James Cropper PLC

Annual Report 2009

for the period ended
28 March 2009

Registered number: 30226

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VISION STATEMENT

Our Company Goal

To prosper and grow through developing a portfolio of complementary and successful business activities

Our Values

The beliefs and standards by which we will deliver our Company Goal

- Improving profitability and having the drive to succeed
- An absolute commitment to safety and the environment
- Valuing customers as the lifeblood of our business
- Developing the potential of our employees in a stimulating and enjoyable workplace
- Treating everyone with dignity and respect
- Being enthusiastic about doing things better
- Making a positive contribution to our community
- Having integrity and high standards in everything we do

SUMMARY OF RESULTS

Group 5 year performance	2009	2008	2007	2006	2005
	IFRS basis				
Group turnover £'000	**74,803**	**72,744**	**69,085**	**64,201**	**64,568**
Profit and Loss Summary £'000					
Trading activities					
Technical Fibre Products	2,099	1,426	2,053	777	521
Speciality Papers	(310)	1,281	1,435	(247)	1,787
Converting	406	548	460	62	385
The Paper Mill Shop	(388)	(358)	(358)	241	370
Other Group expenses	(19)	(147)	(86)	-	-
	1,788	2,750	3,504	833	3,063
Director and employee bonuses	(232)	(324)	(433)	-	-
	1,556	2,426	3,071	833	3,063
Profit on sale of trade investment	-	-	-	116	-
Trading Operating Profit	1,556	2,426	3,071	949	3,063
Joint venture	-	(61)	(95)	(89)	(114)
Other income/(expenditure)	-	-	-	-	(200)
Trading Profit before Interest	1,556	2,365	2,976	860	2,749
Net interest	(448)	(402)	(438)	(511)	(357)
Trading Profit before Tax	**1,108**	**1,963**	**2,538**	**349**	**2,392**
(After future service pension contributions paid)					
Net IAS 19 pension adjustments to					
Operating profit	(476)	(610)	(610)	(364)	(423)
Net interest	226	227	179	(114)	(330)
Net pension adjustment before Tax	**(250)**	**(383)**	**(431)**	**(478)**	**(753)**
Overall Group after pension adjustments					
Operating profit	1,080	1,816	2,461	585	2,640
Joint venture	-	(61)	(95)	(89)	(114)
Other (expenditure)/income	-	-	-	-	(200)
Profit before interest	1,080	1,755	2,366	496	2,326
Net interest	(222)	(175)	(259)	(625)	(687)
Profit/(Loss) before Tax	**858**	**1,580**	**2,107**	**(129)**	**1,639**
Earnings/(Losses) per Share (before exceptional Deferred Tax charge)	**5.9p**	**14.0p**	**16.2p**	**(1.2p)**	**12.6p**
(Losses)/Earnings per Share (after exceptional Deferred Tax charge)	**(1.0p)**	**14.0p**	**16.2p**	**(1.2p)**	**12.6p**
Dividends per Share	**5.1p**	**7.3p**	**7.0p**	**4.1p**	**8.2p**
Balance Sheet Summary £'000					
Non-pension assets - excluding cash	43,753	45,616	45,758	46,668	47,005
Non-pension liabilities - excluding borrowings	(12,592)	(12,640)	(13,505)	(11,993)	(11,524)
	31,161	32,976	32,253	34,675	35,481
Net IAS 19 pension deficit (after Deferred Tax)	(6,535)	(1,299)	(4,306)	(7,221)	(7,495)
	24,626	31,677	27,947	27,454	27,986
Net borrowings	(4,452)	(6,016)	(5,294)	(8,595)	(8,350)
Equity shareholders' funds	**20,174**	**25,661**	**22,653**	**18,859**	**19,636**
Gearing % - before IAS 19 deficit	**17**	**22**	**20**	**33**	**31**
Gearing % - after IAS 19 deficit	**22**	**23**	**23**	**46**	**43**
Capital Expenditure £'000	**1,333**	**2,337**	**2,756**	**2,889**	**3,228**

All references to:

1. "Trading Operating Profit" refers to profits prior to income from joint ventures, other income and expenditure, interest on borrowings and "Net IAS 19 pension adjustment"
2. "Trading Profit before Tax" refers to profits prior to "Net IAS 19 pension adjustment".
3. "Net IAS 19 pension adjustment" in the Profit and Loss Account refer to the net impact on the Profit and Loss Account of the pension schemes' operating costs and finance costs, as described in the IAS 19 section of the Financial Review.

CONTENTS

DIRECTORS, BANKERS & ADVISERS

Chairman

James A Cropper BA, FCA - Born 1938 - is the great, great grandson of the founder. He joined the Company in 1966. He became Non-Executive Chairman in 2001. He is also Lord-Lieutenant of Cumbria.

Deputy Chairman

Mark Cropper, MA - Born in 1974.
He joined the Board in 2006 and became Deputy Chairman on 24th April 2008. Mark Cropper is the sixth generation of the Cropper family to be involved in the business. He is managing director of Ellergreen Hydro Ltd, a developer of hydro-electric projects, and senior consultant to Turquoise International, which specialises in corporate finance for energy and the environment. He is also a director of Ellergreen Ltd, Ellergreen Tidal Ltd and Logan Gill Hydro Ltd.

Executive Directors

Chief Executive
Managing Director, James Cropper Speciality Papers Limited
Managing Director, The Paper Mill Shop Company Limited

Alun I Lewis, BSc, MBA – Born 1957.
He joined the Group in 1987 from Wiggins Teape Limited and the Board in April 1998, becoming Chief Executive in January 2001.

Group Finance Director

John M Denman, BSc, FCA – Born 1952. He joined the Group and the Board in 1995 from Cable & Wireless PLC.
He is responsible for Finance, Purchasing, Information Systems and Project Management. He is also a trustee of the James Cropper plc Pension Scheme, Treasurer of the Confederation of Paper Industries Limited and a director of the Paper Federation of Great Britain Limited.

Sales and Marketing Director, James Cropper Speciality Papers Limited

Nigel A Read, BA – Born 1954. He joined the Group in 1981 from Robert Fletcher & Sons Limited and the Board in 1998. He is also a trustee of the James Cropper plc Pension Scheme.

Operations Director, James Cropper Speciality Papers Limited

Patrick J Willink, BSc, MBA – Born 1964 – is also related to the founder. He joined the Group in 1990 from Aquascutum Limited and the Board in 1998.

Managing Director, Technical Fibre Products Limited

George T Quayle, BSc, C. Chem, MRSC – Born 1953. He joined the Group in 1992 from Whatman PLC and the Board in 1998.

Non-Executive Directors

Peter L Herring, BSc (Econ) – Born 1940. He joined the Board in 1997. He is a director of Brenmatch Limited and was previously a director of BPB PLC. Peter Herring retires from the Board at the AGM to be held on 29 July 2009.

David R Wilks, LLB (Hons) – Born 1954. He joined the Board in April 2004. He is a Director of Wilks & Partners, a management consultancy company he founded in 2001. Prior to this, he had extensive manufacturing operations experience with H. J. Heinz and United Biscuits and was a director of ER Consultants.

John R Sclater, MA, MBA – Born 1940.
He joined the Board in 1972 and retired from the Board at the AGM held on 30 July 2008.

Company Secretary

David R Carey, FCCA – Born 1947.
He joined the Group in 1974 as Chief Accountant. He became Company Secretary in 1996.

