

JAMES CROPPER

ESTABLISHED 1845



ANNUAL REPORT AND ACCOUNTS 2017

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**WE HAVE BUILT
ON PRIOR SUCCESSES
AND ARE BEGINNING
TO DELIVER A LEVEL
OF POTENTIAL WE
HAVE FELT POSSIBLE
FOR SO LONG.**

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- 1. Papermaking process*
- 2. TFP UK laboratory*
- 3. Eye testing colour range*
- 4. Paper mill rollers*
- 5. Yellow paper in production*
- 6. Inspecting carbon fibre strands*
- 7. Red paper pulp tests*
- 8. Maurice Tsang, General Manager in Asia*

- 1. The TFP team at Schenectady*
- 2. JC3DP tooling - moulded demonstrator*
- 3. Directors Isabelle Maddock and Steve Adams*
- 4. James Cropper Paper - converting*
- 5. Mill Race*
- 6. Louise Dawson and Josh Holland*
- 7. Anthony Abbott testing in the TFP lab*
- 8. TFP production*

- 1. JC3DP moulded packaging*
- 2. Bespoke Emboss Roller*
- 3. Steven Baines inspecting tooling*
- 4. Yellow dye ready to blend with pulp*
- 5. TFP machine under spotlights*
- 6. Matthew Miller, Bruce Barnes and Jim Ellwood - JC3DP*

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

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

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

”

**DAVE WATSON
CHIEF OPERATIONS OFFICER**

OUR VALUES

TRUST, DIGNITY AND RESPECT

SUCCESSFUL CUSTOMERS

PROFITABILITY

CONTINUOUS LEARNING

MOTIVATED WORKFORCE

SAFETY AT WORK

COMMUNITY FOCUS

SUSTAINABILITY

Martin Allen completed his Apprenticeship as an Electrical Engineer, successfully transitioning from a Blenderman. Martin was awarded Apprentice of the Year by Training 2000, the organisation who delivered his training.

Steven Baines, whose father Ian also works in maintenance, joined after leaving school. In 2017 he completed the third year of his Mechanical Engineering Apprenticeship and received the Further Education Award from Training 2000.

MARK STARRS, MASTER COLOUR BLENDER

Over decades, Mark has worked directly with brands and customers to deliver bespoke colour across a wide range of paper applications with outstanding quality and carefully ensured consistency. The knowledge and technical ability held in our Colour Lab is second to none. We are able to innovate with colour in a way that pushes the boundaries of creativity and technical performance enabling new innovation in pulp-based products.

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DIRECTORS' INSIGHT

10 YEARS OF INSIGHT

Isabelle Maddock – Group Finance Director

**"I SEE INDIVIDUALS WHO FOCUS ON QUALITY...
WHO ARE MOTIVATED AND ABLE TO TACKLE
PROBLEMS AND DRIVE IMPROVEMENTS
BEYOND THEIR IMMEDIATE REMIT."**

You've been with James Cropper PLC for 10 years. Tell us a bit about your journey in the business to where you are now.

I have held a variety of professional finance roles across a number of sectors. I started off in manufacturing, before gaining experience of other sectors: software, retail, facilities management, and publishing. I was looking to return and build my career in manufacturing when I joined James Cropper.

James Cropper stood out as an established manufacturer with an innovative outlook. I applied speculatively and found an opportunity that fitted, (Financial Controller in 2006) where I could expand my own skill set while focusing on business growth.

I love manufacturing - it is interesting and rewarding. It is all about transforming raw materials into real tangible parts and products that satisfy a need. I love the broad scope of activities that span a manufacturing environment - from research, design and innovation to supply and procurement, machining, processing and adding value to manufacturing to packing and distribution, customer service, and providing solutions that satisfy our customers.

I joined the Group Board in 2014. As Finance Director I am directly responsible for Finance, Company Secretarial and Information Systems. I am responsible for promoting the overall success of the Group and each of

its subsidiaries over the long term. Success, for me is about creating value for the company, its stakeholders and wider society.

My role has changed significantly since I started as Financial Controller. I guide teams, set direction, facilitate projects, carry out safety audits, provide technical expertise, drive development initiatives, collaborate on change management, find solutions, manage risks, plan funding, break down roadblocks, implement coaching and development plans and prepare for the mid to long term needs of the Group. I and my teams engage extensively across the businesses and with external organisations and stakeholders to provide clear direction as to who we are and how we operate, with an eye to the future.

After 10 years, what excites you now - what makes James Cropper PLC unique?

The emphasis at James Cropper is on being ahead of the curve - and that's exciting for everyone in the business. We provide solutions in materials science and fibre technology that keep us at the cutting edge - making superior products, and offering superior service.

This shows in the culture of our people. I see individuals who are able to focus on quality - of an interaction, a service or a manufactured product - and who are motivated and able to tackle problems and drive improvements beyond their immediate remit.

Value is created through our people. Cultural evolutions in our group have shown that we continually recognise the importance of individual and team development and the communication of strategy. This is a continuous collaborative process and relies on having a shared vision of how we work together all along the supply chain. It is important that everyone understands their ability to add value - and when they do the results are exciting.

What are you most proud of in recent years?

We recently set out to increase employee share ownership by enhancing our share-based profit-sharing system. We are able to provide shares as a profit reward. Increasing employee ownership aligns employee interests with those of the company. We all share in what we make and the success which that brings.

I am proud that we created the Technology and Innovation Directorate in 2014. We take a strong long term view, and remain confident that this investment, through all it will deliver, is worthwhile and in the Company's interest.

Within my own areas I see Finance and Information Systems engaging more and more as business partners across the Group. These positive interactions and contributions drive awareness, interesting collaborations and outstanding performance, creating a better and exciting business for the future.

A FRESH PERSPECTIVE

Steve Adams – Recently appointed Managing Director of James Cropper Paper

"I SEE THE ABILITY TO BE AT THE FOREFRONT OF MODERN PAPERMAKING."

You've recently been appointed to lead James Cropper Paper. What drew you to be part of this business?

Having spent thirty years working in a very corporate environment, what I saw at James Cropper was the opportunity to join a vibrant and energetic business with huge potential for profitable growth – also one where I could be instrumental in directly charting a course to unlock that potential.

We have set out an aggressive growth plan that will require process discipline, innovation and execution, whilst retaining the strong values and culture that exist within the paper business – the former being an area where I believe I can make a difference and the latter being a key part of the reason I wanted to join James Cropper.

To be located in one of the most beautiful parts of the country is an added bonus.

What do you see as the most exciting opportunities in Paper right now?

We have some amazing capabilities across our papermaking and converting facilities - from tailor made, bespoke quantities of deep coloured paper, to textures, appearances and finishes. We also have a unique recycled fibre capability.

By harnessing our deep experience and creativity from over 170 years of papermaking, channelling the unique innovation culture that exists across the Group's businesses, and bringing renewed

vigour to our new product introduction process, we are at the forefront of modern papermaking.

We are represented around the world by a growing team of James Cropper employees and partners, and our ever-strengthened marketing engine is spreading awareness of our high quality solutions far and wide. I am genuinely excited by the potential for this business in our key markets, such as luxury packaging and digital print.

As you've discovered the people, and skills at the heart of this business - what stands out to you? What makes our workforce unique?

As a business that has the founder's name in the title and with Mark Cropper, a sixth generation family member as Chairman, it is hard to escape the familial nature of the company.

But that carries over into the business too, with whole families and generations of family working in the Mill. I believe this brings a special culture to the place. It represents longevity, stability and pride. And it has to mean this is a good place to work.

There is also a huge amount of experience and skill amongst the people that I meet across the organisation, mixed with pride and enthusiasm for the company and its products.

The key to our future success is to harness this spirit (to bottle it, if we could!) and translate it into the experience our customers get when they invest in the James Cropper brand.

Burnside Mills has been James Cropper's home for over 170 years. What impact has our local area and community had on you in the time you've been here?

In experiencing this local area, I have been most struck by two significant factors. Firstly, a huge respect and care for the environment and countryside. Secondly, an intensely social and kind culture – a powerful sense of community. I don't know if the latter is borne out of the rural nature of this area and the importance of making the most of time together, but it is certainly notable.

These elements spill over to the mood I feel within James Cropper. All employees hold a genuine respect for each other, and a long history of respect and care for the Mill's local environment.

These are just a couple of the stand out features that make this an enviable place to work.

Your vision and aims for the coming years?

I want James Cropper Paper to become renowned by customers the world over as a leading manufacturer of iconic, luxurious and high quality bespoke paper. A manufacturer that is recognised for the innovation, pride and care that we invest in our products.

I see my role as creating a paper business that has the leadership, capability and confidence to be the best in the world at what it does.

BESPOKE, LUXURY, MARKET DRIVEN

DOLCELICIOUS ELEVATES THE FOOD PACKAGING EXPERIENCE

“

LUXURY FOOD IS A MULTISENSORY EXPERIENCE AND PACKAGING IS KEY. OUR DOLCELICIOUS RANGE PUTS FOOD CONTACT PAPER AT THE HEART OF THAT EXPERIENCE.

”

We launched Dolcelicious – an innovative range of coloured papers designed to meet increasing demand for luxury packaging paper that’s ready-certified for food contact use.

Dolcelicious has secured exclusive distribution in major markets this year – targeting valuable customers in luxury food sectors including premium confectionery, artisan bakery, tea and coffee.

Customers are responding with excitement to this new food packaging opportunity - which draws on our unique expertise in bespoke colour, texture and technical performance. Dolcelicious enables brands to use certified, high performance food contact paper in bold and creative ways - enhancing brand uniqueness and complementing the very highest quality products.

STRATEGIC REPORT

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FINANCIAL HIGHLIGHTS

TOTAL REVENUE

£92.4m

2017	92.4
2016	87.9
2015	83.1
2014	84.5
2013	79.2

REVENUE BY REGION

2017	UK
2016	Europe
2015	Americas
2014	Asia
2013	Other

10% 20% 30% 40% 50% 60%

ADJUSTED PROFIT BEFORE TAX (excluding IAS 19 Pension adjustments)

£6.6m

2017	6.6
2016	5.2
2015	3.5
2014	2.1
2013	2.1

PROFIT BEFORE TAX

£5.6m

2017	5.6
2016	3.9
2015	2.6
2014	1.3
2013	1.2

DILUTED EPS

50.0p

2017	50.0
2016	31.8
2015	20.1
2014	15.0
2013	10.0

GEARING (i) (excluding IAS 19 pension adjustment)

20%

2017	20
2016	22
2015	20
2014	35
2013	33

NET DEBT (ii)

£7.4m

2017	7.4
2016	7.3
2015	6.1
2014	10.3
2013	9.3

CAPITALEXPENDITURE

£5.3m

2017	5.3
2016	4.1
2015	2.6
2014	3.0
2013	4.1

Non GAAP Measures:

(i) Gearing is calculated as the proportion of net debt to Total Shareholders' Equity, excluding the IAS19 Pension deficit.

(ii) Net debt, and net borrowings, are calculated as total loans and borrowings less cash and cash equivalents.

FINANCIAL SUMMARY

SUMMARY OF RESULTS

	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000
Revenue	92,363	87,920	83,052	84,518	79,241
Adjusted operating profit (excluding IAS 19 impact & exceptionals)	6,869	6,264	3,899	2,545	2,535
Adjusted profit before tax (excluding IAS 19 impact)	6,566	5,173	3,494	2,088	2,052
Impact of IAS 19	(926)	(1,305)	(919)	(775)	(806)
Profit before tax	5,640	3,868	2,575	1,313	1,246
Earnings per share - diluted	50.0p	31.8p	20.1p	15.0p	10.0p

BALANCE SHEET SUMMARY

	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000
Non-pension assets – excluding cash	63,374	57,470	50,810	51,093	48,426
Non-pension liabilities – excluding borrowings	(18,503)	(17,019)	(14,289)	(11,230)	(10,831)
	44,871	40,451	36,521	39,863	37,595
Net IAS 19 pension deficit (after deferred tax)	(15,620)	(6,453)	(11,554)	(9,312)	(7,972)
	29,251	33,998	24,967	30,551	29,623
Net borrowings	(7,364)	(7,305)	(6,105)	(10,277)	(9,286)
Equity shareholders' funds	21,887	26,693	18,862	20,274	20,337
Gearing % - before IAS 19 deficit	20%	22%	20%	35%	33%
Gearing % - after IAS 19 deficit	34%	27%	32%	51%	46%
Capital expenditure £'000	5,315	4,086	2,619	2,958	4,072

Non GAAP Measures:

- (i) The IAS 19 pension adjustments are explained in detail in the Financial Review section, pages 23 - 31. The total amount excluded from the IAS pension charged is £926,000 (2016: £1,305,000). The adjustment, which we refer to in these accounts as "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) We also exclude exceptional items from certain internal profit measures and in setting management incentive scheme targets. These items, which by their nature are material items which are not expected to recur, are excluded in order to provide a clearer picture of the underlying performance of the Group.

CHAIRMAN'S LETTER

Dear Shareholders,

I am very pleased to report that 2016/17 has seen another year of sustained growth in line with our aspirations for the Group.

This is a direct result of our strategic plans introduced in recent years executed with the utmost care and attention under the leadership of CEO Phil Wild and his team.

The progress of the Group is also testament to the contribution provided by each and every one of our employees. The value in the business, as noted previously and within this report, truly comes from its people and I wish to thank them all. Accordingly, I was delighted that there was strong support for a revised (and uplifted)

profit related bonus scheme for employees. This took effect from 1 April 2017 and will see our employee share ownership grow in the coming years.

Turning to our divisions in turn, TFP, led by Martin Thompson, demonstrated continued growth in revenue. However, owing to extra costs – predominantly associated with investment in additional capacity for growth in future years – profits were only marginally ahead of the prior year. TFP's market position continues to look strong. It has seen an upsurge in fuel cell activity, where it enjoys a good position, and this should be sustained within stationary

power generation as well as – in time – the automotive sector. Meanwhile, the F35 Joint Strike Fighter programme continues to grow in line with expectations, as does the composites transport market.

Paper made good progress in the year in margin growth and with some revenue improvements. As previously, this has been underpinned by focusing on core markets such as packaging and digital imaging as well as ensuring we maintain excellent relationships with key accounts.

Another important development in Paper during the year was the appointment of Steve Adams as Managing Director of this £70m+ division. Steve joined the Group and Board from 3M where he notched up over 30 years of highly relevant commercial and general management experience. The Board felt it was important to provide Paper with its own dedicated leader, the role having been undertaken

by the CEO for many years. This change allows Phil Wild to give greater support across the Group on business growth strategies.

Our businesses have also benefitted significantly in the year from operational improvements spearheaded by COO Dave Watson and team. There are many positive performance indicators of progress in operations, ranging from improved delivery metrics to lower process losses, all of which have contributed to this year’s good performance.

Safety statistics, the most important measure of all, also continue on a positive trend. While we remain determined to reduce our lost time accident levels to zero, it was encouraging to see them halve to four in the financial year and the severity rating fall by 90%. In line with this, we were recently awarded the RoSPA gold award for safety performance for the third year running.

Last and not least, our new business unit James Cropper 3D Products (3DP) had an eventful year. There was significant investment in production equipment, now fully commissioned, and the business is seeing strong interest in its unique range of coloured moulded pulp, designed to replace plastics in a range of industries. It is envisaged the business will be cash generative this year with strong growth potential for many years thereafter.

Another key event in the year, albeit outside the Group, was Brexit. The vote was not the result the Company was seeking but it has not led to any changes in our investment programmes or other strategies. To date the prime impact has been weaker £ Sterling which has led to modest currency gains for the Group owing to more than 50 percent of our turnover being exported. Nevertheless, the Board is monitoring the potential risks very carefully. Brexit has been an agenda item reviewed at every Board meeting since the vote and scenario planning is underway. One crucial factor could be the government’s Industrial Strategy. We have responded to consultations on this directly and via membership organisations such as the CBI and Confederation of Paper Industries and await further developments with some anticipation.

The year saw another notable exit with the retirement of Non-Executive Director Doug Mitchell, who stepped down at the end of the financial year. Doug has played a critical role in the turnaround of the Group’s fortune in the last five years. I would like to extend him our profound thanks for his careful counsel and the transformation this has catalysed.

Basic earnings per share has increased by 54% to 50.5p per share with diluted earnings per share increasing by 57% to 50.0p per share.

The Board is recommending a final dividend of 9.3 pence per share, making a total dividend for the financial period of 11.8 pence per share, an increase of 27% on the prior period.

DIVIDEND PER SHARE 2017

2017	11.8p
2016	9.3p
2015	.5p
2014	7.9p
2013	7.9p

OUTLOOK

I feel this year has represented something of a watershed for the Group. We have built on prior successes and are beginning to deliver a level of potential we have felt possible for so long. An important element of this has been lifting margins (and related measures such as cashflow or EBITDA) to a level that is stronger and more reliable, albeit still with room for improvement. I am also hopeful our vision and values are underpinning a business that is sustainable in every sense of the word: not only as represented in our products and materials, but also in terms of our people at all levels. A recent upshot of this is that the Board now feels more able to turn its attention to the longer term, looking at strategies to ensure growth beyond the customary three years. It is too early to say much more, but owing to our determination to remain independent, organic growth centred on an outstanding culture of innovation is likely to feature strongly.



Mark Cropper

Chairman

26 June 2017

CHIEF EXECUTIVE'S REVIEW

KEY PERFORMANCE INDICATORS

REVENUE (2016: £87.9m)	£92.4m +5%
ADJUSTED OPERATING PROFIT (excluding IAS 19 impact & exceptional items) (2016: £6.3m)	£6.9m +10%
ADJUSTED PROFIT BEFORE TAX (after exceptional items but before IAS19 impact) (2016: £5.2m)	£6.6m +27%
PROFIT BEFORE TAX (2016: £3.9m)	£5.6m +46%
NET BORROWINGS (2016: £7.3m)	£7.4m +1%
DILUTED EARNINGS PER SHARE (2016: 31.8p)	50.0p +57%
FULL YEAR DIVIDEND PER SHARE (2016: 9.3p)	11.8p +27%

PROFIT

I am pleased to report a 10% growth in adjusted operating profit, prior to the impact of IAS 19 pension adjustments and exceptional costs, a profit of £6.9m in the year to 1 April 2017, compared to £6.3m in the prior year.

Adjusted profit before tax (after exceptionals and prior to IAS 19) was £6.6m, up £1.4m on 2016, representing an increase of 27%.

Profit before tax of £5.6m, up £1.7m, or 46% on the prior year.

REVENUE AND OPERATING PROFIT

Group revenue for the financial year was £92.4m, up 5% on the prior year.

Revenue for James Cropper Paper grew by 3% in the year to £71.0m and operating profit by 24% to £3.2m.

Revenue for Technical Fibre Products grew by 14% in the year to £21.3m and operating profit up 1% at £5.9m

RESEARCH AND DEVELOPMENT

Research and development is a fundamental part of our growth strategy, adding to our capability, maintaining our competitiveness and bringing new product lines into our target markets. The Group continues to invest in research and development with expenditure in R & D of £1.4m this year, of which £0.5m has been capitalised in respect of 3DP.

CAPITAL EXPENDITURE

Capital expenditure during the year was £5.3m (2016:£4.1m).

CASH AND DEBT

The Group had gross debt of £9.3m at the balance sheet date and cash of £1.9m, giving a net debt of £7.4m (2016: £7.3m). The Group had undrawn overdraft and revolving credit facilities of £7.8m, as at 1 April 2017, and borrowings of £1.6m to be repaid within 12 months.

The undrawn facilities and the cash provide funds against which the short term borrowings can be paid, leaving £8.1m of funds available to the Group at the year end.

Gearing at the financial year end, after deduction of the IAS 19 pension deficit, was 34% up from 27% on the previous year. Gearing, excluding the impact of IAS19, was 20% down from 22% on the previous year.

