James Cropper Speciality Papers Limited

Report and financial statements

For the 52 week period ended

28 March 2020

Company Number 04690555

James Cropper Speciality Papers Limited

Report and financial statements
for the 52 week period ended 28 March 2020

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Directors

S A A Adams
P I Wild
I M Maddock

Secretary and registered office

J F Aldridge, Burneside Mills, Burneside, Kendal, LA9 6PZ

Company number

04690555

Auditors

BDO LLP, 3 Hardman Street, Spinningfields, Manchester, M3 3AT

James Cropper Speciality Papers Limited

Strategic report
for the 52 week period ended 30 March 2020

The directors present their strategic report together with the audited financial statements for the 52 week period 28 March 2020.

Business review

The Company reported an operating profit for the year of £1,430,000 (2019 – operating loss of £5,381,000). The Company's improved profitability is due to falling raw material prices and income received for services provided to other group companies.

Results for the Company show a pre-tax profit of £952,000 (2019 – a loss of £5,809,000) for the year and sales of £67,648,000 (2019 - £67,259,000).

Future developments

The Company has prudently selected a severe framework against which to build and action immediate plans when assessing a pessimistic view of COVID 19 on the business over the next two years. Whilst in the short term costs and cash are managed to ensure liquidity; the Company's objective through this period is to continue and accelerate growth plans, including: new product development to extend the range such as PaperGard and Biomaster which treats paper against cross contamination of bacteria which lend themselves to medical markets; volume growth; accelerate the introduction of new projects; and launch new ranges such as the Mill Collection.

Principal risks and uncertainties

The Company's operations expose it to a variety of financial, commodity based, operational and wider economic risks which are managed as part of the James Cropper PLC Group's risk management policies and procedures.

These include:

Covid-19 being the risk of renewed contagion, and or the risk of global failure to provide effective treatments or vaccines. The risk of these Covid-19 extended pandemic phases on our employees, our customers and the Group's financial stability. The Company is focussed on managing the crisis whilst getting ready for the future. Further protective measures can be taken should further downside arise.

Health and safety, being the risk of lost production time, reputational impact and penalties in the event of incidents involving our employees, contractors or property. The Company is part of an extensive Group wide health and safety programme built around ISO18001 and participates in a number of industry and workplace standard initiatives to manage this risk.

Energy price volatility being the risk of fluctuation in this key input cost impacting margins and investment decisions. The Company is represented as part of a Group wide gas purchasing committee who seek to secure the forward unit cost of gas in line with future demand.

Principal risks and uncertainties *(continued)*

Pulp price volatility and sustainability being the risk that price volatility on this key input cost cannot be passed on to customers in all cases and affect the Company's business assumptions, margins and investment decisions. The Company aims to maximise the recovery of paper price changes through timey commercial negotiations and recover costs via price increases use alternative fibre sources such as reclaimed fibre to mitigate some of the impact of virgin pulp costs.

Volatility in exchange rates impacting the Company's financial results as the company trades in euros and dollars, but reports its financial results in sterling. The Group treasury function operates a hedging programme to manage group wide exchange rate risk.

The risk that Brexit results in comparatively unfavourable terms compared to today's trading environment. The Group has planned for a hard Brexit scenario to mitigate this risk.

Extended interruption of the Group's IT services causing business disruption or regulatory penalties arising from information security and cyber risk. The Company is part of a Group wide programme focussed on information security to manage this risk.

The extent of these risks is regularly reviewed and assessed by the Directors at Group level. This process is considered to be effective given the way the Company and wider Group entities are operated and managed.

Key performance indicators ("KPIs")

The Directors monitor the performance of the Company by comparing actual monthly and year to date results against budget, quarterly forecast and prior year. In line with Group policy, key performance indicators include sales, earnings and profit before interest and tax, which can be determined from page 11.

Research and development

The Company invests in research and development to ensure that the range and quality of products are continually updated. In the period the company spent £1,988,000 on research and development (2019 - £1,988,000).

