The Paper Mill Shop Company Limited

Directors' report and financial statements

Registered number 4051783

29 March 2008

Contents

Directors' report

The directors present their directors' report and financial statements for the year ended 29 March 2008

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

Business review

Like many retailers, The Paper Mill Shop ('TPMS') has faced a challenging year with weakening consumer confidence and a squeeze on discretionary spending While sales were broadly in line with the previous year helped by a number of new and exciting and marketing initiatives, an operating loss was recorded for the second year running

Last year's report referred to the market research which had been commissioned during 2007 and many of the recommendations from this research have been implemented over the course of the year with encouraging results across the chain of stores These have included a range of initiatives focussing on increasing the average transaction value, nurturing customer loyalty and conversion of footfall to sales

Over the last eight years, TPMS has established itself as the leading authority in paper craft retailing with its unrivalled range of high quality coloured and textured paper and card founded on the unique relationship with James Cropper Speciality Papers With the growing sophistication of crafters and crafting techniques, TPMS has launched Paper Renaissance, a new selection of on-trend fashionable colours that are stocked in all stores and will evolve over time with emerging colour trends influenced by developments in design, textiles and home furnishings

The results for the company show a pre-tax loss of £375,000 (*2007 pre-tax loss of £346,000*) for the period and sales of £6,202,000 (*2007 £6,038,000*)

Future developments

Despite the failure to return the business to profitability over the course of the last financial year, much of the ground work for a professional and efficient retailing operation are now in place including branding and merchandising, management structure and cost controls The trading environment will undoubtedly be challenging over the coming 12 months

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 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 contained within the annual report of James Cropper PLC and consequently do not form part of this report

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 the development, performance and position of the shops division which includes the company, is discussed in the Chairman's Review, the Financial Review and Divisional Review for The Paper Mill Shop 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 6 The directors do not recommend the payment of a dividend (2007 £nil)

Directors Report *(continued)*

Post balance sheet events

There are no post balance sheet events to be reported

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,

AI Lewis
NA Read (Resigned 6 June 2008)
MAJ Cropper (Appointed 6 June 2008)

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

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting

By order of the board

D.R. Carey

D R Carey
Secretary

17th October 2008

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing 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 IFRSs as adopted by the EU and applicable law

The financial statements are required by law to present fairly the financial position and the performance of the company, the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of the Act to financial statements giving a true and fair view are references to their achieving a fair presentation

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 they have been prepared in accordance with IRFSs as adopted by the EU, 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985 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

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Navigation Way
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PR2 2YF
United Kingdom

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 year ended 29 March 2008 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement and the related notes These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985 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

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 EU are set out in the Statement of Directors' Responsibilities on page 3

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

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 group's and 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

Independent auditors' report to the members of The Paper Mill Shop Company Limited *(continued)*

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the company's affairs as at 29 March 2008 and of its loss for the year 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

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

17th October 2008

Income Statement

for the year ended 29 March 2008

	Note	2008 £000	2007 £000
Continuing operations			
Revenue		**6,202**	6,038
Other income		**-**	35
Raw materials and consumables used		**(2,478)**	(2,324)
Energy costs		**(70)**	-
Employee benefit costs	*16*	**(1,643)**	(1 562)
Depreciation	*3*	**(315)**	(365)
Other expenses		**(2,006)**	(2,158)
Operating loss		**(310)**	(336)
Financial expenses	*2*	**(65)**	(10)
Loss before tax	*3*	**(375)**	(346)
Taxation	*4*	**9**	76
Loss for the period attributable to equity holders of the company	*14*	**(366)**	(270)

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

Balance Sheet
at 29 March 2008

	Note	2008 £000	2007 £000
Assets			
Non-current assets			
Property, plant and equipment	5	**595**	884
		595	884
Current assets			
Inventories	6	**725**	621
Trade and other receivables	7	**375**	287
Cash and cash equivalents	8	**-**	1
Current tax assets		**-**	40
		1,100	949
Liabilities			
Current liabilities			
Trade and other payables	9	**(1,654)**	(1,417)
		(1,654)	(1,417)
Net current liabilities		**(554)**	(468)
Non current liabilities			
Deferred tax liabilities	12	**-**	(9)
		-	(9)
Net assets		**41**	407
Shareholders' equity			
Ordinary share capital	13	**-**	-
Retained earnings	14	**41**	407
Total shareholders' equity attributable to equity holders of the company		**41**	407

These financial statements were approved by the board of directors on 17th October 2008 and were signed on its behalf by

