projects is longer than anticipated. Nevertheless, our close work and relationships with our clients turns them into our advocates.

Recently, I was honoured to share a stage with Floral Street Founder Michelle Feeney at the Packaging Innovations exhibition in Birmingham, where Colourform™ was positioned as a truly viable alternative to plastic packaging. We were also delighted to see Colourform™ featured prominently at the Lush Showcase event in London.

Successfully moving from a start-up business to a fully integrated subsidiary of James Cropper PLC has also characterised the year. We draw upon the core strengths of the group in the same way as the other subsidiaries, but have continued to strengthen our team in areas that are unique to Colourform™.

Colourform's creation was the result of the foresight of the Technology and Innovation department; identifying a need for, and commercialising attractive, colourful, fully recyclable plastic-free packaging before David Attenborough's Blue Planet highlighted the need for change to consumers and brands. Introducing Colourform™ ahead of the curve has given us a significant advantage over those only now seeking to develop plastic-free packaging solutions, however in the same vein as we were conceived, we continually look for ways to innovate and strengthen our offering.

As part of our ambition to create a centre of technical excellence, we have continued to invest heavily in growing our in-house capabilities. During the year, we sourced and installed equipment that will allow us to manufacture tooling on-site, increasing the speed and flexibility with which we can respond to customer needs. We have also continued to invest in people, with four apprentices in production and new talent in product design, tooling design, process development and marketing. This, coupled with the group expertise in fibre and colour means we are uniquely qualified to partner customers seeking to make the change to sustainable packaging.

It has been thanks to our people, partners and customers that we have created a strong platform for growth. Over the coming year, I am confident that we will see the wealth of enthusiasm and interest that exists in Colourform™ convert into sales.

Matthew Miller,
Business Director,
James Cropper 3D Products Ltd

FLORAL STREET

RECYCLABLE, COMPOSTABLE, BEAUTIFUL

Floral Street, a new and exciting perfume brand, set out to change fine fragrance packaging. No cello-wrap, no printed card, just a beautiful, sustainable box – the new luxury.

Like us, Floral Street's passion is sustainability and challenging the status quo.

BRIEF

Floral Street presented us with a fantastic conceptual idea, loaded with a technical and creative challenge. They wanted to change the way perfume is presented by challenging lavish over-packaging with an environmentally-friendly alternative.

The brand required a complete packaging solution including lid, base and interchangeable inserts for various bottle sizes; all with a beautiful yet industrial aesthetic.

The brief also required the result to be fully recyclable. Because COLOURFORM™ is made from natural wood fibres, consumers can recycle the full pack with household paper; made simpler by our monomaterial application.

RESULTS

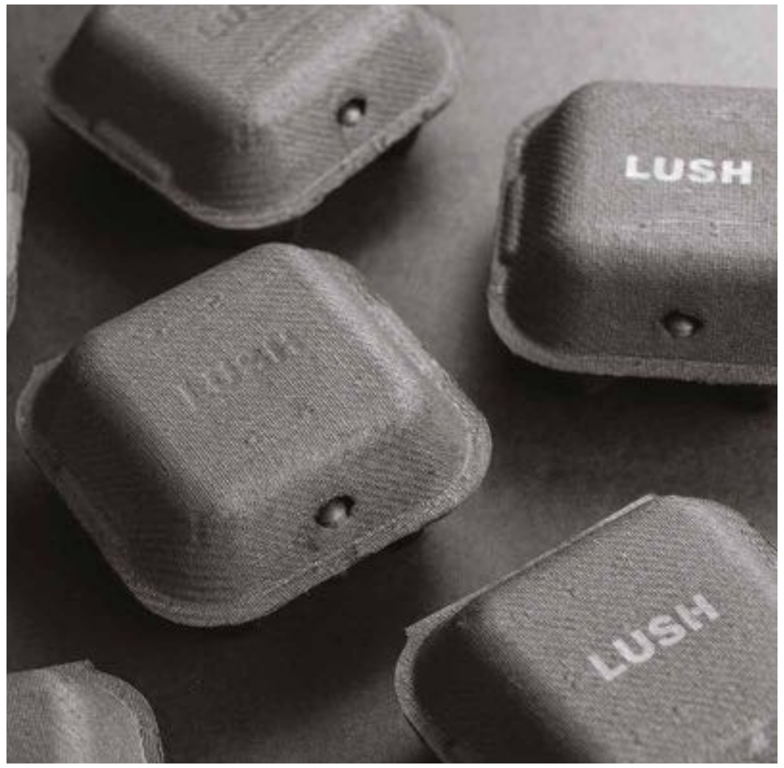
Our design team worked closely with Floral Street designers to capture their vision and requirements. The complexity the product range required was then tackled by the expertise of the COLOURFORM™ team.

The outcome is a beautifully modern pack, helping Floral Street customers carry their favourite fragrance home in sustainable, recyclable and reusable packaging.

- An entire packaging solution made from one material
- A colour matched and blended uniquely for Floral Street
- Interchangeable inserts to display the full range
- Precision embossing to represent the brand, describe the product and help customers recycle
- A unique COLOURFORM™ finish to reflect a natural and simple approach
- 100% recyclable, compostable and biodegradable
- 100% COLOURFORM™ natural fibres from renewable, well-managed forests – always FSC® and PEFC® certified, Elemental Chlorine-Free (ECF®) or Totally Chlorine Free (TCF®)

LUSH

GLOBAL COSMETICS WITH A TWIST



LUSH, the global cosmetics brand with over 900 stores around the world, has always been passionate about reducing the environmental impact of product packaging. The brand has applied this way of thinking to product innovation, creating its famous bath bombs and solid shampoo bars that can be sold 'naked' or packaging free. However, sometimes practical demands or the need to enhance the retail experience for customers make packaging essential. LUSH use at least 90% recycled content in their packaging, and like us, they want to 'leave no trace' and stick to packaging materials that can be easily re-used, recycled or composted.

BRIEF

LUSH came to us with a unique packaging requirement, and a fantastic creative opportunity.

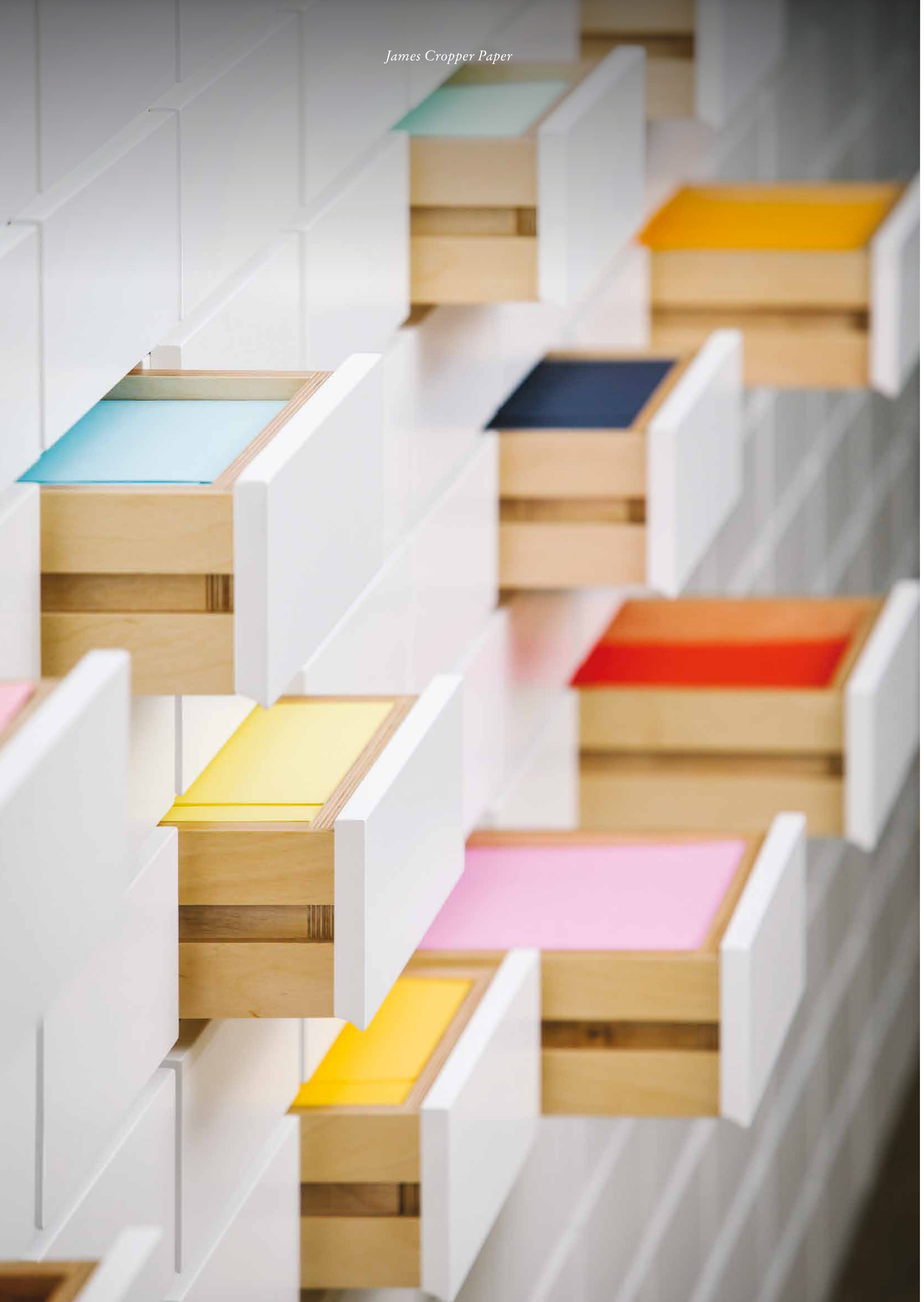
The task was to create a standalone COLOURFORM™ box that would hold a selection of solid bath oil balls.

The packaging piece would enable customers to choose their own selection of bath oils, carry them home and then re-use their box on their next visit to the LUSH store.

It's a great concept for gifts, and to help consumers enjoy more of their favourite LUSH products.

RESULTS

- As a result of our collaborative design process, we created a truly special piece of packaging
- A tactile COLOURFORM™ outer finish to reflect LUSH's look and feel
- A smooth COLOURFORM™ inner finish for contact with oily products
- Elegant simplicity with natural hinges and clasp closure
- Bespoke colour and precision embossing to celebrate the LUSH brand
- 100% recycled content from coffee cups
- 100% recyclable and compostable



JAMES
CROPPER
EST. 1845

JAMES CROPPER PAPER DIVISIONAL REPORT

Having completed my first full financial year as Managing Director, I am proud to reflect on the progress that has been made in navigating towards our strategic target of value growth. It has been a true testament to the foundational work delivered by the team, that focus has remained on achieving targets despite a challenging and rapidly evolving external environment.

Internally, we have been focussed on improving efficiency, productivity and quality through a unified approach across the operational and commercial functions. The business leadership team has embraced integrated business planning as the methodology and tool to support a much more cohesive and collaborative way of working across the business.

I am encouraged by the energy from all of our employees in forging a single paper business and I look forward to the opportunities this new approach will bring.

Externally, we have been targeting value growth in higher value segments, identifying opportunities to upsell and challenging existing lower value commodities. We continue to be successful growing our packaging business with luxury brands, but we recognise that this is an increasingly crowded and competitive sector. Combined with additional pressures on raw material costs, we are therefore increasingly looking to grow our business in other premium speciality paper sectors, particularly those of a more technical nature.

An important part of our consolidation and focus has been bringing the technical and product marketing operations under the leadership of Marketing Director, Richard Bracewell. This will allow us to accelerate the creation of new high performance products and deliver winning customer value propositions. Profitability was also challenged by the continued rising cost of raw materials, most notably, pulp. Looking at the scale and length of time over which prices have increased, we can safely assume that this could become the new normal. To this end, the work we have done to change the landscape, specifically investing in our recycling capabilities, is now starting to show fruit.

This year was significant for our CupCycling™ facility. We moved from a single focus on recycling the offcuts from coffee cup producers, to upcycling used coffee cups as well. This, coupled with the attention thrown on the issue by government and global media has resulted in a groundswell of interest from the general public and, crucially, brands.

Extensive media coverage of the single-use plastic issue has put the spotlight on our facility and increased the level of awareness and activity from the public and industry alike. So much so that we even received a single cup in the post from a coffee-lover keen to ensure their morning latte didn't leave a mark on the planet. This demonstrates that an enthusiasm for recycling is very much present among consumers. Consequently, brands have quickly recognised the importance of this and are keen to include the use of our certified CupCycling™ marque within their campaigns as it is seen to hold value in the hearts and minds of customers, and has given us renewed impetus in the premium goods sector for the year ahead.

Our facility is all about 'upcycling'. While 'recycling' infers a loss of value at each iteration, the upcycling process builds value, turning waste into something beautiful. This report is printed on high quality paper that contains coffee cups; it is a shining example of our work.

One of the most valuable lessons from this financial year has been understanding how to build a supply chain to support CupCycling™. Creating a robust infrastructure in partnership with retailers and waste management firms has been a real triumph and places us in a positive position to exploit the strong demand we are seeing for recycled content.

Our efforts in this area have been widely regarded and commended on a global scale, most recently at Luxe Pack New York where James Cropper won the In Green Best Initiative Award. James Cropper has been profiled by the New York Times, Financial Times, and BBC to name a few and has even been used as inspiration for The Prince of Wales' Business in the Community summit.

Our continuous vigour in providing sustainable solutions is driven not only by the obvious commercial opportunity, but also by deep rooted values of stewardship which have been at the heart of the James Cropper business for over 170 years. For these reasons we will continue to invest in sustainable capabilities for the long-term. Looking to the next financial year, I am optimistic that we know how to succeed.

Steve Adams,
Managing Director,
James Cropper Paper.

CUPCYCLING™

WASTE THAT'S GOOD ON PAPER

The partnerships established this year to tackle the issue of single-use coffee cups, are a shining example of collaboration at its best.

It is estimated that 2.5 billion paper cups are used in the UK each year. Until recently, these were unable to be recycled due to their polyethylene lining, ending up in landfill instead.

Recognising value in the high quality fibre used to create paper cups, James Cropper was inspired to convert this enormous waste stream into a value stream instead.

The mill developed the technology to separate the paper fibre from the polyethylene lining, producing a material that is virtually indistinguishable from fresh fibre, and can be used to create paper products of the highest quality.

James Cropper's CupCycling™ facility was officially opened by HM the Queen in 2013, and was the world's first process dedicated to upcycling disposable coffee cups.

However, this year saw a significant step forward; the facility moved from exclusively recycling the offcuts from coffee cup producers, to also upcycling the used coffee cups themselves.

That step has been significant, made possible only through a collaborative effort.

A neat example is James Cropper's relationship with Selfridges. Working closely with the retailer and waste management company Veolia, they have collectively created a completely unique closed-loop recycling solution.

Once used, disposable cups from the food hall and offices on Oxford Street are 'tipped, flipped and stacked'. They are then checked for quality and baled by environmental solutions provider

CUP CYCLING™
BY JAMES CROPPER

CupCycling marque

Veolia, before being delivered to the James Cropper mill. There the cups are upcycled into the vivid yellow paper used to make the iconic Selfridges shopping bag.

Chris Brant, director of retail projects and FM at Selfridges, said: "With our partners James Cropper and Veolia, we can take coffee cups, a waste product of ours and transform it into our yellow kraft bag, thereby closing the loop on that particular waste stream. Not only that, but the bags can still be recycled for years to come. We're proud to be the first retailer to upcycle our cups in this way. Our customers are becoming ever more aware of global waste issues and our customers appreciate the story behind the bag."

Gavin Graveson, Chief Operating Officer, public and commercial at Veolia UK said: "This is a great example to show how coffee cups are being reused as part of the circular economy. I'd like to take this opportunity to further encourage a mass collaboration between designers, manufacturers, vendors and consumers as we all have a part to play in making all of our packaging more environmentally friendly and ensuring our resources are kept in the loop for longer."

Since September 2017 alone, James Cropper's CupCycling facility has recycled 20 million cups. But the potential to do more is significant; James Cropper has the capacity to save 500 million cups from landfill each year.

Costa, another James Cropper partner, became the first coffee chain in the UK to commit to recycling the same volume of cups as it puts into the market. The scheme pays waste collectors to collect coffee cups and send them to specialist facilities such as the recycling plant at James Cropper.

> **"WITH OUR PARTNERS JAMES CROPPER AND VEOLIA, WE CAN TAKE COFFEE CUPS, A WASTE PRODUCT OF OURS AND TRANSFORM IT INTO OUR YELLOW KRAFT BAG, THEREBY CLOSING THE LOOP ON THAT PARTICULAR WASTE STREAM. NOT ONLY THAT, BUT THE BAGS CAN STILL BE RECYCLED FOR YEARS TO COME."**
>
> Chris Brant, Retail Projects Director and FM, Selfridges

Dominic Paul, Managing Director, Costa Coffee said: "Without technology like James Cropper's CupCycling™, Costa would not have been able to accelerate our cup recycling scheme, allowing us to commit to recycling the same volume of cups we put on to the market each year by 2020. Our partnership with James Cropper not only helps dispel the myth that coffee cups can't be recycled but will help provide an immediate solution to increasing the volume of takeaway coffee cups being recycled in the UK, producing a wide range of high quality paper products."

With the last year so full of progress for the James Cropper CupCycling facility, a visit from HRH The Prince of Wales and Secretary of State for Environment, Food and Rural Affairs, Michael Gove was the cherry on the top.

Recognised as a leader in innovating for a better world, James Cropper's sights are firmly set on the opportunities to grow volumes while deepening the partnerships that are in place with businesses also committed to change.

"WITHOUT TECHNOLOGY LIKE JAMES CROPPER'S CUPCYCLING™, COSTA WOULD NOT HAVE BEEN ABLE TO ACCELERATE OUR CUP RECYCLING SCHEME, ALLOWING US TO COMMIT TO RECYCLING THE SAME VOLUME OF CUPS WE PUT ON TO THE MARKET EACH YEAR BY 2020."