APPROVAL OF STRATEGIC REPORT

In accordance with Section 414 (D) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, the Company has prepared a Strategic Report. The Strategic Report in its entirety has been approved by the Board of Directors.

BUSINESS MODEL

BUILDING TODAY'S BUSINESS TO CREATE TOMORROW'S

Our five strategic platforms remain steadfast and prominent as we continue to progress our growth strategy across the James Cropper Group. Most importantly, it is clear that our strategy is delivering: Following a record profit year last year, this year we again report record profits for James Cropper PLC. As we move forward our expectation is that we will build on this success.

- Building a high performance culture
- Delivering superior levels of operational excellence
- Growing in existing markets
- Growing in new profitable markets
- Building customer intimacy and brand presence

WORKING WITH CLEAR FOCUS

This has been a year of refining our focus in terms of our core business, our core capabilities and our unique potential for diversification. James Cropper PLC holds three core pillars of capability, and we have worked hard to understand and define these throughout our businesses. The purpose of this is to steer and fine-tune our investments and developments – maximising the impact of everything we do.

EXPERTS IN FIBRE INNOVATION

Our in-depth understanding of 'fibre science' enables us to push the boundaries of performance and creativity across wide-ranging sectors. For example, TFP have developed a range of products that improve fracture-toughness by 400% for composite materials.

EXPERTS IN COLOUR

We lead the paper and fibre industry in colour choice, quality, consistency and technical performance. For example, James Cropper 3D Products provides the widest range of coloured, moulded fibre products available in the global market today.

STRENGTH THROUGH SUSTAINABILITY

Sustainable manufacturing and supply chain, sustainable products, sustainable success. For example, we upcycle 0.5 billion consumable coffee cups a year to create high quality, beautiful packaging papers.

WORKING WITH LONG TERM VISION

Clear focus has driven new investment in technical capabilities and leadership skills – in order to strengthen our core business. This can be observed with our apprenticeship schemes, partnerships with leading universities for technical and leadership best practice and our internal leadership programmes.

By leveraging the capabilities of our employees we have been able to spread experience and skills throughout the group in a way that creates new opportunity for innovation and diversification. An example of this is the creation of light weight damage resistant aerospace fuel pipes with the potential to save 26 tonnes of fuel for each aircraft per year.

We look to embrace technically challenging innovations, where we have a unique ability to create new value and enter new markets with confidence. This synergy of our core capabilities and new diversifications gives us the competitive edge that will continue to shape our future.

**STRENGTHENING
CORE BUSINESS**

**FOCUSING ON
CORE CAPABILITIES**

**SYNERGY IN
DIVERSIFICATION**

SHAPING THE FUTURE

James Cropper 3D Products combines the highest levels of expertise in pulp-based manufacture and colour blending.

We are unique in our ability to bring together these levels of expertise within our business – creating something that's simply not possible to achieve in the same way elsewhere.

This is how we have addressed a major challenge in the packaging industry, and are meeting global demand for a new generation of renewable, recyclable, moulded fibre packaging that enables brands to reduce their environmental impact without creative compromise.

**JAMES CROPPER
3D PRODUCTS**

James Cropper 3D Products demonstrates synergy between our core strengths and the focus of our diversifications – as we respond to global demand for sustainable innovation in product packaging, delivering a product with less than 50% carbon footprint of its plastic alternative.

COLOUR

- Creative freedom in sustainable packaging

FIBRE

- Progress in technical performance

SUSTAINABILITY

- Renewable, recyclable and biodegradable

KNOWING WHO WE ARE

It is striking how everything we do today resonates so clearly with the values that have driven James Cropper PLC for over 170 years.

This respect for our heritage is important. James Cropper has always been a forward-thinking business with a commitment to people, skills and innovation. As the world changes we continue to thrive on our strengths while also finding new relevance for our expertise.

A business with such long heritage brings a deep social responsibility, one that we are proud to embrace both locally, and globally. We value people and we go above and beyond to ensure fair and ethical employment in all our territories. We value natural resources not only in our local environment, but globally as we remain committed to ethical sourcing of raw materials and innovation with recycled fibres. We value our communities providing support for local education, infrastructure and local charities.

Going above and beyond has always been the James Cropper way and always will be.



Phil Wild

Chief Executive Officer

26 June 2017

Source: Independent Thinkstep completed in 2017



FINANCIAL REVIEW

PROFIT SUMMARY

Adjusted Profit before tax, prior to the impact of IAS 19, has seen growth with a 27% increase on prior year to £6,566,000 (2016: £5,173,000).

The application of IAS 19 "Employee Benefits" and the impact on profits is explained in chart 3 and in the pension section of this report. After IAS 19 the Group's Statement of Comprehensive Income reports a Profit before tax of £5,640,000 which is 46% up on prior year (2016: £3,868,000).

TABLE 1 - PROFIT SUMMARY

	2017 £'000	2016 £'000	CHANGE £'000	CHANGE %
Paper Products	3,209	2,592	617	24%
Technical Fibre Products	5,940	5,904	36	1%
3D Products (3DP)	(426)	(438)	12	-3%
Other Group expenses	(1,854)	(1,794)	(60)	-3%
Adjusted Operating Profit prior to IAS 19 and exceptionals	6,869	6,264	605	10%
Net interest prior to IAS 19 finance costs	(283)	(326)	43	-13%
Adjusted Profit before tax prior to IAS 19 and exceptionals	6,586	5,938	648	11%
Exceptional items	(20)	(765)	745	-99%
Adjusted Profit before tax prior to IAS 19	6,566	5,173	1,393	27%
Net IAS 19 pension adjustments	(661)	(839)	178	-21%
Net current service charge required	(265)	(466)	201	-43%
Net IAS 19 pension adjustment before tax	(926)	(1,305)	379	-29%
Profit before tax	5,640	3,868	1,772	46%

The Group operates 3 separate divisions; Paper, Technical Fibre Products (TFP) and James Cropper 3D Products (3DP), a start-up business established in 2016.

The Paper division is a custom speciality papermaker and converter manufacturing exclusively in Great Britain. We are renowned globally for expertise in the low volume tailor made manufacture of high quality, uncoated, coloured papers. Success this year has come from a focus on key market sectors including digital imaging and the packaging sector where our papers provide unique aesthetics and functionality which adds value to our customers' products and brands. Paper has operating profits of £3,209,000 (2016: £2,592,000), up 24% on prior year.

Technical Fibre Products (TFP) develops and manufactures high performance non-woven materials at manufacturing locations in Great Britain and the USA. TFP tailors its production to meet specific performance requirements and its non-wovens find applications in a variety of sectors such as advanced composites (including aerospace & automotive), fire protection, thermal insulation, and power storage. In the prior year TFP commissioned a new production line at the Burnside facility in the UK which doubled UK production capacity in non-woven materials and also invested in nano-particle plating technology and a metal coated fibre line in the USA. During the year TFP increased resource to support these lines and undertook successful product validation in the UK ensuring materials can be manufactured to the equivalent specification, standards, quality and

assurance on the newly installed line. By the end of the year sales from the new UK production line contributed 9% of total revenues. Notwithstanding additional labour, energy, materials and depreciation costs in the year, TFP has grown sales and is marginally up on prior year with operating profits of £5,940,000 (2016: £5,904,000).

3D Products (3DP) is a new business that diversifies the James Cropper Group whilst leveraging its existing technical strengths. 3DP operates as a separate business unit to the other businesses and produces moulded fibre (paper) packaging parts in a wide range of colours, providing a genuinely sustainable alternative to plastic packaging delivering high quality products in vibrant colours which are fully recyclable, compostable and biodegradable. The scale-up phase in the year to 1 April 2017 saw the implementation and commissioning of thermoforming production lines, product development, prototyping capability and production tooling solutions. By the end of the year 3DP's presence and reputation has grown, receiving uncanvassed interest. Whilst 3DP traded in the year the majority of activity has been in customer led projects developing products, many of which are close to commercialisation. After the capitalisation of £458,000 of development costs under IAS 38 "Intangible Assets", 3DP made a loss in the year of £426,000.

Net costs of £765,000 were recognised separately as exceptional costs in the prior year; in 2017 the comparative amount is only £20,000.

The IAS 19 "Employee Benefits" standards have been applied to employee benefit costs and to interest charges and are further explained in the pensions section of this report. The IAS 19 impact for the year end 1 April 2017 is £926,000 (2016: £1,305,000).

REVENUES

TABLE 2 - REVENUE SUMMARY

	2017 £'000	2016 £'000	CHANGE £'000	CHANGE %
Paper Products	71,024	69,182	1,842	3%
Technical Fibre Products	21,332	18,738	2,594	14%
3D Products	7	-	-	-
Revenue	92,363	87,920	4,443	5%

Group revenues have increased to £92,363,000 (in a 52 week year) from £87,920,000 in 2016 (a 53 week year), this is a 5% increase. The weakness of sterling during the year has driven some of the revenue growth in Europe and the US, and markets have experienced a small decline in the UK. 54% of Group revenues come from export sales (2016: 51%).

Paper's revenue growth of 3% has been achieved in European markets with marginal growth experienced in the American and Asia markets. TFP's exceptional revenue growth of 14% has been achieved across all export markets with American markets contributing over 60% of all sales in the year (2016: 58%).

CURRENCY

TABLE 3 - CURRENCY

	US\$	€
Opening rate 2 April 2016 v. £	1.4132	1.2417
Closing rate 1 April 2017 v. £	1.2465	1.1686
Exchange rate movement	11.80%	5.89%
Strengthen / (Weaken) v. £		

Table 3 compares the opening and closing exchange rates for the financial year. On 23 June 2016 the British people voted to leave the European Union and the value of the pound dropped steeply against the Euro and the Dollar. Whilst over half of the Group's sales are exports, Euros are used to purchase Euro priced pulp and other Euro priced raw materials and Dollar receipts are used to fund the purchase of Dollar priced pulp. Potential exposure to foreign currency surpluses or deficits are dealt with via foreign currency trades during the year using forward selling or forward purchasing contracts. No forward contracts are in place at the year end.

EXPENSES

Table 4 captures key expenses down to operating profit, excluding exceptional costs.

TABLE 4 - EXPENSES	2017 £'000	2016 £'000	CHANGE £'000	CHANGE %
Raw materials and consumables used	(34,793)	(35,795)	1,002	-2.8%
Energy costs	(4,501)	(4,519)	18	-0.4%
Employee benefit costs (Table 12)	(26,238)	(25,155)	(1,083)	4.3%
Depreciation and amortisation	(2,297)	(2,306)	9	-0.4%
Other expenses	(18,468)	(16,996)	(1,472)	8.7%
Other income and changes in inventory	142	3,276	(3,134)	-95.7%
Total Expenses	(86,155)	(81,495)	(4,660)	5.7%

Table 4 shows expenses to be 5.7% up on prior year, however the prior year recognises a £1,000,000 grant within other income. Excluding the prior year grant receipt, costs are up £3,660,000 and 4.5%.

Raw materials and consumables, have been impacted in sterling terms due to the weakness of the pound. Pulp is a major commodity for the Paper business and prices in currency were subdued during the year. Other materials and consumables including chemicals, dyes and metals were used in line with production volumes. Gas prices are affected by global supply and demand and price can be subject to significant fluctuations, however the Group mitigated its exposure to energy costs by securing a purchase forward price contract that provided the Group with a degree of certainty during the year and energy costs overall remained on a par with prior year.

Employee benefit costs rose by 4.3% over the year. During the year the average number of full time equivalent employees increased by 6 to 524. Additional employment costs also arose as a consequence of government reforms where in April 2016 the 'contracting out status' was removed and employers, who previously paid a lower national insurance rate, now pay an additional 3.4% in national insurance contributions on defined benefit pension scheme members. A further employment cost for future years is the apprenticeship levy which the Group expects to add a further £100,000 a year. Employment costs of £26,238,000 incorporate a charge under IAS 19 "employee benefits" and these are further explained in the pension narrative of this report and can be seen in table 12.

Other expenses covers a range of activities including, but not exclusively freight and distribution charges, development and training programs, marketing activities, general repairs and maintenance and site running costs. In the prior year a program of expenditure on replacement and repair activities at the Burnside site was deferred to be picked up in 2017. In 2017 this program was followed through and major repair projects are up £1,100,000 on prior year.

EBITDA

The Group monitors EBITDA where EBITDA is operating profit before interest, tax, depreciation and amortisation and prior to the impact of IAS 19 "employee benefits" on profits and any exceptional items. It provides an indication of cash generated from the Group's operations.

TABLE 5 - EBITDA	2017 £'000	2016 £'000	CHANGE £'000	CHANGE %
Adjusted Operating Profit before IAS 19 impact and exceptionals	6,869	6,264	605	10%
Depreciation and amortisation	2,297	2,306	(9)	0%
EBITDA prior to IAS 19 and exceptionals	9,166	8,570	596	7%

The Group achieved a 7% increase in EBITDA, £9,166,000 compared to £8,570,000 in the prior year comparative - both Paper and TFP continue to be strongly cash generative.

THE IMPACT OF IAS 19 ON OPERATING PROFIT AND PROFIT BEFORE TAX

The Group's profit before tax is based on the adjustments required to incorporate IAS 19, these adjustments are within operating costs and finance costs as described in detail in the pensions section of this report. The IAS 19 impact for the year ended 1 April 2017 is £926,000 (2016: £1,305,000).

TAX

The Group's total tax charge for the year is £910,000 (2016: £874,000), a tax rate of 16% on profit before tax. The effective rate is lower than the standard rate of corporation tax in the UK (20%) mainly as a result of non-taxable income, rate changes and the treatment of deferred tax assets at the rate of 17%, the rate substantially enacted at the balance sheet date.

BALANCE SHEET**TABLE 6 - BALANCE SHEET**

	2017 £'000	2016 £'000
Non-pension assets - excluding cash	63,374	57,470
Non-pension liabilities - excluding borrowings	(18,503)	(17,019)
	44,871	40,451
Net IAS 19 pension deficit (after deferred tax)	(15,620)	(6,453)
	29,251	33,998
Net borrowings	(7,364)	(7,305)
Equity shareholders' funds	21,887	26,693
Gearing % - before IAS 19 deficit	20%	22%
Gearing % - after IAS 19 deficit	34%	27%
Capital Expenditure £'000	5,315	4,086

Table 6 shows a decrease in shareholders' funds after taking into account the net IAS 19 pension deficit of £15,620,000 (2016: £6,453,000). Non-pension assets have increased from £57,470,000 to £63,374,000 driven from the value of trade receivables echoing trade levels at the end of the year and capital investments in the year totalling £5,315,000. Capital investments have been made in all 3 divisions, and on flood mitigation and protection projects, however the largest investments this year were in 3D Products on the thermoforming machines. Non-pension liabilities have increased by £1,484,000 due to trade payables. With an EBITDA of £9,166,000 (2016: £8,570,000) the Group's leverage ratio (Net debt/EBITDA) remains strong at 0.8, (2016 leverage ratio of 0.9).

TABLE 7 - NET PENSION DEFICIT

	2017 £'000	2016 £'000	CHANGE £'000
Retirement benefit liabilities	(18,820)	(7,870)	(10,950)
Deferred tax asset	3,200	1,417	1,783
Net Pension Deficit	(15,620)	(6,453)	(9,167)

Table 7 shows the overall IAS 19 pension deficit which increased by £10,950,000 to £18,820,000 at the year end. After offsetting a deferred tax asset of £3,200,000 the IAS 19 pension deficit, net of deferred tax decreased by £9,167,000 over the year to £15,620,000. A greater analysis of IAS 19 on pensions is provided within the pensions section of this report.

PROFIT SUMMARY

TABLE 8 - FUNDING

	2017 £'000	2016 £'000	CHANGE £'000
Cash and cash equivalents	1,921	3,186	(1,265)
Borrowings: repayable within one year	(1,570)	(3,886)	2,316
Borrowings: non-current	(7,715)	(6,605)	(1,110)
Net debt	(7,364)	(7,305)	(59)
Borrowings: repayable within one year	1,570	3,886	(2,316)
Borrowings: non-current	7,715	6,605	1,110
Facilities drawn down	9,285	10,491	(1,206)
Undrawn facilities	7,751	5,013	2,738
Facilities	17,036	15,504	1,532
Cash and cash equivalents	1,921	3,186	(1,265)
Undrawn facilities	7,751	5,013	2,738
Funds available at year end	9,672	8,199	1,473
Borrowings: repayable within one year	(1,570)	(3,886)	2,316
Funds available in excess of one year	8,102	4,313	3,789

Table 8 provides an overview of the Group's funding position where we can see that net debt has remained on a par with prior year. The Group secured a second revolving credit facility in the year. 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 £6,407,000 is drawn down at year end. Long term borrowings (falling due after more than a year) increased by £1,110,000 to £7,715,000 whilst cash and cash equivalents moved down from £3,186,000 to £1,921,000 in the year. The undrawn facilities comprises the unused overdraft facilities of £3,658,000 plus the unused total revolving credit facilities of £4,093,000.

TABLE 9 - CASH

	2017 £'000	2016 £'000
EBITDA (excluding IAS 19 impact and exceptionals)	9,166	8,570
Pension deficit payments	(1,362)	(1,323)
Increase in working capital	(76)	(2,112)
Other	(1,012)	(1,417)
Net cash generated from operations	6,716	3,718
Capital expenditure	(5,315)	(4,086)
Dividends	(881)	(772)
(Decrease) / increase in loans	(1,665)	1,506
Other	(120)	99
Increase / (decrease) in cash	(1,265)	465
Opening cash	3,186	2,721
Closing cash	1,921	3,186

Table 9 shows the key inflows and outflows of cash in the year and the impact on cash and cash equivalents. In the year the Group's net cash outflow was £1,265,000 (2016: inflow £465,000). Cash and cash equivalents moved down from £3,186,000 to £1,921,000 in the year. EBITDA has increased from £8,570,000 to £9,166,000. The Group aims to control working capital whilst growing revenues and during the year working capital investment increased by £76,000 whilst revenues increased by £4,443,000. Past service deficit payments of £1,362,000 continue to be made in accordance with the agreed schedule of contributions. Capital expenditure in the year was £5,315,000 (2016: £4,086,000). Available cash reserves have been used to repay short term debt. The closing cash position for the Group is £1,921,000 (2016: £3,186,000).

PENSIONS

The Group operates three pension schemes. An increasing number of employees, now close to 60%, have defined contribution personal payment plans, where the retirement benefits are determined by the value of funds arising from contributions paid in respect of each employee. The Group also operates two defined benefit plans which require contributions to be made into separately administered funds and the benefits are based on employee's pensionable salary and length of service. The Group, or the Company, makes contributions into employees' personal pension plans and the defined benefit schemes.

DEFINED BENEFIT SCHEMES : "ON-GOING" VALUATION

The Group operates two funded pension schemes providing defined benefits for a decreasing 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 latest actuarial "on-going" valuations of the Group's pension Schemes at April 2016 determined the combined deficit of the schemes to be £15.8 million.

Table 10 compares the "ongoing" valuations as at April 2016 and the previous valuations as at April 2013. The defined benefit pension schemes are sensitive to a number of key factors: the value of the assets, the discount rate used to calculate the schemes liabilities (based on a premium above gilt yields), the expected rate of inflation in the future and the mortality assumptions for members of the schemes. Changes in these assumptions will impact the deficit positively or negatively. With updated assumptions and a lower discount rate of 3.55% (April 2013 4.45%) the funding level has closed by only 0.17% over the 3 years and the combined deficit for the Group to manage has increased by £3.1m.

The April 2016 "on-going" valuation resulted in liability management and a new agreement with the trustees on payments to reduce the deficit.

