



JAMES CROPPER PLC

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ANNUAL REPORT AND ACCOUNTS 2021

PURPOSE AND VALUES

James Cropper has always had a strong set of values and cared about more than just making a profit, but given these somewhat challenging times, we felt it was more important than ever to come together and really explore what our values are and to establish a common purpose

- a simple idea which unites us all and can guide us into the future. We also have an opportunity to do more to make a positive contribution to the world around us and know having a strong sense of purpose will help navigate us.

We knew that for our values and purpose to be truly meaningful, they could not be created in the boardroom alone, they needed to come from our employees. So, using video conferencing to overcome the challenges of Covid-19, we brought together from across all our business sites and geographical locations, over 40 representatives.

We held three workshops in which we shared stories and had discussions about our heritage, what makes us proud, the needs of our customers and the challenges faced by them and us, but most importantly we spent time exploring what the world needs from James Cropper and how we can be a force for good.

The purpose and values we have today are a direct output from these sessions.

Our purpose

**PIONEERING MATERIALS
TO SAFEGUARD
OUR FUTURE**

Our values

**FORWARD THINKING.
RESPONSIBLE.
CARING.**

Going forward we want everyone across the James Cropper group to be part of an ongoing conversation about what our purpose and values mean to them. Making time for quality conversations about what matters to us is something we believe will help us remain relevant, feel connected and inspire us all to take action.

In these conversations we will be shining a light on all the great work we know already takes place that shows we truly are forward thinking, responsible and caring. We will also take time to look at how we build on our values; growing ideas and opportunities to live our purpose.

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FINANCIAL HIGHLIGHTS

Total revenue

£78.8m

		25%
	78.8	
2021		104.7
2020		101.1
2019		96.3
2018		92.4
2017		

Geographical % segmentation of revenue

2021	UK
2020	Europe
2019	Americas
2018	Asia
2017	Other

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

Adjusted profit before tax (iii)

£4.0m

		40%
2021	4.0	
2020		6.7
2019	4.0	
2018		5.8
2017		6.6

(excluding IAS 19 Pension adjustments and exceptional items)

Profit before tax

£1.7m

		69%
2021	1.7	
2020		5.5
2019	2.6	
2018		4.5
2017		5.5

Diluted EPS

16.4p

		68%
2021	16.4	
2020		50.6
2019	24.3	
2018		43.0
2017		49.0

Gearing (i)

17%

		35%
2021		17
2020		26
2019		21
2018	12	
2017		20

(excluding IAS 19 Pension adjustments)

Net borrowings (ii)

£7.5m

		32%
2021	7.5	
2020		11.1
2019		8.6
2018	4.8	
2017		7.4

Capital expenditure

£3.1m

		66%
2021	3.1	
2020		9.2
2019		5.2
2018	1.9	
2017		5.3

Non GAAP Measures:

- (i) Gearing is calculated as the proportion of net debt to Total Shareholders' Equity, excluding the IAS19 Pension deficit.
- (ii) Net borrowings, are calculated as total loans and borrowings less cash and cash equivalents. Included in net borrowings from 2020 are lease liabilities for right of use assets under IFRS 16. The Group has initially applied IFRS 16 at 31 March 2019 and recognised £4.2m of lease liabilities on the balance sheet. The Group has applied IFRS 16 using the modified retrospective approach, under which comparative information is not restated and the cumulative effect of applying IFRS 16 is recognised in retained earnings at the date of initial application.
- (iii) Adjusted profit before tax equates to profit before tax excluding the IAS 19 impact and excluding exceptional items.

FINANCIAL SUMMARY

Summary of results

All figures in £'000	2021	2020	2019	2018	2017
Revenue	78,768	104,667	101,095	96,312	92,363
Adjusted operating profit (APM 1)* (excluding IAS 19 impact and exceptional items)	4,510	7,240	4,262	6,133	6,849
Adjusted profit before tax (APM 2)* (excluding IAS 19 impact and exceptional items)	4,023	6,674	3,962	5,825	6,566
Impact of IAS 19	(802)	(1,215)	(1,386)	(1,248)	(1,025)
Profit before tax	1,719	5,459	2,576	4,541	5,541
Earnings per share - diluted	16.4p	50.6p	24.3p	43.0p	49.0p

Statement of Financial Position

All figures in £'000	2021	2020	2019	2018	2017
Non-pension assets – excluding cash	70,780	72,084	64,871	59,899	64,304
Non-pension liabilities – excluding borrowings	(18,444)	(19,032)	(16,236)	(15,585)	(19,433)
	52,336	53,052	48,635	44,314	44,871
Net IAS 19 pension deficit (after deferred tax)	(14,933)	(7,600)	(18,798)	(16,162)	(18,421)
	37,403	45,452	29,837	28,152	26,450
Net borrowings	(7,502)	(11,055)	(8,561)	(4,806)	(7,364)
Equity shareholders' funds	29,901	34,397	21,276	23,346	19,086
Gearing % - before IAS 19 deficit	17%	26%	21%	12%	20%
Gearing % - after IAS 19 deficit	25%	32%	40%	21%	39%
Capital expenditure £'000	3,127	9,195	5,229	1,935	5,315

* Alternative performance measures (APMs) are defined on page 12.

- (i) The IAS 19 pension adjustments are explained in detail in the Financial Review section, pages 17 to 19. The total amount excluded from the IAS pension Charge is £802k (2020: £1,215k). The adjustment, which we refer to in these accounts as the "IAS 19 impact" represents the difference between the pension charge as calculated under IAS 19 and the cash contributions for the current service cost only as determined by the latest triennial valuation. The Directors consider that the adjusted pension charge better reflects the actual pension costs for ongoing service compared to the IAS 19 charge. This adjustment is made internally when we assess performance and is also used in the EBITDA and EPS targets used in management incentive schemes.
- (ii) The IAS 19 pension adjustment £802k (2020: £1,215k) comprises:

All figures in £'000	Period ended 27 March 2021	Period ended 28 March 2020
Current service charge	1,034	1,188
Normal contributions	(471)	(517)
Interest charge	239	544
IAS 19 pension adjustment	802	1,215

Further details can be found on page 18 (The IAS 19 impact on profits).

CHAIRMAN'S LETTER

Dear Shareholders,

As I wrote this letter last year, the pandemic was already upon us. The outlook was very uncertain but nothing was being left to chance. We had already implemented an eye-watering list of adaptations in the first few weeks of lockdown, with much more being planned to bring forward thereafter.

I am pleased to report that in the event the year has passed as well as we might have hoped. We have managed to keep operating throughout and most importantly your workforce has stayed safe. While we have had positive Covid cases, transmission has been controlled and no severe illness has resulted.

In financial terms, we have been able to report a profit before tax of £1.7m for the year. This was down by 69% versus the prior period while Group turnover fell by 25%, split between Paper (-32%), TFP (-7%), and Colourform™ (+9%). The results are on the positive side of break-even thanks to the critical role government employment assistance schemes in the UK and the US played in supporting the Group. This totalled £2.9m and played a critical role helping the Group retain employees.

The accounts also record £1.1m of exceptional costs relating to a restructuring programme brought forward as a result of the pandemic. This largely related to a strategic change moving us away from

a matrix structure and closer to vertically integrated businesses with each Division having greater autonomy over its vision and growth. The changes were predominantly in Paper and central Group functions.

The decision to move ahead with this was not taken lightly, but it was essential to restructure in order to secure a future for the Group. As it happened more than 90% of those leaving chose voluntary redundancy. Many had worked for James Cropper for decades and the number included our COO Dave Watson, who played a critical role in the transformation of the Group since joining us in 2014. I wish to thank everyone who

left for everything they have contributed over many years and their goodwill and support for a process that is never easy.

This time last year I not only expressed concern about the impact of Covid but many other factors, not least Brexit. Thankfully this has passed without undue interruption or adverse effect, even while the transition was a real rollercoaster ride. This is truly a credit to all the teams that managed the situation. Not surprisingly the workload was considerable, further increased by our commitment to help our customers manage the process.

Another concern at the time of writing last year was whether we could grow our way out of the current crisis in a way that respects the environment, people and communities. This is a huge topic that does not invite easy or quick solutions. However, we have begun to map several ways forwards that will allow us to make material improvements in the coming years.

First, we held a series of workshops over the summer of 2020 to debate and agree the Group's purpose and values. This was a highlight of the year for me. It is easy to be cynical about such words and certainly purpose statements are a new fashion, but truthfully we are a purposeful and values

driven company and the outputs truly came from the heart of the company – specifically a huge cross-section of our employees from every level, function and geography. It was the first time we have run such an exercise in this way, and the outputs were as rich as they were clear and simple. We now have three core values – to be forward-thinking, caring and responsible – that truly speak for the ethos of the Group, as does the purpose defined: to be makers of pioneering materials to safeguard our future. There is already a close fit between these and much of what we do, but there is also much work required to truly live by them.

In terms of next steps, this is being ably overseen by a newly convened ESG sub-committee of the board, as well as other strategies that continue to gather pace, not least a programme to deliver significant decarbonisation by 2030 and Paper's ambition to use 50% waste fibre by 2025. Our growth and product development strategies are also ever more aligned with helping our customers and consumers reduce environmental impact, whether via greener papers and packaging

or the advanced materials TFP has developed for a wide range of renewable energies.

In particular, TFP is fast forging itself a position in the emerging green hydrogen industry (a field receiving much press of late), both as makers of fuel cell and hydrogen electrolyser components. The latter was significantly enhanced by the acquisition of electrochemical pioneer PV3 Technologies in January 2021 and the formation of a dedicated business TFP Hydrogen to focus on this area. I am especially excited by the transaction as it begins to move the Group beyond materials into electrochemistry with all kinds of potential for further innovation and growth.

Dividend

It will be no surprise to learn that no interim dividend has been paid in the year and no final dividend is proposed. The Board will consider reinstating a dividend as finances and other limitations permit.

"I CAN'T SPEAK FOR OTHER COMPANIES OR INSTITUTIONS BUT THE STRENGTH OF CHARACTER AND POSITIVE OUTLOOK HERE HAS BEEN BEYOND COMPARE."

Outlook

Looking forwards, the potential we have across multiple products and markets is huge, as is the potential for us to do better within. The challenge now is to ensure that we understand how we realise this and what is missing along the way.

Crucially, we are able to recommence capital investments put on hold last year. TFP's fourth production line will shortly be commissioned and Paper's wholesale upgrade to its finishing capabilities is back on track.

That we find ourselves in this position speaks volumes for the unprecedented commitment of everyone across the Group.

I can't speak for other companies or institutions but the strength of character and positive outlook here has been beyond compare. We have never looked downwards or inwards even if we have been stuck behind our screens far too much. The work has been relentless, made all the more intensive by social distancing and the need for constant adaptation.

Once again I offer my sincerest thanks and gratitude to all and everyone associated with our business. Our mantra since the earliest days of the Covid crisis has been to "emerge stronger". This time last year it was far from a foregone conclusion that we could.

However, I can now say with some confidence that we have every chance to do so, even while the pandemic and its aftershocks are far from over.

Mark Cropper, Chairman
21 June 2021

YEAR IN REVIEW		
Revenue (2020: £104.7m)	£78.8m	-25%
Adjusted operating profit (APM 1)* (excluding IAS 19 impact and exceptionals) (2020: £7.2m)	£4.5m	-38%
Adjusted profit before tax (APM 2)* (excluding IAS 19 impact and exceptionals) (2020: £6.7m)	£4.0m	-40%
Profit before tax (2020: £5.5m)	£1.7m	-69%
Net borrowings (2020: £11.1m)	£7.5m	-32%
Diluted earnings per share (2020: 50.6p)	16.4p	-68%
Full year dividend per share (2020: 2.5p)	nil	

No final dividend proposed

CHIEF EXECUTIVE'S REVIEW

Having dealt with the challenges from the pandemic, I am pleased to report our results for the period.

The immediate actions taken by the Board and our employees enabled the company to continue to trade in a Covid-secure environment throughout the period leaving us in a strong position to continue to accelerate our growth plans.

Our priorities throughout the pandemic have been foremost with the health and wellbeing of our employees.

Additionally, our focus has been on supporting our customers, managing costs, preserving cash, and latterly accelerating our growth plans, with our aim to emerge from the pandemic as a stronger company.

The company responded swiftly, with the Executive directors forming a crisis team initially meeting daily and latterly weekly to provide direct leadership on all aspects. Sub teams were tasked to provide frequent risk assessments and implement preventative measures way beyond mandatory requirements to reduce the risk of infection, providing a Covid Secure workplace.

In addition, a weekly communication to all global employees provided updates on cases, protective measures, and each business.

The impact on customer demand was seen across the group, with Paper being the most significantly impacted.

Overall, the company saw a 25% reduction in demand, with Paper being impacted by a 32% reduction across the portfolio, and TFP a reduction of 7% driven mainly from the aerospace market.

However, many markets in TFP were unaffected, and some, including hydrogen, continued to grow. In addition, Colourform™ continued to grow, despite a lower growth rate due to the impact from the pandemic.

The most significant impact was experienced within the first half of the year, with a steady improvement through the second half.

With the continuation of robust business development throughout, continued innovation and investments restarted, I am optimistic the company is exceptionally well placed to emerge stronger and accelerate growth in each business.

Revenue and Operating Profit

The financial impact of the pandemic on the business shows a 25% fall in revenues and a fall of 69% in profit before tax.

As a consequence, earnings per share have fallen by 68% to 16.4p per share (2020: 50.6p per share).

Group revenue for the financial period was £78.8m, down 25% on the prior period. Revenue for the Paper division fell by 32% in the period to £51.4m generating a small profit, prior to exceptional cost, of £0.4m compared to an operating profit of £3.4m in the prior period. Revenue for the TFP division fell by 7% in the period to £24.6m generating an operating profit of £6.9m, prior to exceptional cost, compared to £7.8m in the prior period. Revenue for Colourform™ grew by 9% in the period to £2.8m, generating an operating loss of £1.4m, prior to exceptional cost, compared to an operating loss of £1.4m in the prior period.

Capital expenditure

Capital investments during the period were generally suspended for most of the year, including the extension to the TFP building and the additional line. Expenditure in the period amounted to £3.1m compared to £9.2m in the prior period.

*For definitions of alternative performance measures please refer to page 12 on the Chief Financial Officer Review report.

Group Strategy

Our group philosophy is to provide each business with the flexibility and autonomy to maximise its potential.

Across the group, all businesses and functions share a common purpose and values. However, the structure of the group has moved from a matrix to vertically integrated businesses. Each business owns its own individual vision and strategic growth plan, which are supported by the group's functions.

Our purpose

PIONEERING MATERIALS TO SAFEGUARD OUR FUTURE

Our values

FORWARD THINKING. RESPONSIBLE. CARING.

TFP are driving sales growth in niche markets and building capacity and capability, including in the recently acquired entity.

Target markets include hydrogen fuel cells, hydrogen production (PEM), wind energy and aerospace. *Page 28*

Colourform™ is accelerating new projects to return rapid sales growth in sustainable packaging.

Target markets include packaging for beauty, perfumes and high value wine & spirits. *Page 32*

Paper is focused on developing its portfolio to deliver margin improvement.

Target markets include luxury packaging, art, design and print. *Page 35*

The approach for each business to act independently sharpens the target market focus and aligns the organisational, operational, and technical needs for each. Each business operates a divisional board, whose primary role is to set the mid-term strategy (circa five years) to deploy and achieve.

Investment for growth

Following a pause during the pandemic, all investment plans were restarted by the start of the new financial year. In TFP, the additional production line to create 50% increased capacity will be operational by summer 2021 and ready to support our forward growth plans.

TFP will generate additional growth through the acquisition of PV3 technologies, now known as TFP Hydrogen. Paper is creating an increased capability to provide enhanced finishing such as embossing and coatings, supporting the development of a more technically advanced and higher-margin portfolio. Colourform™ is focused on both capacity and capability increase to deliver further customer offerings for sustainable packaging.

Innovation for growth

Innovation sits at the heart of the company, with around 100 employees directly involved with innovation programmes.

Despite the headwinds from the Pandemic, the company has continued to drive innovation across the group.

Our dedicated technology & innovation team operate independently to the businesses to deliver step-change.

Key activities include decarbonisation, water usage reduction and reuse, and engagement with key universities and institutions developing processes for upcycling waste materials.

Within the businesses, new products and technologies have been launched. PaperGard™ was launched earlier in the year and is proven to be effective at reducing the presence of Covid-19 on the surface of Paper by 99.9%.

New plating technologies have been launched to provide more efficient and greater durability for the production of hydrogen through PEM water hydrolysis.

Disruptive sustainable packaging has been launched with customers such as the champagne house Ruinart, providing packaging nine times lighter and 60% reduced carbon footprint compared to its previous traditional packaging with zero plastic and 100% recyclable.

People

The last year has seen some significant development in our approach to our organisation.

Employees across each business and geography came together to explore and define our Purpose and Values.

Through a series of highly engaged online workshops representing over 10% of all employees helped to develop our Purpose; "Pioneering Materials to Safeguard our Future" and our values: "Forward-thinking", "Responsible", and "Caring".

It is with these that we will further shape our decision making for future business, our accountabilities, and our people.

The Company has traditionally taken great care to look after its people, to safeguard the environment in which it operates, to act responsibly and to develop sustainable manufacturing practices, and so it is deeply encouraging to have these values:

"Forward-thinking", "Responsible", and "Caring" affirmed. This year we formally established an Environmental, Social and Governance (ESG) committee to provide board oversight of Group ESG priorities and to monitor overall performance.

Our priorities and some of the early work of the ESG committee is described on pages 38 to 42 of this report.

We undertook an exercise to restructure the organisation to support accelerated growth and remove cost and complexity during the year.

Costs within the Paper business have been reduced by £2m, whilst new opportunities have been created to support the delivery of our growth plans.

The overall group structure has moved from a matrix organisation to three vertically integrated businesses.

This has removed some complexity within the group and provides increased autonomy and responsibility for each business.

Additionally, throughout the year, we have recognised outstanding achievements from our employees through our Pride Awards. I was delighted to see 32 of our employees were presented a Pride Award within the year (page 44).

Supporting early careers is a key priority for the company through apprenticeships and graduate recruitment as we build future talent. The company currently supports 24 apprentices across a range of disciplines, and 4 new technical graduates have joined the company in the last year.

Despite the challenges of the pandemic and the difficult actions the Company has had to take this year, it is rewarding to see how far we have come in organisational development, setting this Group up for a stronger and more prosperous future.

Phil Wild, Chief Executive Officer
21 June 2021

CHIEF FINANCIAL OFFICER'S REVIEW

Revenue

Divisional Revenue Summary	2021 £'000	2020 £'000	Change £'000	Change %
Paper Products	51,376	75,545	(24,169)	(32%)
Technical Fibre Products (TFP)	24,570	26,536	(1,966)	(7%)
Colourform™	2,822	2,586	236	9%
Group Revenue	78,768	104,667	(25,899)	(25%)

The Group revenues of £78,768k are 25% down on the previous year (2020: £104,667k). The trade in each division has been impacted by the pandemic.

Paper Division

James Cropper Paper Products is a custom speciality papermaker and converter and one of the world's foremost makers of premium coloured paper, renowned globally as experts in custom papermaking. Paper's sales were £51,376k in the period (2020: £75,545k) down 32% on prior year. The pandemic conditions hit all market segments in Paper, with the impact of high street closures, and very low duty free sales particularly affecting packaging in the year. Demand was low for the best part of the year with the most noticeable uptick experienced in the four months between December 2020 and March 2021.

Technical Fibre Products (TFP)

TFP develops and manufactures non-wovens and other advanced cutting edge materials that play an important part in progressive applications for fuel cell and green technologies, defence, fire protection and transportation. It is a highly diversified business with profitable niche positions in a range of market sectors. Page 30 provides an introduction to our newly acquired subsidiary TFP Hydrogen Products Ltd. TFP's sales were £24,570k in the period (2020: £26,536k). The pandemic conditions hit thermal insulation markets and caused extended and further shocks to aerospace sectors, however the fuel cell business evidenced year on year growth during the period and it is rewarding to see how well this business continued to fare despite the challenges of the pandemic.

Colourform™

Colourform™ produces plastic-free packaging made from 100% renewable FSC® wood fibre and post-consumer recycled paper delivering renewable, recyclable and biodegradable products.

The Division offers brands across a range of consumer beauty, wines and spirit markets a new higher standard for sustainable packaging. Every Colourform™ project is bespoke in terms of colour, shape, surface, finish and functionality. Colourform™ sales were £2,822k (2020: £2,586k) and have grown 9% in the year demonstrating continued growth in the most difficult of market conditions.

Alternative Performance Measures (APMs)

APMs make clear to the readers of the accounts what the underlying performance of the business actually is. These accounts contain 2 main adjusting factors being the impact of IAS 19 which is separated out and exceptional items.

These measures are used internally to evaluate business performance and the following APM's are used in this report:

- APM 1 "Adjusted operating profit"** - Adjusted operating profit refers to operating profit before interest and prior to the impact of IAS 19 and exceptional items.
- APM 2 "Adjusted profit before tax"** - Adjusted profit before tax refers to profit before tax prior to the impact of IAS 19 and exceptional items.
- APM 3 "Adjusted profit before tax after exceptional items"** - Adjusted profit before tax refers to profit before tax prior to the impact of IAS 19.
- APM 4 Adjusted EBITDA** - EBITDA is a common term that refers to operating profit before interest, tax, depreciation and amortisation. Adjusted EBITDA is EBITDA prior to the impact of IAS 19 and exceptional items. The impact of IAS 19 and exceptional items are presented in the Profit summary table.

Total impact of IAS 19 on profit £'000

200
0
(200)
(400)
(600)
(800)
(1,000)
(1,200)
(1,400)
(1,600)

2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021

IAS 19 is separated out from operating profit measures as IAS 19 obscures performance. The impact of IAS 19 varies from one reporting period to another. This chart sets out the variable impact of IAS 19 on profits over the last 10 years, during this time the average impact is a negative hit to Profit before tax of £882k.

The most favourable year is a reported surplus of £128k and the largest hit to profit before tax was in 2019 and reported an impact of £1,386k. This year the impact is close to the 10 year average at £802k.

Profit

Profit Summary	2021 £'000	2020 £'000	Change £'000	Change %
Paper Products	393	3,406	(3,013)	-88%
Technical Fibre Products (TFP)	6,892	7,753	(861)	-11%
Colourform™	(1,441)	(1,378)	(63)	-5%
Other Group expenses	(1,334)	(2,541)	1,207	48%
Adjusted operating profit APM1	4,510	7,240	(2,730)	-38%
Net finance costs (excluding IAS 19 impact)	(487)	(566)	79	14%
Adjusted profit before tax APM2	4,023	6,674	(2,651)	-40%
Exceptional costs	(1,502)	-	-	-
Adjusted profit before tax after exceptional items APM3	2,521	6,674	(4,153)	-62%
Net IAS 19 pension adjustments				
Net current service charge required	(563)	(671)	108	16%
Net interest	(239)	(544)	305	56%
Net IAS 19 pension impact	(802)	(1,215)	413	34%
Profit before tax	1,719	5,459	(3,740)	-69%

Adjusted profit before tax (see APM3 Alternative Performance Measures), was £2,521k, a 62% fall on prior period (2020: £6,674k) and was profitable on account of the valued government job support schemes both in the UK and the USA bringing in assistance of £2,915k to the Group in the year, and preventing significant change to organisational resource.

In the face of the pandemic and business realignment, an organisational restructuring programme was completed and the details of this are reported in this report under exceptional items.

Profit before tax is reported of £1,719k (2020: £5,459k) a 69% drop on prior year.

Other income

Other income is reported on a separate line in the Statement of Comprehensive Income and normally captures revenues from research projects and royalty income. In the last year these were very small amounting only to £121k (2020: £486k).

In the period the Group received £2,915k of government support from UK and US schemes bringing employment assistance and ensuring at the hardest of times the retention of trained employees now ready to help the Group pick up pace and grow as we emerge from this crisis. With the addition of government receipts other income is £3,036k in the year (2020: £486k).

Depreciation and amortisation

Depreciation and amortisation rises to £4,489k in the year from £3,950k in the prior period. Depreciation policies remain consistent with previous years. The increase in depreciation comes largely from Colourform™ as tooling equipment is depreciated over the expected economic life of the tool, which is expected to be 2 years. In the prior financial year a significant investment was made in tooling which is now depreciating. All other plant and equipment follow the same depreciation policies as the rest of the group (see note 1 Accounting policies under notes to the financial statements).

Other expenses

Other expenses of £15,252k (2021: £19,869k) align with decreased trade under the pandemic. The Group experienced significant natural savings in costs as a result of reduced activity in distribution, effluent, sales and marketing and business travel. The Group also deferred a number of planned expenditures to reduce spend, notably in training, consultancy, recruitment and repairs and maintenance. The net effect is a year on year saving of £4,568k. As we emerge out of our year end March 2021 and focus on business development and growth these expenditure areas will come back on stream.

Exceptional Items

Exceptional items relate to items that are not part of the regular expenditure of the Group, these are based on activities that occurred in the period and have had a significant cash impact, the activities are not expected to be recurring.

The costs of a restructuring programme come to £1,118k and the programme is now complete having moved from a matrix structure to vertically integrated businesses where each business owns its own individual vision and strategic growth programme, which is enabled by specialist Group functions.

During the year the Group made a strategic acquisition the costs of acquisition came to £384k and relate to advisory, legal, accounting, valuation and other professional or consulting fees over the acquisition of PV3 technologies now TFP Hydrogen Limited.

Currency

This table compares the opening and closing exchange rates for the financial period. Sterling remained relatively stable against the Euro for the best part of the year prior to strengthening significantly in the final quarter. Sterling remained close to its opening dollar rate in March 2020 for the first quarter of the year prior to strengthening in July and finishing the year strongly.

62% of the Group's sales are exports bringing in Dollars and Euros to the Group. Euros are used to purchase Europriced pulp and raw materials and Dollar receipts are used to fund the purchase of Dollar priced pulp, this creates a natural hedge across the Group.

Potential exposure to foreign currency surpluses, or deficits, are dealt with via foreign currency trades using forward selling or forward purchasing contracts.

	\$	¤
Opening rate	1.2359	1.1149
March 2020 v. £		
Closing rate	1.3826	1.1741
March 2021 v. £		
Currency weakened v. £	(11.87%)	(5.31%)

Currency movements had a positive impact on operating profit in all divisions and a negative impact in PLC, combined this resulted in an immaterial impact across the Group overall. Currency movements had a minor 0.4% impact on sales with the Dollar and Euro weakening in the period.

EBITDA (Earnings before interest, tax, depreciation and amortisation)

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

	2021 £'000	2020 £'000	Change £'000	Change %
EBITDA				
Adjusted operating profit APM1	4,510	7,240	(2,730)	(38%)
Depreciation and amortisation	4,489	3,950	539	14%
Adjusted EBITDA APM4	8,999	11,190	(2,191)	(20%)

The Group's adjusted operating profit decreased 38% year on year. The Group's depreciation costs were 14% higher than in the prior period. Colourform™ contributes to the increase in depreciation charges as tooling equipment is developed and owned by the Company and depreciated over the expected economic life of the tool, which is expected to be 2 years, all other Plant and equipment follow the same depreciation policies as the rest of the group. The group delivered an Adjusted EBITDA (APM 3) of £8,999k (2020: £11,190k) down 20% on prior year.

Tax

The Group's total tax charge for the period is £153k (2020: £630k) an effective tax rate of 9% on profit before tax. A number of expenses non-deductible have been recognised relating to the acquisition of TFP Hydrogen Limited and assets that do not qualify for capital allowances.

