

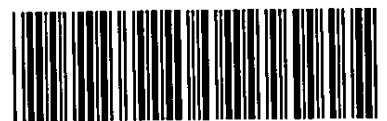
James Cropper Converting Limited

**Directors' report and financial
statements**

Registered number 04690526

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 principal activity of the company is the converting of paper. It is a wholly owned subsidiary of James Cropper PLC

Business review

Sales of mountboard are closely related to general activity in the housing market, as people tend to acquire pictures when they move into a new home. UK residential property sales did not recover in 2009 and the US market was similarly affected. However, Converting remains the world's only picture mountboard producer vertically integrated with a paper mill capable of supplying all the elements of the product. This competitive advantage was leveraged to grow sales of archival boxboard products as well as our traditional conservation mountboard ranges, resulting in increased sales volumes overall despite the difficult trading environment.

Overall spending on advertising influences sales of display board. According to the World Advertising Research Center, total spending on advertising in the UK in 2009 was down 12.7% on 2008. Converting has a large market share of the UK display board market and this reduction in activity impacted directly on sales of these products.

Sales of digital media improved relative to the prior year.

The results for the company show a pre-tax profit of £358,000 (2009 £173,000) for the period and sales of £11,130,000 (2009 £10,995,000).

Future Developments

The directors expect that the trading environment will improve somewhat in line with the general economy and measures have been taken to ensure the business is ready for growth as sales increase.

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 James Cropper Converting Limited's business. The principal risks and uncertainties of James Cropper PLC, which include those of the company, are discussed in the Chairman's Review, the Financial Review and Divisional Review for Converting 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 James Cropper Converting Limited. The development, performance and position of the Converting division which includes the company, is discussed in the Chairman's Review, the Financial Review and Divisional Review for Converting 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 recommended the payment of a dividend of £100,000 in the period (2009 £500,000).

Directors' Report *(continued)*

Post balance sheet events

There are no post balance sheet events to be reported

Research and development

The company invests in research and development to ensure that the range and quality of products are continually updated

Employee involvement

A monthly briefing on performance is carried out for all employees. All employees have access to a copy of the 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,

M Thompson

A I Lewis

J Denman

The interests of J Denman and A I Lewis, who are directors of the ultimate parent company, James Cropper PLC, are given in the annual report of that company. M Thompson is not a director of James Cropper PLC and does not hold any interests in the ultimate parent company or this company.

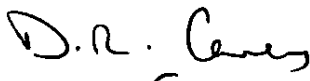
Disclosure of information to auditors

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 reappointed and KPMG Audit PLC will therefore continue in office.

By order of the board



D R Carey
Secretary

8 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 James Cropper Converting Limited

We have audited the financial statements of James Cropper Converting Limited for the year ended 27 March 2010 set out on pages 6 to 23. 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 profit 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

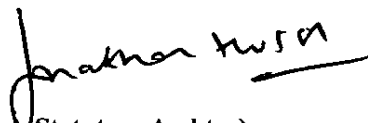
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report to the members of James Cropper Converting 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		11,130	10,995
Changes in inventories of finished goods and work in progress		(34)	114
Raw materials and consumables used		(7,008)	(7,197)
Energy costs		(88)	(112)
Employee benefit costs	<i>16</i>	(1,800)	(1,733)
Depreciation	<i>3</i>	(301)	(302)
Other expenses		(1,307)	(1,182)
		<hr/>	<hr/>
Operating profit		592	583
Interest expense	<i>2</i>	(236)	(413)
Interest income	<i>2</i>	1	3
		<hr/>	<hr/>
Profit before tax	<i>3</i>	357	173
Taxation	<i>4</i>	80	(307)
		<hr/>	<hr/>
Total comprehensive income for the period attributable to equity holders of the company		437	(134)
		<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	6	2,964	3,188
		<u>2,964</u>	<u>3,188</u>
Current assets			
Inventories	7	2,112	2,083
Trade and other receivables	8	4,242	3,741
Cash and cash equivalents	9	110	146
		<u>6,464</u>	<u>5,970</u>
Liabilities			
Current liabilities			
Trade and other payables	10	(1,301)	(1,329)
Intercompany loans	11	(5,000)	(5,000)
Current tax liabilities		(9)	(1)
		<u>(6,310)</u>	<u>(6,330)</u>
Net current assets/(liabilities)		<u>154</u>	<u>(360)</u>
Non current liabilities			
Deferred tax liabilities	14	(730)	(777)
		<u>(730)</u>	<u>(777)</u>
Net assets		<u>2,388</u>	<u>2,051</u>
Shareholders' equity			
Ordinary share capital	15	1,600	1,600
Preference share capital	15	3	3
Share premium		344	344
Retained earnings		441	104
Total shareholders' equity attributable to equity holders of the company		<u>2,388</u>	<u>2,051</u>

