

The Paper Mill Shop Company Limited

**Directors' report and financial
statements**

Registered number 4051783

27 March 2010

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Directors' report

The directors present their directors' report and financial statements for the year ended 27 March 2010

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

Retail trading conditions remain extremely challenging with the economic downturn making life difficult for many retailers. TPMS has experienced another tough year with turnover down 3% and the operating loss worse than the previous year.

Three under performing stores were closed during the period and there is an ongoing review process of the numbers and locations of stores to identify opportunities to close further under performing stores. With the co-operation of landlords new short term leases have been agreed for a number of the stores. The strategic aim is to have a core number of profitable stores and a successful e-commerce site.

A thorough review of costs in the business has been carried out and we expect to generate further operational efficiencies and cost savings in all areas of the business.

In the craft market we are experiencing intense competition from the large multiple retailers and have taken the decision to reposition the business in order to focus on our core strength which is the unbeatable value of the paper and card. During the year sales of craft accessories declined but paper and card performed strongly when compared to the previous year.

The results for the company show a pre-tax loss of £450,000 (2009 £395,000) for the period and sales of £5,516,000 (2009 £5,674,000).

Future developments

Despite the very tough general economic conditions, our internet business continues to deliver double digit like for like sales improvement year on year. A marketing plan has been developed aimed at increasing footfall and improving the average order value.

We have undertaken a trial in a selected number of stores where the product mix has been changed in order to drive a higher percentage of sales from paper and card and our own labelled products. Early indications are that this initiative is proving to be successful and it is planned to roll out the new merchandising plan across all stores during the coming year.

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 did not recommend the payment of a dividend (2009 £nil)

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 have access to 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,

Al Lewis
MAJ Cropper

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.

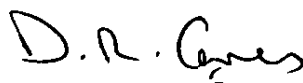
Disclosure of information to auditors

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

Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be re-appointed and KPMG Audit Plc will therefore continue in office.

By order of the board



D R Carey
Secretary

8th October 2010

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.

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

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



KPMG Audit Plc

Edward VII Quay
Navigation Way
Preston
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 27 March 2010 set out on pages 6 to 22. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' 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

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 27 March 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the EU, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

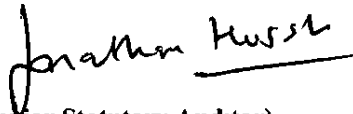
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Matters on which we are required to report by exception

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

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



Jonathan Hurst (Senior Statutory Auditor)
for and on behalf of KPMG Audit plc, Statutory Auditor
Chartered Accountants
Edward VII Quay
Navigation Way
Preston
PR2 2YF

11 OCTOBER 2010

Statement of Comprehensive Income
for the year ended 27 March 2010

	<i>Note</i>	2010 £000	2009 £000
Continuing operations			
Revenue		5,516	5,674
Other income		-	-
Raw materials and consumables used		(2,243)	(2,236)
Energy costs		(76)	(78)
Employee benefit costs	<i>13</i>	(1,442)	(1,481)
Depreciation	<i>3</i>	(171)	(250)
Other expenses		(2,030)	(2,003)
		<hr/>	<hr/>
Operating loss		(446)	(374)
Interest expense	<i>2</i>	(4)	(23)
Interest income	<i>2</i>	-	2
		<hr/>	<hr/>
Loss before tax	<i>3</i>	(450)	(395)
		<hr/>	<hr/>
Total comprehensive income for the period attributable to equity holders of the company		(450)	(395)
		<hr/>	<hr/>

Statement of Financial Position
at 27 March 2010

	<i>Note</i>	2010 £000	2009 £000
Assets			
Non-current assets			
Property, plant and equipment	5	283	416
		<hr/>	<hr/>
		283	416
		<hr/>	<hr/>
Current assets			
Inventories	6	546	784
Trade and other receivables	7	487	621
Cash and cash equivalents	8	150	4
		<hr/>	<hr/>
		1,183	1,409
		<hr/>	<hr/>
Liabilities			
Current liabilities			
Trade and other payables	9	(2,270)	(2,179)
		<hr/>	<hr/>
		(2,270)	(2,179)
Net current liabilities		(1,087)	(770)
		<hr/>	<hr/>
Net liabilities		(804)	(354)
		<hr/>	<hr/>
Shareholders' equity			
Ordinary share capital	12	-	-
Retained earnings		(804)	(354)
		<hr/>	<hr/>
Total shareholders' equity attributable to equity holders of the company		(804)	(354)
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 8th Oct 2010 and were signed on its behalf by