AI Lewis
Director

Cash Flow Statement
for the year ended 31 March 2008

	Note	2008 £000	2007 £000
Cash flows from operating activities			
Cash used by operations	15	**(240)**	(625)
Interest paid		**(65)**	(10)
Tax received		**40**	-
Net cash generated from operating activities		**(265)**	(635)
Cash flow from investing activities			
Purchase of property, plant and equipment	5	**(26)**	(52)
Net cash used by investing activities		**(26)**	(52)
Net increase in cash and cash equivalents		**(291)**	(687)
Cash and cash equivalents at the start of the period		**(828)**	(141)
Cash and cash equivalents at the end of the period		**(1,119)**	(828)
Cash and cash equivalents consists of			
Cash at bank and in hand	8	**-**	1
Overdrafts included in liabilities	9	**(1,119)**	(829)
		(1,119)	(828)

Notes
(forming part of the financial statements)

1 Accounting policies

The Paper Mill Shop Company 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 years presented, unless otherwise stated

Basis of preparation

The Company financial statements have been prepared and approved by the directors, in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs")

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

IFRS 7 'Financial Instruments Disclosure' was adopted during the year The adoption of IFRS 7 had no impact on either the Income Statement or Balance Sheet but has resulted in changes to the disclosures provided in respect of financial instruments As this is a new disclosure it has not been possible to provide figures for the prior year, current year information has been provided and it is the company's intention to disclose current year and prior year, figures going forward

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 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 Whilst the Company's revenue in respect of services is minimal where such services are provided revenue is recognised on completion of the services, when the amount can be reliably measured and collection is reasonably assured

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 recgonised in the Income Statement Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction

The assets and liabilities of foreign operations are translated at foreign exchange rates ruling at the Balance sheet date The revenues and expenses of foreign operations are translated at an average rate for the period where this rate approximates to the foreign exchange rates ruling at the dates of the transactions

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 as the company is unable to identify its share of the underlying assets and liabilities in the scheme Contributions payable by James Cropper Speciality Papers Limited are charged to the Income Statement in the period they fall due

Notes *(continued)*

1 Accounting policies *(continued)*

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

Residual values and useful lives are reviewed annually

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 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

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

In the event that assets are sold and are subject to leaseback, the terms and conditions of the leaseback are reviewed and the lease is accounted for as a sale and operating leaseback or a sale and finance leaseback as appropriate

Taxation

Tax on the Income Statement for the year comprises current and deferred tax Tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity

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

Finance costs

Financial income and expenses include interest, realised and unrealised exchange differences and similar items Interest is recognised in the statement on an accruals basis using the effective interest method

Trade receivables

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

Cash and cash equivalents

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

Notes *(continued)*

1 Accounting policies *(continued)*

Trade payables

Trade payables are stated at their fair 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

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

Capital management

The Company's capital includes share capital, reserves and retained earnings and their 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 that capital structure and adjust 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 are not subject to any externally imposed capital requirements There have been no material changes in the management of capital during the period

New Standards and interpretation not applied

The following adopted IFRS, which will have an impact for the company, was available for early adoption, but has not been applied in these financial statements

International Accounting Standards and Interpretations		Effective Date
IFRS 8	Operating Segments	1 January 2009

IFRS 8 requires that entities adopt the 'management approach' to reporting the financial performance of its operating segments It is concerned with disclosures only and, as such, will have no impact on the Income and Balance Sheet

2 Finance costs

	2008 £000	2007 £000
Financial expenses		
Interest payable on bank overdraft	(65)	(10)
Total financial expenses	(65)	(10)

Notes *(continued)*

3 Loss before tax

The following items have been included in arriving at profit before tax	**2008** **£000**	2007 £000
Staff costs (note 16)	**1,643**	1,562
Depreciation of property, plant and equipment		
- Owned assets	**315**	365
Other operating lease rentals payable		
- Land and buildings	**969**	962
Repairs and maintenance expenditure on property, plant and equipment	**40**	36
Services provided by the company's auditor and network firms		
Fees for the audit of the company	**6**	6

4 Taxation

	2008 **£000**	2007 £000
Current tax		
Adjustments in respect of prior period current tax	-	(50)
Total current tax	-	(50)
Deferred tax		
Current	(9)	(27)
Adjustments in respect of prior period deferred tax	-	1
Total deferred tax (note 12)	(9)	(26)
Total tax credit	(9)	(76)

The tax credit for the period is lower *(2007 lower)* than the standard rate of corporation tax in the UK (30%) The differences are explained below