All costs related to restructuring have been treated as deductible as they relate to the reorganisation of the business. The effective rate is lower than the standard rate of corporation tax in the UK (19%) primarily as a result of the release of historic provisions and amounts not recognised in respect of overseas entities.

Statement of financial position (SFP)

Non-pension assets have decreased from £72,084k to £70,779k. The largest decrease of £3,741k coming from trade and other receivables driven by lower economic activity than prior year and increases in the provision for expected credit loss.

On the 18th January 2021 TFP Limited acquired 100% of the share capital of PV3 Limited, now trading as TFP Hydrogen Limited. Following the acquisition of TFP Hydrogen Limited £1,264k of goodwill has been brought onto the SFP and a further £933k (after amortisation) of intangible assets covering technology, brands and customer relationships.

After deferred tax the Net IAS 19 deficit has increased by £7,333k to £14,933k. The increase is principally caused by a fall in the discount rates due to a downward swing in corporate bond yields compared to the prior year position, an increase in expected future inflation and a further increase in liabilities to allow for the impact of Guaranteed Minimum Pensions (GMPs) equalisation in respect of historic transfers. A greater analysis of IAS 19 is provided within the "pensions section" of this report. Note 20 also provides a full retirement benefit disclosure to the financial statements.

As a result of these movements on the pension scheme deficits, and weaker pandemic driven performance in the year, shareholders' funds show an overall decrease of £4,497k to £29,900k.

SFP	2021 £'000	2020 £'000
Non-pension assets	70,780	72,084
- excluding cash		
Non-pension liabilities	(18,444)	(19,032)
- excluding borrowings		
	52,336	53,052
Net IAS 19 pension deficit (after deferred tax)	(14,933)	(7,600)
	37,403	45,452
Net borrowings	(7,502)	(11,055)
Equity shareholders' funds	29,901	34,397
Gearing % - before IAS 19 deficit	17%	26%
Gearing % - after IAS 19 deficit	25%	32%
Capital expenditure £'000	3,127	9,195

Cash Flow

In the period the Group's net cash outflow was £2,199k (2020: inflow £6,612k), the weaker pandemic driven performance in the year initiating a cash outflow which was alleviated with the assistance from government support schemes and other arrangements with stakeholders, all of which prevented a much more damaging position. In the early months of the pandemic we took swift action to reduce costs and protect liquidity. This included the deferral of all discretionary spending, suspension of major capital expenditure, suspension of dividend payments, and seeking support from local authorities, the pension scheme trustee, government agencies and the banks. Government support is explained under Other Income. Past service deficit payments of £498k were made in agreement with the trustee as part of the cash safeguarding measures, payments restart at £1,300k in accordance with the schedule from April 2021.

Capital investment in the period was £3,127k (2020: £9,195k).

Investments are driven by the requirement to enable growth, largely in the form of generating revenue by increasing capacity, improving capability or generating cost savings.

Other expenditure supports resilience, safety and workplace improvements. Investments immediately at the start of the year were curtailed or deferred to safeguard cash.

This included the build of an additional nonwoven production line in TFP, this work recommenced in January 2021 and will be completed in the 3rd calendar quarter of this year delivering an additional 50% capacity in TFP to support future growth.

Cash Flow	2021 £'000	2020 £'000	Change £'000
Net cash inflow from operating activities	7,939	13,065	(5,126)
Net cash outflow from investing activities	(4,486)	(9,195)	4,709
	3,453	3,870	(417)
Net cash inflow / (outflow) from financing activities	(4,990)	2,742	(7,732)
Net increase / (decrease) in cash and cash equivalents	(2,199)	6,612	(8,811)
Opening cash and cash equivalents	8,964	2,352	6,612
Closing cash and cash equivalents	6,765	8,964	(2,199)

An acquisition was made in TFP Hydrogen Limited with a small upfront cost for 100% ownership and an earn out payable in the future subject to performance, this allows TFP to accelerate its position into the rapidly growing hydrogen market, providing significant growth potential and helping to further build our future.

The closing cash position for the Group is £6,765k (2020: £8,964k).

Net debt

During the period net debt decreased by £3,553k to £7,502k. The Group adopted IFRS 16 and incorporates £3,771k (2020: £4,328k) of right-of-use leases in its 2021 borrowings figure.

The Groups banking arrangements monitor net debt excluding right of use leases. On this basis net debt is reduced to £3,731k from £6,727k in the previous year, a reduction of £2,996k.

Net debt before RoU leases	2021 £'000	2020 £'000
Cash and cash equivalents	6,765	8,964
All borrowings excluding RoU leases	(10,496)	(15,691)
Net debt on an equivalent comparison basis	(3,731)	(6,727)

Funding and facilities

The Group funds its operations and investments from operating cash flow and from borrowings and leases. The Group has 2 revolving credit facilities secured with a high street bank of which one is a Coronavirus Large Business Interruption Loan (CLBIL) facility. 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 amount to £9,000k of which £1,808k is drawn down at the period end. The CLBIL is a £4,000k facility of which £3,900k is unutilised and it was secured in October 2020 to bring additional cash protection should it be required in the face of continued uncertainty.

Cash and cash equivalents decreased from £8,964k to £6,765k in the year whilst long term borrowings (falling due after more than a year) decreased by £10,297k to £5,966k. The Group has one large, short term debt maturity on the horizon of \$6m which is expected to be renewed in Dec 2021. The expiry profile of existing borrowings is detailed in note 19.3 to the financial statements. The group is in compliance with all its banking covenants at the period end.

Undrawn facilities comprise of unused overdraft facilities of £3,600k plus the total unused credit facilities of £7,660k, this means a total of £11,260k remains unutilised at the year-end date. Having taken account of current borrowings to be paid within 12 months of the balance sheet date the Group has £9,724k available to the Group beyond 12 months.

Funding	2021 £'000	2020 £'000	Change £'000
Borrowings: repayable within one year	8,301	3,756	4,545
Borrowings: non current	5,966	16,263	(10,297)
Facilities drawn down	14,267	20,019	(5,752)
Undrawn facilities	11,260	5,367	5,893
Facilities	25,527	25,386	141
Cash and cash equivalents	6,765	8,964	(2,199)
Undrawn facilities	11,260	5,367	5,893
Funds available at year end	18,025	14,331	3,694
Borrowings: repayable within one year	(8,301)	(3,756)	(4,545)
Funds available at year end	9,724	10,575	(851)

Within 12 months from the date of signing the financial statements, two ongoing facilities (\$6m and £5m) are due for renewal (December 2021 and May 2022) and, based on discussions with the bank, the Directors expect these to be renewed.

Going concern

The Directors carry out a review of the Group's financial position for the three years to March 2024, providing a comprehensive review of revenue, expenditure and cash flows taking into account specific business risks, requirements and latest economic forecasts. These inform the Group's cash and debt requirements.

The Group's financial position, cash flows, liquidity and borrowing facilities are described in the financial statements and also clarified in this section of the annual report. At 27 March 2021 James Cropper had £7,660k of undrawn committed facilities and an un-utilised overdraft facility of £3,600k.

The principal loan arrangements and maturity dates are described in note 19.3 of the financial statements. Taking into account current borrowings to be paid within 12 months of the balance sheet date the Group has £9,724k available to the Group beyond 12 months.

Within 12 months from the date of signing the financial statements, two ongoing facilities (\$6m and £5m) are due for renewal (December 2021 and May 2022) and, based on discussions with the bank, the Directors expect these to be renewed.

The Group's three year plan has been tested for plausible downside scenarios including further expected effects of the pandemic, hampered market growth, increasing carbon cost and commodity prices. In the event that a scenario partly or fully takes place the Group has various options available to maintain liquidity and continue operations.

We have assessed the combined impact of these scenarios on the Group's key financial metrics of EBITDA, net debt and net debt to underlying EBITDA.

The Group remains within its key financial covenant which is its net debt to underlying EBITDA ratio must not exceed 3.5 times. The break-even

calculation indicates that EBITDA would need to fall 85% compared to the three year plan before triggering the covenant.

The Board is satisfied that the Group will be able to respond to such scenarios through various means which may include a reduced or deferred capital expenditure programme to ensure that the Group continues to meet its ongoing obligations.

The Board is satisfied that the Group will have sufficient liquidity to meet its needs over the planning horizon. The directors have a reasonable expectation that the Group remains viable over the planning horizon.

The Board is satisfied it has sufficient cash resources to meet its obligations as they fall due throughout this duration and the Board has a reasonable expectation that the Company and the Group has adequate resources to continue in operational existence for at least 12 months from the date of signing the financial statements.

THE PENSION REPORT

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

The Statement of Financial Position IAS 19 deficit

The combined pension scheme deficits on an IAS 19 measure has worsened over the year from £9.4m to £18.4m (before deferred tax). This table shows the overall value of the schemes' assets which have increased by 3% in the period whilst the schemes liabilities increased by 12%.

IAS 19 pension valuation 2021	Staff Scheme	Works Scheme	Both Schemes 2021	Both Schemes 2020	Change %
Discount Rate	1.95%	2.05%	2.00%	2.53%	
	£000s	£000s	£000s	£'000	
Assets	55,096	62,047	117,143	113,968	3%
Liabilities	(56,479)	(79,100)	(135,579)	(121,471)	12%
(Deficit) / Surplus	(1,383)	(17,053)	(18,436)	(7,502)	
Effect of limit on recoverable surplus	-	-	-	(1,880)	
Net (Deficit) / Surplus	(1,383)	(17,053)	(18,436)	(9,382)	97%
Funding Level - %	98%	78%	86%	94%	(8%)

The markets reacted to Covid-19 at the year-end March 2020 in a way that drove corporate bond yields up in the short term and impacted the valuation for the prior year end positively. This illustrates how sensitive IAS 19 outcomes can be as a result of short term market volatility, thus triggering a negative swing in the following period. The combined increase in the schemes' overall deficit is principally caused by a fall in the discount rates due to the downward swing in corporate bond yields, an increase in expected future inflation and a further increase in liabilities to allow for the impact of Guaranteed

Minimum Pensions (GMPs) equalisation in respect of historic transfers.

In line with previous years, the IAS 19 valuation includes a correction for sex-inequalities inherent in Guaranteed Minimum Pensions (GMPs) which was accounted for in the year end March 2019 where an estimate of £133k for the financial cost to correct the gender inequalities inherent in Guaranteed Minimum Pensions (GMPs) was taken to the P&L. Following a further ruling in November 2020, pension schemes are now required to equalise GMPs for past

transfer value payments. As no allowance was included for this in the previous estimate, a further adjustment was required this year. The adjustment amounts to a further cost of £68k and is also taken to the P&L. The "true" cost of GMP equalisation will take a few years to fully evaluate, however the Company would expect any variances compared to the estimate outline above would flow through the OCI statement.

A full retirement benefit disclosure is provided in note 20 to the financial statements.

IAS 19 assumptions

The bi-annual IAS 19 valuations are adopted for statutory reporting purposes and do not form part of the ongoing management of the pension schemes.

The standard requires the Group's actuaries to make a number of assumptions on a very different basis to the on-going valuations and under IAS 19 the deficit is likely to be volatile and can be very different from one reporting period to the next. Discount rates for

IAS 19 are based on corporate bond yields which do not reflect the investment strategy of the schemes. The impact of Covid-19 on markets at the March 2020 year-end illustrates how sensitive IAS 19 outcomes can be as a result of short term market volatility. 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).

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. Actuarial changes in previous assumptions will pass through Other Comprehensive Income (OCI).

The IAS 19 impact on profits

The Group's total reported profit before tax is based on the adjustments required for IAS 19, and these adjustments fall within operating costs and finance costs. The total charge against profits for the year end 27 March 2021 includes an additional adjustment of £802k (2020: £1,215k) to bring the cost into line with IAS 19.

Operating costs

The cost of providing pension benefits is included within "employee benefits costs" in the Statement of Comprehensive Income. These costs include; the costs for the defined contribution schemes, personal pension plans, defined benefit schemes, life assurance and government pension protection levies. These costs also include an excess charge of £563k (2020: £671k) determined by IAS 19 based on assumptions at the start of the period and which is over and above the future service contributions for the defined benefit schemes. These additional costs are;

- Current service charge, being the cost of benefits earned in the current period shown net of employees' contributions.
- Past service costs, being the costs of benefit changes.
- Curtailment and settlement costs.
- Any government pension protection levies paid over the period.

Finance costs

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

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

The income from scheme assets and cost on the accrued liabilities allowed for in the net interest cost is based on the discount rate at the start of the period, this impacts the costs shown in the income statement. A charge of £239k is charged to the income statement this period (2020: £544k).

The retirement benefits note to the financial statements can be found on pages 104 to 107.

Defined benefit schemes the triennial "on-going" valuation

The Company recognises its responsibility to fund its defined benefit pension plan deficits and adopts the triennial valuations as the key basis upon which pensions are managed. The on-going triennial valuations are an important part of aligning the latest position on route to the longer term target which ensures that when pension payments peak the Company has made sure

that these payments can be satisfied at the peak and into future years with a low reliance on support from the Company.

UK legislation requires the Scheme Trustee to carry out actuarial funding valuations at least every three years and to target full funding over an appropriate time period, taking into

account the current circumstances of the Group schemes, and the current circumstances of the Group. The April 2019 triennial "on-going" valuation has now been completed and has determined the combined deficit of the schemes to be £19.9m. This compares to the previous triennial valuation of April 2016 when the combined triennial deficit was £15.8m.

The April 2019 triennial "on-going" valuations	Staff Scheme £000s	Works Scheme £000s	Total £000s	The IAS 19 pension valuation 2019	Staff Scheme £'m
Discount Rate	2.45%	2.55%	2.50%	Discount Rate	2.45%
Assets	51,133	56,831	107,964	Assets	53.0
Liabilities	(53,878)	(73,999)	(127,877)	Liabilities	(60.7)
Deficit	(2,745)	(17,168)	(19,913)	Deficit	(7.7)
Funding Level - %	95%	77%	84%	Funding Level - %	87.4%

The defined benefit schemes are sensitive to a number of key factors: the value of the assets, the discount rate used to calculate the schemes liabilities (based on a premium above gilt yields), the expected rate of inflation in the future and the mortality assumptions for members of the schemes. Changes in these assumptions will impact the deficit positively or negatively. The decrease in discount rates from 3.55% in April 2016

to 2.5% in April 2019, together with an increase in future inflation expectations over the period, was the main factor driving up liabilities, whilst a reduction in life expectancies as a result of a robust review of mortality rates helped to mitigate against the full increase in liabilities driven by the change in financial assumptions.

As part of the triennial valuation, the Company agreed with the Trustee

to pay annual deficit recovery plan contributions to reduce past service deficits of £1.3m per annum. In addition, the Company will also continue to cover the cost of the annual PPF levy.

A Deficit reduction payment holiday of £930k was taken in the year to March 2021 to preserve cash and mitigate the impact of Covid-19.

Key risks relating to the pension schemes

The Company is exposed to a number of risks relating to the pension schemes, including investment risks, demographic risks and inflation risks for those benefits linked to inflation. Covid-19 is likely to cause considerable volatility in the markets in the short to medium term affecting all these risks.

Most of the economic risks are hedged by the schemes' liability driven investment strategies, which brings some protection however it is not practical or cost effective to hedge all pension scheme risks.

Risk management activity over the year has comprised of the following:

- i 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.
- i 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.
- i From 1 July 2017 the staff scheme rate of pensionable accrual was reduced from 1/60th to 1/75th for each future year of pensionable service.
- i For both the staff and the works scheme increases in pension once it is in payment, for future benefits accrued, will be in line with the annual increase in the Consumer Price Index, these actions protect the Group's exposure to future costs.
- i In April 2018 a new liability driven investment strategy was adopted which aims to significantly reduce risk whilst maintaining a similar level of overall return and protecting asset values.

RISK MANAGEMENT

Viability

The Group's strategy is to be a key player in sectors that drive solutions to today's societal needs, be it compostable packaging or the manufacture of high performance technical veils for industries advancing the transition to a greener more sustainable future. The Group will build on our competitive advantages to better serve our customers and this is supported by a strong capital expenditure programme. The Board has assessed the Group's prospects and viability. The Board believes that a three year's planning horizon to March 2024 is an appropriate period over which to evaluate the Group's viability. This includes revival and opportunities to thrive as we emerge from a downturn in the year to March 2021 and grow stronger in future years.

The Group's three year plan has been tested for plausible downsides scenarios including further expected effects of the pandemic, hampered market growth, increasing carbon cost and commodity prices.

In the event that a scenario partly or fully takes place the Group has various options available to maintain liquidity and continue operations. We have assessed the combined impact of these scenarios on the Group's

key financial metrics of EBITDA, net debt and net debt to underlying EBITDA. The Group remains within its key financial covenant which is its net debt to underlying EBITDA ratio must not exceed 3.5 times. The break-even calculation indicates that EBITDA would need to fall 85% compared to the 3 year plan before triggering the covenant. The Board is satisfied that the Group will be able to respond to such scenarios through various means which may include a reduced or deferred capital expenditure programme to ensure that the Group continues to meet its on-going obligations.

The Board is satisfied that the Group will have sufficient liquidity to meet its needs over the planning horizon.

The directors have a reasonable expectation that the Group remains viable over the planning horizon.

Risk Management

The Board has overall responsibility for risk management which is key to ensuring good governance and to achieving the Group's strategy. The Board coordinates activity across the Group ensuring risk management remains relevant to each business and the Group as a whole, and that it is responsive

to changing business conditions. During the early phases of the Covid-19 pandemic the Executive Team led daily crisis response meetings and the Executive team continue to follow an ongoing process for identifying, evaluating and managing significant risks faced by the Group.

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 and can provide key protection. High risks in financial and operational areas are normally more dependent on insurance. Risks in commercial and personnel areas, because of their nature, are more likely to be managed by self-insurance.

Principal Risks

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

PANDEMIC RISK

Decreased ▼

Risk description and Impact

A pandemic may cause the Group to experience a significant health exposure and safety risk to our people, a shortage of labour, supply chain disruptions, increased cyber-attacks and changes in demand for our products. Extended pandemic phases could have a material adverse effect on the Group's business.

Mitigation

The executive committee continue to monitor our exposure to Covid-19 and the impact of the pandemic on the Group and evaluate actions to mitigate the risk, providing guidance, implementing preventative policies and keeping as a minimum in line with the government regulations and recommendations from the country's health service in which our employees operate.

The company has measures in place to minimise the risk of infection including social distancing, sanitisation, PPE, travel & visitor control, working from home and remote working capabilities. The Group's supply chain, credit risk events, and exposure to business

interruptions are continuously monitored with prompt intervention taken when necessary. A risk review is updated regularly and updated on the company website. Employees working from home have tools to enable collaboration with the customers, suppliers and the rest of the workforce whilst cyber security awareness and training has been increased along with additional monitoring and testing of our infrastructure.

For any new infectious diseases that are likely to develop into a pandemic the Group has developed strong internal controls and measures during the current pandemic that can be deployed.

EMPLOYEE HEALTH & SAFETY

Stable —

Risk description and Impact

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

If an incident were to arise this could potentially result in harm to employees, contractors, property, lost production time, financial penalties, restitution costs, and harm to the Group's reputation.

Mitigation

The Group has an extensive Health & Safety programme built around the ISO18001 framework which is proactively driven across every division. We track leading indicators such as health & safety training, hazard reporting & improvement suggestions whilst also monitoring incidents, and near misses to enhance our learnings across the Group.

Covid risk is led by the executive team, with extensive involvement across the group. Government initiatives have been adopted including "Hands", "Face" and

"Space", however further actions have been adopted such as working from home, on-site testing, technology led proximity monitoring, creation of outside space and increased levels of sanitisation.

The health and safety team have moved from a group resource to being an integral part of each business.

This has led to a greater ownership and adoption from each business, and the ability to adapt the approach taken to suit the risk needs within each business.

CLIMATE CHANGE RISK

New risk this year —

First time reporting on climate change risk externally.

Climate change related risks come in 2 main forms: Transition risks and Physical risks. Both forms have the potential to affect our business in various ways.

TRANSITION RISKS

Risk description and Impact

Climate change is forcing governments to place extreme pressure on Companies via rising taxation and regulation, without any immediate available alternative solutions. Whilst climate change related demand presents an opportunity for many of our markets, the Company faces the risk of becoming non-viable, in the face of taxations and regulation, prior to being able to switch to climate friendly operational practices.

Our manufacturing operations are energy intensive and result in both scope 1 and scope 2 greenhouse gas emissions. The UK SECR report is published on page 43 of this report. Post Brexit the UK ETS scheme continues with a carbon tax scheme that drives up the price of carbon. We face 2 emerging risks:

1. The risk that carbon taxation rises sharply and starve the Company of the funds to invest prior to the development of suitable alternative solutions
2. The risk that our competitors outside of the UK do not have carbon cost constraints

Mitigation

Post Brexit the UK is driving the UK Emissions Trading Scheme (UK ETS) scheme to continue with a carbon tax scheme that drives up the price of carbon. In advance of the transition the company has purchased forward a number for EU ETS credits that are held in a European warehouse will be available to be sold in Europe and contribute to the cost of emissions in the UK ETS.

A Long-Term Energy Group has been researching strategic diversification away from gas to alternative fuels and investigating sustainable energy saving solutions. The Group has now secured BEIS support (a grant) to undertake a focused 12 month study which tests in more detail some feasible concepts for decarbonising our manufacturing processes. At the end of 12 months, we expect a report on the viability of the concepts. We believe this study is a significant milestone in our route to decarbonise by 2030.

Members of the Company work closely with industry representative Groups which in turn liaise with government on the question of facilitating a smooth transition to a green economy without losing advanced and innovative manufacturing sites in the UK.

Such matters discussed include:

1. Controls with the rise in the cost of carbon. Ensure institutional entities do not control an illiquid UK market and leave industry short of credits.
2. Evaluate if carbon tax could operate in a similar manner to the apprenticeship fund allowing carbon tax receipts to be allocated to a fund upon which the company can draw down on for approved decarbonisation investments.
3. Evaluate the role of incentives and the connection to best available techniques BAT. Incentives should be used to encourage adoption of the latest most efficient means of operation. Provide incentivised aid to offset any additional costs for taking on a low carbon process.
4. Recognition that decarbonisation in one country is not the same as decarbonising globally. The UK have committed to put a price on domestic emissions, the UK could put a border tax on emission intensive imports from countries that do not. This will go some way to removing the competitive disadvantage of UK carbon intensive operations and equalising the responsibility.

PHYSICAL RISKS

Risk description and Impact

The risk that precipitations drive acute heatwaves, floods, droughts and water shortages and that any of these events could result in an indirect or direct hit to our ability to supply and manufacture at any one of our manufacturing locations, or could result in risk to employee safety, a surge in input prices, property damage or create a business interruption event.

Our largest UK manufacturing site is situated next to the River Kent (SSSI) and can be at risk of flood or drought with the potential to cause significant business interruption, incur unexpected costs and result in operational disruption, which could compromise our ability to deliver against our commitments to customers, shareholders and stakeholders.

The Group embraces the ethos that we aim to operate in harmony with our environmental surroundings in all locations. If an environmental incident were to arise this could potentially result in a negative impact to the surrounding environment, the local community and the Group's reputation.

Mitigation

Our sources of pulp, fibres, and chemicals come from many diverse suppliers operating in different regions, with multiple sources helping to provide some protection from interruptions in supply as a result of the physical risks of climate change on supply.

The Group has an extensive Environmental programme built around the ISO14001 framework which is proactively driven across every division. We have an overarching goal of zero reportable environmental incidents and aim to continuously engage with all employees through training, process observations and environmental safety awareness to help achieve zero incidents. The Group proactively collaborates with external bodies such as the Environmental Agency and South Cumbria Rivers Trust and Natural England to proactively engage on improved environmental governance.

Some of our manufacturing processes require water and the river Kent is our main source of supply in the Burnside operation. The river has occasionally flooded placing our operations at risk and

the river has occasionally fallen to low enough levels to threaten production. Monitoring equipment has been installed at points in the river agreed with the Environment Agency to monitor the water flow rates and water levels in the River Kent.

1. Flood risk has been mitigated at our Burnside site, via the relocation of primary equipment to levels higher than the highest flood waters experienced, along with actions to bund and protect where removal to new sites was not possible.
2. In the event that river levels start to approach low water alerts, our operational schedules are adjusted to reduce water requirements to an absolute minimum at the expense of operational efficiency if required.

In the medium term our Technology and Innovation team are investigating the development of circular systems that use less water, that eliminate waste, that minimise freshwater use, and are also seeking new manufacturing techniques that reduce water use.

ENERGY PRICE VOLATILITY

Stable —

Risk description and Impact

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

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

Mitigation

A Gas Purchasing Committee seeks to secure forward the unit cost of wholesale natural gas in anticipation of future demand.

At the time of this plan the committee has secured prices for 70% of expected requirements for the year to March 2022.

PULP PRICE VOLATILITY AND SUSTAINABILITY

Stable —

Risk description and Impact

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

Factors that influence these include natural disasters, climate, political instability, conflicts, economic conditions and actions by major pulp producers. Price fluctuations on key input costs cannot be entirely passed onto customers in all cases and can affect the profitability of the Group.

Mitigation

The Board regularly receives updates and market pricing information on pulp and fibre. The Paper division aims to maximise the recovery of paper price changes through timely commercial negotiations and recover costs via market price increases.

Pulp substitution from recovered sources, such as coffee cups or office waste, mitigates some of the impact of virgin pulp costs and has remained stable over the past year despite significant volatility in paper demand: the target is 50% recovered fibre by 2025.

The division has increased its capacity to process reclaimed fibre through its plant and works collaboratively with the wastefibre supply chain to secure grades that are suitable for re-use.

The Paper division is also investing significant time and R&D effort on qualifying alternative sources of fibre to reduce its reliance on virgin fibre. A number of new, unique sources have been identified this year.

A hedge is in place for 30% of our pulp requirements for the 9 months to December 2021.

EXCHANGE RATE VOLATILITY

Stable —

Risk description and Impact

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

Mitigation

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

The Group prepares consolidated financial statements for reporting purposes,

the consolidation process entails translating the financial statements of foreign subsidiaries from foreign to domestic currency. A dollar hedge is in place to mitigate the impact of translation exposure with the subsidiaries based in the USA.

PENSION

Stable —

Risk description and Impact

The Group operates 2 defined benefit pension schemes which are in deficit. The April 2019 ongoing valuation is now completed. The combined deficit is £19.9m.

Actuarial deficits are sensitive to a number of key factors: the value of the assets, the discount rate used to calculate the scheme's liabilities (based on corporate bond yields), the rate of inflation and the mortality assumptions for members of the schemes. Changes in these assumptions, the recognition of equalisation and market conditions could mean that the deficit increases further the next triennial valuation is due to commence in April 2022.

Mitigation

The Group's strategy is to ensure the profitable and sustainable growth of the Group which in turn protects pensions earned. The Pension Subcommittee collaborates with the scheme Trustees to explore opportunities which may be favorable to reducing risk and or assist in closing the deficit.

A number of risk reduction exercises have been enacted since membership of the Schemes was closed to new members in 2000 – these have been listed in the Pension Report.

The Schedule of Contributions contains a commitment from the company to make core contributions and to cover PPF levy expense, from April 2021 of £1.4m a year. This plan extends out to 2032.

A new contingent mechanism anchored to dividend distributions commences in 2024 and enables further distributions to the deficit to be made.

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

INFORMATION SECURITY AND CYBER RISK

Increased ▲

Risk description and Impact

The cyber threat landscape is increasing and changing with the pandemic continuing to provide wide scale exploit vectors. Research is also supporting evidence of the increasing cyber threat to manufacturers particularly. Our divisions continue to be significantly dependent on expanded remote working IT services at this time.

Mitigation

The organisation has implemented a solid programme to support current business working conditions and increased risk.