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



A I Lewis
Director

Registered number 04690526

Statement of Cashflows
for the year ended 27 March 2010

	<i>Note</i>	2010 £000	2009 £000
Continuing operations			
Net profit/(loss)		438	(134)
Adjustment for:			
Tax	4	(80)	307
Interest income and expense	2	235	410
Depreciation	3	301	302
Profit on disposal of fixed assets	3	-	(11)
Changes in working capital			
(Increase)/decrease in inventories		(29)	5
(Increase)/decrease in trade and other receivables		(501)	268
(Decrease) in payables		(41)	(1,044)
Cash flows from operating activities		323	103
Interest received		1	3
Interest paid		(236)	(413)
Tax received		53	-
Net cash generated from operating activities		141	(307)
Cash flow from investing activities			
Purchase of property, plant and equipment	6	(77)	(93)
Proceeds from sale of property, plant and equipment		-	43
Net cash generated used by investing activities		(77)	(50)
Cash flow from financing activities			
Issue/Repayment of Intercompany Loan		-	(1,000)
Dividends paid		(100)	(500)
Net cash used in financing activities		(100)	(1,500)
Net (decrease)/increase in cash and cash equivalents		(36)	(1,857)
Cash and cash equivalents at the start of the period		146	2,003
Cash and cash equivalents at the end of the period	9	110	146
Cash and cash equivalents consists of			
Cash at bank and in hand	9	110	146

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

	Share capital	Share premium	Retained earnings	Total
	£000	£000	£000	£000
At 28 March 2009	1,603	344	104	2,051
Profit for the financial period	-	-	437	437
Dividends paid	-	-	(100)	(100)
	<hr/>	<hr/>	<hr/>	<hr/>
At 27 March 2010	1,603	344	441	2,388
	<hr/>	<hr/>	<hr/>	<hr/>
	Share capital	Share premium	Retained earnings	Total
	£000	£000	£000	£000
At 29 March 2008	1,603	344	738	2,685
Loss for the financial period	-	-	(134)	(134)
Dividends paid	-	-	(500)	(500)
	<hr/>	<hr/>	<hr/>	<hr/>
At 28 March 2009	1,603	344	104	2,051
	<hr/>	<hr/>	<hr/>	<hr/>

Notes

(forming part of the financial statements)

1 Accounting policies

James Cropper Converting 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 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 financial statements have been prepared on a going concern basis.

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 Group's consolidated financial statements.

Note 6 Property, plant and equipment

It is the Company'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 Group profit through an increase or decrease in the depreciation charge.

Note 7 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.

Note 8 Trade receivables

In estimating the collectability of trade receivables judgement is required and the policies in regard to credit risk are further described in note 12.

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.

Notes (continued)

1 Accounting Policies (continued)

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 Statement of Financial Position date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Statement of Comprehensive Income. 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 Statement of Financial Position 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. Exchange differences arising from translation of foreign operations are taken directly to the translation reserve, they are released into the Statement of Comprehensive Income upon disposal.

Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the IAS38 conditions are met. Other development expenditures are recognised as an expense as incurred. Development costs with a finite useful life that have been capitalised are amortised from the commencement of the commercial production of the product on a straight-line basis over the period of its expected benefit, not exceeding 5 years.

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.

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:

Freehold land and buildings	14 – 40 years
Fixtures, fittings, plant and machinery	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.

Grants

Capital grants are credited to a deferral account and released to income over the expected useful lives of the relevant assets. Grants of a revenue nature are credited to the Statement of Comprehensive Income in the period to which they relate.

Notes (continued)

1 Accounting Policies (continued)

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.

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.

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.

Borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Comprehensive Income over the period of the borrowings using the effective interest method. Interest is not capitalised within property, plant and equipment.

Notes (continued)

1 Accounting Policies (continued)

Interest

Interest is recognised in the consolidated 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 determined 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.

Capital Management

Company 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, issue 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.

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 impact on the group's financial statements on initial adoption.

