

The Paper Mill Shop Company Limited
Annual Report and Accounts
for the 53 weeks ended 2 April 2005

Registered Number: 4051783



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for the 53 weeks ended 2 April 2005
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The Paper Mill Shop Company Limited

Directors' report for the 53 weeks ended 2 April 2005

The directors present their report and the audited financial statements of the company for the 53 weeks ended 2 April 2005.

Principal activities

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

Results and dividends

The results are set out on page 4. The directors do not recommend the payment of a dividend (2004: £Nil).

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 (Chairman)

A I Lewis

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

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the 53 weeks ended 2 April 2005 and that applicable accounting standards have been followed.

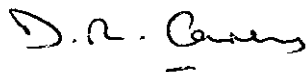
The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets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

The Paper Mill Shop Company Limited

Auditors

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

By order of the Board



D R Carey
Secretary

14 July 2005

The Paper Mill Shop Company Limited

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

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

Respective responsibilities of directors and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 2 April 2005 and of its profit for the 53 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
Newcastle upon Tyne

14 July 2005

The Paper Mill Shop Company Limited

Profit and loss account for the 53 weeks ended 2 April 2005

		2005		2004	
	Note	£'000	£'000	£'000	£'000
Turnover			5,203		2,920
Other operating income			16		-
			5,219		
Raw materials and consumables		(1,840)		(963)	
Other external charges		(1,562)		(906)	
Staff costs	1	(1,058)		(515)	
Depreciation		(242)		(107)	
Other operating charges		(136)	(4,838)	(172)	(2,663)
Operating profit	3		381		257
Interest receivable and similar income			2		-
Interest payable and similar charges	4		(6)		(15)
Profit on ordinary activities before taxation			377		242
Tax on profit on ordinary activities	5		(47)		(21)
Retained profit for the financial period	13		330		221

All of the activities of the company are continuing.

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

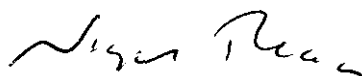
There is no difference between the reported profit on ordinary activities before taxation and the retained profit for the financial period stated above and their historical cost equivalents.

The Paper Mill Shop Company Limited

Balance sheet as at 2 April 2005

		2005		2004	
	Note	£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	7		904		574
Current assets					
Stocks	8	517		297	
Debtors	9	209		147	
Cash at bank and in hand		2		-	
			728		444
Creditors - Amounts falling due within one year	10		(1,036)		(753)
Net current liabilities			(308)		(309)
Total assets less current liabilities			596		265
Deferred taxation	11		(34)		(33)
Net assets			562		232
Capital and reserves					
Called up equity share capital	12		-		-
Profit and loss account	13		562		232
Total equity shareholder's funds	14		562		232

The financial statements on pages 4 to 13 were approved by the board of directors on 14 July 2005 and were signed on its behalf by:



N A Read
Director

The Paper Mill Shop Company Limited

Statement of accounting policies

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

Turnover

Revenue is recognised at point of sale to the customer and excludes value added tax.

Depreciation

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

Fixtures and fittings - between 4 to 20 years

Stocks

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

Deferred taxation

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

Cashflow statement

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

Pensions

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

Leases

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

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

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Notes to the financial statements for the 53 weeks ended 2 April 2005

1 Staff costs

	2005	2004
	£'000	£'000
Wages and salaries	965	470
Social security costs	71	33
Other pension costs	22	12
	1,058	515

The average number of persons employed by the company during the period was 96 (2004: 49).

2 Directors' emoluments

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

3 Operating profit

	2005	2004
	£'000	£'000
The operating profit is stated after charging:		
Auditors' remuneration - audit services	2	2
Operating lease rentals - land and buildings	342	204

4 Interest payable and similar charges

	2005	2004
	£'000	£'000
Interest payable on bank overdraft	6	15

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5 Tax on profit on ordinary activities

(a) Analysis of charge in the period	2005 £'000	2004 £'000
Current tax		
United Kingdom corporation tax on profits of the period	44	-
Adjustments in respect of prior periods	2	2
Total current tax	46	2
Deferred tax		
Origination and reversal of timing differences	1	19
Tax on profit on ordinary activities	47	21