Employee involvement

A monthly briefing on performance is carried out for all employees. All employees have access to a copy of the Annual Report. As a matter of policy, plans are formally discussed with those who will use new equipment, plant and computer systems before designs are finalised. Safety improvement teams deal with day-to-day aspects of safety improvements. Departmental personnel meetings allow representatives to make valuable contributions on aspects of training, organisation and performance.

Employment of disabled people

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

Energy and Carbon

This is the first year that the Company has reported on the level of energy consumed in the UK and will be used to set targets to reduce the levels of carbon emissions and increase the use of renewable energy whilst ensuring we operate our assets to get the best value while maintaining security of supply.

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. This year we used 191.6GWh of energy, which will be used as our baseline year.

Energy efficiency action
During the year, further roof space was let to Burneside Community Energy Ltd to place more solar panels on our roof space with all solar energy generated purchased by the Company. In the year, 463,000kWh of renewable energy were purchased.

Energy Strategy
We are embarking on a programme to dramatically cut our carbon emissions significantly ahead of national decarbonisation targets.

Greenhouse gas emissions

Greenhouse gas emissions	**52 weeks ending 28 March 2020 (tCO_2e)**
Step 1 direct emissions	
Direct emissions from burning of fossil fuels	32,854
Transport: company owned leased vehicles	386
Total Scope 1 Direct emissions	**33,240**
Scope 2 Indirect emissions	
Grid electricity purchased	2,437
Scope 2 Indirect emissions	**2,437**
Gross carbon emissions	**35,677**
Avoided emissions from renewable electricity purchased	129
Total avoided emissions	129
Net carbon emissions	35,548

Greenhouse gas emissions intensity ratio	**52 weeks ending 28 March 2020 (tCO_2e)**
Carbon emissions per £100,000 revenue (tCO_2e)	54.69

s172 statement

The Company Directors manage its stakeholders as part of the Group Board's approach to managing stakeholders.

Engaging with our stakeholders is fundamental to the way we do business. We supply to customers across the globe to both small businesses and multinational organisations. Strong partnerships with our customers and suppliers are key to the success of our business, and have been through our 175 year history. Our employees are the lifeblood of our business and our most valuable resource. From new starters and graduates starting their work life to employees who have followed their family through several generations, every employee is key to the success of the business and in these unprecedented times, their health and wellbeing are a key factor we strive to protect. Being the largest 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.

s172 statement (continued)

On these pages you will find examples of how we considered our stakeholders when making key decisions during the year. 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 Employees

Our employees are our biggest asset and fundamental to the success of the Company. During these unprecedented times, the Group Board have ensured that the health and wellbeing of our employees is the highest of three key priorities for the protection of the business.

Employee safety is paramount and during the pandemic, as many employees as possible who could work from home have done so and at the same time significant changes to work practices have been implemented to ensure all our employees can work in a safe environment and ensure social distancing was adhered to at all times. However, where there were business activities that meant employees need to work in more confined areas, appropriate personal protective equipment was made available.

Employee updates

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. Regular consultative meetings are held with union representatives on all aspects of Group developments and on actions to be taken during the pandemic. The 2019 biennial employee survey resulted in 68% level of engagement.

Diversity and inclusion

Vacancies are advertised both internally and externally and are filled following a rigorous evaluation of candidates who possess the required balance of skills, knowledge and experience. The Group operates an equal opportunities policy that aims to treat individuals fairly and not to discriminate in any way. 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.

Training and development

Crucial to any successful company is diversity of thought, experience and background. James Cropper Speciality Papers Limited ensure its recruitment and employment practices are inclusive provide equal opportunities for all individuals to allow us to recruit, develop and retain the best people. As a company we believe we all deserve the opportunity to develop our skills and talents to our full potential, work in a safe, supportive and inclusive environment, and be fairly rewarded and recognised for our work and have a meaningful voice on matters that affect us.

