

The Paper Mill Shop Company Limited  
Annual Report and Accounts  
for the 52 weeks ended 27 March 2004

Registered Number: 4051783



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for the 52 weeks ended 27 March 2004  
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# **The Paper Mill Shop Company Limited**

## **Directors' report for the 52 weeks ended 27 March 2004**

The directors present their report and the audited financial statements of the company for the 52 weeks ended 27 March 2004.

### **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 (2003: £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 27 March 2004 and that applicable accounting standards have been followed.

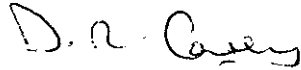
The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets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

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

By order of the Board

A handwritten signature in dark ink, appearing to read "D. R. Carey". The signature is written in a cursive, slightly stylized font.

D R Carey  
Secretary

14 July 2004

# **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, the 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. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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.

### **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 27 March 2004 and of its profit for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.



**PricewaterhouseCoopers LLP**

Chartered Accountants and Registered Auditors

Newcastle upon Tyne

14 July 2004

# The Paper Mill Shop Company Limited

## Profit and loss account for the 52 weeks ended 27 March 2004

|  |      |       | 2004         | 2003         |
|--|------|-------|--------------|--------------|
|  | Note | £'000 | £'000        | £'000        |
| <b>Turnover – continuing operations</b>              |      |       | <b>2,920</b> | <b>1,344</b> |
| Raw materials and consumables                        |      | (963) |              | (399)        |
| Other external charges                               |      | (906) |              | (530)        |
| Staff costs  | 2    | (515) |              | (275)        |
| Depreciation   |      | (107) |              | (46)         |
| Other operating charges                              |      | (172) | (2,663)      | (1,321)      |
| <b>Operating profit - continuing operations</b>      | 1    |       | <b>257</b>   | <b>23</b>    |
| Interest payable and similar charges                 | 4    |       | (15)         | (7)          |
| <b>Profit on ordinary activities before taxation</b> |      |       | <b>242</b>   | <b>16</b>    |
| Tax on profit on ordinary activities                 | 5    |       | (21)         | (8)          |
| <b>Retained profit for the financial period</b>      | 13   |       | <b>221</b>   | <b>8</b>     |

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.

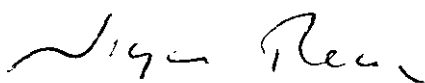
There is no difference between the reported profit on ordinary activities before taxation and the retained profit for the financial period stated above and their historical cost equivalents.

# The Paper Mill Shop Company Limited

## Balance sheet as at 27 March 2004

|   |      |       | 2004         | 2003         |
|---|------|-------|--------------|--------------|
|   | Note | £'000 | £'000        | £'000        |
| <b>Fixed assets</b>                             |      |       |              |              |
| Tangible assets                                 | 7    |       | 574          | 406          |
| <b>Current assets</b>                           |      |       |              |              |
| Stocks  | 8    | 297   |              | 180          |
| Debtors   | 9    | 147   |              | 111          |
|   |      |       | 444          | 291          |
| Creditors - Amounts falling due within one year | 10   |       | (753)        | (672)        |
| <b>Net current liabilities</b>                  |      |       | <b>(309)</b> | <b>(381)</b> |
| <b>Total assets less current liabilities</b>    |      |       | <b>265</b>   | <b>25</b>    |
| Deferred taxation                               | 11   |       | (33)         | (14)         |
| <b>Net assets</b>                               |      |       | <b>232</b>   | <b>11</b>    |
| <b>Capital and reserves</b>                     |      |       |              |              |
| Called up equity share capital                  | 12   |       | -            | -            |
| Profit and loss account                         | 13   |       | 232          | 11           |
| <b>Total equity shareholder's funds</b>         | 14   |       | <b>232</b>   | <b>11</b>    |

The financial statements on pages 4 to 12 were approved by the board of directors on 14 July 2004 and were signed on its behalf by:



N A Read  
Director

# **The Paper Mill Shop Company Limited**

## **Accounting policies**

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards. The principal accounting policies are set out below:

### **Turnover**

Revenue is recognised at point of sale to the customer 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:

Fixtures and fittings                      -                      between 4 to 20 years

### **Stocks**

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

### **Deferred taxation**

Deferred tax is provided on timing differences where the group has an obligation to pay more tax in future as a result of the reversal of those timing differences, at rates expected to apply when they crystallise based on current tax rates and law. Deferred tax assets and liabilities are not discounted.