We continue to advance a robust IT security and data protection roadmap inline with the evolving threat landscape.

For and on behalf of the Board

Isabelle Maddock, Chief Financial Officer
21 June 2021

PROMOTING THE SUCCESS OF OUR GROUP

S172(1) STATEMENT

OUR APPROACH

The Board is responsible for leading stakeholder engagement which is fundamental to the way we do business. We supply to customers across the globe to both small businesses and multinational organisations. Strong partnerships are key to the success of our business with customers and suppliers, and have been through our 176 year history.

Our employees are the lifeblood of our business and our most valuable resource. From new starters and graduates starting their career to employees who have followed their family through several generations, every employee is key to the success of the business. In these unprecedented times, their health and wellbeing are a key factor we strive to protect. Being the largest private business in the local area and the Cropper family still local and involved in the business, the Group supports the local community and other charities. Our environment and sustainability are factors that we are constantly pursuing to improve.

On these pages you will also find examples of how we considered our stakeholders when making key decisions during the year. As a Board, we have a duty to promote the success of the Group for the benefit of our members. In doing so, however, we must have regard for the interests of our employees, for the success of our relationships with suppliers and customers, for the impact of our operations on the community, and for the desirability of maintaining a reputation for high standards of business conduct. These stakeholder considerations are woven throughout all of our discussions and decisions. Like any business, sometimes we have to take decisions that adversely affect one or more of these groups and, in such cases, we always look to ensure that those impacted are treated fairly.

OUR SHAREHOLDERS

Engagement with our institutional and private shareholders is an ongoing process, occurring through a range of channels including face-to-face meetings at investor days, calls with directors, emails and our AGM.

Board considerations

Due to the pandemic, the Board decided to hold our AGM last year behind closed doors with just the Board of Directors present. In addition, the Investor briefings were held remotely by video conference.

Following the AGM, the Board acknowledged the high proportion of votes cast for against or abstention on three resolutions. The Board is addressing this with further details included in the Corporate Governance Statement, the Report of the Audit Committee and the Report of the Remuneration Committee. Whilst some actions have already taken place, the majority of actions were delayed due to the focus on the pandemic.

Further reading:

Pages 50 to 54

Corporate Governance Statement Page 55

Report of the Audit Committee Page 56 to 59

Report of the Remuneration Committee

As part of the liquidity preservation measures adopted as a consequence of the pandemic, the Board suspended dividend payments throughout the year and are not proposing any dividend to the shareholders at this year's AGM.

As we write this report, it is the intention of the Board to invite all shareholders to our next AGM on 28 July. It is important that more of our shareholders take the opportunity to express their voting preferences by using the proxy cards that will be sent out with the notice of the AGM.

The Group's website is regularly updated and provides additional information on the Group.

OUR EMPLOYEES

Board considerations

Our employees are our biggest asset and fundamental to the success of the Group. During these unprecedented times, the Board have ensured that the health and wellbeing of our employees is of the highest priority.

The Board implemented steps to protect the health of our employees in accordance with government guidelines including ensuring employees work from home where possible during lockdowns and adhere to social distancing guidelines during their time spent at work.

One way systems of movement were implemented where possible, facemasks became compulsory whenever moving around indoors or in close proximity of other employees, temperature monitors were installed at factory and office entrances and lateral flow test kits were made available to employees.

Communications with all employees has been elevated in these times, using social media to ensure all employees are kept up to speed with latest advice and any changes to practices and the work environment. The Company has maintained its regular briefings to employees including the bi-annual financial briefings and presentations, this year presented in a series of short video recordings.

Regular consultative meetings were held with union representatives on all aspects of Group developments and on actions to be taken during the pandemic. This included a Group wide agreement to suspend any increased pay awards and defer the bonuses earned following the record results of last year. It was also agreed that short term incentive awards for the year ended March 2021 would be suspended.

All divisions of the Group were impacted by the pandemic. The Board welcomed the support of national governments in the UK and USA and sought financial support using the Job Retention Scheme in the UK and the Paycheck Protection Program in the USA.

Restructuring

Prior to the emergence of the pandemic, The Board had been planning a restructuring exercise to support accelerated growth and remove cost and complexity. It was decided by the Board to accelerate and extend this exercise. Exceptional costs incurred during the year amounted to £1.1m with projected annual cost reduction of £2m, importantly new opportunities have been created to support the delivery of our growth plans.

Further reading:

Pages 35 to 37 Paper Divisional report. Pages 08 to 10 CEO Review

Purpose and values

The Board initiated a series of workshops to explore and define our Purpose and Values. Through a series of online workshops, involving 10% of the workforce, employees across all divisions and geographies helped develop our:

Purpose: *"Pioneering Materials to Safeguard our Future"* and our

Values: *"Forward Thinking", "Responsible" and "Caring"*.

Further reading:

Pages 08 to 10 CEO review

At the start of this report, Purpose and Values

OUR COMMUNITY

The impact of our operations on the communities in which we work is an important consideration in our Board discussions. Our Community Support Committee regularly receives requests from schools, charities and organisations seeking support for activities that benefit our local communities.

In the year, charitable donations of £10,000 were made to local charities and organisations in addition to the free paper donated to various schools and organisations.

In these times of lockdown, the Group provided free paper to the residents of Kendal who visited the three main supermarkets in the town. In addition, further paper was sent to Lancaster Royal Infirmary for use by children in the hospital wards. Some PPE equipment was also shared with local surgeries who were struggling for supplies. In addition, a number of our employees supported the running of a Covid test centre in Kendal.

Beyond the impact of Covid-19, the Board approved the third phase of solar panels to be installed. These panels are owned by

OUR CUSTOMERS AND SUPPLIERS

Our business model depends on strong partnerships with our customers and suppliers. For generations we have prized our relationships with stakeholders, measured with many by decades. In recent years our growth has been underpinned by close collaborations with more global corporations. We have a common goal for increased sustainability and protection of the environment. Growth in our CupCycling™ product range and our Colourform™ range are examples of how our close partnership with customers drives sustainable environmentally friendlier solutions to meet our customers' needs.

Our raw materials are ethically sourced including all our pulp supplies from responsibly managed forestry, certified to FSC® and PEFC® standards.

We continue to increase our work in the area of preventing modern slavery. Our latest Modern Slavery Statement can be found on our website.

During this challenging year, the Group has kept in regular contact with its customers and suppliers to ensure that our customers are supported with their material requirements as and when required and our suppliers are able to continue deliveries of materials to meet our needs. In addition, reviews of trading terms were undertaken to support our customers and suppliers where required.

Burnside Community Energy Ltd who sell all the power generated to the Group with any profits ploughed back into the local community. These panels are to be installed this summer.

Our vision for doing business is one that delivers growth whilst also serving society, and is strongly aligned with the sustainable development goals.

By using our resources as a business to address issues such as biodiversity, reforestation, upcycling and climate change we are delivering benefits to our stakeholders and society.

TECHNICAL FIBRE PRODUCTS LTD

DIVISIONAL REPORT

The global pandemic created a headwind for this business – this was the first time since I joined TFP in 2013 that we didn't grow our sales revenue year on year.

Our sales into Aerospace and High Temperature Insulation markets were most significantly impacted, along with Wind Energy. However, TFP is a diverse business and significant gains in Fuel Cell, Defence and Medical markets mitigated what might have been a much larger deficit.

Growth in the renewable energy sector will be further strengthened by the acquisition of TFP Hydrogen Products, expanding TFP's portfolio for low carbon, and specifically hydrogen, technologies at a time when this sector is rapidly gaining momentum.

Aerospace

The Aerospace sector was impacted strongly by the effect of Covid-19 on both business and leisure travel, with a 66% reduction in passenger traffic in 2020. This resulted in an immediate and significant reduction in activity across the aerospace supply chain.

Boeing delivered a total of 157 airplanes in 2020, down from 380 in 2019 and down over 80% from a record 806 jets in 2018. By comparison, Airbus posted stronger than expected deliveries of 566 jets in 2020, remaining the world's largest maker of planes. Nevertheless, deliveries at Airbus fell 34% from a record a year earlier, when travel demand was high, particularly in fast growing markets across Asia. Orders for aircraft at Airbus in 2020 were only 35% of the prior year's intake.

There have been some initial signs of recovery however, as Boeing resumed 737 MAX deliveries in December 2020 and Airbus reported a planned monthly increase in A320 family production rates as this year progresses.

The industry is predicted to make a recovery to previous levels, but this is not going to be immediate and initial forecasts suggest that it could be 2024 before production and passenger traffic returns to pre-Covid levels.

Fuel Cell

Whilst the impact of Covid-19 has had a detrimental impact on some key markets for TFP, it has not slowed momentum in the fuel cell market, and the hydrogen economy as a whole.

The team at TFP marked the Covid year with a group photo beside the new line as it nears completion

This is driven by the impetus for an increasingly low carbon economy; with legislative changes, energy security and the decreasing costs of hydrogen improving its competitiveness. The result was a further significant uplift in sales to this market, helping to mitigate the impact of the pandemic on sales in other areas.

TFP's materials are used extensively as a GDL substrate in both portable Proton Exchange Membrane (PEM) fuel cells and static Phosphoric Acid fuel cells (PAFC), providing power for vehicles and buildings respectively. Both markets are predicted to continue their strong growth with CAGRs of over 19% forecast until 2027.

The acquisition of TFP Hydrogen Products has expanded our product portfolio for fuel cells with the addition of anode and cathode catalysts, as well as component coatings and catalysts for PEM water electrolyzers.

Wind Energy

Sales into the wind energy sector started the year promisingly. However as the year progressed the pandemic had a marked impact on the industry, causing supply disruptions and construction delays. In Europe, the main geographic market for TFP's sales into this sector, installations were down 30% on previous years.

This has resulted in a decrease in sales compared to previous years. However, a relatively quick recovery is predicted. Forecasts for 2021 suggest a return to pre-Covid (2019) levels, with up to 70% growth in wind power capacity expected in the next 5 years.

Non-woven Capacity Expansion

The project to expand capacity by building a new factory and adding a further nonwoven line at our Burneside site restarted in the second half of the

year following a temporary pause on capital expenditure due to Covid-19. The project is progressing well and commissioning of the new line will begin in summer 2021. This additional capacity will support the significant growth seen in the renewable energy sector, especially as other key markets such as Aerospace move into the recovery phase.

People

I would like to take this opportunity to thank all of my colleagues in TFP for their contribution - particularly through this pandemic year, which added a number of additional challenges.

Martin Thompson, TFP Managing Director

From left to right: Phil Wild, Nick Van Dijk, Martin Thompson and David Hodgson

INTRODUCING TFP HYDROGEN PRODUCTS LTD

In January 2021 TFP acquired PV3 Technologies Ltd, now known as TFP Hydrogen Products Ltd. The acquisition has enabled TFP to increase its portfolio of products for hydrogen technologies as well as creating new opportunities for growth and market penetration in the renewable energy sector.

TFP Hydrogen Products has been operating for 10 years and is based in Launceston, Cornwall. The company is founded on extensive knowledge and expertise in both electrochemical and nano materials and specialises in the development and manufacture of materials for electrochemical technologies,

particularly those used in the generation of 'green' hydrogen - hydrogen produced from a renewable energy source.

The company's key capabilities lie in the development, manufacture and application of specialist coatings and catalyst powders, which are often designed specifically for a customer's electrochemical system to ensure optimum performance. The coatings are typically based on Platinum Group Metals (PGMs) and are applied to critical components in the system, such as the electrodes, providing a number of benefits including significantly improving the efficiency, durability and ultimately lifetime of a given system.

Electrochemical systems are used across a wide number of markets, and this means that, like TFP, TFP Hydrogen Products' materials are used in a very diverse range of applications. These applications range from fuel cells and batteries to wound care, water purification and even the regeneration of coral reefs.

The primary market for TFP Hydrogen Products' materials is Proton Exchange Membrane (PEM) water electrolysis, an area which is part of the hydrogen Economy and set to show strong growth, with a projected CAGR of over 10% between 2020 and 2030 due to its role in hydrogen generation.

PEM WATER ELECTROLYSERS

TFP Hydrogen Products' materials are used extensively in an application called PEM water electrolysis, but what is this and how does it work?

An electrolyser is an electrochemical device which is used to convert electricity and water into hydrogen and oxygen.

It is a bit like a fuel cell, but works in the opposite way – rather than using hydrogen to generate energy it uses energy to generate hydrogen (and oxygen) from water. Essentially it provides a means to store the energy input as hydrogen for future use in other applications, such as fuel cells.

This capacity to store energy as hydrogen is particularly important for applications such as wind energy, which is a key market for PEM electrolyzers. Wind is an inherently

variable source of energy making it difficult to harness this energy effectively - for example sudden spikes may go uncaptured.

PEM Electrolysers provide the solution to this; they have the ability to manage high current densities which means that they can cope effectively with dynamic energy sources such as wind or solar.

When generated from a renewable energy source such as wind the hydrogen produced can be termed 'green' hydrogen and this pathway results in virtually zero greenhouse gas emissions.

In addition to their ability to cope effectively with variable energy sources, PEM

Electrolysers are also highly efficient (in excess of 80%) and offer the further advantage of generating hydrogen gas with a very high purity, which is essential if it is to be used in fuel cells.

Exploded view of a PEM water electrolyser, TFP Hydrogen Products produce the coated Porous Transport Layers (PTLs) components as well as the catalysts for the anode and cathode.

MULTIPLE ENTRY POINTS TO THE HYDROGEN ECONOMY

Whilst the products that TFP and TFP Hydrogen Products manufacture may be quite different there are many synergies in the companies' approach, markets and philosophy. They share the same emphasis on customer collaboration & product development, as well as a strong focus on sustainability, helping to facilitate the realisation of the hydrogen economy to reduce carbon emissions and effectively 'safeguard our future'.

In last year's annual report we highlighted the hydrogen economy as an area of significant growth globally - this hasn't changed. It is anticipated that the use of hydrogen will increase almost 8 fold by 2050, from the 10EJ¹ used presently to 78EJ¹ in 2050, at which point it will fulfil 18% of the world's total final energy demand.

¹ EJ = Exajoule = 10¹⁸ joules

In order to make the mainstream use of hydrogen a reality, the technologies used to generate and utilise it must demonstrate both high performance and affordability.

This is where both TFP and TFP Hydrogen fit in; producing products that increase the efficiency and durability of the technologies within this market.

The hydrogen economy is not just about the production of hydrogen, it encompasses all the steps in the chain; from wind turbines generating the power to produce and store hydrogen via PEM water electrolysis, to the use of this hydrogen

in fuel cell vehicles and stationary applications. Adam Black, TFP's Business Development Director, explains how the acquisition of TFP Hydrogen Products strengthens TFP's position in this market: "TFP's materials are already used extensively

in both wind turbine blade manufacture (to increase durability and add function) and in fuel cells as the GDL substrate. The addition of TFP Hydrogen Products provides a further entry point into the hydrogen economy for TFP in the form of component coatings for PEM water electrolyzers, designed to increase their efficiency & lifetime and ultimately reduce the long term cost of green hydrogen generation. This expands TFP's product offering and knowledge base in hydrogen related technologies, creating opportunities for further growth and value creation."

In essence, TFP is now involved in the generation of renewable energy, its storage as hydrogen and subsequent use in clean and efficient power generation for vehicles or buildings.

A huge thank you to all our employees who helped us through the pandemic

MOULDED PACKAGING PRODUCTS

DIVISIONAL REPORT

Having been a part of the team that developed the idea of Colourform™ and commissioned the first of the stages to establish the business, I was absolutely delighted to rejoin the team as Managing Director in the first quarter of 2020 to help drive the development and the growth of the business.

The foundations of the business were strong and we have now seen sales grow from <£300k per annum to £2.8m in 2 years – even growing by 9% during the massive global disruption caused by Covid-19 in 2020.

Colourform's growth was materially affected by the pandemic – the core repeating business was down by 40% in the spring campaign and 15% in the winter campaign, other customers whose demand was through retail stores saw their business drop to a tiny fraction of the previous year.

However, a strong pipeline with new projects coming on stream more than compensated for these headwinds, and these will form the basis of even more future growth as the world picks itself back up again.

We have taken this year to continue to align the skills within the team with the drivers for future growth. Outstanding designs supported by world class technical expertise will allow us to demonstrate the potential for moulded fibre packaging that many sectors have never considered or believed possible. Our confidence in our ability to excel in these areas was given a massive boost by pretty much a “clean sweep” of the luxury packaging awards in 2020.

Patrick Willink,
Colourform™ Managing Director

Award winning innovation

This success has given globally recognised brands the confidence to work directly with us to help develop a brand new generation of packaging concepts that are a perfect fit for the post-Covid world.

COLOURFORM™ VISION

As we turn our minds to the future, we have developed a vision for our business which will help provide the direction and the focus and will continue to deliver growth on the pre-Covid trajectory whilst remaining loyal to our heritage and our values.

- i With **moulded fibre** at its heart, and unbundled **creativity**, Colourform™ never stops **exploring** new ways to help brands stand out with **beautiful and inventive** packaging
- i We seek to **excite pioneering brands** with the unimaginable potential of this **truly sustainable** packaging
- i Our **personalised design**, unique **colour** capability and **customised decoration**, set Colourform™ apart from **conventional alternatives**

JAMES CROPPER PAPER PRODUCTS

DIVISIONAL REPORT

As was undoubtedly the case for many, if not most businesses around the world, the last 12 months has been a period of extremes, characterised and dominated by the impacts of the Coronavirus pandemic.

As we finalised our annual report and accounts for 2020 we were facing into an uncertain year ahead, wondering how bad the pandemic would get and the extent of the challenges we might face.

We saw extremes in terms of the speed of contraction of certain market segments as parts of the world were either emerging from lock down, such as China and the Far East or entering into lockdown for the first time, such as the United Kingdom. Our first quarter saw sales revenues drop to less than half of plan.

Fortunately, the resilience of our business is a testament to the diversity of our portfolio, both geographically and in terms of market segments served. Early on in the pandemic our premium print and luxury packaging segments dropped sharply as retail and hospitality locked down. Latterly, our education market segment declined as schools and colleges closed.

Conversely, we saw a resurgence in our art, craft and design portfolio as well as publishing as lock down prompted more stay-at-home activities.

Another extreme was the speed and agility shown by all employees across the site to confront the realities of the pandemic. Our immediate actions were to safeguard the health and wellbeing of our employees by adopting Covid-safe working practices across the site.

A heroic effort was made to mobilise home working wherever possible and to provide screens, signs and space for those coming into the workplace.

Entirely new working practices and cleaning routines were adopted in double

quick time and our communication efforts to keep the whole organisation informed were ramped up.

As volumes were impacted and demand became erratic, our challenge was to continue to support our customers with on-time delivery and service, but balance our operations to control costs and maintain efficiency. Again the whole team made significant efforts and sacrifices to help us manage cost and preserve cash, this included judicious use of government support schemes in the early part of the year.

We demonstrated our ability to pioneer solutions in response to the pandemic with the accelerated launch of our Rydal collection of papers for premium packaging, including an option made from 100% recycled fibres. We re-engineered our Docugard™ silver ion treatment to make it available across a broader range of our papers and re-positioned it as PaperGard™. PaperGard™ contains Biomaster® antimicrobial technology, and independent tests have proven it to be highly effective at reducing the presence of SARS-CoV-2, the virus that causes Covid-19, on the surface of paper.

This fighting spirit was, again, testament to our ability to get on the front foot and regain control of our business.

One enduring outcome of the current global situation is the heightened focus on responsible sourcing and end-to-end lifecycle of products and packaging. There is a palpable increase in dialogue around the use of recovered fibre irrespective of whether it is post-consumer or post-industrial waste.

During the year, our ambition to drive towards 50% of the fibre used in our papermaking to come from recovered streams moved forward apace with some exciting trials of new fibre streams from unique waste paper sources. I have been encouraged by the growing interest from

customers and suppliers who are keen to work with us based on our growing reputation in this space, pioneered with the advent of CupCycling™ in 2017.

Despite Covid-19 we continued to invest in ground-breaking research & development which supports our Vision of being the best bespoke paper mill in the world, recognised for our unrivalled expertise in colour and leading innovation in sustainable fibre.

This investment included the hiring of a new Technical Director brought in to build an innovation culture across our technical team and was part of an organisation restructure which we undertook in the third quarter 2020, designed to make us stronger and more competitive for the future.

An unfortunate but inevitable outcome of our restructure was a reduction in headcount which was managed entirely through voluntary redundancy and entirely in line with our stated values; forward thinking, caring and responsible. I want to take this opportunity to acknowledge the constructive support from our Trade Union during this difficult time.

As we look forward, I believe the pandemic will continue to impact our business in the coming year, but we have weathered the storm extremely well and have laid a solid foundation to grow back stronger.

We are looking to accelerate our investment in new capability in the coming year and we have not deviated from our value growth strategy.

I want to thank our many customers for their continued support during the pandemic. I also want to praise and thank the entire James Cropper Paper team for their courage, resilience, hard work and commitment over the last year and look forward to continued success in the year to come.

Steve Adams, Paper Managing Director

From left to right: Damian Cook our new Technical Director with members of the Paper Finishing team Jimmy McNamara, Dan Stacey, Angela Bain, Ash Walsh and Rob Batstone our Operations Director.

PAPER - HIGHLIGHTS

The Silver Lining for Packaging

The packaging for the 2020 Walpole Book of British Luxury brought together our latest innovations in sustainable and hygienic paper for packaging.

The box was designed by renowned packaging expert Evelio Mattos and manufactured by the International Direct Packaging team and is mono-material, made from 100% PCW papers from the Rydal Collection which include CupCycling™ fibre and PaperGard™ technology. There are no inks or glues meaning it is 100% recyclable in the paper waste stream, with no disassembly necessary.

As a shining example of sustainable luxury, the Walpole Yearbook packaging was recognised in the Graphic Design USA 2021 Awards for leading the way in Package Design.

The Future of Sustainable Luxury

Every luxury brand on earth is talking about sustainability, touching it one way or another. Walpole is the official sector body for UK luxury, and is leading the way in bringing the industry together to share ideas and best practice.

Recently it launched a Sustainability Manifesto and published a report of the progress made by its members. In the report our CupCycling™ innovation was highlighted as leading the transition towards a circular economy, and supporting luxury brands such as Burberry in the development of their packaging.

Since the launch of the new packaging, we have recycled 58 million coffee cups into papers for Burberry packaging.

Creative Gift Packaging

With over 20 years' expertise as suppliers of decorative and protective shredded paper to the gift market, Shredhouse has been well positioned to benefit from the Covid-19 pandemic's huge shift towards e-commerce sales.

As a long-standing customer of James Cropper, Shredhouse supply shredded paper products, manufactured from an array of our FSC® certified coloured papers including CupCycling™, to market sectors including health & beauty, food & drink, crafts & toys and gifts. During the past year Shredhouse have taken on additional staff and invested in new production facilities to accommodate an increase in online orders.

Business Development Manager for Shredhouse, Jon Watton, comments:

"Now more than ever, customers expect products and packaging which demonstrate care and consideration for the environment, with shredded paper products' popularity increasing significantly due to their low environmental impact and sustainability."

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

James Cropper cares strongly about people, sustainable manufacturing and responsible business practices. This drives our approach to decision making across the whole planning horizon.

Our Aim

The Environmental, Social and Governance (ESG) Committee is established to unify all aspects of environmental, social and governance best practice across the Group.

The Board has responsibility for the overall strategy; the ESG is a subcommittee of the Group Board constituted in September 2020, chaired by Isabelle Maddock.

Using the UN Sustainable Development Goals as a guideline, the Committee carried out a materiality analysis identifying which goals are most significant to our stakeholders.

The Group has identified 3 pillars and 9 priority areas.

All matters of ESG have been and continue to be important to us, yet for the first time, through the committee's work we are pulling together a cohesive approach across the Group. This year we choose to report more deeply on 3 priority areas; decarbonisation and energy, employee well-being, and materials with purpose. As our approach matures we look forward to providing updates against all these areas.

Our 9 Priority Areas

Sustainable Manufacturing	People and Society	Responsible Business Practices
<p><i>Decarbonisation and energy</i></p> <p>To have a robust net zero aligned strategy and achieve net zero, on direct emissions by 2030</p>	<p><i>Employee well-being</i></p> <p>We support our people's physical, mental and emotional wellbeing; balancing their work and personal responsibilities to help them to work safely and effectively</p>	<p><i>Materials with purpose</i></p> <p>To make products that are part of the sustainability solution and create pioneering materials aligned to societal needs; delivered in a fair, healthy and inclusive way</p>
<p><i>Water</i></p> <p>To reduce our water footprint by developing and embracing innovative solutions to close our water loop; minimising fresh water abstraction, reusing process water and recycling our effluent water back into the process</p>	<p><i>Enhancing livelihoods</i></p> <p>We are committed to providing meaningful work, generating a positive organisational culture and working environment which promotes diversity, inclusivity, personal development and respect</p>	<p><i>Business ethics and risk</i></p> <p>To operate responsibly, steering governance, best practice and in line with our purpose and core values throughout our operations</p>
<p><i>Waste and resource management</i></p> <p>To commit to valuing waste across our operations and employ innovative solutions to minimise and repurpose waste</p>	<p><i>Local community</i></p> <p>To be a force for good in society, and particularly by making a positive contribution in our local community, supporting social cohesion, economic prosperity and inclusive growth</p>	<p><i>Supply chain</i></p> <p>To ensure our suppliers operate to the same ethical and sustainable standards that the Company adheres to and encourage the adoption of sustainable practices</p>



The Committee

The Committee is to provide oversight and analysis of the 9 priority areas and to monitor overall performance to ensure delivery of robust ESG credentials.

Sustainable Manufacturing

Decarbonisation and energy · Water · Waste and resource management

Priority Area	Strategic Intent	UN Sustainable Development Goals
Decarbonisation and energy	To have a robust net zero aligned strategy and achieve net zero, on direct emissions by 2030	<ol style="list-style-type: none"> 1 All purchased electricity from grid to be 100% renewable 2 Complete feasibility <i>March 2022</i> 3 Targets for every Division <i>April 2022</i> 4 Plan defined and enter the engineering design phase
<p>We believe we are at a really exciting time of transition, where the world is demanding decarbonisation initiatives and real change is afoot.</p> <p>Not only do all our businesses provide materials which are intended as solutions to some of the world's social and environmental challenges, but also there is now a real challenge is to decarbonise our own operations.</p> <p>We are committed today to a huge reduction in net emissions from our own activities over the next decade.</p>	<p>We want to concentrate on the direct CO₂ emissions from our own combustion of natural gas, however we also will be looking to source clean electricity to supplement our own clean generation. The Company is committing to a programme that will result in a huge reduction in emissions from our own activities over the next decade.</p> <p>We expect to achieve significant progress by 2030, and for this to happen it will take a number of work streams to come together:</p>	<ul style="list-style-type: none"> • An immediate focus on reducing primary energy usage today. • It will take innovation. After 2 years of early research we are ready to embark on a feasibility to assess a number of different technical solutions. • A watch for other new and emerging solutions. The Company is also researching the development of new technologies for both energy generation and optimising usage. • Only once we have done all this will we consider offsetting to achieve the final stages of getting to net zero.

“WE ARE COMMITTED TODAY TO A HUGE REDUCTION IN NET EMISSIONS FROM OUR OWN ACTIVITIES OVER THE NEXT DECADE.”

Working with our supply chain is equally as important. We will need to cover all other indirect emissions from the goods we purchase, our raw materials, to services used and distribution and logistics.

We expect to achieve significant progress in working with the supply chain emissions by 2035, and this starts today by:

- Selecting a partner to help us with science based methodology to measure supply chain carbon emissions. We intend to measure, better understand, question and set targets for reduction.
- Adopting supply chain as a key strategic intent and establishing priorities across the Group to meet that intent.