Bankers
Barclays Bank PLC
Kaupthing Singer & Friedlander Limited
The Royal Bank of Scotland PLC
HSBC Bank PLC
Fortis Bank SA/NV

Independent Auditors
KPMG Audit PLC, Preston

Tax Advisors
PricewaterhouseCoopers LLP, Newcastle upon Tyne

Stockbrokers
Brewin Dolphin Investment Banking

Corporate Lawyers
Dickinson Dees, Newcastle upon Tyne

Registrars
Capita Registrars, Huddersfield

Pension Advisors
Watson Wyatt, Manchester

James Cropper plc
Burneside Mills, Kendal, Cumbria LA9 6PZ, England
Telephone 01539 722002 Fax 01539 722001
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Company Registration No: 30226 (Limited by shares)

BS EN ISO 9001: 2000
FM 10048

OHSAS 18001: 1999
OHS 93474

BS EN ISO 14001: 2004
EMS 57536

CHAIRMAN'S REVIEW

The Group recorded an increase in turnover of 3% to £74,803,000 and a profit before tax of £858,000 for the year, having recovered from a loss before tax of £261,000 in the first half of the year. Although the previous year's profit before tax was higher at £1,580,000 this was nonetheless a pleasing result given the difficult trading climate.

The first half loss arose as a consequence of the severe impact of rising energy and pulp costs on James Cropper Speciality Papers Limited ("Speciality Papers"). In the second half of the financial year Speciality Papers made significant progress in reducing its first half losses.

Technical Fibre Products Limited ("TFP") traded strongly throughout the year and recorded its highest profit to date.

Prior to net IFRS pension adjustments the Group recorded a Trading profit before tax of £1,108,000 compared to £1,963,000 in 2008.

Dividends

The Board proposes a final dividend payment of 4.0p to reflect the second half recovery, making a total dividend for the full year of 5.1p compared to 7.3p in 2008. The Board is disappointed to have had to reduce the dividend as a consequence of the first half loss and the current global economic climate. However it is the Board's intention to reward the loyalty of shareholders by resuming its progressive dividend policy as soon as circumstances allow.

Technical Fibre Products ("TFP")

TFP's operating profit for the year was £2,099,000 compared to £1,426,000 in 2008, with turnover improving overall by 15% on the previous year to £11,648,000.

Sales into the North American market grew by 4% in US$ terms and by 19% in £Sterling terms reflecting the dramatic strengthening of the US$ against £Sterling. This growth was attributable to fire protection materials. At the average exchange rate for the year, sales to the North American market represented approximately 48% of TFP's turnover in £Sterling terms. Sales to "Rest of the World" were ahead by 12%.

James Cropper Speciality Papers ("Speciality Papers")

Speciality Papers reported an operating loss of £310,000 against an operating profit of £1,281,000 in the previous year, down £1,591,000. Volume declined by 8% over the year, primarily due to a down-turn in UK sales. In contrast turnover grew by £1,482,000 to £49,824,000, a 3% increase, as a consequence of changing mix and general price rises, the latter reflecting recovery of the raw material and energy cost increases. In total Speciality Papers' raw material and energy costs increased by £3.4 million over the year, an increase of 13%.

Northern Bleached Softwood Kraft ("NBSK") pulp opened the financial year at US$880 per tonne and increased by an additional US$20/tonne to plateau at US$900/tonne for four months. By the end of the first half-year the price of NBSK had fallen to US$890/tonne and then to US$580/tonne by the year end. However the benefit from the fall in the cost of pulp was greatly reduced by the dramatic decline in the value of £Sterling against the US$ in the second half of the year. Market forecasters believe that the price of pulp has now hit its floor and anticipate that progressive, moderate increases will take place in the course of the coming twelve months.

The price of natural gas in the second-half of the previous financial year climbed steeply to 55p/therm in March 2008 and averaged 62p/therm throughout the year to March 2009. The cost of gas in the financial year was £4.3 million compared to £2.8 million in the prior year, up 59%.

Throughout the year strenuous efforts continued to be made to the reduce the cost base through greater energy efficiency, improved productivity and lower wastage.

James Cropper Converting ("Converting")

Converting's turnover declined by 7% to £10,995,000, with volume down by 18% resulting from recessionary pressures. This was partly off-set by the favourable impact on Converting's margins arising from the growth in the value of the US$ against the £Sterling. New sales of high value added grades contributed to the operating profit. Operating profit was £406,000 compared to £548,000 in the previous year.

The Paper Mill Shop ("TPMS")

Turnover was £5,674,000, down 9% on the previous year. However overhead rationalisation, margin improvement and increased internet sales enabled the operating loss to remain in-line with the previous year loss at £388,000. The depreciation charge was £250,000 and as there were no new store openings in the year cash out flow remains relatively low.

Taxation
The phasing out of Industrial Buildings Allowance in the year resulted in an exceptional Deferred Tax charge of £587,000. This had a significant impact on earnings per share, however there is no immediate cash flow implication.

Pensions and International Accounting Standard 19 ("IAS 19")
The Group operates two funded pension schemes providing defined benefits for the majority of its full time employees. Over the course of the year the gross IAS19 deficit increased by £7,263,000 to £9,076,000 as at 28 March 2009 reflecting the dramatic changes to financial markets during the year thus reversing the gains of the past two years.

People
I would like to thank all our employees for their drive and commitment to ensure that the Group continues to prosper during these uncertain times. It is a team effort.

In 2009, for the first time in our history, we have celebrated the long service achievements of individual employees by marking their 20th, 30th and 40th anniversaries of joining the Group. This initiative has given me particular pleasure.

Peter Herring will retire from the Board at the AGM after more than 11 years as a Non-Executive Director. His membership and commitment to the Board , with his knowledge and experience of running major global manufacturing companies in the paper and plasterboard industries has been invaluable. We are most grateful to him for his wise advice and loyal service as the Group's Senior Non-Executive Director and Chairman of the Remuneration Committee.

Outlook
TFP's good performance is expected to continue. It is beginning to experience an increase in demand for materials to service aerospace, security and fuel cell markets, all of which are of strategic long-term importance to the business. Sales in the first half of the new financial year will be depressed as a consequence of re-structuring at a major customer, but it is anticipated that strong growth will resume in the second half.

Despite the uncertainties surrounding the forward trend in exchange rates, quoted energy prices and pulp costs, Speciality Papers is expected to continue its recovery in the year ahead.

Internet sales by The Paper Mill Shop have grown considerably during the past year. To encourage this trend a new enhanced website was launched in April 2009. It remains the intention to exit a number of under performing stores as their leases expire unless it is more economic to do so earlier.

At 28 March 2009 gross drawn down finance facilities totalled £7.1 million, with £2.6 million held as cash at bank. In addition the Group had un-drawn overdraft facilities of £3.4 million, US$1.0 million and €1.0 million. Borrowing is expected to increase in the second half of the new financial year as a consequence of increased capital expenditure to enhance capacity, capability and efficiency improvements.

The down-turn in the global economy creates a challenging trading climate for the Group. Nevertheless, I am confident that in the short-term our existing management approach will enable the Group to capitalise on opportunities when the economic climate becomes more favourable thus leading to significant growth in the medium to long-term.