Dominic Paul,
Managing Director,
Costa Coffee

ARQADIA

PUTTING SHARED VALUES IN THE FRAME

The greatest partnerships are built on shared values. Boasting a 40 year relationship, it's their hunger for progress, focus on solutions and uncompromising approach to customer service which have unified Arqadia and James Cropper since the beginning.

Arqadia offers the most comprehensive range of picture frames, mountboard, glass and accessories in the market, and has worked with James Cropper from the day the business was founded. Attracted to its artisanal approach and expertise in colour, Arqadia (then called Arquati) challenged the papermaker to create a small range of mountboard in 20 colours. James Cropper had never made mountboard before.

Fast-forward 40 years and that range has grown to include over 300 colours and styles. Arqadia's prudence in looking for a partner to create the best long-term solution was successful, and demonstrates it values-first approach.

The business is now part of the Berkshire Hathaway company Larson Juhl, selling James Cropper specialist mountboard and archival grade boards throughout North America, Europe, Australasia and Asia.

"THERE IS NO OTHER MILL IN THE COUNTRY THAT OFFERS THIS LEVEL OF SERVICE."

Pauline Hutchinson,
Arqadia Marketing Manager,

Pauline Hutchinson, Arqadia Marketing Manager, who boasts nearly 40 years' service herself, comments, "The two businesses are solutions focussed. We were once tasked with creating mount boards in a specific football team's colour.

The technicians at James Cropper's colour lab expertly matched and produced the mountboard with no question. There is no other mill in the country that offers this level of service."

Today, Arqadia focusses on quality of service as much as the quality of product with investment in next day delivery, a dedicated call centre and representatives available worldwide. The business also takes a progressive approach to operating in a mature market. Continually exploring new avenues for growth, it is now forming partnerships within the interior design market.

Pauline Hutchinson, adds, "The picture on the wall is often the final thing that people think about. We are working with interior designers commissioned for pubs, hotels and even cruise-liners to consider the contribution those framed pictures will make to the overall aesthetic at the start of the creative process."

Arqadia has a proud history as an industry influencer. Just 20 years ago, there were no real market standards. Arqadia representatives contributed to the meeting where those first standards were set, and have been actively involved in aligning global markets ever since. James Cropper sits alongside Arqadia on the technical standards committee at the Fine Art Trade Guild (FATG).

James Cropper and Arqadia have created a partnership with significant commercial benefits on each side. By continuing to put shared values in the frame, they can look forward to working together for another 40 years.

“UNDERSTANDING THE FUTURE NEEDS OF OUR CUSTOMERS, SHAREHOLDERS, SUPPLIERS AND EMPLOYEES IS VITAL FOR DELIVERING SUCCESS ACROSS THE JAMES CROPPER GROUP.

ENSURING OUR VALUES, PRINCIPLES AND SKILL SETS ARE CALIBRATED TO THOSE NEEDS IS A KEY FOUNDATIONAL REQUIREMENT.

THE BETTER THE CALIBRATION, THE GREATER PROBABILITY WE HAVE OF REALISING OUR BUSINESS ASPIRATIONS.”

DAVE WATSON
CHIEF OPERATIONS OFFICER

OUR VALUES

- TRUST, DIGNITY AND RESPECT
- SUCCESSFUL CUSTOMERS
- PROFITABILITY
- CONTINUOUS LEARNING
- MOTIVATED WORKFORCE
- SAFETY AT WORK
- COMMUNITY FOCUS
- SUSTAINABILITY

Chief Operations Officer, Dave Watson and the ColourForm™ team, Matt Lowther, Amos Aschilean, Steve Hull and Mike Gardner.

SUSTAINABILITY AND PEOPLE ARE AT THE HEART OF EVERYTHING WE DO

SUSTAINABLE DEVELOPMENT GOALS

Sustainability is a core value at James Cropper. We consider it part of our DNA, attracting investment and driving innovation to help to give us a competitive edge and help secure the future of the business.

No longer a 'niche issue', our customers are increasingly seeking high performance products with a purpose they, and their customers, can connect with a belief that their business can be a force for good.

By continuously developing our strategy, James Cropper ensures a strong culture of responsible business is embedded throughout the Group in order that, as we grow, we make a positive impact on those we interact with and rise to global challenges.

The Sustainable Development Goals ('SDGs') are internationally recognised as a focus for creating a fairer, healthier and more prosperous planet, in an inclusive way, whilst securing future economic growth. At James Cropper we are using these goals to guide our responsibility activities so that they are aligned to wider societal needs.

The following are a few examples of activities by James Cropper as an organisation over the past 12 months to illustrate how we put a number of the SDGs into practice.

GOOD HEALTH AND WELL-BEING

We've always been about people, so it stands to reason that our sustainability programme is all about people too. James Cropper values the health and well-being of every person we come in contact with; employees, contractors, customers and communities, and as an organisation believing "nothing we do is worth getting hurt for" during our service delivery.

As standard we provide all of our employees with healthcare insurance plans that contribute towards everyday healthcare bills and offer a wide range of other well-being benefits.

James Cropper PLC stands by an absolute commitment to upholding a high level of workplace health and safety in all aspects of our operations, something which has been a fundamental and enduring value of the business for generations.

Our commitment to operational health and safety has been recognised with the RoSPA Gold Award, an achievement which recognises the high standards of workplace care and well-being that we aim to achieve each and every day.

ROSPA GOLD MEDAL AWARD

The Royal Society for the Prevention of Accidents (RoSPA) celebrated its centenary last year and their patron, HM the Queen, graciously granted them permission to hold a celebratory party at Buckingham Palace in May 2017, with James Cropper represented by Chris Harris and Anthony Bowness.

As a recipient of the RoSPA Gold Medal Award for four years in a row, representatives from James Cropper's health and safety team were amongst the carefully selected guests to the Royal Garden Party in recognition of the Group's proactive approach and great commitment to safety.

2017 RoSPA Gold Award

Chris Harris and Anthony Bowness

Bradley Ireland, Callum Smith, Debbie Ingram, Bob Wilkinson and Paul Close

Lucy Wilson, TFP Customer Service Apprentice

Shane Lambert and Shaun Sorrenson, Papermaking Apprentices

QUALITY EDUCATION

We've always appreciated that our people are at the heart of what we do and through the generations have striven to build teams where everyone has the opportunity to reach their potential.

James Cropper is committed to investing in long-term personal development, re-training and enhancing the skills required to work in a rapidly evolving innovation business, with an eye firmly on the future.

Everyone in our business benefits from our vision for leadership which not only delivers results but creates a rewarding environment for all our employees.

Introducing and nurturing talent into our industry, our apprentice programme supports people to develop the skills and capabilities for their role in the workplace.

The programme receives a massive amount of interest and applications from quality candidates as a result of our mentorship work with local schools and colleges and partnerships with leading universities for technical and leadership best practice.

We have actively supported the creation of a dedicated new apprenticeship for the UK paper industry, approved by the UK government in 2016.

"I first started working at James Cropper PLC in a part-time role, providing administration support to the payroll department. I recently had the opportunity to begin an Accountancy Apprenticeship supported by James Cropper PLC.

This means I can continue my current role while studying for an Advanced Diploma in AAT at Kendal College – an opportunity that will enable me to progress from working in administration to an accountancy-based role."

Kerry Wilson, Accountancy Apprentice

"I joined James Cropper PLC as a Business Administration Apprentice in 2008 and completed my NVQ Level 2 and 3. In 2009 I started working as a trainee within the sales team and the business supported my decision to pursue a Business and Management degree via distance learning.

Since graduating I've been promoted to another great role, this time in marketing. As a Market Sector Manager, I develop our strategy for the packaging sector, providing direction and support to our sales team."

Stefan Pryor, Market Sector Manager

GENDER EQUALITY

James Cropper is a responsible and responsive business, which believes gender is not a factor in capability or potential.

We never assess anyone's suitability for a role based on their gender, and we never will. We are confident that men and women are paid equally in equivalent roles across the business.

Overall, the gender pay gap measured across the James Cropper PLC Group falls well below the national average.

We are committed to evaluate and understand any reasons for gender pay differences in our businesses, to ensure they are not the result of any limitations in recruitment or career progression for either gender.

There are no barriers to joining James Cropper PLC, and no barriers to progressing a rewarding career within the Group.

Further information can be found at:
www.cropper.com/our-people/gender-pay.php

“I began my career at James Cropper PLC in July 2011 after completing a university degree. The role I took on was Colour Technician. I was provided with on the job training in the technical department focusing on colour within the mill and lab matches for customers. I progressed in this role and then became a Technical Specialist in Paper.

My speciality is still in the art and science of colour but I'm now also part of a team who provide technical support for our converting division, including across complex processes such as lamination and coating.”

Alison Rigg, Technical Specialist

“I started at James Cropper PLC in 1988 and, after 10 years working in production, the Group supported my studies for an HNC in Business with Finance which led to an opportunity with the finance team. Since then, I have completed my accountancy qualifications and currently work as Finance Manager for the Paper division.

I am a big supporter of the Group developing its own talent whilst at the same time, recognising the benefits of best practice and wider experience that new recruits from outside the organisation can bring.”

Steve Atkinson, Finance Manager

CLEAN WATER AND SANITATION

The use of water is an integral part of the manufacturing process in all James Cropper business divisions.

Water for production is drawn from the fast-flowing River Kent, and carefully managed in partnership with the Environment Agency.

The river is classed as a Site of Special Scientific Interest as it supports a flourishing population of rare white-clawed crayfish and fresh water mussels, both species being a signifier of water purity. Our focus is on efficiency in water usage and on maximising return of clean safe water to the catchment.

Typicallly, 5%-7% of water usage is embodied in the product itself, water is continually recycled as part of the production process and waste water is sent directly to our local waste water treatment facility.

Since 2007, we have operated a de-watering plant that allows us to dry our waste 'sludge', which is certified to be of agricultural benefit and supplied to local farms as a fertiliser.

WATER ABSTRACTION

The volume of water utilised from the River Kent in 2017/2018 was 1,753,658m^3, a decrease by over 3,000m^3 on the previous year. This translates as 34.1m^3 per gross production tonne.

However, this is not representative of our water usage, as 91.4% of the water abstracted by James Cropper at the Burneside site is returned to the catchment via United Utilities.

AFFORDABLE AND CLEAN ENERGY

James Cropper is an active investor in low-carbon energy solutions and is committed to ISO 50001 energy management standards encompassing a highly efficient combined heat and power plant, investment on hydro and solar energy, and heat exchange and recovery systems in processing.

The hydroelectric facility and solar array, installed with Burneside Community Energy ('BCE'), generates clean, green electricity in a way that doesn't compromise the area's unique ecology or landscape. These two installations will reduce CO_2 emissions by a total of 3.59 million kg over the next 20 years.

Funds generated from the BCE project make a meaningful contribution to our local community by helping to combat fuel poverty, supporting youth and school initiatives, community services and conservation of the environment and built heritage of Burneside village.

LED LIGHTING AND ELECTRIC VEHICLE CHARGING

Energy saving LED lighting was installed in all four papermachine areas at the Burneside Mill. Extended lifespan of the lighting means less working at height. The lights operate at a lower temperature and produce better colour rendition resulting in standardisation of lighting across the four machines.

The Group actively promotes the use of plug-in electric vehicles and has installed charging stations for the use of employees and authorised guests to help support this commitment.

Employees wishing to use the charging stations may purchase an annual permit to contribute to the Group's electricity costs. For 2018, the fee has been set at £21.34 with the figure being reviewed annually.

RESPONSIBLE CONSUMPTION & PRODUCTION

The tide of public opinion against single use packaging has been increasing, and the 'take-make-dispose' approach seen in many industries has been making the headlines for all the wrong reasons.

As a Group, James Cropper has been attempting to embed the circular economy into our supply chains to ensure that we re-enter our sustainably sourced materials into production when and where possible.

Our commitment is not only to using renewable materials and low impact manufacturing processes, but also creating high quality products that are easier to recycle.

As market leaders in recycled fibre innovation, we have heavily invested in a dedicated CupCycling™ plant, and are working closely with waste management companies and coffee retailers to retrieve fibre from single-use cup waste to make beautiful papers and Colourform™ plastic-free packaging.

James Cropper paper products are inherently recyclable and, in reality, paper has a very high recycling rate compared to materials such as plastics.

Along with developing solutions for the aerospace industry, TFP's advanced materials are having a positive impact across transport with 'light-weighting' helping increase efficiency and reduce emissions.

TFP is also taking a lead in recycling carbon fibre waste produced by aircraft manufacturers and thereby further reducing the environmental footprint of this industry.

Post manufacture waste awaiting processing

Matt Lowther and Amos Aschilean inspect Colourform™ packaging on the production line

DECENT WORK & ECONOMIC GROWTH

By engaging everyone with our sustainability plans, we always operate in a way that provides diverse and rewarding employment, with excellent career and personal development opportunities.

In-line with SDG targets, James Cropper PLC is committed to safeguarding jobs and creating new roles including re-training and up-skilling of employees. Our culture continues to be one which encourages entrepreneurship, creativity and innovation throughout the organisation.

The aspiration of decent work and economic growth is a thread which runs through our organisation's values (page 47).

Jonny Brennan, Ryan Carradus and Scott Clement

SUSTAINABLE CITIES & COMMUNITIES

Our commitment extends beyond ensuring economic sustainability and employment. James Cropper undertakes activities to support the local built environment, along with financial and in-kind contributions made through requests from the local community.

Repairing a gate at the nearby park means that parents can let their children play in safety. Cutting back overgrown trees adjacent to Burneside Youth Club benefited the adjacent retirement home, with residents afforded more natural light.

Since the start of the 2017/18 academic year, we have helped get students at the Queen Katherine School in Kendal out of their classrooms to spend time helping others in their community.

The green-fingered students rolled up their sleeves to plant flowers and shrubs in the Stonecross Nursing Home garden for residents to enjoy.

Our Community Support Committee regularly receives requests from schools, charities and organisations seeking support from James Cropper PLC for activities which will benefit the local communities. Over the past 5 years, the Group has made monetary and material donations to the value of £134,000.

Causes and charities who have received support include the Great North Air Ambulance, St Mary's Hospice, the Calvert Trust, Kendal Parish Church, Westmorland Association Football League and Kendal Community Foundation Flood Relief.

Adrian Gibson, Environment Manager, oversaw repairs at Burneside playground

LAKE DISTRICT POUND

The Lake District Pound ('LDP') was officially launched on 1 May 2018 in a bid to improve the experience of visitors, drive trade to local businesses and raise money for two local charities, Cumbria Community Foundation and the Lake District Foundation.

People will be able to exchange their sterling for Lake District Pounds at a variety of outlets, including most Post Offices, and then spend these in more than 200 locally-owned businesses.

The Lake District Pound is a fun and innovative way of helping people gain a deeper appreciation of just how special and individual the Lake District is, while at the same time contributing to the future of our landscapes and communities.

James Cropper has supported the project with supply of paper for the currency wallet, LDP 'passport' together with the exquisitely produced 'Lake District Pound Storybook 2018' telling the story of the LDP and the 2018 designs.

LIFE ON LAND

Working exclusively with responsible suppliers enables us to carefully select raw materials which minimise environmental impact, whether in manufacture or product life.

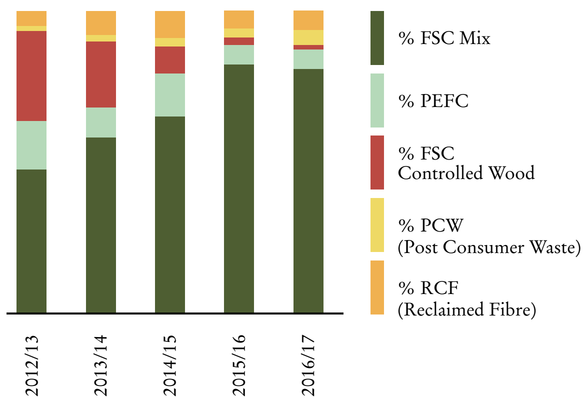
Wood pulp remains our primary raw material, sourced from responsibly managed forestry certified* to FSC® and PEFC® standards. These certifications provide assurance of sustainable land use practices and biodiversity. An increasing proportion of our fibre input is recycled, including certified post-consumer waste (PCW) from our CupCycling™ plant, with quantities set to grow in the future.

Our products are compliant with REACH legislation, we do not use any raw materials composed of or containing any Substances of Very High Concern ('SVHC').

James Cropper is also working on zero discharge of hazardous chemicals ('ZDHC') programme with fashion retailers in support of the 2020 Roadmap to Zero Initiative.

We reuse and recycle resources where possible; what the mill can't recycle is collected by Cumbria Waste and, of this, 87% is recycled and 13% is used as refuse derived fuel ('RDF').

RAW MATERIALS FIBRE SOURCE



**Forest Stewardship Council (FSC®); Programme for the Endorsement of Forest Certification (PEFC®)*

PARTNERSHIPS FOR THE GOALS

As a business aligned with delivering the ambitions of the Paris Agreement and the SDGs, we recognise that this cannot be achieved in isolation.

Collaboration is key to drive change in this area, and we believe there is a growing willingness to collaborate to improve supply chain sustainability.

With our CupCycling™ development in particular, we have first-hand experience of the impact that joined-up leverage can have when organisations work together cohesively towards a common goal.

Our work in this area was recognised recently as winners of several high profile awards, including for Supply Chain Collaboration at the 2018 Sedex (Supplier Ethical Data Exchange) Awards.

Our excellent relationships with our supply chain, environmental experts and end-users of our fibre products, has enabled innovation of new products which have global reach, and which reduce environmental impact whilst also driving profitability.

From Left: Sustainability Award 2018, Food Packaging Association
Best In Green Initiative 2018, Luxe Pack New York
Best Collaborative Effort, Sedex Awards 2018
Green/Sustainable Manufacturer 2018, North West Business Insider

CELEBRATING PRIDE IN OUR WORK

SAFETY IMPROVEMENT

WINNER

1. PAUL CLOSE & COLIN MILLER
(Cutter Operators)

The finishing department have been at the forefront of the site's efforts to improve workplace organisation and their housekeeping standards. One of the key drivers behind this has been the drive and enthusiasm of the shift Safety Actions Teams ('SAT').

