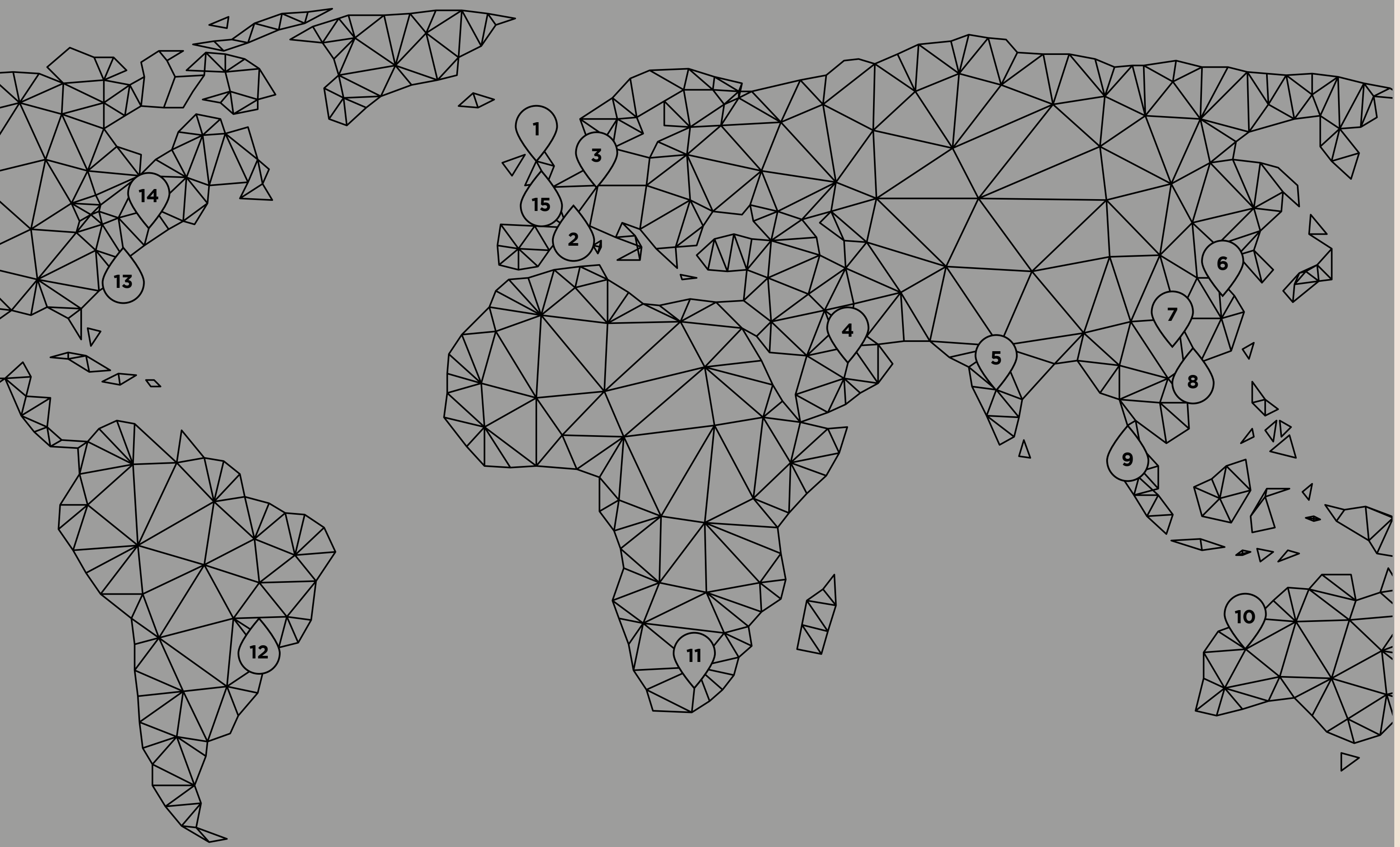
JAMES CROPPER PLC

ESTABLISHED 1845

ANNUAL REPORT AND ACCOUNTS 2019

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.



#	Location	Manufacturing	R&D	Sales Office	Partners
1	Burneside, UK - Head Office	•	•	•	
2	Paris, France			•	
3	Cologne, Germany			•	
4	Dubai, UAE				•
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	•		•	

1. *Colourform^{TM} Operative, Mark Gardner*
2. *TFP Technology Manager, Dr Mandy Clement*
3. *Quality Graduate in Paper, Tom Prosser*
4. *Paper Finishing, Georgia Kennedy*
5. *TFP Customer Services, Lucy Wilson*
6. *Paperchase's Conscious Living Collection notebooks using CupCycling^{TM} papers*


2

3


5

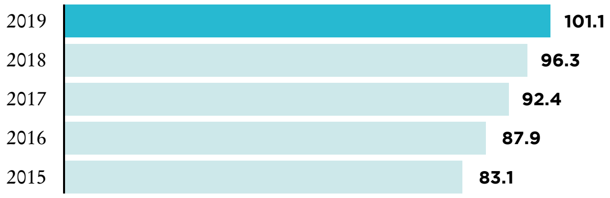
1. TFP Materials Scientist, Emma Matthews
2. Burneside Community Energy LTD rooftop solar project
3. Year Book of Type
4. Head of Health, Safety, Environment & Paper Quality, Kate Rowling with Guillotine Operator, Alan Henderson
5. Sample analysis, TFP labs

CONTENTS

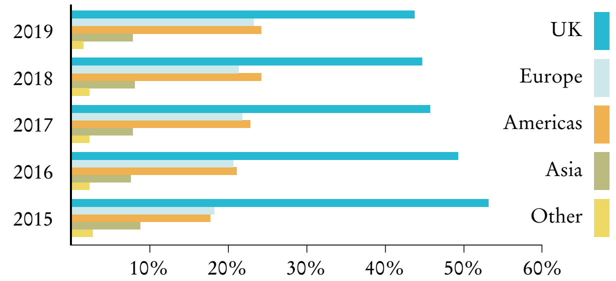
FINANCIAL HIGHLIGHTS

TOTAL REVENUE

£101.1m

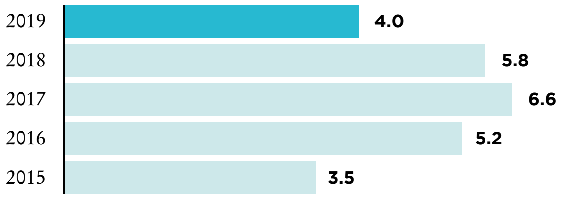


GEOGRAPHICAL % SEGMENTATION OF REGION



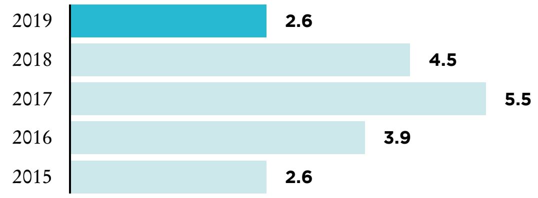
ADJUSTED PROFIT BEFORE TAX (iii)
(excluding IAS 19 Pension adjustments)

£4.0m



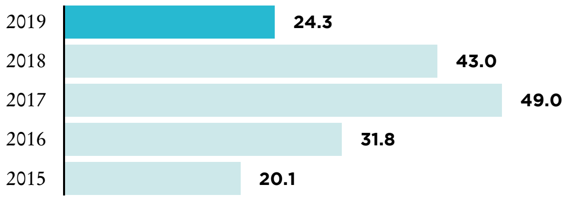
PROFIT BEFORE TAX

£2.6m



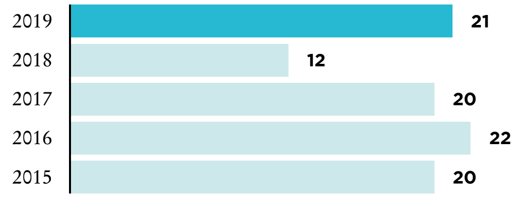
DILUTED EPS

24.3p



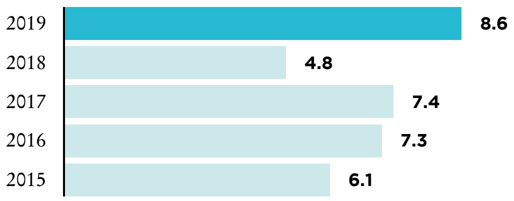
GEARING (i)
(excluding IAS 19 pension adjustment)

21%



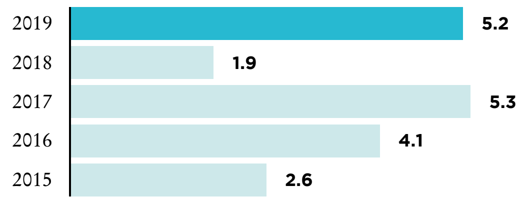
NET BORROWINGS (ii)

£8.6m



CAPITAL EXPENDITURE

£5.2m



(i) Gearing is calculated as the proportion of net borrowings to Total Shareholders' Equity, excluding the IAS 19 Pension deficit.
(ii) Net borrowings, are calculated as total loans and borrowings less cash and cash equivalents.
(iii) Adjusted profit before tax equates to profit before tax excluding the IAS 19 impact.

FINANCIAL SUMMARY

SUMMARY OF RESULTS

	2019 £'000	2018 £'000	2017 £'000	2016 £'000	2015 £'000
Revenue	101,095	96,312	92,363	87,920	83,052
Adjusted operating profit (excluding IAS 19 impact)	4,262	6,133	6,849	6,264	3,899
Adjusted profit before tax (excluding IAS 19 impact)	3,962	5,825	6,566	5,173	3,494
Impact of IAS 19	(1,386)	(1,284)	(1,025)	(1,305)	(919)
Profit before tax	**2,576**	**4,541**	**5,541**	**3,868**	**2,575**
Earnings per share - diluted	24.3p	43.0p	49.0p	31.8p	20.1p

STATEMENT OF FINANCIAL POSITION

	2019 £'000	2018 £'000	2017 £'000	2016 £'000	2015 £'000
Non-pension assets – excluding cash	64,871	59,899	64,304	57,470	50,810
Non-pension liabilities – excluding borrowings	(16,236)	(15,585)	(19,433)	(17,019)	(14,289)
	48,635	44,314	44,871	40,451	36,521
Net IAS 19 pension deficit (after deferred tax)	(18,798)	(16,192)	(18,421)	(6,453)	(11,554)
	29,837	28,152	26,450	33,998	24,967
Net borrowings	(8,561)	(4,806)	(7,364)	(7,305)	(6,105)
Equity shareholders' funds	**21,276**	**23,346**	**19,086**	**26,693**	**18,862**
Gearing % - before IAS 19 deficit	21%	12%	20%	22%	20%
Gearing % - after IAS 19 deficit	40%	21%	39%	27%	32%
Capital expenditure £'000	5,229	1,935	5,315	4,086	2,619

(i) The IAS 19 pension adjustments are explained in detail in the Financial Review section, pages 13 to 19. The total amount excluded from the IAS pension Charge is £1,386,000 (2018: £1,284,000). The adjustment, which we refer to in these accounts as the "IAS 19 impact" represents the difference between the pension charge as calculated under IAS 19 and the cash contributions for the current service cost only as determined by the latest triennial valuation. The Directors consider that the adjusted pension charge better reflects the actual pension costs for ongoing service compared to the IAS 19 charge. This adjustment is made internally when we assess performance and is also used in the EBITDA and EPS targets used in management incentive schemes.

(ii) The IAS 19 pension adjustment £1,386,000 (2018: £1,284,000) comprises:

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

Further details can be found on page 19 (The IAS 19 impact on profits).

CHAIRMAN'S LETTER

Dear Shareholders,

This has been another challenging year for the Group, with profit before tax falling by 43% to £2.6m. As detailed in the Finance Director's review (p.13), the dominant headwind has continued to be pulp cost increases.

For the second year in succession these have outstripped market expectations, increasing cost pressures on our Paper business by over £6.5m over two years. It has been impossible to pass all of this on within the timeframes, resulting in a loss for Paper of £2m in the current period. In addition, Group profits have also been weakened by operating losses within James Cropper 3D Products Ltd ("3DP"), incurred as we scale up our investment to meet anticipated demand for this new subsidiary.

Nevertheless, the strength of the Group remains strong with record revenues, product mix improvements delivering good underlying performance, investment on the increase and sound EBITDA levels providing clear headroom against our covenants.

I am particularly pleased to report increased profits within Technical Fibre Products Ltd ("TFP"), operating profits growing by almost 20% to £8.8m, another record for this subsidiary. This was underpinned by revenue growth of 6.3% which itself was spread across all products and markets.

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

"AS WE ENTER OUR 175TH YEAR, I FEEL THE BUSINESS IS NOT GETTING OLDER SO MUCH AS YOUNGER."

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

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

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

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

3DP did not grow as quickly as hoped in the year, owing to the timing of its first significant contracts, but the business is now moving rapidly beyond proof of concept. While the business is bringing exceptional quality and colour to market, transitioning customers from existing packaging options (not least plastic) is taking longer than anticipated.

Nevertheless, we continue to see great potential, not least in the beauty and cosmetics market. The target is for the business to be cash flow neutral in the current financial year and it will grow to become a significant division for the Group.

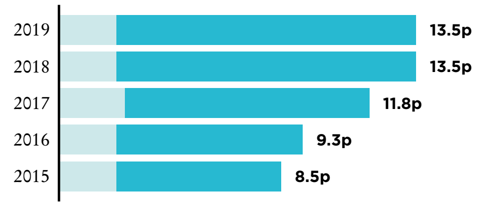
TFP continues to advance in aerospace and automotive fuel cell markets with new major contracts agreed and research into lightweight solutions and emerging technologies high on the agenda. We continue to invest in our US and UK research facilities, enhancing TFP's global reputation for quality and technical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

DIVIDEND PER SHARE

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

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

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



OUTLOOK

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

There is also much more we can do.

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

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

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

MARK CROPPER
CHAIRMAN

24 JUNE 2019

CHIEF EXECUTIVE'S REVIEW

YEAR IN REVIEW

REVENUE (2018: £96.3m)	**£101.1m**	**+5%**
ADJUSTED OPERATING PROFIT **APM1*** (excluding IAS 19 impact) (2018: £6.1m)	**£4.3m**	**-31%**
ADJUSTED PROFIT BEFORE TAX **APM2*** (excluding IAS 19 impact) (2018: £5.8m)	**£4.0m**	**-32%**
PROFIT BEFORE TAX (2018 restated: £4.5m)	**£2.6m**	**-43%**
NET BORROWINGS (2018: £4.8m)	**£8.6m**	**+78%**
DILUTED EARNINGS PER SHARE (2018 restated: 43.0p)	**24.3p**	**-43%**
FULL YEAR DIVIDEND PER SHARE (2018: 13.5p)	**13.5p**	**FLAT**

**For definitions of Alternative Performance Measures (APM) please refer to page 13 on the Finance Director's Review report.*

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

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

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

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

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

REVENUE AND OPERATING PROFIT

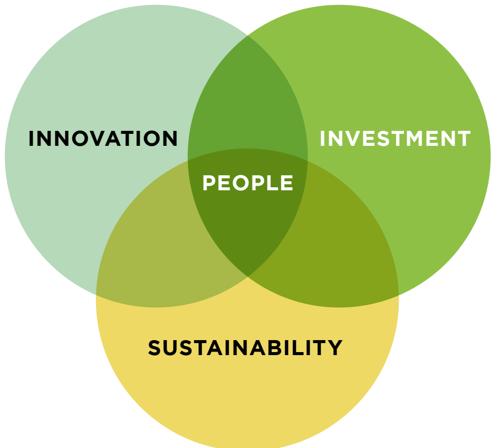
Group revenue for the financial period was £101.1m, up 5% on the prior period.

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

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

RESEARCH AND DEVELOPMENT

Research and development is a fundamental part of our growth strategy, adding to our capability, maintaining our competitiveness and bringing new product lines into our target markets. Some examples of the research and development work undertaken are explained in the following Innovation section. The Group continues to invest in research and development with expenditure in R & D of £4.0m this period, compared to £2.6m in the prior period.



GROWTH BUILD FROM SOLID FOUNDATIONS

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

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

A LONG-TERM VIEW ON GROWTH

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

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

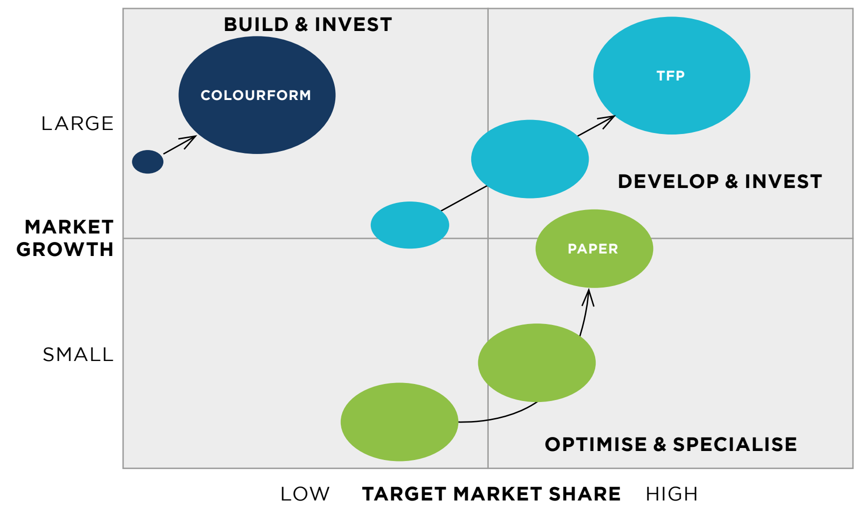
Over the past year we have seen growth across each business. TFP continues to experience organic growth across each sector and geography, leading to our next stage of capacity expansion due in mid 2020.

Paper's focus on value has delivered growth within chosen markets such as packaging and has been awarded new key contracts from luxury brands.

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

"OVER THE PAST YEAR WE HAVE SEEN GROWTH ACROSS EACH BUSINESS... PAPER'S FOCUS ON VALUE HAS DELIVERED GROWTH WITHIN CHOSEN MARKETS SUCH AS PACKAGING AND HAS BEEN AWARDED NEW KEY CONTRACTS FROM LUXURY BRANDS."

THREE BUSINESSES: DIFFERENT GROWTH DRIVERS



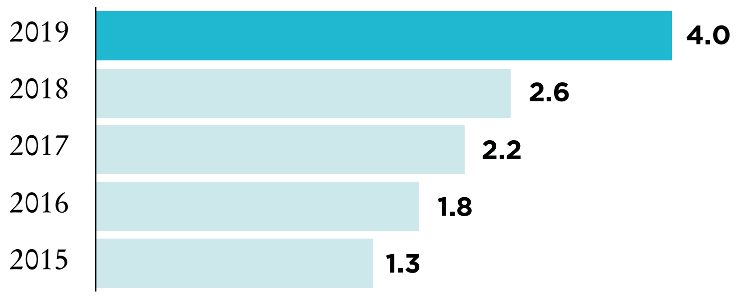
INNOVATION

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

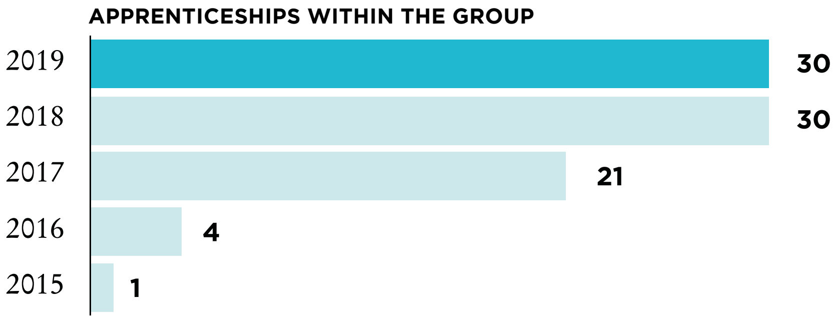
Some examples of recent developments include:

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

RESEARCH & DEVELOPMENT EXPENDITURE (£m)



OVER 15% OF JAMES CROPPER'S EMPLOYEES ARE INVOLVED WITH RESEARCH AND DEVELOPMENT ACTIVITIES AND THE COMPANY HAS INVESTED OVER £8 MILLION IN THE LAST 3 YEARS.



INVESTMENT

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

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

SUSTAINABILITY

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

WE ARE CONSTANTLY IMPROVING OUR MANUFACTURING PROCESSES IN ORDER TO USE LESS ENERGY AND WATER... OUR AMBITION IS TO INCORPORATE NEW AND EMERGING TECHNOLOGIES TO DRIVE TOWARDS CARBON NEUTRALITY.

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

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

PEOPLE

Employees over the generations have built a strong culture of loyalty and care for the products we produce and the community we support. The Company's approach to building skills and talent can be seen at all levels.

There are now over 30 employees who are in the process of, or have completed, apprenticeships across multiple disciplines including finance, marketing, HR and engineering.

The chart above highlights how apprenticeships have increased over the past few years at James Cropper.

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

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

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

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

PHIL WILD
CHIEF EXECUTIVE OFFICER

24 JUNE 2019

FINANCE DIRECTOR'S REVIEW

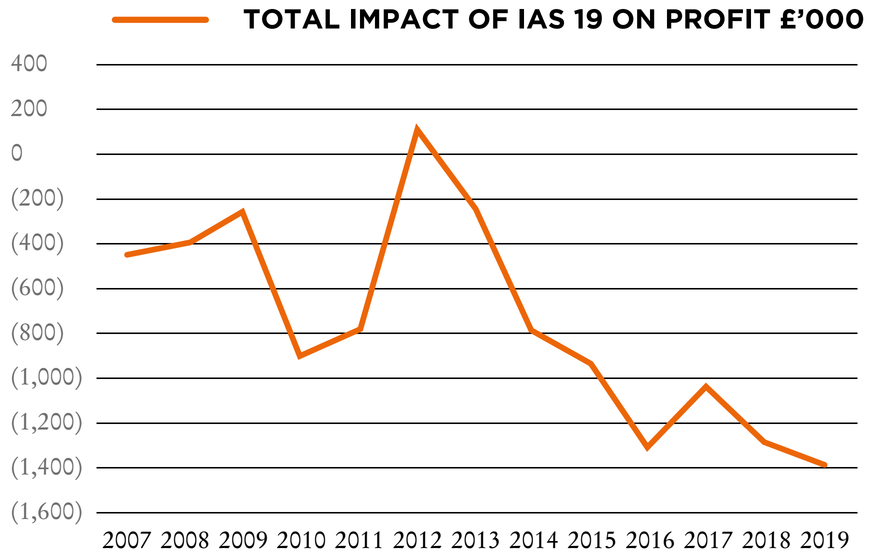
PROFIT SUMMARY

The Group delivered record revenue having reached a milestone of £100,000,000 in the period. Group revenues are £101,095,000, a 5% increase from £96,312,000 in 2018. Group adjusted profit before tax (see Alternative Performance Measures below), fell by 31% on the prior period to £3,962,000 (2018: £5,825,000).

Adjusted operating profit was weakened somewhat by the continued rise in pulp prices throughout the period impacting the Paper division, prices which only stalled and turned in the last quarter. This challenge was recognised early in the year, a combination of higher selling prices, strong operational performance and an increased focus on sustainable packaging solutions for our customers helped to offset these cost pressures. TFP delivers consistently strong profit growth which equally helped to deliver profit expectations. Colourform experienced delays in displacing existing contracts and moving businesses over to this more sustainable alternative, however the packaging industry is undergoing meaningful change and the shift towards sustainable solutions is increasingly evident.

In the face of a further £3m headwind as the pulp price continued to rise well above levels experienced in the prior trading period, the Group profit before tax dropped in the period. Group profit before tax for the period fell by 43% on the prior period to £2,576,000 (2018: £4,541,000).