James Cropper

James Cropper
Chairman

FINANCIAL REVIEW

Overall performance

- Trading operating profit was £1,556,000 compared to £2,426,000 in the previous year.
- Net trading interest charges for the year were £448,000 against £402,000 previously.
- Trading Profit before Tax was £1,108,000 compared to £1,963,000 in 2008.
- The net adverse IFRS pension adjustment was £250,000 compared to a net adverse adjustment in the previous year of £383,000.
- The Group recorded an overall profit before tax of £858,000 for the year. This compares with £1,580,000 for the previous year.
- A tax charge of £358,000 arose with respect to the Trading Profit for the year; an effective rate of 42%.
- An exceptional Deferred Tax charge of £587,000 was incurred relating to the phasing out of Industrial Buildings Allowance.
- The Loss after Tax was therefore £87,000 compared to a Profit after Tax of £1,109,000 in the previous year.
- Prior to the exceptional Deferred Tax charge basic and diluted earnings per share were 5.9 pence for the year compared to 14.0 pence in 2008.
- After the exceptional Deferred Tax charge basic and diluted the loss per share was 1.1 pence for the year compared to 14.0 pence in 2008.
- Shareholders' funds at the year-end were £20,174,000, with net debt of £4,452,000, resulting in a gearing ratio of 22%

	2009 £'000	2008 £'000	Change £'000s	Change %
Trading Profit and Loss Account				
Turnover				
Technical Fibre Products	11,648	10,125	1,523	15
Speciality Papers	49,824	48,342	1,482	3
Converting	10,995	11,856	(861)	(7)
The Paper Mill Shop	5,674	6,202	(528)	(9)
	78,141	76,525	1,616	2
Less inter-segmental sales	(3,338)	(3,781)	443	(12)
	74,803	72,744	2,059	3
Expenses				
Raw materials and consumables used	(33,895)	(32,703)	(1,192)	4
Energy costs	(5,199)	(3,531)	(1,668)	47
Employee benefit costs *	(17,735)	(17,675)	(60)	-
Depreciation and amortisation	(3,179)	(3,280)	101	(3)
Other expenses	(13,788)	(13,498)	(290)	2
Other income and changes in inventory	549	369	180	49
	(73,247)	(70,318)	(2,929)	4
Trading operating profit *	**1,556**	**2,426**	**(870)**	(36)
(*Before net pension adjustments)				
Profit and Loss Summary				
Trading activities				
Technical Fibre Products	2,099	1,426	673	
Speciality Papers	(310)	1,281	(1,591)	
Converting	406	548	(142)	
The Paper Mill Shop	(388)	(358)	(30)	
Other Group expenses	(19)	(147)	128	
	1,788	2,750	(962)	
Director and employee bonuses	(232)	(324)	92	
Trading operating profit	**1,556**	**2,426**	**(870)**	
Joint Venture	-	(61)	61	
Trading profit before interest	1,556	2,365	(809)	
Net interest	(448)	(402)	(46)	
Trading profit before tax	**1,108**	**1,963**	**(855)**	
(After future service pension contributions paid)				
Net pension adjustments				
Group operating profit	(476)	(610)	134	
Net interest	226	227	(1)	
Net pension adjustment before tax	**(250)**	**(383)**	**133**	
Overall Group after pension adjustments				
Profit before interest	1,080	1,755	(675)	
Net interest	(222)	(175)	(47)	
Profit/(Loss) before Tax	**858**	**1,580**	**(722)**	
Balance Sheet Summary				
Non-pension Assets - excl. Cash	43,753	45,616	(1,863)	
Non-pension Liabilities - excl. Borrowings	(12,592)	(12,640)	48	
	31,161	32,976	(1,815)	
Net pension liabilities	(6,535)	(1,299)	(5,236)	
	24,626	31,677	(7,051)	
Net Borrowings	(4,452)	(6,016)	1,564	
Equity shareholders' funds	20,174	25,661	(5,487)	
Gearing % - before IAS 19 deficit	17	22		
Gearing % - after IAS 19 deficit	22	23		

Trading Profit and Loss Account

Group turnover was £74,803,000 compared to £72,744,000 last year, up 3%. Overall Group raw material and consumable costs, excluding energy, were £33,895,000 up 4% on last year. The cost of energy consumption increased over the previous year by £1,668,000 to £5,199,000, up 47%.

TFP sales were up 15% overall, with sales into the North American market and the "Rest of the World" growing by 19% and 12% respectively in £Sterling terms. The underlying growth in the North American market grew by 4% in US$ terms. Although the dramatic strengthening of the US$ against £Sterling had a significant upward impact on TFP's turnover this was offset to some degree by the translation of TFP's US operating costs into £Sterling.

Speciality Papers' sales volume declined by 8% over the year, whilst turnover increased by £1,482,000 to £49,824,000, up 3% increase.

In total Speciality Papers' raw material and energy costs increased by £3.4 million over the year, an increase of 13%. The price of Northern Bleached Softwood Kraft pulp collapsed from US$890/tonne to US$580/tonne over the second half of the year. However the benefit from the fall in the cost of pulp was reduced greatly by the dramatic decline in the value of £Sterling against the US$ over this period. The price of natural gas averaged 62p/therm throughout the year compared to 38p/therm in the previous year, an increase of 65%. The volume of gas consumed was down 4% as a result of reduced production, consequently the overall cost of gas rose 59% from £2.8 million to £4.3 million year-on-year.

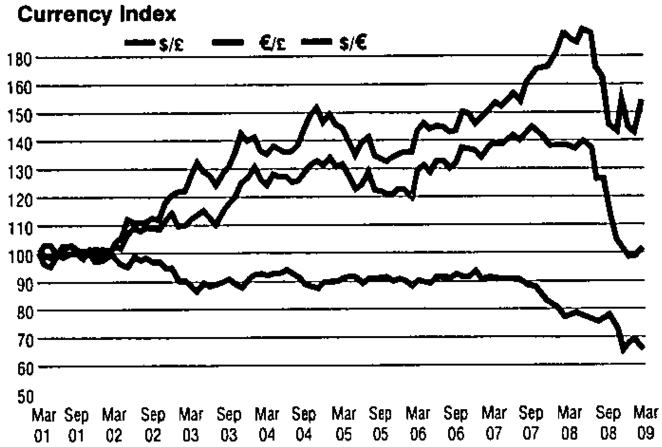
Converting's turnover decreased by 7%. Sales of US$ denominated products grew by 3% in US$ terms and by 20% in £Sterling terms reflecting the dramatic strengthening of the US$ against £Sterling and represented 22% of turnover in £Sterling terms.

Although turnover at The Paper Mill Shop was down 9% on the previous year overhead rationalisation, margin improvement and increased internet sales enabled the operating loss to remain in-line with the previous year losses. Cash out flow was relatively low. Given the losses incurred by The Paper Mill Shop Limit an impairment review was conducted. The review concluded that there was no requirement for an impairment provision.

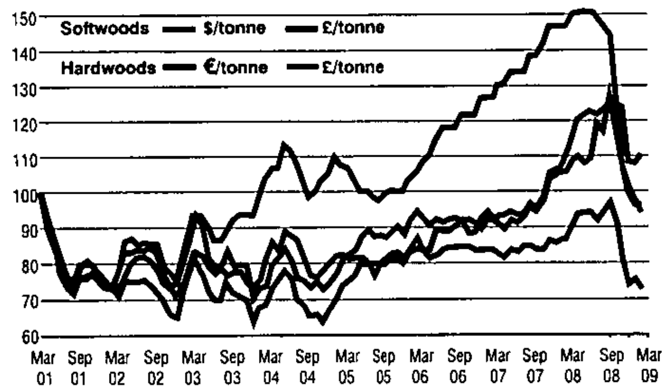
Prior to net IFRS pension adjustments employment costs were in line with the previous year at £17,735,000. The average number of people employed increased from 626 to 629 over the year. For greater analysis see Table G.