Notes (continued)

2 Finance costs

	2010 £000	2009 £000
Interest expense		
Intercompany loan interest	225	390
Other interest payable	11	23
	<u> </u>	<u> </u>
Total interest expense	236	413
	<u> </u>	<u> </u>
Interest income		
Bank interest receivable	1	3
	<u> </u>	<u> </u>
Total interest income	1	3
	<u> </u>	<u> </u>

3 Profit before tax

The following items have been included in arriving at profit before tax	2010 £000	2009 £000
Staff costs (note 17)	1,800	1,733
Depreciation of property, plant and equipment		
- Owned assets	301	302
Profit on disposal of fixed assets	-	(11)
Repairs and maintenance expenditure on property plant and equipment	137	182
Research and development expenditure	122	63
Other operating lease rentals payable		
- Plant and machinery	148	148
Foreign exchange differences	9	(78)
Trade receivables impairment	53	7
Services provided by the company's auditor and network firms		
Fees for the audit of the company	7	7

Notes (continued)

4 Taxation

	2010 £000	2009 £000
Current tax:		
United Kingdom corporation tax on profits for the period	9	56
Adjustments in respect of prior period current tax	(42)	7
Total current tax	(33)	63
Deferred tax:		
Current	(48)	244
Adjustments in respect of prior period deferred tax	1	-
Total deferred tax (note 14)	(47)	244
Total tax (credit)/charge	(80)	307

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

	2010 £000	2009 £000
Profit before tax	357	173
Profit multiplied by rate of corporation tax in the UK of 28% (2009 28%)	100	48
Effects of		
Adjustments to tax in respect of prior period	(41)	7
Group relief unpaid	(138)	(32)
Non deductible/non taxable items	(7)	3
Deferred Tax movement of assets becoming non qualifying – removal of IBA's *	-	280
Other	6	1
Total tax charge for the period	(80)	307

The phasing out of Industrial Buildings Allowance ("IBA") in 2008/09 resulted in an additional Deferred Tax charge of £280,000. In previous years future entitlement for tax relief arising from IBA has been accounted for as a 'deferred asset' on the Statement of Financial Position. With the removal of this entitlement the benefit from this 'deferred asset' will no longer materialise thus leading to it being written off in 2009.

5 Dividends

	2010 £000	2009 £000
Dividends on equity shares:		
Ordinary £0.063 per share (2009 £0.312)	100	500

Notes (continued)

6 Property, plant and equipment

	Freehold land and buildings £000	Fixtures, fittings, plant & machinery £000	Total £000
<i>Cost</i>			
At 28 March 2009	2,084	2,016	4,100
Additions at cost	-	77	77
	<hr/>	<hr/>	<hr/>
At 27 March 2010	2,084	2,093	4,177
	<hr/>	<hr/>	<hr/>
<i>Accumulated Depreciation</i>			
At 28 March 2009	357	555	912
Charge for the period	60	241	301
	<hr/>	<hr/>	<hr/>
At 27 March 2010	417	796	1,213
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 27 March 2010	1,667	1,297	2,964
	<hr/>	<hr/>	<hr/>
At 28 March 2009	1,727	1,461	3,188
	<hr/>	<hr/>	<hr/>
	Freehold land and buildings £000	Fixtures, fittings, plant & machinery £000	Total £000
<i>Cost</i>			
At 29 March 2008	2,084	1,991	4,075
Additions at cost	-	93	93
Disposals at cost	-	(68)	(68)
	<hr/>	<hr/>	<hr/>
At 28 March 2009	2,084	2,016	4,100
	<hr/>	<hr/>	<hr/>
<i>Accumulated Depreciation</i>			
At 29 March 2008	297	349	646
Charge for the period	60	242	302
Disposals	-	(36)	(36)
	<hr/>	<hr/>	<hr/>
At 28 March 2009	357	555	912
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 28 March 2009	1,727	1,461	3,188
	<hr/>	<hr/>	<hr/>
At 29 March 2008	1,787	1,642	3,429
	<hr/>	<hr/>	<hr/>

Notes (continued)

7 Inventories

	2010 £000	2009 £000
Raw materials	828	764
Work in progress	1,069	1,124
Finished goods	215	195
	<u>2,112</u>	<u>2,083</u>

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

8 Trade and other receivables

	2010 £000	2009 £000
Trade receivables	2,460	2,143
Less Provision for impairment of receivables	-	(7)
Trade receivables – net	<u>2,460</u>	<u>2,136</u>
Amounts owed by group undertakings	1,777	1,583
Prepayments	5	22
	<u>4,242</u>	<u>3,741</u>

Management believe there is no further credit risk provision required in excess of normal provision for doubtful receivables. Additional disclosures on credit risk can be viewed in note 12.