PROFIT SUMMARY	2019 £'000	2018 £'000	CHANGE £'000	CHANGE %
Revenues	101,095	96,312	4,783	5%
Adjusted operating profit APM1	4,262	6,133	(1,871)	25%
Net interest (excluding IAS 19 impact)	(300)	(308)	8	3%
Adjusted profit before tax APM2	**3,962**	**5,825**	**(9,787)**	**(168%)**
Net IAS 19 pension adjustments				
Net current service charge required	(854)	(695)	(159)	23%
Net interest	(532)	(589)	57	(10%)
Net IAS 19 pension impact	(1,386)	(1,284)	(102)	8%
Profit before tax	**2,576**	**4,541**	**(1,965)**	**(43%)**



ALTERNATIVE PERFORMANCE MEASURES (APMs)

The following alternative performance measures are used in this report and these accounts:

- **APM 1 "Adjusted operating profit"** Adjusted operating profit refers to operating profit prior to the impact of IAS 19.
- **APM2 "Adjusted profit before tax"** Adjusted profit before takes refers to profit before tax prior to the impact of IAS 19.
- **APM3 EBITDA** EBITDA refers to operating profit before interest, tax, depreciation and amortisation.
- **APM 4 Adjusted EBITDA** This is EBITDA prior to the impact of IAS 19.

All APMs which exclude IAS 19 are used as IAS 19 varies significantly, up and down, from one reporting period to another and obscures true business performance.

This chart sets out the variable impact of IAS 19 on profits over the last 12 years.

The positive impact in 2012 resulted in an additional £128,000 being added to reported profits.

The hardest impact is in 2019 with a £1,386,000 impact to reported profits. This amount takes into account an estimate of £133,000 for the financial cost to correct the gender-inequalities inherent in Guaranteed Minimum Pensions (GMPs).

EBITDA is used as it provides an indication of cash generated from Group's operations.

The APMs make it clear to the readers of the accounts what the underlying performance of the business actually is. These same measures are used internally to evaluate business performance.

REVENUES & DIVISIONAL PERFORMANCE

DIVISIONAL REVENUE SUMMARY	2019 £'000	2018 £'000	CHANGE £'000	CHANGE %
Paper Products	74,318	71,237	3,081	4%
Technical Fibre Products	26,487	24,909	1,578	6%
3D Products	290	166	124	75%
Revenue	**101,095**	**96,312**	**4,783**	**5%**

DIVISIONAL PROFIT SUMMARY	2019 £'000	2018 £'000	CHANGE £'000	CHANGE %
Paper Products	(1,992)	1,468	(3,460)	(236%)
Technical Fibre Products	8,883	7,449	1,434	19%
3D Products	(2,462)	(1,639)	(823)	(50%)
Other Group Expenses	(167)	(1,145)	978	85%
Adjusted Operating Profit APM1	**4,262**	**6,133**	**(1,871)**	**(30%)**

PAPER

Paper is a bespoke provider of choice in coloured, textured and coated specialist papers manufactured exclusively in Great Britain, renowned globally for our expertise in creative solutions and for innovating in sustainable fibre.

Our main sectors include luxury packaging, art and digital imagery, book and game covers. Paper as it optimises its portfolio, is able to seize a number of opportunities in niche markets where we have a competitive advantage. In the year we saw rising demand for our CupCycling™ offering dedicated to upcycling take away coffee cups, being the only mill able to do this attracts and retains brands operating responsibly towards the environment.

During the year the division won five sustainability awards in the packaging sector as a result of the success we have made of this investment. Paper revenues grew 4.3% year on year as a result of price increases to mitigate cost pressures and mix improvement due to the strong focus on portfolio optimisation, we experienced 11% growth in luxury packaging.

The division bore a further £3m headwind on pulp prices this year bringing the commodity price burden to circa £6.5m against 2017 operating conditions.

Gas costs brought in an additional £1.4m hit compared to prior year 2018, we have recently secured a forward arrangement to stabilise energy costs going forward. The loss this period is £1,992,000 (2018: profit £1,468,000).

While there are uncertainties on the landscape we remain confident in our growth drivers, in our ability to drive margin improvement and in the sectors in which we operate.

TFP

Technical Fibre Products ("TFP") develops and manufactures high performance non-woven and other advanced cutting edge materials at manufacturing locations in Great Britain and in the USA. Working widely in composites our main sectors include aerospace, transportation, industrial and clean energy.

TFP experienced top line growth with revenues up by 6.3%.

With a strong pipeline of research and development programmes and in close collaboration with OEMs and tier 1 customers we play an important part in enabling emerging technologies. Profit this period is £8,883,000 (2018: £7,449,000).

Progress has been made in all sectors and TFP is a global business that is highly profitable and cash generative.

COLOURFORM

Colourform™ is the core product range from James Cropper 3DP Ltd; it is renewable, recyclable, moulded fibre packaging that offers brands an alternative to single use plastics and we are the only manufacturer capable of producing moulded fibre products in any colour. Working strongly in the quality retail packaging market our key sectors, at this stage are cosmetics, perfumes, premium wines and spirits.

The natural fibres used in Colourform™ are from renewable, well managed forests. In addition Colourform™ can be made from our CupCycling™ fibres. This gives customers, who are keen to source materials as part of their transition to a sustainable packaging solution, Colourform as a trusted partner of choice.

3D Products made a loss in the period of £2,462,000 (2018: loss £1,639,000).

Investments were made in the year to increase capacity and capability ahead of significant contracts which since the year end are now in production.

CURRENCY

This table compares the opening and closing exchange rates for the financial period. The Euro weakened modestly against the Pound in the period and the Dollar strengthened.

56% of the Group's sales are exports bringing in Dollars and Euros to the Group. Euros are used to purchase Euro priced pulp and raw materials and Dollar receipts are used to fund the purchase of Dollar priced pulp, this creates a natural hedge across the Group.

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. Currency movements had a negative impact on operating profit in the Paper division versus a positive impact in TFP.

Currency movements, with the Dollar strengthening and the Euro weakening had a minor net beneficial impact on sales, increasing sales by 0.3%.

	$	€
Opening rate March 2018 v. £	1.4075	1.1403
Closing rate March 2019 v. £	1.3031	1.1605
Exchange rate movement Strengthen/(Weaken) v. £	7.42%	(1.77%)

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

The Group's adjusted operating profit decreased 31% year on year and the Group's depreciation costs were 10% higher than in the prior period. The group delivered an Adjusted EBITDA of £7,214,000 (2017: £8,811,000).

EBITDA is a good measure of core profits and cash generation, it is also a measure of the cash flow available to pay debt on equipment and other long term investments which have life span of many years.

The ratio of net debt to EBITDA was 1.2 times, importantly giving significant headroom against our facility covenant of 3.5 times.

EBITDA APM3	2019 £'000	2018 £'000	CHANGE £'000	CHANGE %
Adjusted operating profiting APM1	4,262	6,133	(1,871)	(31%)
Depreciation and amortisation	2,952	2,678	274	10%
Adjusted EBITDA APM4	**7,214**	**8,811**	**(1,597)**	**(18%)**

The Group monitors EBITDA as it provides an indication of cash generated from the Group's operations.

TAX

The Group's total tax charge for the period is £262,000 (2018: £451,000) an effective tax rate of 10.2% on profit before tax.

The effective rate is lower than the standard rate of corporation tax in the UK (19%) as a result of rate changes on deferred tax, an off set of losses on which deferred tax wasn't recognised in the prior year against taxable profits arising in overseas jurisdictions, foreign exchange differences recognised and claims for Research and Development tax credit (RDEC).

Investing in research, innovation and development is a key part of the Group's growth strategy and is an effective way to accelerate our manufacturing capabilities.

STATEMENT OF FINANCIAL POSITION (SFP)

Non-pension assets have increased from £59,899,000 to £64,871,000, an increase of £4,972,000. An increase in the level of capital investment this year boosts these values along with higher input prices uplifting inventory values and a strong trading quarter towards the end of the year raising the balance of trade receivables.

Non-pension liabilities have increased by £650,000 primarily due to balances on trade payables.

The pension scheme deficit has increased since 2018, from £19,472,000 to £22,648,000 (before deferred tax). After deferred tax the Net IAS 19 deficit has increased by £2,636,000 to £18,798,000.

SFP IAS 19 PENSION

The increase is principally caused by falling corporate bond yields pushing up liabilities, mitigated to an extent by reductions in life expectancy and strong asset returns.

The IAS 19 valuations are applied for statutory reporting purposes only and hold no other value to the Company as IAS 19 requires the Group's actuaries to make a number of assumptions on a very different basis to the on-going valuations. A full retirement benefit disclosure is provided in note 17 to the financial statements. A greater analysis of IAS 19 on pensions and on the on-going valuations and risk management is provided within the pensions section of this report.

As a result of these movements on the pension scheme deficits, shareholders' funds show an overall decrease of £2,070,000 to £21,276,000.

INVESTING IN RESEARCH, INNOVATION AND DEVELOPMENT IS A KEY PART OF THE GROUP'S GROWTH STRATEGY.

SFP IAS 19 PENSION	2019 £'000	2018 £'000	CHANGE £'000
Retirement benefit liabilities	(22,648)	(19,472)	(3,176)
Deferred tax asset	3,850	3,310	540
Net IAS 19 pension deficit	**(18,798)**	**(16,162)**	**(2,636)**

SFP	2019 £'000	2018 £'000
Non-pension assets - excluding cash	64,871	59,899
Non-pension liabilities - excluding borrowings	(16,236)	(15,585)
	48,635	44,314
Net IAS 19 pension deficit (after deferred tax)	(18,798)	(16,162)
	29,837	28,152
Net borrowings	(8,561)	(4,806)
Equity shareholders' funds	21,276	23,346
Gearing % - before IAS 19 deficit	21%	12%
Gearing % - after IAS 19 deficit	40%	21%
Capital expenditure £'000	5,229	1,935

CASH FLOW

In the period the Group's net cash outflow was £3,205,000 (2018: inflow £3,636,000). Outflows on investments and working capital more than off-setting the inflows from operating activities.

Working capital outflows are a result of; a reduction in trade payables due to the timing of monthly payments, input prices uplifting inventory values and an increase in trade receivables following a strong year end trading quarter.

Capital expenditure in the period was £5,229,000 (2018: £1,935,000). Capital was invested in all divisions this year. Investments are driven by the requirement to enable growth, typically in the form of generating revenue or increasing capacity, improving process capability, generating cost savings, resilience to keep a key asset running, safety and workplace improvements. The largest spend in the year was driven by a requirement to increase capacity in James Cropper 3D Products Ltd ahead of planned demand for Colourform™ in 2019 and 2020. Since the year end orders have now materialised to meet this demand.

Past service deficit payments of £1,468,000 are made in accordance with the agreed schedule of contributions covering £1,284,000 to reduce past service deficits and a further £184,000 to meet protection levy payments.

The closing cash position for the Group is £2,352,000 (2018: £5,557,000).

	2019 £'000	2018 £'000
Adjusted EBITDA (excluding IAS 19 impact) APM4	7,214	8,811
Pension deficit payments	(1,468)	(1,413)
Increase in working capital	(1,942)	(436)
Other	(438)	(1,135)
Net cash generated from operations	**3,366**	**5,827**
Capital expenditure	(5,229)	(1,935)
Dividends paid	(1,263)	(1,097)
Increase / (decrease) in loans	257	1,650
Other	(336)	(809)
Increase / (decrease) in cash	**(3,205)**	**3,636**
Opening cash	5,557	1,921
Closing cash	**2,352**	**5,557**

FUNDING, FACILITIES AND NET DEBT

	2019 £'000	2018 £'000	CHANGE £'000
Cash and cash equivalents	2,352	5,557	(3,205)
Borrowings: repayable within one year	(1,545)	(1,600)	55
Borrowings: non-current	(9,368)	(8,763)	(605)
Net debt	**(8,561)**	**(4,806)**	**(3,755)**
Borrowings: repayable within one year	1,545	1,600	(55)
Borrowings: non-current	9,368	8,763	605
Facilities drawn down	10,913	10,363	550
Undrawn facilities	8,119	8,944	(825)
Facilities	**19,032**	**19,307**	**(275)**
Cash and cash equivalents	2,352	5,557	(3,205)
Undrawn facilities	8,119	8,944	(825)
Funds available at year end	**10,471**	**14,501**	**(4,030)**
Borrowings: repayable within one year	(1,545)	(1,600)	55
Funds available in excess of one year	**8,926**	**12,901**	**(3,975)**

The Group funds its operations and investments from operating cash flow and from borrowings and finance leases. During the period net debt increased by £3,755,000 to £8,561,000.

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 £6,110,352 is drawn down at the period end.

Cash and cash equivalents decreased from £5,557,000 down to £2,352,000 in the year whilst long term borrowings (falling due after more than a year) increased by £605,000 to £9,368,000.

The expiry profile of existing borrowings is detailed in note 16.3 to the financial statements.

The Group is in compliance with its banking covenants which specify an EBITDA to net interest payable ratio of not less than 4 times and a maximum ratio of net debt to EBITDA of 3.5 times. The covenant calculations exclude interest arising from IAS 19 calculations on the defined benefit pension schemes from the income statement. At 30 March 2019 the Group had substantial headroom under its covenants.

Undrawn facilities comprise of unused overdraft facilities of £3,729,098 plus the total unused revolving credit facilities of £4,389,648, meaning a total of £8,118,746 remains unutilised at the year-end date.

Having taken account of current borrowings to be paid within 12 months of the balance sheet date the Group has £8,926,000 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 16.3 in the notes to the financial statements.

NEW ACCOUNTING STANDARDS

IFRS 15 *Revenue* from contracts with customers, was applied from 1 April 2018. The new standard applies to all revenue arising from contracts with customers including sale of goods, volume rebates and promotional rebates.

Previously the Group would make its best estimate of any rebates expected to be awarded based on available information. In accordance with IFRS 15, the Group now applies the variable consideration guidance in IFRS 15 and assumes products sold by the balance sheet date will attract a full rebate except to the extent that it is highly probable the full rebate will not be earned.

The adoption of IFRS 15 has had no material effect on transition and is not expected to materially alter revenue recognition patterns going forward.

IFRS 9 *Financial Instruments*, was applied from 1 April 2018. The adoption of IFRS 9 has not had a material impact on the Group.

THE PENSION REPORT

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").

THE STATEMENT OF FINANCIAL POSITION IAS 19 DEFICIT

The pension scheme deficit reported in the accounts has increased since 2018, from £19.5m to £22.6m (before deferred tax).

The table shows the overall value of the schemes' assets, which have increased by 3% and, in the same period, the schemes liabilities increased by 5%.

The combined increase in the schemes' overall deficit is principally caused by falling corporate bond yields pushing up liabilities, mitigated to an extent by reductions in life expectancy (which reduces liabilities) and strong asset returns. The IAS 19 valuation includes a correction for gender-inequalities inherent in Guaranteed Minimum Pensions (GMPs).

Full retirement benefit disclosure is provided in note 17 to the financial statements.

IAS 19 PENSION VALUATION 2019	STAFF SCHEME	WORKS SCHEME	BOTH SCHEMES TOTAL 2019	BOTH SCHEMES TOTAL 2018	CHANGE %
Discount Rate	2.45%	2.45%	2.45%	2.70%	
	£000s	**£000s**	**£000s**	**£'000**	
Assets	52,989	57,009	109,998	106,607	3%
Liabilities	(60,653)	(71,993)	(132,646)	(126,079)	5%
(Deficit)/Surplus	(7,664)	(14,984)	(22,648)	(19,472)	16%
Funding Level - %	87%	79%	83%	85%	(2%)

DEFINED BENEFIT SCHEMES THE TRIENNIAL "ON-GOING" VALUATION

Work has commenced on the next – triennial "on-going" valuation set for April 2019.

THE APRIL 2016 TRIENNIAL "ON-GOING" VALUATIONS	STAFF SCHEME £000s	WORKS SCHEME £000s	TOTAL £000s
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%

UK legislation requires the Scheme Trustee 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. 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 defined benefit 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.

With pension payments not expected to peak until 2040, and expected to continue into the 2080s, the funding deficits do not need to be repaired quickly, nevertheless the Company recognises its responsibility to fund its defined benefit pension plan deficits.

The long term plan is to ensure that when pension payments peak the Company has made sure that these payments can be satisfied at the peak and into future years.

Monitoring the on-going triennial valuations is an important part of aligning the latest position on route to the longer term target. Following the April 2016 "on-going" valuation a deficit recovery plan was agreed with the Trustee which included contributions of £1.3m per annum to reduce the past service deficits and a further £0.16m per annum to meet pension protection levy payments, a total of £1.46m each year. These have an impact on both cash and the deficit and are recognised on the Statement of Financial Position.

The Company is currently in discussions with the Trustee to agree future pension contributions, which will form part of a funding plan designed to meet the pension scheme deficit over the longer-term.

The Trustee has indicated, in the preliminary discussions, that they are supportive of the Board's decision to invest free cash-flow in the growth of the business, and so are not minded to push for a substantial increase in contributions which may put future growth prospects in doubt.

THE COMPANY RECOGNISES ITS RESPONSIBILITY TO FUND ITS DEFINED BENEFIT PENSION PLAN DEFICITS. THE LONG TERM PLAN IS TO ENSURE THAT WHEN PENSION PAYMENTS PEAK THE COMPANY HAS MADE SURE THAT THESE PAYMENTS CAN BE SATISFIED AT THE PEAK AND INTO FUTURE YEARS.

Future contribution requirements are assessed against a long-term funding target which reflects the way in which the schemes' assets are invested (rather than the corporate bond measure used for accounting purposes).

The Trustee and Company have agreed actions in recent years to reduce this volatility, including holding liability driven investments to better match movements in the schemes' liabilities.

RETIREMENTS DURING THE YEAR

During the year 16 employees have retired with a total length of service of 466 years.
May we thank you all for your dedicated service to the Group and wish you all a very happy retirement.

Service between 10 and 20 years	Service between 20 and 30 years	Service between 30 and 40 years	Service over 40 years
David O'Callaghan	William Reid	Fiona Shepherd	Simon Crossley
Peter Dobson	Carol Lawrence	Brian Lock	Geoffrey Leech
Paul Smith	Brian Milburn	Geoffrey Sergeant	David Watson
Jeannie Harper		Steven Roberts	Ian Davis
		Mark Shepherd	

KEY RISKS RELATING TO THE PENSION SCHEMES

The Company is exposed to a number of risks relating to the pension schemes, including investment risks, demographic risks (if members live longer than expected, it will be more expensive to provide pensions), and inflation risks for those benefits linked to inflation. While most of the economic risks are hedged by the schemes' liability driven investment strategies, it is not practical or cost effective to hedge all pension scheme risks.

Risk management activity in recent years comprises of the following:

- 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.
- In April 2018 (after the March 2018 year-end) a new investment strategy was adopted which aims to significantly reduce risk whilst maintaining a similar level of overall return and protecting asset values.

The bi-annual IAS 19 valuations are applied for statutory reporting purposes only and hold no other value to the Company as IAS 19 requires the Group's actuaries to make a number of assumptions on a very different basis to the on-going valuations.

Under IAS 19 the deficit is likely to be volatile and may, in the future, be very different from one 6 month reporting period to the next. IAS 19 requires the Group's actuaries to make a number of assumptions based on values and market conditions at the period end date. Discount rates for IAS 19 are based on corporate bond yields which does not reflect the investment strategy of the scheme.

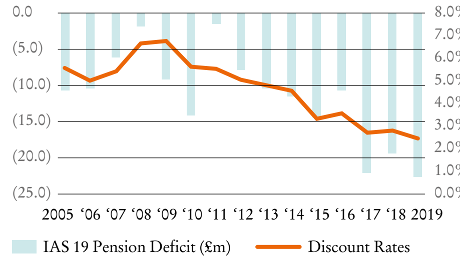
The use of assumptions can have a material effect on the accounting values of the relevant assets and liabilities recognised on the Group's Statement of Financial Position (SFP). As market values of the scheme assets and the discount factors applied to the scheme liabilities will fluctuate, this method of valuation will often lead to large variations in the "pension balance" period to period.

The chart below provides an indication of the variability of pension deficit under IAS 19.

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.

In this period an estimate of £133,000 for the financial cost to correct the gender inequalities inherent in Guaranteed Minimum Pensions (GMPs) is taken to the P&L. Actuarial changes in previous assumptions will pass through Other Comprehensive Income (OCI). The "true" cost of GMP equalisation will take a few years to work out, however the Company would expect any variances compared to the estimate, to flow through the OCI statement.

SCHEME DISCOUNT RATES AND COMBINED SCHEME PENSION DEFICITS UNDER IAS 19



The large declines in the combined deficit in 2008 and 2011 were due to a significant reduction in future benefits for active members introduced in those years.

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 year end 31 March 2019 includes an additional adjustment of £1,386,000 (2018: £1,284,000) to bring the cost into line with IAS 19.

Included within the charge against profits is an estimate of £133,000 for the financial cost to correct the gender-inequalities inherent in Guaranteed Minimum Pensions (GMPs) which is an issue that has affected many occupational pension schemes.

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 £854,000 (2018: £695,000) determined by IAS 19 based on assumptions at the start of the period and which is over and above the future service contributions for the defined benefit schemes. These additional costs are:

- 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. In this period an estimate of £133,000 for the financial cost to correct the gender-inequalities inherent in Guaranteed Minimum Pensions (GMPs) is taken to the P & L as part of past service costs.
- Curtailment and settlement costs.
- Any government pension protection levies paid over the period.

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 income from scheme assets and cost on the accrued liabilities allowed for in the net interest cost is based on the discount rate at the start of the period, this impacts the costs shown in the income statement.

A charge of £532,000 is charged to the income statement this period (2018: £589,000).

RISK MANAGEMENT

VIABILITY

The Board believes that the three years to March 2022 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.

The expiry profile of existing borrowings is detailed in note 16.3 to the financial statements. 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.

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.

THE BOARD IS SATISFIED THAT THE GROUP WILL HAVE SUFFICIENT LIQUIDITY TO MEET ITS NEEDS OVER THE PLANNING HORIZON.

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 and the Group as a whole, and that it is responsive to changing business conditions. The Executive Team follow an ongoing process for identifying, evaluating and managing significant risks faced by the Group.

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 HEALTH & SAFETY

STABLE —

RISK DESCRIPTION AND IMPACT

Employee health, safety and wellbeing 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.

MITIGATION

From a safety perspective we have an overarching goal of zero lost time accidents and aim to continuously engage with all our team members through education programmes, daily activity observations and safety awareness communications to help achieve zero harm.

The Group has an extensive Health & Safety programme built around the ISO18001 framework which is pro-actively driven across every division. We track leading indicators such as health and safety training, hazard reporting and improvement suggestions whilst also monitoring incidents, and near misses to enhance our 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 health, wellbeing and safety has been recognised on five consecutive years as RoSPA (Royal Society For the Prevention of Accidents) has accredited the James Cropper Group with a Gold Award resulting in our site receiving a Gold Medal in recognition of this achievement in 2019.

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. The Group participates in external benchmarking and best practice setting across comparable manufacturing industries 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.

ENERGY PRICE VOLATILITY

REDUCED ▼

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

A Long-Term Energy Team aims to mitigate its exposure to energy costs by a combination of considering strategic diversification away from gas to alternative fuels and investing in sustainable energy saving solutions.

A Gas Purchasing Committee seeks to secure forward the unit cost of wholesale natural gas in anticipation of future demand. At the time of this plan the committee has secured prices for the year to the end of March 2020.

PULP PRICE VOLATILITY AND SUSTAINABILITY

REDUCED ▼

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. 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 cannot be passed onto customers in all cases and 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 receives updates and market pricing information on pulp and fibre.

The Paper division aims to maximise the recovery of paper price changes through timely commercial negotiations and recover costs via market price increases.

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 division continues to leverage its reclaimed fibre technology plant and works collaboratively with the waste fibre supply chain to secure grades that are suitable for re-use.

The Paper division also looks to qualify alternative sources of fibre to reduce its reliance on virgin fibre from trees and waste grade material.

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

EXCHANGE RATE VOLATILITY

STABLE —

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 Sterling, Euro and Dollar. The Group's financial results are reported in 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 Dollar hedge is in place to mitigate the impact of translation exposure with the subsidiaries based in the USA.