People and Society

Employee well-being • Enhancing livelihoods • Local community

Priority Area	Strategic Intent	UN Sustainable Development Goals
<p>Employee well-being</p> <p>We know that when people are healthy and well, they are able to contribute more – whether that's to their families, their work or society at large.</p> <p>At James Cropper we are committed to promoting a positive environment in our workplaces, to support people's physical, mental and emotional wellbeing. Since 2019 we have been a member of the Better Health at Work Award scheme, and currently hold a Bronze Award. This has helped us fostering positive physical and mental wellbeing across our workforce.</p>	<p>We support our people's physical, mental and emotional wellbeing; balancing their work and personal responsibilities to help them to work safely and effectively</p> <p>Our people have also have access to a range of services to support their broader wellbeing and mental health. This includes access to physiotherapists and annual medicals, an Employee Wellbeing Helpline and trained on site mental health first aiders.</p> <p>We also make sure to encourage and engage our people in their health and wellbeing by providing a range of balanced nutritious meals in our canteens, offering health benefits, such as the cycle to work scheme and getting our people involved in initiatives - such as Healthy Eating Week.</p>	<p>UN Sustainable Development Goals</p> <p>We also encourage our people to incorporate physical activity in to their daily lives; providing discount to local gyms. We even have a James Cropper outdoor swimming club. Employees are encouraged to join initiatives such as running and walking clubs, squash tournaments and site wide plank challenges.</p> <p>Through our ESG commitments we are dedicated to building a workplace environment that enhances the wellbeing of our people. Our aim is to be awarded the silver better health at work award this year.</p>

**"THROUGH OUR ESG COMMITMENTS
WE ARE DEDICATED TO BUILDING
A WORKPLACE ENVIRONMENT
THAT ENHANCES THE
WELLBEING OF OUR PEOPLE."**

Responsible Business Practices

Materials with purpose • **Business ethics and risk** • **Supply chain**

<i>Priority Area</i>	<i>Strategic Intent</i>	<i>UN Sustainable Development Goals</i>
<p>Materials with purpose</p> <p>Over the last year, people's attention quite rightly turned to dealing with Covid-19, and for a short while the focus shifted slightly from the climate crisis, however consumer interest in environmentally responsible innovations has not fallen by the wayside, in fact the focus on this is as strong as ever!</p> <p>We have led the way in manufacturing materials since 1845 and are proud of our pioneering heritage. Today our products reach far and wide, forming the fibres of daily life around the world.</p> <p>Our actions and commitments are restorative and regenerative, aligned with the SDGs and designed to improve the health of the planet today and for future generations.</p> <p>Science is our great ally. Over the past five years we have invested over £13 million in research and development activities, with over 15% of our employees involved in these programmes. We're using the know-how we have today, combined with the seeds of innovation and pioneering technology to improve our future.</p>	<p>To make products that are part of the sustainability solution and create pioneering materials aligned to societal needs; delivered in a fair, healthy and inclusive way</p> <p>Our wealth of experience across the different sectors enables organisations to benefit from our group's business synergies, and our smart solutions work in harmony to improve efficiency and reduce our impact on the environment.</p> <p>From crafting beautiful papers from responsible sources, devising clever ways to turn waste into a resource to reproduce a circular flow of materials that would otherwise be lost, creating specialist materials that support the advancement of green energy or developing next-generation sustainable packaging as an alternative to single-use plastics, we never stop evolving so we can all look forward to a smarter future.</p> <p>Our primary raw material is wood pulp, and through our sustainable sourcing policies 100% of fresh fibre is certified to internationally recognised FSC® and PEFC® schemes, aiming to protect high carbon ecosystems like forests and drive biodiversity and forest growth in our supply chain.</p> <p>By 2025 50% of the fibre for papermaking will be from recovered streams. To date we have recovered 150 million recycled coffee</p>	<p>cups through our unique zero waste CupCycling™ facility and given them a wonderful second life as beautiful papers for retail brands such as Selfridges, Burberry, Mulberry and renowned stationer Hallmark Cards.</p> <p>Green energy and specifically the Hydrogen economy is a key growth area for TFP, and currently represents 20% of revenue. Our materials are used to enable cheaper and efficient green hydrogen production, as well as in fuel cell technology to power vehicles and infrastructure. In fact, 50% of the world's fuel cells incorporate TFP materials.</p> <p>Our bio-based moulded fibre technology is thriving as a material to replace plastics as well as providing innovative lightweight mono-material packaging options for consumer products. Colourform™ has been used in applications for international beauty brands such as L'Oréal to specialist beauty innovator Floral Street, and has been internationally recognised for its multi-award winning eco-responsible pack design for champagne house Maison Ruinart.</p>

"OUR ACTIONS AND COMMITMENTS ARE RESTORATIVE AND REGENERATIVE, ALIGNED WITH THE SDGS AND DESIGNED TO IMPROVE THE HEALTH OF THE PLANET TODAY AND FOR FUTURE GENERATIONS."

STREAMLINED ENERGY & CARBON REPORT

Energy use

The underlying energy data used to calculate carbon emissions includes electricity, gas and other fuels purchased for use on-site and for transport.

Energy used in the year was 156.6GWh (2020: 210.9GWh), lower than the previous year, predominantly due to the impact of Covid-19 on production levels.

Energy efficiency action

During the year, it has been agreed that further roof space will be let to Burnside Community Energy Ltd to place more solar panels on our roof space with all solar energy generated purchased by the Company. Installation is expected to be completed in the summer 2021.

In the year, 574,000kWh of solar energy was purchased (2020: 298,000kWh).

In addition, the Company purchases hydro energy from Ellergreen Estate, purchasing a total of 275,000kWh of hydroenergy in the year (2020: 229,000kWh).

	52 weeks ended 27 March 2021	52 weeks ended 28 March 2020
Greenhouse gas emissions	tCO ₂ e	tCO ₂ e
Scope 1 Direct emissions		
Direct emissions from burning of fossil fuels	27,512	36,007
Transport: company owned or leased vehicles	553	568
Total Scope 1 Direct emissions	28,065	36,575
Scope 2 Indirect emissions		
Grid electricity purchased	1,639	2,611
Scope 2 Indirect emissions	1,639	2,611
Gross Carbon emissions	29,704	39,186
Avoided emissions from renewable electricity purchased	(234)	(145)
Total avoided emissions	(234)	(145)
Net Carbon emissions	29,470	39,041
	52 weeks ended 27 March 2021	52 weeks ended 28 March 2020
Greenhouse gas emissions intensity ratio	tCO₂e	tCO₂e
Carbon emissions per £100,000 revenue	37.41	37.30

PRIDE EXCELLENCE AWARDS

Over the last year and throughout the pandemic we have received some incredible nominations and 32 employees were awarded a quarterly Pride award.

Whilst we have been unable to celebrate our annual awards in our usual way, it didn't stop us taking time to recognise the amazing contribution our employees make to the Company, their fellow work colleagues and to the communities we operate in, and rewarding our values in action.

GOLD AWARD

Paul Waiting (Engineering Coordinator)
Jos Addison (Maintenance Craftsperson)

When one of their work colleagues became extremely unwell at work, Paul and Joss acted without delay. Their focus, determination and their ability to remain calm under very emotional circumstances helped save a colleague's life.

You are true heroes - thank you.

SILVER AWARD

EFT Team (TFP US)

The EFT Team worked collaboratively and tirelessly to meet our customer driven improvement. Working weekends and evenings, they developed new quality assurance testing regimens and introduced a related repeatable sample procedures, meeting the technical, production and quality aspirations for a key supplier to the aerospace industry.

BRONZE AWARD

Paul Sayner (Reel Transporter Driver)

Paul provided an innovative solution that embraced us being responsible with our resources and reducing waste. To stop finished reels of paper from rolling and getting damaged he used raised road marking paint on the floor. This stopped the large reels from rolling, reducing our volume of broke paper (waste material) and saved the Company money. More importantly, it decreases the risk of accidents from rolling reels, whilst ensuring our finished products arrive with our customers in high quality condition.

CONTINUOUS LEARNING

During the calendar year, James Cropper PLC undertook a full review of its current organisational structure; with the primary purpose to ensure the company remains competitive and designed for growth. We reshaped and realigned our operating model to reduce complexity and cost; accelerating growth to ensure the business is fit for the future.

We worked with our recognised Trade Unions through meaningful consultation as well as with those directly affected by the organisation changes, to ensure job losses were mitigated. New opportunities were also created, to ensure that we have skills and capabilities to deliver against our ambitious plans for growth.

EARLY CAREERS & PEOPLE DEVELOPMENT

We continue to invest in our next generation workforce and are committed to providing opportunities across the James Cropper Group. We currently have 24 Apprentices across our business in Engineering, Papermaking, 2 Manufacturing Operations and Finance.

4 new Technical Graduates started in January 2020 undertaking roles in the Paper Lab, Quality and Process capability. Within the last 12 months they have been developing their academic knowledge in Paper Technology and Green Belt Principles.

In the calendar year, we also introduced people and organisation planning, to ensure we take account of the people, skills and capabilities we will need to deliver our future plans.

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BOARD OF DIRECTORS

Mark Cropper
Chairman

Appointed: October 2006

Independent: No

Committee Memberships: Nominations (Chair), Remuneration, Pension, ESG

Qualifications: MA

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

External appointments: Ellergreen Hydro Projects Ltd (Director), Cropper Paper Foundation (Director), Kendal Futures CIC (Director), Rydal Hydro Ltd (Director), Scandale Hydro Ltd (Director)

Phil Wild
Chief Executive Officer

Appointed: October 2012

Independent: No **Committee**

Memberships: Executive (Chair) **Qualifications:** BEng (Hons)

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

External appointments: CBI (North West Counsellor), Teenage Cancer Trust (North West Board)

Isabelle Maddock
Chief Financial Officer

Appointed: July 2014

Independent: No

Committee Memberships: Executive, Pension (Chair), ESG (Chair) **Qualifications:** BSc, FCMA

Experience: Isabelle is a fellow of the Chartered Institute of Management Accountants with experience in finance across a variety of sectors including manufacturing, software, retail, facilities management and publishing, before joining the Company in 2006.

External appointments: CBI Economic Growth Board (Vice Chair)

Martin Thompson
MD, TFP Division

Appointed: June 2013

Independent: No

Committee Memberships: Executive

Qualifications: MBA

Experience: Prior to joining the group in 2003, Martin held directorships covering technical, general management and multi-site divisional director roles.

External appointments: -

Patrick Willink
MD, Colourform™ Division

Appointed: March 1998

Independent: No

Committee Memberships: Executive, Pension

Qualifications: BSc MBA

Experience: Patrick is a member of the Willink family, joining the Group in 1990, appointed Chief Technology Officer in 2014 and instrumental in the creation of the Colourform™ division. He was President of the Confederation of Paper Industries Ltd from 2014 to 2019.

External appointments: Confederation of Paper Industries Ltd (Director)

Steve Adams
MD, Paper Division

Appointed: January 2017

Independent: No

Committee Memberships: Executive

Qualifications: BA (Hons)

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

External appointments: -

Dr Andrew Hosty Senior Independent
Non-Executive Director

Appointed: August 2018

Independent: Yes

Committee Memberships: Audit,
Remuneration, Nomination

Qualifications: PhD

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

External appointments: Rights and issues Investment Trust PLC (Director), Mom Incubators Ltd (Director), RHI Magnesita PLC (Director), Nexxon Ltd (Director)

Jim Sharp
Non-Executive Director

Appointed: September 2009

Independent: No

Committee Memberships: Audit (Chair),
Remuneration, Nomination, Pension

Qualifications: MA

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

External appointments:

In The Style (Chairman), YouGarden (Chairman), Feelunique (Chairman), The Brunner Investment Trust PLC (Director)

Lyndsey Scott
Non-Executive Director

Appointed: August 2019

Independent: Yes

Committee Memberships: Remuneration
(Chair), Audit, Nomination **Qualifications:**
BA DPM Grad IPM

Experience: Lyndsey has spent most of her career in multi-national organisations and management consultancy across different sectors, most recently with International Personal Finance PLC as Chief Human Resources Officer. She brings experience in strategy creation, planning and delivery of large scale cultural and performance change management and governance.

External appointments: International Personal Finance PLC (Chief HR Officer)

Jim Aldridge
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
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

"I AM PLEASED TO INTRODUCE THE CORPORATE GOVERNANCE REPORT FOR THE PERIOD ENDED 27 MARCH 2021. THIS REPORT INCLUDES MY STATEMENT AND THE CORPORATE GOVERNANCE REPORT."

The year just ended has been dominated by the impact of Covid-19. The Board took swift actions to protect the health and wellbeing of our employees, to support customers and to reduce costs where possible to protect liquidity and to safeguard the future of the business.

As we were protecting the business from the impact of Covid-19, work on the future of the business also continued including a restructuring plan, particularly in the paper division, which was in the pipeline and accelerated due to the pandemic. In addition a large number of our employees met over the months to draft a new Purpose and Values statement as reported at the start of the Annual Report. Likewise, the TFP Division acquired a new business in Cornwall. How our employees worked changed with more employees working from home where possible during the lockdown periods and new methods of communicating and keeping all employees up to speed with the latest developments. The pandemic changed how the Board met during the year, with all meetings taking place via virtual media.

The Board were able to continue to hold regular meetings online with constructive and challenging discussions within our culture of openness, transparency and respect among the Board members.

Due to the pandemic, our AGM last year was unfortunately closed to visiting shareholders. Following the AGM, the Board recognised a large number of votes cast for abstention or against for some of the resolutions proposed. The Board acknowledged these votes and began consulting with key shareholders, external advisers and our Nomads.

Our response to the negative voting was unfortunately delayed due to the impact of the pandemic. However, an action plan has been set to address the issues raised where it is felt changes may need to be made. The majority of the action plan will be enacted in the year just started. The matters raised mainly concern the independence of two of the Non-Executive Directors, including myself, and also the construct of my remuneration. The action plan can be seen on page 51.

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. The Board adopted the QCA Corporate Governance Code in 2018 considering it to be a pragmatic and practical governance tool committed to high standards of corporate governance facilitating efficient, effective and entrepreneurial management of the Company.

Board responsibility and strategic direction

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

Both I and the Non-Executive Directors are fully supportive of the strategic direction being taken by the executive team.

The Strategic Report is on pages 04 to 46 in the Annual Report.

Sub-committees

There are six sub-committees reporting to the Board:

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

All committees continue to exercise their duties in compliance with all relevant legislation, regulation and guidance. During the year the Environmental, Social and Governance Committee ("ESG") was set up. Further details about the sub-committee can be found on pages 38 to 42 of the Annual Report.

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

Stakeholder engagement

The Board is keen to ensure ongoing and effective communication with all stakeholders. Further reading on stakeholder engagement can be found in our Section 172 (1) statement on pages 26 to 27.

Mark Cropper, Chairman 21

June 2021

Actions re. Negative Voting at 2020 AGM

Matter raised	Board response	Actions
<p>Independence of Jim Sharp</p> <p>Jim has been a member of the Board for 11 years. He brings a wealth of knowledge and experience from his background in investment banking, corporate finance, and significant experience in investment, managing and growing successful businesses, particularly in the luxury retail sector, an important market for James Cropper.</p> <p>His appointments elsewhere only speak of the very high regard in which he is held in the wider business community and echo the considerable value he brings to James Cropper. Jim continues to challenge company strategy and execution without fear or favour and play a key role in ensuring the governance and risk management is at the highest standard possible.</p> <p>Given his background and experience, Jim is considered to be the most appropriate Non-Executive Director to act as Chair of the Audit Committee.</p> <p>The Executive Committee frequently refer to Jim's experience and knowledge and see Jim as a key independent adviser on matters of all kinds.</p>	<p>Mark is Chairman of the Group and the sixth generation of the Cropper family to hold the post. Mark has been a member of the Board for 14 years. He is also the largest shareholder of the Company amounting to a significant minority holding.</p> <p>Mark is non-executive chair but his service contract with the company includes provision for him to support the functioning and development of the group beyond his responsibilities as chair. This includes business development and other ambassadorial relationship support where his long-term family association with the business adds considerable value to the Group.</p> <p>When requested, he also provides advice drawing on his career in the energy sector and plays a key role in supporting the company's purpose, values and emerging social and environmental agenda. The construct of his remuneration package reflects this element of his work.</p> <p>As with all Directors and in line with Group policies, Mark does not take part in discussions and actions where there may be a conflict of interest.</p> <p>Mark has played a critical role over many years in the challenging of and evolution of Group strategy and ensuring the Board and directors are of sufficient strength and depth to deliver to short, medium and long term plans. In all matters he demonstrates independence of character and judgement and continues to do so despite his length of service and concurrency with other directors.</p>	<p>1. In accordance with good governance, Jim is proposed for re-election annually at the AGM.</p> <p>2. Jim was re-appointed as the Chair of the Audit Committee in December 2020, with the position of Chair to be reviewed annually.</p>
<p>Independence of Mark Cropper</p> <p>Mark is Chairman of the Group and the sixth generation of the Cropper family to hold the post. Mark has been a member of the Board for 14 years. He is also the largest shareholder of the Company amounting to a significant minority holding.</p> <p>Mark is non-executive chair but his service contract with the company includes provision for him to support the functioning and development of the group beyond his responsibilities as chair. This includes business development and other ambassadorial relationship support where his long-term family association with the business adds considerable value to the Group.</p> <p>When requested, he also provides advice drawing on his career in the energy sector and plays a key role in supporting the company's purpose, values and emerging social and environmental agenda. The construct of his remuneration package reflects this element of his work.</p> <p>As with all Directors and in line with Group policies, Mark does not take part in discussions and actions where there may be a conflict of interest.</p> <p>Mark has played a critical role over many years in the challenging of and evolution of Group strategy and ensuring the Board and directors are of sufficient strength and depth to deliver to short, medium and long term plans. In all matters he demonstrates independence of character and judgement and continues to do so despite his length of service and concurrency with other directors.</p>	<p>1. The pay and reward structure for Mark will be reviewed during the year ending March 2022.</p>	<p>1. The pay and reward structure for Mark will be reviewed during the year ending March 2022.</p>
<p>Approval of the Remuneration Committee Report</p> <p>It was acknowledged that negative voting on approval of the Remuneration Committee report was due to the pay and reward construct of Mark Cropper.</p> <p>Mark's time involvement in the Company is substantially more than the other Non-Executive Directors, as detailed above. When Mark was appointed as a Director, his pay and reward construct was split in proportion to the time spent as a Non-Executive Director of the Board and the time spent on other matters, not least as an ambassador for the Group. In line with the split, Mark was also provided with a Director Benefit allowance, LTIP awards and pension contributions, all calculated against the time he supports the company beyond non-executive responsibilities.</p>	<p>1. The Board to review the needs and requirements of an additional independent Non-Executive Director during 2021, with a proposed appointment to be made during 2022.</p>	<p>1. The Board to review the needs and requirements of an additional independent Non-Executive Director during 2021, with a proposed appointment to be made during 2022.</p>
<p>Independence of the Board</p> <p>The current Board comprises 5 Executive Directors and four Non-Executive Directors. Two of the Non-Executive Directors have served on the Board for longer than 9 years, namely Jim Sharp and Mark Cropper.</p> <p>Whilst the Board considers Jim and Mark to be independent in character and judgement, the tenure of both Directors has led to negative voting.</p>		

Governance Statement

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

We wanted to be sure that we would proactively embrace whatever code we opted for and not end up with a code that would stifle us and result, on a comply or explain basis, with us describing why certain requirements were not appropriate. We believe that the QCA Code provides us with the right governance framework: a flexible but rigorous outcome-orientated environment in which we can continue to develop our governance model to support our business.

Role of the Board

The role of the Board is to establish the vision and strategy for the Group, to deliver shareholder value and be responsible for the long-term success of the Group. Individual members of the Board have equal responsibility for the overall stewardship, management and performance of the Group and for the approval of its long-term objectives and strategic plans. The Board continues to have a balance of Executive and Non-Executive Directors. Currently, The Board comprises a Non-Executive Chairman, three Non-Executive Directors and five Executive Directors.

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

Division of responsibilities

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

The Chairman

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

The Chief Executive Officer

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

The Non-Executive Directors

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

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

The operation of the Board

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

Board Committees

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

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

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

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

Isabelle Maddock is the Chair of the ESG Committee, which also comprises the Chairman of the Board. Details of the rest of the Committee members can be found on page 39 in the ESG Report.

Board and Committee Meetings

The Board held eight Board meetings throughout the year, scheduled to coincide with the internal financial reporting timetable of the Company and key events including interim and final results, and the AGM.

Specific strategic topics are reviewed at every Board meeting, in addition to two strategy days also held during the year.

The Board's responsibilities are discharged with reviews of monthly reports from the Executive Committee including conference calls with the Chief Executive and Group Finance Director with further ad hoc meetings held as and when required.

Board Meetings (8) Meetings attended

Mark Cropper	8
Phil Wild	8
Steve Adams	8
Isabelle Maddock	8
Martin Thompson	8
Dave Watson	2
Patrick Willink	8
Andrew Hosty	8
Jim Sharp	8
Lyndsey Scott	8

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

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

Effectiveness**Board Composition**

A strong feature of the Board's effectiveness in delivering the strategy is our inclusive and open style of management and a free flow of information between the Executive and Non-Executive Directors.

The size of our Board encourages individuals to discuss matters openly and freely and to make a personal contribution through the exercise of their personal skills and experience. No individual or group of individuals dominates 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 29%.

Appointment of Non-Executive Directors

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

Terms of appointment and time commitment

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

Induction and professional development

New Directors are given a formal induction process including details of how the Board and Committees operate, meetings with Senior Management and information on Group strategy, products and performance. Training and development needs of Directors are reviewed regularly.

The Directors are kept 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 Chairs.

During the year a comprehensive Board effectiveness evaluation was undertaken.

The evaluation process commenced with the completion of a questionnaire for each separate review, compilation of a summary of the results and feedback obtained followed by discussion between the participants. The Board recognises that evaluation of its performance is important in enabling it to realise its maximum potential. The process gives the Directors the opportunity to identify areas for improvement both jointly and individually through the use of questionnaires and open discussion.

Election and re-election of Directors

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

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

Risk Management

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

Internal Control

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

Going Concern

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

For further details on Going Concern and the possible impact of the Covid-19 pandemic, please refer to the CEO Review (pages 08 to 10) and the CFO Review (pages 12 to 16).

Relations with shareholders

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

the business. The Executive Directors have overall responsibility for ensuring effective communication and the Company maintains a regular dialogue with its shareholders, mainly in the periods

following the announcement of the interim and final results, but also at other times during the year. The Board encourages the participation of shareholders at its Annual General Meeting, notice of which can be found on the Company's website. The Company's website 'www.jamescropper.com' is regularly updated and provides additional information on the Group.

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

Andrew Hosty is the Senior Independent Non-Executive Director.

Annual General Meeting

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

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

Jim Aldridge, Company Secretary
June 2021

REPORT OF THE AUDIT COMMITTEE

"I AM PLEASED TO INTRODUCE THE AUDIT COMMITTEE REPORT FOR THE PERIOD ENDED 27 MARCH 2021. DURING THE YEAR, THE AUDIT COMMITTEE HAS BEEN REVIEWING THE ADDITIONAL CHALLENGES FACED BY THE BUSINESS AS A RESULT OF THE COVID-19 PANDEMIC AND MONITORING THE ACTIONS TAKEN BY THE EXECUTIVE DIRECTORS IN RESPONSE TO IT TO ENSURE THAT THE BUSINESS EMERGES AS A STRONGER COMPANY ABLE TO DELIVER ITS GROWTH PLANS."

The Audit Committee provides independent scrutiny and challenge to ensure that the Group presents a true and fair view of its performance, focusing on the accuracy, integrity and communication of financial reporting.

Composition

The Committee comprises the following members:

- Jim Sharp (Chair)
- Lyndsey Scott
- Dr Andrew Hosty

At the AGM last year, a high proportion of votes cast were against or abstained on three resolutions. The Board acknowledges and is addressing this.

The Board has held discussions with key shareholders and consulted with our Nomad and other external advisors. We understand the reasons for the voting results and have put in place an action plan to address them, where it is believed that changes should be made, or explain further where it is agreed that there are compelling reasons not to change. Full details of this plan are laid out on page 51 of the Annual Report. The pandemic has delayed the implementation of some items in this plan, most of which will come into effect in the financial year beginning April 2021.

The following changes affecting the Audit Committee have been implemented:

- Our Chairman, Mark Cropper, stepped down from the Audit Committee in December 2020.
- It was agreed that the appointment of Chair of the Audit Committee will be reviewed annually to ensure their continued independence of character and judgement.

Two of the Committee members are independent Non-Executive Directors, with the chair having been a Non-Executive Director for eleven years. Following a Board review and discussions with external advisers, it was agreed by the Board that the Chair of the Committee for the next year shall remain with Jim Sharp, who is considered to be independent in judgement and character by the Board.

All Committee members have relevant knowledge both of the sectors in which the Group operates and of the Group itself, and are considered to have appropriate knowledge and understanding of financial matters.

The Committee is regularly supported by the Chief Executive, Chief Financial Officer and Company Secretary.

This composition allows the Committee to maintain appropriate levels of objectivity and independence when providing assurance over the Group's systems, operations and financial probity.

Role of the Committee

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

Auditors

BDO were appointed as auditors by the Board in 2018, and reappointed by shareholders at the Annual General Meeting in July 2020.

External audit

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

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

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

Principal risks

The principal risks were reviewed during the year and are considered by the Board throughout the year. Our principal risks can be found on pages 20 to 25 in the Strategic Report section of the Annual Report.

We continue to develop our cultural people-driven approach to risk management, which we believe encourages focus on prevention rather than reaction to risks arising.

Jim Sharp, Chair to the Audit Committee 21 June 2021

REPORT OF THE REMUNERATION COMMITTEE

"I AM PLEASED TO INTRODUCE THE DIRECTORS' REMUNERATION REPORT FOR THE PERIOD ENDED 27 MARCH 2021. THIS REPORT INCLUDES MY STATEMENT, THE ANNUAL REMUNERATION REPORT AND SETS OUT OUR DIRECTORS' REMUNERATION POLICY."

Throughout a year dominated by the unprecedented challenges presented by Covid-19, the Remuneration Committee was impressed by the extensive actions taken by the Directors and all James Cropper employees to prioritise health and safety and to safeguard our business financially.

Swift and thorough action was taken to introduce safe practices of work on site, remote working was immediately enabled and a clear business strategy was built and deployed. Commitment to intensive and continuous communications protocols, led by the Chief Executive Officer, has been very well received by all colleagues and has delivered strong stability in volatile times. The Chief Finance Officer and her team prepared a number of scenarios to assess the potential impact of the pandemic and these scenarios, with associated well executed plans, supported our ability to protect the health and wellbeing of our colleagues, support customers and suppliers and reduce costs, all with the aim of managing cash to protect liquidity and safeguard the future of the business.

Working within this landscape the Remuneration Committee was reassured to see high levels of restraint relating to pay by the Executive Directors. Specifically, in consultation with the unions, it was agreed that the previously agreed pay increase would be suspended for at least 12 months and the bonus achieved from the record results of 2020 would be deferred until the Board were comfortable that the Group could pay the bonuses without compromising liquidity. The decision affected all employees, including directors. In addition, with the Group needing to use furlough arrangements and the JRS scheme, a number of senior managers and Directors,

including the Non-Executive Directors and the Chairman also voluntarily reduced their salaries, or reduced their holidays, during the major furlough periods in support of the business. In addition, all pay reviews and bonus schemes, apart from the Long Term Incentive Awards were suspended for all employees, including Directors.

As we move forward, The Remuneration Committee will be focused upon supporting performance for a strong recovery and also the retention of talent for a strong and sustainable future.