AI Lewis
Director

Registered number 4051783

Statement of Changes in Equity
for the year ended 27 March 2010

	Share capital	Retained earnings	Total
	£000	£000	£000
At 29 March 2009	-	(354)	(354)
Loss for the financial period	-	(450)	(450)
At 28 March 2010	-	(804)	(804)
	Share capital	Retained earnings	Total
	£000	£000	£000
At 1 April 2008	-	41	41
Loss for the financial period	-	(395)	(395)
At 29 March 2009	-	(354)	(354)

Statement of Cashflows
for the year ended 27 March 2010

	Note	2010 £000	2009 £000
Cash flows from operating activities			
Net loss		(450)	(395)
Adjustments for:			
Loss on disposal of property, plant and equipment	3	-	20
Interest income and expense	2	4	21
Depreciation	3	171	250
Changes in working capital:			
Decrease/(increase) in inventories		238	(59)
Decrease in trade and other receivables		134	4
Increase in payables		93	1,392
Interest paid		(4)	(21)
Net cash generated by operating activities		186	1,212
Cash flow from investing activities			
Purchase of property, plant and equipment	5	(38)	(91)
Net cash used by investing activities		(38)	(91)
Net increase in cash and cash equivalents		148	1,121
Cash and cash equivalents at the start of the period		2	(1,119)
Cash and cash equivalents at the end of the period		150	2
Cash and cash equivalents consists of:			
Cash at bank and in hand	8	150	4
Overdrafts included in liabilities	9	-	(2)
		150	2

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 accounting "year" for the Company is a 52 week accounting period ending 27 March 2010.

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

Use of estimates and judgements

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and judgements that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of 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.

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

Note 5 Property, plant and equipment

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

Note 6 Inventories

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

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.

Retirement benefits

James Cropper PLC operates various pension schemes. The schemes are generally funded through payments to trustee-administered funds, determined by periodic actuarial valuations. James Cropper PLC has both defined benefit and defined contribution plans. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement. A defined contribution plan is a pension plan under which James Cropper PLC pays fixed contributions.

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 Statement of Financial Position and are depreciated over the expected useful life of the asset. The interest element of the rental obligation is charged to the Statement of Comprehensive Income over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Operating lease payments are charged to the Statement of Comprehensive Income in the appropriate period.

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 of a sale and finance leaseback as appropriate.

Taxation

Tax on the Statement of Comprehensive Income for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income 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 Statement of Financial Position 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.

Financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at each Statement of Financial Position date. The resulting gain or loss on re-measurement is recognised in the Statement of Comprehensive Income, unless hedge accounting is applicable. There were no material balances at the year end.

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

Notes (continued)

1 Accounting policies (continued)

The fair value of financial instruments traded in active markets is based on quoted market prices at the Statement of Financial Position date

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 Statement of Financial Position. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the Statement of Cash Flows.

Interest

Interest is recognised in the Statement of Comprehensive Income on an accruals basis using the effective interest method.

Trade receivables

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

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 asset specific risks and the time value of money are used for the value in use calculation. See note 17 for Impairment review note.

Capital Management

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

The Company manages the capital structure and adjusts this in light of the changes in the economic conditions and risk associated with the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of any dividend paid to the shareholder, return capital to the shareholder, issues new shares, or sell assets to reduce debt. The Company is not subject to any externally imposed capital requirements. There have been no material changes in the management of capital during the period.

Going Concern

The Directors, having considered the current trading prospects, identifiable risks, working capital requirements and the availability of finance, are of the opinion that the Company is a going concern. The accounts have been prepared on this basis.

Notes (continued)

1 Accounting policies (continued)

New standards and interpretation not applied

A number of new standards, amendments to standards and interpretations have been issued by the International Accounting Standards Board (IASB) and IFRIC which have not yet been adopted by the Company

International Accounting Standards and Interpretations	Effective date
IFRS 3 Revised – Business Combinations	1st July 2009
IAS 27 Amendment – Consolidated and Separate Financial Statements	1st July 2009
IAS 38 Amendment – Intangible Assets	1st July 2009
IFRS 9 Financial Instruments	1st January 2013

These standards and interpretations have not been adopted in these financial statements. It is not anticipated that the adoption of these standards and interpretations will have a significant on the Company's financial statements on initial adoption.