PENSION

INCREASED ▲

RISK DESCRIPTION AND IMPACT

The Group operates two defined benefit pension schemes which are in deficit. The April 2016 triennial valuation concluded a combined deficit of the schemes to be £15.8m.

The April 2019 triennial valuation is underway and expected to complete by April 2020.

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.

Changes in these assumptions, the recognition of equalisation and market conditions could mean that the deficit increases further.

MITIGATION

The Group's strategy is to ensure the profitable and sustainable growth of the Group which in turn protects pensions earned.

The Pension Sub-Committee collaborates with the scheme Trustees to explore opportunities which may be favourable to reducing risk and or assist in closing the deficit. These activities continue as progression is made on the next on-going valuation.

A number of risk reduction exercises have been enacted since 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 CPI has been adopted as the inflationary measure for all future service pension pay-outs.

Deficit reduction contributions
Payments of £1.4m (including PPF levies) per year across both schemes are presently committed to. A renewed deficit reduction contribution plan will be concluded as part of the next ongoing valuation process.

The scheme Trustees are supportive of the Group's planned investment and capital expenditure programme to grow the business which is key to ensuring the Group is capable of supporting the schemes in the future.

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

BREXIT

STABLE —

RISK DESCRIPTION AND IMPACT

The risk that 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 additional risk that European bodies are not replaced with a British regulatory regime.

MITIGATION

The Group has planned around a hard Brexit scenario to ensure we have continuity of trade with our customers and be ready to handle all predicted practical matters of cost friction, barriers and regulation.

The Group works with representative organisations assisting UK manufacturing companies such as the Confederation of British Industry (CBI) and the Confederation of Paper Industry (CPI) to understand and prepare for all Brexit outcomes.

INFORMATION SECURITY & CYBER RISK

STABLE —

RISK DESCRIPTION AND IMPACT

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 include 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.

MITIGATION

The organisation is committed to information security management and implements a robust IT security programme (inclusive of GDPR).

We organise an extensive training and awareness programme for all our users including risk identification and expected behaviours and conduct.

We utilise external providers and implement new solutions 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 is an ongoing programme with continuing investment to ensure our processes and infrastructure evolve in-line with the threat landscape.

For and on behalf of the Board

ISABELLE MADDOCK
GROUP FINANCE DIRECTOR

24 JUNE 2019

"WE WILL ONLY SECURE OUR FUTURE AS A BUSINESS IF WE BALANCE OUR OUTPUTS WITH THE IMPACTS THAT WE – TOGETHER WITH THE REST OF MANKIND – ARE HAVING ON OUR PLANET."

MARK CROPPER, CHAIRMAN

1. Paper model by Helen Musselwhite for T2, London Design Festival

2. Chief Executive, Phil Wild (left) with Director of Hubbub, Gavin Ellis (right) and Operations Director at Forge Recycling, Sam Goodall (centre)

3. Pasaban Operator, Daniel Ford

4. James Cropper 3DP Ltd Group Leader, Carol Kelly

Technical Fibre Products

TECHNICAL FIBRE PRODUCTS LTD
CAPACITY EXPANSION & GROWTH

Sales growth in the year was 6.3% and this represented our seventh straight year of annual revenue growth. Turnover has roughly doubled since 2014. Sales have increased globally, across both established and emerging markets including aerospace, defence and fuel cells.

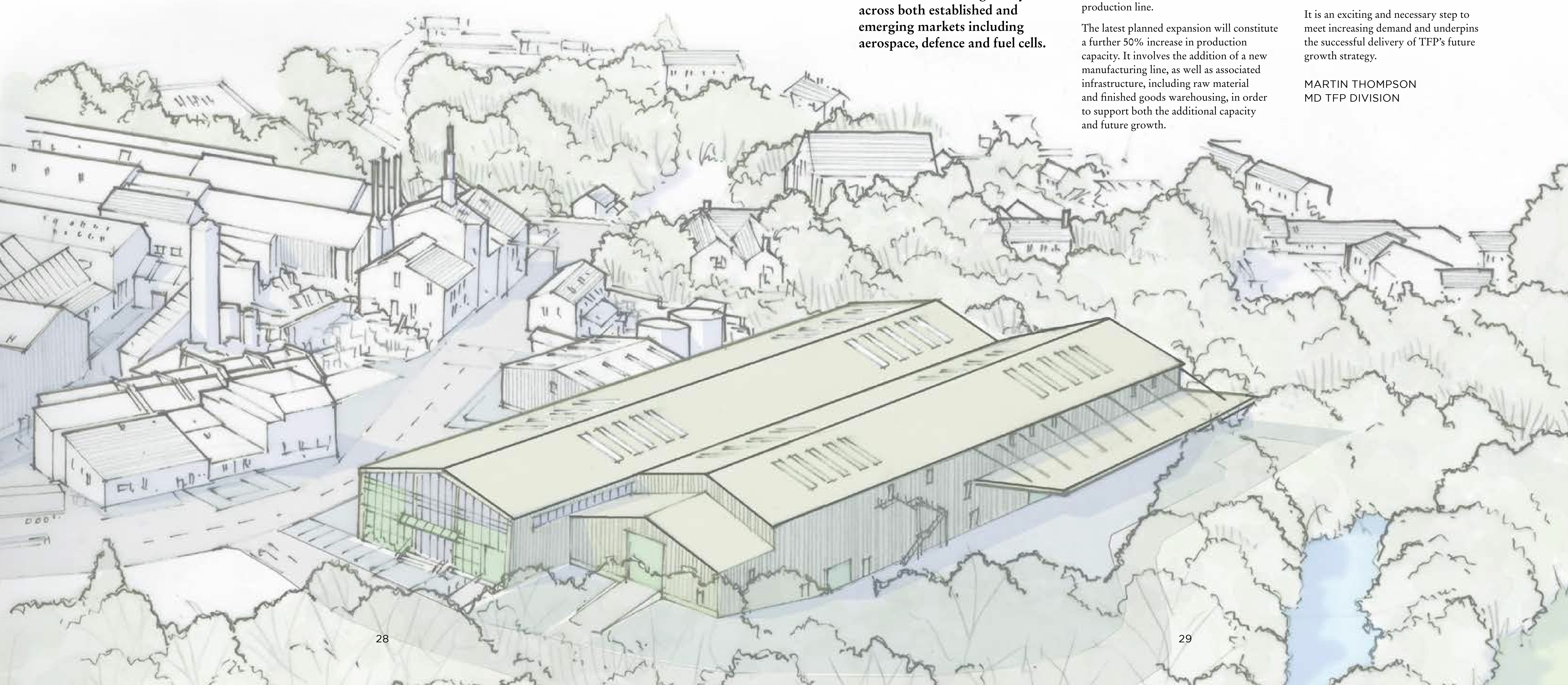
We anticipate that demand for our products will continue to grow. We roughly doubled our capacity in 2016 as we commissioned our new nonwoven line and this additional capacity has been filling up steadily in the interim. As a result, we have already started work on an additional nonwoven production line.

The latest planned expansion will constitute a further 50% increase in production capacity. It involves the addition of a new manufacturing line, as well as associated infrastructure, including raw material and finished goods warehousing, in order to support both the additional capacity and future growth.

The new line will be based on the equipment and hardware of the last expansion and will be housed in a purpose built extension to the current TFP site. The project is scheduled to be completed by mid 2020 and involves significant capital investment to develop and install both the new line and infrastructure.

It is an exciting and necessary step to meet increasing demand and underpins the successful delivery of TFP's future growth strategy.

MARTIN THOMPSON
MD TFP DIVISION



NONWOVEN DESIGN
INNOVATION, EXPERTISE & CUSTOMER RELATIONSHIPS

This year we have chosen to highlight the importance of material design and development in the wider business - a competency which is very relevant to TFP and central to the company's success.

It is responsible for shaping the products of the future, providing the expertise and materials which set the company apart from competitors and ultimately, playing a key role in building the enduring customer relationships which are fundamental to the business.

The prominence of product development within TFP can be demonstrated in many ways. Firstly, by the size of our Technology and Research team, which accounts for over 15% of the TFP workforce.

The team works with customers and academic institutions, as well as on internal R&D projects, to both design new materials and improve the properties and performance of our current nonwovens. This ever expanding portfolio is already recognised as the broadest range of wet-laid nonwoven materials in the world, offering a choice and functionality unmatched by our competitors.

Simply offering this choice is not sufficient however, and the focus is still on creating new nonwovens designed to meet the specific requirements of our customers. To achieve this our Technology team specialise in the customer-led development of new products via an open and enabling approach.

"TFP HAS OVER 100 ACTIVE NEW PRODUCT DEVELOPMENTS"

This process is a comprehensive one, perfected over 30 years and encompassing everything from the initial concept development in the laboratory, to material testing, scale up on our purpose built pilot line before progression to full scale manufacture.

The pilot line is a further indication of our investment in R & D, it is a small scale version of the main production lines and enables new products to be trialled effectively without significant investment in raw materials or long production runs.

The company's commitment to material development is not limited to nonwovens. It is also demonstrated by the complementary technologies that TFP has invested in over the years. These range from the electroless and electrolytic metal plating of fibres at Electro Fiber Technologies (EFT) in the US, to the consolidation of multiple materials via lamination, the application of nanoparticle coating to rolled goods and, most recently, the plating of particles.

All these capabilities add value; offering our customers potential ways to customise and enhance our nonwovens and, most importantly, providing the facilities and expertise to do this in-house.

The result of this product development ethos is a long list of success stories, which have shaped the nature of TFP's business today and will continue to do so.

Unfortunately, the development of new materials often goes hand-in-hand with confidentiality, something we take very seriously, which means that there are few examples that we can discuss. Some notable ones which we can talk about include fuel cells, aerospace materials and resistive heating.

TFP's work in fuel cells has spanned over three decades and involved working with some of the key players in the industry. The development work has ranged from working directly with customers, to engaging on government funded projects, and has ultimately established our profile globally as a respected gas diffusion layer (GDL) substrate manufacturer. In the past financial year, 11% of our sales were into fuel cell applications, with this projected to grow as the larger automotive companies increase their investment in the commercialisation of fuel cell electric vehicles (FCEV).

Aerospace developments are a topic that we touched upon in last year's report, with a focus on TFP's solutions for out of autoclave (OOA) curing and thermoplastic veils to improve the interlaminar toughness of composites. This year our portfolio has grown further, with a new range of next generation carrier and support veils. Launched at the JEC World trade show in March, these micro-denier polyester and polyester-polyamide hybrid veils offer superior flexibility and surface smoothness compared to our current materials. Their primary application will be as adhesive carriers, already a key application for TFP's products.

The veils will act as base for a film, ensuring a uniform layer of adhesive with a consistent thickness, as well as improving the resilience and handling of the final product. The finished adhesive films are used in the fabrication of aerocomposite structures.

Another application where product development has played a key part is resistive or joule heating. This is not a new application for TFP's materials, but one where recent development work has helped facilitate growth. The design of TFP's conductive nonwovens has been specially adapted to deliver a specific level of electrical resistance.

This means that when an electrical current is passed across the structure, it releases energy in the form of heat. The heat generated is utilised effectively in a range of different applications including heating panels and de-icing of components.

These examples give an insight into some of the developments currently underway at TFP. They highlight the importance of innovation and product development and the impact it has on the long term success of the business.

WE LISTEN, WE DESIGN,
WE OFFER THE UNEXPECTED.

WHAT WILL YOUR STORY BE?

COLOURFORM™

COLOURFORM™

Colourform™ is James Cropper's latest innovation, the launch of which further demonstrates the company's design credentials while offering brands an alternative to plastic packaging. Colourform™ gives brands a way to challenge the global packaging waste problem and set a new, higher-standard for packaging solutions and sustainability.

Colourform™ is speciality coloured moulded fibre packaging. As plastic-free packaging made from 100% renewable FSC wood fibre and high quality content from James Cropper's own recycling plant, Colourform™ is environmentally ambitious and triumphs from source to end of life.

Perhaps our greatest gift is the gift of colour however and the brand enhancing capabilities we have which enable brands to tell their story through their packaging and engage with a world that is more curious than ever.

Colourform™'s value lies in its ability to integrate fully into the narrative of a brand. It is one aspect of how that brand will communicate and interact with its audience and the vital relationship and associations that are built hence forth.

We do this through colour, texture, form, functionality and surface effects - our magic is in the skill of our in-house designers, our colour specialists, our machine operators and the partnerships we have developed.

Over the last few years we have evolved significantly and developed and defined our value proposition. Our ambition is to inspire brands and work with them predominantly on their secondary packaging and ultimately become an extension of the brand, the marketing team and their value proposition.

Key markets which align to this include cosmetics, premium beverages and smart tech however we have no doubt we will unearth more as the journey continues.

COLOURFORM™

WHAT MAKES US DIFFERENT?

The key to harnessing our bespoke service is to forget what you've done before. Think about the experience you want your customer to have. Using colour, texture, creative effects, fibre, functionality and form, let's imagine and create. Together we can write the next chapter of your brand story.

Colourform™ is speciality coloured moulded fibre packaging. As plastic-free packaging made from 100% renewable FSC wood fibre and high quality content from James Cropper's own recycling plant, Colourform™ is environmentally ambitious and triumphs from source to end of life.

Perhaps our greatest gift is the gift of colour, however, and the brand enhancing capabilities we have which enable brands to tell their story through their packaging and engage with a world that is more curious than ever.

SHAPE AND FORM

- Organic and sculpted shapes.
- Forms that follow the contours of the product.
- Made to wrap, hug, accentuate or minimise with elegance and style.

TEXTURE AND COLOUR

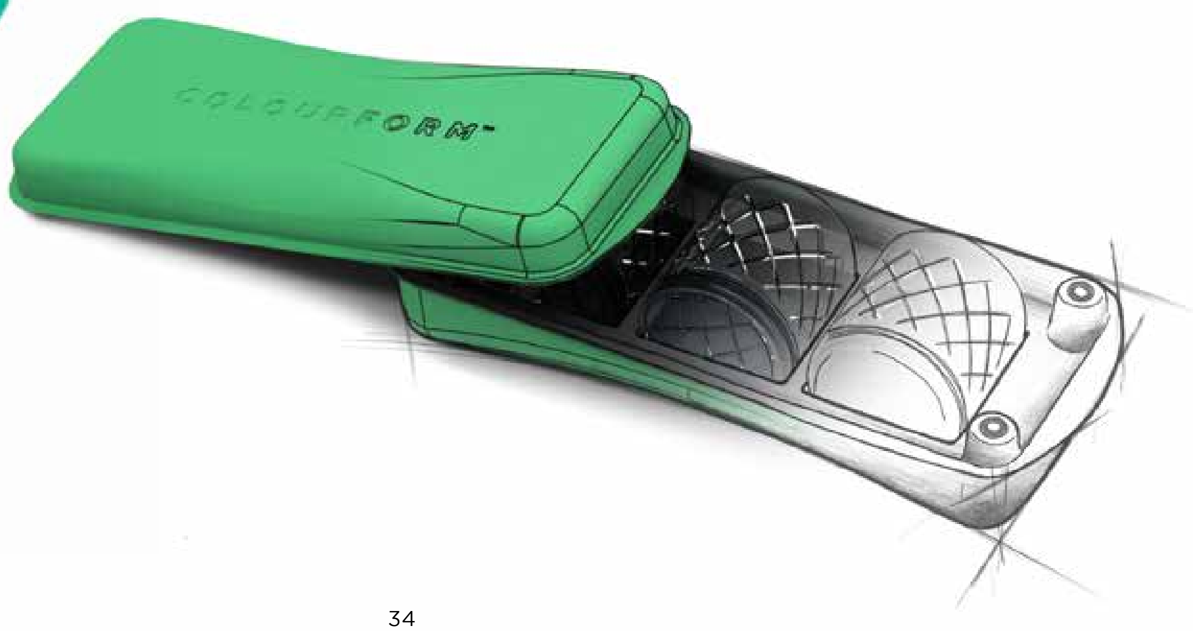
- Distinctive textures combined with smooth embossed logos show how texture can highlight branding and add another dimension.
- Colour demonstrates creativity and can match brand identity and market trends.

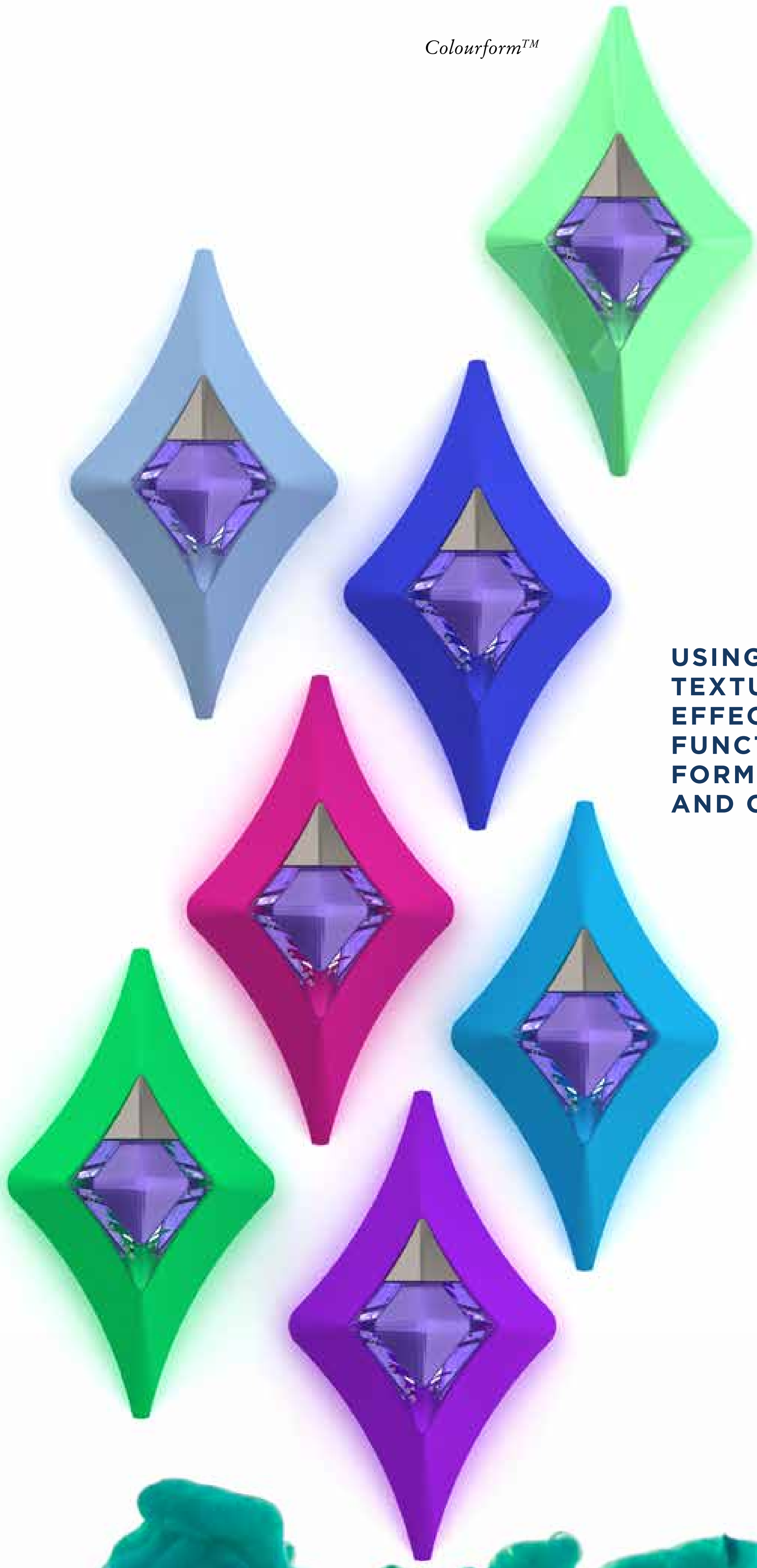
MULTIPLE PARTS OR SINGLE PIECE

- To achieve the desired outcome we can incorporate multiple parts or a single piece. A multi-part assembly can have a variety of textures and colours however a single piece may say it all.

BRINGING LIFE AND PERSPECTIVE

- Mouldable effects, shapes and sculpted forms.
- Bringing life and perspective.





USING COLOUR, TEXTURE, CREATIVE EFFECTS, FIBRE, FUNCTIONALITY AND FORM LET'S IMAGINE AND CREATE.

JAMES CROPPER PAPER PRODUCTS
PARTNERSHIPS, QUALITY & VALUE

Despite the significant challenges from increases in raw material and energy costs that have affected the whole paper industry, the Paper division still managed to grow sales by 4.3%. Achieved primarily through our knowledge on custom colour-matching and fibre expertise that has fuelled significant growth in our luxury packaging business.

With a strong Tailor Made value proposition we have been working with leading luxury brands and converters around the world, helping them to remove plastic from their packaging supply chain – a double net positive – as not only is this helping brands to tell a great environmental story that resonates with their consumers, but we are also doing good for society in the process.

We have reaffirmed our commitment to strategic private label partnerships with leading players in the paper industry, and as we endeavour to reduce complexity and focus on high quality, profitable product areas, we will be further expanding our Tailor Made proposition to deliver future growth.

PAPER INNOVATION
INSPIRING CIRCULAR DESIGN

"I WORK WITH PAPER BECAUSE I LOVE THE IDEA THAT A HUMBLE PIECE OF PAPER HOLDS SO MUCH PROMISE, IT CAN BECOME ANYTHING YOU WANT IT TO BE."

HELEN MUSSELWHITE, PAPER ARTIST

In today's post-Blue Planet world, there is a feverish focus on creating a circular economy when it comes to plastic. Meanwhile, levels of paper and pulped product recycling is now at a record high of 85.8% across the 28 countries of Europe; which is why you'd be forgiven for thinking the paper industry might take its foot off the gas when it comes to sustainable innovation.

However, this couldn't be further from the truth: In fact, supported by the unique expertise the paper industry has developed over hundreds of years, innovation in paper and pulped products is emerging as a shining example of best practice for circular design - and James Cropper is a business that is leading the charge.

"The vital role of design is gaining wider traction, reinforced by the work of such organisations as The Ellen MacArthur Foundation which describes design as: 'integral to the shift to the circular economy; by re-thinking and re-designing, we can accelerate the transition to a new model that doesn't just eke out resources a bit longer, but is restorative and regenerative by design.'

Only by thinking of design in its most strategic terms, applying it to develop solutions to our sustainability challenges, will we find ways to innovate that are more than sticking plasters to our woes. At a product level, design that's as appealing as it is functional, recycled and reusable, is a key step in ensuring uptake on a wider scale.

The paper industry is uniquely placed to respond to these challenges, with a powerful design history that dates back hundreds of years. In fact, it's by going deeply into James Cropper's papermaking heritage that we've developed our most innovative and successful solutions.

But innovation in isolation cannot facilitate real change. For these innovations to really work, collaboration is essential. It's our fundamental belief that solutions to our waste issues lie in brands, designers, manufacturers, the waste management and recycling industries, and the government working together.

CupCycling™ – a James Cropper innovation – was the world's first method of upcycling used coffee cups; and its success is an example of why partnership is an essential part of creating a circular economy. To date the process has re-purposed in excess of 60 million coffee cups, with scope to achieve significantly more from the facility with the capacity to reclaim 500 million units per year. To put this into context, that figure would be approximately 20% of disposable cups thrown away in the UK every year.

Sourcing, collecting, processing and transporting this raw material is not something James Cropper could do on its own. These cups are sourced by working closely with the coffee retailers, restaurant chains, shopping centres and airports at the points the cups are used. James Cropper has partnerships in place with Costa, Starbucks and McDonald's, and ongoing trials with other key locations.

"WE ARE VERY PROUD OF OUR NEW PACKAGING. IT IS BEAUTIFUL, LUXURIOUS AND SUPPORTS OUR WORK TO BUILD A MORE SUSTAINABLE FUTURE FOR THE FASHION INDUSTRY."

PAM BATTY, VICE PRESIDENT CORPORATE RESPONSIBILITY, BURBERRY.