Crafting our future

This initiative, starting with the "Big Listen" was attended by 368 employees with over 5,000 ideas and suggestions collected over four major topics of Vision; Communications, Relationships and Working Environment. This was the first phase of our four phase cultural change programme to enhance internal communications and employee engagement within the paper division to craft our future.

s172 statement (continued)

Our Shareholders

Board considerations

As a subsidiary of James Cropper PLC, the Company makes decisions about the management of stakeholders via the James Cropper PLC Group Board. All Board decisions are made with the Group's success in mind, which is ultimately for the long-term benefit of our members.

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 Cupcycling™ is an example 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 the James Cropper Group website.

Following the introduction of the supplier payment practice reports, we have amended our payment procedures to ensure that more suppliers are paid within agreed terms.

Our Community

The impact of our operations on the communities in which we work is an important consideration in our Board discussions. The Group's 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 £21,000 were made by the James Cropper Group 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.

Beyond the impact of Covid 19, the Group Board approved the second phase of solar panels to be installed. These panels are owned by Burneside Community Energy Ltd who sell all the power generated to the Group with any profits ploughed back into the local community.

In addition, the Group has supported the installation of a faster broadband network for the local community under the Broadband for the rural north (B4RN) provider.

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.

Approval

This strategic report was approved by order of the Board on 29 July 2020.

J F Aldridge
Secretary

The directors present their report together with the audited financial statements for the 52 week ended 28 March 2020.

Principal activities

The Company is a manufacturer of specialist papers and boards. It is a wholly owned subsidiary of James Cropper Plc.

Results and dividends

The results are set out on page 11. The Directors recommended the payment of a dividend of £Nil in the period (2019 - £Nil).

Post balance sheet events

At the date of authorisation of these financial statements the impact of the Covid-19 pandemic is ongoing. The Company has prepared a severe downside framework reflecting the impact of COVID-19 and agreed adjusted covenants with banks which are not breached under the COVID-19 downside scenario. At the date of writing the Company performs ahead of the COVID-19 downside scenario, is benefitting from COVID-19 related government support packages and has identified a number of further steps which can be taken should the downturn be prolonged or deteriorate beyond the downside framework including further capital expenditure freezes and overhead savings.

Directors and their interests

The directors of the company throughout the year were:

S A A Adams
P I Wild
I M Maddock

The interests of S A A Adams, P I Wild and I M Maddock who are Directors of the ultimate parent company, James Cropper Plc, are given in the Annual Report of that company.

Auditors

All of the directors as at the date of this report have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the company's auditor is unaware.

Approval

This Directors' Report was approved by order of the Board on 29 July 2020.

J F Aldridge
Secretary

James Cropper Speciality Papers Limited

Directors' responsibilities statement
for the 52 week period ended 28 March 2020

The Directors are responsible for preparing the Strategic Report, the Directors' 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS101 *Reduced Disclosure Framework.*

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Opinion

We have audited the financial statements of James Cropper Speciality Papers Limited ("the Company") for the 52 week period ended 28 March 2020 which comprise the comprise the statement of profit and loss account and other comprehensive income, the balance sheet, the 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 their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 28 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Director's report.

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

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

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, 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 determines 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 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

BDO LLP

Stuart Wood (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Manchester
United Kingdom

Date 29 July 2020

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

James Cropper Speciality Papers Limited

Statement of profit and loss account and other comprehensive income
for the 52 week period ended 28 March 2020

	Note	2020 £000	2019 £000
Turnover	2	**67,648**	67,259
Other income		**239**	336
Changes in stocks of finished goods and work in progress		**(1,294)**	305
Raw materials and consumables used		**(30,323)**	(35,278)
Energy costs		**(3,717)**	(4,857)
Staff costs	5	**(15,738)**	(15,173)
Depreciation		**(1,503)**	(1,308)
Other expenses		**(13,882)**	(16,665)
Operating profit/(loss)	4	**1,430**	(5,381)
Interest payable	3	**(478)**	(428)
Interest received		**-**	-
Profit/(loss) before taxation		**952**	(5,809)
Taxation	6	**(139)**	25
Profit/(loss) for the year and total comprehensive loss		**813**	(5,784)

There were no items of other comprehensive income in the current or prior year.