Other external charges increased from £13,498,000 to £13,788,000, up £290,000. The increase was mainly associated with the operating costs of TFP's new facilities in the USA.

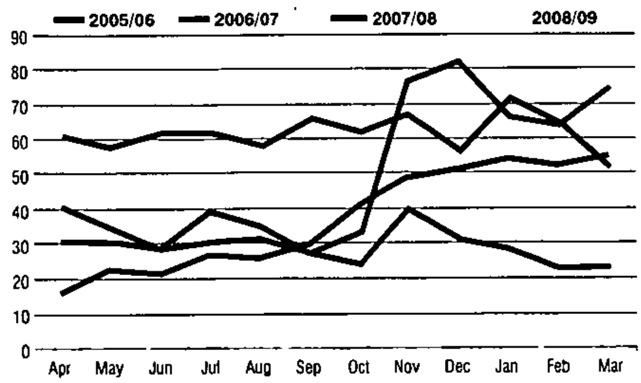
Currency Index



Pulp Index in Denominated Currencies



Gas Cost (pence per therm)



FINANCIAL REVIEW continued

Taxation
The phasing out of Industrial Buildings Allowance ("IBA") in 2008/09 resulted in an exceptional Deferred Tax charge of £587,000. In previous years future entitlement for tax relief arising from IBA had been accounted for as a "deferred asset" on the Balance Sheet. With the removal of this entitlement the benefit from this "deferred asset" will no longer materialise thus leading to it being written off in the year. There is no immediate cash flow implication of significance.

The high effective rate of tax relating to Trading profits primarily arises from the ratio of non-allowable expenditure in the year relative to profitability.

Balance Sheet
Shareholders' Funds decreased by £5,487,000 from £25,661,000 at the previous year-end to £20,174,000 as at 28 March 2009 primarily as a consequence of the increase of £5,236,000 in the IAS 19 pension deficit net of Deferred Tax.

The IAS 19 pension deficit increased by £7,272,000 to £9,076,000. This was off-set by a £2,036,000 increase in the Deferred Tax Asset to £2,541,000.

Capital expenditure was £1,333,000.

The Group's power generation facilities became subject to the European Union Emission Trading Scheme ("EUETS") as from 1 January 2008. The Group is permitted to emit 41,000 tonnes of carbon dioxide in a calendar year. Credits for this quantum are issued to the Group free of charge by HM Government. The Group has adopted an accounting policy which recognises the emission allowances as an intangible asset and an associated liability. The intangible asset is valued at the market price on the date of issue. The liability is valued at the market price on the date of issue up to the level of allocated allowances held. Should emissions exceed the annual allowance any excess of liability above the level of the allowances held is valued at the market price ruling at the balance sheet date and charged against operating profit. Un-utilised allowances are maintained against a potential future shortfall. When allowances are utilised both the intangible asset and liability are amortised to the Income Statement. Currently the Group's emissions are running in line with its permitted EUETS allowance and hence there is no impact on profit.

Table A **Tax**	**Prior years £'000**	**Current year £'000**	**Total charge £'000s**
Corporation Tax	(237)	719	482
Deferred Tax	97	366	463
	(140)	1,085	945
Comprising:			
Exceptional Deferred Tax charge relating to Industrial Building Allowance			587
Tax on Trading Profits			358
			945
Effective tax rate relating to Trading profits - %			42%

Table B **Cash Flow**	**2009 £'000**	**2008 £'000**	**Change £'000s**
Net cash inflow from operating activities	3,578	2,433	1,145
Net cash outflow from investing activities	(1,328)	(2,559)	1,231
	2,250	(126)	2,376
Net cash flow from financing activities	(1,531)	(1,687)	156
Net increase in cash and cash equivalents	719	(1,813)	2,532
Opening cash and cash equivalents	1,917	3,730	(1,813)
Closing cash and cash equivalents	2,636	1,917	719

Table C **Net debt**	**2009 £'000**	**2008 £'000**	**Change £'000s**
Cash and cash equivalents	2,636	1,917	719
Borrowings: repayable within one year	(2,134)	(2,170)	36
Net cash	502	(253)	755
Borrowings: non-current	(4,954)	(5,763)	809
Net debt	**(4,452)**	**(6,016)**	**1,564**
Facilities			
Borrowings: repayable within one year	2,134	2,170	(36)
Borrowings: non-current	4,954	5,763	(809)
Facilities drawn down	7,088	7,933	(845)
Undrawn facilities	5,172	4,754	418
Facilities	**12,260**	**12,687**	**(427)**
Funds available			
Cash and cash equivalents	2,636	1,917	719
Undrawn facilities	5,172	4,754	418
Funds available at year end	**7,808**	**6,671**	**1,137**
Borrowings: repayable within one year	(2,134)	(2,170)	36
Funds available in excess of one year	**5,674**	**4,501**	**1,173**

Table D **Currency**		**US$**	**€**
Opening rate April 2008 v. £		1.99	1.26
Closing rate March 2009 v. £		1.42	1.07
Exchange rate movement Strengthen/(Weaken) v. £	%	29	15

At 28 March 2009 the intangible asset and an associated liability were valued at £370,000. The liability is categorised under current liabilities.

Net current assets increased by £658,000 over the year from £14,639,000 to £15,297,000, with working capital (stocks, debtors, net of creditors) decreasing by £97,000 and net cash increasing by £755,000. Working capital movements included a £782,000 increase in stocks and a £462,000 decrease in trade and other creditors offset by a £1,260,000 decrease in trade and other debtors and a £81,000 decrease in current tax liabilities.

Over the year bank loans falling due after more than a year fell by £809,000 from £5,763,000 to £4,954,000.

Cash Flow
Summarised cash flow is shown in table B.

Net cash inflow from operating activities in the year was after deducting past service pension deficit payments of £712,000.

Net cash outflow from investing activities in the year includes capital expenditure totalling £1,333,000.

Total cash and borrowing changes over the year and facilities available are shown in table C.

At 28 March 2009 the Group had un-drawn overdraft facilities of £3.4 million, US$1.0 million and €1.0 million. At this date these facilities, which are renewable annually, were valued in total at £5,172,000.

Foreign Currency
The majority of exports into continental Europe are invoiced in €s. €s are used to purchase € priced pulp and other raw materials sourced from Europe in €s. Similarly, export sales outside Europe are invoiced in US$ and the receipts fund the purchase of US$ priced pulp. These steps reduce exposure to foreign currency rate fluctuations. The situation is monitored to ensure that whenever possible currency receipts and payments are matched. Table D compares the opening and closing exchange rates for the financial year.

Overall the Group generated surplus US$s during the year, which, as a consequence of the strengthened value of the US$ against the £ had a favourable impact on profitability. A small € deficit arose in the year. Potential foreign currency surpluses or deficits are dealt with by a combination of foreign currency forward selling and forward purchasing contracts.

Pensions
The Group operates two funded pension schemes providing defined benefits for the majority of its full time employees including Executive Directors. Membership of the Schemes has been closed to new members for a number of years in order to contain the Group's exposure to rising pension costs.