TABLE 10 - COMPARISON OF TRIENNIAL "ON-GOING" VALUATIONS

TRIENNIAL "ON-GOING" VALUATION 2016		STAFF SCHEME £'000	WORKS SCHEME £'000	TOTAL
Discount Rate		3.55%	3.55%	3.55%
Assets		44,401	47,901	92,302
Liabilities		(48,079)	(60,045)	(108,124)
Deficit		(3,678)	(12,144)	(15,822)
Funding level - %		92.4%	79.8%	85.4%
TRIENNIAL "ON-GOING" VALUATION 2013		STAFF SCHEME £'000	WORKS SCHEME £'000	TOTAL
Discount Rate		4.45%	4.45%	4.45%
Assets		35,255	37,815	73,070
Liabilities		(38,837)	(46,925)	(85,762)
Deficit		(3,582)	(9,110)	(12,692)
Funding level - %		90.8%	80.6%	85.2%
CHANGE FROM 2013 TO 2016 TRIENNIAL "ON-GOING" VALUATION		STAFF SCHEME £'000	WORKS SCHEME £'000	TOTAL
Discount Rate		-0.90%	-0.90%	-0.90%
Assets		9,146	10,086	19,232
Liabilities		(9,242)	(13,120)	(22,362)
Increase in deficit		(96)	(3,034)	(3,130)
Funding level - %		1.57%	-0.81%	0.17%

PENSIONS

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 will be 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 will be in line with the annual increase in the Consumer Price Index, these actions protect the Group's exposure to future costs.

THE ON-GOING VALUATIONS ARE USED BY THE GROUP TO MANAGE PENSIONS

It is the Group's legal responsibility to fund the defined benefit pension scheme deficits. The IAS 19 year end valuations requires the Group's actuaries to make a number of assumptions on a different basis to the on-going valuations, frequently resulting in wide fluctuations and large variations in the "pension balance" year on year. The ongoing valuations are carried out every three years and provide the Group with a steady platform to manage the deficit from one valuation to the next and to agree a funding plan. To this end it is the on-going valuations which the Group monitors and tracks in order to manage pensions, rather than the IAS19 valuations.

THE "ON-GOING" VALUATION PAYMENT PLANS

Under the renewed payment plans represented in chart 1, the Group has agreed to pay contributions of £1.3m per annum to reduce the past service deficits and a further £0.1m per annum to meet pension protection levy payments, a total of £1.4m each year. These have an impact on both cash and the deficit and are recognised on the Statement of Financial Position (SFP). The Group reached an agreement with the Trustees on a schedule of annual cash contributions to eliminate the deficit as follows:

THE STAFF SCHEME

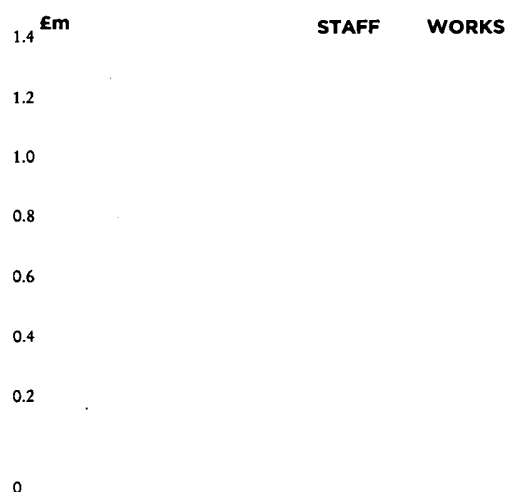
The actuarial valuation revealed a deficit of £3.7m. The Group has agreed

that it will aim to eliminate the deficit over a period of 3 years and 7 months from 1 July 2017 by the payment of annual contributions of £470,000 in respect of the deficit. The Company will also meet the expenses of the Scheme and the levies paid to the Pension Protection Fund.

THE WORKS SCHEME

The actuarial valuation showed a deficit of £12.1m. The Group has agreed that it will aim to eliminate the deficit over a period of 9 years from 5 April 2017 by the payment of annual contributions of £810,000 in respect of the deficit. These payments will increase as the staff scheme deficit is eliminated. The Company will also meet the expenses of the Scheme and the levies paid to the Pension Protection Fund.

CHART 1 - THE ON-GOING VALUATION PAYMENT



DEFINED BENEFIT SCHEMES: IAS 19 "EMPLOYEE BENEFITS"

IAS 19 requires the Group's actuaries to make a number of assumptions including, rates of inflation, discount rates and current and future life expectancies, based on values and market conditions at the date of the Statement of Financial Position. Discount rates for IAS 19 are based on corporate bond yields, whereas the discount rate used for the triennial on-going valuations was based on a premium above gilt yields. 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), and which in turn have an effect on the cost of such liabilities as recognised in the Statement of Comprehensive Income (SOCI).

As market values of the scheme assets and the discount factors applied to the scheme liabilities will fluctuate, this method of valuation will often lead to large variations in the “pension balance” year on year. The actuarial gains and losses arising from variances against previous actuarial assumptions are passed through to the Statement of Financial Position with corresponding movements in Reserves. Specific movements are offset by actual contributions paid by the employer in the period.

Table 11 shows the overall value of the schemes’ assets which have increased by 12% over the period. The schemes liabilities increased by 22%. The IAS19 valuations of these schemes as at 1 April 2017 reveal a combined deficit of £18.8m compared with £7.9m at the previous year end, an increase of £10.9m.

TABLE 11 - IAS 19 PENSION VALUATION 2017

	STAFF SCHEME	WORKS SCHEME	BOTH SCHEMES TOTAL 2017	TOTAL 2016	CHANGE %
Discount Rate	2.70%	2.70%	2.70%	3.55%	
	£'000	£'000	£'000	£'000	
Assets	52,194	53,638	105,832	94,271	12%
Liabilities	(56,225)	(68,427)	(124,652)	(102,141)	22%
(Deficit) / Surplus	(4,031)	(14,789)	(18,820)	(7,870)	139%
Funding Level - %	93%	78%	85%	92%	

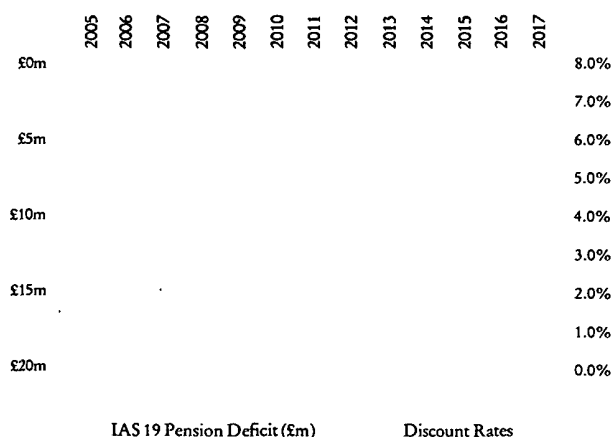
The increase in the schemes overall deficit is principally caused by the decrease in the discount rate to 2.70% (3.55% at 2 April 2016), this is fixed by reference to corporate bond yields which show a significant decline

compared to the prior year position.

Under IAS 19 the pension deficit is likely to be volatile and may in the future be very different from this current year end position. An indication of the potential variability of the scheme deficits under IAS 19 is set out in chart 2. The Group’s IAS 19 deficit has fluctuated markedly since 2005. The large declines in the combined deficit in 2008 and 2011 were as a result of significant reductions in future service benefits introduced in April of those years.

The discount rate of 2.7% on 1 April 2017 is the lowest rate that the schemes have ever experienced.

CHART 2 - THE RELATIONSHIP BETWEEN THE SCHEME DISCOUNT RATES AND THE IAS 19 PENSION DEFICIT.



IMPACT ON PROFIT

The Group is required to report the impact of IAS 19 on pensions. Profit before taxation is based on the adjustments required to incorporate IAS 19 “Employee Benefits”. The methodology set out under IAS 19 to calculate the pension scheme deficit is very different from those used with regard to their “on-going” valuations. Upon valuation at subsequent year-ends the movement in value from the previous valuation is expressed in the following component parts:

MOVEMENTS WHICH AFFECT PROFIT

OPERATING COSTS:

- Current service charge, being the cost of benefits earned in the current period shown net of employees’ contributions.
- Past service costs, being the costs of benefit improvements.
- Curtailment and settlement costs.

FINANCE COSTS, BEING THE NET OF:

- Expected return on pension scheme assets
- Interest cost on the accrued pension scheme liabilities

IAS 19 IMPACT ON OPERATING COSTS UNDER “EMPLOYEE BENEFITS COSTS”

The cost of providing pension benefits is included within Operating Profit on the Statement of Comprehensive Income. The costs include the costs for the defined contribution schemes, personal pension plans, defined benefit schemes, life assurance and government pension protection levies. For internal reporting purposes we adjust the pension charge calculated under IAS 19 to reflect the service cost implicit in the triennial valuations. This IAS 19 impact is £661,000 (2016 £839,000). Actual future service pension contributions paid in the period by the Group to its two final salary schemes in accordance with the actuaries' recommendations, resulting from their 2013 “on-going” valuations, were £529,000 (2016: £524,000). Under IAS 19 the total charge against Operating Profit in the year was £1,190,000 (2016: £1,363,000).

TABLE 12 - AN ANALYSIS OF EMPLOYMENT COSTS PRIOR TO IAS19 AND AFTER IAS 19

	2017 £'000	2016 £'000	CHANGE £'000
Wages and salaries	21,991	21,105	886
Social security costs	2,180	1,886	294
Pension costs - future service pension contributions paid	529	524	5
Other pension costs	877	801	76
Chargeable against operating profit prior to IAS 19	25,577	24,316	1,261
Wages and salaries	21,991	21,105	886
Social security costs	2,180	1,886	294
Pension costs - IAS19 impact on Operating Profit	1,190	1,363	173
Other pension costs	877	801	76
Chargeable against operating profit after IAS 19	26,238	25,155	1,083

Table 12 analyses employment costs of £25,577,000 charged against Operating Profit prior to IAS 19 and captures employment costs of £26,238,000 after IAS 19. Overall pension costs after IAS 19 have decreased by £97,000 to £2,067,000 in 2017.

IAS 19 IMPACT ON FINANCE COSTS

The income from plan assets allowed for in the interest cost is based on the discount rate, this impacts the costs shown in the Statement of Comprehensive Income. A charge of £265,000 is charged to the Statement of Comprehensive Income this year (2016: £466,000).

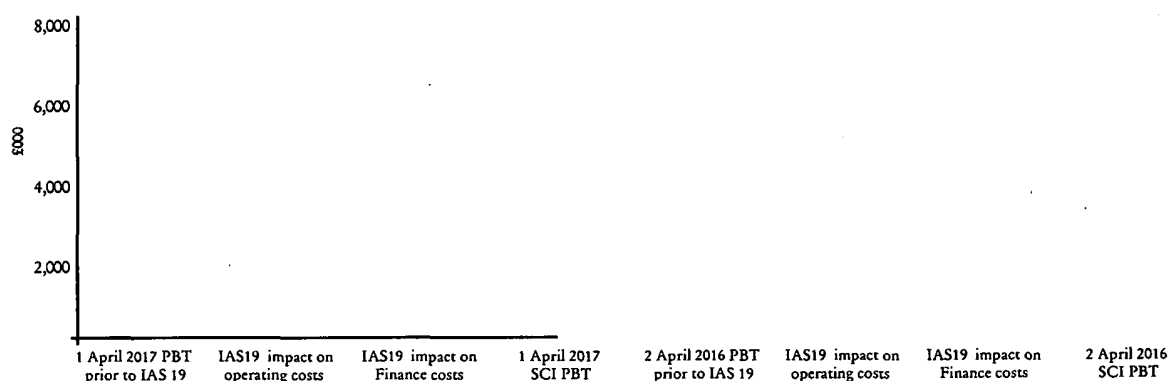
IAS 19 TOTAL IMPACT ON PROFIT

The Group's Profit Before Tax is based on the adjustments required to incorporate IAS 19, these adjustments are within operating costs and finance costs as shown.

The total IAS 19 impact for the year end 1 April 2017 is £926,000 (2016: £1,305,000).

Chart 3 sets out the impact of IAS 19 on Profit before tax in the last 2 years. The Group's Adjusted Profit Before Tax prior to IAS 19 adjustments is £6,566,000 (2016: £5,173,000), after IAS 19 is £5,640,000 (2016 £3,868,000).

Chart 3 presents the Group's Adjusted Profit Before Tax prior to IAS 19 and shows the IAS 19 adjustments to profit required to report profit before tax for the Statement of Comprehensive Income.

CHART 3 - IMPACT OF IAS 19 ON PROFIT BEFORE TAX

RISK MANAGEMENT

Effective management of risk is within the overall responsibility of the Board and is key to ensuring good governance and to achieving the Group's strategy. The Board has ownership of the risk management strategy and coordinates activity across the Group. There is an ongoing process for identifying, evaluating and managing significant risks faced by the Group, which has been in place for the year under review and up to the date of approval of this Annual Report.

The Group manages risk by a combination of insurance and self-insurance. Self-insurance refers to actions taken internally or in conjunction with other third parties. High risks in financial and operational areas are normally more dependent on insurance, however our flood resilience programme for the Burnside site is testimony to a self-insurance approach which provides protection to a key site. Risks in commercial and personnel areas, because of their nature, are more likely to be managed by self-insurance.

Each subsidiary company has a strategy and within that a process for highlighting the key risk areas of their business, and explaining the control measures and risk exposure. It then takes appropriate steps to manage the risk exposure taking into consideration the likelihood, impact and cost/benefit of each of the risks.

The Group's Audit Committee monitors and reviews the effectiveness of the Group's financial accounting process and system of internal controls. In addition, the Board has departmental teams with risk management briefs. These include:

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

PRINCIPAL RISKS

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

EMPLOYEE SAFETY

RISK DESCRIPTION AND IMPACT

Employee safety is paramount and the Group embraces the ethos that nothing we do is worth getting hurt for.

It is essential that the Group operates a process of continuous improvement in maintaining high standards of safety. The risk of safe working practices being out of date or behavioural standards falling could result in a serious accident.

If an incident were to arise where an unsafe practice was found to be taking place, this could potentially result in an employee getting seriously hurt, the interruption of operations, financial penalties and reputational damage.

MITIGATION

The Group has an extensive Health & Safety programme built around the ISO18001 framework which is proactively driven across every division. This is further supplemented with engagement from the Executive team and senior management in our proactive Workplace Standards Inspections initiative, where time is taken to review, grade and promote a safe working environment with employees at all levels across the organisation. Our dedication to continuously improving occupational health and safety has been recognised on 3 consecutive years as RoSPA (Royal Society For the Prevention of Accidents) has accredited the James Cropper Group with a Gold Award for 2014, 2015 and 2016.

Looking forward, the James Cropper Group remains fully committed to continuously improving its rigorous health and safety management system as it strives to deliver world class standards of safety. With this in mind, the James Cropper Group participates in external benchmarking and best practice set across the paper industry and is a proactive committee member of PABIAC (Paper And Board Industry Advisory Committee), a tripartite strategic health and safety delivery partnership for the paper, board and recovered paper industries, Health & Safety Executive (HSE) and union representatives.

ENVIRONMENTAL SUSTAINABILITY

RISK DESCRIPTION AND IMPACT

Environmental sustainability is at the heart of what we do at James Cropper and the way we operate safeguarding against environmental incidents is key. Should a material environmental incident occur at a James Cropper site this could result in material financial costs and reputational damage that undermines our commercial position as an environmentally responsible provider of sustainable products.

MITIGATION

The Group has detailed processes in place around the ISO 14001 framework which is proactively driven across every division to ensure as a minimum we comply with all environmental rules and regulations.

Looking forward, in addition the Group will continue to proactively engage with the Environment Agency and interested parties and seeks to enhance the way organisations can work together on environmental matters, controls and governance.

ENVIRONMENTAL FLOODING

RISK DESCRIPTION AND IMPACT

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

MITIGATION

Accounting for flood risk through transfer to insurance and ensuring effective crisis management practice in a flood response situation is one aspect of risk management that will continue.

The Group's main strategy is to build flood resilience and to minimise the impact of a future flood, enabling prompt operational recovery in the event of a flood. The Group is investing over £1m on a programme of works designed to protect key elements of plant and equipment and to remove material storage out of the flood risk zone.

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

ENVIRONMENTAL TAXATION

RISK DESCRIPTION AND IMPACT

EUETS is a mandatory scheme for greenhouse gas emission allowance trading introduced by the EU to tackle emissions of carbon dioxide and other greenhouse gases from a number of specific industrial activities. The Group's combustion facilities became subject to this scheme as from 1st January 2008 under Phase 2. Phase 3 of the scheme is now underway and the Group's annual allowances have been reduced to an average of 16,000 tonnes of CO₂ per annum (phase 2: 41,000 tonnes) resulting in an average of 24,000 tonnes of CO₂ to be purchased on the EU Emissions Trading Scheme.

RISK ON PRICE

Prices are presently low due to over-supply in the market and this keeps the cost of carbon emissions low. The risk is that the over-supply will be addressed by the EU and the actions taken will have a significant impact on prices. The likely result is that the current single figure prices rise significantly and create an increasing financial burden on the Group. Accounting for flood risk through transfer to insurance and ensuring effective crisis management practise in a flood response situation is one aspect of risk management that will continue.

MITIGATION

As part of its energy strategy the Group considers diversification away from gas to alternative fuels and this also includes consideration of investments into sustainable energy saving solutions including technologies to reduce emissions or technologies which do not emit CO₂ whilst generating energy.

In order to comply with EUETS phase 3 the Group will meet its mandatory requirement to purchase 24,000 tonnes of CO₂ a year. The Group actively considers forward contracts to manage its costs in this area. At the year end March 2017 forward carbon emission purchase commitments are in place to December 2018, these provide the Group with some certainty over the future cost of emissions.

ENERGY MANAGEMENT AND ENERGY TAXATION RISKS

RISK DESCRIPTION AND IMPACT

Risk on Energy Intensive Industries (EIIs).

The European Commission (EC) has recognised that EUETS could easily cause EIIs to move operations outside the European Economic Area or to close. The EC has created a special category, “Industries at risk of carbon leakage”, to afford some shelter from the tax for those companies most at risk.

Industries in this category receive beneficial treatment through Phase 3 of EUETS in that they do not have their free allowances reduced on a sliding scale throughout the Phase, as will happen with non-EIIs.

The Group benefits from this concession as the paper sector is a carbon leakage sector. The risk is that in 2019 shelter from EUETS is removed prior to phase 4 of EUETS. Should the EC remove the carbon leakage status given to the paper industry the Group will face ever increasing costs of emissions, making operations unaffordable and it would be uncompetitive to stay within the EU. Following Brexit it remains to be seen whether the UK will opt to stay within the EUETS scheme or to leave it.

Risk that the Carbon Price Floor exemptions are withdrawn.

The Carbon Price Floor is part of the government’s Electricity Market Reform package. It is a combination of the EUETS European Union Allowance (EUA) price and a top-up amount that, when added to the EUA price, forms the “Floor” price of carbon that HM Government has set. This levy is a UK “green” tax on the generation of electricity. From 1st April 2013 the Group has been subject to the Carbon Price Floor. HM Government announced changes to legislation that will largely exempt the Group from the Carbon Price Floor from 2015 onwards, due to its operation of an energy efficient Combined Heat and Power (CHP) plant. The risk to the Group that government support could be withdrawn making the cost of manufacture rise and placing James Cropper at a distinct disadvantage to its EU competitors as well as those in the rest of the world. Added to this is that from 2019 onwards, HM Government will remove the freeze currently on the Carbon Price Floor and commence annual increases in line with inflation.

Risk that planned Climate Change Levy (CCL) increases result in an additional tax burden for the Company.

HM Government is to rationalise energy taxation by terminating the Carbon Reduction Commitment Energy Efficiency Scheme (CRC) at the end of 2018/19 and by increasing the CCL rates on gas and electricity to offset revenue losses. CCL is charged for all businesses per kWh of electricity of gas that they use.