The notes on pages 11 to 31 form part of these financial statements.

James Cropper Speciality Papers Limited

Balance sheet
as at 28 March 2020

	Note	2020 £000	2019 £000
Fixed assets			
Intangible assets	7	-	-
Tangible assets	8	10,712	11,405
Right of use assets	9	1,175	-
Investments in subsidiary undertakings	10	88	88
		11,975	11,493
Current assets			
Stocks	11	8,900	10,630
Trade and other debtors	12	30,991	27,117
Current tax assets		183	550
Cash at bank and in hand		789	1,812
Total current assets		40,863	40,109
Current liabilities			
Trade and other creditors	13	(38,007)	(37,826)
Intercompany loans	14	(12,000)	(12,000)
Lease liabilities	14	(281)	(557)
Total current liabilities		(50,288)	(50,383)
Net current liabilities		(9,425)	(10,274)
Total assets less current liabilities		2,550	1,219
Non-current liabilities			
Deferred tax liabilities	15	(930)	(791)
Borrowings	14	(867)	(466)
Total non-current liabilities		(1,797)	(1,257)
Net assets/(liabilities)		753	(38)
Capital and reserves			
Share capital	16	5,000	5,000
Preference share capital		10	10
Share premium		1,074	1,074
Retained earnings		(5,331)	(6,122)
Shareholders' surplus/(deficit)		753	(38)

The financial statements were approved by the Board of Directors on 29 July 2020 and were signed on its behalf by:

S A A Adams
Director

The notes on pages 11 to 31 form part of these financial statements.

James Cropper Speciality Papers Limited

Statement of changes in equity
for the 52 week period ended 28 March 2020

	Note	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
At 1 April 2018		5,010	1,074	(338)	5,746
Loss for the financial year		-	-	(5,784)	(5,784)
At 30 March 2019		5,010	1,074	(6,122)	(38)
Adjustment on transition to IFRS16	1	-	-	(22)	(22)
At 31 March 2019		5,010	1,074	(6,144)	(60)
Profit for the financial year		-	-	813	813
At 28 March 2020		**5,010**	**1,074**	**(5,331)**	**753**

Upon adjustment to IFRS 16 the Company has made a £22,000 adjustment to opening reserves to reflect the difference in value between the value of right of use assets and associated lease liabilities.

The notes on pages 11 to 31 form part of these financial statements.

1 Accounting policies

James Cropper Speciality Papers Limited (the "Company") is a company incorporated in the UK.

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 periods presented, unless otherwise stated.

Basis of preparation

The accounting period for the Company is for the 52 week period ended 28 March 2020.

These financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company has taken the exemptions under FRS 101 available in respect of the following disclosures:

- The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 73(e), 79(a)(iv), 111, 118(e) and 134 to 136 of IAS 1 Presentation of Financial Statements,:
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS15 Revenue from Contracts with Customers
- The requirements of IAS 7 Statement of Cashflows;
- The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- The requirements of paragraphs 17 and 18A IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- The requirements of paragraphs 130(f)(ii). 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.
- Paragraphs 45(b) and 46 to 52 of IFRS2 'Share-based payment' (details of the number and weighted average exercise prices of options and how the fair value of goods and services received was determined); and
- IFRS7, 'Financial Instruments Disclosures'
- Information relating to new IFRS standards which have been issued but which are not yet effective, including an assessment of the possible impact that it will have when it is adopted for the first time (IAS 8.30-31).
- The requirements of paragraph 52,the second sentence of paragraph 89 and paragraphs 90,91 and 93 of IFRS 16 Leases.
- The requirements of paragraph 58 of IFRS 16

The financial statements contain information about James Cropper Speciality Papers Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertaking are included by full consolidation in the consolidated financial statements of James Cropper Plc, a company registered in England and Wales.