2 Finance costs

	2010 £000	2009 £000
Interest expense		
Interest payable on bank overdraft	4	23
Total interest expense	<u>4</u>	<u>23</u>
Interest income		
Bank Interest Receivable	-	2
Total interest income	<u>-</u>	<u>2</u>

3 Loss before tax

The following items have been included in arriving at loss before tax	2010 £000	2009 £000
Staff costs (note 13)	1,442	1,481
Depreciation of property, plant and equipment		
- Owned assets	171	250
Loss on disposal of fixed assets	-	20
Other operating lease rentals payable		
- Land and buildings	930	999
Repairs and maintenance expenditure on property, plant and equipment	70	39
Foreign exchange differences	1	4
Services provided by the company's auditor and network firms		
Fees for the audit of the company	5	6

Notes (Continued)

4 Taxation

	2010 £000	2009 £000
Current tax:		
Adjustments in respect of prior period current tax	-	-
Total current tax	-	-
Deferred tax:		
Current	-	-
Adjustments in respect of prior period deferred tax	-	-
Total deferred tax	-	-
Total tax credit	-	-

The tax credit for the period is lower (2009 lower) than the standard rate of corporation tax in the UK (28%) The differences are explained below

	2010 £000	2009 £000
Loss on ordinary activities before tax	(450)	(395)
Loss on ordinary activities multiplied by rate of corporation tax in the UK of 28% (2009 28%)	(126)	(111)
Effects of		
Adjustments to tax in respect of prior periods	-	-
Group relief unpaid	114	61
Expenses not deductible for tax purposes	9	15
Rate change on deferred tax	-	-
Deferred Tax movement not recognised	10	35
Transfer pricing adjustment	(7)	-
Total tax for the period	-	-

Deferred tax assets in respect of Accelerated Capital Allowances and a general stock provision have not been recognised, on the basis that the company is currently loss making and the projected results for future periods do not suggest that this asset is more likely than not to be utilised

5 Property, plant and equipment

	Fixtures and fittings £000	Total £000
Cost		
At 28 March 2009	2,028	2,028
Additions at cost	38	38
Disposals	-	-
At 27 March 2010	2,066	2,066
Accumulated Depreciation		
At 28 March 2009	1,612	1,612
Charge for the period	171	171
Disposals	-	-
At 27 March 2010	1,783	1,783
Net book value		
At 27 March 2010	283	283
At 28 March 2009	416	416

Notes (continued)

5 Property, plant and equipment (continued)

	Fixtures and fittings £000	Total £000
Cost		
At 28 March 2008	1,972	1,972
Additions at cost	91	91
Disposals	(35)	(35)
	<hr/>	<hr/>
At 28 March 2009	2,028	2,028
	<hr/>	<hr/>
Accumulated Depreciation		
At 28 March 2008	1,377	1,377
Charge for the period	250	250
Disposals	(15)	(15)
	<hr/>	<hr/>
At 28 March 2009	1,612	16,12
	<hr/>	<hr/>
Net book value		
At 28 March 2009	416	416
	<hr/>	<hr/>
At 29 March 2008	595	595
	<hr/>	<hr/>

TPMS Impairment Review note:

Given the losses incurred by The Paper Mill Shop Limited ("TPMS") an impairment review has been conducted. The recoverable amount of the assets was taken to be their value in use and was calculated by reference to the cash flows taken from the James Cropper Plc forecasts as detailed below.

For the purpose of impairment testing TPMS is regarded as one cash generating unit being the lowest level at which impairment is monitored for internal management purposes.

The review derived the net present value of TPMS over a 20 year period, with the year to 31 March 2010 being year 1. Years 2, 3 and 4 were based on the subsidiary's 2010/11 Business Plan approved by the Board, with management's projections used beyond those years.

The key assumptions in the forecast which are consistent with last year were:

- No new store openings
- Closure of underperforming stores on lease termination
- No sales price inflation
- Gross margin remains constant throughout
- Nil inflation in costs, cost increases being offset by productivity gains
- Working capital recovered in the final year

The revised forecast assumptions were:

- Average sales volume per outlet grows by 9% between years 4 and 8 and remains constant thereafter
- Internet sales volume grows by 47% between years 4 and 11 and remains constant thereafter

A pre-tax discount rate of 13.7% (2009 13.4%) has been applied reflecting the increased risk and uncertainty in the current economic climate in general and the lack of confidence with which the near future can be forecast in the retail sector in particular. Given the magnitude of the discount rate and that the valuation stretched out over 20 years terminal values were ignored.