The Remuneration Committee would like to thank the Executive Directors, managers and all employees for their dedication, commitment and resilience throughout this difficult year, which has protected the business and help prepare for continued growth. A true example of our Values of Forward Thinking, Responsible and Caring.

At the AGM last year, three resolutions raised a high proportion of voting against or abstention, which the Board acknowledges and will be addressing. As one of the independent directors of the Board, I have been reviewing the matter, particularly with one of the resolutions being approval of the Remuneration Report.

Throughout the year, the Board have held discussions with key shareholders, and consulted with external advisors and our nomads. The reasons for the negative voting have been understood with an action plan in place to address, where it is agreed that changes should be made, or explain further where it is agreed that there are strong reasons not to change.

However, due to the impact of the pandemic, most of the action plan is to take place in the year beginning April 2021.

Focus for the new year

Following discussions around the negative voting at the last AGM, a part of the action plan is that the Board has agreed to undertake a review of the remuneration construct of the Group Chairman in the next 12 months. The Chairman remains a key member of the Remuneration Committee and, like all directors, abstains from any matters discussed that may give rise to any conflict of interest. The complete action plan can be found on page 51 of the Annual report.

The Committee plans to review all reward schemes for the Executive directors in the new financial year, to be approved for the year beginning April 2022. For the period ended 27 March 2021, all pay reviews and bonus schemes, apart from the Long Term Incentive Awards were suspended.

The Committee and the Board felt that it is important to retain our talented leadership and also mindful of retaining a strong pipeline for succession planning.

For this reason, the three year LTIP award was continued in the period just ended.

It is important to retain our talented workforce and be able to recruit the best candidates for vacancies.

With this in mind, the bonus schemes for the Executive Directors and senior managers will be reinstated for the coming year, until the full review of all awards is completed.

Our directors' remuneration policy

Our remuneration policy is 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 level of fixed remuneration for similar positions with comparable status, responsibility and skills. This will ensure that we can attract and retain the right individuals needed to grow the Group.

Annual Remuneration Report for 2021

Remuneration Committee

The Remuneration Committee comprises the following members:

- Lyndsey Scott
- Mark Cropper
- Jim Sharp
- Dr Andrew Hosty

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

The remuneration of senior management is discussed by the Chairman of the Remuneration Committee and the Chief Executive and their recommendations endorsed by the Remuneration Committee. No Director can take part in the decision of their own salary or rewards.

In setting the remuneration policy, the Remuneration Committee takes into

- Recognising our strategic objectives and the need to deliver progressive returns for our shareholders, the Executive Directors are eligible to participate in an Annual Bonus Scheme and a Long Term Incentive Plan (LTIP).

Business context and Remuneration Committee decisions on remuneration

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

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

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

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

Remuneration policy

The Remuneration Committee will periodically review the policy to confirm that our remuneration framework continues to support the delivery of our business objectives. The next review will take place in the year beginning April 2021.

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

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

- Annual Report on Remuneration providing details of the payments made to Directors in the period ended 27 March 2021.
- Directors' Remuneration Policy setting out the Group's current remuneration policy.

Lyndsey Scott, Chair of the Remuneration Committee
21 June 2021

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

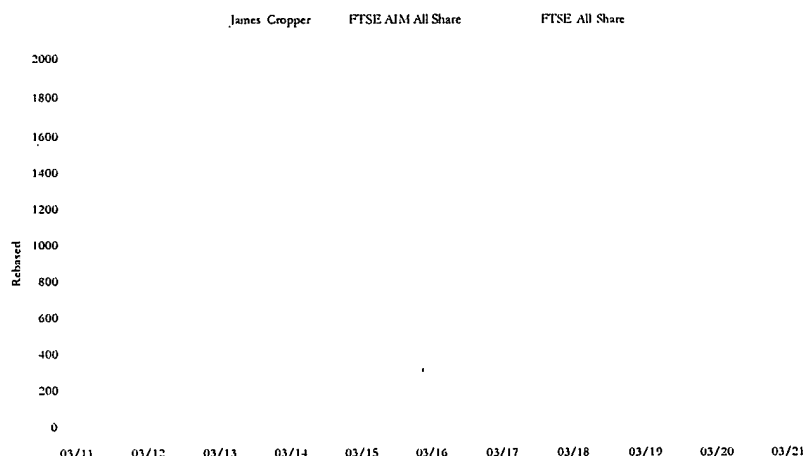
Service Contracts

Director	Notice Period
M A J Cropper (Chairman)	12 months
P I Wild	6 months
S A Adams	6 months
I M Maddock	6 months
M Thompson	12 months
P J Willink	12 months

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

Comparison of Five Year Cumulative Total Shareholder Return (TSR)

To enable shareholders to assess the Company's performance against the London Stock Exchange, the cumulative TSR for the period ended 27 March 2021 is shown in the graph below. The FTSE All Share is deemed to be the most appropriate comparison in terms of performance. TSR is the total return to shareholders in terms of capital growth and dividends reinvested.



Report of the Remuneration Committee

Details of Directors' Remuneration

£'000	Salary and Fees		Benefits		Annual Bonus		Pension Costs		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Executive										
M A J Cropper	77	80	11	11	-	-	5	5	93	96
P I Wild	204	204	40	40	-	45	10	10	254	299
S A Adams	152	161	22	22	-	42	10	10	184	235
I M Maddock	155	161	22	22	-	35	10	10	187	228
M Thompson	159	161	22	22	-	13	10	10	191	206
K D Watson ¹ (resigned 1 August 2020)	218	161	9	22	-	35	8	10	235	228
P J Willink	148	135	22	22	-	30	17	10	187	203
Non-Executive										
Dr A Hosty	29	31	-	-	-	-	-	-	29	31
J E Sharp	34	36	-	-	-	-	-	-	34	36
L J Scott (appointed 1 August 2019)	29	21	-	-	-	-	-	-	29	21
D R Wilks (resigned 31 July 2019)	-	13	-	-	-	-	-	-	-	13
	1,205	1,164	148	161	-	200	70	71	1,423	1,596

¹ Includes severance costs of £73k

Long Term Incentive Plan

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

Awards made during the financial period to 27 March 2021 under the Plan to Executive Directors were as follows:

All figures in £'000	Options at 28 March 2020	Options granted in period	Mid-market price (£) of options granted	Options exercised in period	Options lapsed in period	Options at 27 March 2021
P I Wild	13,286	14,153	£10.795	-	-	27,439
S A Adams	6,993	7,449	£10.795	-	-	14,442
I M Maddock	6,993	7,449	£10.795	-	-	14,442
M Thompson	6,993	7,449	£10.795	-	-	14,442
K D Watson ¹	6,993	-	-	-	(6,993)	-

¹ Resigned 1 August 2020

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:

All figures in £'000	Options at 28 March 2020	Options granted in period	Mid-market price (£) of options granted	Options exercised in period	Options lapsed in period	Options at 27 March 2021
M A J Cropper	3,364	3,583	£10.795	-	-	6,947
P J Willink	5,877	6,948	£10.795	-	-	12,825

PURPOSE AND LINK TO STRATEGY	OPERATION
<p>Base Salary</p> <p>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.</p>	<p>The salary of each Executive Director will be reviewed annually by the Remuneration Committee without any obligation to increase such salary.</p> <p>Base salaries are benchmarked against companies of a comparable size with a targeted approach of median positioning against the market, subject to satisfactory performance.</p> <p>There may be reviews and changes to base salary during the year if considered appropriate by the Remuneration Committee.</p> <p>The Remuneration Committee will take account of relevant comparator group data as well as pay increases awarded to other employees within the Company.</p>
<p>Non-Executive Directors' Salaries</p> <p>To attract and retain the right individuals required to support the achievement of both short and long-term goals.</p>	<p>Salaries for Non-Executive Directors are based on market practice and are reviewed by the Board each year.</p> <p>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.</p>
<p>Benefits</p> <p>To attract and retain the right individuals and level of talent required to support achievement of both short and long term goals.</p>	<p>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.</p> <p>The benefit allowance is reviewed periodically by the Remuneration Committee.</p>
<p>Pension</p> <p>To attract and retain the right individuals and level of talent required to support achievement of both short and long term goals.</p>	<p>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. Director pension arrangements are in line with the pension arrangements for the general workforce, depending on what pension scheme they are a member of. Non-Executive Directors are not in any of the Company pension schemes.</p> <p>The annual cost borne by the Company is shown in the Directors' Remuneration table.</p>
<p>Annual Executive Bonus Plan</p> <p>To reward the delivery of the Group's annual financial and strategic goals.</p>	<p>The annual bonus award will depend on the level of performance delivered against specific targets measured against three categories:</p> <ul style="list-style-type: none"> • Up to 10% of base salary on achieving budgeted earnings; • Up to 10% of base salary for year on year improvement in earnings. • Up to 5% of base salary on achieving working capital targets. <p>The Executive Directors are eligible to participate in the Employee Group Bonus Scheme, with any award made under this scheme deducted from the award made under the Annual Executive Bonus Plan.</p> <p>The Annual Executive Bonus Plan is reviewed periodically by the Remuneration Committee.</p>
<p>Long Term Incentive Plan (LTIP)</p> <p>To incentivise the delivery of key performance measures over the long term.</p> <p>To retain key executives and increase their share ownership in the Company, aligning their interests with those of shareholders.</p>	<p>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.</p> <p>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.</p> <p>The LTIP awards are subject to the achievement of certain performance conditions as set out below.</p>

CONDITIONS FOR LTIP AWARDS

Earnings per share conditions

- 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.

EBITDA

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

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

COMPLIANCE WITH THE QCA CORPORATE GOVERNANCE CODE

PRINCIPLE

COMPLIANCE

1. Establish a strategy and business model which promote long-term value for shareholders	<ul style="list-style-type: none">• The Group strategy is set out on pages 04 to 25 in the Strategic Report section of our Annual Report.• The Executive Committee hold quarterly away days to focus on the Group's rolling strategic plan.• The Board holds two strategy days each year.• The strategy is communicated to all employees at half yearly employee briefings.			
2. Seek to understand and meet shareholder needs and expectations	<ul style="list-style-type: none">• Investor roadshow meetings are undertaken at least twice per year following the preliminary and interim announcements.• Shareholders are invited to the AGM held in Burnside where all Board members interact with our shareholders on a one to one basis and take questions as they arise.• Shareholder feedback is received from our Nomads and all shareholder feedback is discussed at Board meetings.• Further reading- Section 172(1) statement on pages 26 to 27 of the Annual Report.			
3. Take into account wider stakeholder and social responsibilities and their implications for long-term success	<table><tr><td>Employees<ul style="list-style-type: none">• Regular meetings take place with employees to share strategy, keep employees updated and seek feedback.• The Company conducts a biennial employee survey with the latest level of engagement (2019) at 68%.Customers<ul style="list-style-type: none">• Communications with our customers is fundamental to our success. The Group engages in continuous communications with our customers to understand their needs, share our plans, and nurture the collaborative partnership.</td><td>Suppliers<ul style="list-style-type: none">• Our collaborative attitude allows us to claim a 100 year partnership with a supplier and at the same time build new partnerships with new suppliers.Community<ul style="list-style-type: none">• The Company has very close links with the local community built on our 175 year presence at Burnside. The Group supports local organisations through its community support team with donations this year amounting to £10,000.</td><td>Environment<ul style="list-style-type: none">• We are proud to introduce initiatives such as Colourformm and CupCyclingm, recycling coffee cups or promoting the use of pulp based packaging rather than plastic. From efficient water usage to use of solar energy, sustainability and environmental protection are key to our future.• Further reading – Section 172 (1) statement on pages 26 to 27 of the Annual Report.</td></tr></table>	Employees <ul style="list-style-type: none">• Regular meetings take place with employees to share strategy, keep employees updated and seek feedback.• The Company conducts a biennial employee survey with the latest level of engagement (2019) at 68%. Customers <ul style="list-style-type: none">• Communications with our customers is fundamental to our success. The Group engages in continuous communications with our customers to understand their needs, share our plans, and nurture the collaborative partnership.	Suppliers <ul style="list-style-type: none">• Our collaborative attitude allows us to claim a 100 year partnership with a supplier and at the same time build new partnerships with new suppliers. Community <ul style="list-style-type: none">• The Company has very close links with the local community built on our 175 year presence at Burnside. The Group supports local organisations through its community support team with donations this year amounting to £10,000.	Environment <ul style="list-style-type: none">• We are proud to introduce initiatives such as Colourformm and CupCyclingm, recycling coffee cups or promoting the use of pulp based packaging rather than plastic. From efficient water usage to use of solar energy, sustainability and environmental protection are key to our future.• Further reading – Section 172 (1) statement on pages 26 to 27 of the Annual Report.
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4. Embed effective risk management, considering both opportunities and threats, throughout the organisation	<ul style="list-style-type: none">• The Group significant risks are reviewed throughout the year.• Risk is a fixed item agenda for the Executive Committee meetings.• The significant risks are disclosed in the Strategic Report within the Annual report on pages 20 to 25.			
5. Maintain the Board as a well-functioning, balanced team led by the Chair	<ul style="list-style-type: none">• The Board is led by our Non-executive Chairman, Mark Cropper.• The Board comprises four Non-Executive Directors and five Executive Directors.• The members of the Board maintain the appropriate balance of experience, independence and knowledge of the Company.• Details of the composition, operation and responsibilities, together with details of the Sub-Committees can be found in the Governance section of the Annual Report on pages 48 to 62.			
6. Ensure that between them the Directors have the necessary up-to date experience, skills and capabilities	<ul style="list-style-type: none">• The current Board has significant sector, financial and PLC experience.• Between them, the Executive Directors have many years of broad experience in the nonwoven fibre manufacturing industry.• With the support of our NOMAD and advisors, the Board training and development needs are maintained.• Biographies on all Directors are shown on pages 48 to 49 of the Annual Report.			
7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement	<ul style="list-style-type: none">• A comprehensive board evaluation is undertaken annually commencing with a questionnaire, compilation of a summary of results and feedback at a board meeting. The results are discussed and actions taken to improve in areas where required.• The process gives the Directors the opportunity to identify areas for improvement both jointly and individually through the use of questionnaires and open discussion.• The Remuneration Committee evaluates Executive Director performance alongside remuneration and reward.• With regards to financial performance, the Audit Committee meets with the Auditors to review the plan for the year-end audit, followed up by a meeting to review the results of the audit.• Training and development needs of Directors are reviewed regularly.			
8. Promote a corporate culture that is based on ethical values and behaviours	<ul style="list-style-type: none">• Our values and culture are embodied in the Group's management behaviour, our recruitment and employee development processes.• Our values and behaviours help us ensure we provide a safe, rewarding and interesting place to work as well as an environment that attracts new talent.• Our values can be found at the start of the Annual Report.			
9. Maintain governance structures and processes that are fit for purpose and support good decision making by the Board	<ul style="list-style-type: none">• The Board meets six times per year plus a further two strategy days.• The Group has robust internal controls, delegated authorities and authorisation processes.• The controls are subject to review both internally and externally by our Auditors.• A culture of continuous improvement is encouraged.• The Group website describes the roles and terms of reference for the Committees.• Continuous improvement can be found on page 50 of the Annual Report.			
10. Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	<ul style="list-style-type: none">• Communications with shareholders are explained in Principle 2 above.• In addition to the interim and full year investor roadshows, meetings with our NOMADS, prospective investors and other stakeholders arise during the year.• The work of the subcommittees is described in the Governance section of the Annual report on pages 48 to 62.• The website includes historical announcements, copies of the Annual and Interim reports and copies of any presentations made.			

DIRECTORS' REPORT

The Directors present their Annual Report and the audited financial statements of James Cropper Group for the 52 weeks ended 27 March 2021.

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 Statement on pages 06 to 07, the Strategic Report on pages 04 to 46 and the Chief Financial Officer's Review on pages 12 to 16, report on the performance of the Group for the period ended 27 March 2021 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 Group's strategies and the potential for those strategies to succeed. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward looking information.

The Board

The Directors who served during the year under review were:

Mark Cropper; Phil Wild; Steve Adams; Isabelle Maddock; Martin Thompson; Dave Watson (Resigned 1 August 2020); Patrick Willink; Dr Andrew Hosty; Jim Sharp; Lindsey Scott.

Details of the Director's remuneration are shown in the Report of the Remuneration Committee on pages 56 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 48 to 49.

Results and dividends

The results for the period are shown in the Statement of Comprehensive Income on page 71.

No interim dividend was paid on during the year and the Directors are not recommending a final dividend for the year. Full details of dividends in respect of the year ended 27 March 2021 are given in note 7 of the financial statements.

Corporate governance

A report on Corporate Governance is set out on pages 48 to 62, 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 £10,000 (2020: £21,000) were made for various local charitable purposes.

Engagement with key stakeholders

In accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended by the Companies (Miscellaneous Reporting) Regulations 2018), the Company's statement on engagement with, and having due regard to, the interests of key stakeholders is contained within the Section 172(1) statement in the Strategic Report on pages 26 to 27 (also known as the Section 172 statement). The section 172 statement also summarises how the directors have had regard to the need to foster the Group's business relationships with suppliers, customers and others and the effect this regard has had, including on the principal decisions made in the period.

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. For further information on (i) how directors have engaged with employees and (ii) how directors have regard, including on the principal decisions taken by the company during the financial period, please refer to the section 172(1) statement on pages 26 to 27.

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. Further details can be found in the sustainability report on pages 38 to 42 and the streamlined energy carbon report on page 43.

Share capital

Full details of the authorised and issued share capital of the Company are set out in note 22 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' Report

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 Statement and the Chief Executive's Statement on pages 06 to 10, outline the business activities of the Group along with the factors which may affect its future development and performance. The Chief Financial Officer's Review (pages 12 to 16) discusses the Group's financial position, along with details of its cash flow and liquidity. Note 19 to the financial statements sets out the Group's financial risks and the management of those risks.

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

Disclosure of information to the Auditor

BDO LLP has expressed its willingness to continue in office. Its appointment and authority for the Directors to agree its remuneration will be proposed at the Annual General Meeting.

Each of the Directors as at the date of approval of this Annual report confirms that:

- i So far as the Director is aware there is no relevant audit information of which the Company's Auditor is unaware; and

- i The Director has taken all steps he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

Annual General Meeting

Notice of Annual General Meeting, which sets out the resolutions to be proposed at the forthcoming Annual General Meeting will be posted to shareholders at least three weeks before the date of the AGM.

The meeting will be held at The Bryce Institute, Burnside, Kendal, Cumbria LA9 6QZ on Wednesday 28 July 2021 at 11am.

Substantial Interests

Shareholdings in excess of 3% of the issued capital at 1 May 2021 were as follows: -

Name of Shareholding	Number of Shares	% holding	Note
Cropper Family – Beneficial and Non Beneficial Interests	3,037,456	31.8	
Willink Family – Beneficial and Non Beneficial Interests	521,583	5.5	
Acland Family – Beneficial Interests	52,386	0.6	
Total	3,611,425	37.8	1
Liontrust Asset Management Ltd	1,119,868	11.7	
Unicom Asset Management Ltd	370,549	3.9	

1. The Cropper, Willink and Acland families are related and are deemed to be acting in concert with a total holding of 37.8% in the Company.

Details of Directors' Interests

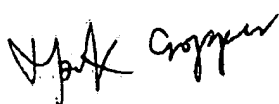
The interests in the shares of the Company of those Directors serving at 27 March 2021 were as follows:

Any material related party transactions between the Directors and the Company are set out in note 28 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 56. Non-beneficial interests include shares held jointly as trustee with other Directors.

Approved by the Board of Directors on 21 June 2021 and were signed on its behalf by

Mark Cropper, Chairman

Director	Interest	At 27 March 2021 Options on		At 28 March 2020 Options on	
		Ordinary Shares	Ordinary Shares	Ordinary Shares	Ordinary Shares
M A J Cropper	Beneficial	1,851,146	-	1,834,802	-
	Non-beneficial	559,571	-	559,571	-
P I Wild	Beneficial	25,572	27,439	25,572	13,286
S A Adams	Beneficial	1,099	14,442	1,099	6,993
I M Maddock	Beneficial	11,741	14,442	12,241	6,993
M Thompson	Beneficial	31,127	14,442	31,127	6,993
P J Willink	Beneficial	58,079	-	58,079	-
	Non-beneficial	69,434	-	69,434	-
Dr A Hosty	Beneficial	500	-	500	-
	Non-beneficial	64,951	-	64,951	-
J E Sharp	Beneficial	11,380	-	11,380	-
	Non-beneficial	64,951	-	64,951	-
L J Scott	Beneficial	500	-	500	-
	Non-beneficial	64,951	-	64,951	-



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STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of their profit or loss of the Group for that period.

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and

enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

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

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

Opinion on the financial statements

In our opinion:

- i 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 27 March 2021 and of the Group's profit for the year then ended;
- i the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- i the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- i the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of James Cropper PLC (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 27 March 2021 which comprise the Group Statement of Comprehensive Income, the Group and Parent Company Statement of Financial Position, the Group Statement of Cash Flows, the Group and Parent Company Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework]

(United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Independent Auditor's Report

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We consider going concern to be a key audit matter due to the impact of Covid-19 on the Group with respect to the decreased trade. In addition, the inputs to the forecasts are highly judgemental, with changes potentially having a material impact on the conclusion below. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included the following procedures:

- † Challenged the assumptions used in the Directors' base case forecast by agreeing forecasted figures to order pipelines, comparing actual performance achieved post year end to the forecast, and checking that any forecast repayments of facilities had been considered;
- † Obtained an understanding of the required financing facilities by reviewing third party documentation, including the nature of the facilities, repayment terms, covenants and attached conditions;
- † Assessed the facility and covenant compliance headroom calculations with the existing and proposed covenants on both a base case scenario and the Directors' reverse stress test as a result of the ongoing COVID-19 pandemic;

- † Challenged the appropriateness of the Directors' assessment of going concern by testing the mechanical accuracy, assessing historical forecasting accuracy, understanding the directors' consideration of downside sensitivity and the impact on facilities and covenants; and
- † Considered the adequacy of the disclosures in the financial statements against the requirements of the accounting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

		2021	2020
Coverage	Group profit before tax	95%	92%
	Group revenue	90%	88%
	Group total assets	91%	89%

Key audit matters	Valuation of Defined Benefit pension scheme	Yes	Yes
	Acquisition accounting	Yes	No
	Revenue recognition including the adoption and first year application of IFRS 15	No	Yes
	Going Concern	Yes	Yes

Revenue recognition is no longer considered to be a key audit matter because IFRS 15 is no longer a new standard for the Group.

Materiality	Group financial statements as a whole
	£200,000 (2020: £260,000), being 5% of 3 year average of Profit before tax excluding IAS 19 adjustments (2020: 5% of Profit before tax)

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

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

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 19 (2020: 16) components of the Group, we determined that 5 (2020: 5) components represented the principal business units within the Group.

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

Key audit matters

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

KEY AUDIT MATTER

Defined Benefit Pension Scheme Valuations

As described in Note 2 (accounting policies) and Note 20 (retirement benefit obligations), The Group has two defined benefit pension plans in the UK; the staff scheme and the works scheme.

At 27 March 2021, the Group recorded a net retirement obligation of £18.4m (2020: £9.4m), comprising scheme assets of £117.1m (2020: £113.9m) and scheme liabilities of £135.6m (2020: £121.4m).

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

The setting of these assumptions is complex and requires the exercise of significant management judgement with the support of third party actuaries. A small change in the assumptions and estimates used to calculate the Group's pension obligation could have a significant effect on the Group's net pension deficit. As such, the valuation of defined benefit pension scheme is considered a key audit matter.

Acquisition accounting

As described in Note 24 (business combinations), the Group has acquired a new subsidiary during the year.

There were £957k of separable intangibles identified, and £1.3m of goodwill recognised.

The valuation of the intangibles is dependent on a number of key assumptions, in particular relating to earn out clauses, discount rate, fair value adjustments and expected returns.

The setting of these assumptions is complex and requires the exercise of significant management judgement with the support of third party experts. A small change in the assumptions and estimates used to calculate the valuation of the intangibles could have a significant effect on the balance sheet.

As such, the acquisition accounting and the resulting valuation of the intangible assets is considered a key audit matter.

HOW WE ADDRESSED THE KEY AUDIT MATTER IN THE AUDIT

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

Specifically we challenged the discount rate, inflation and mortality assumptions applied in the calculation by using a third party pension specialist to benchmark the assumptions applied against comparable third party data and assessed the appropriateness of the assumptions in the context of the Group's own position.

In addition we tested the membership data utilised in the valuation of the scheme to source data by agreeing the membership data to the audited pension scheme accounts, traced cash amounts paid by the scheme to bank statements and obtained third party confirmation of the valuation of the pension assets from the investment managers, along with the investment manager's internal AAF reports to gain assurance over the valuation of the assets.

Key observations: No issues were identified from our testing.

We tested a sample of items from the acquisition balance sheet to ensure cutoff between the pre acquisition and post acquisition period had been correctly performed. We also agreed a sample of transactions from the acquisition balance sheet to supporting documentation to gain assurance over the opening position.

We checked that the treatment of deal fees and acquisition costs had been correctly allocated to the profit and loss account, not capitalised as debt or equity.

We checked that the amount of contingent consideration (earn outs) had been calculated correctly by discussing the basis of the calculation with management and applying sensitivities, and we checked that the earn out had been included in the cost of the investment. We performed sensitivity analysis on the earn out scenarios to determine the impact of material changes to assumptions.

We tested and challenged the inputs to the purchase price allocation exercise performed to determine the existence and valuation of any separable intangibles acquired as part of the transaction. We used an internal valuations specialist to assist us with the challenge on the discount rate and the model used; they compared the methodology used to industry guidelines and the outputs to other comparable transactions.

We reformed the calculation of the resulting investment and goodwill balance to ensure in line with IFRS 3.

Key observations: No issues were identified from our testing.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

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

Group materiality	£200,000 (2020: £260,000)
Basis for materiality	5% of 3 year average of Profit before tax excluding LAS 19 adjustments (2020: 5% of Profit before tax)
Rationale for benchmark adopted	<i>Pre-tax profit is determined to be a stable basis of assessing business performance and is considered to be the most significant determinant of performance used by shareholders. A 3 year average has been used to acknowledge the impact of Covid-19 on the 20/21 performance. The LAS 19 adjustment has been included as this is not representative of the underlying trade of the Group and is a metric used by the Director's throughout the financial statements.</i>
Performance materiality	£130,000 (2020: £162,000)
Parent materiality	£75,000 (2020: £97,000)
Basis for materiality	37.5% of Group materiality (2020: 37% of Group materiality)
Rationale for benchmark adopted	<i>Statutory parent company materiality was calculated at 3.5% of Net assets (2020: 3.5% of Net assets) as its primary function is that of a holding company and therefore return on assets is of the most interest to the shareholders. However, for the purposes of the group audit, parent company materiality was restricted to component materiality, which has been calculated based on a percentage of group materiality (as in prior year).</i>
Performance materiality	£48,750 (2020: £63,050)

Rationale for performance materiality benchmark adopted

In considering individual account balances and classes of transactions we apply a lower level of materiality in order to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality. Performance materiality was therefore set at 65% (2020: 65%) of materiality for both the Group and Parent. The level reflects the aggregation risk of errors. No specific materiality was applied to defined areas of the financial statements.

Component materiality

Our audit work on each significant component was executed at levels of materiality applicable to each individual entity which was lower than group materiality. Component materiality ranged from £25,000 to £182,000 (2020: £32,000 to £227,000). Parent company materiality was therefore £75,000 (2020: £97,000).