The financial statements are prepared on the historical cost basis of accounting except where IFRS requires assets and liabilities to be measured at fair value.

In these financial statements the balance on retained earnings has been adjusted to reflect the change in the Company's practice following the adoption of IFRS16 "Leases" with regards to recognising revenue when control of the products is passed to the customer.

The financial statements have been prepared on a going concern basis.

1 Accounting policies *(continued)*

Basis of preparation continued

The Company's cash is managed by the Group and the Group's funding position is described in detail in the Annual Report for James Cropper Plc.

Turnover recognition

The Company has applied IFRS 15, Revenue from contract with customers. Revenue represents income derived from contracts for the provision of goods by the Company to customers in exchange for consideration in the ordinary course of the Company'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 a series of distinct goods 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 being specialist papers and boards.

Revenue is recognised when:

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

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

Foreign currencies

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Balance Sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Profit and Loss Account. 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.

Investments

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

1 Accounting policies *(continued)*

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 when 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.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided on all tangible fixed assets, 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
Fixtures, fittings, plant and machinery	-	4-20 years

Residual values and useful lives are reviewed annually.

Stocks

Stocks 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 stocks.

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 profit and loss account and other comprehensive income in the period to which they relate.

Leasing

The Company has adopted IFRS 16 from 31 March 2019 using a modified retrospective transition approach, under which the cumulative effect of initial application is recognised in retained earnings at 31 March 2019. The comparative information presented for the period ended 30 March 2019 has not been restated.

The main impact of IFRS 16 for the Company 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 Company's right to use the underlying leased assets.

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%.

1 Accounting policies *(continued)*

Leasing (continued)

For any new contracts entered into on or after 31 March 2019, the Company 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 Company 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 Company;
- the Company 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 Company 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 Company classified its 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 the 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 as at 30 March 2019	472
Minimum lease payments under non-cancellable finance leases as at 30 March 2020	1,023
Discounted using the incremental borrowing rate as at 31 March 2019	(44)
Lease liabilities recognised under IFRS 16 as at 31 March 2019	1,451

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.

	£000
Assets	
Property plant and equipment	(3,195)
Right of use assets	3,601
Liabilities	
Lease liabilities	1,451
Finance leases	(1,023)
Equity	
Retained earnings	(22)

1 Accounting policies *(continued)*

Taxation

Tax on the statement of profit and loss account and other comprehensive income for the period comprises current and deferred tax. Tax is recognised in the statement of profit and loss account and other comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Taxation (continued)

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 Balance Sheet date.

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

Research and development tax credit

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

Financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at each Balance Sheet date. The resulting gain or loss on re-measurement is recognised in the Profit and Loss Account, unless hedge accounting is applicable. There were no material balances at the period end.

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

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

The Company applies IFRS 9 Financial Instruments and therefore applies the expected credit loss model when assessing impairment of financial assets. The Company applies the simplified model to recognise expected lifetime losses on its trade receivables.

Cash

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 Balance Sheet.

1 Accounting policies *(continued)*

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 profit and loss account and other comprehensive income over the period of the borrowings using the effective interest method.

Interest

Interest is recognised in the statement of profit and loss account and other comprehensive income on an accruals basis using the effective interest method.

Trade and intercompany debtors

Trade and intercompany debtors are recorded at their initial fair value after appropriate revision of impairment. A provision for impairment is calculated using an expected credit loss impairment model. Under this impairment model approach, per IFRS 9, it is not necessary for a credit event to have occurred before credit losses are recognized. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses is updated at each reporting date. To measure expected credit losses the Company 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.

Trade and intercompany creditors

Trade and intercompany creditors are stated at their fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Capital management

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

The 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 Company may adjust the amount of any dividend paid to the shareholder, return capital to the shareholder, issues new shares, or sell assets to reduce debt. The Company is not subject to any externally imposed capital requirements. There have been no material changes in the management of capital during the period.