By working with waste management companies like Veolia, Paper Round, Grundon and Forge Recycling, we can ensure that these cups are successfully diverted from landfill to our CupCycling™ plant.

Alongside pulp from renewable forests, paper fibres from some of the 2.5 billion coffee cups thrown away in the UK each year are upcycled into beautiful paper for Selfridge's iconic yellow shopping bag, Burberry's elegant, contemporary new sustainable paper packaging, new ranges of sustainable stationery and even packaging for reusable cups!

Burberry is committed to building a more sustainable future and has achieved 50 disruptions at each stage of its linear value chain to move towards a more circular business model. For example, in partnership with CupCycling™, more than 18 million cups that would have otherwise gone to landfill have been upcycled to create Burberry's rebranded packaging, which is in turn recyclable and FSC-certified.

Pam Batty, Burberry's VP of Corporate Responsibility said: "We believe in driving positive change for our industry, our communities and the environment. We are very proud of our new packaging. It is beautiful, luxurious and supports our work to build a more sustainable future for the fashion industry."

Serving an estimated 28 million customers from 2,389 outlets across the UK every month and voted the Nation's Favourite Coffee Shop for 8 years running, Costa Coffee have also been working with James Cropper on recovering and recycling its takeaway coffee cups since the launch of CupCycling™ in 2017.

A great example of circular economy thinking, in 2018 Costa launched the first reusable coffee cup to enable contactless payments, with the product packaging material made from those same recycled takeaway cups.

Jason Cotta, Managing Director at Costa Coffee comments: "Whilst we are committed to ensuring more takeaway coffee cups are recovered and recycled we hope the innovative Clever Cup will become an additional incentive to help facilitate and drive environmentally friendly behaviour."

Design-led retailer Paperchase boast over fifty years on the UK's high streets with their offering of inspiring and innovative stationery. This approach is carried through into their *Conscious Living* collection and features the *'I used to be a coffee cup'*, *'No longer a latte'* and *'Kind people are my kinda people'* notebooks, each containing paper incorporating fibres from coffee cups reclaimed through CupCycling™.

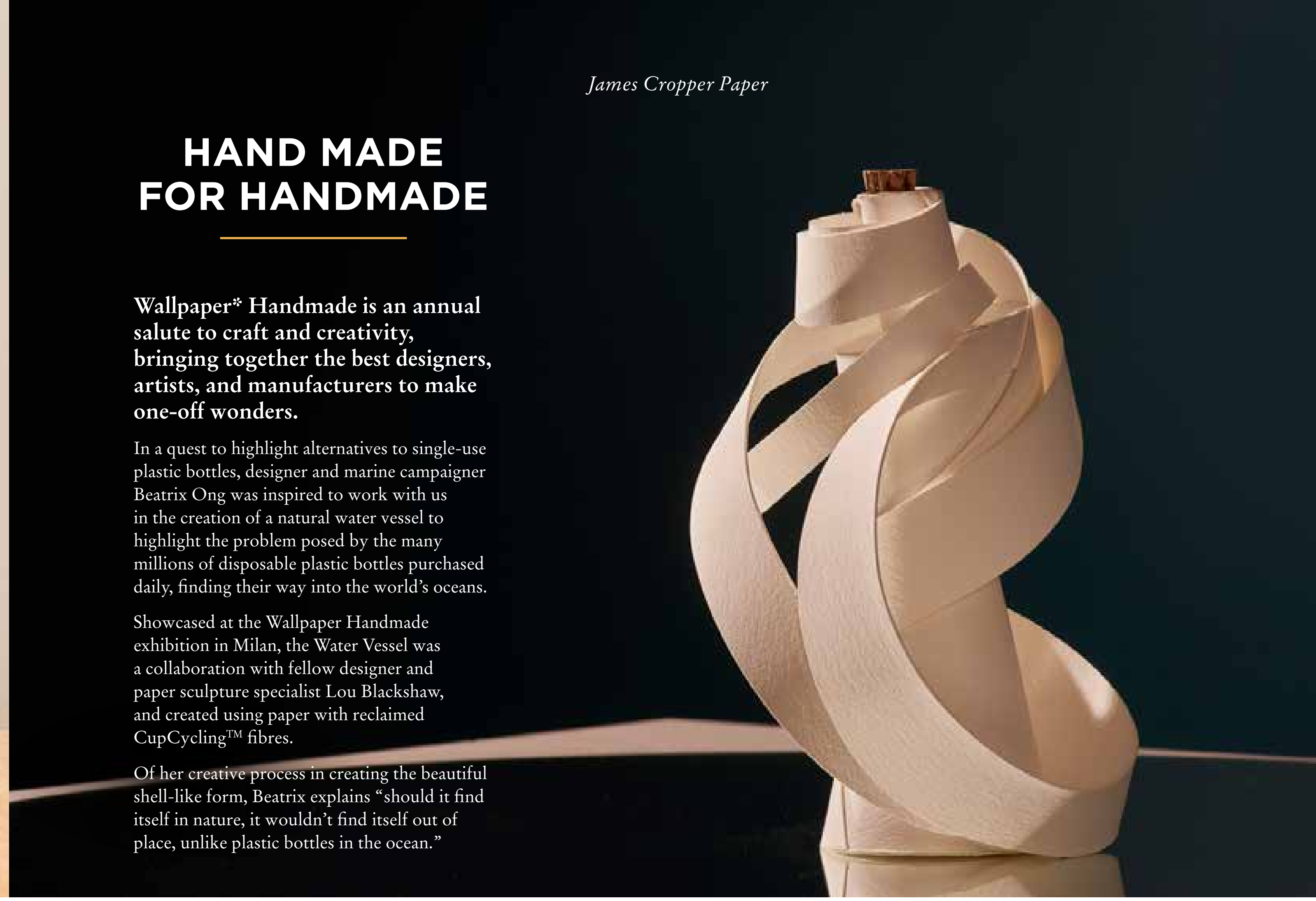
Scott Corbett, Brand Director at Paperchase comments: "*Conscious Living* was born in response to our customers becoming increasingly aware and concerned about the effects we all have on the planet. It's not just about recycling, it's about sourcing locally and ethically and using friendlier production processes.

We have always been a brand that takes our social responsibility seriously, it's reflected in our brand values, we just haven't shouted about it."

UK artist Helen Musselwhite is never short of inspiration, she combines hand cutting, folding and scoring of paper and card to create ethereal and whimsical designs by carefully cutting layers of paper into delicate scenes. "In my work I try to recreate the beauty of nature," she says.

Helen visited the mill recently to see how the papers she uses in her art are made. One of her recent commissions was for specialist tea brand T2, displayed at the 2018 London Design Festival, which draws a global audience to the capital in an annual celebration of creativity.

Made entirely from the richly coloured papers manufactured exclusively for G . F Smith by James Cropper – Extract, a product which includes reclaimed fibres from the CupCycling™ process and Colorplan, were transformed in the hands of this acclaimed paper artist into a paper installation celebrating teas from around the world.



HAND MADE FOR HANDMADE

Wallpaper* Handmade is an annual salute to craft and creativity, bringing together the best designers, artists, and manufacturers to make one-off wonders.

In a quest to highlight alternatives to single-use plastic bottles, designer and marine campaigner Beatrix Ong was inspired to work with us in the creation of a natural water vessel to highlight the problem posed by the many millions of disposable plastic bottles purchased daily, finding their way into the world's oceans.

Showcased at the Wallpaper Handmade exhibition in Milan, the Water Vessel was a collaboration with fellow designer and paper sculpture specialist Lou Blackshaw, and created using paper with reclaimed CupCycling™ fibres.

Of her creative process in creating the beautiful shell-like form, Beatrix explains "should it find itself in nature, it wouldn't find itself out of place, unlike plastic bottles in the ocean."

"IT'S NOT JUST ABOUT RECYCLING, IT'S ABOUT SOURCING LOCALLY AND ETHICALLY AND USING FRIENDLIER PRODUCTION PROCESSES."

SCOTT CORBETT, BRAND DIRECTOR, PAPERCHASE

1. Chief Operations Officer, Dave Watson with (left) Craftperson Dave Askins and (right) Paper Operative, Gareth Wells
2. Head of Information, Systems and Development (ISD), Caroline Noble
3. IT Support Analyst, Mark Foster
4. Blender Operator, Lyndon Montgomery

"CLEARLY DEFINING AND COMMUNICATING OUR 'BUSINESS IMPORTANT GOALS' IS KEY TOWARDS REALISING OUR GROUPS ASPIRATIONS IN THESE TURBULENT TIMES.

PRO-ACTIVELY ENGAGING WITH OUR TEAM MEMBERS TO IDENTIFY AND FOCUS ON THOSE LEADING ACTIVITIES NEEDED TO DELIVER OUR GOALS, WILL ENABLE US TO CREATE THE MINDSET REQUIRED TO DELIVER SUSTAINABLE SUCCESS."

DAVE WATSON,
CHIEF OPERATIONS OFFICER

OUR VALUES

TRUST, DIGNITY AND RESPECT

SUCCESSFUL CUSTOMERS

PROFITABILITY

CONTINUOUS LEARNING

MOTIVATED WORKFORCE

SAFETY AT WORK

COMMUNITY FOCUS

SUSTAINABILITY

SUSTAINABILITY FROM THE GROUND UP

Sustainability without innovation is hard, if not impossible, to achieve. Our volatile and uncertain world makes increasing demands on business to be better prepared, to make smarter decisions, to understand cause and effect – how can this be achieved without innovation?

Conversely, innovation without purpose and ambition to underpin it and bring it to life has no foundation, and as such can be the difference between success and failure. A product or business process cannot survive without commerciality, which drives business, but it thrives when it adds value to people's lives.

When we make the statement 'Redefining paper since 1845' we make it with real purpose: it empowers and liberates, it affords James Cropper the opportunities to pioneer and innovate.

Redefinition epitomises our history and sets a course for the journey ahead, with sustainability firmly embedded in the business.

From the raw materials we use and the energy we consume, the people we employ, the communities we support and which, in turn, support our organisation – sustainability will continue to provide the stable platform for future growth.

SUSTAINABLE GROWTH

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 activities shown on pages 44 to 45 are examples from the last 12 months illustrating how James Cropper is putting a number of the SDG's into practice.

"THE FUTURE GROWTH OF JAMES CROPPER PLC WILL CONTINUE TO BE INEXTRICABLY LINKED TO SUSTAINABILITY WITH COMMITMENTS MADE TO GLOBAL INITIATIVES, NATIONAL PROGRAMMES AND LOCAL ACTIVITIES ON OUR VERY DOORSTEP ALL IMPLEMENTED IN-LINE WITH THE GROUP'S OVER-ARCHING VALUES."

ACCELERATING OUR COMMITMENT TO SUSTAINABLE DEVELOPMENT

VISION TO ACTION

Business must serve society. We believe that to achieve long-term success and sustainable growth our business must respond to the challenges and opportunities of an increasingly resource-constrained and unequal world which contains poverty, hunger and climate change.

Our vision for doing business is one that delivers growth whilst also serving society, and is strongly aligned with the SDGs. By using our resources as a business to address issues such as biodiversity, reforestation, upcycling and climate change, we are delivering short-term and long-term benefits for our customers and shareholders as well as society.

We're already working with a wide range of partners, including non-government organisations, industry groups, academia and other businesses, and exploring innovative approaches to drive sustainable development.

WATER MANAGEMENT

OVER 91% OF WATER ABSTRACTED IS RETURNED TO THE CATCHMENT

The water drawn from the River Kent at Burneside is fundamental to all James Cropper business divisions.

It is a natural resource and designated Site of Special Scientific Interest (SSSI), due to the thriving population of white-clawed crayfish.

Our focus is on efficiency in water usage and on maximising return of clean safe water to the catchment.

- Water managed in partnership with the Environment Agency
- Water is continually recycled during production processes
- Waste water is sent directly to our local treatment facility
- Over 91% of water abstracted is returned to the catchment

CLIMATE CHANGE

James Cropper continues to improve its energy-related performance and efficiency, including actively seeking energy reduction opportunities.

The Group's commitment to the ISO 50001 energy management standards, focuses on achieving continual improvement of energy performance through a systematic approach to consumption and efficiency with immediate objectives of reducing energy costs and emissions.

- An active investor in low-carbon energy solutions
- A highly efficient combined heat and power plant
- Heat exchange and recovery systems in manufacturing processes
- Hydro and solar energy - generating 400 MWh renewable electricity per annum
- Material developments for wind energy and fuel cell technology

HYDRO AND SOLAR ENERGY - GENERATING 400 MWh RENEWABLE ELECTRICITY PER ANNUM

"WE HAVE BECOME VERY GOOD AT MAKING THINGS – NOW WE HAVE TO GET MUCH BETTER AT UN-MAKING AND RE-MAKING THEM."

HRH THE PRINCE OF WALES, WASTE TO WEALTH SUMMIT 2018

WASTE REDUCTION

60 MILLION DISPOSABLE CUPS UPCYCLED INTO PAPER PRODUCTS AND PACKAGING

James Cropper continues to be recognised as a leading innovator in the recovery of valuable fibre resource, thanks to our CupCycling™ initiative.

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

Lightweight materials and design are becoming increasingly important in many industries. There are three industries, however, where lightweight has played an important role in product design almost from their inceptions: aviation, wind energy, and automotive. TFP materials are often used in the production of aircraft and wind turbines where the main drivers for lightweighting are to achieve better efficiency, greater stability and reduced stresses on materials in use.

- CupCycling™ – 60 million disposable cups upcycled into paper products and packaging
- James Cropper paper products are inherently recyclable and recycled (record European high 85.8%* recycling rate for paper and cardboard)
- Dried waste approved by Environment Agency as a fertiliser on local farms
- Continued investment in Colourform™ plastic free packaging
- TFP non-woven materials improve end-use efficiency

RESPONSIBLE FIBRE SOURCING

99% FRESH FIBRE SOURCES CERTIFIED TO FSC OR PEFC CHAIN OF CUSTODY

A third key strand of the circular economy is the regeneration of natural systems. Wood pulp is our primary raw material used by the papermaking and Colourform™ divisions with recovered material from CupCycling™ making a significant contribution.

James Cropper source wood pulp from responsibly managed forestry, certified* to FSC® and PEFC® standards.

From harvest site and pulp mill to end product, we employ effective fibre traceability procedures which provide assurance of the legality of wood, biodiversity and sustainable land use practices throughout. In fact, managed forestry in Europe is growing and, today European forests stand 30% larger in area than they did in the 1950s!

- 18% recycled fibre input, given a second life as paper products and packaging
- 99% fresh fibre sources certified to FSC or PEFC chain of custody
- Sustainable forest management is driving Europe's forest growth

* *(Source : European Commission, Eurostat)* https://ec.europa.eu/eurostat/web/products-datasets/product?code=ten00063

IMPROVING HEALTH & WELLBEING

Our organisation provides diverse, rewarding employment and opportunity for personal growth, our commitment to people is core to the Group's values.

Launched last year, the Better Health at Work Award has a dedicated team of 24 advocates within James Cropper tasked with promoting and raising awareness of health matters.

The results of our employee Health Needs survey clearly showed Mental Health and Stress to be the most important topics for all. Data suggests one in six adults experience depression, anxiety, stress and other common mental disorders yet the 'invisible illness' of mental health is frequently hidden and widely misunderstood.

Mental Health First Aid (MHFA) training was implemented during 2018 (see page 51) to equip personnel across the Group to identify and help colleagues in need of support.

At the beginning of 2019 we ran our first campaign to help improve the health and wellbeing of everyone at James Cropper. We kicked off with RED January: a national initiative that encourages everyone to support their mental health by doing something active every single day.

THE BETTER HEALTH AT WORK AWARD HAS A DEDICATED TEAM OF 24 ADVOCATES WITHIN JAMES CROPPER

INDUSTRY RECOGNITION

Across the Group, 2018 has been another award-winning year with honours received for Paper, Colourform™ and Technical Fibre Products.

The major accolade of Luxury Packaging Supplier of the Year at the Packaging News Awards was recognition for teams across James Cropper, specifically CupCycling™ and Colourform™, with judges commenting it is *"great to see a supplier with a vision. The start of a journey, looking into recycled materials for luxury products. They should be commended for investing."*

Against incredibly high competition, James Cropper won in the category 'Driving the Circular Economy' for its unique CupCycling™ process at the Sustainability Summit Awards.

TFP were acclaimed Best Manufacturer at the in-Cumbria Business Awards 2018 for our unique process and the high standard to which we operate. The event also saw TFP taking the Best Innovation award for our forward-thinking product development projects.

The James Cropper Annual Report was itself a winner in 2018 for the category Recycled or Upcycled Product of the Year at the Waste2Zero Awards, a showcase of best practice and recognising excellence in management and prevention of waste, specifically in the food service and hospitality sectors.

BURBERRY: DRIVING POSITIVE CHANGE

The luxury brand, which last year launched new sustainable packaging incorporating CupCycling™, has committed to ensuring all of its consumer packaging is reusable, recyclable or compostable by 2025.

Using an innovative manufacturing technique, 40% of Burberry's new packaging material is made from recycled coffee cups, with more than 18 million cups diverted from landfill so far. The result, aligned with Burberry's ambition to build a more sustainable future, is also fully recyclable and certified by the Forest Stewardship Council (FSC).

Burberry has also made changes to reduce its plastic footprint in its transit packaging. Further to its commitment to the Ellen MacArthur Foundation's New Plastics Economy initiative in November 2018, Burberry will introduce new transit hangers made from a bio-based compostable alternative and is switching its garment bags to a compostable PHA-blended material.

OUR ROLE IN THE NEW PLASTICS ECONOMY

Led by the Ellen MacArthur Foundation in collaboration with UN Environment, The New Plastics Economy initiative 'brings together key stakeholders to rethink and redesign the future of plastics, starting with packaging'.

United behind a common vision and a set of 2025 targets to address the problem at its source, James Cropper joins governments, academia, industry associations, manufacturers and investors as a signatory of the New Plastics Economy Global Commitment.

As a supplier to the global packaging industry, James Cropper has published its responsibilities to the packaging sector:

1. James Cropper commits to support our customers to eliminate problematic or unnecessary plastic packaging through the supply of Colourform™ plastic free packaging and other paper alternatives.
2. James Cropper commits to increasing our capacity for CupCycling™ (upcycling of paper cups) by working together with retailers, waste management companies, and other stakeholders to increase the collection and supply of used cups to our facility. We will also continue to work with our customer base to generate demand for the resulting recycled fibres.
3. James Cropper commits to send all plastic recovered during the CupCycling™ process for recycling or re-use by 2025.

NEW PLASTICS ECONOMY Global Commitment

Source: A line in the sand: Global Commitment to eliminate plastic pollution at its source.
www.newplasticseconomy.org

"MANY FORWARD-THINKING BUSINESSES ARE, I KNOW, ALREADY PUTTING THE PRINCIPLES OF THE CIRCULAR ECONOMY INTO PRACTICE. EARLIER THIS YEAR I SAW NOVEL METHODS OF RECYCLING PAPER CUPS, WHICH INCLUDE PLASTIC IN THEM, AT JAMES CROPPER IN KENDAL, ASSISTED BY COLLABORATION WITH INDUSTRY AND LOCAL AUTHORITIES."

HRH THE PRINCE OF WALES

WASTE TO WEALTH SUMMIT

Veolia's integrated waste management facility in Southwark, London, provided a fitting backdrop for the Waste to Wealth Summit in November 2018.

HRH The Prince of Wales delivered a keynote address to over 200 leaders from business, government, academia and civil society in which the urgent need to tackle the resource issue in the UK was addressed and explained why business is best placed to meet this challenge.

Phil Wild, Chief Executive Officer at James Cropper said "The summit delivered a clear message. It's vital we move from a linear economy, where waste isn't utilised to its full potential, to a circular economy, whereby it becomes a truly profitable asset.

"It's everyone's responsibility to think about their footprint and make good on their commitment at pace. As a society we've made some progress, and as a company we've pledged to continue to work as a key innovator in the packaging and recycling industries, working collaboratively with businesses to reduce avoidable waste and develop sustainable solutions in product design.

"It was truly inspiring to stand shoulder to shoulder with like-minded business who are also pledging to redesign how resources are used in our products, services and operations. We need to unlock the potential of a circular economy. The time to act is now, and so we look forward to seeing the impact pledges at the summit have in driving real change to secure a better future for our planet."

Source: Waste to Wealth: it's time to stop throwing our future away
https://www.bitc.org.uk/campaigns-programmes/environment-sustainability/wastetowealth

“OUR PEOPLE CONTINUALLY STRIVE TO BE AT THEIR BEST, TO DO BETTER FOR THEIR COLLEAGUES, DEPARTMENT AND THE WIDER ORGANISATION”

PRIDE EXCELLENCE AWARDS

Across the James Cropper Group, in whatever capacity, our people continue to excel in the activities they undertake from one day to the next.

The roles within the organisation may be diverse yet a continual thread that runs throughout is the conscious absence of a ‘business as usual’ mindset – our people continually strive to be at their best, to do better for their colleagues, department and the wider organisation.

Over recent years, the Pride Awards have been testament to this quest for improvement. Covering areas of innovation, creativity, customer service and safety, Pride also recognised the employees who selflessly gave their personal time and abilities to help others, further underlining the James Cropper commitment to community.

The annual Pride format was re-visited in July 2018, with quarterly awards introduced. Nominations were invited for the people or teams who had gone above and beyond, who had exceeded in their roles and who, in the eyes of their peers, were worthy of recognition for their ongoing commitment and alignment with the Group’s values.

From these quarterly winners, five individuals have been selected as recipients of the overall Pride Excellence Awards.

GOLD AWARD
DAVE ‘NIXY’ NICHOLSON (PAPERMAKING/YARD)

The sad passing of Steve Tyler was an incredibly emotional time for many at James Cropper, especially for Dave who had been a long-standing workmate and good friend. A true pillar of strength, Dave visited Steve’s family at their home and shared their loss with understanding, dignity and respect.

Dave liaised extensively with the local authority and community groups to ensure Bridge Street (adjacent to the Mill and undergoing major repair works for the majority of 2018) could be opened for the funeral cortège to pass and for many of Steve’s colleagues to pay their last respects.

James Cropper are proud to have had Dave represent the company and provide great support to Steve’s friends, family and work colleagues, for which we are all greatly appreciative.

SILVER AWARD
ADAM GAME (ENGINEERING)

In an accident in June 2018, James Cropper Maintenance Craft Engineer Jos Addison received severe caustic burns to his lower legs. Carrying out first aid quickly and calmly, Adam reduced the seriousness of the injury, actions which helped save Jos’ legs and which drew commendations from doctors and hospital staff. Adam was involved in his colleague’s after-care at hospitals in Kendal and Preston.

Until recently a member of St John Ambulance, Adam’s ability to act swiftly and take appropriate action in a medical emergency often sees him responding to 999 calls in the local community when not at work.

BRONZE AWARD
ANTHONY BOWNESS (HEALTH, SAFETY & ENVIRONMENT)

When a malfunctioning effluent process one night at the Burneside Mill presented the potential for a significant environmental incident, Anthony’s swift action and assured decision-making brought the situation under control.

Regardless of the late hour, Anthony headed to the Mill and assembled a team comprising engineers and an external contractor to bring the situation under control, whilst involving other Senior Team Leaders to mitigate further issues and informing key stakeholders of the situation.

His diligence and commitment displayed in this time epitomises Anthony’s approach to every day at James Cropper.

BRONZE AWARD
STEWART KING (ISD)

Putting colleagues and company before himself on countless occasions, Stewart’s commitment is something which is never in question. Often seen starting early and finishing late, Stewart takes great pride in ensuring the IT systems in his domain are all operating correctly. Assisting colleagues learn new skills and software, Stewart is always flexible with his hours when required.

When a Windows update seriously affected countless companies causing email networks to fail, Stewart worked through the night to remove the faulty software and ensure systems were fully operational for the next day.

BRONZE AWARD
RYAN WALLACE (TFP)

In the TFP division, the process of having to periodically clean and re-coat the couche roll meant valuable production time was being lost each day, a figure which amounted to 364 lost hours per annum across No.1 and No.3 machines.