Since 2001 all new employees have been able to join a defined contribution Group Personal Pension Plan. The Group exposure to employee's GPP plans is limited to a fixed percentage of contractual pay. The latest actuarial "on-going" valuations of the James Cropper plc Pension Scheme (the "Staff Scheme") and the James Cropper plc Works Pension Plan (the "Works Scheme") were conducted as at April 2008. The results of the valuations are shown in table E.

The dual discount rate approach effectively "books upfront" the higher expected equity returns by reducing the liabilities and showing a smaller deficit than the corporate/government bond approach, which assumed that the Schemes' combined investment portfolio consists of 50% corporate bonds and 50% government bonds. The dual discount rate approach may be considered

Table E **"On-going" actuarial valuations**	**Basis On-going Dual-Discount Equity/Bonds**	**Basis On-going 50:50 Corp/ Govern. Bonds**
Discount rate pre-retirement	7.65%	5.70%
Discount rate post-retirement	5.70%	5.70%
	£000s	**£000s**
Staff Scheme as at 1 April 2008		
Assets	26,873	26,873
Liabilities	(29,443)	(34,630)
Deficit	(2,570)	(7,757)
Funding level - %	91	78
Works Scheme as at 5 April 2008		
Assets	30,141	30,141
Liabilities	(30,401)	(37,236)
Deficit	(260)	(7,095)
Funding level - %	99	81
Combined Deficit	(2,830)	(14,852)

inappropriate, as the higher return may not ultimately be realised and it could be taken to imply that the accrued liabilities are changing, when actually it is only the split between the investment returns and contributions used to fund them that is changing. The difference between the two "on-going" deficits of £12 million (i.e. £14.9 million minus £2.9 million) is essentially, the extra return of £12 million expected to be covered by higher investment returns relating to higher risk equity weighted assets compared with corporate and government bonds. Thus if the trustees of the two schemes were to transfer the existing Schemes' assets comprising higher risk investments into holdings of 50% corporate bonds and 50% government bonds a combined deficit of £14.9 million would materialise.

In prior years the Group had been paying deficit contributions on a equal monthly basis, totaling £876,000 p.a., with the aim of removing the combined deficit in accordance with the Schemes' agreed Schedules of Contributions. With the agreement of the Schemes' trustees these monthly payments were suspended in December 2008. Total deficit contributions in the year were £712,000. Monthly payments will be resumed in September 2009. It is the intention of the Board to eliminate the deficits within a period of ten years.

To reduce the risk to the Group and the Schemes the rules of the Staff and Works Schemes have been amended such that annual pension increases be limited to the Retail Prices Index ("RPI") up to a maximum of 2.5% for service accrued after 1 April 2009. In addition there will be no guaranteed minimum increase for service accrued as from that date. Following this change the future service contributions payable by the Group to the Staff and Works Schemes are 12.7% and 8.9% of contractual pay respectively.

FINANCIAL REVIEW continued

IAS 19

IAS 19 requires that actuaries calculate the assets and liabilities of companies' pension schemes based on values and interest rates at their annual balance sheet date. Surpluses or deficits revealed by these valuations are included on the sponsoring company's balance sheets, either directly against Reserves or via the Profit and Loss Account. Under IAS 19 pension scheme liabilities are measured on an actuarial basis using the projected unit method. (This is the same method as used for the "on-going" valuation of the Group's schemes). Pension liabilities are discounted at the current rate of return on an AA rated quality corporate bond of equivalent currency and term. The pension scheme assets are measured at fair value at the Balance Sheet date. The net of these two figures gives the scheme surplus or deficit. As market values of the scheme assets and the discount factors applied to the scheme liabilities will fluctuate, this method of valuation will often lead to large variations in the "pension balance" year on year. An "on-going" valuation takes account of the projected growth in the pension schemes' assets by asset type over the projected life of the scheme.

The assumptions used by the actuaries for their IAS 19 valuations are likely to be very different from those that they used with regard to their "on-going" valuations.

IAS 19 regards a sponsoring company and its pension schemes as a single accounting entity rather than two or more separate legal entities. The actuarial valuation is the starting point for the creation of the IAS 19 accounting entity. The valuation determines the net position of a pension scheme, i.e. the difference between its assets and liabilities. On the introduction of IAS 19 the net position, surplus or deficit, is brought onto the sponsoring company's Balance Sheet such that Reserves are immediately adjusted by the net position reduced by deferred tax. This obviously results in either an increase or decrease in the net asset value of the sponsoring company. Upon valuation at subsequent year-ends the movement in value from the previous valuation is expressed in the following component parts:

Profit and Loss Account

Operating costs

- Current service charge, being the cost of benefits earned in the current period shown net of employees' contributions.
- Past service costs, being the costs of benefit improvements.
- Curtailment and settlement costs.

Finance costs, being the net of

- Expected return on pension scheme assets
- Interest cost on the accrued pension scheme liabilities

Statement of Total Recognised Gains and Losses

- Actuarial gains and losses arising from variances against previous actuarial assumptions.

The above items are offset in the year-to-year movement by actual contributions paid by the employer in the period.

Table F shows the results of the IAS 19 valuations.

Table F **IAS19 Deficit**	**Staff 2009 £'000**	**Works 2009 £'000**	**Total 2009 £'000**	**Total 2008 £'000**	**Change £'000**
Current Service Charge	(431)	(869)	(1,300)	(1,544)	244
Future service contributions paid	340	484	824	934	(110)
Net impact on Operating Profit	**(91)**	**(385)**	**(476)**	**(610)**	**134**
Finance costs	85	141	226	227	(1)
Net impact on Profit & Loss Account	**(6)**	**(244)**	**(250)**	**(383)**	**133**
Past service deficit contributions paid	280	432	712	876	(164)
Actuarial (losses)/gains	(3,634)	(4,100)	(7,734)	3,855	(11,589)
Opening deficit	(11)	(1,793)	(1,804)	(6,152)	4,348
Closing deficit	**(3,371)**	**(5,705)**	**(9,076)**	**(1,804)**	**(7,272)**
Deferred Taxation	944	1,597	2,541	505	2,036
Net deficit	**(2,427)**	**(4,108)**	**(6,535)**	**(1,299)**	**(5,236)**
Assets	23,790	24,467	48,257	58,531	(10,274)
Liabilities	(27,161)	(30,172)	(57,333)	(60,335)	3,002
Closing deficit	**(3,371)**	**(5,705)**	**(9,076)**	**(1,804)**	**(7,272)**
Assets					
Equities	10,798	13,579	24,377	35,410	(11,033)
Gilts and Corporate Bonds	10,970	8,822	19,792	18,859	933
Property	-	147	147	187	(40)
Annuities	2,005	-	2,005	1,890	115
Cash	17	1,919	1,936	2,185	(249)
	23,790	**24,467**	**48,257**	**58,531**	**(10,274)**
Asset - %					
Equities	45	55	51	61	
Gilts and Corporate Bonds	46	36	41	32	
Property	-	1	-	-	
Annuities	9	-	4	3	
Cash	-	8	4	4	
	100	100	100	100	

The corporate bond based method would typically result in higher liabilities due to the corporate bond yield at the valuation date being significantly lower than the proposed assumption for expected return on equities under a dual discount rate approach. However the value of AA corporate bonds have dramatically fallen as a consequence of the "credit crunch", resulting in abnormally high current rates of return on corporate bond at the Balance Sheet date. In order to comply with the strictures of IAS 19 a discount rate of 6.55% was adopted in 2008 to reflect the higher rate of return on corporate bonds. An even higher discount rate of 6.70% has been used in 2009 as this trend continued, thus contributing to a fall in the overall liability over the year.