Going concern

The financial statements have been prepared on a going concern basis under the historical cost convention. In determining the appropriate basis of preparation, the impact of the Covid 19 pandemic has been the major consideration. The Directors have 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, have prepared a severe downside forecast reflecting the COVID-19 scenario for the next two financial years to provide a framework for informing the Company's strategic response and have used this to agree adjusted covenants with banks, of which the severe downside forecast do not breach these covenants. Following this review of the Company's operating forecasts, investment plans and financing arrangements, the Director's consider that the Company has sufficient financing available at the date of approval of this report. Accordingly, the Directors are satisfied that it is appropriate to adopt the going concern basis in preparing the financial statements.

1 Accounting policies *(continued)*

The key use of estimates and judgements are outlined below:

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 turnovers and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The following are the policies and accompanying notes are where the assumptions and judgements made by management could have a material impact on the Company's financial statements.

Note 7 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, if any. The policy requires the estimate of the useful life which in turn determines the annual amortisation charge and could affect Company profit.

Note 8 Tangible fixed assets

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

Note 11 Stocks

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

Note 12 Trade debtors

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

Impairment of assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indication of impairment exists, the Company 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.

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.

2 Turnover

	2020 £000	2019 £000
Sale of goods	**69,582**	68,956
Freight received on sales	**120**	79
Allowances	**(116)**	(56)
Rebates	**(1,938)**	(1,720)
	67,648	67,259
Turnover by geographical area:		
United Kingdom	**36,718**	40,165
Europe	**17,625**	15,800
Asia	**8,860**	7,000
The Americas	**3,973**	3,819
Rest of world	**472**	475
	67,648	67,259

All revenue is recognised at a point in time.

3 Finance costs

	2020 £000	2019 £000
Interest payable:		
Intercompany loan interest	**431**	390
Interest payable on lease liabilities	**47**	38
	478	428
Finance costs – net	**478**	428

4 Loss before tax

The following items have been included in arriving at loss before tax:	2020 £000	2019 £000
Inventory recognised as an expense (see note 11)	57,590	35,278
Impairment of stock balances (see note 11)	1,027	226
Staff costs (see note 5)	15,738	15,173
Depreciation of tangible fixed assets:		
- owned assets	1,013	977
- leased assets	490	331
Amortisation of intangibles	-	1
(Profit) on disposal of fixed assets	-	(12)
Trade debtors impairment	68	12
Operating lease commitments	-	177
Repairs and maintenance expenditure on tangible fixed assets	-	3,313
Research and development tax credit	(239)	(335)
Research and development expenditure	1,988	1,988
Foreign exchange differences	68	(22)
Auditors' remuneration:		
Fees the audit of the company	24	24

Amounts receivable by the Company's auditor and its associates in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the financial statements of the Company's parent, James Cropper Plc.

5 Employees and directors

Staff costs consist of:	2020 £000	2019 £000
Wages and salaries	13,455	12,986
Social security costs	1,233	1,212
Other pension costs	1,050	975
	15,738	15,173

The average monthly number of employees during the year were:	2020 Number	2019 Number
Production	270	248
Admin	85	93
	355	341

Directors' emoluments during the year:	£000	£000
Directors' emoluments	578	490
Pension costs	28	16
	606	506

In both the current and the prior period the directors' emoluments were borne by James Cropper Plc, the figures in this note show a representative split based on turnover.

6 Taxation

	2020 £000	2019 £000
Current tax:		
United Kingdom corporation tax on profits for the year	-	-
Adjustment in respect of prior period current tax	-	-
Total current tax	-	-
Deferred tax:		
Current period	95	(34)
Adjustments in respect of prior period	(44)	6
Effects of changes in tax rate	88	3
Total deferred tax (note 15)	139	(25)
Total tax charge/(credit)	139	(25)

The tax for the year is lower (2019 - higher) than the standard rate of corporation tax in the UK 19% (2019 - 19%). The differences are explained below:

	2020 £000	2019 £000
Profit/(loss) before tax	952	(5,809)
Profit/(loss) multiplied by rate of corporation tax in the UK of 19% (2019 - 19%)	181	(1,104)
Effects of:		
Adjustments to tax in respect of prior period	(44)	6
Group relief unpaid	(93)	1,049
Non-deductible/non-taxable items	7	20
Effects of changes in tax rates	88	4
Total tax charge/(credit) for the year	139	(25)

7 Intangible fixed assets

	Computer software £000
Cost	
At 31 March 2019	18
At 28 March 2020	18
Accumulated amortisation	
At 31 March 2019	18
At 28 March 2020	18
Net book value	
At 28 March 2020	-
At 30 March 2019	-

	Computer software £000
Cost	
At 1 April 2018	18
Additions	-
At 30 March 2019	18
Accumulated amortisation	
At 1 April 2018	17
Charge for the year	1
At 30 March 2019	18
Net book value	
At 30 March 2019	-
At 31 March 2018	1

8 Tangible fixed assets

	Freehold land and buildings £	Fixtures, fittings, plant and machinery £	Total £
Cost			
At 30 March 2019	**4,769**	**61,950**	**66,719**
Adjustments on transition to IFRS 16	-	(4,843)	(4,843)
At 31 March 2019	4,769	57,107	61,876
Additions	13	1,116	1,129
Transfers	-	9	9
Transfers from right-of use assets	-	4,117	4,117
At 28 March 2020	4,782	62,349	67,131
Accumulated depreciation			
At 30 March 2019	**3,740**	**51,574**	**55,314**
Adjustments on transition to IFRS 16	-	(1,648)	(1,648)
At 31 March 2019	3,740	49,926	53,666
Charge for the year	81	932	1,013
Transfers from right-of use assets	-	1,740	1,740
At 28 March 2020	3,821	52,598	56,419
Net book value			
At 28 March 2020	**961**	**9,751**	**10,712**
At 30 March 2019	1,029	10,376	11,405

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 £3,195,000 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.

8 Tangible fixed assets *(continued)*

	Freehold land and buildings £	Fixtures, fittings, plant and machinery £	Total £
Cost			
At 1 April 2018	4,661	60,364	65,025
Additions	108	1,691	1,799
Disposals	-	(105)	(105)
At 30 March 2019	4,769	61,950	66,719
Accumulated depreciation			
At 1 April 2018	3,663	50,447	54,110
Charge for the year	77	1,231	1,308
Disposals	-	(104)	(104)
At 30 March 2019	3,740	51,574	55,314
Net book value			
At 30 March 2019	1,029	10,376	11,405
At 31 March 2018	998	9,917	10,915

9 Right of use assets

	Freehold land and buildings £000	Fixtures, fittings, plant and machinery £000	Total £000
Cost			
Recognition of right-of-use assets on initial application of IFRS 16 on 31 March 2019	406	4,843	5,249
Additions	441	-	441
Disposals	(23)	-	(23)
Transfers to property, plant & equipment	-	(4,117)	(4,117)
At 28 March 2020	824	725	1,550
Accumulated depreciation			
Recognition of right-of-use assets on initial application of IFRS 16 on 31 March 2019	-	1,648	1,648
Charge for the period	150	340	490
Transfers to property, plant & equipment	-	(1,740)	(1,740)
Disposals	(23)	-	(23)
At 28 March 2020	127	248	375
Net book value			
At 28 March 2020	**697**	**477**	**1,175**
At 31 March 2019	406	3,195	3,601

The Company has initially applied IFRS 16 on 31 March 2019, which requires the recognition of right-of-use assets in relation to the Company's lease liabilities. As a result, on 31 March 2019, the Company recognised right-of-use assets with a net book value of £3,601,000 related to those lease liabilities. The Company has applied IFRS 16 using the modified retrospective approach, under which comparative information is not restated.

Assets where ownership is transferred to the Company upon completion of the lease liability are transferred into Property, plant and equipment (note 8).