Paul and Colin form part of the Green Shift SAT team and together have implemented the idea of improving the signage and standards of the roadway through this area of the site.

Not only have they reduced risk of truck incidents by creating essential standards of how trucks should be operated in specific areas throughout finishing, they have also worked diligently in improving the overall way in which their workplace is designed.

INNOVATION AND CREATIVITY

WINNER

2. TONY PEOPLES
(TFP Operative)

Tony's design of a new packing bench is helping solve a problem with the manual handling of a heavy product, affecting the TFP finishing team. The design of the new bench reduces the amount of lifting required, therefore reducing the risk of injury to members of the team whilst making packing quicker and much easier.

COMMENDATION

4. QUEST TEAM

Joanne Storey, Edward Kileff and Tom Prosser ran the Quest road-show which was attended by over 400 employees and generated 208 improvement ideas for improving quality in our end products. The team had clearly thought about the best way to communicate their message and this showed in their creativity.

COMMUNITY FOCUSSED

WINNER

3. PAULA BUTLER
(Finance Administrator)

Paula is always so enthusiastic about her work and encouraging her colleagues to socialise. As a member of the Croppers Social club, Paula dedicates time to organising many events over the year. Paula takes responsibility for much of the organising, promoting and financial arrangements for social events.

COMMENDATION

PAUL BLAIR
(TFP Machine Operator)

Paul has volunteered his time over a number of years to help at the boxing club in Kendal. Attending the club as his shift pattern allows, he takes great pride in helping the young people find their confidence and self-esteem through the sport. We admire Paul for taking the time to help provide a great community service.

Our People Set Us Apart

The annual Pride Awards reaffirm our values and celebrate outstanding achievement and commitment across the James Cropper Group, with employees invited to nominate others whom they consider worthy of recognition. The accompanying text is taken directly from the nominations and reflects the contribution made by teams or individuals to the business and their colleagues.

CUSTOMER SERVICE

WINNER

5. KARL COOKSON
(Technical Support Manager)

Highly committed to our Group, Karl will often go above and beyond to ensure core services are maintained either from unplanned events or potential business threatening situations. During one significant power outage, Karl was on site all night to manually restart systems and services including more than 100 different servers.

COMMENDATION

6. PROCUREMENT TEAM – RAW MATERIALS

Andrea Ripley, Mandy Bond, Aime Knipe, Kaylee Thexton and Sam Crewdson. This small yet highly effective team work extremely hard to deliver for the business. They're not afraid of early starts and late finishes, and will come in out-of-hours to ensure they don't let their colleagues down.

TAKING PRIDE

WINNER

7. DAVID ATKINSON
(Machine Operator, No.4 Machine)

There is no one at Croppers who takes more pride in his job than David. Passionate about PM4 and dedicated to both the Group and papermaking, he provides great motivation to the team and happily passes on his extensive knowledge to his colleagues. Quality focussed with a positive attitude, David is an excellent role model to others.

COMMENDATION

8. JULIE TOMLINSON
(Marketing Communications Manager)

A real unsung hero, whether creating our exhibition stands, producing marketing materials or writing fantastic copy, Julie takes pride in making sure every detail is perfect. So often 'under the radar', you can be sure that when James Cropper is making great headlines, Julie has had a hand in it!

TEAM AWARD

WINNERS

9. QUALITY TEAM

Grant McDougall, Ian Park, Tom Prosser, Mark Cook and Colin Roberts, a collaboration from across the Group, the five people have improved our quality systems in-line with the new and more rigorous ISO 9001, 2015 standards. The team made such great progress they obtained the BSI recommendation to upgrade one year early!

COMMENDATION

10. CLEANING TEAM

Rob Hart, Donna Stewart, Ann McKnight, Carol-Anne Preston, Ian Cook, Polly Wilkinson, Nicola Moore and John Ireland. An incredibly hard-working team, thorough in their work and even through all the changes to the site over recent years they have ensured the facilities are always clean.

SUPPORT FOR COLLEAGUES

WINNER

11. JOHN YOUDE
(Shift Team Leader)

John will always make time to provide support for colleagues and provides a valuable 'bridge' between papermachine crews and finishing, enabling both to have a better understanding of production processes, any issues they may have and the impact on quality. Always cheerful, John makes the operations office a pleasant place to be when he is on shift!


10

11

COMMENDATION

12. MARIA LA TORRE
(Senior Materials Specialist, TFP Inc.)

When Maria sees that something needs doing, she gets it done and never assumes it's someone else's job. She has taken on a lot of extra responsibility above and beyond her original remit including developing a manual for export control procedures and a supervisory role for safety management systems.


12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It's a wonderful smile that's universally recognised across the organisation and by many of our customers, but one which we're having to say farewell to.

Geoff Leech, Art & Framing Director, retires in the summer of 2018 after an impressive 41 years of service at James Cropper and a career in the paper manufacturing industry that commenced at the age of just 16.

Geoff joined us in 1977 as an administrator in the export team and represented the Group across the world to develop new markets and build strong customer relationships.

Always one to rise to a challenge, Geoff and his team have delivered numerous technical innovations for clients.

Recipient of numerous accolades, Geoff has also helped shape the industry and was instrumental in developing the Fine Art Trade Guild Mountboard Standards.

We thank Geoff for his commitment and lasting contributions both to the Group and the papermaking industry.

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BOARD OF DIRECTORS

MARK CROPPER MA
Chairman

Mark joined the Group and the Board in 2006, becoming Chairman in 2010, the sixth generation of the Cropper family to hold this position. He was educated at Edinburgh University, following which he pursued a career in environmental finance. He is a director of Ellergreen Hydro Ltd, a small hydro developer, and also of Community Energy Cumbria Ltd and Burneside Community Energy Ltd.

PHIL WILD BEng (Hons)
Chief Executive Officer

Phil joined the group and the Board as Chief Executive in 2012. A graduate of Loughborough University and the London Business School, he previously worked for 3M where he held directorships and roles covering EMEA, industrial, healthcare, automotive and security market sectors.

ISABELLE MADDOCK BSC, FCMA
Group Finance Director

Isabelle is a Fellow of the Chartered Institute of Management Accountants with over 25 years' experience in finance across a variety of sectors including manufacturing, software, retail, facilities management and publishing before joining the Company in 2006. Isabelle joined the Board as Group Finance Director in 2014.

DAVE WATSON BEng (Hons)
Chief Operations Officer

Educated at Sunderland University and London Business School, Dave has over 30 years' experience in industrial, automotive, pharmaceutical and secure documents and systems markets. Dave joined the Group and Board in 2014.

PATRICK WILLINK BSC, MBA
Chief Technology Officer

Educated at Newcastle University and Imperial College, London, Patrick joined the Group in 1990 and the Board in 1998. In 2014 he became Chief Technology Officer of the Group and was also appointed President of the Confederation of Paper Industries Ltd later that year.

STEVE ADAMS BA (Hons)
Managing Director Paper Division

Steve joined the Group and Board on 1 January 2017 following 30 years with 3M in various directorships and roles both in the UK and Europe covering display, traffic & vehicle safety, telecommunications, electronics and energy markets.

MARTIN THOMPSON MBA
Managing Director
Technical Fibre Products

Prior to joining the Group, Martin held a variety of roles covering Business Systems, Technical and Operations Management. Martin joined the Group in 2003. He was appointed Managing Director of Technical Fibre Products Ltd in 2013 and appointed to the Board in 2013.

DAVID WILKS LLB (Hons)
Non-Executive Director

A Director of Wilks & Partners, a management consultancy company he founded, David joined the Board in April 2004. He has extensive manufacturing operations experience with H J Heinz and United Biscuits, and was a Director of ER Consultants.

JIM SHARP MA
Non-Executive Director

Jim joined the Board in 2009. A Partner in Sirius Equity LLP, which he co-founded in 2008, Jim is a non-executive director of The Brunner Investment Trust PLC and feelunique.com. He began his career in financial services with J Henry Schroder & Co in 1992 where he was a director until 2002, and has since held senior roles with a number of private equity backed businesses.

COMPANY SECRETARY

JIM ALDRIDGE FCA
Company Secretary

Jim joined the Group as Finance Manager for Technical Fibre Products Ltd in 2006. He was appointed Head of Corporate Finance in 2013 until November 2015, when he was appointed Company Secretary.

HONORARY PRESIDENT

SIR JAMES CROPPER KCVO, BA
Honorary President

Sir James resigned from the Board in 2013 after 47 years of distinguished service within the Company. Sir James was appointed the first Honorary President of James Cropper PLC in 2013. Sir James was HM Lord-Lieutenant of Cumbria from 1994 until 2012.

CORPORATE GOVERNANCE STATEMENT

CHAIRMAN'S INTRODUCTION TO CORPORATE GOVERNANCE

I am pleased to introduce the Corporate Governance Report for the period ended 31 March 2018. This report includes my statement and the Corporate Governance Report.

As a Board, we remain committed to maintaining high standards of corporate governance. The Directors place a significant emphasis on ensuring that the Group has the appropriate governance structures in place. We acknowledge the importance of the principles set out in the UK Corporate Governance Code 2016, and intend to apply this code as far as we consider appropriate given the size of the Group. As a guiding principle, we aim to demonstrate best practice in governance matters regardless of whether this is beyond regulatory requirement. This approach is closely aligned to upholding our strong values, not least acting with integrity.

BOARD RESPONSIBILITY AND STRATEGIC DIRECTION

The Board acknowledges its collective responsibility for ensuring the long-term success of the Group by demonstrating strong leadership, setting strategy and business models, managing performance and ensuring the necessary resources are in place to deliver. It also holds itself accountable for looking after the needs of all its stakeholders, including employees, pensioners, shareholders and the broader community and environment.

Both I and the Non-Executive Directors are fully supportive of the strategic direction being taken by the executive team. The future direction is reported in our Strategic Report on pages 06 to 26.

SUB–COMMITTEES

There are five sub-committees reporting to the Board:

- Executive Committee
- Remuneration Committee
- Audit Committee
- Nomination Committee
- Pensions Committee

All committees continue to exercise their duties in compliance with all relevant legislation, regulation and guidance. During the year the Remuneration Committee undertook a complete review of pay and rewards for the Executive team ensuring the policy enables the Group to attract and retain individuals with the right skills and calibre to achieve our strategic goals. The Nomination Committee were also active in the search for a Non-Executive Director. Following the search, an appointment is expected in August.

All sub-committees continue to be supported by both internal and, where relevant, external advisers to ensure their duties are satisfactorily and professionally fulfilled.

STAKEHOLDER ENGAGEMENT

The Board is keen to ensure ongoing and effective communication with all stakeholders.

Mark Cropper
Chairman

25 June 2018

GOVERNANCE STATEMENT

The Company's shares are listed on AIM and are subject to the AIM Rules of the London Stock Exchange and consequently are not required to comply with the provisions or report in accordance with the UK Corporate Governance Code 2016 ("Code"). However, the Board is committed to the principles of good corporate governance covering leadership, effectiveness, accountability, remuneration and shareholder relations. The Board have adopted the Code as far as is practicable and appropriate for a public company of the Group's size and nature.

ROLE OF THE BOARD

The role of the Board is to establish the vision and strategy for the Group, to deliver shareholder value and be responsible for the long-term success of the Group. Individual members of the Board have equal responsibility for the overall stewardship, management and performance of the Group and for the approval of its long-term objectives and strategic plans.

DIVISION OF RESPONSIBILITIES

There is a clear division of responsibilities between the role of the Chairman and that of the Chief Executive Officer of the Group. The primary responsibility of the Chairman is to lead and manage the Board and that of the Chief Executive is to manage the business of the Group.

THE CHAIRMAN

Mark Cropper is the Chairman. He is responsible for leading and managing the Board and ensuring its effectiveness in all aspects of its role. He works closely with the Chief Executive on developing Group strategy and provides general advice and support.

THE CHIEF EXECUTIVE OFFICER

Phil Wild is the Company's Chief Executive. His principal responsibility is to manage the Group's business and to lead the Executive Committee in delivering the Group's strategic and operational objectives.

THE NON-EXECUTIVE DIRECTORS

Two of the Non-Executive Directors, including the Chairman, although deemed not to be independent under the Code, are considered by the Board to be independent in both character and judgement and provide unequivocal counsel and advice to the Board. The appointment of a new Non-Executive Director to the Board will bring greater independence, counsel and advice.

THE OPERATION OF THE BOARD

The Board has the authority for ensuring that the Group is appropriately managed and achieves the strategic objectives it sets. To achieve this, the Board reserves certain matters for its own determination including matters relating to Group strategy, approval of interim and annual financial results, dividend policy, major capital expenditure, budgets, monitoring performance, treasury policy, risk management, corporate governance and the effectiveness of its internal control systems. The Board performs its responsibilities through an annual programme of meetings and by continuous monitoring of the performance of the Group.

BOARD COMMITTEES

The Board has delegated specific authority to the Audit Committee, Nomination Committee, Remuneration Committee and Pension Committee.

Jim Sharp is the Chairman of the Audit Committee which also comprises the other Non-Executive Directors. The Audit Committee has the primary responsibility for monitoring the quality of internal controls, ensuring that the financial performance of the Group is properly measured and reported on and reviewing reports from the Group's auditors relating to the Group's accounting and internal controls. The Audit Committee meets at least three times a year.

Mark Cropper is the Chairman of the Nomination Committee which also comprises the other Non-Executive Directors. The Nomination Committee will identify and nominate, for approval by the Board, candidates to fill Board vacancies as and when they arise. The Nomination Committee will meet as and when required.

David Wilks is the Chairman of the Remuneration Committee which also comprises the other Non-Executive Directors. The Remuneration Committee reviews the performance of the Executive Directors and determines their terms and conditions of service, including their remuneration and the grant of options. The Remuneration Committee will meet at least twice a year.

Isabelle Maddock is the chairperson of the Pension Committee which also comprises Mark Cropper, Jim Sharp and Patrick Willink. The Pension Committee has the primary responsibility for reviewing and approving the objectives of the James Cropper Plc Pension Schemes on all material matters of importance. It monitors performance of the Schemes and considers recommendations and reports from management in relation to policy and strategy concerning pensions and investment matters. The Pension Committee meets as and when required throughout the year.

BOARD AND COMMITTEE MEETINGS

The Board meet on a formal basis regularly. Members are supplied with financial and operational information in good time for review in advance of meetings.

All Directors have access to the advice and services of the Company Secretary. The Board approves the appointment and removal of the Company Secretary. The Non-Executive Directors are able to contact the Executive Directors, Company Secretary or Senior Managers at any time for further information.

EFFECTIVENESS

BOARD COMPOSITION

A strong feature of the Board's effectiveness in delivering the strategy is our inclusive and open style of management and a free flow of information between the Executive and Non-Executive Directors. The size of our Board encourages individuals to discuss matters openly and freely and to make a personal contribution through the exercise of their personal skills and experience. No individual or group of individuals dominate the Board's decision making process.

All Directors communicate with each other on a regular basis and contact with senior executives within the Group is sought and encouraged.

DIVERSITY

Vacancies on the Board are filled following a rigorous evaluation of candidates who possess the required balance of skills, knowledge and experience, using recruitment consultants where appropriate. The process for the appointment of Non-Executive Directors is managed by the Nomination Committee. The Company recognises the importance of diversity at Board level and the Board comprises individuals with a wide range of skills and experience from a variety of business backgrounds. Our current female representation on the Board is 11%.

APPOINTMENT OF NON-EXECUTIVE DIRECTORS

Non-Executive Directors are appointed to the Board following a formal, rigorous and transparent process, involving external recruitment agencies, to select individuals who have a depth and breadth of relevant experience, thus ensuring that the selected candidates will be capable of making an effective and relevant contribution to the Board. The process for the appointment of Non-Executive Directors is managed by the Nomination Committee.

TERMS OF APPOINTMENT AND TIME COMMITMENT

All Non-Executive Directors are employed on contracts of one month's notice by either side. All Non-Executive Directors are expected to devote such time as is necessary for the proper performance of their duties. Directors are expected to attend all Board meetings and committee meetings of which they are members and any additional meetings as required.

INDUCTION AND PROFESSIONAL DEVELOPMENT

New Directors are given a formal induction process including details of how the Board and Committees operate, meetings with Senior Management and information on Group strategy, products and performance. Training and development needs of Directors are reviewed regularly. The Directors are kept appraised of developments in legal, regulatory and financial matters affecting the Group from the Company Secretary, the Chief Executive, the Finance Director and the Group's external auditors and advisers.

PROFESSIONAL ADVICE

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 Group's expense. All Directors are aware of their responsibility to regularly update their skills and knowledge.

BOARD AND COMMITTEE EVALUATION

The performance evaluation of the Board, its Committees and Directors is undertaken by the Chairman annually and implemented in collaboration with the Committee Chairmen.

ELECTION AND RE-ELECTION OF DIRECTORS

At each Annual General meeting the shareholders shall vote on resolutions to both elect any Director who has been appointed since the last Annual General Meeting and also re-elect any Director who has not been appointed, elected or re-elected at one of the two previous Annual General Meetings.

Any Non-Executive Directors with service greater than nine years are subject to re-election at each Annual General Meeting.

RISK MANAGEMENT

The Group's corporate objective is to maximise long-term shareholder value. In doing so, the Directors recognise that creating value is a reward for taking and accepting risk. The Directors consider risk management to be crucial to the Group's success and give a high priority to ensuring that adequate systems are in place to evaluate and limit risk exposure.

INTERNAL CONTROL

The Board are responsible for the Group's system of internal control and for reviewing its effectiveness. In the context of the Group's business any such system can only reasonably be expected to manage rather than eliminate risks arising from its operations. It can therefore only provide reasonable and not absolute assurance against material loss or misstatement.

GOING CONCERN

In carrying out their duties in respect of going concern, the Directors carry out a review of the Group's financial position and cash flow forecasts for the foreseeable future. These are based on a comprehensive review of revenue, expenditure and cash flows, taking into account specific business risks and the current economic environment.