However this reduction was out-weighed by the dramatic fall in value of the Schemes' equity holdings over the year and as a consequence the gross IAS19 deficit increased by £7,263,000 to £9,076,000 as at 28 March 2009 thus reversing the gains of the past two years.

Actual future service pension contributions paid in the period by the Group to its two final salary schemes in accordance with the actuaries' recommendations, resulting from their latest "on-going" valuations, were £824,000. Under IAS 19 the charge against profit in the year was £1,300,000. This sum represents an excess charge required by IAS 19 over and above the future service contributions that were actually required by the "on-going" valuations, plus the PPF Levy charge and other expenses relating to the Works Scheme.

Table G analyses employment costs charged against Operating Profit.

Table G

Total adjusted employment costs	**2009 £'000**	**2008 £'000**	**Change £'000s**
Wages and salaries	15,357	15,053	304
Director and employee bonuses	232	324	(92)
Social security costs	1,361	1,367	(6)
Future service pension contributions paid	824	934	(110)
Other pension costs	329	347	(18)
Total employment costs	18,103	18,025	78
Own labour capitalised	(368)	(350)	(18)
Chargeable against Trading Operating Profit	**17,735**	**17,675**	**60**
Wages and salaries	15,357	15,053	304
Director and employee bonuses	232	324	(92)
Social security costs	1,361	1,367	(6)
Current service pension charge (IAS 19)	1,300	1,544	(244)
Other pension costs	329	347	(18)
Total employment costs	18,579	18,635	(56)
Own labour capitalised	(368)	(350)	(18)
Chargeable against IFRS Operating Profit	**18,211**	**18,285**	**(74)**
Difference being:			
Net IAS 19 pension adjustment against operating profit	**476**	**610**	**(134)**
Average monthly number of employees	629	626	3

Technical Fibre Products

Technical Fibre Products Limited ("TFP") traded strongly throughout the year and recorded its highest profit to date.

	2009 £'000	2008 £'000	Change £'000s	Change %
Turnover	**11,648**	10,125	1,523	15
Operating profit	**2,099**	1,426	673	

Sales revenue grew by 15%, assisted in part by the dramatic strengthening of the US$ against £Sterling. North American turnover increased by 19% in £Sterling terms, whilst sales to "Rest of the World" were ahead by 12%. On a like for like basis $US sales in the North American market grew by 4% and accounted for 48% of TFP's turnover in £Sterling terms.

Revenues in the first eight months of the year were better than expected across all market sectors, but thereafter de-stocking commenced in automotive, thermal insulation, medical equipment and portable electronics supply chains, which curtailed growth in these specific markets. Fortunately, however, demand for technically advanced materials used in stationary phosphoric acid and PEM fuel cell systems, wind turbines and defence projects accelerated during the latter half of the year generating revenues that went a long way to compensate for those lost due to de-stocking activities.

Overall turnover in the fire protection market grew by 40%. Strong demand for intumescent products used in fire-door manufacture in the North American market was augmented by new projects emanating from Federal Homeland Security initiatives. Resurgence of composite bus and marine applications also featured in the latter part of the year.

Products destined for commercial aerospace applications remained fairly flat over the year. However, qualification of new TFP materials are underway and are expected to foster future growth.

TFP's intellectual property portfolio and technical know-how has been bolstered as a result of participating in nine collaborative research programmes during the year. UK government funding through three initiatives has supported these programmes, which have generated three patent applications. These advances are being integrated into our core competencies thus enabling us to strengthen our relationships with key customers by aiding further diversification of product offerings to secure future medium to long-term growth. Specific product development projects undertaken in partnership with existing and new customers continue to support revenue growth in the near term.

The first half of the new financial year is expected to be quite challenging as some key customers continue to de-stock, defer commitments and in some cases reorganise their global operations. Indications are that these initiatives should be completed by mid-year after which time we expect a significant recovery to take place.

Speciality Papers

It was one of the most extraordinary years in Speciality Papers' recent history. The first few months were marked by sharply rising raw material and energy costs and when those eased, it was only to be replaced by the most serious economic downturn since the Second World War!

A number of competitor mills have suffered serious problems during the year with the permanent closure of one and temporary closures and changes of ownership elsewhere. As a result we have won significant new business although much of this has been quite fragmented with a large number of small, bespoke orders. Whilst these are profitable, it has been a considerable achievement for Operations to be able to respond well to the challenges of a more complex order mix.

During the year management of Speciality Papers' undertook a thorough review of it's strategy. A number of market plans have emerged and are now being implemented. Some relate to our existing key market sectors whilst others relate to emerging areas where we have not hitherto been active but where our expertise in tailor making speciality paper and board can give us an edge. In the Production and Technical departments there has been a renewed focus on ensuring that our capability, quality and service are well suited to the demanding needs of our existing and future customers whilst improving further our operational efficiencies.

This is a time of considerable economic turbulence which affects the whole of the European speciality papermaking industry and yet the prospects remain very bright for the subsidiary. The new financial year has opened with the winning of big contracts with three large brand owners and many opportunities to exploit our capabilities in colour and texture. A renewed focus on developing those sectors of most interest to us together with continued improvements in our technical capability and range puts us in a strong position to grow further in our chosen markets.

	2009 £'000	2008 £'000	Change £'000s	Change %
Turnover	**49,824**	48,342	1,482	3
Operating (loss)/profit	**(310)**	1,281	(1,591)	

BUSINESS REVIEW
Converting

Subdued advertising expenditure and a drop in house sales resulted in reduced sales of our traditional products. This was partly offset by continued growth in digital printing products.

It was noted last year that demand for display board had softened somewhat as we started the new financial year. Overall spending on advertising influences sales of display board. According to the World Advertising Research Center, total spending on advertising in the UK in 2008 was down 3.9% on 2007. However, the research reveals a large increase in the rate of decline in the final quarter of the year, when spending was 9.6% lower than in the same period of the previous year. 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 mountboard are closely related to general activity in the housing market, as people tend to acquire pictures when they move into a new home. The dramatic fall in UK residential property sales inevitably lead to a fall in sales of mountboard in the UK, where we have a significant share of the market. This trend was also felt in the USA affecting sales into in the conservation grade sector.

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 capability, together with our world-class distribution partners, means we have been able to exploit this competitive advantage to bring new, innovative products to the market, which went some way to offsetting the general reduction in demand. Margins on our US sales moved closer to historic levels as the US$ strengthened.

Despite difficult trading conditions, we recorded further strong growth in sales of digital printing products to professional and amateur photographers via our website, www.papermilldirect.com.

It was again pleasing to note further growth in sales of our digital products to major OEMs, which went some way towards offsetting reduced activity in our traditional advertising and picture framing markets.

	2009	2008	Change	Change
	£'000	£'000	£'000s	%
Turnover	10,995	11,856	(861)	(7)
Operating profit	406	548	(142)	

The Paper Mill Shop

The severity of the downturn has made the past year very challenging for the whole retail sector and as a consequence TPMS experienced another tough year. Although turnover was down 9% overhead rationalisation, margin improvement and increased Internet sales enabled the operating loss to remain in-line with the previous year.

Despite falling footfall in the stores, the average transaction value of our customers continues to grow and was significantly higher than last year. This was achieved through staff incentives focussed on increasing customer spend.