	2008 **£000**	2007 £000
Loss on ordinary activities before tax	(375)	(346)
Loss on ordinary activities multiplied by rate of corporation tax in the UK of 30% (2007 30%)	(112)	(104)
Effects of		
Adjustments to tax in respect of prior periods	-	(49)
Group relief unpaid	56	39
Expenses not deductible for tax purposes	46	38
Rate change on deferred tax	1	-
Total taxation (continuing operations)	(9)	(76)

Corporation tax rates have changed from 30% to 28% which will be effective from 1 April 2008

Notes *(continued)*

5 Property, plant and equipment

	Fixtures and fittings £000	Total £000
Cost		
At 1 April 2007	1,946	1,946
Additions at cost	26	26
At 29 March 2008	1 972	1,972
Accumulated Depreciation		
At 1 April 2007	1,062	1,062
Charge for the period	315	315
At 29 March 2008	1,377	1,377
Net book value		
At 29 March 2008	**595**	**595**
At 1 April 2007	884	884

	Fixtures and fittings £000	Total £000
Cost		
At 2 April 2006	1,894	1,894
Additions at cost	52	52
At 31 March 2007	1,946	1 946
Accumulated Depreciation		
At 2 April 2006	697	697
Charge for the period	365	365
At 31 March 2007	1,062	1 062
Net book value		
At 31 March 2007	**884**	**884**
At 2 April 2006	1 197	1 197

Notes *(continued)*

6 Inventories

	2008 £000	2007 £000
Good held for resale	**725**	621
	725	621

7 Trade and other receivables

	2008 £000	2007 £000
Trade receivables	**127**	-
Amounts owed by group undertakings	**68**	2
Prepayments	**180**	285
	375	287

Management believe there is no further credit risk provision required in excess of normal provision for doubtful receivables The adoption of IFRS7 "Financial Instruments Disclosure" has resulted in additional disclosures on credit risk which can be viewed in note 10

8 Cash and cash equivalents

	2008 £000	2007 £000
Cash at bank and in hand	-	1

9 Trade and other payables

	2008 £000	2007 £000
Overdraft	**1,119**	829
Amounts owed to group undertakings	**55**	124
Other tax and social security payable	**17**	21
Other creditors	**2**	-
Accruals	**215**	232
Trade payables	**246**	211
	1,654	1,417

The overdraft is part of the Group banking overdraft and interest is charged at 6 3%

Notes *(continued)*

10 Financial instruments

Numerical financial instruments disclosures are set out below and the adoption of IFRS 7 has resulted in additional disclosures as shown, current year information has been provided, and it is the company's intention to disclosure current year and prior year figures going forward Additional disclosures are set out in the accounting policies relating to risk management

In accordance with IAS 39, 'Financial Instruments Recognition and measurement', The Paper Mill Shop Limited has 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 the review There are no outstanding financial instruments that are designated as hedges at the balance sheet date

Fair value of non-derivative financial assets and financial liabilities

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 carrying amounts of short term borrowings approximate to book value

Fair value of non-current borrowings

	2008 Book value £000	2008 Fair value £000	2007 Book value £000	2007 Fair value £000
Fair value of other financial assets and financial liabilities				
Short term borrowings (Note 9)	1,119	1,119	829	829
Trade and other payables (Note 9)	535	535	588	588
Trade and other receivables (Note 7)	375	375	287	287
Cash at bank and in hand (Note 8)	-	-	1	1

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

Interest rate risk and liquidity risk

The Company's cash is managed by the Group The Group's policy is described in the Annual Report for James Cropper Plc

Borrowing facilities

Short-term flexibility is achieved through overdraft facilities The Company is included within the 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 ageing of trade payables at the balance sheet date was

	Not past due	Past due 0 – 30 days	Past due 31 – 60 days	Past due 61 days and over	Total contractual cash flows
Trade payables – carrying amount	(135)	(111)	-	-	(246)

Currency risk

The company is not exposed to foreign exchange risk

Credit risk

The Company is not exposed to credit risk The trade receivables are attributable to cash in transit at the balance sheet date

The ageing of trade receivables at the reporting date was

	Not past due £'000	Past due 0 – 30 days £ 000	Past due 31 – 60 days £ 000	Past due 61 days and over £'000	Total £ 000
Trade receivables	127	-	-	-	127
Impairment	-	-	-	-	-