10 Investments

The Company has a Chinese subsidiary, James Cropper (Guangzhou) Trading Co. Ltd, registered office - Level 54 Guangzhou IFC, 5 Zhujiang Road West, Zhujiang New Town, Guangzhou, 510623 China, through which it reports its sales operations in China. The investment of RMB 900,000 (2019 - RMB 900,000) has been recorded at cost and represents 100% of the ordinary share capital of James Cropper (Guangzhou) Trading Co. Ltd. issued in 2017. In the opinion of the Directors, the value of the investment is worth not less than its book value. The sterling equivalent value of this investment is £88,000.

11 Stocks

	2020 £000	2019 £000
Raw materials	**3,733**	3,787
Work-in-progress	**1,852**	2,489
Finished goods	**3,315**	4,354
	8,900	10,630

Stocks are stated after a provision for impairment of £1,027,000 (2019 - £751,000).

The cost of stocks recognised as expenses and included in cost of sales for the year ended 30 March 2020 is £57,590,000 (2019 - £35,278,000).

12 Trade and other debtors

	2020 £000	2019 £000
Trade debtors	**9,305**	9,860
Less: provision for impairment of debtors	**(147)**	(90)
Trade debtors – net	**9,158**	9,770
Amounts owed by group undertakings	**21,552**	17,065
Prepayments	**280**	234
Other debtors	**1**	48
	30,991	27,117

Amounts owed by group undertakings are due on demand and interest free.

All amounts within debtors are due within one year.

13 Trade and other creditors; amounts falling due within one year

	2020 £000	2019 £000
Trade creditors	**2,465**	2,568
Amounts owed to group undertakings	**30,817**	30,053
Other tax and social security creditor	**305**	327
Accruals	**4,420**	4,878
	38,007	37,826

Amounts owed to group undertakings are due on demand and interest free.

14 Borrowings

	2020 £000	2019 £000
Current:		
Intercompany loans	**12,000**	12,000
Lease liabilities	**281**	557
	12,281	12,557

The intercompany loans are unsecured and are repayable 12 months from the date of drawdown. There is a formal loan agreement in place stating interest is charged at 3.6% (2019 – 3.25%).

	2020 £000	2019 £000
Non-current:		
Lease liabilities	**867**	466

15 Deferred taxation

The movement on the deferred tax account is shown below:

	2020 £000	2019 £000
At 31 March 2019	**791**	816
Charge/(credit) for the year	**139**	(25)
At 28 March 2020	**930**	791

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same legal jurisdiction as required by IAS 12) during the period are shown below:

	Accelerated capital allowances £000
Deferred tax liabilities:	
At 31 March 2019	791
Income statement charge (note 6)	139
At 28 March 2020	**930**

16 Share capital

	2020 £000	2019 £000
Issued and fully paid		
5,000,001 (2019 – 5,000,001) ordinary shares of £1 each	**5,000**	5,000
1,023,275 (2019 – 1,023,275) ordinary shares of £0.01 each	**10**	10

The preference shares are irredeemable and confer no contractual right to a dividend.

17 Capital commitments

	2020 £000	2019 £000
Contracts placed for future capital expenditure not provided in the financial statements	**2,283**	636

18 Contingent liabilities

A group right of set off exists between the overdrafts of the Company, its parent company, James Cropper Plc, and its fellow subsidiaries, Technical Fibre Products Limited, James Cropper Converting Limited and James Cropper 3D Products Limited. The fair value of the contingent liability is determined to be nil.

19 Ultimate parent undertaking and controlling party

The ultimate parent company and ultimate controlling party is James Cropper Plc, a company registered in England and Wales, and which has prepared group accounts incorporating the results of James Cropper Speciality Papers Limited. Copies of these accounts can be obtained from Burneside Mills, Kendal, Cumbria, LA9 6PZ.

20 Related party transactions

The Company has taken advantage of the exemption included in FRS 101 and has not disclosed transactions with other wholly owned members of the Group headed by James Cropper PLC.

Key management personnel include all company directors who together have authority and responsibility for planning, directing and controlling the activities of the Company.