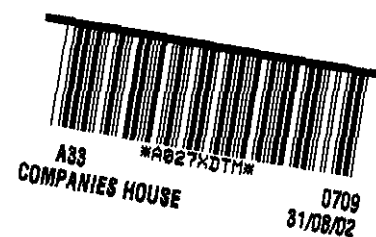


The Paper Mill Shop Company Limited
Annual Report and Accounts
for the 52 weeks ended 30 March 2002

Registered Number: 4051783



The Paper Mill Shop Company Limited
Annual Report and Accounts
for the 52 weeks ended 30 March 2002
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The Paper Mill Shop Company Limited

Directors' report for the 52 weeks ended 30 March 2002

The directors present their report and the audited financial statements of the company for the 52 weeks ended 30 March 2002.

Principal activities

The principal activity of the company is the retailing of paper and associated products. It is a wholly owned subsidiary of James Cropper PLC.

Future developments

The directors expect that the present level of activity will be maintained for the foreseeable future.

Results and dividends

The results are set out on page 4. The directors do not recommend the payment of a dividend (2001: £Nil).

Directors and their interests

The directors who held office during the period are given below:

N A Read (Chairman)

A I Lewis

The interests of the above, both of whom are directors of ultimate parent company, James Cropper PLC, are given in the annual report of that company.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period that 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. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the 52 weeks ended 30 March 2002 and that applicable accounting standards have been followed.

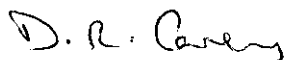
The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Paper Mill Shop Company Limited

Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board



D R Carey
Secretary

18 June 2002

The Paper Mill Shop Company Limited

Independent auditors' report to the members of The Paper Mill Shop Company Limited

We have audited the financial statements which comprise the profit and loss account, balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

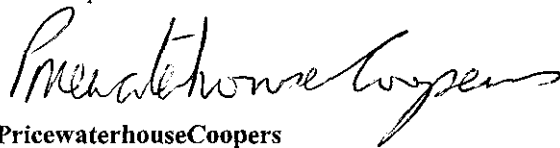
Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 30 March 2002 and of its profit for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

Newcastle upon Tyne

18 June 2002

The Paper Mill Shop Company Limited

Profit and loss account for the 52 weeks ended 30 March 2002

			2002	Period ended 31 March 2001
	Note	£	£	£
Turnover – continuing operations			688,091	249,898
Raw materials and consumables		(177,154)		(60,707)
Other external charges		(236,147)		(157,273)
Staff costs		(106,726)		-
Depreciation		(18,381)		(4,830)
Other operating charges		(55,762)	(594,170)	(89,231)
Operating profit/(loss) – continuing operations	1		93,921	(62,143)
Interest payable and similar charges	4		(5,811)	(2,246)
Profit/(loss) on ordinary activities before taxation			88,110	(64,389)
Tax on profit/(loss) on ordinary activities	5		(16,661)	(3,574)
Retained profit/(loss) for the financial period	13		71,449	(67,963)

The company has no recognised gains or losses other than the profit above and therefore no separate statement of total recognised gains and losses has been presented.

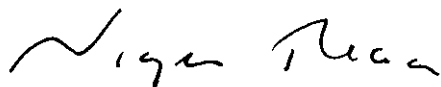
There is no difference between the reported profit/(loss) on ordinary activities before taxation and the profit/(loss) for the period stated above and their historical cost equivalents.

The Paper Mill Shop Company Limited

Balance sheet as at 30 March 2002

		2002	2001
	Note	£	£
Fixed assets			
Tangible assets	7	194,330	99,810
Current assets			
Stock	8	80,865	72,815
Debtors	9	34,081	10,605
Cash at bank and in hand		372	55
		115,318	83,475
Creditors - Amounts falling due within one year	10	(300,426)	(247,673)
Net current liabilities		(185,108)	(164,198)
Total assets less current liabilities		9,222	(64,388)
Deferred taxation	11	(5,735)	(3,574)
Net assets/(liabilities)		3,487	(67,962)
Capital and reserves			
Called up equity share capital	12	1	1
Profit and loss account	13	3,486	(67,963)
Total equity shareholder's funds/(deficit)	14	3,487	(67,962)

The financial statements on pages 4 to 12 were approved by the board of directors on 18 June 2002 and were signed on its behalf by:



N A Read
Director

The Paper Mill Shop Company Limited

Accounting policies

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards. The comparative amounts represent the results from 11 August 2000, being the date of incorporation, to 31 March 2001, and the financial position as at 31 March 2001.

Turnover

Turnover represents sales invoiced to customers and excludes value added tax.

Depreciation

Depreciation is provided on a straight line basis to write off the cost of the assets over their estimated useful lives, which are as follows:

Plant and machinery - between 4 to 20 years

Stocks

Stocks are stated at the lower of cost or net realisable value.

Deferred taxation

The company's accounting policy for deferred taxation is in line with FRS 19. Deferred tax is provided on timing differences where the company has an obligation to pay more tax in future as a result of the reversal of those timing differences.

Cashflow statement

The company is a wholly owned subsidiary of James Cropper PLC and is included in the consolidated financial statements of that company, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cashflow statement under the terms of Financial Reporting Standard 1 (Revised 1996).

Pensions

James Cropper PLC operates defined benefit retirement schemes covering full time employees of James Cropper PLC and The Paper Mill Shop Company Limited. Contributions to the schemes are based on the cost of providing pensions across the participating companies. Costs are not defined for each individual company. Contributions payable by The Paper Mill Shop Company Limited are charged to the profit and loss account in the period they fall due.