Work is continuing to develop the upward trend in internet revenue stream, which is seen as a significant growth opportunity with a relatively low cost base. There were two significant developments in the latter part of the year with the appointment of an E-Commerce Manager and also the creation of a new e-commerce platform. The website now has a much more contemporary look and is easier to navigate.

Many of the cost saving measures outlined in last year's Annual Report have been implemented and savings have been achieved in the stores mainly through a move towards more flexible working hours. However a limited number of redundancies have unfortunately been necessary. The full implementation of our electronic point of sale system ("EPOS") during the year enabled us to reduce payroll costs whilst matching staffing hours to peak trading hours, thus ensuring a continuing high standard of excellent customer service. The EPOS system has also provided improved stock control and automatic stock reordering.

During the year, TPMS commissioned a design agency to create a new logo, store format and contemporary image. The logo was changed to fit more closely with the new TPMS image and our positioning as a leading specialist in paper crafting both at "physical" outlets and via the internet. The aim is for TPMS to have a strong unique brand which distinguishes us from our competitors. The Livingston store in Scotland was chosen as the store to trial the new format and the refit and re-branding was carried out in December.

	2009	2008	**Change**	**Change**
	£'000	£'000	**£'000s**	**%**
Turnover	**5,674**	6,202	(528)	(9)
Operating loss	**(388)**	(358)	(30)	

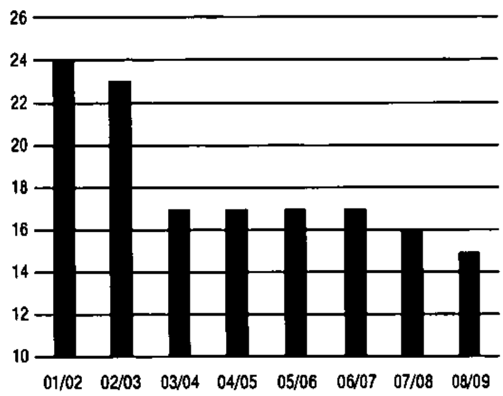
HEALTH & SAFETY

The Group's Safety Strategy embraces the need to create well-developed safety management processes and a sound safety culture. The long-term aim of the Strategy is to achieve zero Lost Time Accidents ("LTAs"). By adopting the principle that all LTAs are preventable, management are accepting that it is their responsibility to achieve this aim in the long term.

Accidents

There were 15 LTAs in the past financial year compared to 13 in the previous year. Although this is naturally disappointing the Accident Frequency rate continues to improve. This measures the number of accidents multiplied by 100,000 divided by the numbers of hours worked. The graph illustrates the sharp decline in accidents per hour worked between 2001/02 and 2008/09.

Accidents Frequency Rate



Safety Strategy Review

During the course of the year the Safety Strategy Team ("SST") undertook a fundamental review of safety performance and future objectives. All managers were involved in this process as indeed were a significant number of other employees who took part in a survey and consultation.

The SST re-visited Health and Safety Executive ("HSE") research that concluded that over 75% of all accidents are attributable to the following in ascending order of impact;

• Technological Risk	Conditions, in-built protection
• Safety Management Systems	Procedures
• Safety Culture	Behaviours

Throughout all industries the majority of workplace accidents are the result of unsafe behaviour.

Further research by the HSE has identified that safety performance will improve as a safety strategy progresses through three defined phases; from a "**regulation led**" phase through a "**management led**" phase to a "**people led**" phase. After many years of significant investment in guarding, processes, training, systems and personal protection the SST is confident that the Group has embarked upon the "management led" phase.

Behaviour changes as a result of changes in the values of individuals who can influence the culture of the group. An organisation's behaviour towards safety reflects its underlying values. Culture is shaped by management attitude and actions. In the "**management led**" phase culture will change once management has demonstrated that it is seriously committed to change by delivering against positive actions that are perceived to make changes for the better.

The Review concluded that the Safety Strategy will therefore primarily focus on providing management with the direction, competences and processes to enable them to facilitate improvement as a consequence of visible changes in their behaviour towards safety and their relationships with their people.

The Board Team firmly believes that a safer working environment is also a more effective, productive and cost efficient working environment. Therefore the creation of a safer working environment is of fundamental importance to the Group's key stakeholders, namely employees, shareholders, customers, suppliers, bankers, insurers and government agencies.

ENVIRONMENT

The aims of the Group's Environment Strategy are primarily to:

- Identify and deal with those environmental issues that are business critical so that they do not become a constraint on the business.
- Establish early and continuing compliance with emerging environmental legislation.
- Maintain ISO14001 certification
- Ensure that the approach to compliance and improvements delivers cost saving and efficiency gains.
- Improve environmental performance by ensuring accountability for environmental matters are an integral part of the day-to-day management of operational activities.
- Devise meaningful measures and targets against which to monitor performance.

Over the next few years it is anticipated that there will be a significant increase in output from our manufacturing facility in Burneside. As a consequence there will be a corresponding increase in energy consumption, water abstraction and waste generation. This expansion will take place against the background of increasingly tighter regulatory control by Government agencies, most notably through the terms and conditions of the Group's IPPC Permit to Operate, Climate Change Agreement and the European Union Emission Trading Scheme ("EUETS"). The Group's location on the edge of the Lake District National Park and on the River Kent, a Site of Special Scientific Interest and a European Site, Special Area of Conservation, will ensure that its activities will come under close scrutiny. In addition the rapid increase in energy costs in recent years brings consumption and conservation of energy into sharp business focus particularly when weighed against the background of increasing manufacturing output. Unless managed effectively, a number of energy and environmental issues could constrain the Group from meeting its strategic objectives.

Climate Change Regulations

EUETS, a mandatory scheme for greenhouse gas emission allowance trading within the EU, was introduced in phases from 2005. It is one of the policies being introduced by the EU to tackle emissions of carbon dioxide and other greenhouse gases from a number of specific industrial activities. The Group's power generation facilities became subject to this scheme as from 1 January 2008. In the calendar year 2008 the Group's carbon dioxide emissions were in line with its EUETS allowance of 41,000 tonnes per annum.

The Group is a signatory to the paper sector Climate Change Agreement ("CCA") negotiated with HM Government by the Confederation of Paper Industries, the industry's trade association. Under the Agreement the Group receives partial exemption from the Climate Change Levy on its natural gas consumption, an 80% discount against the Levy attributable to imported electricity and exemption from Business Rates otherwise chargeable on our CHP plant. In return, the Group is committed to a series of increasingly stringent energy use targets that take effect over milestone target periods, every other year, for the 10-year term of the Agreement. To date the Group has now exceeded all three of its CCA milestones targets for specific energy use per tonne of saleable product.

The Group, along with other UK paper companies receives considerable assistance and support from the Confederation of Paper Industries in dealing with the myriad of issues that arise in collating and verifying the complex energy and carbon emission data required by HM Government.

"Biomass" project

Energy derived from burning waste wood and paper, papermaking sludge and forest timber is regarded as renewable and carbon-neutral. Investigations continued during the year into the feasibility of generating steam from such fuel sources. The investigation has established that such a project is only financially viable if the principal fuel used is solid recovered fuel ("SRF") derived from processed household waste. SRF is dry, light and odourless. Analysis of SRF has shown its biomass content to be in the region of 50%. SRF burns well on its own but the burning characteristics are enhanced when it is mixed with dewatered sludge and other renewable fuels. If feasible and cost effective, combustion of SRF and other renewable fuels would:

- Lead to a reduction in fossil fuel consumption of up to 20%,
- Mitigate the impact of EUETS
- Eliminate the disposal of sludge by land spreading and
- Minimise the disposal of solid waste to landfill.