(b) Factors affecting tax charge for the period

The tax assessed for the period is lower (2004: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	2005 £'000	2004 £'000
Profit on ordinary activities before tax	377	242
Profit on ordinary activities multiplied by standard rate of taxation in the UK of 30% (2004: 30%)	113	72
<i>Effects of:</i>		
Expenses not deductible for tax purposes	13	17
Capital allowances for period in excess of depreciation	(5)	(10)
Group relief not paid	(77)	(79)
Adjustments in respect of previous periods	2	2
Total current tax	46	2

(c) Factors that may affect future tax charges

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

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6 Pensions

(a) SSAP 24 disclosures

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

The James Cropper PLC Works Pension Plan and the James Cropper PLC Staff Pension Scheme were valued respectively using the projected unit method on 6 April 2003 and 1 April 2003 by professionally qualified actuaries.

The principal actuarial assumptions used in the valuation were:

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

The market value of assets in the Staff Scheme and Works Scheme at the date of the last valuation were £15,866,000 and £15,012,000.

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

(b) FRS 17 disclosures

The company participates in defined benefit schemes operated by its immediate parent undertaking, James Cropper PLC. However, the contributions paid by the company are accounted for as if the schemes were defined contribution schemes, as the company is unable to identify its share of the underlying assets and liabilities in the scheme. The cost of contributions to the group schemes amount to £22,000 (2004: £12,000) and are based on pension costs across the group as a whole.

An approximate actuarial valuation of the schemes was undertaken as at 2 April 2005 and a pension liability, net of deferred tax, of £7,495,000 (2004: £9,642,000) was identified.

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7 Tangible fixed assets

	Fixtures and fittings £'000
Cost	
At 28 March 2004	747
Additions	571
Transfers from other group companies	3
At 2 April 2005	1,321
Accumulated depreciation	
At 28 March 2004	173
Charge for the period	242
Transfers from other group companies	2
At 2 April 2005	417
Net book amount	
At 2 April 2005	904
At 27 March 2004	574

8 Stocks

	2005 £'000	2004 £'000
Goods held for resale	517	297

9 Debtors

	2005 £'000	2004 £'000
Prepayments and accrued income	208	145
Amounts due from related undertakings	1	-
Corporation tax recoverable	-	2
	209	147

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10 Creditors - Amounts falling due within one year

	2005	2004
	£'000	£'000
Bank overdraft	193	250
Trade creditors	157	127
Accruals and deferred income	235	143
Corporation tax	44	-
Taxation and social security	8	7
Amounts owing to group undertakings	399	226
	1,036	753

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

11 Provisions for liabilities and charges

Deferred taxation:	2005	2004
	£'000	£'000
Accelerated capital allowances	34	33
Total	34	33
At 28 March 2004	33	
Deferred tax charge in profit and loss account (note 5)	1	
At 2 April 2005	34	

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12 Called up equity share capital

	2005	2004
	£	£
Authorised:		
100 ordinary shares of £1 each	100	100
Allotted and fully paid:		
1 ordinary share of £1 each	1	1

13 Profit and loss account

	£'000
At 28 March 2004	232
Retained profit for the financial period	330
At 2 April 2005	562

14 Reconciliation of movements in equity shareholder's funds

	2005	2004
	£'000	£'000
Profit for the financial period	330	221
Net change in equity shareholder's funds	330	221
Opening equity shareholder's funds	232	11
Closing equity shareholder's funds	562	232

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15 Operating lease commitments

At 2 April 2005 the company had commitments to make payments during the next year under operating leases for land and buildings expiring as follows:

	2005	2004
	£'000	£'000
Within one year	23	-
Within two to five years	379	-
After five years	265	205
	667	205

16 Capital and other commitments

At 2 April 2005 the company had placed contracts for capital expenditure of £39,000 (2004: £Nil).

17 Ultimate controlling party and related party disclosures

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

Transactions with the ultimate parent undertaking and other group companies are not disclosed as the company has taken advantage of the exemption available under Financial Reporting Standard 8 "Related Party Disclosures".