

The Paper Mill Shop Company Limited
Annual report and accounts
for the 52 week period ended 31 March 2007

Registered Number 4051783



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for the 52 week period ended 31 March 2007
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The Paper Mill Shop Company Limited

Directors' report for the 52 week period ended 31 March 2007

The directors present their report and the audited financial statements of the company for the 52 week period ended 31 March 2007

The company is incorporated in England and Wales as a limited company. The registered office and principal place of business of the company is Burneside Mills, Burneside, Kendal, LA9 6PZ

Principal activities

The company is a retailer of paper and associated products. It is a wholly owned subsidiary of James Cropper PLC

Review of the business

It proved to be an extremely difficult period for The Paper Mill Shop Company Limited ("TPMS") with a disappointing sales level and a significant operating loss in the period. Although consumer confidence and the general retail climate improved from the previous period, the chain of shops were unable to take advantage of this. Sales were 2% lower than in the previous period but this relatively small fall was only possible because of the full period of sales at the five stores opened during the course of the previous period.

Last period the directors referred to the growth in retail competition in the papercraft market, this has continued to gather pace during the period with some very significant growth amongst both large specialist craft chains and supermarkets. In this more hostile trading environment some of the weaknesses of our offer have been exposed, what was acceptable to consumers in the early periods of our retail initiative has become less acceptable to today's more sophisticated crafting customer.

During the final quarter of the financial period detailed market research was commissioned into the papercraft market, the needs of the different types of customer and the fit between these and the current needs that TPMS offer. This research included focus groups of current customers as well as crafters who do not buy from us. The results have given a fascinating insight into the market's perception of the company.

The results for the company show a pre-tax loss of £346,000 (2006 pre tax profit of £231,000) for the period and sales of £6,038,000 (2006 £6,159,000).

Future developments

It is clear that this is still a growing and interesting market and the Board is confident that TPMS can develop into a substantially bigger business and that profitability will be restored over the next three periods. As well as pointing out our weaknesses, the market research also highlighted some very positive aspects of the business which give the company a platform on which to build.

Principal risks and uncertainties

The directors of James Cropper PLC manage the group's risks at a group level, rather than at an individual business unit level. For this reason, the company's directors believe that a discussion of the group's risks would not be appropriate for an understanding of the development, performance or position of The Paper Mill Shop Company Limited's business. The principal risks and uncertainties of James Cropper PLC, which include those of the company, are discussed in the Chairman's Review, the Financial Review and Divisional Review for The Paper Mill Shop Company contained within the annual report of James Cropper PLC and consequently do not form part of this report.

The Paper Mill Shop Company Limited

Key performance indicators (“KPIs”)

The directors of James Cropper PLC manage the group’s operations on a divisional basis. For this reason, the company’s directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of The Paper Mill Shop Company Limited. The development, performance and position of the Paper Making division which includes the company, is discussed in the Chairman’s Review, the Financial Review and Divisional Review for The Paper Mill Shop Company contained within the annual report of James Cropper PLC and consequently do not form part of this report.

Results and dividends

The results are set out on page 5. The directors do not recommend the payment of a dividend (2006 £Nil).

Post balance sheet events

Post balance sheet events are disclosed in note 21.

Employee involvement

A monthly briefing on performance is carried out for all employees. All employees are sent a copy of the group 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.

Directors and their interests

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

N A Read

A I Lewis

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

The Paper Mill Shop Company Limited

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to 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 those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state that the financial statements comply with IFRSs as adopted by the European Union
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary

The directors confirm that they have complied with the above requirements in preparing the financial statements

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.

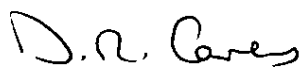
Auditors and disclosure of information to Auditors

Each director, as at the date of this report, has confirmed that insofar as they are aware there is no relevant audit information (that is, information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware, and they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

The Company's auditors, PricewaterhouseCoopers LLP, have indicated that they will not seek re-appointment at the Annual General Meeting.