Reporting threshold

We agreed with the audit committee that we would report to the committee all individual audit differences identified during the course of our audit in excess of £6,000 (2020: £7,800). We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report and accounts other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report

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

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

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

Matters on which we are required to report by exception

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

- i 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
- i the Parent Company financial statements are not in agreement with the accounting records and returns; or
- i certain disclosures of Directors' remuneration specified by law are not made; or
- i we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

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

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either

intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding and accumulated knowledge of the Group and Parent Company and the sector in which it operates we considered the risks of acts by the Group and Parent Company which were contrary to applicable laws and regulations, including fraud, and whether such actions or non-compliance might have a material effect on the financial statements. These included but are not limited to those that relate to the form and content of the financial statements, such as Group accounting policies, UK GAAP, the Companies Act 2006, relevant taxation legislation, Health and Safety and the Bribery Act 2010.

We determined that the principal risks were related to posting inappropriate journal entries, management bias in accounting estimates, and revenue cut off. Our audit procedures included, but were not limited to:

- i Agreement of the financial statement disclosures to underlying supporting documentation;
- i Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the stock provision, the IFRS 9 expected credit loss provision, the discount rate and forecasted EBITDA used in the purchase price allocation exercise, the recognition of tooling revenue under IFRS 15 and the valuation of the derivatives held on balance sheet at year end;
- i Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or including specific keywords;
- i Testing a sample of revenue transactions within a specified cut off window pre and post year end to determine if they have been recorded in the correct period;
- i We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit. As part of this discussion, we identified potential for fraud in accounting estimates;
- i Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud ;
- i Review of minutes of Board meetings throughout the period; and
- i Obtaining an understanding of the control environment in monitoring compliance with laws and regulations.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion.

There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditors responsibilities. This description forms part of our auditor's report.

Use of our report

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

Stuart Wood (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor 21 June 2021

Manchester, UK

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

We determined that the principal risks were related to posting inappropriate journal entries, management bias in accounting estimates, and revenue cut off. Our audit procedures included, but were not limited to:

- i Agreement of the financial statement disclosures to underlying supporting documentation;
- i Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the stock provision, the IFRS 9 expected credit loss provision, the discount rate and forecasted EBITDA used in the purchase price allocation exercise, the recognition of tooling revenue under IFRS 15 and the valuation of the derivatives held on balance sheet at year end;
- i Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or including specific keywords;
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Stuart Wood (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

Manchester, UK

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

Group Statement of Comprehensive Income

James Cropper PLC
Group Statement of Comprehensive Income

		52 week period to 27 March 2021 £'000	52 week period to 28 March 2020 £'000
	Note		
Revenue	2	78,768	104,667
Provision for impairment	14	(431)	(308)
Other income	4	3,036	486
Changes in inventories of finished goods and work in progress		598	(1,330)
Raw materials and consumables used		(28,290)	(38,200)
Energy costs		(3,078)	(4,539)
Employee benefit costs	23	(28,417)	(30,388)
Depreciation and amortisation	4	(4,489)	(3,950)
Other expenses		(15,252)	(19,869)
Operating Profit	2	2,445	6,569
Interest payable and similar charges	3	(730)	(1,136)
Interest receivable and similar income	3	4	26
Profit before taxation	4	1,719	5,459
Tax expense	5	(153)	(630)
Profit for the period		1,566	4,829
Earnings per share – basic and diluted	6	16.4p	50.6p
All results are from continuing operations			
Other comprehensive income			
Profit for the period		1,566	4,829
Items that are or may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		(80)	181
Pulp hedge fair value adjustment	15	501	-
Cash flow hedges – effective portion of changes in fair value		258	(295)
Items that will never be reclassified to profit or loss			
Retirement benefit liabilities – actuarial (losses)/gains	20	(8,750)	13,057
Deferred tax on actuarial losses/(gains) on retirement benefit liabilities		1,663	(2,481)
Other comprehensive income/(expense) for the year		(6,408)	10,462
Total comprehensive (expense) / income for the period attributable to equity holders of the Company		(4,842)	15,291

The accompanying notes form part of the financial statements

Statement of Financial Position

James Cropper PLC
Statement of Financial Position

	Note	Group as at 27 March 2021 £'000	Group as at 28 March 2020 £'000	Company as at 27 March 2021 £'000	Company as at 28 March 2020 £'000
Assets					
Goodwill	8	1,264	-	-	-
Intangible assets	9	1,946	495	1,013	366
Property, plant and equipment	10	30,696	31,882	1,774	1,925
Right-of-use assets	11	4,160	4,907	236	301
Investments in subsidiary undertakings	12	-	-	7,350	7,350
Deferred tax assets	21	3,729	1,921	3,706	1,934
Total non-current assets		41,795	39,205	14,079	11,876
Inventories	13	15,469	13,956	-	-
Trade and other receivables	14	16,053	19,363	50,863	51,455
Provision for impairment	14	(961)	(530)	(260)	(350)
Other financial assets	15	501	-	-	-
Cash and cash equivalents		6,765	8,964	2,861	6,638
Corporation tax	5	1,425	1,872	1,384	1,509
Total current assets		39,252	43,625	54,848	59,272
Total assets		81,047	82,830	68,927	71,148
Liabilities					
Trade and other payables	16	15,780	16,544	22,989	23,421
Other financial liabilities	17	16	275	16	275
Loans and borrowings	18	8,301	3,756	94	174
Total current liabilities		24,097	20,575	23,099	23,870
Long-term borrowings	18	5,966	16,263	211	7,983
Retirement benefit liabilities	20	18,436	9,382	18,436	9,382
Contingent consideration on business acquisition	16	401	-	-	-
Deferred tax liabilities	21	2,246	2,213	102	114
Total non-current liabilities		27,049	27,858	18,749	17,479
Total liabilities		51,146	48,433	41,848	41,349
Equity					
Share capital	22	2,389	2,389	2,389	2,389
Share premium		1,588	1,588	1,588	1,588
Translation reserve		504	584	-	-
Reserve for own shares		(1,151)	(1,251)	(1,151)	(1,251)
Hedging reserve		501	-	-	-
Retained earnings		26,070	31,087	24,253	27,073
Total shareholders' equity		29,901	34,397	27,079	29,799
Total equity and liabilities		81,047	82,830	68,927	71,148

The Parent Company reported a profit for the period ended 27 March 2021 of £4,072k (2020: £3,416k).

The financial statements on pages 63 to 111 were approved by the Board of Directors on 21 June 2021 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

Statement of Cash Flows

James Cropper PLC
Statement of Cash Flows

For the period ended 27 March 2021 (2020: for the period ended 28 March 2020)

	Note	Group 2021 £'000	Group 2020 £'000
Cash flows from operating activities			
Net profit		1,566	4,829
Adjustments for:			
Tax		153	630
Depreciation and amortisation		4,489	3,950
Transaction costs on business acquisition		384	-
Net IAS 19 pension adjustments within SCI		802	1,215
Past service pension deficit payments		(498)	(1,424)
Foreign exchange differences		783	(74)
Loss on disposal of property, plant and equipment		-	23
Gain on early termination of right-of use assets		(19)	-
Bank interest income		(4)	(26)
Bank interest expense		491	592
Share based payments		245	(252)
Changes in working capital:			
(Increase) / decrease in inventories		(1,448)	2,475
Decrease in trade and other receivables		3,401	149
(Decrease) / increase in trade and other payables		(2,406)	1,719
Tax paid		-	(741)
Net cash generated from operating activities		7,939	13,065
Cash flows from investing activities			
Purchase of intangible assets		(42)	(190)
Purchases of property, plant and equipment		(3,085)	(9,005)
Acquisition of business net of cash and cash equivalents	24	(1,359)	-
Net cash used in investing activities		(4,486)	(9,195)
Cash flows from financing activities			
Proceeds from issue of new loans		6,390	9,121
Repayment of borrowings		(10,313)	(3,301)
Repayment of lease liabilities		(818)	(1,488)
Interest received		4	26
Interest paid		(353)	(434)
Distribution of own shares		100	-
Dividends paid to shareholders	7	-	(1,275)
Net cash (used) / generated from financing activities		(4,990)	2,649
Net (decrease) / increase in cash and cash equivalents		(1,537)	6,519
Effects of exchange rate fluctuations on cash held		(662)	93
Net (decrease) / increase in cash and cash equivalents		(2,199)	6,612
Cash and cash equivalents at the start of the period		8,964	2,352
Cash and cash equivalents at the end of the period		6,765	8,964
Cash and cash equivalents consists of:			
Cash at bank and in hand		6,765	8,964
Cash and cash equivalents at the end of the period		6,765	8,964

The accompanying notes form part of the financial statements

Statement of Changes in Equity

James Cropper PLC
Statement of Changes in Equity - Group

All figures in £'000	Share capital	Share premium	Translation reserve	Own Shares	Hedging reserve	Retained earnings	Total
At 30 March 2019	2,389	1,588	403	(1,251)	-	18,147	21,276
Adjustment on initial application of IFRS 16 ¹	-	-	-	-	-	(519)	(519)
At 31 March 2019	2,389	1,588	403	(1,251)	-	17,628	20,757
Comprehensive income for the period	-	-	-	-	-	4,829	4,829
Total other comprehensive income	-	-	181	-	-	10,281	10,462
Dividends paid	-	-	-	-	-	(1,275)	(1,275)
Share based payment charge	-	-	-	-	-	(376)	(376)
Total contributions by and distributions to owners of the Group	-	-	-	-	-	(1,651)	(1,651)
At 28 March 2020	2,389	1,588	584	(1,251)	-	31,087	34,397
Comprehensive income for the period	-	-	-	-	-	1,566	1,566
Total other comprehensive income	-	-	(80)	-	501	(6,829)	(6,408)
Dividends paid	-	-	-	-	-	-	-
Distribution of own shares	-	-	-	100	-	-	100
Share based payment charge	-	-	-	-	-	246	246
Total contributions by and distributions to owners of the Group	-	-	-	(100)	-	246	346
At 27 March 2021	2,389	1,588	504	(1,151)	501	26,070	29,901

¹ The Group has initially applied IFRS 16 at 31 March 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of applying IFRS 16 is recognised in retained earnings at the date of the initial application.

Statement of Changes in Equity

James Cropper PLC
Statement of Changes in Equity - Company

All figures in £'000	Share capital	Share premium	Own Shares	Retained earnings	Total
At 30 March 2019	2,389	1,588	(1,251)	14,701	17,427
Adjustment on initial application of IFRS 16 ¹	-	-	-	24	24
At 31 March 2019	2,389	1,588	(1,251)	14,725	17,451
Comprehensive income for the period	-	-	-	3,416	3,416
Total other comprehensive income	-	-	-	10,583	10,583
Dividends paid	-	-	-	(1,275)	(1,275)
Share based payment charge	-	-	-	(376)	(376)
Total contributions by and distributions to owners of the Group	-	-	-	(1,651)	(1,651)
At 28 March 2020	2,389	1,588	(1,251)	27,073	29,799
Comprehensive income for the period	-	-	-	4,072	4,072
Total other comprehensive income	-	-	-	(7,137)	(7,137)
Distribution of own shares	-	-	100	-	100
Share based payment charge	-	-	-	245	245
Total contributions by and distributions to owners of the Group	-	-	100	245	345
At 27 March 2021	2,389	1,588	(1,151)	24,253	27,079

1 The Company has initially applied IFRS 16 at 31 March 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of applying IFRS 16 is recognised in retained earnings at the date of the initial application.

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

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

Statement of compliance

These financial statements are consolidated financial statements for the Group consisting of James Cropper PLC, a company registered in the UK, and all its subsidiaries. The consolidated financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements of the parent company have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

Basis of preparation

The accounting "year" for the Group is a 52 week accounting period ending 27 March 2021, (2020: 52 week accounting period ended 28 March 2020).

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.

In determining the appropriate basis of preparation, the impact of the Covid-19 pandemic has been the major consideration. The Board has concluded that it is appropriate to adopt the going concern basis, having undertaken a rigorous assessment of the financial forecasts with specific consideration to the trading position of the Group in the context of the current Covid-19 pandemic. The Directors, after reviewing the Group's operating forecasts, investment plans and financing arrangements, consider that the Company and Group have sufficient funding available

for at least 12 months from the date of signing the financial statements.

Accordingly, the Directors are satisfied that it is appropriate to adopt the going concern basis in preparing the Annual Report and Accounts. Further details of the actions taken can be found in the Chief Executive's Review (pages 08 to 10) and the Chief Financial Officer's Review (pages 12 to 16).

The financial statements are presented in Pounds Sterling, being the currency of the primary economic environment in which the Group operates. All values are rounded to the nearest thousand pounds, except where otherwise indicated. On publishing the parent company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual Statement of Comprehensive Income and related notes that form a part of these approved financial statements.

Basis of consolidation

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

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

(a) Revenue recognition

Revenue represents income derived from contracts for the provision of goods or services by the Company and its subsidiary undertakings to customers in exchange for consideration in the ordinary course of the Group's business. Upon approval by the parties to a contract, the contract is assessed to identify each promise to transfer either a distinct good or service, or a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer. Revenue from the sale of goods is recognised when control of the goods have been transferred to the buyer. Goods are identified as products made from either natural fibres, (e.g. paper or moulded paper products, or man-made fibres, (e.g. highly technical nonwoven products made by the TFP division). In addition, revenue for services are also received (e.g. revenue for design and set up of moulded fibre Colourform™ products). Any revenue received for such services are recognised over the term of the contract.

Revenue is recognised when:

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

Transfer of control varies depending on the individual terms of the contract of sale. For sales in the UK, transfer of control occurs when the goods are despatched to the customer.

However, for some international shipments, transfer of control occurs either upon loading the goods onto the relevant carrier or when the goods have arrived in the overseas port. The point of transfer of control for international shipments is dictated by the terms of each sale.

Although the majority of the group's contracts with customers are not complex, with revenue being fixed for a specific quantity of goods, the Group has identified a number of contracts in which customers are given volume rebates and/or other promotional rebates based on quantities purchased over a contractually agreed period of time.

(b) Operating segments

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

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

(c) Emission quotas

The Group participates in phase III of the EU Emissions Trading Scheme. The Group has adopted an accounting policy which recognises the emission allowances as an intangible asset and an associated liability. The intangible asset is valued at the market price on the date of issue. The liability is valued at the market price on the date of issue up to the level of allocated allowances held.

Should emissions exceed the annual allowance any excess of liability above the level of the allowances held is valued at the market price ruling at the Statement of Financial Position date and charged against operating profit. Allowances not utilised are maintained against a potential future shortfall. When allowances are utilised both the intangible asset and liability are amortised to the Statement of Comprehensive Income.

(d) Foreign currencies

The consolidated financial statements are presented in Pounds Sterling, which is the Group's presentational currency. Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Statement of Financial Position date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Statement of Comprehensive Income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

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

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

On subsequent disposal such gains or losses will form part of the profit/loss on disposal within the Statement of Comprehensive Income. Any ineffective portion is recognised immediately in the Statement of Comprehensive Income.

(e) Intangible fixed assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairments losses, if any.

The following useful lives have been determined for intangible assets.

Trade secrets such as processes or unique recipes	10 years
Customer relationships	10 years
Technology	10 years
Brand	3 years
Computer software	3 – 10 years
Emission Allowances	0 – 1 year

(f) Property plant and equipment

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

Freehold land and buildings	14 – 40 years
Plant and machinery	2 – 20 years
Residual values and useful lives are reviewed annually.	

(g) Impairment of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired.

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

(h) Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the IAS 38 conditions are met. Other development expenditures are recognised as an expense as incurred.

Development costs with a finite useful life that have been capitalised are amortised from the commencement of the commercial production of the product on a straight-line basis over the period of its expected benefit, not exceeding 5 years.

(i) Research & development tax credit

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

(j) IFRS 16 'Leases'

The Group adopted IFRS 16 from 31 March 2019 using a modified retrospective transition approach, under which the cumulative effect of initial application was recognised in retained earnings at 31 March 2019.

The main impact of IFRS 16 for the Group is the recognition of all future lease liabilities on the balance sheet. Corresponding right-of-use assets have also been recognised on the balance sheet representing the economic benefits of the Group's right to use the underlying leased assets.

On transition to IFRS 16, the Group has elected to apply the following practical expedients permitted by the standard:

- Excluding any operating leases with a remaining lease term of less than 12 months.
- Excluding any low value leases (less than £5,000).

For the period ended 27 March 2021, the Group had no low value leases and two leases with a lease term of less than 12 months.

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities where no rate is included in the lease contract was 3.6%.

For any new contracts entered into on or after 31 March 2019, the Group considered whether a contract is or contains a lease. A lease is defined as a contract that conveys the right to use of an asset for a period of time in exchange for consideration.

To apply this definition, the Group assesses whether the contract meets three key evaluations:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract;
- the Group has the right to direct the use of the identified asset throughout the period of use.

For all periods prior to 31 March 2019, the Group classified its vehicle and equipment leases as finance leases.

These leases are on terms that transfer substantially all the risks and rewards of ownership. The accounting treatment for finance leases is similar to the accounting treatment for leases under IFRS 16.

Leased assets are capitalised at inception and payments apportioned between finance charges and reduction of the lease liability. The interest element is charged to the income statement and the capitalised leased assets are depreciated over the shorter of the estimated useful economic life of the asset or the lease term. For finance leases, the carrying amounts of their right-of-use assets and the lease liabilities on transition at 31 March 2019 were equal to the carrying amounts of the finance lease assets and finance lease liabilities recognised at the 30 March year end.

The Group also previously held leases in relation to long leasehold property leases and operating assets. Under IFRS 16, there is no longer a distinction between operating and finance leases. As a result, the operating leases have been remeasured on transition with future lease payments discounted at the incremental borrowing rate applicable on 31 March 2019. The following table presents the reconciliation of lease liabilities at 30 March 2019:

£'000

Minimum lease payments under non-cancellable operating leases at 30 March 2019	4,346
Minimum lease payments under non-cancellable finance leases at 30 March 2019	1,920
Discounted using the incremental borrowing rate at 31 March 2019	(1,228)
Assessment of lease term on transition	1,092
Lease liabilities recognised under IFRS 16 at 31 March 2019	6,130

Transition

The opening balance sheet position as at 31 March 2020 has been restated on transition to IFRS 16. The Group recognised additional right-of-use assets, lease liabilities and deferred tax liabilities, recognising the difference in retained earnings. Comparative periods have not been restated.

Increase / (decrease) £'000

Assets

Property, plant and equipment	(4,274)
Right of use assets	7,967

Liabilities

Lease liabilities - current	(980)
Lease liabilities - non current	(5,150)
Finance lease liabilities - current	778
Finance lease liabilities - non current	1,142
Deferred tax liabilities	(2)

Equity

Retained earnings	(519)
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(k) Inventories

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

(l) Grants

Capital grants are credited to a deferral account and released to income over the expected useful lives of the relevant assets. Grants of a revenue nature are credited to

the Statement of Comprehensive Income in the period to which they relate.

(m) Investments

Trade investments are stated at cost less any impairment in value. The Group's share of the profit is included in the Statement of Comprehensive Income on the equity accounting basis.

(n) Trade receivables

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

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

To measure expected credit losses the Group refers to historical credit loss experiences and adjust for current and forward looking information on macroeconomic factors affecting the group's customers including the state of the economy and industrial specific factors in countries where the group operates. Trade receivables are amortised at cost using the effective interest method, less any impairment.

(o) Trade payables

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

(p) Other income

Other income includes the research and development expenditure credit (RDEC), royalties received and grants received for funded projects and government grant support due to Covid-19 impact.

(q) Hedge Accounting

Cash flow hedge:

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

Hedges of net investment in a foreign entity:

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

(r) Cash and cash equivalents

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

(s) Borrowing costs

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

(t) Interest

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

(u) Share based payments and Own Shares Held

The Group operates two equity settled share based payment schemes: A Share Incentive Plan open to all employees and a Long-Term Incentive Plan (LTIP) for certain Directors and senior managers. The SIP Trust (SIP) holds shares used to allow employees to salary sacrifice any annual profit bonus either in full or part to acquire partnership shares in the Company, which are held by the SIP Trust for a period of 3-5 years.

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

The Group recognises an expense to the Income Statement representing the fair value of outstanding equity settled share-based payment awards to employees which have not vested as at the period end.

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

(v) Capital Management

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

The Group and Company manages the capital structure and adjusts this in light of the changes in the economic conditions and risk associated with the underlying assets. In order to maintain or adjust the capital structure, the Group and Company may adjust the amount of any dividend paid to the shareholder, return capital to the shareholder, issues new shares, or sell assets to reduce debt. Details of borrowings can be seen in note 18 and shareholdings can be referred to in note 22. The Group, and Company, are not subject to any externally imposed capital requirements. There have been no material changes in the management of capital during the period.

(w) Taxation

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the Statement of Financial Position date.

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

(x) Retirement benefits

The Group operates various pension schemes. The schemes are generally funded through payments to trustee-administered funds, determined by periodic actuarial valuations. The Group has both defined benefit and defined contribution plans.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement. A defined contribution plan is a pension plan under which the Group pays fixed contributions.

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

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

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

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

(y) Non-GAAP performance measures

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

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

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

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

(z) Use of estimates and judgements

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

The Group's key sources of significant estimates are as detailed below:

(i) Retirement benefits

IAS 19 Employee Benefits (Revised 2011) requires the Group to make assumptions including, but not limited to, rates of inflation, discount rates and life expectancies. The use of different assumptions, in any of the above calculations, could have a material effect on the accounting values of the relevant statement of financial position assets and liabilities which could also result in a change to the cost of such liabilities as recognised in profit or loss over time. These assumptions are subject to periodic review. The Group takes specialist advice and seeks to follow the most appropriate method, applied consistently from year to year. See note 20 for additional information.

(ii) Contingencies

The Group have identified that the historical valuation of the defined benefit pension obligation did not capture the potential additional liabilities arising in relation to the normal retirement dates for male and female members of the Staff Scheme.

An estimate of the additional liability was included in the financial statements for the year ended 31 March 2019.

The Group's significant areas of judgement would include:

(i) Revenue recognition

Judgement is required in deciding when and at what rate some volume rebates awarded to customers are accrued for. When variable rates are awarded depending on the projected total volume over the contractual period, a judgement of the probability of achieving the required volumes is made. Likewise, when recognising contributions towards the set up and design costs for Colourform™ which are recognised over the length of the contract or levels of production, judgement is required to determine over what period the revenue should be recognised.

(ii) Expected Credit Losses

When determining amounts of expected credit losses, judgement is required to ascertain the likelihood of losses, based on historic information and forward macroeconomic factors.

(iii) Right-of use assets

Significant judgement is exercised in determining the lease term.

IFRS 16 defines the lease term as the 'non-cancellable' period beyond which any extension is not reasonably certain.

Significant judgement is exercised in determining the incremental borrowing rate. IFRS 16 requires the borrowing rate should represent what the lessee would have to pay to borrow over a similar term and with similar security, the funds necessary to obtain an asset of similar value in a similar economic environment.

(iv) Business combinations

Significant judgement is exercised in determining the forecasted EBITDA targets used to calculate the contingent consideration and the discount rates and weighted average cost of capital to calculate the fair value of the deferred consideration and the contingent consideration.

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:

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

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

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

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

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

Operating Segments Period ended 27 March 2021

All figures in £'000	Paper	Colourform™	TFP	Group Services	Eliminations	Continuing Operations
Revenue						
External	51,376	2,822	24,570	-	-	78,768
	51,376	2,822	24,570	-	-	78,768
Segment Profit						
Adjusted Operating Profit before IAS 19	(309)	(1,542)	6,482	(1,416)	(207)	3,008
IAS 19 Pension adjustments to profit	-	-	-	(563)	-	(563)
Operating Profit	(309)	(1,542)	6,482	(1,979)	(207)	2,445
Interest expense	-	-	-	-	-	(730)
Interest income	-	-	-	-	-	4
Profit before tax	-	-	-	-	-	1,719
Tax on profit for period	-	-	-	-	-	(153)
Profit for the period	-	-	-	-	-	1,566
Total Assets	72,171	5,414	57,643	68,927	(123,108)	81,047
Total Liabilities	(62,799)	(13,913)	(48,159)	(41,848)	115,573	(51,146)

Operating Segments
Period ended 28 March 2020

All figures in £'000	Paper	Colourform™	TFP	Group Services	Eliminations	Continuing Operations
Revenue						
External	75,545	2,586	26,536	-	-	104,667
	75,545	2,586	26,536	-	-	104,667
Segment Profit						
Adjusted Operating Profit before IAS 19	3,406	(1,378)	7,753	(2,775)	234	7,240
IAS 19 Pension adjustments to profit	-	-	-	(671)	-	(671)
Operating Profit	3,406	(1,378)	7,753	(3,446)	234	6,569
Interest Expense	-	-	-	-	-	(1,136)
Interest income	-	-	-	-	-	26
Profit before tax	-	-	-	-	-	5,459
Tax on profit for period	-	-	-	-	-	(630)
Profit for the period	-	-	-	-	-	4,829
Total Assets	52,873	6,443	58,525	71,167	(106,085)	82,923
Total Liabilities	(52,097)	(13,490)	(48,844)	(41,349)	107,347	(48,433)

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

All figures in £'000	Revenues from external customers		Non-current assets excluding deferred tax	
	2021	2020	2021	2020
UK	29,955	41,785	33,772	32,137
Europe	22,001	27,357	-	-
Asia	5,819	9,705	-	-
The Americas	19,996	24,517	4,295	5,147
Australasia	777	994	-	-
Africa	220	309	-	-
Total	78,768	104,667	38,067	37,284

All figures in £'000	Paper	Colourform™	TFP	Group Services	Total
Additions to non-current assets	(792)	(762)	2,013	324	783

3 Finance Costs

Finance costs include costs in respect of interest payable on borrowings and our defined benefit pension schemes. Finance income includes interest received from short term deposits.

All figures in £'000	2021	2020
Finance costs		
Interest payable on bank borrowings	295	392
Interest payable in relation to lease liabilities	164	200
Net finance costs arising on defined benefit schemes	239	544
Other finance charges	32	-
Total finance costs	730	1,136
Finance income		
Finance income in respect of cash and short term investments	4	26
Total finance income	4	26
Net finance costs	726	1,110

4 Profit before taxation

The following items have been charged / (credited) in arriving at profit before tax:	Note	2021 £'000	2020 £'000
Staff costs	23	27,299	30,388
Restructuring costs	23	1,118	-
Depreciation of property, plant and equipment			
- owned assets	10	3,474	2,706
- leased assets	11	785	1,089
- amortisation of intangibles	9	230	155
Loss on disposal of fixed assets		-	23
Repairs and maintenance expenditure on property, plant and equipment		3,379	4,645
Other income:			
Research and development tax credits		-	(422)
Royalty income		(46)	(61)
Job Retention Scheme grants and PPP grants (USA)		(2,915)	-
Government grants received		(75)	(3)
Research and development expenditure		-	3,947
Foreign exchange differences		1,020	(307)
Trade receivables impairment		431	308

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

Services Provided by the Group's Auditor and network firms

During the year the group obtained the following services from the group's auditor at costs as detailed below:

All figures in £'000	2021	2020
Audit Services		
Fees payable to the company's auditor for the audit of parent company and consolidated accounts	29	20
Other services	4	-
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)	76	53
	109	73

5 Taxation

Analysis of charge in the period

All figures in £'000

Continuing operations	Note	2021	2020
Current tax		354	572
Adjustments in respect of prior period current tax		94	138
Total current tax		448	710
Deferred tax		(150)	229
Adjustments in respect of prior period deferred tax		(145)	(42)
Effects of changes in tax rate		-	(267)
Total deferred tax	21	(295)	(80)
Tax per Statement of Comprehensive Income		153	630
Tax on items charged to other comprehensive income			
Deferred tax on actuarial gains on retirement benefit liabilities		(1,663)	2,481
Tax on items charged to equity			
Deferred tax on share options		-	(125)

The tax for the period is lower (2020: lower) than the standard rate of corporation tax in the UK of 19% (2020: 19%).