RELATIONS WITH SHAREHOLDERS

The Board appreciates that effective communication with the Company's shareholders and the investment community as a whole is a key objective. The Chairman's Statement, the Chief Executive's Statement and the Strategic Report and Financial Review, together with the information in the Annual Report of the Group, provide a detailed review of the business.

The Executive Directors have overall responsibility for ensuring effective communication and the Company maintains a regular dialogue with its shareholders, mainly in the periods following the announcement of the interim and final results, but also at other times during the year. The Board encourages the participation of shareholders at its Annual General Meeting, notice of which is included in the Annual Report.

The Company's website 'www.cropper.com' is regularly updated and provides additional information on the Group.

ANNUAL GENERAL MEETING

At every AGM, Directors provide updates on the progress of the business and insights into different areas of the business, and allows the opportunity for questions on this or any of the resolutions before the meeting. The Company proposes separate resolution for each issue and specifically relating to the Reports and Accounts. The Company ensures all proxy votes are counted and indicates the level of proxies on each resolution along with the abstentions after it has been dealt with on a show of hands.

After the meeting, shareholders have the opportunity to talk informally to the Board and raise any further questions or issues they may have.

Jim Aldridge,
Company Secretary,

25 June 2018

REPORT OF THE REMUNERATION COMMITTEE

STATEMENT FROM THE CHAIRMAN OF THE REMUNERATION COMMITTEE

I am pleased to introduce the Directors' Remuneration Report for the period ended 31 March 2018. This report includes my statement, the Annual Remuneration Report and sets out our forward – looking directors' remuneration policy.

The Directors acknowledge the importance of the principles set out in the UK Corporate Governance Code 2016 and intend to apply this code as far as we consider appropriate given the size of the Group. As part of this, we have chosen to include information in this report which goes beyond what we are required to disclose, as we believe this is important to our stakeholders.

OUR DIRECTORS' REMUNERATION POLICY

We have adopted a remuneration policy designed to attract and retain individuals with the talent, experience and leadership skills required to enable us to achieve our strategic objectives.

We believe that this, in turn, will help stimulate sustainable value creation over the long term.

Our policy is set out in the following pages, with a summary of key principles provided below:

- Fixed levels of remuneration are set at an appropriate level for each individual. In setting these levels, the Remuneration Committee takes into account the levels of fixed remuneration for similar positions with comparable status, responsibility and skills. This will ensure that we can attract and retain the right individuals needed to grow the Group.
- Recognising our strategic objectives and the need to deliver progressive returns for our shareholders, the Executive Directors are eligible to participate in an Annual Bonus Scheme and a Long Term Incentive Plan ('LTIP').

BUSINESS CONTEXT AND REMUNERATION COMMITTEE DECISIONS ON REMUNERATION

It is our intention that the remuneration policy reflects and is aligned with the Group's long-term strategy and supports the achievement of the strategic objectives.

During the period, the Remuneration Committee reviewed and updated the fixed levels of remuneration, the annual bonus scheme and the long term incentive scheme. Further details on these are set out in the Remuneration Policy section of this report.

The remainder of this report is split into the following two sections:

- Annual Report on Remuneration providing details of the payments made to Directors in the period ended 31 March 2018.
- Directors' Remuneration Policy setting out the Group's forward looking remuneration policy.

David Wilks
Chairman of the Remuneration Committee

25 June 2018

ANNUAL REMUNERATION REPORT 2018

REMUNERATION COMMITTEE

The Remuneration Committee comprises the following members:

- David Wilks
- Mark Cropper
- Jim Sharp

The Remuneration Committee has responsibility for setting the remuneration policy for all Executive Directors and the Chairman of the Board, including pension rights and any compensation payments. This includes reviewing the performance of the Executive Directors and determining their terms and conditions of service, their remuneration and the grant of any options, having due regard to the interests of the shareholders.

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 of their own salary or rewards.

In setting the remuneration policy, the Remuneration Committee takes into account the objective to attract, retain and motivate executive management of the calibre required to run the Group successfully. Our remuneration policy is closely aligned with our long term strategic goals and our approach to risk management.

The Remuneration Committee also recognises that a significant proportion of remuneration should be structured so as to link rewards to corporate and individual performance and be designed to promote the long-term success of the Group.

The Remuneration Committee meets at least twice a year and otherwise as required.

REMUNERATION POLICY

The Remuneration Committee will periodically review the policy to confirm that our remuneration framework continues to support the delivery of our business objectives.

In developing this policy, the Remuneration Committee takes into account the best interests of the business and the agreed terms and conditions of employment for each director of the Group. Our overall remuneration philosophy aims:

- To recognise the importance of ensuring that employees of the Group are effectively and appropriately rewarded.
- To operate a remuneration policy that is a mix of fixed and variable pay. Variable pay is both short term and long term.
- To align Directors' interests with those of the Group.
- To have a pay for performance approach.
- To provide a market competitive level of remuneration to enable the Group to attract and retain high level individuals, to support the ongoing success of the Group.

SERVICE CONTRACTS

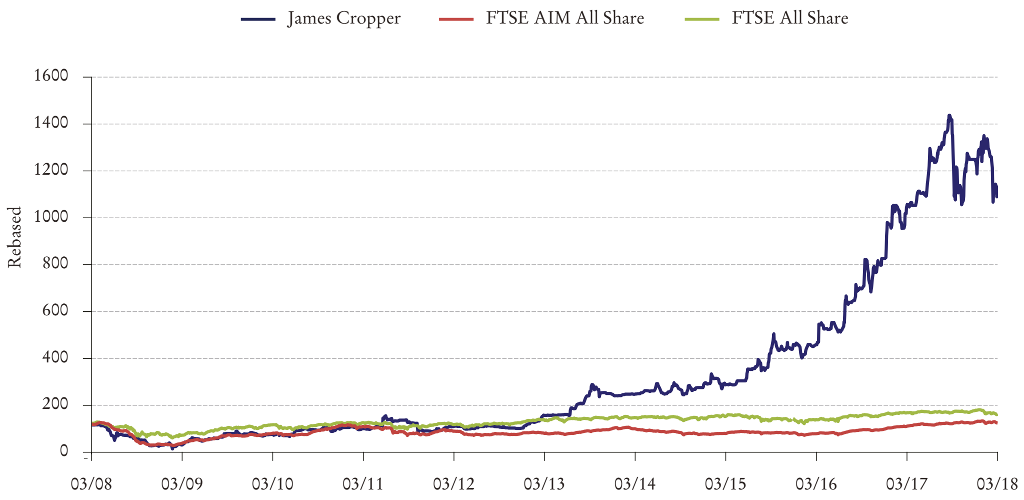
EXECUTIVE DIRECTOR	NOTICE PERIOD
M A J Cropper	12 months
P I Wild	6 months
I M Maddock	6 months
M Thompson	12 months
K D Watson	6 months
P J Willink	12 months
S A Adams	6 months

Non-Executive Directors are employed on contracts of one month's notice by either side.

COMPARISON OF FIVE 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 31 March 2018 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 following table brings together the various elements of remuneration of each director for the financial period ended 31 March 2018.

	SALARY AND FEES		BENEFITS		ANNUAL BONUS		PENSION COST		TOTAL	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000
EXECUTIVE										
M A J Cropper	76	75	10	10	1	-	5	5	92	90
P I Wild	194	184	35	34	10	42	10	10	249	270
I M Maddock	125	110	23	21	6	27	7	7	161	165
M Thompson	132	127	27	27	16	30	8	3	183	187
K D Watson	132	129	22	22	6	30	6	6	166	187
P J Willink	118	118	18	23	6	27	16	19	158	187
S A Adams (appointed January 2017)	153	38	21	5	7	8	-	-	181	51
NON-EXECUTIVE										
D Mitchell (retired 31 March 2017)	-	22	-	-	-	-	-	-	-	22
J E Sharp	28	27	-	-	-	-	-	-	28	27
D R Wilks	30	29	-	-	-	-	-	-	30	29
	988	859	156	142	52	164	52	50	1,248	1,215

Governance - Report of the Remuneration Committee

LONG TERM INCENTIVE PLAN

Under the Plan, awards to acquire ordinary shares in the Company can be made to Executive Directors and employees of the Company and its subsidiaries selected by the Remuneration Committee.

Awards made during the financial period to 31 March 2018 under the Plan to Executive Directors were as follows:

	NUMBER AT 1 APRIL 2017	NUMBER GRANTED IN PERIOD	MID-MARKET PRICE (£) OF OPTIONS AWARDED	NUMBER EXERCISED IN PERIOD	OPTIONS LAPSED IN PERIOD	NUMBER AT 31 MARCH 2018
M A J Cropper	10,666	-	-	4,818	1,204	4,644
P I Wild	54,326	8,571	£16.950	17,794	4,448	40,655
S A Adams	-	4,511	£16.950	-	-	4,511
I M Maddock	19,960	3,459	£16.950	7,868	-	15,551
M Thompson	21,327	3,910	£16.950	7,868	-	17,369
K D Watson	22,468	3,910	£16.950	8,832	-	17,546
P J Willink	13,935	-	-	7,868	-	6,067

CASH-SETTLED OPTIONS UNDER THE LTIP

Conditional cash awards ("Cash Awards") grant participating employees a conditional right to be paid a cash amount based on the proceeds of the sale of a specified number of Ordinary Shares following vesting of the award. Under the LTIP Plan, Conditional Cash awards were granted to the following Executive Directors:

	OPTIONS AT 1 APRIL 2017	NUMBER GRANTED IN PERIOD	MID-MARKET PRICE (£) OF OPTIONS AWARDED	OPTIONS EXERCISED IN PERIOD	OPTIONS LAPSED IN PERIOD	OPTIONS AT 31 MARCH 2018
M A J Cropper	3,781	2,170	£16.950	-	-	5,951
P J Willink	6,025	3,459	£16.950	-	-	9,484

SAYE OPTIONS

The details of the SAYE options that are open to the Executive Directors at 31 March 2018 are as follows:

Date of SAYE	Grant	01 September 2013
Term of Option	5.25 years	Exercise price £1.9952 per share
Executive Director	No. of shares	Total Share Options available as at 31 March 2018
I M Maddock	4,360	4,360

REMUNERATION POLICY SUMMARY

PURPOSE AND LINK TO STRATEGY	OPERATION
BASE SALARY To reflect market value of the role and individual's performance and contribution and enable the Group to recruit and retain directors of sufficient calibre required to support achievement of both short and long-term goals.	The salary of each Executive Director will be reviewed annually by the Remuneration Committee without any obligation to increase such salary. Base salaries are benchmarked against companies of a comparable size with a targeted approach of median positioning against the market, subject to satisfactory performance. There may be reviews and changes to base salary during the year if considered appropriate by the Remuneration Committee. The Remuneration Committee will take account of relevant comparator group data as well as pay increases awarded to other employees within the Company.
NON-EXECUTIVE DIRECTORS' SALARIES To attract and retain the right individuals required to support the achievement of both short and long-term goals.	Salaries for Non-Executive Directors are based on market practice and are reviewed by the Board each year. The maximum aggregate amount of salaries that the Company may pay to all the Directors who do not hold executive office for their services is £200,000 per annum, or such larger amount as the Company may by ordinary resolution decide.
BENEFITS To attract and retain the right individuals and level of talent required to support achievement of both short and long term goals.	Each Executive Director is awarded a benefit allowance which allows individuals to select from a range of personal benefits including, but not limited to, private medical insurance and a company car. Any unused monetary sum is paid to the individual at the end of the tax year via the PAYE system. The benefit allowance is reviewed periodically by the Remuneration Committee.
PENSION To attract and retain the right individuals and level of talent required to support achievement of both short and long term goals.	The Chief Executive and the Chairman are members of the Company's defined contribution scheme. Other Executive Directors are either members of the Company's defined benefit scheme or the Company's defined contribution scheme. Non-Executive Directors are not in any of the Company pension schemes. The annual cost borne by the Company is shown in the Directors' Remuneration table.
ANNUAL EXECUTIVE BONUS PLAN To reward the delivery of the Group's annual financial and strategic goals.	The annual bonus award will depend on the level of performance delivered against specific targets measured against three categories: • Up to 10% of base salary on achieving budgeted earnings; • Up to 10% of base salary for year on year improvement in earnings. • Up to 5% of base salary on achieving working capital targets. The Executive Directors are eligible to participate in the Employee Group Bonus Scheme, with any award made under this scheme deducted from the award made under the Annual Executive Bonus Plan. The Annual Executive Bonus Plan is reviewed periodically by the Remuneration Committee.
LONG TERM INCENTIVE PLAN ('LTIP') To incentivise the delivery of key performance measures over the long term. To retain key executives and increase their share ownership in the Company, aligning their interests with those of shareholders.	Under the plan, awards to acquire ordinary shares in the Company, or cash equivalent, can be made to Executive Directors and other employees within the Group, as selected by the Remuneration Committee. The number of options that can be awarded to any participant in a financial year under the Plan, determined by reference to the Company's 20 day average mid-market share price at the time of the award, is limited to a maximum of 75% of the participant's base salary. The LTIP awards are subject to the achievement of certain performance conditions as set out below.

CONDITIONS FOR LTIP AWARDS

EARNINGS PER SHARE CONDITIONS (FOR AWARDS GRANTED AFTER MARCH 2016)

- Awards will vest in full on the third anniversary of the granting of the award, provided the growth in the Company's earnings per share, adjusted for IFRS pension adjustments and exceptional items over that period, exceeds the increase in the retail price index ("RPI") plus 20% per annum;
- Awards will vest proportionally between 25% and 100% on the third anniversary of the granting of the award, provided the adjusted earnings per share over that period equate to or exceed the increase in RPI plus 6% but less than 20% per annum;
- Awards will lapse on the third anniversary of the granting of the award if the growth in the Company's adjusted earnings per share does not equate to at least the increase in RPI plus 6% per annum.

EARNINGS PER SHARE CONDITIONS (FOR AWARDS GRANTED BEFORE MARCH 2016)

- Awards will vest in full on the third anniversary of the granting of the award, provided the growth in the Company's earnings per share, adjusted for IFRS pension adjustments and exceptional items over that period, exceeds the increase in the retail price index ("RPI") plus 10% per annum;
- Awards will vest proportionally between 10% and 100% on the third anniversary of the granting of the award, provided the adjusted earnings per share over that period equate to or exceed the increase in RPI plus 2.5% but less than 10% per annum;
- Awards will lapse on the third anniversary of the granting of the award if the growth in the Company's adjusted earnings per share does not equate to at least the increase in RPI plus 2.5% per annum.

EBITDA TARGET CONDITIONS (FOR AWARDS GRANTED BEFORE MARCH 2016)

- Awards will vest in full on the third anniversary of the granting of the award if the third year EBITDA target as set out in the Company's 3 year business plan, for the year the award was granted, has been met or exceeded;
- Awards will vest at 30% on the third anniversary of the granting of the award if at least 95% but less than 100% of the third year EBITDA target as set out in the Company's 3 year business plan, for the year the award was granted, has been met or exceeded;
- Awards will vest at 20% on the third anniversary of the granting of the award if at least 90% but less than 95% of the third year EBITDA target as set out in the Company's 3 year business plan, for the year the award was granted, has been met or exceeded;
- Awards will lapse on the third anniversary of the granting of the award if less than 90% of the third year EBITDA target as set out in the Company's 3 year business plan, for the year the award was granted, has been achieved.

EBITDA

For the purposes of the LTIP award, EBITDA is defined as:
Operating Profit before interest, tax, depreciation and amortisation and excluding IFRS pension adjustments and exceptional items.

DIRECTORS' REPORT

The Directors present their Annual Report and the audited financial statements of James Cropper Group for the 52 weeks ended 31 March 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Group comprises the manufacture of specialist paper and advanced materials. There have not been any significant changes in the Group's principal activities in the year under review. The Directors are not aware, at the date of this report, of any likely major changes in the Group's activities in the next year.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The Chairman's Letter on pages 08 to 09, the Strategic Report on pages 06 to 26 and the Financial Review on pages 13 to 26, report on the performance of the Group for the period ended 31 March 2018 and its prospects for the future.

The Chairman's Letter, the Strategic Report and this report have been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward looking information.

THE BOARD

The Directors who served during the year under review were:

Mark Cropper
Phil Wild
Steve Adams
Isabelle Maddock
Martin Thompson
Dave Watson
Patrick Willink
Jim Sharp
David Wilks

Details of the Director's remuneration are shown in the Report of the Remuneration Committee on pages 64 to 69. Details of the Directors' interests in the share capital of the Company are set out on page 72. The biographies of the Directors as at the date of this report are on pages 58 to 59.

RESULTS AND DIVIDENDS

The results for the period are shown in the Statement of Comprehensive Income on page 78.

An interim dividend of 2.5p per ordinary share was paid on 12 January 2018. The Directors are recommending a final dividend of 11.0p per ordinary share, subject to approval at the Annual General Meeting of the Company, making the total dividend for the year 13.5p (2017: 11.8p) per share. Full details of dividends in respect of the year ended 31 March 2018 are given in note 7 of the financial statements.

CORPORATE GOVERNANCE

A report on Corporate Governance is set out on pages 60 to 63, and forms part of this report by reference.

HEALTH & SAFETY

The Group is committed to providing a safe working environment for all employees. Group policies are reviewed regularly to ensure that policies relating to training, risk assessment and accident management are appropriate. Health & safety issues are reported at each Board meeting and Executive Committee meeting.

CHARITABLE AND POLITICAL DONATIONS

It is the Group'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.

Donations totalling £16,000 (2017:£16,000) were made for various local charitable purposes.

EMPLOYEE INVOLVEMENT AND POLICY REGARDING DISABLED PERSONS

The Group's employees are its most important asset. The Group operates an equal opportunities policy that aims to treat individuals fairly and not to discriminate in any way.

Regular consultative meetings are held with the trade union representatives to advise them on all aspects of Group developments. Communications with all employees continues through monthly and bi-annual briefings on performance, safety and any other relevant developments.

It is the Group's policy to give equal opportunity when considering applications from disabled persons where the job requirements are considered to be within their ability. In the event of employees becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged.

It is the policy of the Group that the training, career development and promotion of a disabled person should, as far as practicable, be identical to that of a person who does not suffer from a disability.