By order of the Board



D R Carey
Secretary

9 August 2007

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 of The Paper Mill Shop Company Limited for the 52 week period ended 31 March 2007 which comprise the profit and loss account, the balance sheet, the cash flow statement, the statement of accounting policies and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 International Standards on Auditing (UK and Ireland). 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 whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 31 March 2007 and of its loss and cash flows for the 52 week period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Newcastle upon Tyne

23 August 2007

The Paper Mill Shop Company Limited

Profit and loss account for the 52 week period ended 31 March 2007

	Note	2007 £'000	2006 £'000
Continuing operations			
Turnover		6,038	6,159
Other income		35	30
Raw materials and consumables used		(2,324)	(2,283)
Employee benefit costs	16	(1,562)	(1,418)
Depreciation	2	(365)	(280)
Other expenses		(2,158)	(1,967)
Operating (loss)/profit		(336)	241
Interest expense	1	(10)	(10)
(Loss)/profit before tax	2	(346)	231
Taxation	3	76	(98)
(Loss)/profit for the period attributable to equity holders of the company	14	(270)	133

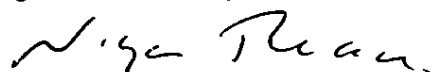
There were no recognised gains and losses in either the current or prior period other than as set out above and consequently no statement of recognised income and expense has been presented

The Paper Mill Shop Company Limited

Balance sheet as at 31 March 2007

	Note	2007 £'000	2006 £'000
Assets			
Non-current assets			
Property, plant and equipment	4	884	1,197
		884	1,197
Current assets			
Inventories	5	621	662
Trade and other receivables	6	287	242
Cash and cash equivalents	7	1	-
Current tax assets		40	-
		949	904
Liabilities			
Current liabilities			
Trade and other payables	8	(588)	(1,239)
Financial liabilities			
- Borrowings	7, 9	(829)	(141)
Current tax liabilities		-	(9)
		(1,417)	(1,389)
Net current liabilities		(468)	(485)
Non-current liabilities			
Financial liabilities			
- Deferred tax liabilities	12	(9)	(35)
		(9)	(35)
Net assets		407	677
Shareholders' equity			
Ordinary share capital	13	-	-
Retained earnings	14	407	677
Total shareholders' equity		407	677

The financial statements on pages 5 to 21 were approved by the Board of Directors on 9 August 2007 and were signed on its behalf by



N A Read

Director

The Paper Mill Shop Company Limited

Cash flow statement for the 52 week period ended 31 March 2007

	Note	2007 £'000	2006 £'000
Cash flows from operating activities			
Cash (used by)/generated from operations	15	(625)	757
Interest paid		(10)	(10)
Tax paid		-	(124)
Net cash (used by)/generated from operating activities		(635)	623
Cash flow from investing activities			
Purchase of property, plant and equipment		(52)	(573)
Net cash used in investing activities		(52)	(573)
Net (decrease)/increase in cash and cash equivalents		(687)	50
Cash and cash equivalents at the start of the period		(141)	(191)
Cash and cash equivalents at the end of the period		(828)	(141)
Cash and cash equivalents consists of:			
Cash at bank and in hand		1	-
Overdrafts included in borrowings		(829)	(141)
	7	(828)	(141)

The Paper Mill Shop Company Limited

Statement of accounting policies

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

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and International Financial Reporting Interpretations Committee ("IFRIC") interpretations and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The amendment to IAS 19, "Employee benefits" has been adopted early. A summary of the more important accounting policies is set out below.

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.

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

Revenue recognition

Revenue comprises the fair value of the consideration for the sale of goods and services, net of value added tax, rebates and discounts. Revenue from the sale of goods is recognised at the point of sale, when the company has transferred risks and rewards of ownership of products to the customer, the amount of revenue can be measured reliably and collectability of the related receivables is reasonably assured.

Foreign currencies

The functional currency and presentational currency of the company is Sterling. Transactions in currencies other than Sterling are translated using exchange rates prevailing at the dates of the transactions. Translation differences on the settlement of those transactions are dealt with in the profit and loss account. Monetary assets and liabilities denominated in a foreign currency are translated into Sterling at rates ruling at the period end.

Retirement benefits

James Cropper PLC operates various pension schemes which cover the majority of full time employees of James Cropper PLC and its subsidiaries. The schemes are generally funded through payments to trustee-administered funds, determined by periodic actuarial valuations.

Contributions to the schemes are 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.

Property, plant and equipment

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

Fixtures and fittings	4 – 20 years
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Residual values and useful lives are reviewed annually.

The Paper Mill Shop Company Limited

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of goods held for resale comprises their purchase cost. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Leasing

Leases are classified as finance leases at inception where substantially all of the risks and rewards of ownership are transferred to the company. Assets classified as finance leases are capitalised on the Balance Sheet and are depreciated over the expected useful life of the asset. The interest element of the rental obligation is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

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

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Finance costs

Financial income and expenses include interest, realised and unrealised exchange differences and similar items.