9 Cash and cash equivalents

	2010 £000	2009 £000
Cash at bank and in hand	<u>110</u>	<u>146</u>

10 Trade and other payables

	2010 £000	2009 £000
Amounts owed to group undertakings	1,113	1,173
Other tax and social security payable	89	36
Accruals	99	120
	<u>1,301</u>	<u>1,329</u>

11 Intercompany loans and funding

	2010 £000	2009 £000
Current		
Intercompany loans	5,000	5,000
	<u>5,000</u>	<u>5,000</u>

The intercompany loans are unsecured and repayable on demand. There is a formal loan agreement in place stating interest is charged at 4.5% (2009 6.6%).

Notes (continued)

12 Financial instruments

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

- Credit risk
- Liquidity risk
- Currency 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. This responsibility is discussed further in the Director's report of the James Cropper PLC annual report.

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 Book value £000	2010 Fair value £000	2009 Book value £000	2009 Fair value £000
Financial assets				
Current				
Trade and other receivables (note 8)	4,242	4,242	3,741	3,741
Cash and cash equivalents (note 9)	110	110	146	146
	<u>4,352</u>	<u>4,352</u>	<u>3,887</u>	<u>3,887</u>
Financial liabilities				
Current				
Trade and other payables (note 10)	(975)	(975)	(531)	(531)
Short term borrowings (note 11)	(5,326)	(5,326)	(5,798)	(5,798)
	<u>(6,301)</u>	<u>(6,301)</u>	<u>(6,329)</u>	<u>(6,329)</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.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty fails to meet its contractual obligations. Credit risk arising from the Company's normal commercial activities is controlled in accordance with Company policies and procedures. Exposure to credit risk arises from the potential of a customer defaulting on their invoiced sales. All the company's customers are un-insured and therefore the financial strength and credit worthiness of the customer is assessed from a variety of internal and external information, and specific credit risk controls that match the risk profile of those customers are applied.

Trade receivables recorded by business held at the 27 March 2010 were

	2010 £000	2009 £000
Not past due	2,460	2,144
Over 61 days	-	(1)
	<u>2,460</u>	<u>2,143</u>
less impairment	-	(7)
	<u>2,460</u>	<u>2,136</u>

Notes (continued)

12 Financial instruments (continued)

At the end of each reporting period a review of the provision for bad and doubtful debts is performed. It is an assessment of the potential amount of trade debtors which will not be paid by customers after the Statement of Financial Position date. This amount is calculated by reference to the age, status and risk of each receivable.

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.

Currency risk

The Company publishes its financial statements in sterling but also conducts business in foreign currencies. As a result it is subject to foreign currency exchange risk arising from exchange rate movements which will be reflected in the Company's transaction costs or in the underlying foreign currency assets of its foreign operations. The Company is exposed to foreign exchange risks primarily with respect to US Dollars and the Euro. Where possible, the Group maintains a policy of balancing sales and purchases denominated in foreign currencies. The Group's management of foreign currency is described in further detail in the Financial Review of the James Cropper PLC annual report.

Represented below is the net exposure to foreign currencies, reported in pounds sterling, and arising from all Company activities, as at 27 March 2010.

At the 27 March 2010 the Company's exposure to foreign currency risk was as follows:

	USD £000	Euro £000	GBP £000	Total £000
Trade Receivables (note 8)	415	144	1,901	2,460
Cash and cash equivalents (note 9)	55	17	38	110
Net exposure	470	161	1,939	2,570

At the 28 March 2009 the Company's exposure to foreign currency risk was as follows:

	USD £000	Euro £000	GBP £000	Total £000
Trade Receivables (note 8)	251	17	1,868	2,136
Cash and cash equivalents (note 9)	9	11	126	146
Unsecured current loans (note 11)	-	-	(5,000)	(5,000)
Net exposure	260	28	(3,006)	(2,718)

A one percent strengthening of the pound against the Euro and the US Dollar at 27 March 2010 would have had the following impact on equity and profit by the amounts shown below:

		Statement of Financial Position £'000	Statement of Comprehensive Income £'000
27-March-10	USD	(5)	(4)
27-March-10	Euro	(2)	(1)
28-March-09	USD	2	2
28-March-09	Euro	-	-

Notes (continued)

12 Financial instruments (continued)

This sensitivity analysis is indicative only and it should be noted that the Company's exposure to such market rate changes is continually changing. The calculations assume all other variables, in particular interest rates, remain constant.