ENVIRONMENTAL POLICY

James Cropper Group recognises the importance of its environmental responsibilities and designs and implements policies to reduce any damage that might be caused by the Group's activities. Initiatives designed to minimise the Group's impact on the environment include safe disposal of waste, recycling and reducing energy consumption.

SHARE CAPITAL

Full details of the authorised and issued share capital of the Company are set out in note 20 to the consolidated financial statements.

AUTHORITY TO ALLOT SHARES

A resolution will be proposed to renew an existing authority which expires at the Annual General Meeting to give the Directors authority to exercise the powers of the Company to allot unissued shares.

DIRECTORS POWER TO DISAPPLY PRE-EMPTION RIGHTS

A resolution will be proposed at the Annual General Meeting which disapplies statutory pre-emption rights on the allotment of shares by empowering the Directors to allot shares for cash without offering them to existing shareholders first.

GOING CONCERN

The Chairman's Letter and the Chief Executive's Review on pages 08 to 12, outline the business activities of the Group along with the factors which may affect its future development and performance. The Financial Review on pages 13 to 26 discusses the Group's financial position, along with details of its cash flow and liquidity. Note 17 to the financial statements sets out the Group's financial risks and the management of those risks.

Having prepared management forecasts and made appropriate enquiries, the Directors are satisfied that the Group has adequate resources for the foreseeable future. Accordingly, they have continued to adopt the going concern basis in preparing the Group and Company financial statements.

DISCLOSURE OF INFORMATION TO THE AUDITOR

KPMG LLP has expressed its willingness to continue in office. Its appointment and authority for the Directors to agree its remuneration will be proposed at the Annual General Meeting. Each of the Directors as at the date of approval of this Annual report confirms that:

- So far as the Director is aware there is no relevant audit information of which the Company's Auditor is unaware; and
- The Director has taken all steps he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

ANNUAL GENERAL MEETING

Your attention is drawn to the Notice of Annual General Meeting on pages 112 to 115 which sets out the resolutions to be proposed at the forthcoming Annual General Meeting. The meeting will be held at The Bryce Institute, Burneside, Kendal, Cumbria LA9 6PZ on Wednesday 25 July 2018 at 11.00 am.

SUBSTANTIAL INTERESTS

Shareholdings in excess of 3% of the issued capital at 2 June 2018 were as follows:

NAME OF SHAREHOLDING	NUMBER OF SHARES	% HOLDING	NOTE NO. BELOW
Cropper Family - Beneficial and Non Beneficial Interests	3,015,405	31.8	
Willink Family – Beneficial and Non Beneficial Interests	527,607	5.6	
Acland Family – Beneficial Interests	52,386	0.6	
Total	3,595,398	37.9	1
Liontrust Asset Management Ltd	588,672	6.2	
Miton Asset Management Limited	468,931	4.9	
Polar Capital LLP	435,211	4.6	

Notes on Shareholding Table:

1. The Cropper, Willink and Acland families are related and are deemed to be acting in concert with a total holding of 37.9% in the Company.

DETAILS OF DIRECTORS' INTERESTS

The interests in the shares of the Company of those Directors serving at 31 March 2018 were as follows:

		AT 31 MARCH 2018		AT 1 APRIL 2017	
		ORDINARY SHARES	OPTIONS ON ORDINARY SHARES	ORDINARY SHARES	OPTIONS ON ORDINARY SHARES
DIRECTOR	**INTEREST**				
M A J Cropper	Beneficial	1,747,849	4,644	1,267,376	10,666
	Non-beneficial	559,571	-	559,571	-
P I Wild	Beneficial	12,273	40,655	6,136	54,326
S A Adams	Beneficial	1,020	4,511	1,000	-
I M Maddock	Beneficial	11,032	19,911	8,244	19,960
M Thompson	Beneficial	26,524	17,369	23,708	21,327
K D Watson	Beneficial	4,047	17,546	2,025	22,468
P J Willink	Beneficial	55,046	6,067	51,112	13,935
	Non-beneficial	1,132,408	-	1,132,408	-
J E Sharp	Beneficial	7,950	-	7,950	-
	Non-beneficial	75,328	-	92,575	-
D R Wilks	Beneficial	7,825	-	9,465	-
	Non-beneficial	75,825	-	92,575	-

Any material related party transactions between the Directors and the Company are set out in note 26 to the consolidated financial statements. Further information relating to the interests of the Directors regarding options on ordinary shares is given in the Report of the Remuneration Committee on page 67. Non-beneficial interests include shares held jointly as trustee with other Directors.

There have been no other material changes between the period end and 25 June 2018.

Approved by the Board of Directors on 25 June 2018 and were signed on its behalf by

Mark Cropper,
Chairman.

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The Directors are responsible for preparing the Annual Report and the group and parent company 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. As required by the AIM Rules of the London Stock Exchange they are required to prepare the group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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 judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statement, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

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.

1. OUR OPINION IS UNMODIFIED

We have audited the financial statements of James Cropper Plc ("the Company") for the period ended 31 March 2018 which comprise the Group Statement of Comprehensive Income, the Group and Company Statement of Financial Position, the Group Statement of Cash Flows, the Company Statement of Cash Flows, the Group Statement of Changes in Equity, the Company Statement of Changes in Equity, and the related notes, including the accounting policies in note 1.

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 31 March 2018 and of the Group's profit for the period then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

2. KEY AUDIT MATTERS: OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matter, was as follows:

Group pension obligation *(Group pension obligation (before deducting scheme assets) £126.1m, 2017 restated £128.0m)*

Refer to page 86 (accounting policy) and page 104 (financial disclosure).

The risk: subjective valuation (risk vs 2017: ▲)

The Group operates two defined benefit pension schemes. The calculations involved are complex in nature and small changes in the assumptions and estimates used to calculate the Group's pension obligation (before deducting scheme assets) could have a significant effect on the Group's net pension deficit.

Our procedures included:

- **Benchmarking assumptions and our sector experience:** we challenged, with the support of our actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy, against externally derived data. With the support of our pension specialists, we also assessed the assumptions within the computation of the additional liability which has been recorded in relation to the normal retirement dates for male and female members of the Staff Scheme. This is further discussed in notes 18 and 25.
- **Tests of detail:** we tested the underlying information provided to the Group's actuary, by vouching a sample of balances to supporting documentation and developing expectations based on our knowledge of the scheme.
- **Assessing transparency:** we considered the adequacy of the Group's disclosures in comparison to accounting standards and assessed the disclosure of the sensitivity of the deficit to key assumptions.

3. OUR APPLICATION OF MATERIALITY AND AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Materiality for the Group financial statements as a whole was set at £218,500 (2017: £330,000), determined with reference to a benchmark of Group profit before tax, of which it represents 4.8% (2017: 5.9%).

Materiality for the parent company financial statements as a whole was set at £168,500 (2017: £329,999), based on component materiality. This is lower than the materiality we would otherwise have determined with reference to a benchmark of Parent Company gross assets, of which it represents 0.27% (2017: 0.56%).

We agreed to report to the Audit Committee any corrected or uncorrected misstatements exceeding £10,925 (2017: £16,500), in addition to other identified misstatements that warrant reporting on qualitative grounds.

Of the Group's 14 (2017: 14) reporting components, we subjected 5 (2017: 6) to audits for Group reporting purposes. For the residual components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

	Number of components	Group revenue %	Group profit and losses before tax %	Group total assets %
Audit for Group reporting purposes	5	87%	97%	94%
Total 2017/18	**5**	**87%**	**97%**	**94%**
Total 2016/17	**6**	**88%**	**97%**	**92%**

The Group team performed the work over all components, including the audit of the parent company. Component materialities ranged from £88,000 to £168,500, having regard to the mix of size and risk profile of the Group across the components.

4. WE HAVE NOTHING TO REPORT ON GOING CONCERN

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

5. WE HAVE NOTHING TO REPORT ON THE OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

6. WE HAVE NOTHING TO REPORT ON THE OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

7. RESPECTIVE RESPONSIBILITIES

Directors' responsibilities

As explained more fully in their statement set out on page 74, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at **www.frc.org.uk/auditorsresponsibilities**.

8. THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

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.

Nicola Quayle (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

1 St Peter's Square
Manchester
M2 3AE

25 June 2018

JAMES CROPPER PLC
GROUP STATEMENT OF COMPREHENSIVE INCOME

	Note	52 week period to 31 March 2018 £'000	Restated 52 week period to 1 April 2017 £'000
Revenue	2	96,312	92,363
Other income		346	322
Changes in inventories of finished goods and work in progress		767	(180)
Raw materials and consumables used		(40,661)	(34,793)
Energy costs		(4,021)	(4,501)
Employee benefit costs	21	(27,314)	(26,238)
Depreciation and amortisation	4	(2,678)	(2,297)
Other expenses		(17,313)	(18,488)
Operating profit	2	**5,438**	6,188
Interest payable and similar charges	3	(908)	(647)
Interest receivable and similar income	3	11	-
Profit before taxation	4	**4,541**	5,541
Tax expense	5	(451)	(910)
Profit for the period		4,090	4,631
Earnings per share - basic	6	43.3p	49.4p
Earnings per share - diluted	6	43.0p	49.0p

OTHER COMPREHENSIVE INCOME

Profit for the period		4,090	4,631
Items that are or may be reclassified to profit or loss			
Foreign currency translation		(82)	224
Cash flow hedges - effective portion of changes in fair value		57	(9)
Items that will never be reclassified to profit or loss			
Retirement benefit liabilities – actuarial gains / (losses)	18	2,593	(11,878)
Deferred tax on actuarial (gains) / losses on retirement benefit liabilities	19	(441)	2,019
Income tax on other comprehensive income		91	-
Other comprehensive income / (expense) for the year		2,218	(9,644)
Total comprehensive income for the period attributable to equity holders of the Company		6,308	(5,013)

The accompanying notes form part of the financial statements

JAMES CROPPER PLC
STATEMENT OF FINANCIAL POSITION

	Note	Group As at 31 March 2018 £'000	Restated Group As at 1 April 2017 £'000	Company As at 31 March 2018 £'000	Restated Company As at 1 April 2017 £'000
Assets					
Intangible assets	8	496	569	112	69
Property, plant and equipment	9	25,113	26,572	1,732	1,942
Investments in subsidiary undertakings	10	-	-	7,350	7,350
Deferred tax assets	19	2,053	2,843	3,649	3,453
Total non-current assets		**27,662**	29,984	**12,843**	12,814
Inventories	11	14,854	14,097	-	-
Trade and other receivables	12	18,522	23,066	45,651	45,191
Other financial assets	13	47	-	47	-
Cash and cash equivalents		5,557	1,921	3,004	526
Current tax assets		867	-	530	463
Total current assets		**39,847**	39,084	**49,232**	46,180
Total assets		**67,509**	69,068	**62,075**	58,994
Liabilities					
Trade and other payables	14	14,328	18,493	21,823	19,470
Other financial liabilities	15	-	9	-	9
Loans and borrowings	16	1,600	1,570	43	79
Current tax liabilities		-	1	-	-
Total current liabilities		**15,928**	20,073	**21,866**	19,558
Long-term borrowings	16	8,763	7,715	4,070	6,427
Retirement benefit liabilities	18	19,472	22,194	19,472	22,194
Total non-current liabilities		**28,235**	29,909	**23,542**	28,621
Total liabilities		**44,163**	49,982	**45,408**	48,179
Equity					
Share capital	20	2,370	2,367	2,370	2,367
Share premium		1,472	1,472	1,472	1,472
Translation reserve		520	602	-	-
Reserve for own shares		(1,445)	(853)	(1,445)	(853)
Retained earnings		20,429	15,498	14,270	7,829
Total shareholders' equity		**23,346**	19,086	**16,667**	10,815
Total equity and liabilities		**67,509**	69,068	**62,075**	58,994

The financial statements on pages 78 to 110 were approved by the Board of Directors on 25 June 2018 and were signed on its behalf by:

M A J Cropper
Chairman
Company Registration No: 30226

The accompanying notes form part of the financial statements

JAMES CROPPER PLC
STATEMENT OF CASH FLOWS

For the period ended 31 March 2018 (2017: for the period ended 1 April 2017)

	Group 2018 £'000	Restated Group 2017 £'000	Company 2018 £'000	Restated Company 2017 £'000
Cash flows from operating activities				
Net profit	4,090	4,631	5,422	3,271
Adjustments for:				
Tax	451	910	200	326
Depreciation and amortisation	2,678	2,297	161	120
Net IAS 19 pension adjustments within SCI	1,284	1,025	1,284	1,025
Past service pension deficit payments	(1,413)	(1,362)	(1,413)	(1,362)
Foreign exchange differences	(626)	84	142	78
(Profit) / loss on disposal of property, plant and equipment	(11)	14	-	-
Net bank interest income & expense	308	282	(554)	(648)
Share based payments	341	283	341	283
Dividends received from Subsidiary Companies	-	-	(7,500)	(6,000)
Changes in working capital:				
(Increase) / decrease in inventories	(807)	105	-	-
Decrease / (increase) in trade and other receivables	4,400	(4,113)	(1,954)	(2,661)
(Decrease) / increase in trade and other payables	(4,029)	3,932	2,314	2,094
Interest received	11	2	631	720
Interest paid	(320)	(293)	(79)	(73)
Tax paid	(839)	(1,081)	(839)	(1,081)
Net cash generated from / (used by) operating activities	**5,518**	6,716	**(1,844)**	(3,908)
Cash flows from investing activities				
Purchase of intangible assets	(41)	(486)	(22)	(28)
Purchases of property, plant and equipment	(1,894)	(4,828)	(73)	(286)
Proceeds from sale of property, plant and equipment	12	4	-	-
Dividends received	-	-	7,500	6,000
Net cash (used in) / generated from investing activities	**(1,923)**	(5,310)	**7,405**	5,686
Cash flows from financing activities				
Proceeds from issue of ordinary shares	3	454	3	454
Proceeds from issue of new loans	4,220	2,450	131	2,270
Repayment of borrowings	(2,570)	(4,115)	(118)	(68)
Issue of inter-company loans	-	-	(1,451)	(3,602)
Purchase of LTIP investments	(441)	(510)	(441)	-
Dividends paid to shareholders	(1,097)	(881)	(1,097)	(881)
Net cash generated from / (used in) financing activities	**115**	(2,602)	**(2,973)**	(1,827)
Net increase / (decrease) in cash and cash equivalents	**3,710**	(1,196)	**2,588**	(49)
Effect of exchange rate fluctuations on cash held	(74)	(69)	(110)	(67)
Net increase / (decrease) in cash and cash equivalents	**3,636**	(1,265)	**2,478**	(116)
Cash and cash equivalents at the start of the period	1,921	3,186	526	642
Cash and cash equivalents at the end of the period	**5,557**	1,921	**3,004**	526
Cash and cash equivalents consists of:				
Cash at bank and in hand	5,557	1,921	3,004	526

The accompanying notes form part of the financial statements

JAMES CROPPER PLC
STATEMENT OF CHANGES IN EQUITY

GROUP

All figures in £'000

	Share capital	Share premium	Translation reserve	Own Shares	Retained earnings	Total
2 April 2016 as previously stated	2,306	1,079	378	(343)	23,273	26,693
Prior year adjustment (note 25)	-	-	-	-	(2,389)	(2,389)
2 April 2016 as restated	2,306	1,079	378	(343)	20,884	24,304
Profit for the period	-	-	-	-	4,631	4,631
Exchange differences	-	-	224	-	-	224
Actuarial losses on retirement benefit liabilities (net of deferred tax)	-	-	-	-	(9,852)	(9,852)
Loss on cash flow hedges	-	-	-	-	(9)	(9)
Total other comprehensive income	-	-	224	-	(9,861)	(9,637)
Dividends paid	-	-	-	-	(881)	(881)
Share based payment charge	-	-	-	-	283	283
Tax on share options	-	-	-	-	634	634
Proceeds from issue of ordinary shares	61	393	-	-	-	454
Distribution of own shares	-	-	-	192	(192)	-
Consideration paid for own shares	-	-	-	(702)	-	(702)
Total contributions by and distributions to owners of the Group	61	393	-	(510)	(156)	(212)
At 1 April 2017 restated	2,367	1,472	602	(853)	15,498	19,086
Profit for the period	-	-	-	-	4,090	4,090
Exchange differences	-	-	(82)	-	-	(82)
Actuarial gains on retirement benefit liabilities (net of deferred tax)	-	-	-	-	2,152	2,152
Gain on cash flow hedges	-	-	-	-	57	57
Total other comprehensive income	-	-	(82)	-	2,209	2,127
Dividends paid	-	-	-	-	(1,097)	(1,097)
Share based payment charge	-	-	-	-	341	341
Tax on share options	-	-	-	-	(201)	(201)
Tax on other comprehensive income	-	-	-	-	91	91
Proceeds from issue of ordinary shares	3	-	-	-	-	3
Distribution of own shares	-	-	-	324	(324)	-
Consideration paid for own shares	-	-	-	(916)	(178)	(1,094)
Total contributions by and distributions to owners of the Group	3	-	-	(592)	(1,368)	(1,957)
At 31 March 2018	**2,370**	**1,472**	**520**	**(1,445)**	**20,429**	**23,346**

The accompanying notes form part of the financial statements

JAMES CROPPER PLC
STATEMENT OF CHANGES IN EQUITY

COMPANY

All figures in £'000

	Share capital	Share premium	Own Shares	Retained earnings	Total
2 April 2016 as previously stated	2,306	1,079	-	16,962	20,347
Prior year adjustment (note 25)	-	-	-	(2,389)	(2,389)
At 2 April 2016 restated	2,306	1,079	-	14,573	17,958
Profit for the period	-	-	-	3,271	3,271
Actuarial losses on retirement benefit liabilities (net of deferred tax)	-	-	-	(9,852)	(9,852)
Loss on cash flow hedges	-	-	-	(9)	(9)
Total other comprehensive income	-	-	-	(9,861)	(9,861)
Dividends paid	-	-	-	(881)	(881)
Share based payment charge	-	-	-	283	283
Tax on share options	-	-	-	636	636
Proceeds from issue of ordinary shares	61	393	-	-	454
Distribution of own shares	-	-	-	(192)	(192)
Consideration paid for own shares	-	-	(853)	-	(853)
Total contributions by and distributions to owners of the Group	61	393	(853)	(154)	(553)
At 1 April 2017 restated	2,367	1,472	(853)	7,829	10,815
Profit for the period	-	-	-	5,422	5,422
Gain on cash flow hedges	-	-	-	57	57
Actuarial gains on retirement benefit liabilities (net of deferred tax)	-	-	-	2,152	2,152
Total other comprehensive income	-	-	-	2,209	2,209
Dividends paid	-	-	-	(1,097)	(1,097)
Share based payment charge	-	-	-	341	341
Tax on share options	-	-	-	(201)	(201)
Tax on other comprehensive income	-	-	-	91	91
Proceeds from issue of ordinary shares	3	-	-	-	3
Distribution of own shares	-	-	324	(324)	-
Consideration paid for own shares	-	-	(916)	-	(916)
Total contributions by and distributions to owners of the Group	3	-	(592)	(1,190)	(1,779)
At 31 March 2018	**2,370**	**1,472**	**(1,445)**	**14,270**	**16,667**

The accompanying notes form part of 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.