Ryan has solved a number of issues resulting in increased uptime on No.1 machine by approximately 1-2 hours per shift.

Additionally, he has addressed problems with ‘holes and picks’ at the start of a production run, reduced the amount of broke generated, helped improve the quality of finished products and increased capacity on No.1 machine by 2.5%, a potential for additional £180k revenue.

RECRUITMENT TO RETIREMENT

“THE GOOD THING ABOUT THIS APPROACH IS THAT IT GIVES YOU TIME OFF WORK TO TAKE STOCK OF WHAT YOU ARE GOING TO DO WITH YOUR RETIREMENT - NEW HOBBIES, HOLIDAYS ... ABOVE ALL, YOUR PARTNER OR FAMILY CAN ALSO ADJUST TO HAVING YOU AROUND THE HOME MORE.”

The 2018 calendar year set a new milestone for human resources with 156 new recruits commencing employment across the James Cropper Group, a figure which eclipses the previous highest figure of 101 in 2017 and brings the head-count at time of writing to 594.

Continued growth in the business, specifically Colourform™ (JC3DP) and TFP, combined with the success of the phased retirement programme, are key contributors to these figures. There is also an appreciation of James Cropper as a provider of well remunerated, diverse and engaging careers that has helped support recruitment both in the UK and international operations.

A company with global reach and ambition across diverse markets, James Cropper continues to invest in talent selection, training and education, an approach which helps build resilience and guarantee continuity of knowledge and expertise.

The ability of James Cropper to retain highly experienced, specialist employees over many years is well documented and over the last year 50 members of staff were recognised for their long service of between 20 and 40 years.

Further evidence lies in the fact that there are currently 140 employees over the age of 55 spread across all divisions of the Group. It is understandable that a number of these may already be looking towards retirement.

The removal of the Default Retirement Age in the UK has presented a degree of uncertainty for employees across all industries. In response to this, James Cropper have introduced a process which enables employees to better prepare for retirement and acclimatise to life outside work.

Within the Phased Retirement Option full time employees may take off one shift each week for their final 6 months.

This option affords the employee more control of the way they retire and helps the company recruit and train their successors, with knowledge gained during their employment passed-on to the next generations.

14 employees have retired using this option during 2017/18 and we have a further 8 employees due to retire early 2019.

“I remember my first reaction to the Phased Retirement proposal in 2016 was ‘good idea, but not for me’, however, I was persuaded by two of my colleagues to sign up for the scheme. The good thing about this approach is that it gives you time off work to take stock of what you are going to do with your retirement – new hobbies, holidays and preparing mentally to get used to not working and socialising with your work colleagues. Above all, your partner or family can also adjust to having you around the home more. So, with all this in mind, I would thoroughly recommend this scheme for everyone who is coming up for retirement.”
Ian Davis, March 2019

BARNARDO’S SAY A BIG ‘THANK YOU’ TO JAMES CROPPER EMPLOYEES

In the last year alone, Barnardo’s work saw them engaging with over 300,000 vulnerable children, young people, their families and carers across the UK.

An HMRC scheme, Payroll Giving enables employees to make tax free donations direct to a charity through their monthly pay, and staff at James Cropper have responded to this initiative in support of Barnardo’s work.

An entirely voluntary scheme, employees can nominate the charity to be supported and can donate as little as £1 per month or whatever figure they wish to contribute. Cumulatively these donations can add up to significant amounts and during 2018 the payroll giving achieved by our employees was £43,728.

Barnardo’s

TRUST, DIGNITY AND RESPECT

As common as physical first aid is throughout the modern workplace, with dedicated training and provision of medical equipment, the same cannot be said for the support of personnel who may be developing mental health issues or experiencing worsening problems.

Recognised internationally, the **Mental Health First Aid** (MHFA) training course is not intended to offer comprehensive diagnosis or treatment but provides people with the ability to identify a need and offer primary support until appropriate qualified assistance can be arranged.

The indicators of mental ill health can prove elusive to identify, so MHFA provides the guidance to recognise the warning signs and instils the confidence to guide someone to appropriate support.

James Cropper have made a commitment to embed MHFA within the Group and, since October 2018, 48 employees representing all divisions and levels within the Group have completed the internationally recognised training course.

WE ARE ALSO ENCOURAGING PEOPLE TO TALK MORE FREELY ABOUT MENTAL HEALTH, REDUCING STIGMA AND CREATING A MORE POSITIVE CULTURE BY IMPROVING OUR WIDER UNDERSTANDING OF THEIR EXPERIENCES.

The **Better Health at Work Award** (BHAWA) was established in 2009 with the objective of bringing wellbeing into the workplace. Employees benefit from a healthier environment and culture, increased access to health information and interventions.

During the past year, James Cropper have facilitated workplace activities to promote the initiative and have 24 ‘Health Advocates’ who work to motivate employees to actively participate in the activities. These have included RED January (doing something active every day) and T2T Day (Time 2 Talk), both supporting mental health awareness and action. Future campaigns include Men’s Health and Back Pain.

CONTINUOUS LEARNING

APPRENTICESHIPS

From its introduction in April 2017, James Cropper began making contributions to the Apprenticeship Levy. A tax on UK employers at a rate of 0.5% of the total payroll, it is a fund which can be used to fund apprenticeship training.

In response to the new levy a review of performance and development was undertaken, aligning specific training needs with applicable apprenticeships. In addition, James Cropper have been instrumental in creating the new Papermaking Apprenticeship, a 3-year programme focused on developing the next generation of skilled papermakers.

Comprising the single largest cohort from any UK papermill, 6 employees from James Cropper embarked on the Papermaking Apprenticeship programme in 2018, all of whom have successfully completed modules in engineering and paper technology.

A total of 43 employees comprising existing staff and new recruits have commenced apprenticeship programmes in the disciplines of engineering, accounting, business administration and leadership, from GCSE level through to master's degree.

PERSONAL DEVELOPMENT AND TRAINING

In excess of £40,000 has been invested by James Cropper to support individual growth, personal development and succession planning.

Regular performance and development reviews identify training requirements, some of which naturally fall outside of the Apprenticeship Levy.

In such instances external training support was provided for personnel in subjects including Lean Six Sigma, NEBOSH and customer service.

"IN EXCESS OF £40,000 HAS BEEN INVESTED BY JAMES CROPPER TO SUPPORT INDIVIDUAL GROWTH."

GRADUATES

Structured to develop future leaders within the business and support the growth of papermaking, the graduate programme spans 3-years from foundation to expert level, with skills developed in leadership, paper technology, quality and process capability. To support the growth of the Colourform™ (JC3DP) division, a further two graduates joined James Cropper in 2018.

All graduates have embedded quickly into the business and make significant contributions to the Group, providing expert technical service to the business in colour, laboratory and technical services and mill chemistry projects.

Bob Duvall (centre) receiving a signed photograph from John Haaland (left) and Maria La Torre (right)

THANK YOU TO BOB DUVALL

It was a very significant moment when we said farewell to an individual whose time with James Cropper has had such an enormous positive impact on customers, colleagues and in shaping the road ahead for the Technical Fibre Products Inc. (TFP) division of the Group.

Robert 'Bob' Duvall was President of Electro Fiber Technologies (EFT), an in-house subsidiary of TFP, for over sixteen years until his well-earned retirement in November 2018.

After serving in the US Marine corps in the 1970s, Bob began his professional career in creating and manufacturing unique conductive specialty materials, learning the craft of plating carbon and other engineered fibres. Bob became a leading expert in these technologies and ultimately held positions as the Chief Technical Officer of Composite Materials LLC and Director of Manufacturing for Thermion Systems International.

During his time at Composite Materials LLC, Bob worked with TFP to develop a dual metal plated carbon - specifically Copper Nickel Coated Carbon which is now a standard product for TFP, and the vertical integration of this plating technology proved to be a major catalyst for growth in the business.

Focusing on metal coated nonwovens, EFT relocated to the current Technical Fibre Products Inc. site in Schenectady, New York, in 2011 with Bob appointed President in 2014.

Responsible for developing and implementing the manufacturing methods for fibre plating operations, an early achievement made by Bob enabled TFP to include metallised carbon fibre into the Optiveil® and Optimat® product lines, both becoming key additions to our portfolio.

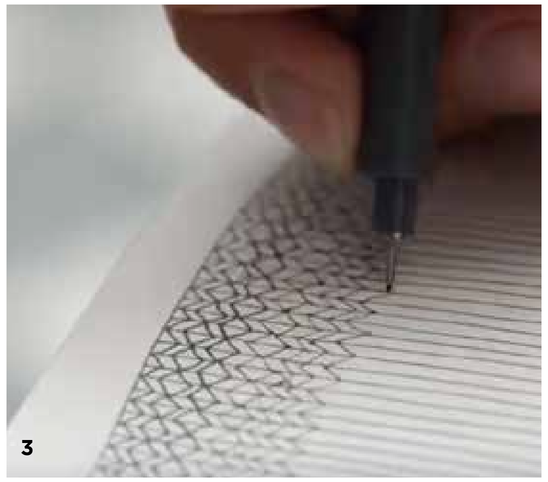
To put into perspective the scale at which the Schenectady facility has grown in size and capacity during Bob's time with us, what was once an empty industrial facility today comprises four advanced plating lines, a nanocoating line, a particle plating line and supporting QA laboratories.

Martin Thompson, Chairman of Technical Fibre Products Inc: *"Without Bob's know how, work ethic and pragmatism, one would have to wonder whether any of that would exist today. TFP is now recognised as a leader and trusted advisor with regard to commercialising and developing conductive wet laid nonwovens."*

Using either electroless plating or an electroplating method, EFT uniformly coats either single or dual metals onto the surface of fibres. The flexibility of the process enables TFP to offer customised metal coated fibres with the base fibre, metal type and metal coating weight all controlled to meet application requirements.

On behalf of everyone in the James Cropper Group, we would like to convey our most heartfelt thanks to Bob for his invaluable contribution and wish him all the very best for his retirement.

"BOB WAS PRESIDENT OF EFT, FOR OVER 16 YEARS UNTIL HIS RETIREMENT IN NOVEMBER 2018."



THE PAPER LORRY MADE FROM 10,000 FOLDS

Precise. Intricate. Delicate. Words which don’t naturally come to mind in the realm of heavy goods vehicles.

Enter British paper artist Kyla McCallum, the London-based creator of stunning creations either utilising or inspired by folding; specifically, paper folding.

Kyla’s work caught the eye of Chairman Mark Cropper to such a degree that he knew where to find the biggest canvas and showcase both her work and James Cropper paper.

“I came across Kyla’s work on Instagram and it immediately struck a chord” explains Mark. “Her work transforms a flat sheet into something dynamic and multi-dimensional that redefines the material. It is simple, but beautiful and completely authentic. The fit was perfect.”

The brief was challenging: to create artwork which will communicate the intrinsic beauty of James Cropper’s bespoke papers, be delivered at a huge scale – the full length of an articulated truck – and to an unprecedented quality.

The paper fleet was one of the very first things to be branded in the 1960s when we introduced a pigeon logo that was linked to the family crest.

Following a trip to Kyla’s East End studio, Mark commissioned her to create four paper sculptures, each to be made from Kendal Green paper, James Cropper’s signature colour.

Kyla takes up the story: “The four paper sculptures include a total of over 10,000 lines, each one folded individually by hand. I wanted to create pieces with interesting geometric patterns that could work at the largest scale and reflect the precision and craftsmanship that James Cropper is known for”.

“The project began with lots of paper prototypes and models to test different shapes. This ranged from hexagonal and angular designs to softer shapes that were squeezed together to create waves of folds.”

To realise the highest quality reproduction on the trailers, photographs of over 1GB each were taken and supplied to trailer supplier Schmitz Cargobull, the highest definition they had ever worked with.

“Every fold and crease are visible, even the texture of the paper itself” adds Mark. “The final result is fabulous. It is a perfect representation of what James Cropper stands for – an unmatched dedication to quality, and every sheet of material tailor-made to exacting specifications. The three dimensionality is also very fitting, providing a link with our newest paper division Colourform™, a fully recyclable alternative to moulded plastic”.

At the heart of the project is the company’s Kendal Green paper, a bespoke colour based on a woollen cloth the area was famous for in the middle ages. The original pigments used to dye the cloth were identified and the colour brought back to life in James Cropper’s colour lab.

Mark concludes, “I was very keen our brand colour had an authentic provenance. James Cropper have been experts in colour for over 170 years and this attention to detail is a key reason brands from around the world choose to work with us. It was important our own colour was as unique and true to our roots as those we make for so many others.”

1. *The designs in all their glory on our trucks*
2. *Mark Cropper with Kyla McCallum*
3. *Kyla’s preliminary sketches*
4. *Drivers Steve Kinley, Andrew Shepherd, Andrew Armstrong and Rob Simpson*
5. *Kyla working with the paper structures*

GOVERNANCE

BOARD OF DIRECTORS

MARK CROPPER CHAIRMAN

Appointed
October 2006
Independent
No
Committee Memberships
Nominations (Chair) · Audit
Remuneration · Pension
Qualifications
MA

Experience Mark is the sixth generation of the Cropper family to hold this position. Following university, he pursued a career in environmental finance.

External appointments Ellergreen Hydro Projects Ltd (Director) · Director of Community Energy Cumbria Ltd Director of Burneside Community Energy Ltd Rydal Hydro Ltd (Director) · Scandale Hydro Ltd (Director) Fisherplace Hydro Ltd (Director)

PHIL WILD CHIEF EXECUTIVE OFFICER

Appointed
October 2012
Independent
No
Committee Memberships
Executive (Chair)
Qualifications
BEng (Hons)

Experience Phil previously worked for 3M where he held directorships and roles covering EMEA, industrial, healthcare, automotive and security market sectors.

External appointments -

ISABELLE MADDOCK GROUP FINANCE DIRECTOR

Appointed
July 2014
Independent
No
Committee Memberships
Executive · Pension (Chair)
Qualifications
BSc, FCMA

Experience 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.

External appointments -

STEVE ADAMS MD PAPER DIVISION

Appointed
January 2017
Independent
No
Committee Memberships
Executive
Qualifications
BA (Hons)

Experience Steve previously worked for 3M where he held directorships and roles both in the UK and Europe covering display, traffic and vehicle safety, telecommunications, electronics and energy markets.

External appointments -

MARTIN THOMPSON MD TFP DIVISION

Appointed
June 2013
Independent
No
Committee Memberships
Executive
Qualifications
MBA

Experience Prior to joining the group in 2003, Martin held a variety of roles and directorships covering Business Systems, Technical and Operational Management.

External appointments -

DAVE WATSON CHIEF OPERATIONS OFFICER

Appointed
January 2014
Independent
No
Committee Memberships
Executive
Qualifications
BEng (Hons)

Experience Dave previously worked for 3M where he held roles covering industrial, automotive, pharmaceutical, and secure documents and systems markets.

External appointments -

PATRICK WILLINK CHIEF TECHNOLOGY OFFICER

Appointed
March 1998
Independent
No
Committee Memberships
Executive · Pension
Qualifications
BSc MBA

Experience Patrick is a member of the Willink family, joining the Group in 1990, appointed Chief Technology Officer in 2014 and instrumental in the creation of the 3DP division. He was President of the Confederation of Paper Industries Ltd from 2014 to 2018.

External appointments Confederation of Paper Industries Ltd (Director) · Confederation of European Paper Industries Ltd (Director)

DR ANDREW HOSTY SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed
August 2018
Independent
Yes
Committee Memberships
Audit · Remuneration
Nomination
Qualifications
PhD · RFEng

Experience Following a PhD in Materials Technology, Andrew pursued a career in industry culminating in his appointment as CEO of Morgan Ceramics and COO of Morgan Advanced Materials PLC. Most recently he was founding CEO of the Sir Henry Royce Institute for Advanced Materials.

External appointments Rights and issues Investment Trust PLC (Director) · Mom Incubators Ltd (Director) · Consort Medical PLC (Director) · RHI Magnesita NV (NED)

JIM SHARP NON-EXECUTIVE DIRECTOR

Appointed
September 2009
Independent
No
Committee Memberships
Audit (Chair) · Remuneration
Nomination · Pension
Qualifications
MA

Experience Jim began his career in financial services with J. Henry Schroder & Co. from 1992 to 2002, where he was a Director. Since then he has held senior roles with a number of privately owned businesses.

External appointments In The Style Fashion Ltd (Director) Seraphine (Director) · The Brunner Investment Trust PLC (Director) · Feelunique.com (Non-Executive Director)

DAVID WILKS NON-EXECUTIVE DIRECTOR

Appointed
April 2004
Independent
No
Committee Memberships
Remuneration (Chair) · Audit
Nomination
Qualifications
LLB (Hons)

Experience David is a Director of a management consultancy company he founded. Extensive manufacturing operations experience with H J Heinz and United Biscuits, and was a Director of ER Consultants.

External appointments Wilks & Partners (Director)

CORPORATE GOVERNANCE STATEMENT

" I AM PLEASED TO INTRODUCE THE CORPORATE GOVERNANCE REPORT FOR THE PERIOD ENDED 30 MARCH 2019. THIS REPORT INCLUDES MY STATEMENT AND THE CORPORATE GOVERNANCE REPORT."

CORPORATE GOVERNANCE CODE

With the changes to AIM rule 26 on corporate governance introduced this year, the Board undertook an exercise to review our corporate governance polices.

The Board decided to adopt the QCA Corporate Governance Code (2018 edition) which was considered to be a pragmatic and practical corporate governance tool committed to high standards of corporate governance facilitating efficient, effective and entrepreneurial management of the Company.

The Board acknowledges its contribution to achieving management accountability, improving risk management and creating shareholder value over the longer term.

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 Strategic Report is on pages 6 to 25 in the Annual Report.

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 completed the review of pay and rewards for the Executive team. The Nomination Committee completed their search for a new Non-executive Director, with Dr Andrew Hosty appointed on 1 August 2018. A comprehensive Board evaluation exercise was completed and the Audit Committee undertook an Audit tender exercise. The Pensions Committee is currently monitoring the next triennial funding valuation.

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

24 June 2019

GOVERNANCE STATEMENT

The Company's shares are listed on AIM and are subject to the AIM Rules of the London Stock Exchange. Under AIM rule 26, the Company has adopted the QCA Corporate Governance Code (2018 edition). The choice of code to adopt was important to us.

We wanted to be sure that we would pro actively embrace whatever code we opted for and not end up with a code that would stifle us and result, on a comply or explain basis, with us describing why certain requirements were not appropriate.

We believe that the QCA Code provides us with the right governance framework: a flexible but rigorous outcome-orientated environment in which we can continue to develop our governance model to support our business.

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.

The Board continues to have a balance of Executive and Non-Executive Directors. Currently, The Board comprises a Non-Executive Chairman, three Non-Executive Directors and six Executive Directors.

The members of the Board maintain the appropriate balance of experience, independence and knowledge of the Company to enable them to discharge their respective duties and responsibilities and to ensure that the requirements of the business can be met.

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

Three of the Non-Executive Directors, including the Chairman, although deemed not to be independent under the QCA Code, are considered by the Board to be independent in both character and judgement and provide unequivocal counsel and advice to the Board.

All of the Non-Executive Directors constructively challenge the Executive Directors and help develop proposals on strategy, including satisfying themselves on the integrity of financial information and ensuring financial controls and systems of risk management are robust. All Non-Executive Directors are members of the Remuneration, Nomination and Audit Committees.

On 1 August 2018, Dr Andrew Hosty, a new Non-Executive Director, was appointed to the Board bringing 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 Chair 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. During the year the Audit Committee requested an Audit tender exercise to be undertaken resulting in the appointment of BDO LLP as Auditors in December 2018.

Mark Cropper is the Chair 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. During the year, The Nomination Committee completed a search for a new Non-Executive Director resulting in the appointment of Dr Andrew Hosty on 1 August 2018.

David Wilks is the Chair 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. During the year the Remuneration Committee concluded their review of pay and rewards for the Executive Committee.

Isabelle Maddock is the Chair 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 holds six Board meetings throughout the year, scheduled to coincide with the internal financial reporting timetable of the Company and key events including interim and final results, and the AGM. In addition, two strategy days are also held. The Board's responsibilities are discharged with reviews of monthly reports from the Executive Committee including conference calls with the Chief Executive and Group Finance Director with further ad hoc meetings held as and when required.

Board Meetings (6)	Meetings attended
Mark Cropper	6
Phil Wild	6
Steve Adams	6
Isabelle Maddock	6
Martin Thompson	6
Dave Watson	5
Patrick Willink	6
Dr Andrew Hosty	3
Jim Sharp	6
David Wilks	6

Board members are supplied with financial and operational information in good time for review in advance of meetings both via an electronic portal and in hard copy.

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 10%.

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.

During the year a comprehensive Board effectiveness evaluation was undertaken. The evaluation process commenced with the completion of a questionnaire for each separate review, compilation of a summary of the results and feedback obtained followed by discussion between the participants. The Board recognises that evaluation of its performance is important in enabling it to realise its maximum potential.

The process gives the Directors the opportunity to identify areas for improvement both jointly and individually through the use of questionnaires and open discussion.

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

Notification of the Annual General Meeting will be circulated to shareholders three weeks before the date of the meeting. Feedback from the shareholders attending the Annual General Meeting and attendees at presentations to major shareholders and potential investors are discussed by the Board.

Dr Andrew Hosty has been appointed the Senior Independent Non-Executive Director.

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

24 June 2019

REPORT OF THE AUDIT COMMITTEE

" I AM PLEASED TO INTRODUCE THE AUDIT COMMITTEE REPORT FOR THE PERIOD ENDED 30 MARCH 2019. DURING THE YEAR OUR PRINCIPAL RISKS WERE REVIEWED AND A TENDER PROCESS WAS UNDERTAKEN FOR THE APPOINTMENT OF EXTERNAL AUDITORS."

Following our adoption of the QCA Corporate Governance Code (2018 edition), we are pleased to include in our Annual Report our report of the Audit Committee.

COMPOSITION

The Committee comprises the four Non-Executive Directors. Three of the members have been on the Committee for over nine years. Andrew Hosty joined this year on his appointment as a Non-Executive Director. All Committee members have relevant knowledge both of the sectors in which the group operates and of the Group itself, and are considered to have appropriate knowledge and understanding of financial matters. The committee is regularly supported by the Chief Executive, Group Finance Director and Company Secretary.

ROLE OF THE COMMITTEE

The Committee operates under formal terms of reference. The Committee's agenda included the regular matters reserved for its review during the annual financial reporting cycle which has ensured it has appropriately discharged its responsibilities during the year, having operated in compliance with relevant legal, regulatory and other responsibilities.

EXTERNAL AUDIT TENDER

KPMG were first appointed as auditors by shareholders at the Annual General Meeting in June 2007 and since then have rotated audit partners every five years. This year, in line with best practice, the Group decided to undertake a full tender process for appointment of Auditor. The audit process invited four firms, following declarations of independence, to an introductory presentation day, touring the site and meeting the senior finance teams to gain a better insight into the Group. Each audit firm was invited to meet any other employees they considered necessary to gain further insight. The answers to any questions asked were circulated to each tender firm for consistency of information. In addition, the Group Finance Director was available for one to one meetings with the proposed partners of each audit firm.

Each firm was then invited to make a presentation to the senior finance team after which two firms were selected to proceed to the next stage. The evaluation process included consideration of the following objectives:

- Protection of interest of shareholders and stakeholders.
- Robustness of the audit process.
- Assessment of audit partners and teams, including skills, range of experience, industry knowledge and areas of expertise.
- Independence and objectivity.
- Geographical coverage for the Group.

The final stage of the process required each firm to make a presentation to the Audit Committee.

Following the presentations, the Audit Committee made a recommendation to the Board that BDO LLP should be appointed as Auditors with the Audit Partner being Stuart Wood. BDO were appointed as Auditors in December 2018 and a resolution to re-appoint them will be proposed at the next Annual General Meeting.

EXTERNAL AUDIT

The Committee is responsible for overseeing relations with the external auditor, including the approval of their terms of engagement and makes recommendations to the Board on their remuneration and appointment and, where appropriate, reappointment based on reviews of audit effectiveness.