### **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 the majority of 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.

### **Leases**

Operating lease rentals are charged to the profit and loss account in the period to which they relate.

Incentives received by the company to enter into leases are credited to the profit and loss account evenly, over the lease term or if shorter the period to the next rent review.



# The Paper Mill Shop Company Limited

## Notes to the financial statements for the 52 weeks ended 27 March 2004

### 1 Operating profit

|  | 2004<br>£'000 | 2003<br>£'000 |
|--|---------------|---------------|
| The operating profit is stated after charging: |               |               |
| Depreciation of tangible fixed assets          | 107           | 46            |
| Auditors' remuneration - audit services        | 2             | 2             |
| Operating lease rentals - land and buildings   | 204           | 98            |

### 2 Staff costs

|                       | 2004<br>£'000 | 2003<br>£'000 |
|-----------------------|---------------|---------------|
| Wages and salaries    | 470           | 250           |
| Social security costs | 33            | 16            |
| Other pension costs   | 12            | 9             |
|                       | 515           | 275           |

The average number of persons employed by the company during the period was 49 (2003: 24).

### 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

|                                    | 2004<br>£'000 | 2003<br>£'000 |
|------------------------------------|---------------|---------------|
| Interest payable on bank overdraft | 15            | 7             |

# The Paper Mill Shop Company Limited

## 5 Tax on profit on ordinary activities

| (a) Analysis of charge in the period                    | 2004      | 2003     |
|---|-----------|----------|
|   | £'000     | £'000    |
| <b>Current tax</b>                                      |           |          |
| United Kingdom corporation tax on profits of the period | -         | -        |
| Adjustments in respect of prior periods                 | 2         | -        |
| <b>Total current tax</b>                                | <b>2</b>  | <b>-</b> |
| <b>Deferred tax</b>                                     |           |          |
| Origination and reversal of timing differences          | 19        | 8        |
| <b>Tax on profit on ordinary activities</b>             | <b>21</b> | <b>8</b> |

### (b) Factors affecting tax charge for the period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK. The differences are explained below:

|  | 2004     | 2003     |
|--|----------|----------|
|  | £'000    | £'000    |
| Profit on ordinary activities before tax   | 242      | 16       |
| Profit on ordinary activities multiplied by standard rate of taxation in the UK of 30% (2003: 19%) | 72       | 3        |
| <i>Effects of:</i>   |          |          |
| Expenses not deductible for tax purposes   | 17       | 5        |
| Capital allowances for period in excess of depreciation  | (10)     | (8)      |
| Group relief not paid  | (79)     | -        |
| Adjustments in respect of previous periods   | 2        | -        |
| <b>Total current tax</b>   | <b>2</b> | <b>-</b> |

### (c) Factors that may affect future tax charges

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

# The Paper Mill Shop Company Limited

## 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 2003 and 1 April 2003 by professionally qualified actuaries.

The principal actuarial assumptions used in the valuation were:

|   | Works Scheme | Staff Scheme |
|---|--------------|--------------|
| Average annual rate of interest                       | 6.6%         | 5.9%         |
| Average annual increase in total pensionable earnings | 4.0%         | 4.0%         |
| Average annual increase in pension payments           | 3.0%         | 3.0%         |

The market value of assets in the Staff Scheme and Works Scheme at the date of the last valuation were £13,668,000 and £15,012,000.

On a current funding level basis the Staff Scheme and the Works Scheme had funding levels of 78% and 76% and showed deficits of £4,372,000 and £4,652,000 respectively. The actuaries recommend that the deficits should be eliminated over a period of no greater than seventeen years.