The net book value of TPMS fixed assets are £283,000 (2009 £416,000)

Notes (Continued)

5 Property, plant and equipment (continued)

The Directors believe that given the recent trading performance of TPMS the above assumptions are the most appropriate, however note that when the economy begins to recover a different set of assumptions may be more appropriate

The review concluded that based upon the discount rate used and the key assumptions applied there was no requirement for an impairment provision

6 Inventories

	2010 £000	2009 £000
Good held for resale	546	784
	<u>546</u>	<u>784</u>

Inventories are stated after a provision for impairment of £nil (2009 £nil)

7 Trade and other receivables

	2010 £000	2009 £000
Trade receivables	96	115
Amounts owed by group undertakings	231	329
Prepayments	160	177
	<u>487</u>	<u>621</u>

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

	2010 £000	2009 £000
Cash at bank and in hand	150	4
	<u>150</u>	<u>4</u>

9 Trade and other payables

	2010 £000	2009 £000
Overdraft	-	2
Amounts owed to group undertakings	1,711	1,617
Other tax and social security payable	87	14
Other creditors	3	2
Accruals	366	243
Trade payables	103	301
	<u>2,270</u>	<u>2,179</u>

The 2009 overdraft is part of the Group banking overdraft and the effective interest rate at the year end date was 1.5%

Notes (continued)

10 Financial instruments

The Company has exposure to the following risks from its use of financial instruments

- Credit risk
- Liquidity risk
- Interest rate risk

This note presents information about the fair value of the Company's financial instruments, the Company's exposure to each of the risks noted and the Company's objectives, policies and processes for measuring and managing risk. The Group Board has overall responsibility of the risk management strategy and coordinates activity across the Group and this is further explained in the Director's report of the annual report for James Cropper PLC.

Exposure to the financial risks noted, arise in the normal course of the Company's business.

Categories of non-derivative financial assets and liabilities and fair values

The fair values of the financial assets and liabilities of the Company together with their book values are as follows

	2010		2009	
	Book value	Fair value	Book value	Fair value
	£000	£000	£000	£000
Financial assets				
Current				
Trade and other receivables (note 7)	487	487	621	621
Cash and cash equivalents (note 8)	150	150	4	4
	<u>637</u>	<u>637</u>	<u>625</u>	<u>625</u>
Financial liabilities				
Current				
Trade and other payables (note 9)	(2,270)	(2,270)	(2,177)	(2,177)
Short term borrowings (note 9)	-	-	(2)	(2)
	<u>(2,270)</u>	<u>(2,270)</u>	<u>(2,179)</u>	<u>(2,179)</u>

The fair values are stated at a specific date and may be different from the amounts which will be actually paid or received on settlement of the instruments. The fair values are based on book values as the directors do not consider that there is a material difference between the book values and the fair values.

Notes (continued)

10 Financial instruments (continued)

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty fails to meet its contractual obligations. The Company is not exposed to credit risk. The trade receivables are attributable to cash in transit at the statement of financial position date.

The ageing of trade receivables at the reporting date was

	2010 £000	2009 £000
Not past due	96	115
	<u>96</u>	<u>115</u>
Less impairment	-	-
	<u>96</u>	<u>115</u>

Liquidity risk

Liquidity risk is the risk that the Company will have sufficient funds to meet liabilities.

Short term flexibility is achieved through overdraft facilities and the Company is included within the Group's overdraft facilities and therefore it is not possible to determine the un-drawn facilities available to the company at the statement of financial position date. The Group's liquidity risk is further described in the annual report for James Cropper PLC.

Trade payables

Trade payables at the reporting date was

	2010 £000	2009 £000
Total contractual cash flows	103	301
	<u>103</u>	<u>301</u>

Interest rate risk

Interest rate risk derives from the Company's exposure to changes in value of an asset or liability or future cash flow through changes in interest rates. The Company's cash is managed by the Group and the Group's interest rate risk is described in the annual report for James Cropper PLC.

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 Statement of Comprehensive Income in the period they fall due.