The Committee meets with the Auditor every year to review and agree the audit plan. In addition, the Auditor reports back to the Audit Committee on the outcome and findings following each audit.

The Committee continues to provide independent and robust challenge to management and our auditors to ensure there are effective and high quality controls in place and appropriate judgements made.

PRINCIPAL RISKS

The principal risks were reviewed during the year and are constantly considered by the Board throughout the year. Our principal risks can be found on pages 21 to 25 in the Strategic Report section of the Annual Report. We continue to develop our cultural people-driven approach to risk management, which we believe encourages focus on prevention rather than reaction to risks arising.

The committee have the right mix of skills and experience to provide constructive challenge and support to management. We consider relevant corporate governance requirements and give considerable focus to the Group's risk management framework and processes.

Jim Sharp
Chair to the Audit Committee

24 June 2019

REPORT OF THE REMUNERATION COMMITTEE

" I AM PLEASED TO INTRODUCE THE DIRECTORS' REMUNERATION REPORT FOR THE PERIOD ENDED 30 MARCH 2019. THIS REPORT INCLUDES MY STATEMENT, THE ANNUAL REMUNERATION REPORT AND SETS OUT OUR FORWARD-LOOKING DIRECTORS' REMUNERATION POLICY."

During the year, the Board decided to adopt the QCA Corporate Governance Code (2018 edition) (the "QCA Code"). The QCA Code is a pragmatic and practical corporate governance tool.

The Group is committed to high standards of corporate governance in order to facilitate efficient, effective and entrepreneurial management of the Company.

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 year, the Remuneration Committee appointed outside consultants who undertook an external review of salary levels for the Directors and advised the Board on appropriate salary levels in relation to the level of responsibility and benchmarked against other similar external Boards.

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 30 March 2019.
- Directors' Remuneration Policy setting out the Group's forward looking remuneration policy.

David Wilks
Chair of the Remuneration Committee

24 June 2019

ANNUAL REMUNERATION REPORT FOR 2019

REMUNERATION COMMITTEE

The Remuneration Committee comprises the following members:

- David Wilks
- Mark Cropper
- Jim Sharp
- Dr Andrew Hosty

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

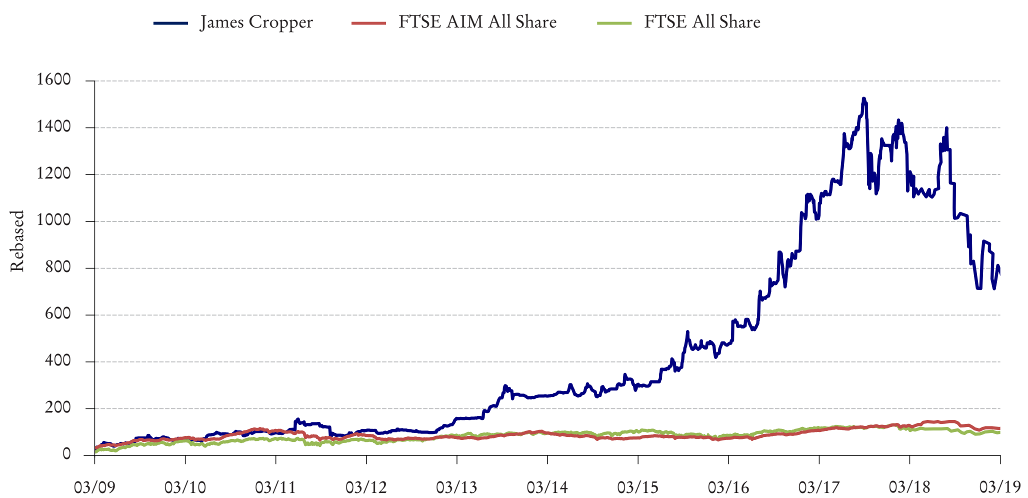
Executive Director	Notice Period
M A J Cropper	12 months
M Thompson	12 months
P J Willink	12 months
P I Wild	6 months
I M Maddock	6 months
K D Watson	6 months
S A Adams	6 months

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 30 March 2019 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 30 March 2019.

£'000	SALARY AND FEES 2019	SALARY AND FEES 2018	BENEFITS 2019	BENEFITS 2018	ANNUAL BONUS 2019	ANNUAL BONUS 2018	PENSION COST 2019	PENSION COST 2018	TOTAL 2019	TOTAL 2018
EXECUTIVE										
M A J Cropper	78	76	10	10	-	1	5	5	93	92
P I Wild	198	194	39	35	-	10	10	10	247	249
I M Maddock	157	125	25	23	-	6	9	7	191	161
M Thompson	157	132	27	27	21	16	9	8	214	183
K D Watson	157	132	21	22	-	6	6	6	184	166
P J Willink	132	118	20	18	-	6	16	16	168	158
S A Adams	157	153	21	21	-	7	-	-	178	181
NON-EXECUTIVE										
Dr A Hosty (appointed 1 August 2018)	17	-	-	-	-	-	-	-	17	-
J E Sharp	35	28	-	-	-	-	-	-	35	28
D R Wilks	35	30	-	-	-	-	-	-	35	30
	1,123	988	163	156	21	52	55	52	1,362	1,248

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 30 March 2019 under the Plan to Executive Directors were as follows:

	OPTIONS AT 31 MARCH 2018	OPTIONS GRANTED IN PERIOD	MID-MARKET PRICE (£) OF OPTIONS GRANTED	OPTIONS EXERCISED IN PERIOD	OPTIONS LAPSED IN PERIOD	OPTIONS AT 30 MARCH 2019
M A J Cropper	4,644	-	-	2,786	1,858	-
P I Wild	40,655	9,530	£15.626	10,291	21,793	18,101
S A Adams	4,511	5,016	£15.626	-	-	9,527
I M Maddock	15,551	5,016	£15.626	6,067	6,025	8,475
M Thompson	17,369	5,016	£15.626	6,648	6,811	8,926
K D Watson	17,546	5,016	£15.626	6,825	6,811	8,926
P J Willink	6,067	-	-	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 31 MARCH 2018	OPTIONS GRANTED IN PERIOD	MID-MARKET PRICE (£) OF OPTIONS GRANTED	OPTIONS EXERCISED IN PERIOD	OPTIONS IN PERIOD	OPTIONS AT 30 MARCH 2019
M A J Cropper	5,951	2,413	£15.626	-	3,781	4,583
P J Willink	9,484	4,216	£15.626	-	6,025	7,675

SAYE OPTIONS

The details of the SAYE options exercised during the period were:

	OPTIONS AT 31 MARCH 2018	EXERCISE PRICE (£) OF OPTIONS AWARDED	OPTIONS EXERCISED IN PERIOD	OPTIONS AT 30 MARCH 2019
I M Maddock	4,360	£1.9952	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 opposite.

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.

COMPLIANCE WITH THE QCA CORPORATE GOVERNANCE CODE

PRINCIPLE	COMPLIANCE
1. Establish a strategy and business model which promote long-term value for shareholders	• The Group strategy is set out on pages 6 to 25 in the Strategic Report section of our Annual Report. • The Executive Committee hold quarterly away days to focus on the Group's rolling strategic plan. • The Board holds two strategy days each year. • The strategy is communicated to all employees at half yearly employee briefings.
2. Seek to understand and meet shareholder needs and expectations.	• Investor roadshow meetings are undertaken at least twice per year following the preliminary and interim announcements. • Shareholders are invited to the AGM held in Burneside where all Board members interact with our shareholders on a one to one basis and take questions as they arise. • Shareholder feedback is received from our Nomads and all shareholder feedback is discussed at Board meetings.
3. Take into account wider stakeholder and social responsibilities and their implications for long-term success.	**Employees** • Regular meetings take place with employees to share strategy, keep employees updated and seek feedback. • The Company conducts a biennial employee survey with the latest level of engagement (2017) at 69%. **Customers** • Communications with our customers is fundamental to our success. The Group engages in continuous communications with our customers to understand their needs, share our plans, and nurture the collaborative partnership. **Suppliers** • Our collaborative attitude allows us to claim a 100 year partnership with a supplier and at the same time build new partnerships with new suppliers. **Community** • The Company has very close links with the local community built on our 174 year presence at Burneside. The Group supports local organisations through its community support team with donations this year amounting to £21,000. **Environment** • We are proud to introduce initiatives such as Colourform™ and CupCycling™, recycling coffee cups or promoting the use of pulp based packaging rather than plastic. From efficient water usage to use of solar energy, sustainability and environmental protection are key to our future.
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation.	• The Group's significant risks are reviewed throughout the year. • Risk is a fixed item agenda for the Executive Committee meetings. • The significant risks are disclosed in the Strategic Report within the Annual report on pages 20 to 25
5. Maintain the Board as a well-functioning, balanced team led by the Chair.	• The Board is led by our Non-executive Chairman, Mark Cropper. • The Board comprises four Non-Executive Directors and six Executive Directors. • The members of the Board maintain the appropriate balance of experience, independence and knowledge of the Company. • Details of the composition, operation and responsibilities, together with details of the Sub-Committees can be found in the Governance section of the Annual Report on pages 58 to 72.
6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities.	• The current Board has significant sector, financial and PLC experience. • Between them, the Executive Directors have many years of broad experience in the non-woven fibre manufacturing industry. • With the support of our NOMAD and advisors, the Board training and development needs are maintained. • Biographies on all Directors are shown on pages 58 to 59 of the Annual Report.
7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.	• A comprehensive board evaluation was undertaken in September 2018 commencing with a questionnaire, compilation of a summary of results and feedback at a board meeting. The results were discussed and actions taken to improve in areas where required. • The process gives the Directors the opportunity to identify areas for improvement both jointly and individually through the use of questionnaires and open discussion. • The Remuneration Committee evaluates Executive Director performance alongside remuneration and reward. • With regards to financial performance, the Audit Committee meets with the Auditors to plan the year-end audit, followed up by a meeting to review the results of the audit. • Training and development needs of Directors are reviewed regularly.
8. Promote a corporate culture that is based on ethical values and behaviours.	• Our values and culture are embodied in the Group's management behaviour, our recruitment and employee development processes. • Our values and behaviours help us ensure we provide a safe, rewarding and interesting place to work as well as an environment that attracts new talent. Our values can be found on page 40 to 41 of the Annual Report.
9. Maintain governance structures and processes that are fit for purpose and support good decision making by the Board.	• The Board meets six times per year plus a further two strategy days. • The Group has robust internal controls, delegated authorities and authorisation processes. • The controls are subject to review both internally and externally by our Auditors. • A culture of continuous improvement is encouraged. • The PLC website describes the roles and terms of reference for the Committees. • Continuous improvement can be found on page 52 of the Annual Report.
10. Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.	• Communications with shareholders are explained in Principle 2 above. • In addition to the interim and full year investor roadshows, meetings with our NOMADS, prospective investors and other stakeholders arise during the year. • The work of the Sub-Committees is described in the Governance section of the Annual report on pages 60 to 72. • The website includes historical announcements, copies of the Annual and Interim reports and copies of any presentations made.

DIRECTOR'S REPORT

The Directors present their Annual Report and the audited financial statements of James Cropper Group for the 52 weeks ended 30 March 2019.

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 8 to 9, the Strategic Report on pages 6 to 25 and the Financial Review on pages 13 to 25, report on the performance of the Group for the period ended 30 March 2019 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 · Dr Andrew Hosty
(appointed 1 August 2018)

Details of the Director's remuneration are shown in the Report of the Remuneration Committee on page 67. Details of the Directors' interests in the share capital of the Company are set out below. 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 79.

An interim dividend of 2.5p per ordinary share was paid on 11 January 2019.
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 (2018: 13.5p) per share. Full details of dividends in respect of the year ended 30 March 2019 are given in note 7 of the financial statements.

CORPORATE GOVERNANCE

A report on Corporate Governance is set out on pages 58 to 72, 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 £21,000 (2018: £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 19 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 Statement on pages 8 to 9 and pages 10 to 12 respectively, outline the business activities of the Group along with the factors which may affect its future development and performance. The Financial Review discusses the Group's financial position, along with details of its cash flow and liquidity. Note 16 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

BDO 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

Notice of Annual General Meeting, which sets out the resolutions to be proposed at the forthcoming Annual General Meeting will be posted to shareholders at least three weeks before the date of the AGM. The meeting will be held at The Bryce Institute, Burneside, Kendal, Cumbria LA9 6PZ on Wednesday 31 July 2019 at 11am.

SUBSTANTIAL INTERESTS

Shareholdings in excess of 3% of the issued capital at 1 June 2019 are detailed in the table right.

NAME OF SHAREHOLDING	NUMBER OF SHARES	% HOLDING	NOTE
Cropper Family *Beneficial and Non-beneficial Interests*	2,997,096	31.4	
Willink Family *Beneficial and Non-beneficial Interests*	523,014	5.5	
Acland Family *Beneficial and Non-beneficial Interests*	52,386	0.6	
Total	3,572,496	37.4	1
Liontrust Asset Management Ltd	1,010,985	10.6	
Miton Asset Management Limited	468,931	4.9	

1. The Cropper, Willink and Acland families are related and are deemed to be acting in concert with a total holding of 37.4% in the Company.

DETAILS OF DIRECTORS' INTERESTS

The interests in the shares of the Company of those Directors serving at 30 March 2019. Any material related party transactions between the Directors and the Company are set out in note 24 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 65. Non-beneficial interests include shares held jointly as trustee with other Directors.

Any material related party transactions between the Directors and the Company are set out in note 24 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 pages 65 to 69. Non-beneficial interests include shares held jointly as trustee with other Directors.

On 24 May 2019, following his resignation as a director of a trust company acting as trustees for certain Cropper family trusts, the non-beneficial interest of P J Willink was reduced from 1,447,558 to 69,434. There have been no other material changes between 24 May 2019 and 24 June 2019.

DIRECTOR	INTEREST	ORDINARY SHARES AT 30 MARCH 2019	OPTIONS ON ORDINARY SHARES AT 30 MARCH 2019	ORDINARY SHARES AT 31 MARCH 2018	OPTIONS ON ORDINARY SHARES AT 31 MARCH 2018
M A J Cropper	Beneficial	1,787,688	-	1,747,849	46,446
	Non-beneficial	559,571	-	559,571	-
P I Wild	Beneficial	17,497	18,101	12,273	40,655
S A Adams	Beneficial	1,099	9,527	1,020	4,511
I M Maddock	Beneficial	16,261	8,475	11,032	19,911
M Thompson	Beneficial	29,927	8,926	26,524	17,369
K D Watson	Beneficial	7,538	8,926	4,047	17,546
P J Willink	Beneficial	58,079	-	55,046	6,067
	Non-beneficial	1,447,558	-	1,447,558	-
J E Sharp	Beneficial	11,380	-	7,950	-
	Non-beneficial	64,951	-	75,328	-
D R Wilks	Beneficial	7,825	-	7,825	-
	Non-beneficial	64,951	-	75,328	-
Dr A Hosty	Beneficial	500	-	-	-
	Non-beneficial	64,951	-	-	-

Approved by the Board of Directors on 24 June 2019 and were signed on its behalf by

Mark Cropper,
Chairman

FINANCIAL STATEMENTS

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU)

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 Company and of their profit or loss of the Group for that period.

The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether they have been prepared in accordance with IFRSs as adopted by the EU, subject to any material departures and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring the Annual Report and the financial statements are made available on a website.

Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors.

The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JAMES CROPPER PLC

1. OPINION

We have audited the financial statements of James Cropper PLC (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 30 March 2019 which comprise the Group Statement of Comprehensive Income, the Group and Company Statement of Financial position, the Group and Company Statement of Cash Flows, the Group and Company Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

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 30 March 2019 and of the Group's profit for the year then ended;
- The Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- The Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- The Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- The Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

2. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, 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.

2. KEY AUDIT MATTERS

KEY AUDIT MATTER: DEFINED BENEFIT PENSION SCHEME VALUATIONS

As described in Note 2 (accounting policies) and Note 17 (retirement benefit obligations), the Group has two defined benefit pension plans in the UK. At 30 March 2019, the Group recorded a net retirement obligation of £22.6m (2018: £19.4m), comprising scheme assets of £110m (2018: £106.6m) and scheme liabilities of £132.6m (2018: £126.1m).

The scheme liabilities in the current year also had to take into account a High Court ruling issued in October 2018 whereby benefits arising from Guaranteed Minimum Pensions (GMP) should be equalised.

The pension valuation is dependent on market conditions and key assumptions made with input from the actuary, in particular relating to investment markets, discount rate, inflation expectations and life expectancy assumptions.

The setting of these assumptions is complex and requires the exercise of significant management judgement with the support of third party actuaries. A small change in the assumptions and estimates used to calculate the Group's pension obligation could have a significant effect on the Group's net pension deficit.

As such, there was a subjective valuation risk.

HOW WE ADDRESSED THE KEY AUDIT MATTER IN THE AUDIT

We assessed the appropriateness of the assumptions underpinning the valuation of the scheme liabilities.

Specifically we challenged the discount rate, inflation, mortality assumptions and the impact of the GMP equalisation applied in the calculation by using our auditor engaged pension specialists to benchmark the assumptions applied against comparable third party data and assessed the appropriateness of the assumptions in the context of the Group's own position.

In addition we tested the membership data utilised in the valuation of the scheme to source data, traced cash flow amounts to bank statements and obtained third party confirmation of the valuation of the pension assets from the investment managers.

We are satisfied that the methodology and assumptions applied in relation to determining the pension valuation are within an acceptable range.

KEY AUDIT MATTER: REVENUE RECOGNITION, SPECIFICALLY ADOPTION OF IFRS 15

As shown in Note 1, the Group adopted IFRS 15, Revenue from Contracts with Customers, in the current year.

Revenue recognition involves significant judgements and estimates to be made by management including consideration of whether contracts contain multiple performance obligations which should be accounted for separately, and the most appropriate method for recognition of revenue for identified performance obligations.

In accordance with IFRS, revenue should only be recognised when the performance obligations associated with it have been met, for example when the delivery terms have been satisfied. Cut off is therefore a key consideration.

It can also include an assessment of multi-element contracts and consideration of whether performance obligations are satisfied at a point in time or over time.

The key judgements therefore include consideration of the point in time when transfer of control has occurred for products sold by Paper, TFP and 3DP prototype divisions, and assessing the degree of completion of the 3DP tooling manufacturing contracts, which occur over a period of time.

HOW WE ADDRESSED THE KEY AUDIT MATTER IN THE AUDIT

We obtained a detailed understanding and evaluated the design and implementation of controls that the Group adopted in relation to revenue recognition following the Group's implementation of IFRS 15.

In addition, our substantive audit procedures included a combination of the following:

- Auditing a sample of orders to assess whether the method for recognition of revenue was relevant and consistent with IFRS 15, and had been applied consistently.
- We tested whether amounts recognised were accurate and recorded in the correct period based on the contractual performance obligations by agreeing a sample of individual good dispatched notes and sales orders.

The results of our testing were satisfactory.

3. OUR APPLICATION OF MATERIALITY

We consider materiality to be the magnitude by which misstatements, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Group materiality *£165,000*

Basis for materiality *4.7% of Profit before tax (2 year average)*

Rationale for benchmark adopted
Pre-tax profit is determined to be a stable basis of assessing business performance and is considered to be the most significant determinant of performance used by shareholders.

In considering individual account balances and classes of transactions we apply a lower level of materiality in order to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality. Performance materiality was set at £107,000, representing 65% of materiality. The level was dropped to reflect the aggregation risk of errors in the group.

Our audit work on each significant component was executed at levels of materiality applicable to each individual entity which was lower than group materiality. Component materiality ranged from £23,000 to £127,000.
Parent company materiality was £71,000.

We agreed with the audit committee that we would report to the committee all individual audit differences identified during the course of our audit in excess of £5,000. We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

There were no misstatements identified during the course of our audit that were individually, or in aggregate, considered to be material in terms of their absolute monetary value or on qualitative grounds.

4. AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level.

The Group manages its operations from one principal location in the UK as well as locations in the USA and China and has common financial systems, processes and controls covering all significant components. The audit of all significant components was performed by the same audit team.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 14 components of the Group, we determined that 5 components represented the principal business units within the Group.

For these 5 significant components, we performed a full scope audit of the complete financial information. For the remaining components, we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements, either because of the size of these accounts or their risk profile.

As a consequence of the audit scope determined, we achieved coverage of approximately 85% of revenue, 97% of absolute values of profit before tax and 95% of total assets. Our audit work on each component was executed at levels of materiality applicable to each individual entity which was lower than Group materiality.

Other information
The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

5. OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- The information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

6. MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

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

- Adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- The Parent Company financial statements are not in agreement with the accounting records and returns; or

- Certain disclosures of Directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

7. RESPECTIVE RESPONSIBILITIES

Responsibilities of Directors
As explained more fully in the Directors' responsibilities statement set out on page 74, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the 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 the Directors 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 for the audit of the financial statements
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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website: www.frc.org.uk/auditorsresponsibilities

This description forms part of our auditor's report.