MITIGATION

The Group’s energy strategy considers investments into technologies which reduce emissions or technologies which do not emit CO₂ whilst generating energy. Until a suitable investment opportunity is found, the Group will continue to operate within the existing framework and be subject to EC regulation in this area as it develops.

James Cropper PLC is a member of the Confederation of Paper Industries (CPI) an organisation which works on behalf of the UK’s paper-based industries. The CPI lobbies HM Government alongside other UK intensive energy users to protect UK industry and manufacturing from carbon leakage. In 2016, the Company has qualified for compensation for the indirect cost of EUETS and Carbon Price Support (CPS) and also for the indirect cost of the renewables obligation and small scale feed-in tariff; and will continue to apply for compensation whilst this support is available from the Government. A new scheme for partial compensation for the indirect costs of Contracts for Difference (CfD) has recently been announced by the Department for Business, Energy & Industrial Strategy (BEIS) and the Company will be applying for that. The CPI also addresses issues that impact UK manufacturers such as the Carbon Price Floor and is a leading trade association that monitors proposals to tax carbon and represents industries which are threatened by new taxes.

The Group evaluates operational energy efficient improvements on a continuous basis and is keen to recognise and adopt energy reduction measures. **James Cropper is pleased to have obtained ISO 50001 accreditation in November 2015, an international standard recognising the best energy management practices.** This is an alternative route to compliance with the Energy Savings Opportunities Scheme (ESOS) a mandatory initiative for large UK enterprises requiring regular 4-yearly audits of energy use. The Group opted to take the ISO 50001 route as it presents a better way than ESOS for making energy savings, using, as it does, a continual improvement process.

The Company is signatory to a Climate Change Agreement (CCA) with HM Government. In return for discounts on CCL charged for electricity and gas, the Company undertakes to reduce kWh electricity use/tonne of saleable product in line with targets agreed with HM Government, or to pay a penalty if targets are not met. Generally speaking, penalty payments are outweighed by the CCL benefit. It is intended by HM Government that the projected rises in CCL rates to offset CRC losses for HM Government will be revenue neutral for CCA signatories, as CCL discount rates will be adjusted to achieve financial neutrality. Protection afforded by the CCA runs until 2023. For the CCA, the CPI performs an excellent service on the Company’s behalf as programme administrator, placed between the Company and HM Government.

ENERGY PRICE VOLATILITY

RISK DESCRIPTION AND IMPACT

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

MITIGATION

The Group aims to mitigate its exposure to energy costs by a combination of strategically considering diversification away from gas to alternative fuels, investing in sustainable energy saving solutions and securing long term purchase forward prices. At the time of this report, forward purchase contracts are in place to secure prices for 12 months. This provides the Group with a degree of certainty over next year.

FIRE

RISK DESCRIPTION AND IMPACT

The Group recognises the importance of protecting employees, contractors, visitors and members of the public from any fire related risks whilst on site. This includes the maintenance and protection of buildings, equipment, raw materials and associated services without which manufacturing operations could be affected.

MITIGATION

James Cropper adheres to their legal and moral responsibilities with regard to fire by carrying out the following:

- Fire risk assessments to identify and prioritise hazards and necessary control measures.
- Developing and implementing appropriate arrangements and procedures based on the risk assessment findings.
- Identifying and allocating necessary resources.
- Providing and maintaining any identified and required fire prevention measures.
- Providing appropriate information, instructions supervision and training.
- Ensuring fire safety responsibilities are designated and made known to all employees.

PENSION

RISK DESCRIPTION AND IMPACT

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

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

MITIGATION

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

Closure of schemes and benefit reductions

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

Deficit reduction contributions

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

Investment strategy

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

COMMODITY PRICE VOLATILITY

RISK DESCRIPTION AND IMPACT

One of the Group's divisions is subject to virgin pulp price risk. Virgin pulp 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 and actions by major pulp producers.

MITIGATION

The Paper division aims to recover costs via market price increases typically a few months following a pulp price increase. 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. Pulp substitution from recycled coffee cups or post-consumer waste passed through our Reclaimed Fibre plant mitigates some of the impact of virgin pulp costs.

The Paper division's ability to effectively grow profitable sales offering value-add products and services plus the introduction of new innovative products provides some additional buffer against price sensitivity.

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

EXCHANGE RATE VOLATILITY

RISK DESCRIPTION AND IMPACT

The Group operates on a global basis, and earns revenues, incurs costs and makes investments in a number of currencies; the 3 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 seeks to hedge anticipated unmatched cash flows using financial instruments. No transactions for this purpose have been entered into at the year ending 1 April 2017.

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.

FALL IN DEMAND

RISK DESCRIPTION AND IMPACT

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

MITIGATION

The global expansion of the Group helps to mitigate economic risks and plans are being deployed to grow our market presence and diversify product ranges and geographical markets. The Group will continue to build on existing skills, and the skills development of sales executives, recruitment of experienced sales and planning professionals also assist the effective deployment of these diversification plans.

The Group's new division, James Cropper 3DP brings greater resilience over time.

BREXIT

RISK DESCRIPTION AND IMPACT

The risk that in March 2019 the UK has no deal with Europe, or reaches a deal on terms comparatively unfavourable to today's trading environment. An exit with no deal could introduce tariffs, border controls and economic disruption.

MITIGATION

Brexit scenarios present the Executive team with a better understanding of the risks and opportunities that the Group can directly focus on. The Group's growth strategy includes a focus on exports in regions outside of the EU. In addition, the Group works with representative organisations lobbying government to influence an industrial strategy and other effective measures that will protect and stimulate manufacturing growth across the UK.

INFORMATION SECURITY, CYBER RISK & DATA PROTECTION

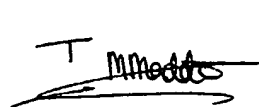
RISK DESCRIPTION AND IMPACT

The risk that a quantifiable breach will occur and not be detected in a timely manner with potential impact on company performance, the consequences of which may be fines, business disruption or reputational damage.

MITIGATION

The Organisation is committed to a robust implementation of information security management. It aims to ensure the confidentiality, integrity and availability of information, in all its forms, plus ongoing education on risk identification, expected behaviours and sustainable controls. This enables us to effectively protect, detect, mitigate, respond to, and recover from information security risks and incidents. During 2018 this will also encompass compliance measures for the upcoming introduction of GDPR (General Data Protection Regulations) in May 2018.

On behalf of the Board.



Isabelle Maddock
Group Finance Director
26 June 2017



TECHNICAL FIBRE PRODUCTS

TECHNICAL HIGHLIGHTS

INTERLAMINAR FRACTURE TOUGHNESS

The ability for a composite material to resist cracking is one of the most important properties in structural applications, such as aerospace.

TFP has developed a range of lightweight thermoplastic products that slows the growth of cracks in a composite structure. These materials offer significant increases in fracture toughness (by up to 400%) in a repeatable process. We are working with major aerospace companies and composite manufacturers to establish qualified materials, as these structural components are increasingly being manufactured from composite materials.

'Open mode'- A vertical tensile load is applied to a pre-cracked double cantilever beam sample.

'In-plane shear mode'- A bending moment is applied, causing delamination propagation by shear stress.

INVESTMENT IN R&D FACILITIES TO SUPPORT GROWTH

We pride ourselves in working closely with customers to create and develop bespoke solutions using our in-house laboratories.

This year we replaced our two existing laboratories with one larger purpose built area which, together with brand new high quality equipment, will enhance the product development process. We have also built new meeting and conference facilities to further improve customer experience.

These investments are timely and important and are necessary steps in supporting our growth in a range of technology driven markets.

THE COMPOSITE SOLUTION FOR AIRCRAFT FUEL SYSTEMS

In collaboration with Tods Aerospace, Element Materials Technology and ENL Ltd, TFP has developed a lightweight and damage resistant composite fuel pipe which can be used safely in aircraft fuel systems.

These composite pipes are designed to replace the current metallic equivalent potentially reducing the weight of each aircraft by up to 200 kg, achieving an estimated fuel saving of up to 26 tonnes per aircraft per annum! Work on this long term project is well underway and has the support of at least one aerospace prime.

PREVENTING GALVANIC CORROSION IN COMPOSITES

Dielectric nonwovens from TFP can be used to prevent galvanic corrosion, a common and destructive problem when aluminium or other metals come into contact with carbon fibre in a composite structure.

TFP JOINS THE COMPOSITE INSTITUTE

TFP is now a member of the Institute for Advanced Composites Manufacturing Innovation (IACMI), an organisation that aims to benefit the nation's energy and economic security by sharing existing resources and co-investing to accelerate development and commercial deployment of advanced composites. This affiliation highlights our continued commitment on growing business in this area.

Our nonwoven can prevent this by providing an extremely uniform, lightweight barrier between the two materials to isolate them, stopping an electrochemical reaction occurring.

THE POWER OF CHEMISTRY

A fuel cell is an electrochemical device that combines hydrogen fuel and oxygen to produce electricity, heat and water. If you can use both the electricity and the heat, they can be up to 85% efficient in converting hydrogen to energy. By comparison, the best internal combustion engines are less than 40% efficient. The fuel cell itself has no moving parts, making it a quiet and reliable source of power. Unlike batteries, fuel cells continuously generate electricity as long as a source of fuel is supplied.

There are many different types of fuel cells in use or in development but we can divide them conveniently into two groups;

STATIONARY

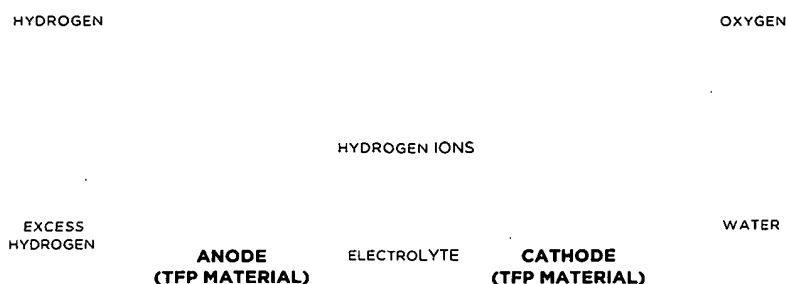
fuel cells are used for primary and backup power for commercial, industrial and residential buildings and in remote or inaccessible areas.

TRANSPORT

fuel cells are used to power fuel cell vehicles including forklifts, cars, buses, boats and submarines.

FUEL CELL STRUCTURE WITH A GAS DIFFUSION LAYER (TFP MATERIAL)

ELECTRICITY FLOW



WHAT DOES THIS MEAN FOR TFP?

Over the years, TFP has made considerable investments in R&D, equipment and people, which has allowed us to build expertise and capability in the production of gas diffusion layer (GDL) substrate material – the heart of a fuel cell. The recent growth in stationary fuel cells has been reflected in growing sales of GDL substrates from TFP to a number of customers in Europe and the USA.

R&D and supply chain activity is currently strong in this sector and this has been reflected in sales growth for TFP.

The next wave will be for fuel cell powered cars. At least 10 automotive manufacturers have either started producing fuel cell powered cars, or announced plans to do so. At this point, manufacturers are more interested in demonstrating proof of concept and understanding how a supply chain would work than in generating a financial return. Our market intelligence is that we should expect to see fuel cell powered cars being produced in significant volumes sometime between 2020 and 2025. Although we can't yet be certain that there is a place in this market for TFP, we are working hard to ensure that we are as well placed as we can be by participating in long term development projects with the key players.

RIISING STARS

THE NEXT GENERATION OF GRADUATES MAKING THEIR MARK

Recent years have seen more exciting and innovative developments than at any other time in the history of James Cropper with reclaimed fibres, technical 3D moulded pulp and advanced non-wovens all located on the same site as traditional papermaking.

As new markets are cultivated and new, technically advanced production methods developed, so these new ways of working invariably require fresh thinking and innovative approaches.

Technical graduates Joanne Storey, Edward Kileff and Tom Prosser have already made impressive contributions in their respective departments.

Supporting New Product Introduction (NPI), Joanne studied as a Scientific Apprentice in Research & Development at the National Nuclear Laboratory Ltd. Her role at James Cropper is in integrated business planning and providing technical support to the converting division.

Edward graduated from Lancaster University with a Degree in Environmental Biology and Masters in Environmental Management and Consultancy. Since joining James Cropper in September 2016 he has worked extensively in Process Capability, establishing our Web Imaging System (WIS) in papermaking, identifying cost improvements and establishing Overall Equipment Effectiveness (OEE).

After studying at the University of Hull, Tom's career with James Cropper started back in 2013 as a Sales Administrator. Today his role is that of Quality Systems Graduate, establishing Product Quality Evaluation (PQE) and Management Review for ISO 9001. Tom has also been instrumental in improving our product specific approval system.

The philosophy of the Group has always been to identify, encourage and develop the talent that will stand us in good stead for the challenges ahead. Every one of the workforce at James Cropper has a tangible and direct effect on overall output; our new graduates are no exception, playing their part in established high performing teams and integrating into key operational systems.

Clockwise from top:

Edward Kileff and Joanne Storey
Tom Prosser

CELEBRATING PRIDE IN OUR WORK

SAFETY IMPROVEMENT

WINNER

1. WAYNE HEAP (Dryerman - PM3)

Wayne has designed and implemented a number of improvements on Papermaking Machine 4. One example was to clean and maintain the Biomaster Dosing equipment and then to set this up to be able to run 'Impress' chemistry. This has resulted in greater control of the materials and reduced the need for manual handling by the operators to run the machine.

COMMENDATION

2. MIKE MAWSON (Raw Materials Operator)

Extremely enthusiastic and positive, Mike is constantly proactive and forward thinking with regards to how he can improve working conditions for himself and his colleagues. This included improving housekeeping in the Pulp Shed whilst the cladding replacement work was being undertaken and providing constructive feedback for the new Baler House Door project.

SUPPORT FOR COLLEAGUES

WINNER

3. RICHARD COTTAM (Systems Developer)

Richard has been undertaking work for TFP to improve their costing activity, with the results enabling TFP's ambitious growth plans by producing cost control information and improved procedures on the shop floor. Richard is very conscientious and doesn't think twice about going the extra mile in order to meet 'optimistic' deadlines, and always offers advice and support to achieve the best solutions.

COMMENDATION

4. BRIDGET WEDDERBURN (TFP Materials Specialist)

Bridget has a vast amount of knowledge and is always happy to share this with her colleagues, always happy to go out of her way to help anyone in the team or the wider TFP group.

COMMUNITY FOCUSED

WINNER

5. ADRIAN GIBSON (Environment Manager)

A key point of contact to supporting local improvements within the community, Adrian works with Burnside Parish Council and local residents. Examples include removing the trees from the riverbank, making repairs to the local playground and cutting trees at Gowan Lea. Adrian is a great ambassador for the company.

COMMENDATION

6. TIM WALLING (Blender Operator)

Whilst on holiday in Portugal last year Tim noticed that a young boy had got into difficulty swimming in the ocean. Without a thought for his own safety, Tim swam out and rescued the boy, an act of quick thinking and selfless heroism for which one family will be eternally thankful.

CUSTOMER SERVICE

WINNER

7. JAMIE BARTLE

(Inside Sales Executive)

Helpful, committed, bright and always customer focused, nothing is too much work for Jamie. During recent changes in the sales team, Jamie has become an unsung hero, coping admirably with challenging workloads and he deserves full credit and recognition for his abilities and unquestionable commitment.

INNOVATION AND CREATIVITY

WINNER

8. GARY POSTLETHWAITE

(Blender Operator)

Always looking for cost saving ideas in his role, in 2016 Gary came up with the idea of using NC black broke in our deepest black product. It is estimated this change will save the company around £60,000 per annum.

TAKING PRIDE

WINNER

9. BRIAN STEPHENSON

(Pulper Operator PM1)

The 'go to' man in the Stock Preparation Department, Brian is very conscientious, passionate and professional. He is seen as a role model for new employees and is a huge asset to the shift, taking great pride in every aspect of his role and meticulous in his approach to any task.

COMMENDATION

10. STEVE ATKINSON

(Production Planner)

Always so helpful and happy, Steve goes out of his way to help the Raw Materials Team and communicates changes every day so we can plan accordingly. Schedule and material changes may cause extra work, Steve always has a smile on his face. Generous with his time (and his biscuits!), colleagues say they "couldn't do their job without Steve".

TEAM AWARD

WINNERS

CAROL LAWRENCE, KATH KITCHEN, KAREN WINTER AND DIANE McROBBIE

(Canteen Team)

The Monday after the floods of 2015, Karen and Diane cleaned the kitchen to provide a breakfast service as normal and serve extra people as the Company worked through the aftermath of the floods. In 2016 the Canteen ran short-staffed for several months, however their workload never decreased and excellent service and quality was maintained.

COMMENDATION

TL LYNDON MONTGOMERY, MARK SHEPHERD, STEVE ATKINSON, DAVE NICHOLSON AND MARK LOWTHER

(Broke Team)

Briefed to reduce raw material costs by replacing pulp with broke whilst retaining high quality. This team effort has already delivered significant savings and was the start of the process now being successfully continued.

COMMITMENT TO COMMUNITY AND COMPANY

ADRIAN GIBSON - SHORING UP OUR RESPONSIBILITIES TO PEOPLE AND PLACE

The devastating floods affected much of our local community in late 2015 and the effects are still evident across the region. The image above, for example, illustrates this point: the centre of this Burneside bridge is no longer supported after the central pillar's foundations were washed away.

Adrian responded urgently (not to mention out-of-hours and in the middle of the night) to a breach of the River Kent's banks further downstream. His swift intervention ensured damage was minimised and, although just a temporary emergency measure, the reinforcements have withstood whatever the elements have thrown our way ever since.

Our People Set us Apart

Clockwise from top left:

Training 2000 Award Winners Martin Allen and Steven Baines
Olivia Notturmi and Anna Lowery, Internal Sales;
Kim Sutherland, Marketing Coordinator;
Steve Robinson, No.3 Machine Operator, TFP.

55 YEARS OF EXPERIENCE SHARED

Bruce and Jim share 55 years of experience at the cutting edge of papermaking and colour blending, gained right here at James Cropper PLC. Today, James Cropper 3D Products provides a new focus for this unique partnership of skills.

Bruce Barnes joined James Cropper in 1978. In the 35 years since, he's played a role in every aspect of colour blending and helped shape the unique colour expertise we are so proud of today.

Jim Ellwood joined James Cropper in 1997, and in the 20 years since has developed an incredible understanding of all our papermaking processes and machinery improving performance and even providing training in recent years.

Today, James Cropper 3D Products has brought these two unique experts together. Sharing a wealth of experience in coloured papermaking, Bruce and Jim are playing a pivotal role as we now innovate to shape the future of moulded fibre packaging creating entirely new processes and solving new technical challenges. Together they have even overseen the production of James Cropper 3D Products' custom-build production line.

" YOU COULD SAY WE'RE MOULDING OUR SKILLS TO CREATE SOMETHING NEW. WE SHARE 55 YEARS OF EXPERIENCE BETWEEN US, SO IT'S VERY REWARDING TO WORK TOGETHER AND LEARN FROM EACH OTHER IN THIS WAY."

BRUCE BARNES

" WE'RE FOCUSING ON AN ENTIRELY NEW INNOVATION THAT'S ONLY POSSIBLE BECAUSE OF THE WORK PEOPLE HAVE DONE HERE OVER DECADES. WE LOVE A CHALLENGE AND THIS ONE'S SPECIAL BECAUSE IT USES ALL THAT KNOWLEDGE AND SKILL."

JIM ELLWOOD

SUSTAINABILITY AT THE HEART OF EVERYTHING WE DO

Sustainability is a core value at James Cropper and also an area of expertise. We are continually deploying and developing our sustainability strategy as it represents a long-term vision that will secure the future of our businesses and respond to a global need that is shared by our internal and external stakeholders.

RIISING TO GLOBAL CHALLENGES

We direct expertise to innovations that make a real difference in the world. From a continued focus on our cellulose fibre recycling facility, to non-woven carbon fibre innovation that reduces fossil fuel consumption in the automotive and aerospace industry.