### (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 £12,000 (2003: £9,000) and are based on pension costs across the group as a whole.

An approximate actuarial valuation of the schemes was undertaken as at 27 March 2004 and a pension liability, net of deferred tax, of £9,624,000 was identified.

# The Paper Mill Shop Company Limited

## 7 Tangible fixed assets

|                                 | Fixtures and fittings<br>£'000 |
|---------------------------------|--------------------------------|
| <b>Cost</b>                     |                                |
| At 30 March 2003                | 477                            |
| Additions                       | 275                            |
| Disposals                       | (5)                            |
| <b>At 27 March 2004</b>         | <b>747</b>                     |
| <b>Accumulated depreciation</b> |                                |
| At 30 March 2003                | 71                             |
| Charge for the period           | 107                            |
| Disposals                       | (5)                            |
| <b>At 27 March 2004</b>         | <b>173</b>                     |
| <b>Net book amount</b>          |                                |
| <b>At 27 March 2004</b>         | <b>574</b>                     |
| At 30 March 2003                | 406                            |

## 8 Stocks

|                       | 2004<br>£'000 | 2003<br>£'000 |
|-----------------------|---------------|---------------|
| Goods held for resale | 297           | 180           |

## 9 Debtors

|                                       | 2004<br>£'000 | 2003<br>£'000 |
|---------------------------------------|---------------|---------------|
| Prepayments and accrued income        | 145           | 111           |
| Corporation tax recoverable           | 2             | -             |
| <b>Prepayments and accrued income</b> | <b>147</b>    | <b>111</b>    |

# The Paper Mill Shop Company Limited

## 10 Creditors - Amounts falling due within one year

|                                     | 2004       | 2003       |
|-------------------------------------|------------|------------|
|                                     | £'000      | £'000      |
| Bank overdraft                      | 250        | 299        |
| Trade creditors                     | 127        | 95         |
| Accruals and deferred income        | 143        | 87         |
| Taxation and social security        | 7          | 2          |
| Amounts owing to group undertakings | 226        | 189        |
|                                     | <b>753</b> | <b>672</b> |

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 Speciality Papers Limited and James Cropper Converting Limited.

## 11 Provisions for liabilities and charges

|   |           |       |
|---|-----------|-------|
| <b>Deferred taxation:</b>                               | 2004      | 2003  |
|   | £'000     | £'000 |
| Accelerated capital allowances                          | 33        | 14    |
| At 30 March 2003  | 14        |       |
| Deferred tax charge in profit and loss account (note 5) | 19        |       |
| <b>At 27 March 2004</b>                                 | <b>33</b> |       |

## 12 Called up equity share capital

|                                 | 2004 | 2003 |
|---------------------------------|------|------|
|                                 | £    | £    |
| <b>Authorised:</b>              |      |      |
| 100 ordinary shares of £1 each  | 100  | 100  |
| <b>Allotted and fully paid:</b> |      |      |
| 1 ordinary share of £1 each     | 1    | 1    |

# The Paper Mill Shop Company Limited

## 13 Profit and loss account

|  | £'000 |
|--|-------|
| At 30 March 2003                         | 11    |
| Retained profit for the financial period | 221   |
| At 27 March 2004                         | 232   |

## 14 Reconciliation of movements in equity shareholder's funds

|  | 2004<br>£'000 | 2003<br>£'000 |
|--|---------------|---------------|
| Profit for the financial period          | 221           | 8             |
| Net change in equity shareholder's funds | 221           | 8             |
| Opening equity shareholder's funds       | 11            | 3             |
| Closing equity shareholder's funds       | 232           | 11            |

## 15 Operating lease commitments

At 27 March 2004 the company had commitments to make payments during the next year under operating leases for land and buildings expiring as follows:

|                  | 2004<br>£'000 | 2003<br>£'000 |
|------------------|---------------|---------------|
| After five years | 205           | 230           |

## 16 Ultimate controlling party 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 8 "Related Party Disclosures".