Statement of compliance

These financial statements are consolidated financial statements for the Group consisting of James Cropper PLC, a company registered in the UK, and all its subsidiaries. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted in the EU, International Financial Reporting Interpretations Committee ("IFRIC") interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements of the parent company have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

Basis of preparation

The accounting "year" for the Group is a 52 week accounting period ending 31 March 2018, (2017: 52 week accounting period ended 1 April 2017).

The consolidated financial statements have been prepared on a going concern basis under the historical cost convention except for the revaluation of certain financial instruments to fair value. The financial statements are presented in Pounds Sterling, being the currency of the primary economic environment in which the Group operates. All values are rounded to the nearest thousand pounds, except where otherwise indicated. 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.

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 intragroup 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.

(a) Revenue recognition

Revenue comprises the fair value of the sale of goods, net of value added tax and other sales taxes, rebates and discounts and after eliminating sales within the Group.

Revenue from the sale of goods is recognised when:

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- all significant performance obligations have been met;
- the Group retains neither continuing managerial involvement nor effective control over the goods sold;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the amount of revenue can be measured reliably.

This is typically when delivery has been made or specifically when title has passed, the point at which title passes varying in accordance with the terms and conditions of trade.

Shipping and handling costs, such as freight to our customers' destination, are included in cost of sales. These costs, when included in the sales price charged for our products, are recognised in net sales.

(b) 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 its operating segments. Management has determined the segments that are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, identified as the Executive Committee that makes strategic decisions. The committee considers the business principally via the four main operating segments. Operating 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 operating segments. Geographical areas 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 areas. Costs are allocated to segments based on the segment to which they relate. Central costs are recharged on an appropriate basis.

Management responsibility and reporting for the two paper subsidiaries has been merged into one operating segment referred to as Paper products in order to achieve greater customer and operational synergies.

(c) Emission quotas

The Group participates in phase III of the EU Emissions Trading Scheme. 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 shortfall. When allowances are utilised both the intangible asset and liability are amortised to the Statement of Comprehensive Income.

(d) Foreign currencies

The consolidated financial statements are presented in Pounds Sterling, which is the Group's presentational currency. 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.

(e) 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 – 1 year

(f) Property plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. 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.

(g) 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.

(h) 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 IAS 38 conditions are met. Other development expenditures are recognised as an expense as 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.

(i) Research & development tax credit

Research and development expenditure credit (RDEC) is recognised within other operating income.

(j) 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.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. 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. Engineering spares are included within inventories.

(l) 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.

(m) 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.

(n) Trade receivables

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

(o) Trade payables

Trade payables are stated at their fair value. Trade payables are subsequently stated at amortised cost using the effective interest method.

(p) Derivative Financial instruments

The Group uses derivative financial instruments, principally interest rate and currency swaps, to reduce its exposure to interest rate and currency movements. Derivative financial instruments are recognised as assets and liabilities measured at their fair values at the period end date. Changes in their fair values are recognised in the Statement of Comprehensive Income. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the items being hedged.

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.

(q) Hedge Accounting

Cash flow hedge:
Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability the effective part of any gain or loss on the derivative financial instrument is recognised in other comprehensive income. Any ineffective portion of the hedge is recognised immediately in the income statement. Hedging relationships are classified as cash flow hedges where the hedging instrument hedges exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability such as interest payments or variable rate debt.

Hedges of net investment in a foreign entity:
The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in the income statement. Amounts taken to equity are transferred to the income statement when the foreign entity is sold.

(r) 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.

(s) 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.

(t) Interest

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

(u) 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.

The group has a wholly owned subsidiary EBT Limited, which is a trustee of an Employee Benefit Trust in favour of former, current and future employees of James Cropper PLC and its subsidiaries. The Trust's purpose is to acquire market shares in James Cropper PLC, with the intention that these should be made available to such employees on such terms or basis as the trustee of the Employee Trust so decides, and includes the granting of awards under a long term incentive plan.

(v) 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. Details of borrowings can be seen in note 16 and shareholdings can be referred to in note 20. 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.

(w) Taxation

Tax on the Statement of Comprehensive Income for the period comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, according to the accounting treatment of the related transaction.

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.

(x) 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.

(y) Non-GAAP performance measures

In the reporting of financial information, the Group has adopted certain non-GAAP measures of historical or future financial performance, position or cash flows other than those defined or specified under International Financial Reporting Standards (IFRSs).

Non-GAAP measures are either not defined by IFRS or are adjusted IFRS figures, and therefore may not be directly comparable with other companies' reported non-GAAP measures, including those in the Group's industry.

Where non-GAAP measures have been used, it is the belief of the Group that such measures help provide a clearer understanding of the underlying performance.

Non-GAAP measures should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measures.

(z) 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 Group's key sources of significant estimates are as detailed below:

(i) Retirement benefits

IAS 19 *Employee Benefits (Revised 2011)* requires the Group to make assumptions including, but not limited to, rates of inflation, discount rates and life expectancies. The use of different assumptions, in any of the above calculations, could have a material effect on the accounting values of the relevant Statement of Financial Position assets and liabilities which could also result in a change to the cost of such liabilities as recognised in profit or loss over time. These assumptions are subject to periodic review. The Group takes specialist advice and seeks to follow the most appropriate method, applied consistently from year to year. See note 18 for additional information.

(ii) Contingencies

The Group have identified that the historical valuation of the defined benefit pension obligation did not capture the potential additional liabilities arising in relation to the normal retirement dates for male and female members of the Staff Scheme. An estimate of the additional liability has been included in this year's financial statements with a prior year adjustment also included. Please refer to note 25 for further details.

New standards and interpretation not applied

Recently issued accounting standards that are relevant to the Group but have not yet been adopted are outlined below:

IFRS 15 *Revenue from contracts with customers* establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*. A full impact assessment will be carried out before implementation, but the anticipated impact on the Group is not expected to be material.

IFRS 9 *Financial instruments* concerns the classification and measurement of financial assets and financial liabilities,

Notes to the Financial Statements

the de-recognition of financial instruments and hedge accounting. A full impact assessment will be carried out before implementation, but the anticipated impact on the Group is not expected to be material.

IFRS 16 *Leases* is effective from 1 January 2019. The adoption of this standard removes the distinction between operating and finance leases and will result in all operating leases, above a de minimis level, being capitalised with the associated assets and liabilities being included in the Statement of Financial Position. Given the effective date of the standard, the Group have not yet evaluated the full impact.

The Group does not consider that any other standards, amendments or interpretations issued by the IASB, but not yet applicable, will have a significant impact on the financial statements.

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 four main operating segments, principally based in the UK:

- **James Cropper Paper Products ('Paper'):** comprising:
  - **JC Speciality Papers** – relates to James Cropper Speciality Papers a manufacturer of specialist paper and boards.
  - **JC Converting** – relates to James Cropper Converting - a converter of paper.
- **James Cropper 3D Products ('3DP')** – a manufacturer of moulded fibre products.
- **Technical Fibre Products ('TFP')** – a manufacturer of advanced materials.
- **Group Services** – comprises central functions providing services to the subsidiary companies.

"Eliminations" refers to the elimination of inter-segment revenues, profits and investments. 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. Inter segment transactions are performed in the normal course of business and at arm's length.

Operating Segments

Period ended 31 March 2018

	James Cropper Paper Products £'000	James Cropper 3D Products £'000	Technical Fibre Products £'000	Group Services £'000	Eliminations £'000	**Continuing Operations £'000**
Revenue						
External	71,237	166	24,909	-	-	**96,312**
	71,237	**166**	**24,909**	**-**	**-**	**96,312**
Segment profit						
Adjusted operating profit before IAS 19	1,468	(1,639)	7,449	(1,148)	3	6,133
IAS 19 Pension adjustments to profit	-	-	-	(695)	-	**(695)**
Operating profit / (loss)	**1,468**	**(1,639)**	**7,449**	**(1,843)**	**3**	**5,438**
Interest expense	-	-	-	-	-	**(908)**
Interest income	-	-	-	-	-	**11**
Profit before tax	-	-	-	-	-	**4,541**
Tax on profit for period	-	-	-	-	-	**(451)**
Profit for the period	-	-	-	-	-	**4,090**
Total assets	69,603	3,557	42,378	62,075	(110,104)	**67,509**
Total liabilities	(59,908)	(6,438)	(34,944)	(45,408)	102,535	**(44,163)**

Operating Segments

Period Ended 1 April 2017

	James Cropper Paper Products £'000	James Cropper 3D Products £'000	Technical Fibre Products £'000	Group Services £'000	Others £'000	Eliminations £'000	Continuing Operations £'000
Revenue							
External	71,024	7	21,332	-	-	-	92,363
	71,024	7	21,332	-	-	-	92,363
Segment profit							
Adjusted operating profit before IAS 19	3,209	(426)	5,940	(2,026)	178	(26)	6,849
IAS 19 Pension adjustments to profit	-	-	-	(661)	-	-	(661)
Operating profit / (loss)	3,209	(426)	5,940	(2,687)	178	(26)	6,188
Interest expense restated	-	-	-	-	-	-	(647)
Interest income	-	-	-	-	-	-	-
Profit before tax restated	-	-	-	-	-	-	5,541
Tax on profit for period	-	-	-	-	-	-	(910)
Profit for the period restated	-	-	-	-	-	-	4,631
Total assets restated	60,741	3,700	46,735	58,994	2,501	(103,603)	69,068
Total liabilities restated	(49,584)	(4,613)	(41,298)	(48,179)	(675)	94,367	(49,982)

The group's country of domicile is the UK. Revenue from external customers is based on the customer's location and arises entirely from the sale of goods. Non – current assets are based on the location of the assets and exclude financial assets, deferred tax assets and post-employment benefit net assets.

	Revenues from external customers		Non – current assets	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
UK	42,963	42,044	23,184	24,183
Europe	20,470	20,152	-	-
Asia	7,632	7,083	-	-
The Americas	23,153	21,019	2,425	2,958
Australasia	1,709	1,600	-	-
Africa	385	465	-	-
Total	96,312	92,363	25,609	27,141

3. FINANCE COSTS

	2018 £'000	Restated 2017 £'000
Interest expense		
Interest payable on bank borrowings	244	190
Interest payable on finance leases	75	93
Net interest on defined benefit obligations	589	364
Total interest expense	908	647
Interest income		
Interest receivable on bank borrowings	11	-
Total interest income	11	-
Finance costs – net	897	647

4. PROFIT BEFORE TAXATION

The following items have been charged / (credited) in arriving at profit before taxation:

		2018 £'000	2017 £'000
Staff costs		27,314	26,238
Depreciation of property, plant and equipment	- owned assets	2,001	1,851
	- leased assets	523	394
Amortisation of intangibles		154	53
(Profit) / loss on disposal of fixed assets		(11)	14
Other operating lease rentals payable	- plant & machinery	149	161
Repairs and maintenance expenditure on property, plant and equipment		4,020	5,630
Research & development tax credits		(254)	(139)
Government grants received		(19)	(29)
Research and development expenditure		2,604	918
Sale of PMD online business		-	(90)
Foreign exchange differences		624	(123)
Trade receivables impairment		24	22

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:

	2018 £'000	2017 £'000
Audit Services		
- Fees payable to the Company's auditor for the audit of parent company and consolidated accounts	23	18
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)	55	50
- Fees in respect of other assurance services	1	2
- Fees in respect of other tax advisory services	8	8
	87	78

5. TAXATION

Analysis of charge in the period

Continuing operations	Note	2018 £'000	Restated 2017 £'000
Current tax		932	986
Adjustments in respect of prior period current tax		(610)	24
Total current tax		**322**	1,010
Deferred tax		(13)	1
Adjustments in respect of prior period deferred tax		143	(4)
Effects of changes in tax rate		(1)	(97)
Total deferred tax	19	**129**	(100)
Tax per Statement of Comprehensive Income		**451**	910
Tax on items charged to equity			
Deferred tax on actuarial (losses) / gains on retirement benefit liabilities		(441)	2,019
Deferred tax on share options		(220)	245
Income tax charged to OCI		91	-

The tax for the period is lower (2017: lower) than the standard rate of corporation tax in the UK of 19% (2017: 20%). The differences are explained below:

	2018 £'000	Restated 2017 £'000
Profit before tax	4,541	5,541
Profit on ordinary activities multiplied by rate of corporation tax in the UK of 19% (2017: 20%)	846	1,108
Effects of:		
Adjustments to tax in respect of prior period	(467)	20
Effects of other tax rates	(1)	(97)
Overseas tax	10	5
Expenses not deductible for tax purposes	28	16
Income not taxable	-	(66)
Amounts not recognised	35	(79)
Other	-	3
Total tax charge for the period	**451**	**910**

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 period.

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 period. Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below.

	2018			2017		
	Earnings £'000	Weighted average number of shares '000	Amount per share pence	Restated Earnings £'000	Weighted average number of shares '000	Restated Amount per share pence
Basic EPS						
Earnings attributable to ordinary shareholders	4,090	9,449	43.3	4,631	9,373	49.4
Effect of dilutive securities – options	-	67	-	-	77	-
Diluted EPS	4,090	9,516	43.0	4,631	9,450	49.0

7. DIVIDENDS

	2018 £'000	2017 £'000
Final paid for the period ended 1 April 2017 / period ended 2 April 2016	864	648
Interim paid for the period ended 31 March 2018 / period ended 1 April 2017	233	233
Final dividend payment paid pence per share for the period ended 1 April 2017 / period ended 2 April 2016	9.3p	7.1p
Interim dividend payment paid pence per share for the period ended 31 March 2018 / period ended 1 April 2017	2.5p	2.5p

In addition, the directors are proposing a final dividend in respect of the financial period ended 31 March 2018 of 11.0p per share (2017: 9.3p per share) which will absorb an estimated £1,027,000 (2017: £864,000) of shareholders' funds. If approved by members at the Annual General Meeting, it will be paid on 10 August 2018 to shareholders who are on the register of members at 6 July 2018. 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.

8. INTANGIBLE ASSETS

	Computer software £'000	Development costs £'000	Group trade secrets £'000	Emission allowances £'000	Total £'000	Computer software £'000	Company emission allowances £'000	Total £'000
Cost								
At 1 April 2017	3,938	457	310	3,093	7,798	3,823	3,093	6,916
Additions	41	-	-	133	174	22	133	155
At 31 March 2018	3,979	457	310	3,226	7,972	3,845	3,226	7,071
Aggregate amortisation								
At 1 April 2017	3,863	-	303	3,063	7,229	3,784	3,063	6,847
Charge for Period	32	115	7	93	247	19	93	112
At 31 March 2018	3,895	115	310	3,156	7,476	3,803	3,156	6,959
Net book value at 31 March 2018	**84**	**342**	**-**	**70**	**496**	**42**	**70**	**112**
Net book value at 1 April 2017	**75**	**457**	**7**	**30**	**569**	**39**	**30**	**69**

	Computer software £'000	Development costs £'000	Group trade secrets £'000	Emission allowances £'000	Total £'000	Computer software £'000	Company emission allowances £'000	Total £'000
Cost								
At 2 April 2016	3,909	-	307	2,978	7,194	3,794	2,978	6,772
Additions	29	457	-	115	601	29	115	144
Effects of movements in foreign exchange	-	-	3	-	3	-	-	-
At 1 April 2017	3,938	457	310	3,093	7,798	3,823	3,093	6,916
Aggregate amortisation								
At 2 April 2016	3,823	-	290	2,958	7,071	3,760	2,958	6,718
Charge for Period	40	-	13	105	158	24	105	129
At 1 April 2017	3,863	-	303	3,063	7,229	3,784	3,063	6,847
Net book value at 1 April 2017	75	457	7	30	569	39	30	69
Net book value at 2 April 2016	86	-	17	20	123	34	20	54

The computer software capitalised principally relates to the ongoing development of the Group's Enterprise Resource Planning and Financial systems. 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 3 years.

The trade secrets relate to certain recipes and know how acquired within the TFP division.