COMMUNITY

We work to improve the lives of those we interact with and focus on forging strong relationships, not only with our employees but with local communities who live alongside our facilities. These activities range from supporting local charities to providing materials and education to local schools.

RESOURCES

We make real investments to reduce the amount of resources we consume, to minimise waste and capture the full value of all fibre resources we use both in manufacturing, and in the end use of the products we create.

RESPONDING TO GLOBAL DEMAND FOR SUSTAINABLE PRODUCTS

By engaging our skilled workforce in our sustainability plans, and through excellent relationships with merchants, environmental experts and end-users of our products, we create new innovations that reduce environmental impact while supporting the growth of our businesses.

A SUSTAINABLE FUTURE WITH OUR EMPLOYEES:

We engage all our people in environmental sustainability, from small steps like turning off computer monitors, installing PIR sensors, and deploying environmental training. We also invest in long-term personal development, retraining and enhancing skills required to work in a rapidly evolving innovation business.

ZERO TO LANDFILL:

We reuse and recycle resources where possible. What the Mill can't recycle is collected by Cumbria Waste and of this, 87% is recycled and 13% is used as refuse derived fuel. We're also working on zero discharge of hazardous chemicals (ZDHC) programme with fashion retailers in support of the 2020 Roadmap to Zero Initiative. Our Coffee Cup recycling centre is a zero to waste innovation.

CARING FOR OUR SURROUNDING ENVIRONMENT:

As a high user of water, we focus on maximising return of clean safe water to the catchment. 7% is embodied in the product but over 90% is recycled and returned clean to the river Kent which is a site of special scientific interest (SSSI) which supports flourishing rare whiteclawed crayfish and fresh water mussel population. These are both signifiers of water purity, and also attract wild otters.

SUSTAINING AN INNOVATION CULTURE IN DESIGN AND PROCESSES (RCF)

As market leaders in recycled fibre innovation, James Cropper Paper have heavily invested in a dedicated reclaimed fibre plant, specialising in retrieving fibre from single-use cup waste and using it to produce paper. The plastic from the cup is used to manufacturing furniture and flooring with the remaining minerals used for fertiliser. We view the coffee cup market as an urban forest, and are working with major UK waste management companies and coffee retailers.

“

**MUCH OF THE
FUTURE GROWTH
OF JAMES CROPPER
IS CLOSELY TIED TO
THE GREEN AGENDA,
FROM DISPLACING
PLASTICS IN PACKAGING
TO HELPING MAKE
AIRCRAFT LIGHTER**

”

ALWAYS SUSTAINABLE:

James Cropper have embraced Lean Six Sigma methodology to streamline and optimise process of materials, waste and energy, internal process efficiency and transparency. We're committed to ISO50001 energy management standards encompassing a highly efficient combined heat & energy plant, investment on hydro and solar energy, and heat exchange and recovery systems in processing.

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BOARD OF DIRECTORS

MARK CROPPER MA
Chairman

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

PHIL WILD BEng (Hons)
Chief Executive Officer

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

ISABELLE MADDOCK BSC FCMA
Group Finance Director

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

DAVE WATSON BEng (Hons)
Chief Operations Officer

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

PATRICK WILLINK BSC, MBA
Chief Technology Officer

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

STEVE ADAMS BA (Hons)
Managing Director Paper Division

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

MARTIN THOMPSON MBA

Managing Director
Technical Fibre Products

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

DAVID WILKS LLB (Hons)

Non-Executive Director

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

JIM SHARP MA

Non-Executive Director

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

COMPANY SECRETARY

HONORARY PRESIDENT

JIM ALDRIDGE FCA

Company Secretary

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

SIR JAMES CROPPER KCVO, BA

Honorary President

Sir James resigned from the Board in 2013 after 47 years of distinguished service within the Company.

Sir James was appointed the first Honorary President of James Cropper PLC in 2013. Sir James was HM Lord-Lieutenant of Cumbria from 1994 until 2012.

CORPORATE GOVERNANCE STATEMENT

CHAIRMAN'S INTRODUCTION TO CORPORATE GOVERNANCE

I am pleased to introduce the Corporate Governance Report for the year ended 1 April 2017. This report includes my statement and the Corporate Governance Report.

As a Board, we remain committed to maintaining high standards of corporate governance. The Directors place a significant emphasis on ensuring that the Group has the appropriate governance structures in place. We acknowledge the importance of the principles set out in the UK Corporate Governance Code 2014, and intend to apply this code as far as we consider appropriate given the size of the Company. As a guiding principle, we aim to demonstrate best practice in governance matters regardless of whether this is beyond regulatory requirement. This approach is closely aligned to upholding our strong values, not least acting with integrity.

BOARD RESPONSIBILITY AND STRATEGIC DIRECTION

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

Both I and the Non-Executive Directors are fully supportive of the strategic direction being taken by the executive team. The future direction is reported in our Strategic Report on pages 20 to 37.



Mark Cropper
Chairman

26 June 2017

SUB-COMMITTEES

There are four sub-committees reporting to the Board:

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

All committees continue to exercise their duties in compliance with all relevant legislation, regulation and guidance. During the year the Remuneration Committee undertook a complete review of pay and rewards for the Executive team ensuring the policy enables the Group to attract and retain individuals with the right skills and calibre to achieve our strategic goals. The Nomination Committee were also active in the search for and subsequent appointment of a Managing Director for the Paper division. Steve Adams joined the Board on 1 January.

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

STAKEHOLDER ENGAGEMENT

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

GOVERNANCE STATEMENT

The Company's shares are listed on AIM and are subject to the AIM Rules of the London Stock Exchange and consequently we are not required to comply with the provisions or report in accordance with the UK Corporate Governance Code 2014 ("Code"). However, the Board is committed to the principles of good corporate governance covering leadership, effectiveness, accountability, remuneration and shareholder relations. The Board have adopted the Code as far as is practicable and appropriate for a public company of the Group's size and nature.

ROLE OF THE BOARD

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

DIVISION OF RESPONSIBILITIES

There is a clear division of responsibilities between the role of the Chairman and that of the Chief Executive Officer of the Company. 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 principle responsibility is to manage the Group's business and to lead the Executive Committee in delivering the Company's strategic and operational objectives.

THE NON-EXECUTIVE DIRECTORS

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

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, Remuneration Committee and Nomination Committee.

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

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

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

BOARD AND COMMITTEE MEETINGS

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

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

EFFECTIVENESS BOARD COMPOSITION

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

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

DIVERSITY

Vacancies on the Board are filled following a rigorous evaluation of candidates who possess the required balance of skills, knowledge and experience, using recruitment consultants where appropriate. The process for the

appointment of Non-Executive Directors is managed by the Nomination Committee. The Company recognises the importance of diversity at Board level and the Board comprises individuals with a wide range of skills and experience from a variety of business backgrounds. Our current female representation on the Board is 11%.

APPOINTMENT OF NON-EXECUTIVE DIRECTORS

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

TERMS OF APPOINTMENT AND TIME COMMITMENT

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

INDUCTION & 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 apprised of developments in legal, regulatory and financial matters affecting the Group from the Company Secretary, the Chief Executive, the Finance Director and the Group's external auditors and advisers.

PROFESSIONAL ADVICE

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

BOARD AND COMMITTEE EVALUATION

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

ELECTION AND RE-ELECTION OF DIRECTORS

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

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

RISK MANAGEMENT

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

INTERNAL CONTROL

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

GOING CONCERN

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

RELATIONS WITH SHAREHOLDERS

The Board appreciates that effective communication with the Company's shareholders and the investment community as a whole is a key objective. The Chairman's Letter, the Chief Executive's Review and the Strategic Report and Financial Review, together with the information in the Annual Report of the Group, provide a detailed review of the business. The Executive Directors have overall responsibility for ensuring effective communication and the Company maintains a regular dialogue with its shareholders, mainly in the periods following the announcement of the interim and final results, but also at other times during the year. The Board encourages the participation of shareholders at its Annual General Meeting, notice of which is included in the Annual Report. The Company's website (www.cropper.com) is regularly updated and provides additional information on the Group.

ANNUAL GENERAL MEETING

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

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

Jim Aldridge, Company Secretary, 26 June 2017

REPORT OF THE REMUNERATION COMMITTEE

STATEMENT FROM THE CHAIRMAN OF THE REMUNERATION COMMITTEE

I am pleased to introduce the Directors' Remuneration Report for the year ended 1 April 2017. This report includes my statement, the Annual Remuneration Report and sets out our forward-looking directors' remuneration policy.

The Directors acknowledge the importance of the principles set out in the UK Corporate Governance Code 2014 and intend to apply this code as far as we consider appropriate given the size of the Company. As part of this, we have chosen to include information in this report which goes beyond what we are required to disclose, as we believe this is important to our stakeholders.

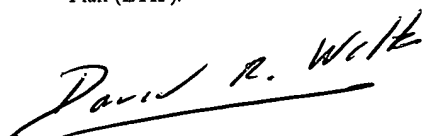
OUR DIRECTORS' REMUNERATION POLICY

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

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

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

- Fixed levels of remuneration are set at an appropriate level for each individual. In setting these levels, the Remuneration Committee takes into account the levels of fixed remuneration for similar positions with comparable status, responsibility and skills. This will ensure that we can attract and retain the right individuals needed to grow the Company.
- 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).



David Wilks

Chairman of the Remuneration Committee
26 June 2017

BUSINESS CONTEXT AND REMUNERATION COMMITTEE DECISIONS ON REMUNERATION

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

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

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

- Annual Report on Remuneration providing details of the payments made to directors in the year ended 1 April 2017.
- Directors' Remuneration Policy setting out the Company's forward looking remuneration policy.

ANNUAL REMUNERATION REPORT 2017

REMUNERATION COMMITTEE

The Remuneration Committee comprises the following members:

- David Wilks
- Mark Cropper
- Jim Sharp

Doug Mitchell retired at the end of March and his position will be filled when another Non-Executive Director is appointed to the Board.

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 Company 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 Company.

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 Company. 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 Company.
- To have a pay for performance approach.
- To provide a market competitive level of remuneration to enable the company to attract and retain high level individuals, to support the ongoing success of the Company.

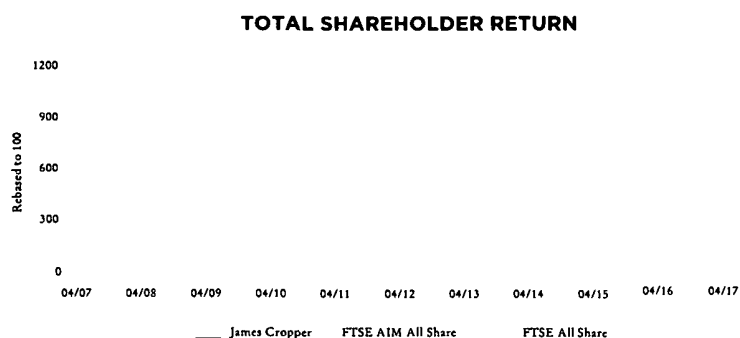
SERVICE CONTRACTS

EXECUTIVE DIRECTOR	NOTICE PERIOD
P I Wild	6 months

I M Maddock	6 months
M Thompson	12 months
K D Watson	6 months
P J Willink	12 months
S A Adams	6 months

M A J Cropper is employed on a contract of 12 months notice. The other 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 1 April 2017 is shown in the graph (left). 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.

DETAILS OF DIRECTORS' REMUNERATION

The following table brings together the various elements of remuneration of each director for the financial period ended 1 April 2017.

	SALARY AND FEES		BENEFITS		ANNUAL BONUS		PENSION COST		TOTAL	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000
EXECUTIVE										
M A J Cropper	75	73	10	8	-	-	5	3	90	84
P I Wild	184	174	34	51	42	39	10	11	270	275
I M Maddock	110	103	21	20	27	23	7	7	165	153
M Thompson	127	113	27	25	30	28	3	7	187	173
K D Watson	129	115	22	21	30	26	6	7	187	169
P J Willink	118	103	23	22	27	23	19	17	187	165
S A Adams (appointed January 2017)	38	-	5	-	8	-	-	-	51	-
NON-EXECUTIVE										
D Mitchell	22	22	-	-	-	-	-	-	22	22
J E Sharp	27	27	-	-	-	-	-	-	27	27
D R Wilks	29	29	-	-	-	-	-	-	29	29
	859	759	142	147	164	139	50	52	1,215	1,097

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 year to 1 April 2017 under the Plan to Executive Directors were as follows:

	NUMBER AT 2 APRIL 2016	NUMBER GRANTED IN PERIOD	MID-MARKET PRICE (£) OF OPTIONS AWARDED	NUMBER EXERCISED IN PERIOD	OPTIONS LAPSED IN PERIOD	NUMBER AT 1 APRIL 2017
P I Wild	72,190	14,932	£9.543	32,796	-	54,326
M A J Cropper	15,339	-	-	4,673	-	10,666
P J Willink	24,913	-	-	10,978	-	13,935
I M Maddock	15,743	6,025	£9.543	1,808	-	19,960
M Thompson	26,117	6,811	£9.543	11,601	-	21,327
K D Watson	17,909	6,811	£9.543	2,252	-	22,468

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 2 APRIL 2016	NUMBER GRANTED IN PERIOD	MID-MARKET PRICE (£) OF OPTIONS AWARDED	OPTIONS EXERCISED IN PERIOD	OPTIONS LAPSED IN PERIOD	OPTIONS AT 1 APRIL 2017
M A J Cropper	-	3,781	£9.543	-	-	3,781
P J Willink	-	6,025	£9.543	-	-	6,025

SAYE OPTIONS

The details of the SAYE options that are open to the Executive Directors at 1 April 2017 are as follows:

Date of SAYE	Grant	01 September 2013
Term of Option	5.25 years	Exercise price £1.9952 per share
Executive Director	No. of shares	Total Share Options available as at 1 April 2017
I M Maddock	4,360	4,360

REMUNERATION POLICY SUMMARY

PURPOSE AND LINK TO STRATEGY/OPERATION

BASE SALARY

To reflect market value of the role and individual's performance and contribution and enable the Group to recruit and retain directors of sufficient calibre required to support achievement of both short and long-term goals.

The salary of each Executive Director will be reviewed annually by the Remuneration Committee without any obligation to increase such salary.

Base salaries are benchmarked against companies of a comparable size with a targeted approach of median positioning against the market, subject to satisfactory performance.

There may be reviews and changes to base salary during the year if considered appropriate by the Remuneration Committee.

The Remuneration Committee will take account of relevant comparator group data as well as pay increases awarded to other employees within the Company.

NON-EXECUTIVE DIRECTORS' SALARIES

To attract and retain the right individuals required to support the achievement of both short and long-term goals.

Salaries for Non-Executive Directors are based on market practice and are reviewed by the Board each year.

The maximum aggregate amount of salaries that the Company may pay to all the Directors who do not hold executive office for their services is £200,000 per annum, or such larger amount as the Company may by ordinary resolution decide.

BENEFITS

To attract and retain the right individuals and level of talent required to support achievement of both short and long term goals.

Each Executive Director is awarded a benefit allowance which allows individuals to select from a range of personal benefits including, but not limited to, private medical insurance and a company car. Any unused monetary sum is paid to the individual at the end of the tax year via the PAYE system.

The benefit allowance is reviewed periodically by the Remuneration Committee.

PENSION

To attract and retain the right individuals and level of talent required to support achievement of both short and long term goals.

The Chief Executive and the Chairman are members of the Company's defined contribution scheme. Other Executive Directors are either members of the Company's defined benefit scheme or the Company's defined contribution scheme. Non-Executive Directors are not in any of the Company pension schemes. The annual cost borne by the Company is shown in the Directors' Remuneration table.

LONG TERM INCENTIVE PLAN (LTIP)

To incentivise the delivery of key performance measures over the long term.

To retain key executives and increase their share ownership in the Company, aligning their interests with those of shareholders.

Under the plan, awards to acquire ordinary shares in the Company, or cash equivalent, can be made to executive directors and other employees within the group, as selected by the Remuneration Committee.

The number of options that can be awarded to any participant in a financial year under the Plan, determined by reference to the Company's 20 day average mid-market share price at the time of the award, is limited to a maximum of 75% of the participant's base salary.

The LTIP awards are subject to the achievement of certain performance conditions as set out below.

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

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

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

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

EBITDA TARGET CONDITIONS (FOR AWARDS GRANTED BEFORE MARCH 2016)

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

EBITDA

For the purposes of the LTIP award, EBITDA is defined as:

Operating Profit before interest, tax, depreciation and amortisation and excluding IFRS pension adjustments and exceptional items.

DIRECTORS' REPORT

The Directors present their Annual Report and the audited financial statements of James Cropper Group for the 52 weeks ended 1 April 2017.

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 18 and 19, the Strategic Report on pages 20 to 37 and the Financial Review on pages 23 to 37, report on the performance of the Group for the year ended 1 April 2017 and its prospects for the future.

The Chairman's Statement, the Strategic Report and this report have been prepared solely to provide additional information to shareholders to assess the Company'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 (appointed 1 January 2017)
Isabelle Maddock
Martin Thompson
Dave Watson
Patrick Willink
Doug Mitchell (resigned 31 March 2017)
Jim Sharp
David Wilks

Details of the Director's remuneration are shown in the Report of the Remuneration Committee on pages 55 to 59. 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 50 to 51.

RESULTS AND DIVIDENDS

The results for the year are shown in the Statement of Comprehensive Income on page 68.

An interim dividend of 2.5p per ordinary share was paid on 13 January 2017. The Directors are recommending a final dividend of 9.3p per ordinary share, subject to approval at the Annual General Meeting of the Company, making the total dividend for the year 11.8p (2016:9.3p) per share. Full details of dividends in respect of the year ended 1 April 2017 are given in note 7 of the financial statements.

CORPORATE GOVERNANCE

A report on Corporate Governance is set out on pages 52 to 54, and forms part of this report by reference.

HEALTH & SAFETY

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

CHARITABLE AND POLITICAL DONATIONS

It is the Group's policy not to make any donations to, or incur expenditure on behalf of political parties, other political organisations or independent election candidates and the Board does not intend to change this policy.

Donations totalling £16,000 (2016:£9,000) 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 Review on pages 18 to 22, 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

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

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

ANNUAL GENERAL MEETING

Your attention is drawn to the Notice of Annual General Meeting on pages 101 to 103 which sets out the resolutions to be proposed at the forthcoming Annual General Meeting. The meeting will be held at The Bryce Institute, Burneside, Kendal, Cumbria LA9 6PZ on Wednesday 26 July 2017 at 11am.

SUBSTANTIAL INTERESTS

Shareholdings in excess of 3% of the issued capital at 3 June 2017 were as follows:

NAME OF SHAREHOLDING	NUMBER OF SHARES	% HOLDING	NOTE NO. BELOW
Cropper Family - Beneficial and Non Beneficial Interests	3,033,012	32.0	
Willink Family - Beneficial and Non Beneficial Interests	525,678	5.6	
Acland Family - Beneficial Interests	52,386	0.6	
Total	3,611,076	38.1	1
Miton Asset Management Limited	478,931	5.1	
DW Pension Fund Ltd	430,000	4.5	

Notes on Shareholding Table:

1. The Cropper, Willink and Acland families are related and are deemed to be acting in concert with a total holding of 38.1% holding in the Company.