The differences are explained below:

All figures in £'000

Continuing operations	2021	2020
Profit before tax	1,719	5,459
Profit on ordinary activities multiplied by rate of corporation tax in the UK of 19% (2019: 19%)	326	1,037
Effects of:		
Adjustments to tax in respect of prior period	(51)	96
Changes to tax rates	-	(267)
Deferred tax on share options	12	(106)
Expenses not deductible for tax purposes	178	45
Deferred tax liability recognised on acquisition	13	-
Deferred tax not recognised in overseas jurisdictions	(236)	(127)
Other	(89)	(48)
Total tax charge for the period	153	630

6 Earnings per share

Basic earnings per share is calculated on the Group profit for the year attributable to equity shareholders of £1.2m (2020: £4.8m) divided by 9.6m (2020: 9.6m), being the weighted average number of shares in issue during the year.

Diluted earnings per share reflects any commitments made by the Group to issue shares in the future. The weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. Current share options would be vested by awarding shares already in existence. At 27 March 2021 there were no potential dilutive share options outstanding (2020: nil).

	2021 Earnings £'000	Weighted average number of share '000	Amount per share pence	2020 Earnings £'000	Weighted average number of share '000	Amount per share pence
Earnings attributable to ordinary shareholders	1,566	9,555	16.4	4,829	9,555	50.6
Basic and diluted EPS	1,566	9,555	16.4	4,829	9,555	50.6

7 Dividends**All figures in £'000**

	2021	2020
Final paid for the period ended 28 March 2020 / period ended 30 March 2019	-	1,039
Interim paid for the period ended 27 March 2021 / period ended 28 March 2020	-	236
Total dividends paid in the year	-	1,275
Final dividend payment paid pence per share for the period ended 28 March 2020 / period ended 30 March 2019	-	11.0p
Interim dividend payment paid pence per share for the period ended 27 March 2021 / period ended 28 March 2020	-	2.5p

In addition, the directors are not proposing a final dividend in respect of the financial period ended 27 March 2021 (2020: nil per share) which will absorb an estimated £nil (2020: £nil) of shareholders' funds.

8 Goodwill**All figures in £'000**

	Note	Group	Company
At 28 March 2020		-	-
Assets acquired through business combinations (see note 24)	24	1,264	-
At 27 March 2021		1,264	-

Goodwill is recognised following the acquisition of PV3 Technologies Ltd (now known as TFP Hydrogen Products Ltd) by Technical Fibre Products Ltd on 18 January 2021.

Goodwill has been calculated as the difference between the fair value of net assets acquired on acquisition and the fair value consideration paid and expected to be paid. Goodwill is not amortised but is subject to an annual impairment review.

9 Intangible assets**Group**

All figures in £'000	Computer Software	Development Costs	Trade Secrets	Customer Relationships	Technology	Brands	Emission Allowances	Total
Cost								
At 28 March 2020	4,236	457	310	-	-	-	120	5,123
Additions	42	-	-	-	-	-	1,360	1,402
Assets acquired through business combinations (Note 24)	-	-	-	567	359	31	-	957
Disposals/surrender of allowances	-	-	-	-	-	-	(678)	(678)
At 27 March 2021	4,278	457	310	567	359	31	802	6,804
Aggregate amortisation								
At 28 March 2020	3,976	342	310	-	-	-	-	4,628
Charge for Period	92	114	-	12	7	5	-	230
At 27 March 2021	4,068	456	310	12	-	5	-	4,858
Net book value at 27 March 2021	210	1	-	555	352	26	802	1,946
Net book value at 28 March 2020	260	115	-	-	-	-	120	495

Group

All figures in £'000	Computer Software	Development Costs	Trade Secrets	Emission Allowances	Total
Cost					
At 30 March 2019	4,046	457	310	25	4,838
Additions	190	-	-	619	809
Disposals/surrender of allowances	-	-	-	(524)	(524)
At 28 March 2020	4,236	457	310	120	5,123
Aggregate amortisation					
At 30 March 2019	3,934	229	310	-	4,473
Charge for Period	42	113	-	-	155
At 28 March 2020	3,976	342	310	-	4,628
Net book value at 28 March 2020	260	115	-	120	495
Net book value at 30 March 2019	112	228	-	25	365

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

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

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

Customer Relationships, Technology and Brands were assets acquired through the purchase of TFP Hydrogen Products Ltd By Technical Fibre Products Ltd on 18 January 2021 (see note 24).

Company

	Computer Software	Emission Allowances	Total
Cost			
At 28 March 2020	4,096	120	4,216
Additions	42	1,361	1,403
Disposals/surrender of allowances	-	(678)	(678)
At 27 March 2021	4,138	803	4,941
Aggregate amortisation			
At 28 March 2020	3,850	-	3,850
Charge for Period	78	-	78
At 27 March 2021	3,928	-	3,928
Net book value at 27 March 2021	210	803	1,013
Net book value at 28 March 2020	246	120	366

Company

	Computer Software	Emission Allowances	Total
Cost			
At 30 March 2019	3,906	25	3,931
Additions	190	619	809
Disposals/surrender of allowances	-	(524)	(524)
At 28 March 2020	4,096	120	4,216
Aggregate amortisation			
At 30 March 2019	3,825	-	3,825
Charge for Period	25	-	25
At 28 March 2020	3,850	-	3,850
Net book value at 28 March 2020	246	120	366
Net book value at 30 March 2019	81	25	106

The accompanying notes form part of the financial statements

10 Property plant and equipment**Group**

All figures in £'000	Note	Freehold land & buildings	Plant & machinery	Assets under construction ²	Total
Cost					
At 28 March 2020		14,466	89,382	5,502	109,350
Transfers from right-of-use assets ³	11	-	131	-	131
Additions at cost		497	798	1,192	2,487
Assets acquired from business combination	23	-	71	-	71
Effects of movements in foreign exchange		-	(270)	-	(270)
At 27 March 2021		14,963	90,112	6,694	111,769
Accumulated Depreciation					
At 28 March 2020		7,447	70,021	-	77,468
Transfers from right-of-use assets ³	11	-	131	-	131
Charge for period		231	3,243	-	3,474
At 27 March 2021		7,678	73,395	-	81,073
Net book value at 27 March 2021		7,285	16,717	6,694	30,696
Net book value at 28 March 2020		7,019	19,361	5,502	31,882

2 Assets under construction comprise the expenditure to date on the extension of the TFP building and line 4.

3 Assets held under right-of-use assets where ownership is transferred to the Group/Company at the end of the lease are transferred from right-of-use assets (note 11) to property, plant and equipment.

Group

All figures in £'000	Notes	Freehold land & buildings	Plant & machinery	Assets under construction ²	Total
Cost					
At 30 March 2019		11,574	91,034	-	102,608
Adjustment on initial application of IFRS 16 ¹	11	-	(6,419)	-	(6,419)
As at 31 March 2019		11,574	84,615	-	96,189
Transfers from right-of-use assets ³	11	-	4,582	-	4,582
Additions at cost		2,892	95	5,502	8,489
Disposals		-	(48)	-	(48)
Effects of movements in foreign exchange		-	138	-	138
At 28 March 2020		14,466	89,382	5,502	109,350
Accumulated Depreciation					
At 30 March 2019		7,214	67,755	-	74,969
Adjustment on initial application of IFRS 16 ¹	11	-	(2,145)	-	(2,145)
As at 31 March 2019		7,214	65,610	-	72,824
Transfers from right-of-use assets ³	11	-	1,961	-	1,961
Charge for period		233	2,473	-	2,706
Disposals		-	(23)	-	(23)
At 28 March 2020		7,447	70,021	-	77,468
Net book value at 28 March 2020		7,019	19,361	5,502	31,882
Net book value on initial application of IFRS 16 on 31 March 2019	March 2019	4,360	19,005	-	23,365
Net book value at 30 March 2019		4,360	23,279	-	27,639

The accompanying notes form part of the financial statements

Company

All figures in £'000	Note	Freehold land & buildings	Plant & machinery	Total
Cost				
At 28 March 2020		1,694	2,668	4,362
Transfers	11	-	131	131
Additions at cost		-	10	10
At 27 March 2021		1,694	2,809	4,503
Accumulated Depreciation				
At 28 March 2020		508	1,929	2,437
Transfers	11	-	131	131
Charge for period		22	139	161
At 27 March 2021		530	2,199	2,729
Net book value at 27 March 2021		1,164	610	1,774
Net book value at 28 March 2020		1,189	739	1,925

Company

All figures in £'000	Note	Freehold land & buildings	Plant & machinery	Total
Cost				
At 30 March 2019		1,683	2,606	4,289
Adjustment on initial application of IFRS 16 ¹	11	-	(131)	(131)
At 31 March 2019		1,683	2,475	4,158
Transfers		-	(9)	(9)
Additions at cost		11	202	213
At 28 March 2020		1,694	2,668	4,362
Accumulated Depreciation				
At 30 March 2019		486	1,897	2,383
Adjustment on initial application of IFRS 16 ¹	11	-	(84)	(84)
At 31 March 2019		486	1,813	2,299
Charge for period		22	116	138
At 28 March 2020		508	1,929	2,437
Net book value at 28 March 2020		1,186	739	1,925
Net book value at 30 March 2019		1,197	709	1,906

¹ The group has initially applied IFRS 16 on 31 March 2019, which requires the recognition of right-of-use assets in place of finance lease assets. As a result, on 31 March 2019, plant & machinery assets held under finance leases with a net book value of £4.3m have been reallocated and recognised as right-of-use assets. The Group has applied IFRS 16 using the modified retrospective approach, under which comparative information is not restated.

11 Right of use assets**Group**

All figures in £'000	Note	Land & buildings	Plant, equipment & vehicles	Total
Cost				
At 28 March 2020		3,924	2,218	6,142
Additions		432	166	598
Disposals		(514)	(69)	(583)
RoU reassessments		-	(2)	(2)
Transfers to property, plant & equipment ²	10	-	(131)	(131)
Effects of movements in foreign exchange		(257)	-	(257)
At 27 March 2021		3,585	2,182	5,767
Accumulated Depreciation				
At 28 March 2020		401	834	1,235
Charge for the period		413	372	785
Disposals		(228)	(54)	(282)
Transfers to property, plant and equipment ²	10	-	(131)	(131)
At 27 March 2021		586	1,021	1,607
Net book value at 27 March 2021		2,999	1,161	4,160
Net book value at 28 March 2020		3,523	1,384	4,907

All figures in £'000	Note	Land & buildings	Plant, equipment & vehicles	Total
Cost				
Recognition of right-of-use assets on initial application of IFRS 16 on 31 March 2019 ¹		3,374	6,738	10,112
Additions		441	77	518
Disposals		(23)	(15)	(38)
Transfers to property, plant & equipment ²	10	-	(4,582)	(4,582)
Effects of movements in foreign exchange		132	-	132
At 28 March 2020		3,924	2,218	6,142
Accumulated Depreciation				
Recognition of right-of-use assets on initial application of IFRS 16 on 31 March 2019 ¹		-	2,145	2,145
Charge for the period		424	665	1,089
Disposals		(23)	(15)	(38)
Transfers to property, plant and equipment ²	10	-	(1,961)	(1,961)
At 28 March 2020		401	834	1,235
Net book value at 30 March 2019		-	-	-
Net book value on initial application of IFRS 16 on 31 March 2019		3,374	4,593	7,967
Net book value at 28 March 2020		3,523	1,384	4,907

1 The Group has initially applied IFRS 16 on 31 March 2019, which requires the recognition of right-of-use assets in relation to the Group's lease liabilities. As a result, on 31 March 2019, the Group recognised £10.1m of right-of-use assets related to those lease liabilities. The Group has applied IFRS 16 using the modified retrospective approach, under which comparative information is not restated.

2 Assets where ownership is transferred to the Group/Company upon completion of the lease liability are transferred into Property, plant and equipment (Note 10)

The accompanying notes form part of the financial statements

Company

All figures in £'000	Note	Land & buildings	Plant, equipment & vehicles	Total
Cost				
At 28 March 2020		131	495	626
Additions		-	166	166
Disposals		(131)	(69)	(200)
RoU reassessments		-	(2)	(2)
Transfers to property, plant & equipment ²	10	-	(131)	(131)
Effects of movements in foreign exchange		-	-	-
At 27 March 2021		-	459	459
Accumulated Depreciation				
At 28 March 2020		71	254	325
Charge for the period		60	154	214
Disposals		(131)	(54)	(185)
Transfers to property, plant and equipment ²	10	-	(131)	(131)
At 28 March 2020		-	223	223
Net book value at 27 March 2021		-	236	236
Net book value at 28 March 2020		60	241	301

All figures in £'000	Note	Land & buildings	Plant, equipment & vehicles	Total
Cost				
Recognition of right-of-use assets on initial application of IFRS 16 on 31 March 2019 ¹	10	131	433	564
Additions		-	77	77
Disposals		-	(15)	(15)
At 28 March 2020		131	495	626
Accumulated Depreciation				
Recognition of right-of-use assets on initial application of IFRS 16 on 31 March 2019	10	-	84	84
Charge for the period		71	185	256
Disposals		-	(15)	(15)
At 28 March 2020		71	254	325
Net book value at 30 March 2019		-	-	-
Net book value on initial application of IFRS 16 on 31 March 2019		131	349	480
Net book value at 28 March 2020		60	241	301

The accompanying notes form part of the financial statements

12 Investments

Investments in subsidiary undertakings

All figures in £'000	Group 2021	Group 2020	Company 2021	Company 2020
At 27 March 2021 and 28 March 2020	-	-	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	Direct or indirect holding	Nature of business
James Cropper Speciality Papers Limited	England	(i)	100	Direct	Manufacturer of specialist paper and board
James Cropper (Guangzhou) Trading Co Limited	China	(iii)	100	Indirect	Sales and marketing organisation
James Cropper Converting Limited	England	(i)	100	Direct	Paper converter
James Cropper 3D Products Limited	England	(i)	100	Direct	Manufacturer of moulded fibre products
Technical Fibre Products Limited	England	(i)	100	Direct	Manufacturer of advanced materials
TFP Hydrogen Products Limited	England	(i)	100	Indirect	Manufacturer of electrochemical materials
Tech Fibers Inc	USA	(ii)	100	Indirect	Holding company
Technical Fibre Products Inc	USA	(ii)	100	Indirect	Sales and marketing organisation
Metal Coated Fibers Inc	USA	(ii)	100	Indirect	Manufacturer of metal coated carbon fibres
Electro Fiber Technologies LLC	USA	(ii)	100	Indirect	Manufacturer of metal coated fibres
James Cropper EBT Limited	England	(i)	100	Direct	Dormant company
Melmore Limited	England	(i)	100	Direct	Dormant company
James Cropper Paper Limited	England	(i)	100	Direct	Dormant company
The Paper Mill Shop Company Limited	England	(i)	100	Direct	Dormant company
James Cropper Overseas Trading Limited	England	(i)	100	Direct	Marketing organisation
James Cropper Germany GmbH	Germany	(iv)	100	Indirect	Dormant company

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

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

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

(iv) c/o DWF Germany Rechtsanwaltsgesellschaft mbH, Habsburgerring 2, 50674 Köln, Germany

TFP Hydrogen Products Limited, formerly PV3 Technologies Limited, was acquired on 18 January 2021 by Technical Fibre Products Limited.

The accompanying notes form part of the financial statements

13 Inventories

All figures in £'000	Group 2021	Group 2020
Materials	7,567	6,800
Work in progress	2,264	2,431
Finished goods	5,638	4,725
	15,469	13,956

Inventories are stated after a provision for impairment of £1,522k (2020: £1,262k).

The cost of inventories recognised as expenses and included in cost of sales for the year ended 27 March 2021 was £59,464k (2020: £89,348k).

The Company does not have inventories.

14 Trade and other receivables

All figures in £'000	Group 2021	Group 2020	Company 2021	Company 2020
Trade receivables	14,469	17,267	-	-
Less: Provision for impairment of receivables	(961)	(530)	-	-
Trade receivables – net	13,508	16,737	-	-
Amounts owed by group undertakings	-	-	49,778	49,956
Provision for amounts owed by group undertakings	-	-	(260)	(350)
Other receivables	245	653	254	652
Prepayments	1,339	1,443	831	847
	15,092	18,833	50,603	51,105

The carrying value of trade and other receivables classified at amortised cost approximates fair value. The Group does not hold any collateral as security.

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

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

Amounts owed by group undertakings include loans of £26m (2020: £26m) with a fixed term of one year with an interest charge of 3.6% pa. Intercompany funding accounts of £22.6m (2020: £23m) and intercompany current accounts of £1.2m (2020: £0.8m) are settled within 30 days.

The Company has included a provision for impairment of amounts owed by group undertakings. Further details of this can be found in note 19.2.

15 Other Financial Assets

All figures in £'000	Note	Group 2021	Group 2020	Company 2021	Company 2020
Pulp Hedging fair value adjustment	19	501	-	-	-
		501	-	-	-

The gain arising in the Statement of Comprehensive Income on fair value hedging instruments was £nil (2019: £nil).

16 Trade and other Payables

All figures in £'000	Note	Group 2021	Group 2020	Company 2021	Company 2020
Trade payables		8,559	7,232	2,022	3,354
Amounts owed to group undertakings		-	-	19,345	17,280
Other tax and social security payable		1,188	636	371	175
Other payables		250	717	238	421
Accruals		5,386	7,959	1,013	1,191
Deferred consideration ¹	24	397	-	-	-
Due within one year		15,780	16,544	22,989	23,421

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

1 Deferred consideration is the fair value of consideration on the acquisition of PV3 Technologies Ltd (now known as TFP Hydrogen Products Ltd), acquired on 18 January 2021 and due to be paid by 27 October 2021.

All figures in £'000	Note	Group 2021	Group 2020	Company 2021	Company 2020
Contingent consideration ²	24	401	-	-	-
Due after one year		401	-	-	-

2 Contingent consideration is the fair value of earn out consideration on the acquisition of PV3 Technologies Ltd (now known as TFP Hydrogen Products Ltd, based on the estimated future performance of the subsidiary against earn out targets).

17 Other Financial Liabilities**Group and Company**

All figures in £'000	Note	2021	2020
Interest rate swaps used for hedging	19	16	41
Foreign exchange rate swaps for hedging	19	-	234
		16	275

The liabilities are held at fair value.

18 Borrowings

All figures in £'000	Note	Group 2021	Group 2020	Company 2021	Company 2020
Current					
Bank loans and overdrafts due within one year or on demand					
Bank overdraft		-	-	-	-
Unsecured bank loans ¹		7,609	3,008	-	-
Lease liabilities ²		692	748	94	174
	19.3	8,301	3,756	94	174
Non-current loans					
Unsecured bank loans ¹		1,908	11,541	100	7,900
Lease liabilities ²		4,058	4,722	111	83
	19.3	5,966	16,263	211	7,983

1 Bank loans bear interest at rates between 1.50% and 2.75% above 30 day LIBOR rates.

2 The Group initially applied IFRS 16 at 31 March 2019 and recognised £4.2m of lease liabilities on the balance sheet. The Group applied IFRS 16 using the modified retrospective approach, under which comparative information was not restated and the cumulative effect of applying IFRS 16 was recognised in retained earnings at the date of initial application.

Reconciliation of net cash flow to net debt

Group	28 March 2020	RoU termination/ reassessment	Cash flow	Interest	Reclassify	Exchange movement	27 March 2021
All figures in £'000							
Loans repayable within 1 year	(3,008)	-	3,008	-	(7,804)	195	(7,609)
Loans repayable after 1 year	(11,541)	-	1,513	-	7,804	316	(1,908)
	(14,549)	-	4,521	-	-	511	(9,517)
Lease liabilities repayable within 1 year	(748)	-	817	(147)	(614)	-	(692)
Lease liabilities repayable after 1 year	(4,722)	323	(597)	-	614	324	(4,058)
	(5,470)	323	220	(147)	-	324	(4,750)
Total borrowings	(20,019)	323	4,741	(147)	-	835	(14,267)
Cash and cash equivalents	8,964	-	(1,537)	-	-	(662)	6,765
Net Debt	(11,055)	323	3,204	(147)	-	173	(7,502)

Group	30 March 2019	Application of IFRS 16 ²	Cash flow	Interest	Reclassify	Exchange movement	28 March 2020
All figures in £'000							
Loans repayable within 1 year	(767)	-	767	-	(2,966)	(42)	(3,008)
Loans repayable after 1 year	(8,226)	-	(6,068)	-	2,966	(213)	(11,541)
	(8,993)	-	(5,301)	-	-	(255)	(14,549)
Lease liabilities repayable within 1 year	(778)	-	969	-	(939)	-	(748)
Lease liabilities repayable after 1 year	(1,142)	(4,210)	-	(158)	950	(162)	(4,722)
	(1,920)	(4,210)	969	(158)	11	(162)	(5,470)
Total borrowings	(10,913)	(4,210)	(4,332)	(158)	11	(417)	(20,019)
Cash and cash equivalents	2,352	-	6,519	-	-	93	8,964
Net Debt	(8,561)	(4,210)	2,187	(158)	11	(324)	(11,055)

19 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.

19.1 Financial instruments by category

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

Group		Fair value through profit or loss		Amortised cost loans and receivables	
All figures in £'000	Note	2021	2020	2021	2020
Financial assets					
Current					
Trade receivables	14	-	-	13,508	16,737
Other receivables	14	-	-	245	653
Derivatives	15	501	-	-	-
Cash and cash equivalents		-	-	6,765	8,964
		501	-	20,518	26,354
Financial liabilities					
Current					
Trade payables	16	-	-	8,559	7,232
Other payables	16	-	-	250	717
Accruals	16	-	-	5,386	7,959
Deferred consideration ¹	16	397	-	-	-
Derivatives	17	16	275	-	-
Short term borrowings	18	-	-	8,301	3,756
		413	275	22,496	19,664
Non-current					
Long term borrowings	18	-	-	5,966	16,263
Contingent consideration ¹	16	401	-	-	-
		401	-	5,966	16,263

¹ For details on valuation, please refer to note 24

Company		Fair value through profit or loss		Amortised cost loans and receivables	
All figures in £'000	Note	2021	2020	2021	2020
Financial assets					
Current					
Amounts owed by group undertakings	14	-	-	49,518	49,606
Other receivables	14	-	-	254	652
Prepayments	14	-	-	831	847
Derivatives	15	-	-	-	-
Cash and cash equivalents		-	-	2,861	6,658
		-	-	53,464	57,763
Financial liabilities					
Current					
Trade payables	16	-	-	2,022	3,354
Amounts owed to group undertakings	16	-	-	19,345	17,280
Other payables	16	-	-	238	421
Tax and social security	16	-	-	371	175
Accruals	16	-	-	1,013	2,191
Derivatives	17	16	275	-	-
Short term borrowings	18	-	-	94	174
		16	275	23,084	23,595
Non-current					
Long term borrowings	18	-	-	211	7,983

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

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

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

All figures in £'000	2021 Level 2	2021 Total	2020 Level 2	2020 Total
Financial assets (Group)	501	501	-	-
Derivatives	-	-	-	-
Financial liabilities (Group and Company)				
Derivatives	16	16	275	275

19.2 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 as at the 27 March 2021 (2020: 28 March 2020) were:

All figures in £'000	2021	2020
JC Speciality Papers	8,104	9,323
JC Converting	1,398	1,994
JC 3D Products	590	648
Technical Fibre Products	4,377	5,302
Trade receivables	14,469	17,267
Provision for impairment on trade receivables	(961)	(530)
	13,508	16,737

The Company does not have trade receivables.

The majority of trade receivables are covered by credit insurance.

At 27 March 2021 the lifetime expected loss provision for trade receivables is as follows:

	Not past due	Past due 0 - 30	Past due 31 - 60 days	Past due over 60 days	Total
Expected loss rate	6.5%	8%	10%	20%	-
Gross carrying amount (£'000)	13,416	983	57	13	14,469
Loss provision	872	80	6	3	961

All trade receivables have been reviewed under the expected credit loss impairment model and a provision of £961k (2020: £530k) has been recorded accordingly.

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

Group

All figures in £'000	2021	2020
Balance at Start of period	530	222
Increased during the period	431	319
Utilised during the period	-	(11)
Balance at end of period	961	530

Provision for impairment - company disclosure:

Due to the uncertainty at this time that Covid-19 creates it is possible that market events may materialise that can't currently be foreseen. Should events unfold that significantly adversely impact the cash flows of the trading divisions James Cropper PLC will support its trading divisions. Given the high levels of uncertainty in these unprecedented times James Cropper PLC will therefore recognise an expected credit loss in respect of intra-group loans should such assistance be required 12 months from now.

The Expected Credit Loss is based on a 1.0% probability (2020: 1.0%) that the loan receivables become impaired which is in line with the credit losses applied to the Group's trade receivables to derive the lifetime expected loss provision for trade receivables.

Credit risk arises from the potential of subsidiary companies defaulting on intra-group loans. Intra-group loan receivables at 27 March 2021 are:

All figures in £'000	2021	2020
JC Speciality Papers Limited	12,000	12,000
JC Converting Limited	3,000	3,000
JC 3D Products Limited	4,000	4,000
Technical Fibre Products Limited	7,000	7,000
	26,000	26,000
Provision for impairment	(260)	(350)
Net Intra-group loans	25,740	25,650

Company	2021	2020
All figures in £'000		
Balance at the start of the period	350	-
Credited/(released) during the period	(90)	350
(Utilised) during the period	-	-
Balance at the end of the period	260	350

19.3 Liquidity risk

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

Current and non-current financial liabilities

The maturity profile of the carrying amount of the current and non-current financial liabilities, at 27 March 2021 (2020: 28 March 2020), was as follows:

Group	2021				2020			
	Debt	Lease liabilities	Derivatives	Total	Debt	Lease liabilities	Derivatives	Total
All figures in £'000								
In less than one year	7,609	692	16	8,317	3,008	748	275	4,031
In more than one year but not more than two years	1,808	702	-	2,510	607	626	-	1,233
In more than two years but not more than five years	100	1,256	-	1,356	10,934	1,742	-	12,676
In more than five years	-	2,100	-	2,100	-	2,354	-	2,354
	9,517	4,750	16	14,283	14,549	5,470	275	20,294

Company	2021				2020			
	Debt	Lease liabilities	Derivatives	Total	Debt	Lease liabilities	Derivatives	Total
All figures in £'000								
In less than one year	-	94	16	110	-	174	275	449
In more than one year but not more than two years	-	72	-	72	-	14	-	14
In more than two years but not more than five years	100	39	-	139	7,900	69	-	7,969
	100	205	16	321	7,900	257	275	8,432

Trade payables

Trade payables at the reporting date was:

All figures in £'000	Group 2021	Group 2020	Company 2021	Company 2020
Trade payables at the reporting date was	8,559	7,232	2,022	3,354
Total contractual cash flows	8,559	7,232	2,022	3,354

Borrowing facilities

The Group has the following undrawn committed borrowing facilities available at 27 March 2021:

All figures in £'000	Group at 27 March 2021 Floating rate	Group at 28 March 2020 Floating rate
Expiring within one year	4,168	3,500
Expiring after one year	7,092	1,867

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

All figures in £'000	Group 27 March 2021	Group 28 March 2020	Company 27 March 2021	Company 28 March 2020
December 2020	-	2,199	-	-
June 2021	3,432	-	-	-
December 2021	4,177	1,416	-	-
May 2022	1,808	4,934	-	1,900
February 2023	-	6,000	-	6,000
October 2023	100	-	100	-
	9,517	14,549	100	7,900

19.4 Currency risk

The Group publishes its consolidated financial statements in sterling but also conducts business in foreign currencies. As a result it is subject to foreign currency exchange risk arising from exchange rate movements which will be reflected in the Group's transaction costs or in the underlying foreign currency assets of its foreign operations. The Group has operations in the USA. The Group is exposed to foreign exchange risks primarily with respect to US Dollars and the Euro. Where possible, the Group maintains a policy of balancing sales and purchases denominated in foreign currencies. Where an imbalance remains, the group has also entered into certain forward exchange contracts.