Receivables

Receivables are recognised in the balance sheet at net realisable value. Provisions are determined on the basis of an individual assessment of each receivable.

Cash and cash equivalents

Cash and cash equivalents include cash in hand. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Trade payables

Trade payables are stated at their nominal value.

Impairment of assets

At each reporting date, the company assesses whether there is any indication that an asset may be impaired. Where an indicator 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 assets' specific risks and the time value of money are used for the value in use calculation.

The Paper Mill Shop Company Limited

Financial instruments

Financial assets and liabilities are recognised on the company's balance sheet when the company becomes a party to the contractual provisions of the instrument

Bank borrowings

Interest-bearing loans are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an effective interest method

New standards and interpretation not applied

The following key standards and interpretations have been issued by the International Accounting Standards Board (IASB) and IFRIC with an effective date that does not impact on these financial statements so they have not been applied

International Accounting Standards and Interpretations		Effective date
IFRS 7	Financial Instruments Disclosures	1 January 2007
IAS 1	Amendment – Presentation of financial statements	1 January 2007
IFRS 8	Operating Segments	1 January 2009
IFRIC 8	Scope of IFRS 2	1 May 2006
IFRIC 9	Reassessment of embedded derivatives	1 June 2006
IFRIC 10	Interim financial reporting and impairment	1 November 2006
IFRIC 11	IFRS 2 Group and Treasury Share Transactions	1 March 2007
IFRIC 12	Service Concession Arrangements	1 January 2008
IAS 23	Revised – Borrowing costs	1 January 2009

Upon adoption of IFRS 7, the company will need to disclose the fair value of any financial instruments and its risk exposure in greater detail although there is not expected to be any effect on the reported income or net assets. The directors do not anticipate that the adoption of any of the other above standards and interpretations will have a material impact on the company's financial statements in the period of initial application.

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Notes to the financial statements for the 52 week period ended 31 March 2007

1 Finance costs

	2007	2006
	£'000	£'000
Interest expense		
Interest payable on bank overdraft	(10)	(10)
Total interest expense	(10)	(10)

2 (Loss)/profit before tax

	2007	2006
	£'000	£'000
The following items have been included in arriving at profit before tax		
Staff costs (note 16)	1,562	1,418
Depreciation of property, plant and equipment		
- owned assets	365	280
Other operating lease rentals payable		
- Land and buildings	962	851
Repairs and maintenance expenditure on property, plant and equipment	36	34

Services provided by the company's auditor and network firms

	2007	2006
	£'000	£'000
Fees for the audit of the company	6	6

The Paper Mill Shop Company Limited

3 Taxation

	2007 £'000	2006 £'000
Current tax		
United Kingdom corporation tax on profits for the period	-	9
Adjustments in respect of prior periods	(50)	80
Total current tax	(50)	89
Deferred tax:		
Current	(27)	10
Adjustments in respect of prior periods	1	(1)
Total deferred tax (note 12)	(26)	9
Total tax (credit)/charge	(76)	98

The tax (credit)/charge for the period is lower (2006 higher) than the standard rate of corporation tax in the UK (30%). The differences are explained below

	2007 £'000	2006 £'000
(Loss)/profit on ordinary activities before tax	(346)	231
(Loss)/profit on ordinary activities multiplied by rate of corporation tax in the UK of 30% (2006 30%)	(104)	69
Effects of		
Adjustments to tax in respect of prior periods	(49)	79
Group relief surrendered/(claimed)	39	(74)
Expenses not deductible for tax purposes	38	30
Other	-	(6)
Total taxation (continuing operations)	(76)	98

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

The Paper Mill Shop Company Limited

4 Property, plant and equipment

	Fixtures and fittings £'000
Cost	
At 2 April 2006	1,894
Additions at cost	52
At 31 March 2007	1,946
Accumulated depreciation	
At 2 April 2006	697
Charge for the period	365
At 31 March 2007	1,062
Net book amount	
At 31 March 2007	884

	Fixtures and fittings £'000
Cost	
At 3 April 2005	1,321
Additions at cost	573
At 1 April 2006	1,894
Accumulated depreciation	
At 3 April 2005	417
Charge for the period	280
At 1 April 2006	697
Net book amount	
At 1 April 2006	1,197