DETAILS OF DIRECTORS' INTERESTS

The interests in the shares of the Company of those Directors serving at 1 April 2017 were as follows:

DIRECTOR	INTEREST	AT 1 APRIL 2017		AT 2 APRIL 2016	
		ORDINARY SHARES	OPTIONS ON ORDINARY SHARES	ORDINARY SHARES	OPTIONS ON ORDINARY SHARES
M A J Cropper	Beneficial	1,267,376	10,666	1,229,593	15,339
	Non-beneficial	559,571	-	559,571	-
P I Wild	Beneficial	6,136	54,326	7,142	76,700
I M Maddock	Beneficial	8,244	19,960	9,071	20,103
S A Adams	Beneficial	1,000	-	-	-
M Thompson	Beneficial	23,708	21,327	39,932	26,117
K D Watson	Beneficial	2,025	22,468	1,223	17,909
P J Willink	Beneficial	51,112	13,935	50,210	25,815
	Non-beneficial	1,132,408	-	1,132,408	-
D R Wilks	Beneficial	9,465	-	9,465	-
	Non-beneficial	92,575	-	96,958	-
J E Sharp	Beneficial	7,950	-	7,950	-
	Non-beneficial	92,575	-	96,958	-

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 55 to 59. Non-beneficial interests include shares held jointly as trustee with other Directors.

There have been no other material changes between the year-end and 26 June 2017.

Approved by the Board of Directors on 26 June 2017 and were signed on its behalf by


Mark Cropper, Chairman.

JAMES CROPPER 3D PRODUCTS: PACKAGING FOR THE FUTURE

Matthew Miller, Business Director of James Cropper 3D Products, reflects on the first year of growth and responding to global demand for sustainable packaging innovation.

“Since the public launch of our sustainable moulded paper packaging at Packaging Innovations 2016, James Cropper 3D Products has gone from strength to strength throughout a pivotal year. Since the year end, we have won new contracts in sectors ranging from the leading high street cosmetic brands to those selling consumer electronics. We have continued to

strengthen our technical capability, expanded our production capacity to meet demand, and accelerated our investment in people as well as drawing on the multitude of unique skills and experience held within James Cropper PLC. It is only through this wealth of experience that we are able to address one of the biggest challenges in the packaging industry today providing better, more sustainable packaging solutions that reflect our customers’ brand values and enable them to create unique packaging experiences fit for the future.”

CREATING IMPACT AT PACKAGING INNOVATIONS 2016

“We created a buzz at Packaging Innovations 2016, held at London’s Olympia, which marked the official public launch of James Cropper 3D Products. It was an ideal platform to introduce our innovations to many of the world’s discerning, forward-thinking brands as well as the packaging media.”

“We built valuable relationships with new customers and generated a flurry of media interest. Soon after the show, Packaging News paid a special visit to Burnside Mills to learn about our products and discover our unique capabilities in bespoke colour and form.”

FUTURE FOCUSED - CIRCULAR ECONOMY THINKING

"There's a growing pressure on brands to embrace circular economy thinking in their packaging design. This means not only using renewable materials and committing to responsible, lower impact manufacture, but also creating packaging that is easier for consumers to recycle."

"At James Cropper 3D Products, our mission is to help brands do this without losing the excitement and quality of experience that outstanding packaging provides. We know that compromise isn't an option, sustainable packaging has to 'do it all'. Our credibility and unique skill in delivering bespoke packaging solutions for global brands, is key. We believe in helping brands use packaging creatively, and we continually innovate to make sure they can do that, sustainably."

• BESPOKE COLOUR

Our unique expertise in colour means we can offer customers new creative freedom with perfect colour matching and guaranteed consistency.

• BESPOKE FORM

Our customers can get creative with shape and structural performance thanks to our design-engineered approach.

• NATURAL STRENGTH

Drawing on our unique ability to innovate with renewable fibres, we are enhancing packaging performance with uniform wall thickness and improved integrity.

• RETENTION FEATURES

Protection and presentation are crucial in packaging design. Our moulding capabilities deliver this performance without the need for complex mixed materials.

• QUALITY, BESPOKE FINISH

We offer bespoke surface finishes alongside bespoke colour and form. From a warm natural touch to a pure smooth finish, or even a customised texture, using meshing or embossing. All using renewable fibres.

• PRECISION EMBOSSING

A powerful new opportunity to accentuate brand identity, convey brand messages or add texture as part of a unique packaging design and consumer experience.

FINANCIAL STATEMENTS

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STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report, Strategic Report, the Directors' Report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare group and parent financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

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

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

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

We have audited the financial statements of James Cropper PLC for the 52 weeks ended 1 April 2017 set out on pages 68 to 99. The financial reporting framework that has been applied in the preparation of the group and parent financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 66, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 1 April 2017 and of the group's profit for the year then ended;
- the group and parent financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic Report and Directors' Report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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



Nick Plumb (Senior Statutory Auditor)

for and on behalf of KPMG LLP,
Chartered Accountants

1 St Peter's Square,
Manchester
M2 3AE

26 June 2017

JAMES CROPPER PLC
GROUP STATEMENT OF COMPREHENSIVE INCOME

		52 week period to 1 April 2017	53 week period to 2 April 2016	53 week period to 2 April 2016	53 week period to 2 April 2016
		Continuing Operations	Continuing Operations	Exceptional Items	Total
	Note	£'000	£'000	£'000	£'000
Continuing operations					
Revenue	2	92,363	87,920	-	87,920
Other income		322	505	1,000	1,505
Changes in inventories of finished goods and work in progress		(180)	1,771	-	1,771
Raw materials and consumables used		(34,793)	(35,795)	-	(35,795)
Energy costs		(4,501)	(4,519)	-	(4,519)
Employee benefit costs	20	(26,238)	(25,155)	-	(25,155)
Depreciation and amortisation	4	(2,297)	(2,306)	-	(2,306)
Other expenses		(18,468)	(16,996)	-	(16,996)
Provisions for uninsured risks and losses*		(20)	-	(1,765)	(1,765)
Operating Profit	2	6,188	5,425	(765)	4,660
Interest payable and similar charges	3	(548)	(793)	-	(793)
Interest receivable and similar income	3	-	1	-	1
Profit before taxation	4	5,640	4,633	(765)	3,868
Tax expense	5	(910)	(724)	(150)	(874)
Profit for the period		4,730	3,909	(915)	2,994
Earnings per share - basic	6	50.5p			32.6p
Earnings per share - diluted	6	50.0p			31.8p

OTHER COMPREHENSIVE INCOME

Profit for the period		4,730	3,909	(915)	2,994
Items that are or may be reclassified to profit or loss					
Foreign currency translation		224	114	-	114
Loss on interest rate hedge		(9)	-	-	-
Items that will never be reclassified to profit or loss					
Retirement benefit liabilities – actuarial (losses) / gains	17	(11,386)	6,554	-	6,554
Deferred tax on actuarial losses / (gains) on retirement benefit liabilities	18	1,847	(1,488)	-	(1,488)
Income tax on other comprehensive income	5	-	77	-	77
Other comprehensive (expense) / income for the year		(9,324)	5,257	-	5,257
Total comprehensive (expense) / income for the period attributable to equity holders of the Company		(4,594)	9,166	(915)	8,251

* The exceptional items relate to additional income/costs arising as a consequence of the flood following the aftermath of Storm Desmond in December 2015.

The accompanying notes form part of the financial statements

JAMES CROPPER PLC
STATEMENT OF FINANCIAL POSITION

		Group As at 1 April 2017 £'000	Group As at 2 April 2016 £'000	Company As at 1 April 2017 £'000	Company As at 2 April 2016 £'000
	Note				
Assets					
Intangible assets	8	569	123	69	54
Property, plant and equipment	9	26,572	23,650	1,942	1,752
Investments in subsidiary undertakings	10	-	-	7,350	7,350
Deferred tax assets	18	2,270	78	3,733	1,609
Total non- current assets		29,411	23,851	13,094	10,765
Inventories	11	14,097	14,102	-	-
Trade and other receivables	12	23,066	19,595	45,191	38,792
Cash and cash equivalents		1,921	3,186	526	642
Current tax assets		-	-	463	261
Total current assets		39,084	36,883	46,180	39,695
Total assets		68,495	60,734	59,274	50,460
Liabilities					
Trade and other payables	13	18,493	15,067	19,470	18,075
Other financial liabilities	14	9	-	9	-
Loans and borrowings	15	1,570	3,886	79	74
Current tax liabilities		1	613	-	-
Total current liabilities		20,073	19,566	19,558	18,149
Long-term borrowings	15	7,715	6,605	6,427	4,094
Retirement benefit liabilities	17	18,820	7,870	18,820	7,870
Total non-current liabilities		26,535	14,475	25,247	11,964
Total liabilities		46,608	34,041	44,805	30,113
Equity					
Share capital	19	2,367	2,306	2,367	2,306
Share premium		1,472	1,079	1,472	1,079
Translation reserve		602	378	-	-
Reserve for own shares		(853)	(343)	-	-
Retained earnings		18,299	23,273	10,630	16,962
Total shareholders' equity		21,887	26,693	14,469	20,347
Total equity and liabilities		68,495	60,734	59,274	50,460

The financial statements on pages 68 to 99 were approved by the Board of Directors on 26 June 2017 and were signed on its behalf by:


M A J Cropper
Chairman

Company Registration No: 30226

The accompanying notes form part of the financial statements

JAMES CROPPER PLC

STATEMENT OF CASH FLOWS

For the period ended 1 April 2017 (2016: for the period ended 2 April 2016)

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Cash flows from operating activities				
Net profit	4,730	2,994	3,370	438
Adjustments for:				
Tax	910	874	326	(7)
Depreciation and amortisation	2,297	2,306	120	196
Net IAS 19 pension adjustments within SCI	926	1,305	926	1,305
Past service pension deficit payments	(1,362)	(1,323)	(1,362)	(1,323)
Foreign exchange differences	84	(166)	78	(65)
Loss on disposal of property, plant and equipment	14	-	-	-
Net bank interest income & expense	282	326	(648)	(847)
Share based payments	283	274	283	274
Dividends received from Subsidiary Companies	-	-	(6,000)	(3,500)
Changes in working capital:				
Decrease / (increase) in inventories	105	(1,021)	-	-
(Increase) in trade and other receivables	(4,113)	(3,861)	(2,661)	(2,819)
Increase in trade and other payables	3,932	2,770	2,094	4,723
Interest received	2	2	720	914
Interest paid	(293)	(333)	(73)	(66)
Tax paid	(1,081)	(429)	(1,081)	(429)
Net cash generated from / (used by) operating activities	6,716	3,718	(3,908)	(1,206)
Cash flows from investing activities				
Purchase of intangible assets	(486)	(133)	(28)	(125)
Purchases of property, plant and equipment	(4,828)	(3,953)	(286)	(125)
Proceeds from sale of property, plant and equipment	4	-	-	-
Dividends received	-	-	6,000	3,500
Net cash (used in) / generated from investing activities	(5,310)	(4,086)	5,686	3,250
Cash flows from financing activities				
Proceeds from issue of ordinary shares	454	59	454	59
Proceeds from issue of new loans	2,450	4,790	2,270	4,000
Repayment of borrowings	(4,115)	(3,284)	(68)	(2,075)
Issue of inter-company loans	-	-	(3,602)	(4,574)
Purchase of LTIP investments	(510)	(74)	-	-
Dividends paid to shareholders	(881)	(772)	(881)	(772)
Net cash (used in) / generated from financing activities	(2,602)	719	(1,827)	(3,362)
Net (decrease) / increase in cash and cash equivalents	(1,196)	351	(49)	(1,318)
Effect of exchange rate fluctuations on cash held	(69)	114	(67)	57
Net (decrease) / increase in cash and cash equivalents	(1,265)	465	(116)	(1,261)
Cash and cash equivalents at the start of the period	3,186	2,721	642	1,903
Cash and cash equivalents at the end of the period	1,921	3,186	526	642
Cash and cash equivalents consists of:				
Cash at bank and in hand	1,921	3,186	526	642

The accompanying notes form part of the financial statements

JAMES CROPPER PLC
STATEMENT OF CHANGES IN EQUITY
GROUP

All figures in £'000

	Share capital	Share premium	Translation reserve	Own Shares	Retained earnings	Total
28 March 2015	2,292	1,034	264	(269)	15,541	18,862
Profit for the period	-	-	-	-	2,994	2,994
Exchange differences	-	-	114	-	-	114
Actuarial gains on retirement benefit liabilities (net of deferred tax)	-	-	-	-	5,066	5,066
Other comprehensive income tax	-	-	-	-	77	77
Total other comprehensive income	-	-	114	-	5,143	5,257
Dividends paid	-	-	-	-	(772)	(772)
Share based payment charge	-	-	-	-	274	274
Tax on share options	-	-	-	-	135	135
Proceeds from issue of ordinary shares	14	45	-	-	-	59
Distribution of own shares	-	-	-	42	(42)	-
Consideration paid for own shares	-	-	-	(116)	-	(116)
Total contributions by and distributions to owners of the Group	14	45	-	(74)	(405)	(420)
At 2 April 2016	2,306	1,079	378	(343)	23,273	26,693
Profit for the period	-	-	-	-	4,730	4,730
Exchange differences	-	-	224	-	-	224
Actuarial losses on retirement benefit liabilities (net of deferred tax)	-	-	-	-	(9,539)	(9,539)
Loss on interest rate hedge	-	-	-	-	(9)	(9)
Total other comprehensive income	-	-	224	-	(9,548)	(9,324)
Dividends paid	-	-	-	-	(881)	(881)
Share based payment charge	-	-	-	-	283	283
Tax on share options	-	-	-	-	634	634
Proceeds from issue of ordinary shares	61	393	-	-	-	454
Distribution of own shares	-	-	-	192	(192)	-
Consideration paid for own shares	-	-	-	(702)	-	(702)
Total contributions by and distributions to owners of the Group	61	393	-	(510)	(156)	(212)
At 1 April 2017	2,367	1,472	602	(853)	18,299	21,887

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	Retained earnings	Total
At 28 March 2015	2,292	1,034	11,786	15,112
Profit for the period	-	-	438	438
Actuarial gains on retirement benefit liabilities (net of deferred tax)	-	-	5,066	5,066
Other comprehensive income tax	-	-	77	77
Total other comprehensive income	-	-	5,143	5,143
Dividends paid	-	-	(772)	(772)
Share based payment charge	-	-	274	274
Tax on share options	-	-	135	135
Proceeds from issue of ordinary shares	14	45	-	59
Distribution of own shares	-	-	(42)	(42)
Total contributions by and distributions to owners of the Group	14	45	(405)	(346)
At 2 April 2016	2,306	1,079	16,962	20,347
Profit for the period	-	-	3,370	3,370
Loss on interest rate hedge	-	-	(9)	(9)
Actuarial loss on retirement benefit liabilities (net of deferred tax)	-	-	(9,539)	(9,539)
Total other comprehensive income	-	-	(9,548)	(9,548)
Dividends paid	-	-	(881)	(881)
Share based payment charge	-	-	283	283
Tax on share options	-	-	636	636
Proceeds from issue of ordinary shares	61	393	-	454
Distribution of own shares	-	-	(192)	(192)
Total contributions by and distributions to owners of the Group	61	393	(154)	300
At 1 April 2017	2,367	1,472	10,630	14,469

The accompanying notes form part of the financial statements

1. ACCOUNTING POLICIES

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

Statement of compliance

The consolidated financial statements of the Company 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.

Basis of preparation

The accounting "year" for the Group is a 52 week accounting period ending 1 April 2017, (2016: 53 week accounting period ended 2 April 2016).

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.

Use of estimates and judgements

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

The following policies and accompanying notes are where the assumptions and judgements made by management could have an impact on the Group's consolidated financial statements. Only Note 17, retirement benefits, is considered to be a significant estimate.

Note 9 Property, plant and equipment

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

Note 11 Inventories

In the course of normal trading activities management uses

its judgement to establish the net realisable value of its stocks. Provisions are established for obsolete or slow moving stocks, based on past practice, current conditions and aged inventory facts available to management.

Note 12 Trade receivables

In estimating the collectability of trade receivables judgement is required and the policies in regard to credit risk are further described in note 16.2.

Note 17 Retirement benefits

Assumptions used in the calculation of the Group's defined benefit pension liabilities have the biggest impact on these financial statements and are detailed in Note 17. The most significant estimate in actuarial assumptions would be the determination of a discount figure to use in the calculation of liabilities. There is a range of acceptable methods for determining the discount rate and the Company takes specialist advice and seeks to follow the most appropriate method, applied consistently from year to year.

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.

Basis of consolidation

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

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

Revenue recognition

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer. For the majority of customers this is when delivery has been made or specifically when title has passed, the point at which title passes varying in accordance with the terms and conditions of trade. Revenue is recognised when the amount of the

revenue and related costs can be measured reliably and the collectability of the related receivables is reasonably assured.

Revenue is measured at the fair value of the amount received or receivable which is arrived at after deducting trade rebates, customer returns and value added tax. Shipping and handling costs, such as freight to our customers' destination are included in cost of sales. These costs, when included in the sales price charged for our products are recognised in net sales.

Operating segments

IFRS 8 Operating Segments has been adopted by the Group and requires that entities reflect the 'management approach' to reporting the financial performance of its operating segments. Management has determined the segments that are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, identified as the Executive Committee that makes strategic decisions. The committee considers the business principally via the four main operating segments. Operating segments are those components of the Group that are engaged in providing a group of related products that are subject to risks and returns that are different to other operating segments. Geographical areas are components where the eventual product destination is in a particular geographic environment which is subject to risks and returns that are different from other such areas. Costs are allocated to segments based on the segment to which they relate. Central costs are recharged on an appropriate basis.

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

Foreign currencies

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

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

The portion of gain or loss on foreign currency borrowings that are used to hedge a net investment in a foreign operation, that is determined to be an effective hedge, is included as a movement in the cumulative translation reserve.

On subsequent disposal such gains or losses will form part of

the profit/loss on disposal within the Statement of Comprehensive Income. Any ineffective portion is recognised immediately in the Statement of Comprehensive Income.

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.

Retirement benefits

The Group operates various pension schemes.

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

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

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

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

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

Share based payments

Options granted to employees are recognised as employee expenses based on fair value at grant date, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the

options. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due only to share prices not achieving the threshold for vesting.

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

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

(refer to note below on Emissions trading scheme for policy)

Property plant and equipment

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

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

Residual values and useful lives are reviewed annually.

Inventories

Inventories are stated at the lower of cost and net realisable value. 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.

Emissions trading scheme

The Group's power generation facilities became subject to the European Union Emission Trading Scheme ("EUETS") as from 1 January 2008. The Group is permitted to emit an average of 16,000 tonnes of carbon dioxide per calendar year up to the year ended 31 Dec 2020. Credits for this quantum are issued to the Group free of charge by HM Government.

The Group has adopted an accounting policy which recognises the emission allowances as an intangible asset and an associated liability. The intangible asset is valued at the market price on

the date of issue. The liability is valued at the market price on the date of issue up to the level of allocated allowances held. Should emissions exceed the annual allowance any excess of liability above the level of the allowances held is valued at the market price ruling at the Statement of Financial Position date and charged against operating profit. Unutilised allowances are maintained against a potential future shortfall.

When allowances are utilised both the intangible asset and liability are amortised to the Statement of Comprehensive Income. Up until the 31 December 2012 the Group's emissions were in line with its permitted EUETS allowance and hence there was no impact on profit. After entering phase 3 of the EUETS annual emissions in a calendar year are now expected to exceed allowances received and the impact is taken to the SCI under "Other expenses". At 1 April 2017 the intangible asset was valued at £30,000 (2016 £20,000) and the associated liability at £30,000 (2016 £20,000). The liability is categorised under current liabilities.

Grants

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

Leasing

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

Taxation

Tax on the Statement of Comprehensive Income for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, 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.

Research & development tax credit

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

Financial instruments

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

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

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

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.

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.

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.

Borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Comprehensive Income over the period of the borrowings using the effective interest method.

Interest

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

Trade receivables

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

Trade payables

Trade payables are stated at their fair value.

Capital Management

Group and Company's capital includes share capital, reserves and retained earnings. The Group and Company's policy is to maintain the ability to continue as a going concern, in order to provide returns to the shareholder and benefits to other stakeholders. The Group, and Company, invest in financial assets that will provide an adequate level of return to the shareholder commensurate with the level of risk.