Represented below is the net exposure to foreign currencies, reported in pounds sterling, and arising from all Group activities, as at 27 March 2021.

All figures in £'000	USD	Euro	RMB	GBP	Total
Trade Receivables	3,268	2,987	-	7,253	13,508
Cash and cash equivalents	4,813	2,159	36	(243)	6,765
Trade Payables	(2,914)	(1,141)	-	(4,504)	(8,559)
Unsecured current loans	(4,177)	-	-	(3,432)	(7,609)
Lease liabilities current	(107)	-	-	(585)	(692)
Unsecured non-current loans	(1,808)	-	-	(100)	(1,908)
Lease liabilities non-current	(2,579)	-	-	(1,479)	(4,058)
Net exposure	(3,504)	4,005	36	(3,090)	(2,553)

At the 28 March 2020 the Group's exposure to foreign currency risk was as follows:

All figures in £'000	USD	Euro	RMB	GBP	Total
Trade Receivables	5,574	3,712	18	7,433	16,737
Cash and cash equivalents	3,584	1,315	109	3,956	8,964
Trade Payables	(1,239)	(1,045)	-	(4,948)	(7,232)
Unsecured current loans	(809)	-	-	(2,199)	(3,008)
Lease liabilities current ¹	(103)	-	-	(645)	(748)
Unsecured non-current loans	(3,641)	-	-	(7,900)	(11,541)
Lease liabilities non-current	(3,005)	-	-	(1,717)	(4,722)
Net exposure	361	3,982	127	(6,020)	(1,550)

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

At the 27 March 2021 the Company's exposure to foreign currency risk was as follows:

All figures in £'000	USD	Euro	GBP	Total
Cash and cash equivalents	1,849	1,974	(962)	2,861
Trade payables	(1)	(3)	(2,018)	(2,022)
Lease liabilities current	-	-	(94)	(94)
Unsecured non-current loans	-	-	(100)	(100)
Lease liabilities non-current	-	-	(111)	(111)
Net exposure	1,848	1,971	(3,285)	534

At the 28 March 2020 the Company's exposure to foreign currency risk was as follows:

All figures in £'000	USD	Euro	GBP	Total
Bank overdrafts	1,875	1,223	3,560	6,658
Trade payables	(2)	(26)	(3,326)	(3,358)
Lease liabilities current	-	-	(174)	(174)
Unsecured current loans	-	-	(7,900)	(7,900)
Lease liabilities non-current	-	-	(83)	(83)
Net exposure	1,873	1,197	(7,923)	(4,853)

A one percent strengthening of the pound against the Euro and the US Dollar at 28 March 2020 would have had the following impact on equity and profit by the amounts shown below.

Group		Equity £'000	Income £'000	Company		Equity £'000	Income £'000
27 March 2021	USD	11	(1)	27 March 2021	USD	(18)	-
27 March 2021	Euro	(42)	(21)	27 March 2021	Euro	(20)	-
28 March 2020	USD	(4)	(43)	28 March 2020	USD	(19)	-
28 March 2020	Euro	(39)	(26)	28 March 2020	Euro	(12)	-

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.

19.5 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 an interest rate swap which matures in June 2021 (USD). Under the swap the maximum base rates the Group will pay on bank borrowings of up to £3m is 0.66% and \$3m is 1.99%. The exposure is measured on variable rate debt and instruments. The net exposure to interest rates at the Statement of Financial Position date can be summarised as follows:

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

All figures in £'000	Group 2021	Group 2020	Company 2021	Company 2020
Interest bearing liabilities - floating				
Borrowings	9,517	14,549	100	7,900
	9,517	14,549	100	7,900
Interest bearing liabilities - fixed				
Borrowings	-	-	-	-
Lease liabilities	4,750	5,470	205	257
	4,750	5,470	205	257
Interest bearing liabilities	14,267	20,019	305	8,157

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

	2020 %	2019 %
Bank overdraft	2.35	1.85
Borrowings	2.30	2.20

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 £37k for the Group and £21k for the Company in interest expense being incurred per year. The impact of a decrease in rates would be an identical reduction in the annual charge.

Group	Income statement £'000	Company	Income statement £'000
27 March 2021	37	27 March 2021	21
28 March 2020	64	28 March 2020	38

19.6 Derivative contracts**Derivative assets**

All figures in £'000	2021	2020
Derivatives designated as hedging instruments		
Pulp Hedge	501	-
Total derivatives designated as hedging instruments	501	-
Total derivative financial assets	501	-
Current portion	501	-

The Group has entered into a hedging arrangement for 30% of the pulp requirements for the nine months to December 2021. The valuation is based on a mark to market basis with reference to forward curves adjusted for internal banking arrangements.

As of 27 March 2021, the only movement in the period is with the hedging instrument as noted above. The hedged item, being the pulp purchases, has not yet occurred.

Derivative liabilities

All figures in £'000	2021	2020
Derivatives designated as hedging instruments		
Interest rate swaps	16	41
Forward foreign exchange contracts	-	234
Total derivatives designated as hedging instruments	16	275
Total derivative financial liabilities	16	275
Less non-current portion		
Interest rate swaps	-	(7)
Forward foreign exchange contracts	-	-
Current portion	16	268

The Group has elected to adopt the hedge accounting requirements of IFRS9 Financial Instruments. The Group enters into hedge relationships where the critical terms of the hedging instrument and the hedged item match, therefore, for the prospective assessment of effectiveness a qualitative assessment is performed. Hedge effectiveness is determined at the origination of the hedging relationship.

Quantitative effectiveness tests are performed at each period end to determine the continuing effectiveness of the relationship. In instance where changes occur to the hedged item which result in the critical terms no longer matching, the hypothetical derivative method is used to assess effectiveness.

Cash flow interest rate swaps

The Group manages its cash-flow interest rate risk by using floating-to-fixed interest rate swaps. Normally the Group raises long-term borrowing at floating rates and swaps them into fixed rates.

The hedging ratio is 1:1 with the Group having one interest rate swap of US\$3,000,000 hedging the same amount of underlying debt.

The ineffective portion is recognised in finance expense that arose from cash flow hedges amounts to a loss of £32k (2020: £84k loss).

Gains and losses that relate to designated and effective hedging instruments are recognised in other comprehensive income and tracked separately.

At 27 March 2021, the main floating rates were LIBOR and US LIBOR. Gains and losses recognised in the cash flow hedging reserve in equity on interest rate swap contracts as at 27 March 2021 will be released to the consolidated statement of comprehensive income as the related interest rate expense is recognised.

The Group has not early adopted the IASB's Interest Rate Benchmark Reform amendments to IFRS9. The effects

of the cash flow interest rate swap hedging relationships are as follows as at 27 March 2021:

All figures in £'000	2021	2020
Carrying amount of the derivatives	16	41
Change in fair value of the designated hedging instrument	24	64
Change in fair value of the designated hedged item	(24)	(64)
Notional amount	2,170	5,427
Maturity date	17/06/21	17/06/21

Cash flow forward foreign exchange contracts

Foreign exchange risk arises when individual group operations enter into transactions denominated in a currency other than their functional currency. Where the risk to the Group is considered to be significant, Group treasury will enter into a matching forward foreign exchange contract with a reputable bank.

The hedging ratio is 1:1, with the Group committing to sell forward highly probable forecast Euro receipts to an equal value of the foreign exchange contracts.

The hedged forecast transactions denominated in foreign currency are expected to occur at various dates in the next 12 months. Gains and losses on the effective element of forward foreign exchange contracts as at 27 March 2021 are recognised in the consolidated statement of comprehensive income and tracked separately in the period or periods during which the hedged forecast transactions affects the consolidated statement of comprehensive income. This is expected to be within 12 months of the end of the financial year in respect of the forward currency contracts taken out as at 27 March 2021.

No ineffective portion of the forward foreign exchange contract was recognised in the consolidated statement of comprehensive income in the period.

The effects of the cash flow forward foreign exchange contract hedging relationships are as follows as at 27 March 2021:

All figures in £'000	2021	2020
Carrying amount of the derivatives	-	234
Change in fair value of the designated hedging instrument	-	234
Change in fair value of the designated hedged item	-	(234)
Notional amount	-	6,279
Maturity date	-	15/03/21

Net investment in a foreign operation

The Group manages the risk that changes in exchange rates have on its net investment in foreign operations using loans payable in the same currency as the functional currency of its foreign operations.

At the inception of the hedge the hedging ratio between the overseas assets and the foreign currency loan is a ratio of 1:1.

For the years ended 27 March 2021 and 28 March 2020 there were no significant amounts recognised in profit or loss relating to the ineffective portion of hedges or portions excluded from the assessment of hedge effectiveness.

Gains and losses that relate to designated and effective hedging instruments is recognised in other comprehensive income and tracked separately.

At 27 March 2021, the foreign operations were denominated in USD.

All figures in £'000	2021	2020
Carrying amount of the loan payable	1,808	607
Change in fair value of the designated hedging instrument	(1,201)	2,271
Change in fair value of the designated hedged item	1,437	(2,110)
Notional amount	2,893	3,237
Maturity date	22/12/21	22/12/21

20 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:

All figures in £'000	2021	2020
Defined contribution schemes	845	832
Personal Pension contributions	32	31

Other pension costs totalled £835k (2020: £962k) and represent life assurance charges, government pension protection fund levies and other current service costs.

Defined benefit plans

With effect from 1 April 2011 active members' benefits were reduced such that future increases in pensionable salaries were restricted to a cap of 2% per annum. As from 1 April 2017 (Works Scheme) and 1 July 2017 (Staff Scheme) increases in pension once it is in-payment will be in line with the annual increase in CPI. The Staff and Works Schemes will remain defined benefit schemes but they will no longer be "final salary" schemes.

The most recent actuarial valuations of the Staff Scheme and the Works Scheme were undertaken in April 2019 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:

All figures in %	Staff Scheme		Works Scheme	
	2021	2020	2021	2020
CPI Inflation assumption	2.65	1.8	2.70	1.75
RPI Inflation assumption	3.15	2.55	3.15	2.50
Rate of increase in pensionable salaries	1.65	1.40	1.65	1.40
Discount rate	1.95	2.50	2.05	2.55
Pension increases for in-payment benefits capped at 5%, with a 3% floor	3.60	3.45	3.40	3.15
Pension increases for in-payment benefits capped at 2.5%, with a 0% floor	2.00	1.55	2.05	1.50

The mortality assumptions have been set in line with the best-estimate results of the Medically Underwritten Mortality study carried out as part of the ongoing 2019 actuarial valuation. In respect of mortality for the Works members the assumptions adopted at 28 March 2020 are 142% of the SAPS "S3" series table, with future improvements in line with the CMI core 2019 projection model with long-term trend improvements of 1.25% pa. For the Staff members the SAPS "S3" series table with a 142% rating has been used, with future improvements in line with the CMI core 2019 projection model with long term trend improvements of 1.25% pa.

The long-term expected rate of return on cash is determined by reference to bank base rates at the SFP dates. The long-term expected return on bonds is determined by reference to UK long dated government and corporate bond yields at the SFP date. The long-term expected rate of return on equities is based on the rate of return on bonds with an allowance for out-performance.

The method adopted for determining the discount rate has been selected as the most appropriate following specialist advice and the discount rate has been calculated based on a yield curve at an appropriate duration to the schemes' liabilities. A decrease in the discount rate by 0.25% would increase the defined benefit obligations by 3.7% for the staff scheme and 4.4% for the works scheme.

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

Notes to the Financial Statements

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

All figures in £'000	2021	2020	2019	2018	2017
Defined benefit obligation (DBO)	(135,579)	(121,470)	(132,646)	(126,079)	(128,026)
Fair value of assets (FVA)	117,143	113,968	109,998	106,607	105,832
Deficit	(18,436)	(7,502)	(22,648)	(19,472)	(22,194)
Effect of limit on recoverable surplus	-	(1,880)	-	-	-
Net liability recognised in the SFP	(18,436)	(9,382)	(22,648)	(19,472)	(22,194)
Staff Scheme	(1,383)	1,880	(7,664)	(6,408)	(7,405)
Works Scheme	(17,053)	(9,382)	(14,984)	(13,064)	(14,789)
Deficit	(18,436)	(7,502)	(22,648)	(19,472)	(22,194)
Effect of limit on recoverable surplus	-	(1,880)	-	-	-
Net liability recognised in the SFP	(18,436)	(9,382)	(22,648)	(19,472)	(22,194)

The key risks relating to the pension schemes can be found in the Pension Report on pages 17 to 19. The fair value of the plan assets comprises the following categories of asset in the stated proportions:

All figures in %	Staff Scheme		Works Scheme	
	2021	2020	2021	2020
Managed Growth	66.8	66.4	73.1	71.8
Annuities	2.6	2.6	-	-
Cash	1.1	1.3	1.1	1.4
Matching Assets	29.5	29.7	25.8	26.8

The pension plan assets do not include any investments in the shares of the Company (2020: nil).

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

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

All figures in £'000	2021	2020
Total included within employee benefit costs - current service costs, past service costs and administration costs	1,034	1,188
Interest income on plan assets	(2,837)	(2,679)
Interest cost on the defined benefit obligation	3,076	3,223
Total included within interest	239	544
Total	1,273	1,732

Analysis of the movement in the Statement of Financial Position liability

All figures in £'000	2021	2020
At 28 March 2020 / 30 March 2019	(9,382)	(22,648)
Total expense as above	(1,273)	(1,732)
Contributions paid	969	1,941
Actuarial gains / (losses) recognised in Other Comprehensive Income	(8,750)	13,057
At 27 March 2021 / 28 March 2020	(18,436)	(9,382)

The actual return on plan assets was £6,579k (2020: £5,372k). The Company expects to pay £474k (2020: £416k) in contributions to the Staff Scheme and £810k (2020: £1,463k) in contributions to the Works Scheme in the next financial period. The minimum funding requirement does not give rise to an additional liability under IFRIC 14.

Following the April 2019 triennial valuation, a deficit recovery plan was agreed with the Trustees which included additional contributions of £1.3m pa to reduce the past service deficits from 1 April 2021.

The cumulative amount of actuarial losses recognised in the Statement of Comprehensive Income, since the adoption of IAS 19, are £16,925k (2020: £8,175k).

All figures in £'000	Works Scheme		Staff Scheme		Works Scheme		Staff Scheme	
	2021	2021	2021	2021	2020	2020	2020	2020
	Assets	DBO	Assets	DBO	Assets	DBO	Assets	DBO
At 28 March 2020 / 30 March 2019	60,456	(69,838)	53,512	(51,632)	57,009	(71,993)	52,989	(60,653)
Interest Income on plan assets	1,521	-	1,316	-	1,398	-	1,281	-
Current service costs	(124)	(587)	(31)	(224)	(1,109)	(753)	(26)	(300)
Benefits paid	(2,506)	2,506	(2,114)	2,114	(1,541)	1,541	(2,108)	2,108
Contributions by plan participants	290	(290)	112	(112)	319	(319)	122	(122)
Employer contributions	697	-	272	-	1,324	-	617	-
Interest cost on the DBO	-	(1,760)	-	(1,269)	-	(1,758)	-	(1,465)
Past service costs	-	(40)	-	(28)	-	-	-	-
Return on plan assets	1,713	(9,091)	2,029	(5,328)	2,056	3,444	637	8,800
At 27 March 2021 / 28 March 2020	62,047	(79,100)	55,096	(56,479)	60,456	(69,838)	53,512	(51,632)

Experience adjustments

All figures in £'000	2021	2020	2019	2018	2017
Arising on plan assets	5,669	2,693	2,503	(1,161)	9,505
Percentage of scheme assets	4.84%	2.36%	2.28%	(1.09)%	8.98%
Arising on plan liabilities	(14,419)	12,244	(5,761)	3,754	(21,383)
Percentage of scheme liabilities	(10.64%)	10.08%	(4.34)%	2.98%	(16.70)%

Sensitivity analyses

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

Staff Scheme	Current assumption	Sensitivity	£'000	Effect on DBO
Discount rate	1.95%pa	0.25% decrease	2,139	+3.6%
Price inflation	3.15%pa (RPI)			
	2.65%pa (CPI)	0.25% increase	641	+1.1%
Mortality	142% of SAPS "S3" series table	Increase in life expectancy of 1 year	3,206	+5.7%
Works Scheme	Current assumption	Sensitivity	£'000	Effect on DBO
Discount rate	2.05%pa	0.25% decrease	3,597	+4.5%
Price inflation	3.15%pa (RPI)			
	2.70%pa (CPI)	0.25% increase	851	+1.1%
Mortality	142% of SAPS "S3" series table	Increase in life expectancy of 1 year	4,017	+5.1%

21 Deferred taxation

The movement on the deferred tax account is shown below:

All figures in £'000	Group 2021	Group 2020	Company 2021	Company 2020
At 28 March 2020 / 30 March 2019	(292)	2,234	1,820	3,840
(Charge)/credit to other comprehensive income	1,663	(2,481)	1,663	(2,481)
Charge to equity	-	(125)	-	(125)
Adjustments in respect of prior years	145	-	(7)	(5)
(Charge)/credit to income statement	150	80	128	591
Movement arising from acquisition of business	(183)	-	-	-
At 27 March 2021 / 28 March 2020	1,483	(292)	3,604	1,820

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

Deferred tax assets	Group				Company			
All figures in £'000	Pension	Share options	Other	Total	Pension	Share options	Other	Total
At 30 March 2019	3,850	37	159	4,046	3,850	37	56	3,943
(Charge)/Credit to income statement	413	111	(43)	481	413	111	73	597
Charge to equity	-	(125)	-	(125)	-	(125)	-	(125)
Credit to other comprehensive income	(2,481)	-	-	(2,481)	(2,481)	-	-	(2,481)
At 28 March 2020	1,782	23	116	1,921	1,782	23	129	1,934
Adjustment in respect of prior years	-	(7)	6	(1)	-	(7)	-	(7)
Credit/(charge) to income statement	58	57	31	146	58	57	1	116
Charge to other comprehensive income	1,663	-	-	1,663	1,663	-	-	1,663
At 27 March 2021	3,503	73	153	3,729	3,503	73	130	3,706

Deferred tax liabilities	Group		Company	
All figures in £'000	Accelerated capital allowances	Total	Accelerated capital allowances	Total
At 30 March 2019	(1,812)	(1,812)	(104)	(104)
Adjustment on initial application of IFRS 16	-	-	(5)	(5)
(Charge)/Credit to income statement	(401)	(401)	(5)	(5)
At 28 March 2020	(2,213)	(2,213)	(114)	(114)
Adjustment in respect of prior years	144	144	-	-
Charge to income statement	5	5	12	12
Movement arising from acquisition of business	(182)	(182)	-	-
At 27 March 2021	(2,246)	(2,246)	(102)	(102)

22 Share capital

Group and Company Issued and fully paid

	Number of ordinary shares	£'000
At 27 March 2021 and 28 March 2020	9,554,803	2,389

Potential issue of ordinary shares

Under the Group's long-term incentive plan for executive directors and senior executives, such individuals hold rights over ordinary shares that may result in the issue of up to 92,060 ordinary shares of 25p by August 2023 (2020: 52,163 ordinary shares of 25p by August 2022). There were no share options exercised in the period (2020: nil). Further information on directors share options can be seen in the Remuneration Committee Report.

	Options at 30 March 2019	Options granted in the period	Options exercised in the period	Options not expected to vest	Options lapsed in the period	Options at March 2020
Share options	52,163	48,352	nil	nil	(8,455)	92,060

The amount of gains made by Directors on no share options exercised in the year totalled £nil (2020: £nil).

The Statement of Comprehensive Income includes LTIP charges of £251,780 for the year in relation to Directors (2020: £255,885 credit).

23 Employees and directors

Staff costs during the period

All figures in £'000	Group 2021	Group 2020	Company 2021	Company 2020
Wages and salaries	22,761	25,567	2,678	4,284
Social Security costs	2,251	2,325	379	407
Pension costs (note 20)	2,287	2,496	786	898
Restructuring costs (note 27)	1,118	-	289	-
	28,417	30,388	4,132	5,589

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

All figures in Number	Full Time Equivalent		Headcount	
	2021	2020	2021	2020
James Cropper Paper Products	366	381	377	391
Colourform™	26	26	27	27
Technical Fibre Products	119	112	125	117
James Cropper PLC	62	65	84	91
	573	584	613	626

24 Business combinations

Acquisition of PV3 Technologies Limited

Technical Fibre Products Limited acquired 100% of the share capital of PV3 Technologies Limited on 18 January 2021 for a total fair value consideration of £2,588,000 on a debt and cash free basis.

PV3, established in 2011, is based in Launceston, Cornwall, and is a specialist in materials for electrochemical technologies.

The company develops and manufactures a range of products which include coated electrodes, high performance catalyst powders for use in fuel cells and electrolysis, as well as water electrolyser materials which improve system efficiency and durability, reducing the cost of green hydrogen.

PV3 serves a small number of customers, mainly within the hydrogen sector and is well placed to grow

within the hydrogen production market and has existing capacity in place to grow substantially. In addition to having complementary technologies to TFP, PV3 also shares the same emphasis on customer collaboration and product development. On 23 February 2021, the name of the Acquisition was changed from PV3 Technologies Limited to TFP Hydrogen Products Limited.

TFP Hydrogen Products Limited's revenue for the year ended 27 March 2021 was £862,659 with a loss after tax of £307,939. TFP

Hydrogen Products Limited's revenue of £59,797 and loss after tax of £199,878 since the date of acquisition have been included in the Consolidated Income statement (page 108).

Details of net assets acquired, as adjusted from book to fair value, are as follows:

All figures in £'000	Note	Book value	Revaluation	Fair value
Net assets acquired				
Property, plant and equipment	10	71	-	71
Intangible assets	9	-	957	957
Inventories		124	-	124
Trade and other receivables		207	-	207
Cash and cash equivalents		815	-	815
Total assets		1,217	957	2,174
Trade and other payables		(667)	-	(667)
Deferred tax liabilities		-	(183)	(183)
Total liabilities		(667)	(183)	(850)
Net assets acquired		550	774	1,324
Goodwill arising on acquisitions	8	-	-	1,264
Total consideration		-	-	2,588
Comprising				
Consideration paid in cash on 18 January 2021		-	-	1,600
PPA adjustments paid on 18 January 2021		-	-	190
Deferred consideration at fair value ²	16	-	-	397
Contingent consideration at fair value ³	16	-	-	401
Total consideration at fair value		-	-	2,588
Net cash outflow arising on acquisition				
Consideration paid in cash		-	-	1,790
Cash acquired		-	-	(815)
Transaction costs paid	27	-	-	384
Net cash paid per consolidated statement of cash flows				1,359

1 Transaction costs of £384k were charged to the consolidated income statement.

2 Deferred consideration of £400k is due to be paid by 27 October 2021 and has been discounted at the cost of debt (1.6%).

3 Contingent consideration is based on the formula defined in the Sales and Purchase Agreement and estimated to be £663k, discounted by the weighted average cost of capital (17%).

25 Capital commitments

All figures in £'000	Group 2021	Group 2020	Company 2021	Company 2020
Contracts placed for future capital expenditure not provided in the financial statements	730	4,172	3	119

Capital commitments include contracts placed by TFP totalling £430k (2020: £1.7m) for the extension of the factory and the new line 4.

26 Contingencies and post balance sheet events

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.

At the date of authorisation of these financial statements, the impact of the Covid-19 pandemic is ongoing.

For further details, please refer to the Chief Executives Review (pages 08 to 10) and the Chief Financial Officer's Review (pages 12 to 16).

27 Exceptional items

Period ended 27 March 2021	Group £'000	Company £'000
Restructuring costs ¹	1,118	289
Transaction costs ²	384	-
Exceptional items	1,502	289

1 The costs incurred during the restructuring of operations have been charged to the consolidated income statement under Employee benefit costs (note 23), considered exceptional due to being non-recurring costs.

2 The transaction costs incurred on the acquisition of PV3 Technologies Ltd (now known as TFP Hydrogen Products Ltd) by Technical Fibre Products Ltd on 18 January 2021 have been charged to the consolidated income statement under other expenses, considered exceptional due to being non-recurring costs.

28 Related party transactions

Group

The Group has taken advantage of the exemption not to disclose intra-group transactions that are eliminated on consolidation. TFP Hydrogen Products Ltd paid £5,500 to NRD Ventures Ltd, a company in which David Hodgson (Director of TFP Hydrogen Products Ltd) is a Director, for rental of premises in Launceston, Cornwall, used as the main premises for TFP Hydrogen Products Ltd.

Company

The Company paid £40,000 (2020: £40,000) to Sir James Cropper (Honorary President) for the use of reservoirs to supply water to the factory premises. The contract is based on a twenty year repairing lease with rent reviews every five years. The rent is negotiated through independent advisers representing each party. The Company paid £5,090 (2020: £240) to Ellergreen Group, a company in which M A J Cropper (Chairman and Non-Executive Director) is a Director, in the period for maintenance work. The Company paid £26,207 (2020: £16,416) to Ellergreen Group, a company in which M A J Cropper is a director, for imports of electricity from the hydro-electric plant owned and operated by the Trust.

The Company also has the following transactions with related entities:

2021

All figures in £'000	Management charges	Receivable / (Payable)	Loans and net intercompany funding
James Cropper Speciality Papers Limited	4,676	757	(7,345)
James Cropper Converting Limited	484	45	8,943
James Cropper 3D Products Limited	457	23	11,034
Technical Fibre Products Limited	1,659	268	16,652
James Cropper Overseas Trading Limited	-	57	-
	7,276	1,150	29,284

2020

All figures in £'000	Management charges	Receivable / (Payable)	Loans and net intercompany funding
James Cropper Speciality Papers Limited	5,647	617	(5,027)
James Cropper Converting Limited	-	62	9,429
James Cropper 3D Products Limited	429	(11)	9,981
Technical Fibre Products Limited	1,569	(8)	17,838
James Cropper Overseas Trading Limited	-	29	-
	7,645	690	32,220

Compensation for key management

In accordance with IAS 24, "Related Party Disclosures", key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, and includes directors (both executive and non-executive) of James Cropper PLC. The Board and those members of the executive committee who are not directors comprise the key management personnel of the Group. The remuneration of the directors is disclosed in the Report of the Remuneration Committee (page 56).

All figures in £'000	2021	2020
Salaries and fees	1,132	1,164
Short term employee benefits	148	161
Short term bonuses	-	200
Pension costs	70	71
Termination benefits	73	-
Total	1,423	1,596

The accompanying notes form part of the financial statements

2020 – 2021 Shareholder Information

Reporting

Interim Results announced and sent to

Ordinary Shareholders 10 November 2020

Final results announced 21 June 2021

Notification of AGM issued by 7 July 2021

Annual General Meeting - at TFP offices, Burneside Mills, Kendal, Wednesday 28 July 2021 at 11.00am.

Dividends on Ordinary Shares

No interim dividend paid. No

final dividend proposed.

Advisers Independent

Auditor

BDO LLP, Manchester

Tax Advisers

PriceWaterhouseCoopers LLP, Manchester

NOMAD & Stockbrokers

Shore Capital, London

Corporate Lawyers

DWF LLP, Manchester

Bond Dickinson, Newcastle upon Tyne

Registrars

Link Asset Services, Beckenham

Pension Adviser

Willis Towers Watson, Manchester

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