Notes *(continued)*

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 Income Statement 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	
	2008	2007	2008	2007
	%	%	%	%
Rate of increase in pensionable salaries	4 8	4 2	4 8	4 2
Rate of increase of pensions in payment and deferred	3 9	3 2	3 9	3 2
Discount rate	6 6	5 4	6 6	5 4
Inflation assumption	3 8	3 2	3 8	3 2
Expected return on plan assets	6 8	6 3	7 4	6 4

In respect of mortality, PA92 series' tables have been used with the medium cohort projections applied, and a plus three year age rating adjustment to the Works members, and no age rating for the Staff members This represents a longer assumed life expectancy than assumed in the 29 March 2008 disclosures The different age ratings applied to each scheme reflect the different characteristics of the members within these schemes

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

	Staff scheme		Works scheme	
	2008	2007	2008	2007
	%	%	%	%
Equities	55	59	66	68
Bonds	36	32	28	28
Property	-	-	-	1
Cash	2	3	5	3
Annuities	7	6	1	-

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

	Works Scheme		Staff Scheme	
	Assets	DBO	Assets	DBO
	£000	£000	£000	£000
At 1 April 2007	30,561	(35,430)	30,020	(31,303)
Expected return on assets	1 945	-	1,873	-
Current service costs	-	(1 061)	-	(483)
Benefits paid	(1,183)	1,183	(1,397)	1 397
Contributions by plan participants	406	(406)	276	(276)
Employer contributions	943	-	867	-
Interest costs	-	(1 918)	-	(1 673)
Actuarial (losses)/gains	(3,163)	6 330	(2 617)	3 305
At 29 March 2008	**29,509**	**(31,302)**	**29,022**	**(29,033)**

The Group expects to pay £899 000 *(2007 £935,000)* in contributions to the Staff Scheme and £977 000 *(2007 £946,000)* in contributions to the Works Scheme in the next financial period

The pension contributions charged to the Income Statement in the year amounted to £31,000

Notes *(continued)*

12 Deferred taxation

The movement on the deferred tax account is shown below

	2008 £000	2007 £000
At 1 April 2007	(9)	(35)
Profit and loss credit (note 4)	9	26
At 29 March 2008	-	(9)

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

	Accelerated capital allowances £000	Total £000
Deferred tax liabilities		
At 1 April 2007	(9)	(9)
Profit and loss credit (note 4)	9	9
At 29 March 2008	-	-

13 Share capital

	2008 £000	2007 £000
Authorised		
100 (2007 100) ordinary shares of £1 each	**100**	100
Issued and fully paid		
1 (2007 £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 1 April 2007	-	407	407
Loss for the financial period	-	(366)	(366)
At 29 March 2008	-	**41**	**41**

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

Notes *(continued)*

15 Cash flow from operating activities

Reconciliation of operating profit to net cash inflow from operating activities

	2008 £000	2007 £000
Continuing operations		
Net loss	**(366)**	(270)
Adjustments for		
Tax	**(9)**	(76)
Interest income and expense	**65**	10
Depreciation	**315**	365
Changes in working capital		
(Increase)/decrease in inventories	**(104)**	41
Increase in trade and other receivables	**(88)**	(45)
Decrease in payables	**(53)**	(650)
	(240)	(625)

16 Employees and directors

	2008 £000	2007 £000
Staff costs during the period		
Wages and salaries	**1,508**	1,429
Social security costs	**104**	101
Pension costs	**31**	32
	1,643	1,562

The average monthly number of people (including executive directors) employed was 145 *(2007 142)*

17 Commitments under operating leases

	2008 Land and buildings £000	2007 Land and buildings £000
Commitments under non-cancellable operating leases expiring		
Within one year	**17**	-
Greater than one year and less than five years	**963**	1,177
More than five years	**3,897**	4,545
	4,877	5,722

18 Capital commitments

	2008 £000	2007 £000
Contracts placed for future capital expenditure not provided in the financial statements	**-**	66

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

Notes *(continued)*

20 Related party transactions

The company has the following transactions with related entities

	Purchases	Management charges	Receivable	2008 Payable
	£000	£000	£000	£000
James Cropper PLC	23	89	65	-
James Cropper Converting Limited	-	-	3	-
James Cropper Speciality Papers Limited	736	-	-	55
	759	89	68	55

	Purchases	Management charges	Receivable	2007 Payable
	£000	£000	£000	£000
James Cropper PLC	53	133	-	49
James Cropper Converting Limited	2	-	-	-
James Cropper Speciality Papers Limited	216	-	-	75
Technical Fibre Products Limited	-	-	2	-
	271	133	2	124

21 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