The Group and Company manages the capital structure and adjusts this in light of the changes in the economic conditions and risk associated with the underlying assets. In order to maintain or adjust the capital structure, the Group and Company may adjust the amount of any dividend paid to the shareholder, return capital to the shareholder, issues new shares, or sell assets to reduce debt. Details of borrowings can be seen in note 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.

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.

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

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

2. SEGMENTAL REPORTING

IFRS 8 Operating Segments - requires that entities adopt the 'management approach' to reporting the financial performance of its operating segments. Management has determined the segments that are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, identified as the Executive Committee that makes strategic decisions. The committee considers the business principally via the four main operating segments, principally based in the UK:

- **James Cropper Paper Products:** 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** – a manufacturer of moulded fibre products.
- **Technical Fibre Products** – 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. "Trading Operating Profit before Interest" refers to profits prior to other income and expenditure and the IAS 19 pension adjustment. The "IAS 19 pension adjustment" refers to the impact on operating profits of the pension schemes' operating costs, as described in the IAS 19 section of the Financial Review. "Interest Expense" incorporates the IAS 19 pension impact of the pension schemes' finance costs, as described in the IAS 19 section of the Financial Review. Inter segment transactions are performed in the normal course of business and at arm's length.

Operating Segments

Period Ended 1 April 2017

	James Cropper Paper Products £'000	James Cropper 3D Products £'000	Technical Fibre Products £'000	Group Services £'000	Others £'000	Eliminations £'000	Continuing Operations £'000
Revenue							
External	71,024	7	21,332	-	-	-	92,363
	71,024	7	21,332	-	-	-	92,363
Segment Profit							
Adjusted Operating Profit							
Before IAS 19	3,209	(426)	5,940	(2,026)	178	(26)	6,849
IAS 19 Pension							
Adjustments To Profit	-	-	-	(661)	-	-	(661)
Operating Profit	3,209	(426)	5,940	(2,687)	178	(26)	6,188
Interest Expense	-	-	-	-	-	-	(548)
Profit Before Tax	-	-	-	-	-	-	5,640
Tax on profit for period	-	-	-	-	-	-	(910)
Profit for the period	-	-	-	-	-	-	4,730
Total Assets	60,741	3,700	46,735	59,274	2,501	(104,456)	68,495
Total Liabilities	(49,584)	(4,613)	(41,298)	(44,805)	(675)	94,367	(46,608)

Notes to the Financial Statements

Operating Segments

Period Ended 2 April 2016

	James Cropper Paper Products £'000	James Cropper 3D Products £'000	Technical Fibre Products £'000	Group Services £'000	Others £'000	Eliminations £'000	Continuing Operations £'000
Revenue							
External	69,182	-	17,988	-	-	-	87,170
Business Income Insurance Note (1)	-	-	750	-	-	-	750
	69,182	-	18,738	-	-	-	87,920
Segment Profit							
Adjusted Operating Profit Before IAS 19	2,592	(438)	5,904	(2,608)	-	49	5,499
IAS 19 Pension Adjustments To Profit	-	-	-	(839)	-	-	(839)
Operating Profit	2,592	(438)	5,904	(3,447)	-	49	4,660
Interest Expense	-	-	-	-	-	-	(793)
Interest Income	-	-	-	-	-	-	1
Profit Before Tax	-	-	-	-	-	-	3,868
Tax on profit for period	-	-	-	-	-	-	(874)
Profit for the period	-	-	-	-	-	-	2,994
Total Assets	52,295	2,739	37,745	50,460	1,990	(84,495)	60,734
Total Liabilities	(41,390)	(3,099)	(34,037)	(30,113)	(343)	74,941	(34,041)

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

	Revenues from external customers		Non – current assets	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
UK	42,044	42,852	23,402	21,224
Europe	20,152	17,781	-	-
Asia	7,083	6,510	-	-
The Americas	21,019	18,244	2,958	2,627
Australasia	1,600	1,220	-	-
Africa	465	563	-	-
Total	92,363	87,170	26,360	23,851

Note:

(1) Business Income Insurance covers the loss of income that the business suffered after Storm Desmond.

It is designed to put the business in the same financial position it would have been in if no loss had occurred.

3. FINANCE COSTS

	2017 £'000	2016 £'000
Interest expense		
Interest payable on bank borrowings	190	188
Interest payable on finance leases	93	139
Net interest on defined benefit obligations	265	466
Total interest expense	548	793
Interest income		
Other interest received	-	1
Total interest income	-	1
Finance costs – net	548	792

4. PROFIT BEFORE TAXATION

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

	2017 £'000	2016 £'000
Staff costs	26,238	25,155
Depreciation of property, plant and equipment		
- owned assets	1,850	1,753
- leased assets	394	381
- amortisation of intangibles	53	172
Loss on disposal of fixed assets	14	-
Other operating lease rentals payable	161	163
- plant & machinery		
Repairs and maintenance expenditure on property, plant and equipment	5,630	4,540
Research & development tax credits	(139)	(130)
Government grants received	(29)	(73)
Research and development expenditure	918	1,765
Exceptional income – grant awarded to alleviate impact of flood	-	(1,000)
Exceptional costs – provisions for uninsured losses and risks	20	1,765
Sale of PMD online business	(90)	(250)
Foreign exchange differences	(123)	(247)
Trade receivables impairment	22	162

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

The exceptional items relate to additional income/costs arising as a consequence of the flood that impacted the Group following the aftermath of Storm Desmond in December 2015.

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:

	2017 £'000	2016 £'000
Audit Services		
- Fees payable to the company's auditor for the audit of parent company and consolidated accounts	18	18
Other services		
- Remuneration payable to the company's auditor for the auditing of subsidiary accounts and associates of the company pursuant to legislation (including that of countries and territories outside Great Britain)	50	53
- Fees in respect of pension matters	-	25
- Fees in respect of other assurance services	2	-
- Fees in respect of other tax advisory services	8	8
- Fees in respect of other services	-	10
	78	114

5. TAXATION

Analysis of charge in the period

	Note	2017 £'000	2016 £'000
Current tax		986	1,098
Adjustments in respect of prior period current tax		24	33
Total current tax		1,010	1,131
Deferred tax		1	(60)
Adjustments in respect of prior period deferred tax		(4)	(3)
Effects of changes in tax rate		(97)	(194)
Total deferred tax	18	(100)	(257)
Tax per income statement		910	874
Tax on items charged to equity			
Deferred tax on actuarial (losses) / gains on retirement benefit liabilities		1,847	(1,488)
Deferred tax on share options		634	135
Income tax charged to OCI		-	77

The tax for the period is lower (2016: higher) than the standard rate of corporation tax in the UK of 20% (2016: 20%).

The differences are explained below:

	2017 £'000	2016 £'000
Profit before tax	5,640	3,868
Profit on ordinary activities multiplied by rate of corporation tax in the UK of 20% (2016: 20%)	1,128	773
Effects of:		
Adjustments to tax in respect of prior period	20	25
Effects of other tax rates	(97)	(194)
Overseas tax	5	107
Expenses not deductible for tax purposes	16	214
Income not taxable	(66)	(52)
Amounts not recognised	(99)	-
Other	3	1
Total tax charge for the period	910	874

6. EARNINGS PER SHARE

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

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

	2017			2016		
	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	4,730	9,373	50.5	2,994	9,191	32.6
Effect of dilutive securities – options	-	77	-	-	222	-
Diluted EPS	4,730	9,450	50.0	2,994	9,413	31.8

7. DIVIDENDS

	2017 £'000	2016 £'000
Final paid for the period ended 2 April 2016 / period ended 28 March 2015	648	571
Interim paid for the period ended 1 April 2017 / period ended 2 April 2016	233	201
Final dividend payment paid pence per share for the period ended 2 April 2016 / period ended 28 March 2015	7.1p	6.3p
Interim dividend payment paid pence per share for the period ended 1 April 2017 / period ended 2 April 2016	2.5p	2.2p

In addition, the directors are proposing a final dividend in respect of the financial period ended 1 April 2017 of 9.3p per share (2016: 7.1p per share) which will absorb an estimated £864,000 (2016: £648,000) of shareholders' funds. If approved by members at the Annual General Meeting, it will be paid on 11 August 2017 to shareholders who are on the register of members at 14 July 2017. There are no tax implications in respect of this proposed dividend.

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

8. INTANGIBLE ASSETS

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

	Computer Software £'000	Development Costs £'000	Group Trade Secrets £'000	Emission Allowances £'000	Total £'000	Computer Software £'000	Company Emission Allowances £'000	Total £'000
Cost								
At 28 March 2015	3,872	-	307	2,882	7,061	3,764	2,882	6,646
Additions	37	-	-	96	133	30	96	126
At 2 April 2016	3,909	-	307	2,978	7,194	3,794	2,978	6,772
Aggregate amortisation								
At 28 March 2015	3,685	-	256	2,823	6,764	3,639	2,823	6,462
Charge for Period	138	-	34	135	307	121	135	256
At 2 April 2016	3,823	-	290	2,958	7,071	3,760	2,958	6,718
Net book value at 2 April 2016	86	-	17	20	123	34	20	54
Net book value at 28 March 2015	187	-	51	59	297	125	59	184

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 4 years.

The trade secrets relate to certain recipes and know how acquired within the TFP division. The remaining amortisation period of the assets at the period end is 1 year.

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

9. PROPERTY PLANT AND EQUIPMENT

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

	Freehold land & buildings £'000	Plant & machinery £'000	Assets under construction £'000	Total £'000
Cost				
Brought forward at 28 March 2015	11,138	77,857	-	88,995
Additions at cost	-	3,954	-	3,954
Disposals	(9)	(1,712)	-	(1,721)
Effects of movements in foreign exchange	-	123	-	123
At 2 April 2016	11,129	80,222	-	91,351
Accumulated Depreciation				
Brought forward at 28 March 2015	6,285	61,003	-	67,288
Charge for Period	256	1,878	-	2,134
Disposals	(9)	(1,712)	-	(1,721)
At 2 April 2016	6,532	61,169	-	67,701
Net book value at 2 April 2016	4,597	19,053	-	23,650
Net book value at 28 March 2015	4,853	16,854	-	21,707

Notes to the Financial Statements

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

	Group 2017 £'000	2016 £'000	Company 2017 £'000	2016 £'000
Net book value at 2 April 2016	4,618	5,031	350	373
Additions in period	180	30	-	-
Reclassification to assets owned	-	(62)	-	-
Depreciation in period	(394)	(381)	(23)	(23)
Net book value at 1 April 2017	4,404	4,618	327	350

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

	Freehold land & buildings £'000	Plant & machinery £'000	Assets under construction £'000	Total £'000
Cost				
Brought forward at 28 March 2015	1,663	1,985	-	3,648
Additions at cost	-	125	-	125
Disposals	-	(7)	-	(7)
At 2 April 2016	1,663	2,103	-	3,766
Accumulated Depreciation				
Brought forward at 28 March 2015	393	1,552	-	1,945
Charge for Period	30	46	-	76
Disposals	-	(7)	-	(7)
At 2 April 2016	423	1,591	-	2,014
Net book value at 2 April 2016	1,240	512	-	1,752
Net book value at 28 March 2015	1,270	433	-	1,703

10. INVESTMENTS

Investments in subsidiary undertakings

	Group 2017 £'000	2016 £'000	Company 2017 £'000	2016 £'000
At 1 April 2017 and 2 April 2016	-	-	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	Trustee of an employee benefit trust
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

*** Company name was changed from "Papermilldirect.com Limited" to "James Cropper Paper Limited" during the year.

(i) Burneside Mills, Kendal, Cumbria, LA9 6PZ, England.

(ii) 679 Mariaville Road, Schenectady, NY 12306, USA.

(iii) Level 54 Guangzhou IFC, 5 Zhujiang Road West, Zhujiang New Town, 510623, China.

11. INVENTORIES

	Group 2017 £'000	2016 £'000
Materials	7,654	7,479
Work in progress	1,928	2,004
Finished goods	4,515	4,619
	14,097	14,102

Inventories are stated after a provision for impairment of £504,000 (2016: £232,000). The cost of inventories recognised as expenses and included in cost of sales for the year ended 1 April 2017 was £64,309,000 (2016: £63,446,000).

The Company does not have inventories.

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Trade receivables	15,913	14,956	-	-
Less: Provision for impairment of receivables	(97)	(80)	-	-
Trade receivables –net	15,816	14,876	-	-
Amounts owed by group undertakings	-	-	42,346	005
Other receivables	6,115	3,024	2,124	2,270
Prepayments	1,135	1,695	721	517
	23,066	19,595	45,191	38,792

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

13. TRADE AND OTHER PAYABLES

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Trade payables	5,901	3,807	2,295	1,126
Amounts owed to group undertakings	-	-	13,881	11,739
Other tax and social security payable	553	525	144	133
Other payables	4,460	3,501	621	3,495
Accruals	7,579	7,234	2,529	1,582
	18,493	15,067	19,470	18,075

14. OTHER FINANCIAL LIABILITIES

Group and Company	2017	2016
	£'000	£'000
Interest rate swap	9	-

The group uses an interest rate swap to hedge the risk associated with interest rate increases against a proportion of its existing borrowings.

The gain arising in the Income Statement on fair value hedging instruments was £nil (2016: £nil).

15. BORROWINGS

	Note	Group 2017 £'000	2016 £'000	Company 2017 £'000	2016 £'000
Current					
Bank loans and overdrafts due within one year or on demand:					
Unsecured bank loans		791	3,042	-	-
Secured finance lease		779	844	79	74
	16.3	1,570	3,886	79	74
Non-current loans					
Unsecured bank loans		6,423	4,708	6,406	4,000
Secured finance lease		1,292	1,897	21	94
	16.3	7,715	6,605	6,427	4,094

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

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

	Minimum lease payments 2017 £'000	Interest 2017 £'000	Principal 2017 £'000	Minimum lease payments 2016 £'000	Interest 2016 £'000	Principal 2016 £'000
Group						
Within one year	843	64	779	939	95	844
Greater than one year and less than five years	1,301	49	1,252	1,995	98	1,897
Greater than 5 years	41	1	40	-	-	-
Company						
Within one year	84	5	79	84	10	74
Greater than one year and less than five years	21	-	21	98	4	94

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 CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES AND FAIR VALUES

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

Group		Book value 2017 £'000	Fair value 2017 £'000	Book value 2016 £'000	Fair value 2016 £'000
	Note				
Financial assets					
Current					
Trade receivables	12	15,913	15,816	14,956	14,876
Cash and cash equivalents		1,921	1,921	3,186	3,186
		17,834	17,737	18,142	18,062
Financial liabilities					
Current					
Trade payables	13	5,901	5,901	3,807	3,807
Derivatives (Interest rate swap)	14	9	9	-	-
Short term borrowings	15	1,570	1,570	3,886	3,886
		7,480	7,480	7,693	7,693
Non-current					
Long term borrowings	15	7,715	7,715	6,605	6,605
Company					
	Note	Book value 2017 £'000	Fair value 2017 £'000	Book value 2016 £'000	Fair value 2016 £'000
Financial assets					
Current					
Cash and cash equivalents		526	526	642	642
		526	526	642	642
Non-current					
Investments in subsidiary undertakings	10	7,350	7,350	7,350	7,350
Financial liabilities					
Current					
Trade payables	13	2,295	2,295	1,126	1,126
Interest rate swap		9	9	-	-
Short term borrowings	15	79	79	74	74
		2,383	2,383	1,200	1,200
Non-current					
Long term borrowings	15	6,427	6,427	4,094	4,094

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

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:

Notes to the Financial Statements

Financial Liabilities	2017	Total	2016	Total
	Level 2		Level 2	
	£'000		£'000	
Derivatives (Interest rate swap)	9	9	-	-

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 recorded by business held at the 1 April 2017 were:

	2017 £'000	2016 £'000
JC Speciality Papers	9,474	9,946
JC Converting	1,919	1,739
JC 3D Products	24	-
Technical Fibre Products	4,399	3,191
	15,816	14,876

The Company does not have trade receivables.

The ageing of trade receivables at the reporting date was:

	2017 £'000	2016 £'000
Not past due	14,113	12,761
Past due 0-30 days	1,800	1,786
Past due 31 -60 days	-	409
	15,913	14,956
Less impairment	(97)	(80)
	15,816	14,876

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

Provision for doubtful debts.

Group	2017 £'000	2016 £'000
Balance at start of period	80	68
Increased during the period	22	162
Utilised during the period	(5)	(150)
Balance at end of period	97	80

Included in the outstanding trade receivables balance are debtors with an overdue amount of £1,703,000 (2016: £2,115,000) that the Group has not provided for. The directors believe that these amounts are still considered recoverable from customers for whom there is no recent history of default.

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 over-draft 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 1 April 2017, was as follows:

Group	2017				2016			
	Debt	Finance lease obligations	Financial derivatives	Total	Debt	Finance lease obligations	Total	
	2017	2017	2017	2017	2016	2016	2016	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
In less than one year	791	779	9	1,579	3,042	844	3,886	
In more than one year but not more than two years	10	704	-	714	690	756	1,446	
In more than two years but not more than five years	6,413	548	-	6,961	4,018	1,141	5,159	
In more than five years	-	40	-	40	-	-	-	
	7,214	2,071	9	9,294	7,750	2,741	10,491	

Company	2017				2016			
	Debt	Finance lease obligations	Financial derivatives	Total	Debt	Finance lease obligations	Total	
	2017	2017	2017	2017	2016	2016	2016	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
In less than one year	-	79	9	88	-	74	74	
In more than one year but not more than two years	-	21	-	21	-	80	80	
In more than two years but not more than five years	6,406	-	-	6,406	4,000	14	4,014	
	6,406	100	9	6,515	4,000	168	4,168	

Trade payables

Trade payables at the reporting date was:

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Trade payables at the reporting date was	5,901	3,807	2,295	1,126
Total contractual cash flows	5,901	3,807	2,295	1,126

Borrowing facilities

The Group has the following undrawn committed borrowing facilities available at 1 April 2017:

	Group at 1 April 2017	Group at 2 April 2016
	Floating rate	Floating rate
	£'000	£'000
Expiring within one year (renewable annually)	3,658	3,513

Notes to the Financial Statements

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

	Group 1 April 2017 £'000	2 April 2016 £'000	Company 1 April 2017 £'000	2 April 2016 £'000
June 2016	-	2,123	-	-
December 2017	781	1,592	-	-
August 2019	17	22	-	-
November 2019	10	13	-	-
May 2020	4,000	4,000	4,000	4,000
June 2021	2,406	-	2,406	-
	7,214	7,750	6,406	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 US. The Group is exposed to foreign exchange risks primarily with respect to US Dollars and the Euro. Where possible, the Group maintains a policy of balancing sales and purchases denominated in foreign currencies. Where an imbalance remains, the group has also entered into certain forward exchange contracts. No material contracts were outstanding at the year end. The management of foreign currency is described in further detail in the Financial Review.

Represented below is the net exposure to foreign currencies, reported in pounds sterling, and arising from all Group activities, as at 1 April 2017.

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

At the 2 April 2016 the Group's exposure to foreign currency risk was as follows:

	USD £'000	Euro £'000	RMB £'000	GBP £'000	Total £'000
Trade Receivables	4,745	2,444	-	7,687	14,876
Cash and cash equivalents	1,220	35	173	1,758	3,186
Trade Payables	(336)	(809)	(3)	(2,659)	(3,807)
Unsecured current loans	(3,033)	-	-	(8)	(3,041)
Finance lease current	-	-	-	(845)	(845)
Unsecured non-current loans	(682)	-	-	(4,026)	(4,708)
Finance lease non-current	-	-	-	(1,897)	(1,897)
Net exposure	1,914	1,670	170	10	3,764

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

Notes to the Financial Statements

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

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

At the 2 April 2016 the Company's exposure to foreign currency risk was as follows:

	USD £'000	Euro £'000	GBP £'000	Total £'000
Cash and cash equivalents	40	21	581	642
Trade Payables	(2)	(2)	(1,122)	(1,126)
Finance lease current	-	-	(74)	(74)
Unsecured non- current loans	-	-	(4,000)	(4,000)
Finance lease non -current	-	-	(94)	(94)
Net exposure	38	19	(4,709)	(4,652)

A one percent strengthening of the pound against the Euro and the US Dollar at 1 April 2017 would have had the following impact on equity and profit by the amounts shown below.