5 Inventories

	2007 £'000	2006 £'000
Goods held for resale	621	662

The Paper Mill Shop Company Limited

6 Trade and other receivables

	2007	2006
	£'000	£'000
Amounts owed by group undertakings	2	-
Prepayments and accrued income	285	242
	287	242

7 Cash and cash equivalents

	2007	2006
	£'000	£'000
Cash at bank and in hand	1	-
Overdrafts	(829)	(141)
	(828)	(141)

8 Trade and other payables

	2007	2006
	£'000	£'000
Trade payables	211	191
Amounts owed to group undertakings	124	762
Other tax and social security payable	21	20
Accruals	232	266
	588	1,239

The Paper Mill Shop Company Limited

9 Borrowings

	2007	2006
Current	£'000	£'000
Bank loans and overdrafts due within one year or on demand:		
Unsecured	829	141

Bank overdrafts are denominated in Sterling and bear interest at rates 1% above UK bank base rates. The effective interest rates at the balance sheet date were as follows:

	2007	2006
	%	%
Bank overdraft	6.3	5.5

10 Financial instruments

In accordance with IAS 39, "Financial Instruments: Recognition and measurement", The Paper Mill Shop Company Limited have reviewed all contracts for embedded derivatives that are required to be separately accounted for if they do not meet certain requirements set out in the standard. No such embedded derivatives were identified from this review. There are no outstanding financial instruments that are designated as hedges at the balance sheet date.

Where market values are not available, fair values of financial assets and financial liabilities have been calculated by discounting expected future cash flows at prevailing interest rates and by applying year-end exchange rates. The fair value of current borrowings approximates to book value.

	2007 Book value	2007 Fair value	2006 Book value	2006 Fair value
	£'000	£'000	£'000	£'000
Fair value of current financial assets and financial liabilities				
Trade and other receivables (Note 6)	287	287	242	242
Cash at bank and in hand (Note 7)	1	1	-	-
Trade and other payables (Note 8)	(588)	(688)	(1,239)	(1,239)
Current borrowings (Note 9)	(829)	(829)	(141)	(141)

The fair values are based on the book values as the directors do not consider that there is a material difference between the book values and the fair values.

Borrowing facilities

The company is included within a group overdraft facility and it is therefore not possible to determine the undrawn committed facilities available to the company at the balance sheet date.

The Paper Mill Shop Company Limited

11 Retirement benefits

James Cropper PLC operates two defined benefit retirement schemes covering the majority of full time employees of James Cropper PLC and its subsidiaries. These schemes are called the James Cropper PLC Works Pension Plan ("Works Scheme") and the James Cropper PLC Pension Scheme ("Staff Scheme"). Contributions to the schemes are based on the cost of providing pensions across the participating companies. Costs are not defined for each individual company as the company is unable to identify its share of the underlying assets and liabilities in the scheme. Contributions payable by The Paper Mill Shop Company Limited are charged to the profit and loss account in the period they fall due.

The most recent actuarial valuations of the Staff Scheme and the Works Scheme have been updated to 31 March 2007 by qualified independent actuaries. The major assumptions used by the actuary for each scheme were as noted below. The expected return on plan assets is calculated by using a weighted average across each category of asset.

	Staff scheme		Works scheme	
	2007	2006	2007	2006
	%	%	%	%
Rate of increase in pensionable salaries	4.2	4.0	4.2	4.0
Rate of increase of pensions in payment and deferred	3.2	3.0	3.2	3.0
Discount rate	5.4	5.0	5.4	5.0
Inflation assumption	3.2	3.0	3.2	3.0
Expected return on plan assets	6.3	6.2	6.4	6.3

In respect of mortality, PA92 series' tables, projected to 2010 for the Works Plan and 2020 for the Staff Scheme, have been used.

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

	Staff scheme		Works scheme	
	2007	2006	2007	2006
	%	%	%	%
Equities	59	57	68	71
Bonds	32	35	28	25
Property	-	-	1	1
Cash	3	1	3	3
Annuities	6	7	-	-

The Paper Mill Shop Company Limited

Analysis of movement in the defined benefit obligation (DBO) and scheme assets

	Works scheme		Staff scheme	
	Assets £'000	DBO £'000	Assets £'000	DBO £'000
At 2 April 2006	28,596	(35,392)	27,096	(30,615)
Expected return on assets	1,808	-	1,684	-
Current service cost	-	(944)	-	(654)
Benefits paid	(1,110)	1,110	(793)	793
Contributions by plan participants	416	(416)	295	(295)
Employer contributions	918	-	908	-
Interest costs	-	(1,778)	-	(1,535)
Actuarial (losses)/gains	(67)	1,990	830	1,003
At 31 March 2007	30,561	(35,430)	30,020	(31,303)