The Paper Mill Shop Company Limited

Notes to the financial statements for the 52 weeks ended 30 March 2002

1 Operating profit/(loss)

	2002	2001
	£	£
The operating profit/(loss) is stated after charging:		
Depreciation of tangible fixed assets	18,381	4,830

2 Staff costs

	2002	2001
	£	£
Wages and salaries	96,781	-
Social security costs	5,570	-
Other pension costs	4,374	-
	106,725	-

The average number of persons employed by the company during the period was 4 (2001: Nil).

3 Directors' emoluments

No directors' emoluments were payable in the period. Both directors of the company are also directors of the ultimate parent undertaking, James Cropper PLC, and details of their remuneration from the group are given in the annual report of that company.

4 Interest payable and similar charges

	2002	2001
	£	£
Interest payable on bank overdraft	5,811	2,246

The Paper Mill Shop Company Limited

5 Tax on profit/(loss) on ordinary activities

(a) Analysis of charge in the period	2002	2001
	£	£
Current tax		
United Kingdom corporation tax on profits of the period	14,500	-
Total current tax	14,500	-
Deferred tax		
Origination and reversal of timing differences	2,161	3,574
Tax on profit/(loss) on ordinary activities	16,661	3,574

(b) Factors affecting tax charge for the period	2002	2001
	£	£
Profit/(loss) on ordinary activities before tax	88,110	(64,389)
Profit on ordinary activities multiplied by relevant tax rate	17,622	(12,878)
Expenses not deductible for tax purposes	1,775	2,107
Capital allowances for period in excess of depreciation	(4,897)	(3,574)
Tax losses utilised	-	14,345
Total current tax	14,500	-

(c) Factors that may affect future tax charges

There are no factors that are expected to significantly affect the taxation charge in future years.

6 Pensions

(a) SSAP 24 disclosures

The James Cropper PLC group operates funded pension schemes providing defined benefits for the majority of its full time employees including executive directors in which this company participates.

The James Cropper PLC Works Pension Plan and the James Cropper PLC Staff Pension Scheme were valued respectively using the projected unit method on 6 April 2000 and 1 April 2000 by professionally qualified actuaries.

At the respective dates of valuation the actuarial value of the funds represented 93% and 105% respectively of the benefits that had accrued to members after allowing for expected future increases in earnings.

The Paper Mill Shop Company Limited

The principal actuarial assumptions used in the valuation were:

	Staff Scheme	Works Scheme
Average annual rate of interest	7.0%	6.5%
Average annual increase in total pensionable earnings	5.0%	5.0%
Average annual increase in pension payments	3.5%	3.5%

The aggregate values of the funds as at the dates of their last actuarial valuations were £18,856,000 for the Works Scheme and £20,644,000 for the Staff Scheme.

(b) FRS 17 disclosures

The company participates in defined benefit schemes operated by its immediate parent undertaking, James Cropper PLC. However, the contributions paid by the company are accounted for as if the schemes were defined contribution schemes, as the company is unable to identify its share of the underlying assets and liabilities in the scheme. The cost of contributions to the group schemes amount to £4,374 (2001: £nil) and are based on pension costs across the group as a whole.

An approximate actuarial valuation of the schemes was undertaken on 30 March 2002 and a net pension liability of £296,000 was identified.

7 Tangible fixed assets

	Fixtures and fittings £
Cost	
At 1 April 2001	104,640
Additions	110,428
Transfers from group companies	4,271
At 30 March 2002	219,339
Accumulated depreciation	
At 1 April 2001	4,830
Charge for the period	18,381
Transfers from group companies	1,798
At 30 March 2002	25,009
Net book amount	
At 30 March 2002	194,330
At 31 March 2001	99,810

The Paper Mill Shop Company Limited

8 Stocks

	2002	2001
	£	£
Goods held for resale	80,865	72,815

9 Debtors

	2002	2001
	£	£
Amounts due from group undertakings	-	631
Prepayments and accrued income	34,081	9,974
	34,081	10,605

10 Creditors - Amounts falling due within one year

	2002	2001
	£	£
Bank overdraft	138,976	184,021
Trade creditors	17,731	25,249
Accruals and deferred income	31,190	19,891
Corporation tax	14,500	-
Taxation and social security	618	-
Amounts owing to group undertakings	97,411	18,512
	300,426	247,673

A group right of set off exists between the overdrafts of the company, its parent company, James Cropper PLC, and its fellow subsidiary, Technical Fibre Products Limited.

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11 Deferred taxation

	2002	2001
	£	£
Accelerated capital allowances	5,735	3,574
Provision at start of period	3,574	
Deferred tax charge in profit and loss account for period (note 5)	2,161	
Provision at end of period	5,735	

12 Called up equity share capital

	2002	2001
	£	£
Authorised:		
100 ordinary shares of £1 each	100	100
Allotted and fully paid:		
1 ordinary share of £1 each	1	1

13 Profit and loss account

	£
At 1 April 2001	(67,963)
Profit for the period	71,449
At 30 March 2002	3,486

The Paper Mill Shop Company Limited

14 Reconciliation of movement in shareholder's funds

	2002	2001
	£	£
Profit/(loss) for the financial year	71,449	(67,963)
Net proceeds of issue of ordinary share capital	-	1
Net charge in equity shareholder's funds	71,449	(67,962)
Opening shareholder's funds	(67,962)	-
Closing shareholder's funds	3,487	(67,962)

15 Ultimate parent undertaking and related party disclosures

The ultimate parent undertaking and controlling party is James Cropper PLC, which is the parent of the smallest and largest group to consolidate these financial statements. Copies of James Cropper PLC financial statements can be obtained from the Company Secretary at Burneside Mills, Kendal, Cumbria.

Transactions with the ultimate parent undertaking and other group companies are not disclosed as the company has taken advantage of the exemption available under Financial Reporting Standard No 8 "Related Party Disclosures".