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	Assets under construction £'000	Total £'000
Cost				
Brought forward at 1 April 2017	11,129	84,590	782	96,501
Transfers	1	278	(279)	-
Additions at cost	24	1,870	-	1,894
Disposals	-	(163)	(503)	(666)
Effects of movements in foreign exchange	-	(324)	-	(324)
At 31 March 2018	11,154	86,251	-	97,405
Accumulated Depreciation				
Brought forward at 1 April 2017	6,759	63,170	-	69,929
Charge for Period	226	2,298	-	2,524
Disposals	-	(161)	-	(161)
At 31 March 2018	6,985	65,307	-	72,292
Net book value at 31 March 2018	4,169	20,944	-	25,113
Net book value at 1 April 2017	4,370	21,420	782	26,572

	Freehold land & buildings £'000	Plant & machinery £'000	Assets under construction £'000	Total £'000
Cost				
Brought forward at 2 April 2016	11,129	80,222	-	91,351
Additions at cost	-	4,046	782	4,828
Disposals	-	(35)	-	(35)
Effects of movements in foreign exchange	-	357	-	357
At 1 April 2017	11,129	84,590	782	96,501
Accumulated Depreciation				
Brought forward at 2 April 2016	6,532	61,169	-	67,701
Charge for Period	227	2,018	-	2,245
Disposals	-	(17)	-	(17)
At 1 April 2017	6,759	63,170	-	69,929
Net book value at 1 April 2017	4,370	21,420	782	26,572
Net book value at 2 April 2016	4,597	19,053	-	23,650

Assets held under finance leases, capitalised and included in property, plant and equipment:

	Group 2018 £'000	2017 £'000	Company 2018 £'000	2017 £'000
Net book value at 1 April 2017 / 2 April 2016	4,404	4,618	327	350
Additions in period	1,229	180	131	-
Reclassification to assets owned	(377)	-	-	-
Depreciation in period	(523)	(394)	(64)	(23)
Net book value at 31 March 2018 / 1 April 2017	4,733	4,404	394	327

Company	Freehold land & buildings £'000	Plant & machinery £'000	Assets under construction £'000	Total £'000
Cost				
Brought forward at 1 April 2017	1,663	2,242	147	4,052
Transfers	-	12	(6)	6
Additions at cost	-	67	-	67
Disposals	-	-	(141)	(141)
At 31 March 2018	1,663	2,321	-	3,984
Accumulated Depreciation				
Brought forward at 1 April 2017	444	1,666	-	2,110
Charge for Period	21	121	-	142
At 31 March 2018	465	1,787	-	2,252
Net book value at 31 March 2018	**1,198**	**534**	**-**	**1,732**
Net book value at 1 April 2017	**1,219**	**576**	**147**	**1,942**

	Freehold land & buildings £'000	Plant & machinery £'000	Assets under construction £'000	Total £'000
Cost				
Brought forward at 2 April 2016	1,663	2,103	-	3,766
Additions at cost	-	139	147	286
At 1 April 2017	1,663	2,242	147	4,052
Accumulated Depreciation				
Brought forward at 2 April 2016	423	1,591	-	2,014
Charge for Period	21	75	-	96
At 1 April 2017	444	1,666	-	2,110
Net book value at 1 April 2017	1,219	576	147	1,942
Net book value at 2 April 2016	1,240	512	-	1,752

10. INVESTMENTS

Investments in subsidiary undertakings

	Group 2018 £'000	2017 £'000	Company 2018 £'000	2017 £'000
At 31 March 2018 and 1 April 2017	-	-	7,350	7,350

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

Company Name	Country of incorporation	Registered office (see below)	% holding of ordinary shares	Nature of business
James Cropper Speciality Papers Limited	England	(i)	100	Manufacturer of specialist paper and board
James Cropper (Guangzhou) Trading Co Limited	China	(iii)	100	Sales and marketing organisation
James Cropper Converting Limited	England	(i)	100	Paper converter
James Cropper 3D Products Limited	England	(i)	100	Manufacturer of moulded fibre products
Technical Fibre Products Limited	England	(i)	100	Manufacturer of advanced materials
Tech Fibers Inc	USA	(ii)	100	Holding company
Technical Fibre Products Inc	USA	(ii)	100	Sales and marketing organisation
Metal Coated Fibers Inc	USA	(ii)	100	Manufacturer of metal coated carbon fibres
Electro Fiber Technologies LLC	USA	(ii)	100	Manufacturer of metal coated fibres
James Cropper EBT Limited	England	(i)	100	Dormant company
Melmore Limited	England	(i)	100	Dormant company
James Cropper Paper Limited	England	(i)	100	Dormant company
The Paper Mill Shop Company Limited	England	(i)	100	Dormant company

(i) Burneside Mills, Kendal, Cumbria, LA9 6PZ, England.
(ii) 679 Mariaville Road, Schenectady, NY 12306, USA.
(iii) Level 54 Guangzhou IFC, 5 Zhujiang Road West, Zhujiang New Town, 510623, China.

11. INVENTORIES

	Group 2018 £'000	2017 £'000
Materials	7,669	7,654
Work in progress	3,221	1,928
Finished goods	3,964	4,515
	14,854	14,097

Inventories are stated after a provision for impairment of £610,000 (2017: £504,000). The cost of inventories recognised as expenses and included in cost of sales for the year ended 31 March 2018 was £71,647,000 (2017: £64,309,000).

The Company does not have inventories.

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Trade receivables	16,926	15,913	-	-
Less: Provision for impairment of receivables	(121)	(97)	-	-
Trade receivables – net	16,805	15,816	-	-
Amounts owed by group undertakings	-	-	44,488	42,346
Other receivables	635	6,115	613	2,124
Prepayments	1,082	1,135	550	721
	18,522	23,066	45,651	45,191

Management believe there is no further credit risk provision required in excess of normal provision for doubtful receivables.

13. OTHER FINANCIAL ASSETS

Group and Company	2018 £'000	2017 £'000
Interest rate swaps used for hedging	44	-
Foreign exchange rate swaps for hedging	3	-
	47	-

The gain arising in the Statement of Comprehensive Income on fair value hedging instruments was £nil (2017: £nil).

14. TRADE AND OTHER PAYABLES

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Trade payables	5,381	5,901	1,589	2,295
Amounts owed to group undertakings	-	-	18,013	13,881
Other tax and social security payable	612	553	155	144
Other payables	146	4,460	229	621
Accruals	8,189	7,579	1,837	2,529
	14,328	18,493	21,823	19,470

15. OTHER FINANCIAL LIABILITIES

Group and Company	2018 £'000	2017 £'000
Interest rate swaps used for hedging	-	9

The gain arising in the Statement of Comprehensive Income on fair value hedging instruments was £nil (2017: £nil).

16. BORROWINGS

	Note	Group 2018 £'000	2017 £'000	Company 2018 £'000	2017 £'000
Current					
Bank loans and overdrafts due within one year or on demand:					
Unsecured bank loans		720	791	-	-
Secured finance leases		880	779	43	79
	17.3	1,600	1,570	43	79
Non-current loans					
Unsecured bank loans		7,203	6,423	4,000	6,406
Secured finance leases		1,560	1,292	70	21
	17.3	8,763	7,715	4,070	6,427

Bank loans bear interest at rates between 1.5% and 3.0% above 30 day LIBOR rates.

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

	Minimum lease payments 2018 £'000	Interest 2018 £'000	Principal 2018 £'000	Minimum lease payments 2017 £'000	Interest 2017 £'000	Principal 2017 £'000
Group						
Within one year	936	56	880	843	64	779
Greater than one year and less than five years	1,455	71	1,384	1,301	49	1,252
Greater than 5 years	177	1	176	41	1	40
	2,568	128	2,440	2,185	114	2,071
Company						
Within one year	45	2	43	84	5	79
Greater than one year and less than five years	72	2	70	21	-	21
	117	4	113	105	5	100

17. 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.

17.1 CATEGORIES OF 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:

Group	Note	Book value 2018 £'000	Fair value 2018 £'000	Book value 2017 £'000	Fair value 2017 £'000
Financial assets					
Current					
Trade receivables	12	16,926	16,805	15,913	15,816
Derivatives	13	47	47	-	-
Cash and cash equivalents		5,557	5,557	1,921	1,921
		22,530	22,409	17,834	17,737
Financial liabilities					
Current					
Trade payables	14	5,381	5,381	5,901	5,901
Derivatives	15	-	-	9	9
Short term borrowings	16	1,600	1,600	1,570	1,570
		6,981	6,981	7,480	7,480
Non-current					
Long term borrowings	16	8,763	8,763	7,715	7,715

Company	Note	Book value 2018 £'000	Fair value 2018 £'000	Book value 2017 £'000	Fair value 2017 £'000
Financial assets					
Current					
Cash and cash equivalents		3,004	3,004	526	526
		3,004	3,004	526	526
Non-current					
Investments in subsidiary undertakings	10	7,350	7,350	7,350	7,350
Financial liabilities					
Current					
Trade payables	14	1,589	1,589	2,295	2,295
Derivatives		-	-	9	9
Short term borrowings	16	43	43	79	79
		1,632	1,632	2,383	2,383
Non-current					
Long term borrowings	16	4,070	4,070	6,427	6,427

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 Statements

The table below analyses financial instruments carried at fair value, by valuation method.

Level 2: other techniques for which all inputs which have significant effect on the recorded fair value are observable, either directly or indirectly:

Financial Assets	2018 Level 2 £'000	Total £'000	2017 Level 2 £'000	Total £'000
Derivatives	47	47	-	-

Financial Liabilities	2018 Level 2 £'000	Total £'000	2017 Level 2 £'000	Total £'000
Derivatives	-	-	9	9

17.2 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 31 March 2018 were:

	2018 £'000	2017 £'000
JC Speciality Papers	10,628	9,545
JC Converting	1,598	1,919
JC 3D Products	29	24
Technical Fibre Products	4,671	4,425
	16,926	15,913

The Company does not have trade receivables.

The ageing of trade receivables at the reporting date was:

	2018 £'000	2017 £'000
Not past due	13,955	14,113
Past due 0-30 days	2,602	1,888
Past due 31 -60 days	207	(27)
Past due over 60 days	162	(61)
	16,926	15,913
Less impairment	(121)	(97)
	16,805	15,816

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 may 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	**2018 £'000**	2017 £'000
Balance at start of period	97	80
Increased during the period	24	22
Utilised during the period	-	(5)
Balance at end of period	121	97

Included in the outstanding trade receivables balance are debtors with an overdue amount of £2,850,000 (2017: £1,703,000) 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.

17.3 LIQUIDITY RISK

Liquidity risk is the risk that the Group will not have sufficient funds to meet it's 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 31 March 2018, was as follows:

Group	**Debt 2018 £'000**	**Finance lease obligations 2018 £'000**	**Financial derivatives 2018 £'000**	**Total 2018 £'000**	Debt 2017 £'000	Finance lease obligations 2017 £'000	Financial derivatives 2017 £'000	Total 2017 £'000
In less than one year	720	880	-	1,600	791	779	9	1,579
In more than one year but not more than two years	716	686	-	1,402	10	704	-	714
In more than two years but not more than five years	6,487	698	-	7,185	6,413	548	-	6,961
In more than five years	-	176	-	176	-	40	-	40
	7,923	2,440	-	10,363	7,214	2,071	9	9,294

Company	**Debt 2018 £'000**	**Finance lease obligations 2018 £'000**	**Financial derivatives 2018 £'000**	**Total 2018 £'000**	Debt 2017 £'000	Finance lease obligations 2017 £'000	Financial derivatives 2017 £'000	Total 2017 £'000
In less than one year	-	43	-	43	-	79	9	88
In more than one year but not more than two years	-	66	-	66	-	21	-	21
In more than two years but not more than five years	4,000	4	-	4,004	6,406	-	-	6,406
	4,000	113	-	4,113	6,406	100	9	6,515

Trade payables

Trade payables at the reporting date were:

	Group 2018 £'000	2017 £'000	**Company 2018 £'000**	2017 £'000
Trade payables	5,381	5,901	1,589	2,295
Total contractual cash flows	5,381	5,901	1,589	2,295

Borrowing facilities
The Group has the following undrawn committed borrowing facilities available at 31 March 2018:

	Group at 31 March 2018 Floating rate £'000	Group at 1 April 2017 Floating rate £'000
Expiring within one year (renewable annually)	3,687	3,658

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

	Group 31 March 2018 £'000	1 April 2017 £'000	**Company 31 March 2018 £'000**	1 April 2017 £'000
December 2017	-	781	-	-
August 2019	10	17	-	-
November 2019	6	10	-	-
May 2020	4,000	4,000	4,000	4,000
June 2021	1,243	2,406	-	2,406
December 2021	2,664	-	-	-
	7,923	7,214	4,000	6,406

17.4 CURRENCY RISK

The Group publishes its consolidated financial statements in Pounds 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 31 March 2018.

	USD £'000	**Euro £'000**	**RMB £'000**	**GBP £'000**	**Total £'000**
Trade Receivables	6,169	3,081	-	7,555	16,805
Cash and cash equivalents	2,253	(2,518)	55	5,767	5,557
Trade Payables	(1,417)	(1,021)	-	(2,943)	(5,381)
Unsecured current loans	(2,664)	-	-	(10)	(2,674)
Finance lease current	-	-	-	(880)	(880)
Unsecured non-current loans	(1,243)	-	-	(4,006)	(5,249)
Finance lease non-current	-	-	-	(1,560)	(1,560)
Net exposure	3,098	(458)	55	3,923	6,618

At the 1 April 2017 the Group's exposure to foreign currency risk was as follows:

	USD £'000	Euro £'000	RMB £'000	GBP £'000	Total £'000
Trade Receivables	10,676	2,759	-	2,381	15,816
Cash and cash equivalents	232	21	115	1,553	1,921
Trade Payables	(2,177)	(682)	(1)	(3,041)	(5,901)
Unsecured current loans	(781)	-	-	(10)	(791)
Finance lease current	-	-	-	(779)	(779)
Unsecured non-current loans	(2,407)	-	-	(4,016)	(6,423)
Finance lease non-current	-	-	-	(1,292)	(1,292)
Net exposure	5,543	2,098	114	(5,204)	2,551

This represents the net exposure to foreign currencies, reported in Pounds Sterling, and arising from all Group activities.
At the 31 March 2018 the Company's exposure to foreign currency risk was as follows:

	USD £'000	Euro £'000	GBP £'000	Total £'000
Cash and cash equivalents	267	(2,642)	5,379	3,004
Trade Payables	-	(37)	(1,552)	(1,589)
Finance lease current	-	-	(43)	(43)
Unsecured non-current loans	-	-	(4,000)	(4,000)
Finance lease non-current	-	-	(70)	(70)
Net exposure	267	(2,679)	(286)	(2,698)

At the 1 April 2017 the Company's exposure to foreign currency risk was as follows:

	USD £'000	Euro £'000	GBP £'000	Total £'000
Cash and cash equivalents	9	8	509	526
Trade Payables	-	(14)	(2,281)	(2,295)
Finance lease current	-	-	(79)	(79)
Unsecured non-current loans	(2,406)	-	(4,000)	(6,406)
Finance lease non-current	-	-	(21)	(21)
Net exposure	(2,397)	(6)	(5,872)	(8,275)

A one percent strengthening of the Pound Sterling against the Euro and the US Dollar at 31 March 2018 would have had the following impact on equity and profit by the amounts shown below:

Group		Equity £'000	SCI £'000
31March 2018	USD	(31)	(47)
31 March 2018	Euro	5	(20)
1April 2017	USD	(47)	(84)
1 April 2017	Euro	(21)	(21)

Company		Equity £'000	SCI £'000
31 March 2018	USD	(3)	-
31 March 2018	Euro	27	-
1 April 2017	USD	30	-
1 April 2017	Euro	-	-

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.

17.5 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. As part of the Group's interest rate management strategy the Company entered into two interest rate swaps which mature in May 2020 (GBP) and June 2021 (USD). Under the swaps the maximum base rates the Group will pay on bank borrowings of up to £3m is 0.66% and $3m is 1.99%. The exposure is 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:

	Group 2018 £'000	2017 £'000	Company 2018 £'000	2017 £'000
Interest bearing liabilities - floating				
Borrowings	7,908	7,189	4,000	6,406
Interest rate swap	-	9	-	9
Finance lease	883	1,364	-	-
	8,791	8,562	4,000	6,415
Interest bearing liabilities - fixed				
Borrowings	15	25	-	-
Finance lease	1,557	707	113	100
	1,572	732	113	100
Interest bearing liabilities	10,363	9,294	4,113	6,515

The effective interest rates at the balance sheet date were as follows:

	2018 %	2017 %
Bank overdraft	1.5	1.3
Borrowings	2.9	3.5

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 £88,000 for the Group and £52,000 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
31 March 2018	88
1 April 2017	86

Company	SCI £'000
31 March 2018	52
1 April 2017	64

18. 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 2018 £'000	2017 £'000
Defined contribution schemes	585	542
Personal pension contributions	41	43

Other pension costs totalled £224,000 (2017: £292,000) and represent life assurance charges and government pension protection fund levies.

Defined benefit plans

With effect from 1 April 2011 active members' benefits were reduced such that future increases in pensionable salaries were restricted to a cap of 2% per annum. As from 1 April 2017 (Works Scheme) and 1 July 2017 (Staff Scheme) increases in pension once it is in-payment will be in line with the annual increase in CPI. 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 1 April 2017 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 2018 %	Staff Scheme 2017 %	Works Scheme 2018 %	Works Scheme 2017 %
CPI Inflation assumption	2.15	2.25	2.15	2.25
RPI Inflation assumption	3.25	3.35	3.25	3.35
Rate of increase in pensionable salaries	1.90	1.90	1.90	1.90
Discount rate	2.80	2.70	2.80	2.70
Pension increases for in-payment benefits capped at 5%, with a 3% floor	3.50	3.50	3.15	3.20
Pension increases for in-payment benefits capped at 2.5%, with a 0% floor	2.15	2.20	1.85	1.90

In respect of mortality for the Works members the assumptions adopted at 31 March 2018 are 145% of the S2PXA series table, with future improvements in line with the CMI core 2017 projection model with long-term trend improvements of 1.25% pa. For the Staff members the S2PXA series table with a 95% rating has been used, with future improvements in line with the CMI core 2017 projection model with long term trend improvements of 1.25% pa. 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. The method adopted for determining the discount rate has been selected as the most appropriate following specialist advice and the discount rate has been calculated based on a yield curve at an appropriate duration to the schemes' liabilities. A decrease in the discount rate by 0.25% would increase the defined benefit obligations by 4.5% for the Staff Scheme and 5.2% for the Works Scheme.

The Group have identified that the historical valuation of the defined benefit pension obligation did not capture the potential additional liabilities arising in relation to the normal retirement dates for male and female members of the Staff Scheme. As a result, the comparative figures have been restated to reflect the estimated correct balance. For further details, refer to note 25.