The most recent actuarial valuations of the Staff Scheme and the Works Scheme have been updated to 27 March 2010 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	
	2010	2009	2010	2009
	%	%	%	%
Rate of increase in pensionable salaries	4.5	4.1	4.5	4.1
Rate of increase of pensions in payment and deferred	3.8	3.5	3.8	3.5
Discount rate	5.6	6.7	5.6	6.7
Inflation assumption	3.7	3.1	3.7	3.1
Expected return on plan assets	6.8	6.7	6.9	6.7

In respect of mortality for the Works members the PA92 series table has been used with the medium cohort projections applied, and a plus three year age rating. For the Staff members the PNA00 tables with a 120% rating has been used with the long cohort projections and a 1% underpin. The different tables and methods applied to each Scheme reflect the different characteristics of the members within these Schemes.

The long-term expected rate of return on cash is determined by reference to bank base rates at the statement of financial position rates. The long-term expected return on bonds is determined by reference to UK long dated government and corporate bond yields at the statement of financial position date. The long-term expected return on equities is based on the rate of return on bonds with an allowance for out-performance.

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

	Staff scheme		Works scheme	
	2010	2009	2010	2009
	%	%	%	%
Equities	53	45	57	55
Bonds	15	18	39	36
Property	-	-	-	1
Cash	1	1	4	8
Annuities	6	8	-	-
Corporate Bonds	25	28	-	-

The pension plan assets include investments in the shares of James Cropper PLC with a fair value of £580,000 (2009 £345,000).

Notes (Continued)

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 29 March 2009	24,467	(30,172)	23,790	(27,161)
Expected return on assets	1,622	-	1,580	-
Current service costs	-	(608)	-	(218)
Benefits paid	(1,014)	1,014	(790)	790
Contributions by plan participants	331	(331)	223	(223)
Employer contributions	657	-	540	-
Interest costs	-	(2,019)	-	(1,809)
Actuarial gains/(losses)	7,109	(9,935)	5,435	(7,458)
At 28 March 2010	33,172	(42,051)	30,778	(36,079)

The actual return on plan assets was £15,746,000 (2009 negative £10,539,000) James Cropper PLC expects to pay £774,000 (2009 £586,000) in contributions to the Staff Scheme and £987,000 (2009 £802,000) in contributions to the Works Scheme in the next financial period

The pension contributions charged to the Statement of Comprehensive Income in the year amounted to £26,000

12 Share capital

	2010 £	2009 £
Authorised		
100 (2009 100) ordinary shares of £1 each	100	100
Issued and fully paid		
1 (2009 1) ordinary share of £1 each	1	1

13 Employees and directors

	2010 £000	2009 £000
Staff costs during the period		
Wages and salaries	1,328	1,361
Social security costs	88	96
Pension costs	26	24
	1,442	1,481

The average monthly number of people (including executive directors) employed was 125 (2009 135)

Notes (Continued)

14 Commitments under operating leases

	2010 Land and buildings £000	2009 Land and buildings £000
Commitments under non-cancellable operating leases expiring:		
Within one year	129	28
Greater than one year and less than five years	1,906	1,826
More than five years	545	2,227
	<u>2,580</u>	<u>4,081</u>

15 Capital commitments

	2010 £000	2009 £000
Contracts placed for future capital expenditure not provided in the financial statements	-	22
	<u>-</u>	<u>22</u>

16 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

17 Related party transactions

The company has the following transactions with related entities

	(Purchases) £000	Management charges (payable) £000	Receivable £000	(Payables) £000	2010 loans and intercompany funding (payable)/ receivable £000
James Cropper PLC	(72)	(115)	106	(6)	(1,075)
James Cropper Converting Limited	(77)	-	-	-	5
James Cropper Speciality Papers Limited	(238)	(8)	-	(51)	(460)
	<u>(387)</u>	<u>(123)</u>	<u>106</u>	<u>(57)</u>	<u>(1,530)</u>
	(Purchases) £000	Management charges (payable) £000	Receivable £000	(Payables) £000	2009 loans and intercompany funding (payable)/ receivable £000
James Cropper PLC	(54)	(25)	129	-	(1,335)
James Cropper Converting Limited	-	-	2	-	198
James Cropper Speciality Papers Limited	(322)	-	-	(72)	(210)
	<u>(376)</u>	<u>(25)</u>	<u>131</u>	<u>(72)</u>	<u>(1,347)</u>

Notes *(Continued)*

18 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.