8. USE OF OUR REPORT

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Stuart Wood (Senior Statutory Auditor)

For and on behalf of BDO LLP,
Statutory Auditor

Manchester
24 June 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

JAMES CROPPER PLC
GROUP STATEMENT OF COMPREHENSIVE INCOME

	Note	52 week period to 30 March 2019 £'000	52 week period to 31 March 2018 £'000
Revenue	2	101,095	96,312
Other income		614	346
Changes in inventories of finished goods and work in progress		798	767
Raw materials and consumables used		(43,074)	(40,661)
Energy costs		(5,615)	(4,021)
Employee benefit costs	20	(28,183)	(27,314)
Depreciation and amortisation	4	(2,952)	(2,678)
Other expenses		(19,275)	(17,313)
Operating Profit	**2**	**3,408**	5,438
Interest payable and similar charges	3	(965)	(908)
Interest receivable and similar income	3	133	11
Profit before taxation	**4**	**2,576**	4,541
Tax expense	5	(262)	(451)
Profit for the period		**2,314**	4,090
Earnings per share - basic	6	24.3p	43.30p
Earnings per share - diluted	6	24.3p	43.0p

OTHER COMPREHENSIVE INCOME

Profit for the period		**2,314**	4,090
Items that are or may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		(117)	(82)
Cash flow hedges - effective portion of changes in fair value		(29)	57
Items that will never be reclassified to profit or loss			
Retirement benefit liabilities – actuarial (losses) / gains	17	(3,258)	2,593
Deferred tax on actuarial losses / (gains) on retirement benefit liabilities	18	554	(441)
Income tax on other comprehensive income	5	-	91
Other comprehensive (expense) / income for the period		(2,850)	2,218
Total comprehensive (expense) / income for the period attributable to equity holders of the Company		**(536)**	6,308

The accompanying notes form part of the financial statements

JAMES CROPPER PLC
STATEMENT OF FINANCIAL POSITION

	Note	Group As at 30 March 2019 £'000	Group As at 31 March 2018 £'000	Company As at 30 March 2019 £'000	Company As at 31 March 2018 £'000
Assets					
Intangible assets	8	365	496	106	112
Property, plant and equipment	9	27,639	25,113	1,906	1,732
Investments in subsidiary undertakings	10	-	-	7,350	7,350
Deferred tax assets	18	2,234	2,053	3,840	3,649
Total non-current assets		**30,238**	27,662	**13,202**	12,843
Inventories	11	16,410	14,854	-	-
Trade and other receivables	12	19,012	18,522	49,323	45,651
Other financial assets	13	24	47	24	47
Cash and cash equivalents		2,352	5,557	-	3,004
Current tax assets		1,421	867	446	530
Total current assets		**39,219**	39,847	**49,793**	49,232
Total assets		**69,457**	67,509	**62,995**	62,075
Liabilities					
Trade and other payables	14	14,620	14,328	18,555	21,823
Loans and borrowings	15	1,545	1,600	361	43
Total current liabilities		**16,165**	15,928	**18,916**	21,866
Long-term borrowings	15	9,368	8,763	4,004	4,070
Retirement benefit liabilities	17	22,648	19,472	22,648	19,472
Total non-current liabilities		**32,016**	28,235	**26,652**	23,542
Total liabilities		**48,181**	44,163	**45,568**	45,408
Equity					
Share capital	19	2,389	2,370	2,389	2,370
Share premium		1,588	1,472	1,588	1,472
Translation reserve		403	520	-	-
Reserve for own shares		(1,251)	(1,445)	(1,251)	(1,445)
Retained earnings		18,147	20,429	14,701	14,270
Total shareholders' equity		**21,276**	23,346	**17,427**	16,667
Total equity and liabilities		**69,457**	67,509	**62,995**	62,075

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

The financial statements on pages 79 to 115 were approved by the Board of Directors on 24 June 2019 and were signed on its behalf by:

M A J Cropper
Chairman
Company Registration No: 30226

JAMES CROPPER PLC
STATEMENT OF CASH FLOWS

For the period ended 30 March 2019 (2018: for the period ended 31 March 2018)

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

JAMES CROPPER PLC
STATEMENT OF CHANGES IN EQUITY
GROUP

All figures in £'000	Share Capital	Share Premium	Translation Reserve	Own Shares	Retained Earnings	Total
1 April 2017	2,367	1,472	602	(853)	15,498	19,086
Prior year adjustment (i)	-	-	-	-	(219)	(219)
At 1 April 2017 restated	2,367	1,472	602	(853)	15,279	18,867
Profit for the period	-	-	-	-	4,090	4,090
Exchange differences	-	-	(82)	-	-	(82)
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
Sale of own shares	-	-	-	324	(324)	-
Consideration paid for own shares	-	-	-	(916)	(178)	(1,094)
Total contributions by and distributions to owners of the Group	3	-	-	(592)	(1,368)	(1,957)
At 31 March 2018	**2,370**	**1,472**	**520**	**(1,445)**	**20,210**	**23,127**
Prior year adjustment (i)	-	-	-	-	95	95
At 31 March 2018 restated	**2,370**	**1,472**	**520**	**(1,445)**	**20,305**	**23,222**
Profit for the period	-	-	-	-	2,314	2,314
Exchange differences	-	-	(117)	-	-	(117)
Actuarial losses on retirement benefit liabilities (net of deferred tax)	-	-	-	-	(2,704)	(2,704)
Loss on cash flow hedges	-	-	-	-	(29)	(29)
Total other comprehensive income	-	-	(117)	-	(2,733)	(2,850)
Dividends paid	-	-	-	-	(1,263)	(1,263)
Share based payment charge	-	-	-	-	(49)	(49)
Tax on share options	-	-	-	-	(48)	(48)
Proceeds from issue of ordinary shares	19	116	-	-	-	135
Sale of own shares	-	-	-	509	(379)	130
Consideration paid for own shares	-	-	-	(315)	-	(315)
Total contributions by and distributions to owners of the Group	19	116	-	194	(1,739)	(1,410)
At 30 March 2019	**2,389**	**1,588**	**403**	**(1,251)**	**18,147**	**21,276**

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

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
At 1 April 2017	2,367	1,472	(853)	7,829	10,815
Profit for the period	-	-	-	5,422	5,422
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	-	-	-	2,209	2,209
Dividends paid	-	-	-	(1,097)	(1,097)
Share based payment charge	-	-	-	341	341
Tax on share options	-	-	-	(201)	(201)
Tax on other comprehensive income	-	-	-	91	91
Proceeds from issue of ordinary shares	3	-	-	-	3
Sale of own shares	-	-	324	(324)	-
Consideration paid for own shares	-	-	(916)	-	(916)
Total contributions by and distributions to owners of the Group	3	-	(592)	(1,190)	(1,779)
At 31 March 2018	2,370	1,472	(1,445)	14,270	16,667
Profit for the period	-	-	-	4,903	4,903
Loss on cash flow hedges	-	-	-	(29)	(29)
Actuarial losses on retirement benefit liabilities (net of deferred tax)	-	-	-	(2,704)	(2,704)
Total other comprehensive income	-	-	-	(2,733)	(2,733)
Dividends paid	-	-	-	(1,263)	(1,263)
Share based payment charge	-	-	-	(49)	(49)
Tax on share options	-	-	-	(48)	(48)
Proceeds from issue of ordinary shares	19	116	-	-	135
Sale of own shares	-	-	509	(379)	130
Consideration paid for own shares	-	-	(315)	-	(315)
Total contributions by and distributions to owners of the Group	19	116	194	(1,739)	(1,410)
At 30 March 2019	**2,389**	**1,588**	**(1,251)**	**14,701**	**17,427**

The accompanying notes form part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS

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

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 30 March 2019, (2018: 52 week accounting period ended 31 March 2018).

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
With effect from 1 April 2018, the Group has applied IFRS 15, Revenue from contract with customers. IFRS 15 replaces all existing revenue requirements in IFRS and applies to all revenue arising from contracts with customers unless the contracts are within the scope of other standards.

The cumulative effect method of adoption has been used, with 2018 comparatives not being restated. The adoption of IFRS 15 has had no material effect on transition and is not expected to materially alter revenue recognition patterns going forward.

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

Upon approval by the parties to a contract, the contract is assessed to identify each promise to transfer either a distinct good or service, or a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer. Revenue from the sale of goods is recognised when control of the goods have been transferred to the buyer. Goods are identified as products made from either natural fibres, (e.g. paper or moulded paper products, or man-made fibres, (e.g. highly technical nonwoven products made by the TFP division).

In addition, revenue for services are also received (e.g. revenue for design and set up of moulded fibre Colourform™ products). Any revenue received for such services are recognised over the term of the contract.

Revenue is recognised when:

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

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

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

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

(b) Operating segments
IFRS 8 *Operating Segments* 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 three 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. Allowances not utilised 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 — 2 – 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. A provision for impairment is calculated using an expected credit loss impairment model.

Under this impairment model approach, per IFRS 9, it is not necessary for a credit event to have occurred before credit losses are recognized. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses is updated at each reporting date.

To measure expected credit losses the Group refers to historical credit loss experiences and adjust for current and forward looking information on macroeconomic factors affecting the group's customers including the state of the economy and industrial specific factors in countries where the group operates. Trade receivables are amortised at cost using the effective interest method, less any 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) Financial instruments
IFRS 9 *Financial Instruments*, has impacted the way in which the Group accounts for certain financial assets and liabilities. The categories of Financial Instruments have changed although this has not impacted the Group. The standard has introduced an expected credit loss model when assessing impairment of financial assets. The Group has applied the simplified model to recognise expected lifetime losses on its trade receivables. The Group have applied a hold to collect business model.

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

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

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

(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 and Own Shares Held
The Group operates two equity settled share based payment schemes: A Share Incentive Plan open to all employees and a Long-Term Incentive Plan (LTIP) for certain Directors and senior managers.

The SIP Trust (SIP) holds shares used to allow employees to salary sacrifice any annual profit bonus either in full or part to acquire partnership shares in the Company, which are held by the SIP Trust for a period of 3-5 years.

The Employee Benefit Trust (EBT) holds shares for the granting and vesting of shares under the LTIP scheme. The cost of purchasing and transferring own shares held by both the SIP and EBT are shown as movements against equity.

The Group recognises an expense to the Income Statement representing the fair value of outstanding equity settled share-based payment awards to employees which have not vested as at 30 March 2019 for the year ending 30 March 2019.

The fair values are charged to the Income statement over the relevant vesting period adjusted to reflect actual and expected vesting levels.

(v) Capital Management
Group and Company's capital includes share capital, reserves and retained earnings. The Group and Company's policies ensure 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 15 and shareholdings can be referred to in note 19.

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 year 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 17 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 was included in the financial statements from the period ended 31 March 2018.

The Group's significant areas of judgement would include:

(i) **Revenue recognition**
Judgement is required in deciding when and at what rate some volume rebates awarded to customers are accrued for.

When variable rates are awarded depending on the projected total volume over the contractual period, a judgement of the probability of achieving the required volumes is made.

Likewise, when recognising contributions towards the set up and design costs for Colourform™ which are recognised over the length of the contract or levels of production, judgement is required to determine over what period the revenue should be recognised.

(ii) **Expected Credit Losses**
When determining amounts of expected credit losses, judgement is required to ascertain the likelihood of losses, based on historic information and forward macroeconomic factors.

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 16 *Leases* is effective from 1 January 2019. Under the new standard all leases, except short term (under 12 months) and low value leases, are accounted for on the Balance Sheet with a "right of use" asset and lease liabilities reflecting the discounted value of lease payments.

As at the reporting date, the Group has non-cancellable operating lease commitments of £4.3m (see note 21), the vast majority of which relate to property leases for operational sites.

The Group intends to apply the modified retrospective transition approach when adopting IFRS 16 from 1 April 2019, whereby the asset and liability values recognised are equal to one another.

The estimated impact of adoption will be to:

- Increase the value of property, plant & equipment by £5m.
- Increase lease liabilities (and net debt) by £5m
- Increase in depreciation costs by £0.6m
- Increase in finance costs by £0.1m
- Decrease in rental costs by £0.5m
- Increase in EBITDA by £0.6m
- No material impact on Profit before tax
- Increase in gearing of around 39%

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 (Colourform) – a manufacturer of moulded fibre products.
- Technical Fibre Products (TFP) – a manufacturer of advanced materials.
- Group Services – comprises central functions providing services to the subsidiary companies.

"Eliminations" refers to the elimination of inter-segment revenues, profits and investments.

"Adjusted Operating Profit before IAS 19" refers to operating profits prior to the IAS 19 pension adjustment.

The "IAS 19 pension adjustment" refers to the impact on operating profits of the pension schemes' operating costs, as described in the IAS 19 section of the Financial Review.

"Interest Expense" incorporates the IAS 19 pension impact of the pension schemes' finance costs, as described in the IAS 19 section of the Financial Review.

Inter segment transactions are performed in the normal course of business and at arm's length.

OPERATING SEGMENTS PERIOD ENDED 30 MARCH 2019

All figures in £'000	Paper	Colourform	TFP	Group Services	Eliminations	Continuing Operations
Revenue						
External	74,318	290	26,487	-	-	101,095
	74,318	**290**	**26,487**	**-**	**-**	**101,095**
Segment (loss) / profit						
Adjusted Operating (loss) / profit before IAS 19	(1,992)	(2,462)	8,883	(167)	-	4,262
IAS 19 Pension adjustments to profit	-	-	-	(854)	-	(854)
Operating (loss) / profit	**(1,992)**	**(2,462)**	**8,883**	**(1,021)**	**-**	**3,408**
Interest Expense	-	-	-	-	-	(965)
Interest income	-	-	-	-	-	133
Profit before tax	**-**	**-**	**-**	**-**	**-**	**2,576**
Tax on profit for period	-	-	-	-	-	(262)
Profit for the period	**-**	**-**	**-**	**-**	**-**	**2,314**
Total Assets	**73,189**	**5,383**	**50,749**	**62,995**	**(122,859)**	**69,457**
Total Liabilities	**(66,076)**	**(10,893)**	**(40,883)**	**(45,568)**	**115,239**	**(48,181)**

OPERATING SEGMENTS
PERIOD ENDED 31 MARCH 2018

All figures in £'000	Paper	Colourform	TFP	Group Services	Eliminations	Continuing Operations
Revenue						
External	71,237	166	24,909	-	-	96,312
	71,237	166	24,909	-	-	96,312
Segment profit / (loss)						
Adjusted Operating profit / (loss) 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 restated	-	-	-	-	-	4,541
Tax on profit for period	-	-	-	-	-	(451)
Profit for the period restated	-	-	-	-	-	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)

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.

	Revenue from External Customers		Non-Current Assets	
All figures in £'000	**2019**	2018	**2019**	2018
UK	44,177	42,963	25,394	23,184
Europe	23,299	20,470	-	-
Asia	7,763	7,632	-	-
The Americas	24,377	23,153	2,610	2,425
Australasia	1,171	1,709	-	-
Africa	308	385	-	-
Total	101,095	96,312	28,004	25,609

All figures in £'000	Paper	Colourform	TFP	Group Services	Total
Additions to non-current assets	339	1,529	359	168	2,395

3. FINANCE COSTS

	2019 £'000	2018 £'000
Interest expense		
Interest payable on bank borrowings	366	244
Interest payable on finance leases	67	75
Net interest on defined benefit obligations	532	589
Total interest expense	965	908
Interest income		
Interest receivable on bank borrowings	29	11
Other interest receivable	104	-
Total interest income	133	11
Finance costs – net	832	897

4. PROFIT BEFORE TAXATION

	2019 £'000	2018 £'000
The following items have been charged / (credited) in arriving at profit before tax:		
Staff costs	28,183	27,314
Depreciation of property, plant and equipment		
- owned assets	2,273	2,001
- leased assets	526	523
Amortisation of intangibles	153	154
Profit on disposal of fixed assets	(12)	(11)
Other operating lease rentals payable		
- Plant & machinery	194	149
Repairs and maintenance expenditure on property, plant and equipment	4,572	4,020
Research & development tax credits	(555)	(254)
Government grants received	(6)	(19)
Research and development expenditure	3,981	2,604
Foreign exchange differences	(312)	624
Trade receivables impairment	22	24

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:

	2019 £'000	2018 £'000
Audit Services		
Fees payable to the company's auditor for the audit of parent company and consolidated accounts	20	23
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	54	55
Fees in respect of pension matters	-	-
Fees in respect of other assurance services	-	1
Fees in respect of other tax advisory services	-	8
	74	87

5. TAXATION

Analysis of charge in the period

Continuing operations	Note	2019 £'000	2018 £'000
Current tax		259	932
Adjustments in respect of prior period current tax		(149)	(610)
Total current tax		110	322
Deferred tax		107	(13)
Adjustments in respect of prior period deferred tax		56	143
Effects of changes in tax rate		(11)	(1)
Total deferred tax	18	152	129
Tax per Statement of Comprehensive Income		262	451
Tax on items charged to equity			
Deferred tax on actuarial gains on retirement benefit liabilities		(554)	(441)
Reallocation of credit re deduction of share options to equity		173	-
Deferred tax on share options		(221)	(220)
Net deferred tax on share options		(48)	(220)
Income tax charged to OCI		-	91

The tax for the period is lower (2018: lower) than the standard rate of corporation tax in the UK of 19% (2018: 19%).

The differences are explained below:

	2019 £'000	2018 £'000
Profit before tax	2,576	4,541
Profit on ordinary activities multiplied by rate of corporation tax in the UK of 19% (2018: 19%)	489	846
Effects of:		
Adjustments to tax in respect of prior period	(93)	(467)
Effects of other tax rates	(11)	(1)
Overseas tax	-	10
Expenses not deductible for tax purposes	40	28
Income not taxable	(26)	-
Amounts not recognised	(95)	35
Other	(42)	-
Total tax charge for the period	262	451

6. EARNINGS PER SHARE

Basic earnings per share is calculated on the Group profit for the year attributable to equity shareholders of £2.3m (2018: £4.1m) divided by 9.5m (2018: 9.4m), being the weighted average number of shares in issue during the year.

Diluted earnings per share reflects any commitments made by the Group to issue shares in the future and so it includes the impact of share options. The weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has one class of dilutive potential ordinary shares - those share options granted to employees where the exercise price is less than the average market price of the company's ordinary shares during the year. At 30 March 2019 there were no potential dilutive share options outstanding.

	2019			2018		
	Earnings £'000	Weighted average number of shares '000	Amount per share pence	Earnings £'000	Weighted average number of shares '000	Amount per share pence
Basic EPS						
Earnings attributable to ordinary shareholders	2,314	9,516	24.3	4,090	9,449	43.3
Effect of dilutive securities – options	-	-	-	-	67	-
Diluted EPS	2,314	9,516	24.3	4,090	9,516	43.0

7. DIVIDENDS

	2019 £'000	2018 £'000
Final paid for the period ended 31 March 2018 / period ended 1 April 2017	1,027	864
Interim paid for the period ended 30 March 2019 /period ended 31 March 2018	236	233
Total dividends paid in the year	1,263	1,097
Final dividend payment paid pence per share for the period ended 31 March 2018 / period ended 1 April 2017	11.0p	9.3p
Interim dividend payment paid pence per share for the period ended 30 March 2019 / period ended 31 March 2018	2.5p	2.5p

In addition, the directors are proposing a final dividend in respect of the financial period ended 30 March 2019 of 11.0p per share (2018: 11.0p per share) which will absorb an estimated £1,039,000 (2018: £1,027,000) of shareholders' funds. If approved by members at the Annual General Meeting, it will be paid on 9 August 2019 to shareholders who are on the register of members at 5 July 2019.

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

All figures in £'000	Group: Computer Software	Group: Development Costs	Group: Trade Secrets	Group: Emission Allowances	Group: Total	Company: Computer Software	Company: Emission Allowances	Company: Total
Cost								
At 31 March 2018	3,979	457	310	70	4,816	3,845	70	3,915
Additions	67	-	-	143	210	61	143	204
Disposals / surrender of allowances	-	-	-	(188)	(188)	-	(188)	(188)
At 30 March 2019	4,046	457	310	25	4,838	3,906	25	3,931
Aggregate amortisation								
At 31 March 2018	3,895	115	310	-	4,320	3,803	-	3,803
Charge for Period	39	114	-	-	153	22	-	22
At 30 March 2019	3,934	229	310	-	4,473	3,825	-	3,825
Net book value at 30 March 2019	**112**	**228**	**-**	**25**	**365**	**81**	**25**	**106**
Net book value at 31 March 2018	**84**	**342**	**-**	**70**	**496**	**42**	**70**	**112**

All figures in £'000	Group: Computer Software	Group: Development Costs	Group: Trade Secrets	Group: Emission Allowances	Group: Total	Company: Computer Software	Company: Emission Allowances	Company: Total
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
Disposals / surrender of allowances	-	-	-	(3,156)	(3,156)	-	(3,156)	(3,156)
At 31 March 2018	3,979	457	310	70	4,816	3,845	70	3,915
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
Disposals/surrender of allowances	-	-	-	(3,156)	(3,156)	-	(3,156)	(3,156)
At 31 March 2018	3,895	115	310	-	4,320	3,803	-	3,803
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

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 2 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.

The accompanying notes form part of the financial statements

9. PROPERTY, PLANT AND EQUIPMENT

Group All figures in £'000	Freehold land & buildings	Plant & machinery	Total
Cost			
Brought forward at 31 March 2018	11,154	86,251	97,405
Additions at cost	420	4,742	5,162
Disposals	-	(159)	(159)
Effects of movements in foreign exchange	-	200	200
At 30 March 2019	11,574	91,034	102,608
Accumulated Depreciation			
Brought forward at 31 March 2018	6.985	65,307	72,292
Charge for period	229	2,570	2,799
Disposals	-	(122)	(122)
At 30 March 2019	7,214	67,755	74,969
Net book value at 30 March 2019	**4,360**	**23,279**	**27,639**
Net book value at 31 March 2018	**4,169**	**20,944**	**25,113**

All figures in £'000	Freehold land & buildings	Plant & machinery	Assets under construction	Total
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	63,507	-	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

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

All figures in £'000	Group **2019**	Group 2018	Company **2019**	Company 2018
Net book value at 31 March 2018 / 1 April 2017	4,733	4,404	394	327
Additions in period	428	1,229	-	131
Reclassification to assets owned	(361)	(377)	(292)	-
Depreciation in period	(526)	(523)	(55)	(64)
Net book value at 30 March 2019 / 31 March 2018	**4,274**	4,733	**47**	394

The accompanying notes form part of the financial statements

Company All figures in £'000	Freehold land & buildings	Plant & machinery	Total
Cost			
Brought forward at 31 March 2018	1,663	2,321	3,984
Transfers	-	(303)	(303)
Additions at cost	20	588	608
At 30 March 2019	1,683	2,606	4,289
Accumulated Depreciation			
Brought forward at 31 March 2018	465	1,787	2,252
Charge for period	21	110	131
At 30 March 2019	486	1,897	2,383
Net book value at 30 March 2019	**1,197**	**709**	**1,906**
Net book value at 31 March 2018	**1,198**	**534**	**1,732**

All figures in £'000	Freehold land & buildings	Plant & machinery	Assets under construction	Total
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

10. INVESTMENTS

Investments in subsidiary undertakings

	Group		Company	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
At 30 March 2019 and 31 March 2018	-	-	7,350	7,350

Investments in subsidiary undertakings are stated at cost. A list of principal 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
James Cropper Overseas Trading Limited (a)	England	(i)	100	Dormant company
James Cropper Germany GmbH (b)	Germany	(iv)	100	Dormant company

(i) Burneside Mills, Kendal, Cumbria, England. LA9 6PZ
(ii) 679 Mariaville Road, Schenectady, NY 12306 USA
(iii) Level 54 Guangzhou IFC, 5 Zhujiang Road West, Zhujiang New Town. China
(iv) c/o DWF Germany Rechtsanwaltsgesellschaft mbH, Habsburgerring 2, 50674 Köln, Germany.
(a) New company incorporated on 15 February 2019, a wholly owned subsidiary of James Cropper PLC.
(b) New company incorporated on 14 March 2019, a wholly owned subsidiary of James Cropper Overseas Trading Limited.

11. INVENTORIES

Group	2019 £'000	2018 £'000
Materials	8,031	7,669
Work in progress	3,152	3,221
Finished goods	5,227	3,964
	16,410	14,854

Inventories are stated after a provision for impairment of £864,000 (2018: £610,000).
The cost of inventories recognised as expenses and included in cost of sales for the year ended 30 March 2019 was £78,397,000 (2018: £71,647,000).

The Company does not have inventories.

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Trade receivables	17,140	16,926	-	-
Less: Provision for impairment of receivables	(222)	(121)	-	-
Trade receivables –net	16,918	16,805	-	-
Amounts owed by group undertakings	-	-	47,760	44,488
Other receivables	951	635	931	613
Prepayments	1,143	1,082	632	550
	19,012	18,522	49,323	45,651

The carrying value of trade and other receivables classified at amortised cost approximates fair value.

The Group does not hold any collateral as security.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and ageing.

The expected loss rates are based on the Group's historical credit losses experienced. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers. The Group has identified the current state of the economy and industry specific factors as the key macroeconomic factors in the countries where the Group operates.

Amounts owed by group undertakings include loans of £26m (2018: £25m) with a fixed term of one year with an interest charge of 3.6% pa. Intercompany current accounts of £2.9m (2018: £1.9m) are settled within 30 days.

13. OTHER FINANCIAL ASSETS

Group and Company

	2019 £'000	2018 £'000
Interest rate swaps used for hedging	24	44
Foreign exchange rate swaps for hedging	-	3
	24	47

The gain arising in the Statement of Comprehensive Income on fair value hedging instruments was £nil (2018: £nil).

14. TRADE AND OTHER PAYABLES

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Trade payables	6,456	5,381	2,153	1,589
Amounts owed to group undertakings	-	-	15,097	18,013
Other tax and social security payable	643	612	175	155
Other payables	636	146	231	229
Accruals	6,885	8,189	899	1,837
	14,620	14,328	18,555	21,823

The fair values of trade and other payables approximate their carrying values presented.

15. BORROWINGS

	Note	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Current					
Bank loans and overdrafts due within one year or on demand:					
Bank overdraft		-	-	316	-
Unsecured bank loans		767	720	-	-
Secured finance lease		778	880	45	43
	16.3	1,545	1,600	361	43
Non-current loans					
Unsecured bank loans		8,226	7,203	4,000	4,000
Secured finance lease		1,142	1,560	4	70
	16.3	9,368	8,763	4,004	4,070

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:

Group	Minimum Lease payments 2019 £'000	Interest 2019 £'000	Principal 2019 £'000	Minimum Lease payments 2018 £'000	Interest 2018 £'000	Principal 2018 £'000
Within one year	819	41	778	936	56	880
Greater than one year and less than five years	1,202	60	1,142	1,455	71	1,384
Greater than 5 years	-	-	-	177	1	176
	2,021	101	1,920	2,568	128	2,440

Company	Lease payments 2019 £'000	Interest 2019 £'000	Principal 2019 £'000	Lease payments 2018 £'000	Interest 2018 £'000	Principal 2018 £'000
Within one year	46	1	45	45	2	43
Greater than one year and less than five years	4	-	4	72	2	70
	50	1	49	117	4	113

Reconciliation of net borrowings
Net borrowings comprises interest bearing loans and finance leases less cash and cash equivalents.