The Group expects to pay £935,000 (2006 £895,000) in contributions to the Staff Scheme and £946,000 (2006 £971,000) in contributions to the Works Scheme in the next financial period

12 Deferred taxation

The movement on the deferred tax account is shown below

	2007 £'000	2006 £'000
At 2 April 2006	(35)	(26)
Profit and loss charge (note 3)	26	(9)
At 31 March 2007	(9)	(35)

The movements in deferred tax assets and liabilities during the period are shown below

	Accelerated capital allowances Total £'000
Deferred tax liabilities	
At 2 April 2006	(35)
Profit and loss charge (note 3)	26
At 31 March 2007	(9)

The Paper Mill Shop Company Limited

13 Called up equity share capital

	2007 £	2006 £
Authorised		
100 ordinary shares of £1 each	100	100
Issued and fully paid		
1 ordinary share of £1 each	1	1

14 Reserves, shareholders' funds and statement of changes in shareholders' equity

	Share capital £'000	Retained earnings £'000	Total £'000
At 2 April 2006	-	677	677
Loss for the financial period	-	(270)	(270)
At 31 March 2007	-	407	407

	Share capital £'000	Retained earnings £'000	Total £'000
At 3 April 2005	-	544	544
Profit for the financial period	-	133	133
At 1 April 2006	-	677	677

The Paper Mill Shop Company Limited

15 Cash flow from operating activities

Reconciliation of operating (loss)/profit to net cash (outflow)/inflow from operating activities

	2007	2006
	£'000	£'000
Continuing operations		
Net (loss)/profit	(270)	133
Adjustments for		
Tax	(76)	98
Interest expense	10	10
Depreciation	365	280
Changes in working capital		
Decrease/(increase) in inventories	41	(145)
Increase in trade and other receivables	(45)	(33)
(Decrease)/increase in payables	(650)	414
Cash (used by)/generated from operating activities	(625)	757

16 Employees and directors

Staff costs during the period	2007	2006
	£'000	£'000
Wages and salaries	1,429	1,295
Social security costs	101	95
Pension costs	32	28
	1,562	1,418

The average monthly number of people (including executive directors) employed was 142 (2006 132)

The Paper Mill Shop Company Limited

17 Commitments under operating leases

	2007	2006
	Land and buildings	Land and buildings
	£'000	£'000
Commitments under non-cancellable operating leases expiring:		
Within one year	-	34
Later than one year and less than five years	1,177	1,221
After five years	4,545	5,002
	5,722	6,257

18 Capital commitments

	2007	2006
	£'000	£'000
Contracts placed for future capital expenditure not provided in the financial statements	66	96

19 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, James Cropper Speciality Papers Limited, Technical Fibre Products Limited and James Cropper Converting Limited

The Paper Mill Shop Company Limited

20 Related party transactions

The company has the following transactions with related entities

	Purchases £'000	Management charges £'000	Receivable £'000	2007 Payable £'000
James Cropper PLC	53	133	-	49
James Cropper Speciality Papers Limited	2,071	-	-	75
James Cropper Converting Limited	2	-	2	-
	2,126	133	2	124

	Purchases £'000	Management charges £'000	Payable £'000	2006 Loans and net inter- company funding £'000
James Cropper PLC	573	148	140	-
James Cropper Speciality Papers Limited	311	25	72	-
James Cropper Converting Limited	-	-	-	500
Technical Fibre Products Limited	4	-	-	50
	888	173	212	550

21 Post balance sheet events

On 21 March 2007 the 2007 Budget was announced by the Chancellor of the Exchequer. One of the changes stated was that the rate of UK Corporation Tax will be reduced from 30% to 28% with effect from 1 April 2008. As the changes were not substantively enacted as at 31 March 2007 the changes are treated as non adjusting post balance sheet events. The effect of the changes on the financial statements would be that the deferred tax balance for the company would be changed to £8,000 from £9,000 for 2007 and to £33,000 from £35,000 for 2006.

22 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 The Paper Mill Shop Company Limited. Copies of these accounts can be obtained from Burneside Mills, Kendal, Cumbria, LA9 6PZ.