Group		Equity £'000	SCI £'000	Company		Equity £'000	SCI £'000
1 April 2017	USD	(47)	(84)	1 April 2017	USD	30	-
1 April 2017	Euro	(21)	(21)	1 April 2017	Euro	-	-
2 April 2016	USD	(19)	(44)	2 April 2016	USD	-	-
2 April 2016	Euro	(17)	(16)	2 April 2016	Euro	-	-

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

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:

Notes to the Financial Statements

	Group 2017 £'000	2016 £'000	Company 2017 £'000	2016 £'000
Interest bearing liabilities - floating				
Borrowings	7,189	7,714	6,407	4,000
Interest rate swap	9	-	9	-
Finance lease	1,364	1,846	-	-
	8,562	9,560	6,416	4,000
Interest bearing liabilities - fixed				
Borrowings	25	35	-	-
Finance lease	707	896	100	168
	732	931	100	168
Interest bearing liabilities	9,294	10,491	6,516	4,168

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

	2017 %	2016 %
Bank overdraft	1.3	1.5
Borrowings	3.5	3.7

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 £86,000 for the Group and £64,000 for the Company in interest expense being incurred per year. The impact of a decrease in rates would be an identical reduction in the annual charge.

Group	SCI £'000	Company	SCI £'000
1 April 2017	86	1 April 2017	64
2 April 2016	96	2 April 2016	40

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:

	Group 2017 £'000	2016 £'000
Defined contribution schemes	542	508
Personal Pension contributions	43	29

Other pension costs totalled £292,000 (2016: £265,000) and represent life assurance charges and government pension protection fund levies.

Defined benefit plans

With effect from 1 April 2011 active members' benefits were reduced such that future increases in pensionable salaries were restricted to a cap of 2% per annum. As from 1 April 2017 (Works Scheme) and 1 July 2017 (Staff Scheme) increases in pension once it is in-payment will be in line with the annual increase in CPI. The impact of this change in assumption in the year

Notes to the Financial Statements

is a credit to Other Comprehensive Income of £1.6m. The Staff and Works Scheme remain defined benefit schemes but are no longer “final salary” schemes. The most recent actuarial valuations of the Staff Scheme and the Works Scheme have been updated to 1 April 2017 by qualified independent actuaries. The major assumptions used by the actuary for each scheme were as noted below. The expected return on plan assets is calculated by using a weighted average across each category of asset:

	Staff Scheme		Works Scheme	
	2017	2016	2017	2016
	%	%	%	%
RPI Inflation assumption	-	2.90	-	2.90
CPI Inflation assumption	2.25	1.90	2.25	1.90
Rate of increase in pensionable salaries	1.90	1.90	1.90	1.90
Discount rate	2.70	3.55	2.70	3.55
Pension increases for in-payment benefits capped at 5%, with a 3% floor	3.50	3.30	3.20	3.30
Pension increases for in-payment benefits capped at 2.5%, with a 0% floor	2.20	1.90	1.90	1.90

In respect of mortality for the Works members the assumptions adopted at 1 April 2017 are 145% of the S2PXA series table, with future improvements in line with the CMI core 2016 projection model with long-term trend improvements of 1.25% pa. For the Staff members the S2PXA series table with a 95% rating has been used, with future improvements in line with the CMI core 2016 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 as an appropriate duration to the schemes' liabilities. A decrease in the discount rate by 0.25% would increase the defined benefit obligations by 4.5%.

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

	2017	2016	2015	2014	2013
	£'000	£'000	£'000	£'000	£'000
Defined benefit obligation (DBO)	(124,652)	(102,141)	(106,788)	(85,482)	(85,112)
Fair value of assets (FVA)	105,832	94,271	92,346	73,842	74,759
Net liability recognised in the SFP	(18,820)	(7,870)	(14,442)	(11,640)	(10,353)

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

	Staff Scheme		Works Scheme	
	2017	2016	2017	2016
	%	%	%	%
Equities	62.2	61.7	73.8	72.6
Annuities	3.9	3.8	-	-
Cash	0.4	0.5	0.1	0.9
Real Liability Strategy	9.8	9.4	3.8	3.7
Nominal Liability Strategy	23.7	24.6	22.3	22.8

The pension plan assets do not include any investments in the shares of the Company (2016: 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 Liability Strategy captions holdings of cash and swaps, designed to match the sensitivity of the schemes to movements in long term interest rates and inflation expectations.

Notes to the Financial Statements

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

	2017 £'000	2016 £'000
Total included within employee benefit costs - current service cost	1,190	1,363
Interest Income on plan assets	(3,326)	(3,042)
Interest cost on the defined benefit obligation	3,591	3,508
Total included within interest	265	466
Total	1,455	1,829

Analysis of the movement in the Statement of Financial Position liability

	2017 £'000	2016 £'000
At 2 April 2016 / 28 March 2015	(7,870)	(14,442)
Total expense as above	(1,455)	(1,829)
Contributions paid	1,891	1,847
Actuarial (losses)/gains recognised in SCI	(11,386)	6,554
At 1 April 2017 / 2 April 2016	(18,820)	(7,870)

The actual return on plan assets was £12,831,000 (2016: £2,418,000). The Company expects to pay £826,000 (2016: £836,000) in contributions to the Staff Scheme and £1,093,000 (2016: £1,055,000) in contributions to the Works Scheme in the next financial period. The minimum funding requirement does not give rise to an additional liability under IFRIC 14.

The cumulative amount of losses recognised in the Statement of Comprehensive Income, since the adoption of IAS 19, are £20,075,000 (2016: £8,689,000).

	Works Scheme		Staff Scheme		Works Scheme		Staff Scheme	
	2017	2017	2017	2017	2016	2016	2016	2016
	Assets	DBO	Assets	DBO	Assets	DBO	Assets	DBO
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 2 April 2016 / 28 March 2015	47,926	(55,766)	46,345	(46,375)	47,075	(58,443)	45,271	(48,345)
Interest Income on plan assets	1,690	-	1,636	-	1,552	-	1,490	-
Current service costs	(94)	(651)	(35)	(410)	(104)	(754)	(33)	(472)
Benefits paid	(2,047)	2,047	(1,524)	1,524	(1,466)	1,466	(1,228)	1,228
Contributions by plan participants	359	(359)	180	(180)	329	(329)	162	(162)
Employer contributions	1,055	-	836	-	1,025	-	822	-
Interest cost on the DBO	-	(1,961)	-	(1,630)	-	(1,922)	-	(1,586)
Return on plan assets	4,749	(11,737)	4,756	(9,154)	(485)	4,216	(139)	2,962
At 1 April 2017 / 2 April 2016	53,638	(68,427)	52,194	(56,225)	47,926	(55,766)	46,345	(46,375)

Experience adjustments

	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000
Arising on plan assets	9,505	(624)	15,591	(3,830)	1,855
Percentage of scheme assets	8.98%	(0.66%)	16.88%	(5.19%)	2.48%
Arising on plan liabilities	(20,891)	7,178	(18,836)	2,621	(143)
Percentage of scheme liabilities	(16.76%)	7.03%	(17.64%)	3.07%	(0.17%)

18. DEFERRED TAXATION

The movement on the deferred tax account is shown below:

	Group 2017 £'000	2016 £'000	Company 2017 £'000	2016 £'000
At 2 April 2016 / 28 March 2015	78	1,174	1,609	2,878
Deferred tax on actuarial (losses) / gains on retirement liabilities	1,847	(1,488)	1,847	(1,488)
Deferred tax on share options recognised in OCI	245	135	245	135
SCI credit	100	257	32	84
At 1 April 2017 / 2 April 2016	2,270	78	3,733	1,609

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 unremitted earnings of overseas subsidiaries.

Deferred tax liabilities

	Accelerated capital allowances £'000	Other £'000	Total £'000
At 2 April 2016	(1,786)	447	(1,339)
SCI credit	16	148	164
Deferred tax on share options recognised in SOCIE	-	245	245
At 1 April 2017	(1,770)	840	(930)

Deferred tax assets

	Pension £'000	Total £'000
At 2 April 2016	1,417	1,417
SCI Charge	(64)	(64)
Deferred tax on actuarial losses on retirement liabilities	1,847	1,847
At 1 April 2017	3,200	3,200
		Total £'000
Net deferred tax asset		2,270

19. SHARE CAPITAL**Group and Company****Issued and fully paid**

	Number of ordinary shares	£'000
At 2 April 2016	9,225,842	2,306
Issued during the period	240,524	61
At 1 April 2017	9,466,366	2,367

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 151,685 ordinary shares of 25p by 2019 (2016: 172,211 ordinary shares of 25p by 2018). There were 64,108 share options exercised in the period (2016: 40,594). Further information on directors share options can be seen in the Remuneration Committee Report.

Notes to the Financial Statements

	Options at 2 April 2016	Options granted in the period	Options exercised in the period	Options lapsed in the period	Options at 1 April 2017
Share options	172,211	43,582	64,108	-	151,685

The amount of gains made by Directors on 64,108 share options exercised in the year totalled £617,938. The Statement of Comprehensive Income includes LTIP charges of £223,957 for the year in relation to Directors.

The Save As You Earn (SAYE) schemes were introduced in September 2013 and run for either a three or five year period. Options were valued using a Black-Scholes option pricing model. The fair value per option and assumptions used in the calculation are as follows: -

	Sep-13 3 year scheme	Sep-13 5 year scheme
Fair value per option	57p	71p
Date of grant	01 September 2013	01 September 2013
Exercise Price	199.52p	199.52p
Market Price at date of grant	313.5p	313.5p
Volatility	26%	26%
Net dividend yield	2%	2%
Term of option	3.25 years	5.25 years
Risk free rate of interest	0.8%	1.5%

During the period 223,270 options were exercised (2016: 43,076 options were exercised).

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

20. EMPLOYEES AND DIRECTORS

Staff costs during the period

	Group 2017 £'000	2016 £'000	Company 2017 £'000	2016 £'000
Wages and salaries	21,991	21,105	3,667	3,550
Social Security costs	2,180	1,886	438	317
Pension costs (note 17)	2,067	2,164	851	1,033
	26,238	25,155	4,956	4,900

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	
	2017 Number	2016 Number	2017 Number	2016 Number
James Cropper Paper Products	359	362	365	372
James Cropper 3D Products	4	-	5	-
Technical Fibre Products	102	99	104	101
James Cropper PLC	59	57	79	73
	524	518	553	546

Details of the remuneration of Directors, who are also considered to be the key management personnel as per IAS 24, are provided in the Report of the Remuneration Committee on page 57.

21. COMMITMENTS UNDER OPERATING LEASES

Group	2017		2016	
	Property £'000	Plant & machinery £'000	Property £'000	Plant & machinery £'000
Commitments under non-cancellable operating leases expiring:				
Within one year	5	-	10	-
Later than one year and less than five years	1,255	438	313	524
After five years	591	-	1,724	-
	1,851	438	2,047	524
Company				
	2017		2016	
	Property £'000	Plant & machinery £'000	Property £'000	Plant & machinery £'000
Commitments under non-cancellable operating leases expiring:				
Later than one year and less than five years	199	438	291	524
After five years	591	-	665	-
	790	438	956	524

22. CAPITAL COMMITMENTS

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Contracts placed for future capital expenditure not provided in the financial statements	466	1,270	34	12

23. CONTINGENT LIABILITIES

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

24. RELATED PARTY TRANSACTIONS**Group**

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

Company

The Company pays £40,000 (2016: £40,000) annually to Sir James Cropper for the use of reservoirs to supply water to the factory premises. The contract is based on a twenty year repairing lease with rent reviews every five years. The rent is negotiated through independent advisers representing each party. The Company paid £nil (2016: £918) to Ellergreen Hydro, a company in which M A J Cropper is Managing Director, in the period for a maintenance project. The Company paid £12,345 (2016: £16,407) 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 Burnside Community Energy Ltd, who have installed solar panels. The Company is importing the electricity generated by the solar panels and paid £11,136 (2016: £nil) to Burnside Community Energy Ltd. M A J Cropper is a director of Burnside Community Energy Ltd.

Notes to the Financial Statements

The Company also has the following transactions with related entities:

2017	Management charges £'000	Receivable / (Payable) £'000	Loans and net intercompany funding £'000
James Cropper Speciality Papers Limited	5,328	2,318	5
James Cropper Converting Limited	(50)	74	9,939
James Cropper 3D Products Limited	72	220	3,187
Technical Fibre Products Limited	1,301	1,213	10,834
James Cropper EBT Limited	-	-	675
	6,651	3,826	24,640
2016	Management charges £'000	Receivable / (Payable) £'000	Loans and net intercompany funding £'000
James Cropper Speciality Papers Limited	4,143	1,333	5,143
James Cropper Converting Limited	656	71	9,184
James Cropper 3D Products Limited	-	151	1,022
Technical Fibre Products Limited	942	1,377	5,641
James Cropper EBT Limited	-	-	343
	5,741	2,932	21,333

2016 - 2017 SHAREHOLDER INFORMATION

Reporting

Interim Results announced and sent to Ordinary Shareholders 15 November 2016

Final results announced 27 June 2017

Annual Report issued by 4 July 2017

Annual General Meeting - at Bryce Institute, Burneside, Kendal, Wednesday 26 July 2017 at 11.00am.

Dividends on Ordinary Shares

Interim dividend paid on 13 January 2017 to Ordinary Shareholders registered on 16 December 2016.

Final dividend to be paid on 11 August 2017 to Ordinary Shareholders registered on 14 July 2017.

Bankers and Advisers

Bankers

Lloyds Bank plc

HSBC Bank plc

Svenska Handelsbanken AB (publ)

Barclays Bank plc

Independent Auditor

KPMG LLP, Manchester

Tax Advisers

PriceWaterhouseCoopers LLP, Manchester

NOMAD & Stockbrokers

Stockdale Securities Limited, London

Corporate Lawyers

Bond Dickinson, Newcastle upon Tyne

DWF LLP, Manchester

Registrars

Capita Asset Services, Beckenham

Pension Adviser

Willis Towers Watson, Manchester

James Cropper PLC

Telephone. +44 (0)1539 722002

Email. info@cropper.com

Burneside Mills

Kendal, Cumbria LA9 6PZ

Great Britain

www.cropper.com

Company Registration No: 30226

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 128th Annual General Meeting of the Company will be held at The Bryce Institute, Burneside, Kendal, Cumbria LA9 6PZ on Wednesday 26 July 2017 at 11 am to consider and, if thought fit, pass Resolutions 1 to 10 inclusive as ordinary resolutions and Resolution 11 as a special resolution. The Chairman of the Company will act as Chairman of the Meeting other than Resolution 3 which will be chaired by another Director of the Company.

Resolution 1

To receive and consider the Company's annual accounts for the 52 weeks ended 1 April 2017 together with the Directors' Report and the Auditors Report on those accounts.

Resolution 2

To declare a final dividend for the year ended 1 April 2017 of 9.3 pence for each Ordinary Share payable on 11 August 2017 to all Ordinary Shareholders on the register of the Company at close of business on 14 July 2017.

Resolution 3

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

Resolution 4

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

Resolution 5

To re-elect Karl D Watson as a Director of the Company.

Resolution 6

To re-elect Stephen A Adams as a Director of the Company, who was appointed by the Board since the last AGM.

Resolution 7

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

Resolution 8

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

Resolution 9

To consider and approve the Report of the Remuneration Committee for the 52 weeks ended 1 April 2017.

Resolution 10

THAT the Directors be and they are hereby generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company up to an aggregate nominal amount of £133,409 provided that this authority shall expire at the end of the next Annual General Meeting of the Company or, if earlier, 15 months from the date of this Resolution, save that the Company shall be entitled to make offers or agreements before the expiry of such authority which would or might require shares to be allotted or such rights to be granted after such expiry and the Directors shall be entitled to allot shares

and grant rights pursuant to any such offer or agreement as if this authority had not expired; and all unexercised authorities previously granted to the Directors to allot shares and grant rights be and are hereby revoked.

Resolution 11

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

- (a) the allotment of equity securities in connection with an offer of securities in favour of the holders of Ordinary Shares on the register of members at such record dates as the Directors may determine where the equity securities respectively attributable to the interests of the Ordinary Shareholders are proportionate (as nearly as may be practicable) to the respective numbers of Ordinary Shares held by them on any such record dates, subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of Ordinary Shares being represented by depositary receipts or any other matter; and
- (b) the allotment (otherwise than pursuant to sub-paragraph (a) of this Resolution 11) to any person or persons of equity securities up to an aggregate nominal amount of £133,409, and shall expire upon the expiry of the general authority conferred by Resolution 10 above, save that the Company shall be entitled to make offers or agreements before the expiry of such power which would or might require equity securities to be allotted after such expiry and the Directors shall be entitled to allot equity securities pursuant to any such offer or agreement as if the power conferred hereby had not expired.

BY ORDER OF THE BOARD

Jim Aldridge
Company Secretary
4 July 2017
Registered Office:
Burneside Mills
Kendal
Cumbria LA9 6PZ

Notice of Annual General Meeting

Notes:

Proxies

To be entitled to attend and vote, whether in person or by proxy, at the AGM, members must be registered in the Register of Members of the Company at close of business on 24 July 2017 (or, if the meeting is adjourned, at 6.00 pm on the date which is two days prior to the adjourned meeting). Changes to entries on the Register of Members after this time shall be disregarded in determining the rights of persons to attend or vote (and the number of votes they may cast) at the AGM or adjourned meeting.

A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint another person as their proxy to exercise all or any of their rights to attend and to speak and vote at a meeting of the Company. Any such member may appoint more than one proxy provided that each proxy is appointed to exercise the rights attached to a different share or shares held by such member. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please photocopy the form of proxy and indicate in the box next to the proxy's name the number of shares in relation to which he or she is authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.

A proxy need not be a member of the Company. Your proxy could be the Chairman, another Director of the Company or another person who has agreed to attend to represent you. Your proxy must vote as you instruct and must attend the meeting for your vote to be counted. Appointing a proxy will not prevent a shareholder from attending in person and voting at the meeting. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the Chairman of the meeting) and give your instructions directly to that person.

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

The form of proxy includes a vote withheld option. Please note that a vote withheld is not a vote in law and will not be counted in the calculation of the proportion of votes for and against any particular Resolution.

The appointment of a proxy and the original or duly certified copy of the power of attorney or other authority (if any) under which it is signed or authenticated should be deposited with the Company's registrar at the address shown on the proxy form not later than 11.00 am on 24 July 2017 or 48 hours before the time for holding any adjourned meeting. The deadline for receipt of proxy appointments (see above) also applies in relation to amended instructions.

CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual on the Euroclear website (www.euroclear.com/CREST). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (EUI) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

Corporate representatives

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

Notice of Annual General Meeting

Total Voting Rights

As at 9.00 am on the Latest Practicable Date, being the last practicable day prior to the publication of this notice, the Company's issued share capital comprised 9,466,366 Ordinary Shares of 25 pence each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 9.00 am on the Latest Practicable Date, being the last practicable date prior to the publication of this notice is 9,466,366.

Directors' contracts

Copies of the contracts of service for Directors and a statement of Directors' interests are available for inspection during normal business hours at the registered office of the Company and they may be inspected at the place of the Annual General Meeting for at least 15 minutes prior to the meeting and at the meeting.

ANNUAL REPORT PRODUCTION

All the paper used in this report has been made in England by James Cropper PLC.

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