Group	31 March 2018 £'000	Cash flow £'000	Other non-cash £'000	Exchange movement £'000	30 March 2019 £'000
Cash and cash equivalents	5,557	(3,165)	-	(40)	**2,352**
Loans repayable within 1 year	(720)	-	(31)	(15)	**(767)**
Loans repayable after 1 year	(7,203)	(777)	31	(277)	**(8,226)**
	(7,923)	(777)	-	(292)	**(8,993)**
Finance leases repayable within 1 year	(880)	-	102	-	**(778)**
Loans repayable after 1 year	(1,560)	520	(102)	-	**(1,142)**
	(2,440)	520	-	-	**(1,920)**
Net borrowings	(4,806)	(3,422)	-	(332)	**(8,561)**

16. 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.

16.1 FINANCIAL INSTRUMENTS BY CATEGORY

The fair values of the financial assets and liabilities of the Group are as follows:

Group	Note	Fair value through profit or loss 2019 £'000	Fair value through profit or loss 2018 £'000	Amortised cost 2019 £'000	Amortised cost 2018 £'000
Financial assets					
Current					
Trade receivables	12	-	-	16,918	16,805
Other receivables	12	-	-	951	635
Derivatives	13	24	47	-	-
Cash and cash equivalents		-	-	2,352	5,557
		24	47	20,221	22,997
Financial liabilities					
Current					
Trade payables	14	-	-	6,456	5,381
Other payables	14	-	-	636	146
Accruals	14	-	-	6,885	8,189
Short-term borrowings	15	-	-	1,545	1,600
		-	-	15,522	15,316
Non-current					
Long-term borrowings	15	-	-	9,368	8,763

Company	Note	Fair value through profit or loss 2019 £'000	Fair value through profit or loss 2018 £'000	Amortised cost 2019 £'000	Amortised cost 2018 £'000
Financial assets					
Current					
Amounts owed to group undertakings	12	-	-	47,760	44,488
Other receivables	12	-	-	931	613
Derivatives	13	24	47	-	-
Cash and cash equivalents		-	-	-	3,004
		24	47	48,691	48,105
Financial liabilities					
Current					
Trade payables	14	-	-	2,153	1,589
Amounts owed to group undertakings	14	-	-	15,097	18,013
Other payables	14	-	-	231	229
Accruals	14	-	-	899	1,837
Short-term borrowings	15	-	-	361	43
		-	-	18,741	21,711
Non-current					
Long-term borrowings	15	-	-	4,004	4,070

Financial instruments not measured at fair value includes cash and cash equivalents, trade and other receivables, trade and other payables, and loans and borrowings. Due to their short term nature, the carrying values of cash and cash equivalents, trade and other receivables, and trade and other payables approximates their fair value.

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:

	2019		2018	
	Level 2 £'000	Total £'000	Level 2 £'000	Total £'000
Derivatives	24	24	47	47

16.2 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 uninsured 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 held at 30 March 2019 (2018: 31 March 2018) were:

	2019 £'000	2018 £'000
JC Speciality Papers	9,860	10,628
JC Converting	1,583	1,598
JC 3D Products	150	29
Technical Fibre Products	5,547	4,671
	17,140	16,926

The Company does not have trade receivables.

The majority of trade receivables are covered by credit insurance.

At 30 March 2019 the lifetime expected loss provision for trade receivables is as follows:

	Not past due	Past due 0-30 days	Past due 31-60 days	Past due over 60 days	Total
Expected loss rate	1%	3%	4.5%	10%	-
Gross carrying amount (£'000)	14,818	2,088	215	19	17,140
Loss provision	148	62	0	2	222

All trade receivables have been reviewed under the expected credit loss impairment model and a provision of £222,000 (2018: £121,000) has been recorded accordingly.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. The expected loss rates are based on the Group's historical credit losses experienced. The historic loss rates are then adjusted for current and forward looking information on macro-economic factors affecting the Group's customers.

MOVEMENTS IN IMPAIRMENT ALLOWANCE

Group	2019 £'000	2018 £'000
Balance at Start of period	121	97
Increased/(released) during the period	121	24
Utilised during the period	(20)	-
Balance at end of period	222	121

16.3 LIQUIDITY RISK

Liquidity risk is the risk that the Group will not have sufficient funds to meet liabilities. The Group's policy is to maintain a mix of short, medium and long term borrowings with a number of banks. Short term flexibility is achieved through overdraft facilities. In addition, it is the Group's policy to maintain undrawn committed borrowing facilities in order to provide flexibility in the management of liquidity.

Current and non-current financial liabilities

The maturity profile of the carrying amount of the current and non current financial liabilities, at 30 March 2019 (2018: 31 March 2018), was as follows:

	2019			2018		
Group	Debt £'000	Finance Lease Obligations £'000	Total £'000	Debt £'000	Finance Lease Obligations £'000	Total £'000
In less than one year	767	778	1,545	720	880	1,600
In more than one year but not more than two years	4,772	275	5,047	716	686	1,402
In more than two years but not more than five years	3,454	673	4,127	6,487	698	1,185
In more than five years	-	194	194	-	176	176
	8,993	1,920	10,913	7,923	2,440	10,363

Company	Debt £'000	Finance Lease Obligations £'000	Total £'000	Debt £'000	Finance Lease obligations £'000	Total £'000
In less than one year	316	45	361	-	43	43
In more than one year but not more than two years	4,000	4	4,004	-	66	66
In more than two years but not more than five years	-	-	-	4,000	4	4,004
	4,316	49	4,365	4,000	113	4,113

TRADE PAYABLES

Trade payables at the reporting date was:

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Trade payables at the reporting date was	6,456	5,381	2,153	1,589
Total contractual cash flows	6,456	5,381	2,153	1,589

BORROWING FACILITIES

The Group has the following undrawn committed borrowing facilities available at 30 March 2019:

Group	30 March 2019 Floating rate £'000	31 March 2018 Floating rate £'000
Expiring after one year	4,390	3,687

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

	Group		Company	
	30 March 2019 £'000	31 March 2018 £'000	30 March 2019 £'000	31 March 2018 £'000
August 2019	2	10	-	-
November 2019	2	6	-	-
May 2020	4,000	4,000	4,000	4,000
June 2021	2,878	1,243	-	-
December 2021	2,111	2,664	-	-
	8,993	7,923	4,000	4,000

16.4 CURRENCY RISK

The Group publishes its consolidated financial statements in sterling but also conducts business in foreign currencies. As a result it is subject to foreign currency exchange risk arising from exchange rate movements which will be reflected in the Group's transaction costs or in the underlying foreign currency assets of its foreign operations. The Group has operations in the USA. 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.

Represented below is the net exposure to foreign currencies, reported in pounds sterling, and arising from all Group activities, as at 30 March 2019.

All figures in £'000	USD	Euro	RMB	GBP	Total
Trade Receivables	6,101	3,261	19	7,537	16,918
Cash and cash equivalents	642	490	80	1,140	2,352
Trade Payables	(1,539)	(1,066)	-	(3,851)	(6,456)
Unsecured current loans	(767)	-	-	-	(767)
Finance lease current	-	-	-	(778)	(778)
Unsecured non-current loans	(4,221)	-	-	(4,005)	(8,226)
Finance lease non-current	-	-	-	(1,142)	(1,142)
Net exposure	216	2,685	99	(1,099)	1,901

At the 31 March 2018 the Group's exposure to foreign currency risk was as follows:

All figures in £'000	USD	Euro	RMB	GBP	Total
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

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

At the 30 March 2019 the Company's exposure to foreign currency risk was as follows:

All figures in £'000	USD	Euro	GBP	Total
Bank Overdrafts	(232)	(1,805)	1,721	(316)
Trade Payables	(34)	(29)	(2,090)	(2,153)
Finance lease current	-	-	(45)	(45)
Unsecured non-current loans	-	-	(4,000)	(4,000)
Finance lease non-current	-	-	(4)	(4)
Net exposure	(266)	(1,834)	(4,418)	(6,518)

At the 31 March 2018 the Company's exposure to foreign currency risk was as follows:

All figures in £'000	USD	Euro	GBP	Total
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)

A one percent strengthening of the pound against the Euro and the US Dollar at 30 March 2019 would have had the following impact on equity and profit by the amounts shown below.

Group		Equity £'000	Income £'000	Company		Equity £'000	Income £'000
30 March 2019	USD	(131)	(76)	30 March 2019	USD	2	-
30 March 2019	Euro	(48)	(43)	30 March 2019	Euro	8	-
31 March 2018	USD	(31)	(47)	31 March 2018	USD	(3)	-
31 March 2018	Euro	5	(20)	31 March 2018	Euro	27	-

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.

16.5 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:

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

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Interest bearing liabilities - floating				
Borrowings	8,988	7,908	4,316	4,000
Finance lease	450	883	-	-
	9,438	8,791	4,316	4,000
Interest bearing liabilities - fixed				
Borrowings	5	15	-	-
Finance lease	1,470	1,557	49	113
	1,475	1,572	49	113
Interest bearing liabilities	10,913	10,363	4,365	4,113

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

	2019 %	2018 %
Bank overdraft	2.5	1.5
Borrowings	2.3	2.9

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 £94,000 for the Group and £47,000 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	Income Statement £'000	Company	Income Statement £'000
30 March 2019	94	30 March 2019	47
31 March 2018	88	31 March 2018	52

17. 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:

	2019 £'000	2018 £'000
Defined contribution schemes	663	585
Personal Pension contributions	36	41

Other pension costs totalled £976,000 (2018: £ 892,000) and represent life assurance charges and government pension protection fund levies and other current service costs.

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 were undertaken in April 2016 by qualified independent actuaries.

The major assumptions used by the actuary for each scheme were as noted below.

The expected return on plan assets is calculated by using a weighted average across each category of asset:

	Staff Scheme		Works Scheme	
	2019 %	2018 %	2019 %	2018 %
CPI Inflation assumption	2.15	2.15	2.15	2.15
RPI Inflation assumption	3.15	3.25	3.15	3.25
Rate of increase in pensionable salaries	1.75	1.90	1.75	1.90
Discount rate	2.45	2.80	2.45	2.80
Pension increases for in-payment benefits capped at 5%, with a 3% floor	3.65	3.50	3.25	3.15
Pension increases for in-payment benefits capped at 2.5%, with a 0% floor	2.05	2.15	1.80	1.85

In respect of mortality for the Works members the assumptions adopted at 30 March 2019 are 145% of the SAPS "S2" series table, with future improvements in line with the CMI core 2018 projection model with long-term trend improvements of 1.25% pa. For the Staff members the SAPS "S2" series table with a 95% rating has been used, with future improvements in line with the CMI core 2018 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 4.6% for the staff scheme and 5.3% for the works scheme.

Pension payments are not expected to peak until 2040, and expected to continue until 2080.

GMP equalisation

Following the Lloyd's case ruling on 26 October 2018, pension schemes are required to equalise GMPs between male and female members. Method C2 has been adopted to equalise GMPs and has been accounted for as a past service cost item for the financial year ending 30 March 2019. Calculations based on membership data available suggest that equalisation of GMPs has led to an increase in liabilities of approximately 0.1% in respect of both the Staff and Works Schemes. The ultimate cost of GMP equalisation is sensitive to a number of factors. The GMP liability for deferred pensioners and pensioners who retired from deferred status equates to approximately 5% of the overall Staff Scheme liabilities as at 31 March 2016 and approximately 4% of the Works Scheme liabilities as at 5 April 2016. Any change to the proportion of GMP assumed is unlikely to have a material impact on the overall result. For example, a 5% increase to the proportion of member benefits that relate to GMP would increase the estimate by around 0.05%.

The amounts recognised in the Statement of Financial Position ("SFP") are determined as follows:

All figures in £'000	2019	2018	2017	2016	2015
Defined benefit obligation (DBO)	(132,646)	(126,079)	(128,026)	(104,924)	(106,788)
Fair value of assets (FVA)	109,998	106,607	105,832	94,271	92,346
Net liability recognised in the SFP	(22,648)	(19,472)	(22,194)	(10,653)	(14,442)
Staff Scheme	(7,664)	(6,408)	(7,405)	(2,813)	(3,074)
Works Scheme	(14,984)	(13,064)	(14,789)	(7,840)	(11,368)
	(22,648)	(19,472)	(22,194)	(10,653)	(14,442)

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

	Staff Scheme		Works Scheme	
All figures in %	2019	2018	2019	2018
Managed Growth	63.5	61.4	71.1	68.7
Annuities	3.6	3.7	-	-
Cash	0.4	0.2	0.3	0.4
Matching Assets	32.5	34.7	28.6	30.9

The pension plan assets do not include any investments in the shares of the Company (2018: 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:

	2019 £'000	2018 £'000
Total included within employee benefit costs - current service cost past service costs and administration costs	1,423	1,285
Interest income on plan assets	(2,959)	(2,846)
Interest cost on the defined benefit obligation	3,491	3,435
Total included within interest	532	589
Total	**1,955**	1,874

Analysis of the movement in the Statement of Financial Position liability

	2019 £'000	2018 £'000
At 31 March 2018 / 1 April 2017	(19,472)	(22,194)
Total expense as above	(1,955)	(1,874)
Contributions paid	2,037	2,003
Actuarial (losses) / gains recognised in SCI	(3,258)	2,593
At 30 March 2019 / 31 March 2018	(22,648)	(19,472)

The actual return on plan assets was £5,462,000 (2018: £1,685,000). The Company expects to pay £621,000 (2018: £649,000) in contributions to the Staff Scheme and £1,367,000 (2018: £1,669,000) 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.

Following the April 2016 triennial valuation, a deficit recovery plan was agreed with the Trustees which included additional contributions of £1.4m pa to reduce the past service deficits for nine years from 1 April 2017. The current ongoing valuation may change this profile once completed.

The cumulative amount of losses recognised in the Statement of Comprehensive Income, since the adoption of IAS 19, are £21,232,000 (2018: £18,735,000).

	Works Scheme		Staff Scheme		Works Scheme		Staff Scheme	
	2019	2019	2019	2019	2018	2018	2018	2018
	Assets	DBO	Assets	DBO	Assets	DBO	Assets	DBO
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 31 March 2018 / 1 April 2017	54,455	(67,519)	52,152	(58,560)	53,638	(68,427)	52,194	(59,599)
Interest Income on plan assets	1,523	-	1,436	-	1,447	-	1,399	-
Current service costs	(152)	(748)	(35)	(355)	(84)	(789)	(32)	(380)
Benefits paid	(1,867)	1,867	(2,545)	2,545	(1,722)	1,722	(1,575)	1,575
Contributions by plan participants	335	(335)	156	(156)	339	(339)	161	(161)
Employer contributions	1,388	-	649	-	1,315	-	688	-
Interest cost on the DBO -	-	(1,880)	-	(1,611)	-	(1,840)	-	(1,595)
Past service costs -	-	(72)	-	(61)	-	-	-	-
Return on plan assets	1,327	(3,306)	1,176	(2,455)	(478)	2,154	(683)	1,600
At 30 March 2019 / 31 March 2018	**57,009**	**(71,993)**	**52,989**	**(60,653)**	54,455	(67,519)	52,152	(58,560)

Experience adjustments **All figures in £'000**	**2019**	2018	2017	2016	2015
Arising on plan assets	2,503	(1,161)	9,505	(624)	15,591
Percentage of scheme assets	2.28 %	(1.09%)	8.98%	(0.66%)	16.88%
Arising on plan liabilities	(5,761)	3,754	(21,383)	7,178	(18,836)
Percentage of scheme liabilities	(4.34%)	2.98%	(16.70%)	6.84%	(17.64%)

Sensitivity analyses

The sensitivity analyses below have been determined based on reasonable possible changes to the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant. The sensitivity analyses may not be representative of the actual changes in the net retirement benefits as it is unlikely that the changes in assumptions would occur in isolation of one another and some of the assumptions may be inter-related.

Staff Scheme	Current assumption	Sensitivity	£'000	Effect on DBO
Discount rate	2.45%pa	0.25% decrease	£2,788	+4.6%
Price inflation	3.15%pa (RPI)			
	2.15%pa (CPI)	0.25% increase	£675	+1.1%
Mortality	95% of SAPS "S2" series table	Increase in life expectancy of 1 year	£2,753	+4.5%

Works Scheme	Current assumption	Sensitivity	£'000	Effect on DBO
Discount rate	2.45%pa	0.25% decrease	£3,817	+5.3%
Price inflation	3.15%pa (RPI)			
	2.15%pa (CPI)	0.25% increase	£612	+0.9%
Mortality	145% of SAPS "S2" series table	Increase in life expectancy of 1 year	£3,231	+4.5%

18. DEFERRED TAXATION

The movement on the deferred tax account is shown below:

	Group		Company	
All figures in £'000	**2019**	2018	**2019**	2018
At 31 March 2018 / 1 April 2017	2,053	2,843	3,649	3,453
Deferred tax on actuarial losses / (gains) on retirement liabilities	554	(441)	554	(441)
Deferred tax on share options recognised in equity	(221)	(220)	(221)	(220)
Statement of Comprehensive Income (charge) / credit	(152)	(129)	(142)	857
At 30 March 2019 / 31 March 2018	**2,234**	2,053	**3,840**	3,649

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.

	Accelerated capital allowances £'000	**Share Options £'000**	**Other £'000**	**Total £'000**
At 31 March 2018	(1,773)	318	198	(1,257)
SCI credit	(39)	(233)	134	(138)
Deferred tax on share options recognised in SOCIE	-	(48)	(173)	(221)
At 30 March 2019	**(1,812)**	**37**	**159**	**(1,616)**

Deferred tax assets	**Pension £'000**	**Total £'000**
At 31 March 2018	3,310	3,310
SCI Charge	(14)	(14)
Deferred tax on actuarial losses on retirement liabilities	554	554
At 30 March 2019	**3,850**	**3,850**

	Total £'000
Net deferred tax asset	**2,234**

19. SHARE CAPITAL

Group and Company
Issued and fully paid

	Number of ordinary shares	£'000
At 31 March 2018	9,479,052	2,370
Issued during the period	75,751	19
At 30 March 2019	9,554,803	2,389

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 62,730 ordinary shares of 25p by August 2021 (2018: 119,780 ordinary shares of 25p by July 2020). There were 38,684 share options exercised in the period (2018: 55,048). Further information on directors share options can be seen in the Remuneration Committee Report.

	Options at 31 March 2018	Options granted in the period	Options exercised in the period	Options lapsed in the period	Options at 30 March 2019
Share options	119,780	36,078	(38,684)	(54,444)	62,730

The amount of gains made by Directors on 38,684 share options exercised in the year totalled £638,286 (2018: 55,048 share options with gains of £966,092). The Statement of Comprehensive Income includes LTIP charges of £21,473 for the year in relation to Directors (2018: £275,942).

The Save As You Earn (SAYE) scheme was introduced in September 2013 and run 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:

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

During the period 66,898 options were exercised (2018: nil options were exercised) and the Scheme is now closed.

The amount of gains made by Directors on the exercise of 4,360 share options exercised under the SAYE Scheme in the year amounted to £35,380 (2018: nil share options with gains of £nil).

20. EMPLOYEES AND DIRECTORS

Staff costs during the period

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Wages and salaries	23,340	22,819	3,086	3,602
Social Security costs	2,314	2,282	477	507
Pension costs (note 17)	2,529	2,213	1,065	881
	28,183	27,314	4,628	4,990

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		Headcount	
	2019 Number	2018 Number	2019 Number	2018 Number
James Cropper Paper Products	371	365	377	370
James Cropper 3D Products	20	10	21	11
Technical Fibre Products	104	106	107	108
James Cropper PLC	63	60	84	79
	558	541	589	568

21. COMMITMENTS UNDER OPERATING LEASES

Group	2019		2018	
	Property £'000	Plant & machinery £'000	Property £'000	Plant & machinery £'000
Commitments under non-cancellable operating leases expiring:				
Within one year	23	15	28	-
Later than one year and less than five years	356	341	833	518
After five years	3,617	-	523	-
	3,996	356	1,384	518

Company	2019		2018	
	Property £'000	Plant & machinery £'000	Property £'000	Plant & machinery £'000
Commitments under non-cancellable operating leases expiring:				
Within one year	-	15	-	-
Later than one year and less than five years	350	323	115	518
After five years	-	-	523	-
	350	338	638	518

The principal operating lease agreements in place include the following:

Factory and offices USA:
The Group entered into a building lease agreement for a non-cancellable term of 10 years from September 2011, with an option to extend for a further 5 years. In June 2018, the Group re-negotiated the lease term to extend the lease until September 2031, with an option to extend for a further 5 years.

Factory and offices in Crewe:
The Group entered into a building lease agreement for a term of 6 years from December 2018. The lease agreement may be terminated after December 2021 by giving the landlord not less than six months' previous written notice on 6 June 2021.

Warehouse in Milnthorpe:
The Group entered into a building lease agreement for a term of 10 years from May 2015. The lease agreement may be terminated from May 2020 subject to not less than six months' prior written notice.

Warehouse in Milnthorpe:
The Group entered into a building lease agreement for a term of 5 years from February 2019. The lease agreement may be terminated from February 2021 subject to not less than six months' prior written notice.

Company cars:
The Group has entered into a number of lease agreements for company cars with terms varying from 3 years to 5 years.

22. CAPITAL COMMITMENTS

	Group		Company	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Contracts placed for future capital expenditure not provided in the financial statements	1,134	1,302	319	5

23. CONTINGENCIES

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

24. RELATED PARTY TRANSACTIONS

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

Company
The Company paid £40,000 (2018: £40,000) to Sir James Cropper (Honorary President) 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 £6,597 (2018: £5,298) to Ellergreen Hydro, a company in which M A J Cropper (Chairman and Non-Executive Director) is Managing Director, in the period for maintenance work. The Company paid £13,651 (2018: £18,934) 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 £15,834 (2018: £6,032) 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:

2019	Management charges £'000	Receivable / (Payable) £'000	Loans and net intercompany funding £'000
James Cropper Speciality Papers Limited	6,166	2,144	(2,963)
James Cropper Converting Limited	-	84	13,111
James Cropper 3D Products Limited	343	497	6,748
Technical Fibre Products Limited	1,575	154	12,866
James Cropper Overseas Trading Limited	-	22	-
	8,084	**2,901**	**29,762**

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

Compensation for key management
In accordance with IAS 24, "Related Party Disclosures", key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, and includes Directors (both Executive and Non-Executive) of James Cropper PLC. The Board and those members of the Executive committee who are not Directors comprise the key management personnel of the Group. The remuneration of the Directors is disclosed in the Report of the Remuneration Committee (page 67).

	2019 £'000	2018 £'000
Salaries and fees	1,201	1,066
Short term employee benefits	142	139
Short term bonuses	56	175
Pension costs	76	73
Shared based payments	638	966
Total	**2,113**	2,419

2018-2019 SHAREHOLDER INFORMATION

Reporting

Interim Results announced and sent to Ordinary Shareholders	13 November 2018
Final results announced	25 June 2019
Notification of AGM issued by	9 July 2019

Annual General Meeting at Bryce Institute, Burneside, Kendal, Wednesday 31 July 2019 at 11.00am.

Dividends on Ordinary Shares

Interim dividend paid on 11 January 2019 to Ordinary Shareholders registered on 30 November 2018.
Final dividend to be paid on 9 August 2019 to Ordinary Shareholders registered on 5 July 2019.

Advisers

Independent Auditor
BDO LLP, Manchester

Tax Advisers
PricewaterhouseCoopers LLP, Manchester

NOMAD & Stockbrokers
Shore Capital, London

Corporate Lawyers
DWF LLP, Manchester
Bond Dickinson, Newcastle upon Tyne

Registrars
Link Asset Services, Beckenham

Pension Adviser
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