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.

13 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 James Cropper Converting Limited are charged to the 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	-	-

Notes (continued)

13 Retirement benefits (continued)

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

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

	Staff scheme		Works scheme	
	Assets £000	DBO £000	Assets £000	DBO £000
At 29 March 2009	23,790	(27,161)	24,467	(30,172)
Expected return on assets	1,580	-	1,622	-
Current service cost	-	(218)	-	(608)
Benefits paid	(790)	790	(1,014)	1,014
Contributions by plan participants	223	(223)	331	(331)
Employer contributions	540	-	657	-
Interest costs	-	(1,809)	-	(2,019)
Actuarial (losses)/gains	5,435	(7,458)	7,109	(9,935)
At 28 March 2010	<u>30,778</u>	<u>(36,079)</u>	<u>33,172</u>	<u>(42,051)</u>

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 £116,000

14 Deferred taxation

The movement on the deferred tax account is shown below

	2010 £000	2009 £000
At 28 March 2009	777	533
(credit)/charge for the year	(47)	244
At 27 March 2010	<u>730</u>	<u>777</u>

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

	Accelerated capital allowances £000
Deferred tax liabilities	
At 28 March 2009	777
Profit and loss charge (note 4)	(47)
At 27 March 2010	<u>730</u>

Notes (continued)

15 Share capital

	2010 £000	2009 £000
Authorised		
30,000,000 (2009 30,000,000) ordinary shares of £1 each	30,000	30,000
5,000,000 (2009 5,000,000) irredeemable preference shares of £0.01 each	50	50
Issued and fully paid		
1,600,001 (2009 1,600,001) ordinary shares of £1 each	1,600	1,600
327,448 (2009 327,448) preference shares of £0.01 each	3	3

16 Employees and directors

	2010 £000	2009 £000
Staff costs during the period		
Wages and salaries	1,554	1,482
Social security costs	130	127
Pension costs	116	124
	<u>1,800</u>	<u>1,733</u>

The average monthly number of people (including executive directors) employed was 54 (2009 54)

	2010 £000	2009 £000
Directors' emoluments		
Aggregate emoluments	91	79
Company contributions paid to a defined contribution pension scheme on behalf of one director	3	3

J Denman and A I Lewis are also directors of the ultimate parent undertaking, James Cropper PLC, and their emoluments are paid by the parent company. Details of their remuneration from the parent undertaking are given in the annual report of that company.

17 Commitments under operating leases

	2010 Plant and machinery £000	2009 Plant and machinery £000
Commitments under non-cancellable operating leases expiring:		
Within one year	-	-
Greater than one year and less than five years	420	148
More than five years	-	-
	<u>420</u>	<u>148</u>

18 Capital commitments

	2010 £000	2009 £000
Contracts placed for future capital expenditure not provided in the financial statements	54	3

Notes (continued)

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, The Paper Mill Shop Company Limited, Technical Fibre Products Limited and James Cropper Speciality Papers Limited

20 Related party transactions

The company has the following transactions with related entities

	Sales £000	(Purchases) £000	Management charges (payable) £000	Receivables £000	(Payables) £000	2010 loans and intercompany funding receivable/ (payable) £000
James Cropper PLC	-	(7,289)	(605)	-	(786)	(4,934)
The Paper Mill Shop Company Limited	77	-	-	-	-	(5)
James Cropper Speciality Papers Limited	611	(2,413)	(14)	33	-	(220)
Technical Fibre Products Ltd	-	-	-	-	-	1,578
	<u>688</u>	<u>(9,702)</u>	<u>(619)</u>	<u>33</u>	<u>(786)</u>	<u>(3,581)</u>

	Sales £000	(Purchases) £000	Management charges (payable) £000	Receivables £000	(Payables) £000	2009 loans and intercompany funding receivable/ (payable) £000
James Cropper PLC	-	(7,444)	(597)	-	(373)	(4,500)
The Paper Mill Shop Company Limited	-	(11)	-	-	(2)	(178)
James Cropper Speciality Papers Limited	662	(2,367)	-	169	-	(120)
Technical Fibre Products Ltd	-	-	-	-	-	414
	<u>662</u>	<u>(9,822)</u>	<u>(597)</u>	<u>169</u>	<u>(375)</u>	<u>(4,384)</u>

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 Converting Limited. Copies of these accounts can be obtained from Burneside Mills, Kendal, Cumbria, LA9 6PZ