Notes to the Financial Statements

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

	2018 £'000	Restated 2017 £'000	Restated 2016 £'000	2015* £'000	2014* £'000
Defined benefit obligation ('DBO')	(126,079)	(128,026)	(104,924)	(106,788)	(85,482)
Fair value of assets ('FVA')	106,607	105,832	94,271	92,346	73,842
Net liability recognised in the SFP	(19,472)	(22,194)	(10,653)	(14,442)	(11,640)

*These balances have not been restated. For 2017 and 2016 restatements please refer to note 25.

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

	Staff Scheme 2018 %	Staff Scheme 2017 %	Works Scheme 2018 %	Works Scheme 2017 %
Managed Growth	61.4	62.2	68.7	73.7
Annuities	3.7	3.9	-	-
Cash	0.2	0.4	0.4	0.1
Matching Assets	34.7	33.5	30.9	26.2

The pension plan assets do not include any investments in the shares of the Company (2017: nil).

Apart from the annuities and cash, the assets of the schemes are held in an unquoted investment fund managed by the schemes' fiduciary manager and comprising combinations of the above assets. Within those funds, the indirect equity exposures are predominantly quoted. The assets in the Matching Assets captions holdings of cash and swaps, designed to match the sensitivity of the schemes to movements in long term interest rates and inflation expectations.

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

	2018 £'000	Restated 2017 £'000
Total included within employee benefit costs - current service cost	1,285	1,190
Interest income on plan assets	(2,846)	(3,326)
Interest cost on the defined benefit obligation	3,435	3,690
Total included within interest	589	364
Total	1,874	1,554

Analysis of the movement in the Statement of Financial Position liability

	2018 £'000	Restated 2017 £'000
At 1 April 2017 / 2 April 2016	(22,194)	(10,653)
Total expense as above	(1,874)	(1,554)
Contributions paid	2,003	1,891
Actuarial gains / (losses) recognised in SCI	2,593	(11,878)
At 31 March 2018 / 1 April 2017	(19,472)	(22,194)

The actual return on plan assets was £1,685,000 (2017: £12,831,000). The Company expects to pay £649,000 (2017: £688,000) in contributions to the Staff Scheme and £1,669,000 (2017: £1,315,000) in contributions to the Works Scheme in the next financial period. The minimum funding requirement does not give rise to an additional liability under IFRIC 14.

The cumulative amount of losses recognised in the Statement of Comprehensive Income, since the adoption of IAS 19, are £18,735,000 (2017: £20,567,000).

	Works Scheme		Staff Scheme		Works Scheme		Staff Scheme Restated	
	2018 Assets £'000	2018 DBO £'000	2018 Assets £'000	2018 DBO £'000	2017 Assets £'000	2017 DBO £'000	2017 Assets £'000	2017 DBO £'000
At 1 April 2017 / 2 April 2016	53,638	(68,427)	52,194	(59,599)	47,926	(55,766)	46,345	(49,158)
Interest Income on plan assets	1,447	-	1,399	-	1,690	-	1,636	-
Current service costs	(84)	(789)	(32)	(380)	(94)	(651)	(35)	(410)
Benefits paid	(1,722)	1,722	(1,575)	1,575	(2,047)	2,047	(1,524)	1,524
Contributions by plan participants	339	(339)	161	(161)	359	(359)	180	(180)
Employer contributions	1,315	-	688	-	1,055	-	836	-
Interest cost on the DBO	-	(1,840)	-	(1,595)	-	(1,961)	-	(1,729)
Return on plan assets	(478)	2,154	(683)	1,600	4,749	(11,737)	4,756	(9,646)
At 31 March 2018 / 1 April 2017	**54,455**	**(67,519)**	**52,152**	**(58,560)**	53,638	(68,427)	52,194	(59,599)

Experience adjustments

	2018 £'000	Restated 2017 £'000	Restated 2016 £'000	2015 £'000	2014 £'000
Arising on plan assets	(1,161)	9,505	(624)	15,591	(3,830)
Percentage of scheme assets	(1.09%)	8.98%	(0.66%)	16.88%	(5.19%)
Arising on plan liabilities	3,754	(21,383)	7,178	(18,836)	2,621
Percentage of scheme liabilities	2.98%	(16.70%)	6.84%	(17.64%)	3.07%

19. DEFERRED TAXATION

The movement on the deferred tax account is shown below:

	Group		Company	
	2018 £'000	Restated 2017 £'000	2018 £'000	Restated 2017 £'000
At 1 April 2017 / 2 April 2016	2,843	479	3,453	1,157
Deferred tax on actuarial gains on retirement liabilities	(441)	2,019	(441)	2,019
Deferred tax on share options recognised in OCI	(220)	245	(220)	245
SCI (charge) / credit	(129)	100	857	32
At 31 March 2018 / 1 April 2017	**2,053**	2,843	**3,649**	3,453

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.

Deferred tax liabilities	Accelerated capital allowances £'000	Other £'000	Total £'000
At 1 April 2017	(1,770)	840	(930)
SCI credit	(3)	(104)	(107)
Deferred tax on share options recognised in SOCIE	-	(220)	(220)
At 31 March 2018	**(1,773)**	**516**	**(1,257)**

Deferred tax assets	Pension £'000	Total £'000
At 1 April 2017 restated	3,773	3,773
SCI charge	(22)	(22)
Deferred tax on actuarial gains on retirement liabilities	(441)	(441)
At 31 March 2018	**3,310**	**3,310**

	Total £'000
Net deferred tax asset at 31 March 2018	**2,053**

20. SHARE CAPITAL

Group and Company
Issued and fully paid

	Number of ordinary shares	£'000
At 1 April 2017	9,466,366	2,367
Issued during the period	12,686	3
At 31 March 2018	**9,479,052**	**2,370**

Potential issue of ordinary shares

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 119,780 ordinary shares of 25p by 2020 (2017: 151,685 ordinary shares of 25p by 2019). There were 55,048 share options exercised in the period (2017: 64,108). Further information on directors share options can be seen in the Remuneration Committee Report.

	Options at 1 April 2017	Options granted in the period	Options exercised in the period	Options lapsed in the period	Options at 31 March 2018
Share options	151,685	30,105	(55,048)	(6,962)	119,780

The amount of gains made by Directors on 55,048 share options exercised in the year totalled £966,092 (2017: 64,108 share options with gains of £617,938). The Statement of Comprehensive Income includes LTIP charges of £275,942 for the year in relation to Directors (2017: £223,957).

The Save As You Earn ('SAYE') scheme was introduced in September 2013 and runs for a 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: -

	Sep-13 5 year scheme
Fair value per option	71p
Date of grant	01 September 2013
Exercise price	199.52p
Market price at date of grant	313.5p
Volatility	26%
Net dividend yield	2%
Term of option	5.25 years
Risk free rate of interest	1.5%

During the period no options were exercised (2017: 223,270 options were exercised).

The amount of gains made by Directors on the exercise of nil share options exercised under the SAYE Scheme in the year amounted to £nil (2017: 5,412 share options with gains of £38,925).

21. EMPLOYEES AND DIRECTORS

Staff costs during the period

	Group 2018 £'000	2017 £'000	Company 2018 £'000	2017 £'000
Wages and salaries	22,819	21,991	3,602	3,667
Social security costs	2,282	2,180	507	438
Pension costs (note 18)	2,213	2,067	881	851
	27,314	26,238	4,990	4,956

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

	Full Time Equivalent 2018 Number	2017 Number	Headcount 2018 Number	2017 Number
James Cropper Paper Products	365	359	370	365
James Cropper 3D Products	10	4	11	5
Technical Fibre Products	106	102	108	104
James Cropper PLC	60	59	79	79
	541	524	568	553

Details of the remuneration of Directors, who are also considered to be the key management personnel as per IAS 24, are provided in the Report of the Remuneration Committee on page 64.

22. COMMITMENTS UNDER OPERATING LEASES

Group

	2018 Property £'000	2018 Plant & machinery £'000	2017 Property £'000	2017 Plant & machinery £'000
Commitments under non-cancellable operating leases expiring:				
Within one year	28	-	5	-
Later than one year and less than five years	833	518	1,255	438
After five years	523	-	591	-
	1,384	518	1,851	438

Company

	2018 Property £'000	2018 Plant & machinery £'000	2017 Property £'000	2017 Plant & machinery £'000
Commitments under non-cancellable operating leases expiring:				
Later than one year and less than five years	115	518	199	438
After five years	523	-	591	-
	638	518	790	438

23. CAPITAL COMMITMENTS

	Group 2018 £'000	2017 £'000	Company 2018 £'000	2017 £'000
Contracts placed for future capital expenditure not provided in the financial statements	1,302	466	5	34

24. 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. The maximum liability outstanding at the period end is £2,664,000 (2017: £781,000).

25. PRIOR YEAR ADJUSTMENT

The Group (and Company) have identified that the historical valuation of the defined benefit pension obligation did not capture the potential additional liabilities arising in relation to the normal retirement dates for male and female members of the James Cropper Plc Staff Pension Scheme ("Staff Scheme"). As a result, the comparative figures in these financial statements have been restated to reflect the estimated correct balance.

The effect of the restatement is that the prior year profit for the period for both the Group and the Company has been reduced by £99,000 as a result of the increased interest payable. Other comprehensive income is reduced by £320,000 due to the increase in actuarial losses of £492,000, offset by the increase in the associated deferred tax of £172,000. The retirement benefit liability is increased by £3,374,000 and the associated deferred tax asset is also increased by £573,000, resulting in a reduction in net assets of £2,801,000.

26. 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 paid £40,000 (2017: £40,000) to Sir James 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 £5,298 (2017: £nil) to Ellergreen Hydro, a company in which M A J Cropper is Managing Director, in the period for maintenance work. The Company paid £18,934 (2017: £12,345) to Ellergreen Estate (trading name of the J A Cropper (1989) Settlement), a trust of which M A J Cropper is a beneficiary, for imports of electricity from the hydro-electric plant owned and operated by the Trust. The Company has rented the roof space of one of the buildings to Burneside Community Energy Ltd, who have installed solar panels. The Company is importing the electricity generated by the solar panels and paid £6,032 (2017: £11,136) to Burneside Community Energy Ltd. M A J Cropper is a Director of Burneside Community Energy Ltd.

The Company also has the following transactions with related entities:

2018

	Management charges £'000	Receivable / (payable) £'000	Loans and net intercompany funding £'000
James Cropper Speciality Papers Limited	5,447	1,504	(3,181)
James Cropper Converting Limited	(27)	39	13,879
James Cropper 3D Products Limited	178	55	4,258
Technical Fibre Products Limited	1,454	333	9,590
	7,052	1,931	24,546

2017

	Management charges £'000	Receivable / (payable) £'000	Loans and net intercompany funding £'000
James Cropper Speciality Papers Limited	5,328	2,318	5
James Cropper Converting Limited	(50)	74	9,939
James Cropper 3D Products Limited	72	220	3,187
Technical Fibre Products Limited	1,301	1,213	10,834
James Cropper EBT Limited	-	-	675
	6,651	3,825	24,640

2017 - 2018 SHAREHOLDER INFORMATION

Reporting

Interim Results announced and sent to Ordinary Shareholders	14 November 2017
Final results announced	26 June 2018
Annual Report issued by	3 July 2018

Annual General Meeting - at Bryce Institute, Burneside, Kendal, Wednesday 25 July 2018 at 11.00am.

Dividends on Ordinary Shares

Interim dividend paid on 12 January 2018 to Ordinary Shareholders registered on 1 December 2017.
Final dividend to be paid on 10 August 2018 to Ordinary Shareholders registered on 6 July 2018.

Bankers and Advisers

Bankers

Lloyds Bank plc
HSBC Bank plc
Svenska Handelsbanken AB (publ)
Barclays Bank plc

Independent Auditor

KPMG LLP, Manchester

Tax Advisers

PriceWaterhouseCoopers LLP, Manchester

NOMAD & Stockbrokers

Stockdale Securities Limited, London

Corporate Lawyers

DWF LLP, Manchester
Bond Dickinson, Newcastle upon Tyne

Registrars

Link Asset Services, Beckenham

Pension Adviser

Willis Towers Watson, Manchester

James Cropper PLC

Telephone. +44 (0)1539 722 002
Email. info@cropper.com

Burneside Mills
Kendal, Cumbria LA9 6PZ
Great Britain

www.cropper.com

Company Registration No: 30226

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 129th Annual General Meeting of the Company will be held at The Bryce Institute, Burneside, Kendal, Cumbria LA9 6PZ on Wednesday 25 July 2018 at 11.00 am to consider and, if thought fit, pass Resolutions 1 to 10 inclusive as ordinary resolutions and Resolutions 11 and 12 as special resolutions. The Chairman of the Company will act as Chairman of the Meeting other than Resolution 3 which will be chaired by another Director of the Company.

Resolution 1

To receive and consider the Company's annual accounts for the 52 weeks ended 31 March 2018 together with the Directors' Report and the Auditors Report on those accounts.

Resolution 2

To declare a final dividend for the year ended 31 March 2018 of 11.0 pence for each Ordinary Share payable on 10 August 2018 to all Ordinary Shareholders on the register of the Company at close of business on 06 July 2018.

Resolution 3

To re- elect Mark A J Cropper as a Director of the Company.

Resolution 4

To re-elect David Wilks as a Director of the Company.

Resolution 5

To re-elect Isabelle Maddock as a Director of the Company.

Resolution 6

To re-elect Patrick Willink as a Director of the Company.

Resolution 7

To reappoint KPMG LLP as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting of the Company.

Resolution 8

To authorise the Directors to determine the remuneration of the Auditors of the Company.

Resolution 9

To consider and approve the Report of the Remuneration Committee for the 52 weeks ended 31 March 2018.

Resolution 10

THAT the Directors be and they are hereby generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company up to an aggregate nominal amount of £130,237 provided that this authority shall expire at the end of the next Annual General Meeting of the Company or, if earlier, 15 months from the date of this Resolution, save that the Company shall be entitled to make offers or agreements before the expiry of such authority which would or might require shares to be allotted or such rights to be granted after such expiry and the Directors shall be entitled to allot shares and grant rights pursuant to any such offer or agreement as if this authority had not expired; and all unexercised authorities previously granted to the Directors to allot shares and grant rights be and are hereby revoked.

Resolution 11

THAT the Directors be and they are hereby empowered pursuant to section 570 and section 573 of the Companies Act 2006 to allot equity securities (within the meaning of section 560 of that Act) for cash pursuant to the authority conferred by Resolution 10 above or by way of a sale of treasury shares as if section 561(1) of that Act did not apply to any such allotment provided that this power shall be limited to:

(a) the allotment of equity securities in connection with an offer of securities in favour of the holders of Ordinary Shares on the register of members at such record dates as the Directors may determine where the equity securities respectively attributable to the interests of the Ordinary Shareholders are proportionate (as nearly as may be practicable) to the respective numbers of Ordinary Shares held by them on any such record dates, subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of Ordinary Shares being represented by depositary receipts or any other matter; and

(b) the allotment (otherwise than pursuant to sub-paragraph (a) of this Resolution 11) to any person or persons of equity securities up to an aggregate nominal amount of £130,237,

and shall expire upon the expiry of the general authority conferred by Resolution 10 above, save that the Company shall be entitled to make offers or agreements before the expiry of such power which would or might require equity securities to be allotted after such expiry and the Directors shall be entitled to allot equity securities pursuant to any such offer or agreement as if the power conferred hereby had not expired.

Resolution 12

To consider and approve the following amendment to the Articles of Association; namely to delete clause 22.7 *"The qualification of a Director shall be the holding alone and not jointly with any other person of not fewer than 1,000 ordinary shares of 25p each in the company"*

and clause 23.17 *"(not being already qualified) he does not obtain his qualification within two months after his appointment, or at any time thereafter cease to hold his qualification and so that a Director vacating office under this provision shall be incapable of being re-appointed a Director until he shall have obtained his qualification"*

and insert a new clause 22.7 *"It is a requirement of the Company that all Directors shall hold a minimum number of shares in the Company, alone and not jointly, in accordance with the terms of their service contract"*

BY ORDER OF THE BOARD

Jim Aldridge
Company Secretary
3 July 2018

Registered Office:
Burneside Mills
Kendal
Cumbria LA9 6PZ

Notes:

Proxies

1. To be entitled to attend and vote, whether in person or by proxy, at the AGM, members must be registered in the Register of Members of the Company at close of business on 23 July 2018 (or, if the meeting is adjourned, at close of business on the date which is two days prior to the adjourned meeting). Changes to entries on the Register of Members after this time shall be disregarded in determining the rights of persons to attend or vote (and the number of votes they may cast) at the AGM or adjourned meeting.

2. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint another person as their proxy to exercise all or any of their 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.

3. A proxy need not be a member of the Company. Your proxy could be the Chairman, another Director of the Company or another person who has agreed to attend to represent you. Your proxy must vote as you instruct and must attend the meeting for your vote to be counted. 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.

4. A form of appointment of proxy is enclosed. Details of how to appoint a proxy are set out in the notes to the proxy form. If you return more than one valid proxy appointment in respect of the same share for use at the same meeting and in respect of the same matter, that received last by the registrar before the latest time for the receipt of proxies shall be treated as replacing or revoking the other or others as regards to that share.

5. 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.

6. 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, Link Asset Services at PXS, 34 Beckenham Road, Beckenham, BR3 4TU not later than 11.00 am on 23 July 2018 or 48 hours before the time for holding any adjourned meeting.

The deadline for receipt of proxy appointments (see above) also applies in relation to amended instructions.

7. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual on the Euroclear website (www.euroclear.com/CREST). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting 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. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (EUI) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message regardless of whether it constitutes the appointment of a proxy or 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) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. 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.

8. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. 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(s), 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 service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

Corporate representatives

9. A member of the Company which is a corporation may authorise a person or persons to act as its representative(s) at the AGM. In accordance with the provisions of the Companies Act 2006, each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares.

Total Voting Rights

10. As at 9.00 am on the Latest Practicable Date, being the last practicable day prior to the publication of this notice, the Company's issued share capital comprised 9,479,052 Ordinary Shares of 25 pence 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 9.00 am on the Latest Practicable Date, being the last practicable date prior to the publication of this notice is 9,479,052.

Directors' contracts

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.

ANNUAL REPORT PRODUCTION

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