Although work on the feasibility study has needed to be extended on technical grounds, the proposal to build a "biomass" plant has already been submitted to Cumbria Country Council ("CCC") for planning permission. CCC's decision should be known by July 2009. A conclusion on the viability of the project is expected by the autumn of 2009.

Forestry

James Cropper plc continues its policy of purchasing only from those suppliers who demonstrate practical application of sound environmental management. Annually James Cropper Speciality Papers purchases some 40,000 tonnes of virgin wood pulp of the highest environmental pedigree. All of its suppliers are committed to sustainable forest management and comply fully with their local national standards and legislation. They have also attained the International Standards ISO 9000 and ISO 14001 relating to quality and environmental management procedures respectively. In addition to the Group's ISO 14001 accreditation, James Cropper Speciality Papers also holds dual accreditation to FSC (Forest Stewardship Council) and PEFC (Programme for the Endorsement of Forest Certification) standards. Certification imposes strict controls, including an auditable chain of custody for pulp sourced by the mill. This enables the subsidiary to satisfy the increasing demand from major customers and end consumers for creditable certification of the source of fibre used in the products they purchase. Our pulp comes substantially from Sweden and Finland from long established suppliers.

RISK MANAGEMENT

The management of risk is fundamental to sound business management and underlying profit performance.
Risk management transcends every aspect of the organisation and its activities, affecting policies, employees, assets, customers, suppliers and the wider community. The Group manages risk by a combination of insurance and self-insurance. Self-insurance refers to actions taken internally or in conjunction with other third parties. In broad terms, high risks in financial and operational areas are more dependent on insurance than risks in commercial and personnel areas, which because of their nature are more likely to be managed by self-insurance. In addition to the Audit Committee, which is a mandatory requirement under the Combined Code, the Board has for some time established other Steering Groups with risk management briefs. These include:

• Health & Safety • Environment • Insurance • Human Resources • Foreign Currency
• Purchasing • Pensions • Information Systems• Energy

The Board sets appropriate policies on internal control. It seeks regular assurance that processes are functioning effectively. In determining its policies with regard to internal control the Board's consideration includes the following factors:

- The extent and categories of risk which it regards as acceptable for the Group to bear;
- The likelihood of the risks concerned materialising;
- The nature and extent of the risks facing the Group;
- The Group's ability to reduce the incidence and impact on the business of risks that do materialise; and
- The costs of operating particular controls relative to the benefit thereby obtained in managing the related risks.

All employees have some responsibility for internal control as part of their accountability for achieving objectives. They, collectively, have the necessary knowledge, skills, information and authority to establish, operate and monitor the systems of internal control. This requires an understanding of the Group, its objectives, the industries and markets in which it operates, and the risks it faces.

The Group does not have an internal audit department. However cross-functional teams regularly carry out Health & Safety and Environmental audits. We work with our external auditors and other specialist consultants to identify risks and weaknesses in internal controls.

The Group's operational quality processes and environmental and safety management systems are accredited with ISO 9001, ISO 14001 and OHSAS 18001 respectively. Not only does compliance with these standards form the basis of sound internal control but also they are increasingly important in satisfying customers' aspirations with regard to the management of their supply chains. BSI audits our processes for continuing compliance every six months. TFP is accredited with the Investor in People Award.

Sound internal control is primarily dependent on people understanding the key issues that relate to their area of activity and what they are expected to do in certain circumstances. This understanding stems from the Group's Goal and its Values. The Goal set the direction. Our Values influence our behaviours. Sound behaviours are critical to the development of successful relationships between people. The Group's strategic aims are encompassed in a comprehensive financial planning and budgeting process with performance monitored on monthly basis. Through our performance management process the Group's strategic aims, plans and budgets are translated into objectives at all levels of the organisation.
The performance management process is seen as a key vehicle through which individual employee's performance can be enhanced and developed for the mutual benefit of the individual and organisation as a whole. Training and development increases employees' competencies and therefore enables them to deal with risks more effectively. Clearly defined policies, processes and procedures (P, P & Ps) provide employees with guidance. There has been considerable effort in recent years to document and revise our P, P & Ps across all areas of activity. These allow employees to understand the relevant practices to be deployed. Our information systems are being extensively modernised to provide faster communications and greater accuracy that will enable the organisation to become more efficient and effective. Throughout our organisation we are working strenuously to eliminate waste. All these initiatives will allow us to become more responsive to the needs of our customers and manage our risk exposure more effectively.

BS EN ISO 9001: 2000
FM 10048

OHSAS 18001: 1999
OHS 93474

BS EN ISO 14001: 2004
EMS 57536

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting to the members their Annual Report and the audited accounts of the Group for the 52 weeks ended 28 March 2009.

The Annual General Meeting of the Group will be held at the Bryce Institute, Burneside on Wednesday, 29 July 2009 at 11.00am.

Review of the Business

The Group's principal activities comprise the manufacture and retail of paper and paper related products.

The Chairman's Review includes a review of business activities during the year and comments on future developments and prospects. Details of the Group's activities are included in the Divisional Reviews.

Results

The profit attributable to equity holders of the Company for the 52 weeks ended 28 March 2009 is set out in the Income Statement. The dividends paid during the year, and the proposed final dividend, are set out in the Notes to the financial statements.

Research and Development

The Group continues to invest in research and development to ensure that the range and quality of products are continually updated.

Statement of directors' responsibilities in respect of the annual report and the financial statements

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

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare both the group and the parent company financial statements in accordance with IFRSs as adopted by the EU and applicable laws. As required by the AIM Rules of the London Stock Exchange they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable laws and have elected to prepare the parent financial statements on the same basis.

The group and parent company financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position of the group and the parent company and the performance for that period; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing each of the group and parent company 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 group and the parent company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group 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.

Corporate Governance

(i) Directors' Responsibilities

The Board is accountable to the Group's shareholders for corporate governance. Whilst there is no requirement to comply with the Combined Code, the Group is committed to a high standard of corporate governance and this section describes how the relevant principles of governance are applied to the Group.

(ii) The Board

The Group Board considers that it is well balanced and operates in an effective manner and is collectively responsible for the success of the Company. It comprises five Executive Directors and four Non-Executive Directors.

Despite three directors not being independent under the Combined Code, the Board deems all the Non-Executive Directors to be independent even though James Cropper and Mark Cropper have close family ties and Peter Herring has served on the Board for more than nine years. They display independence of character and judgment and provide unequivocal counsel and advice to the Board.

James Cropper is the Chairman of the Company and is responsible for the running of the Board. Mark Cropper is Deputy Chairman.

Alun Lewis is the Chief Executive and is responsible for the running of the Company's business.

Peter Herring is the senior independent Non-Executive Director.

The Group Board met eight times during the year, with prepared agendas for discussion and formal schedules of items to be approved covering structure and strategy, management, financial reporting and controls, board membership and committees, and corporate governance. There is a schedule of matters reserved for the Board's decision.

The Executive Committee, under the chairmanship of Alun Lewis, met eleven times during the year with prepared agendas for discussion.

All Directors have access to the advice and services of the Company Secretary.

REPORT OF THE DIRECTORS continued

The Board has also established a formal procedure whereby Directors, wishing to do so in the furtherance of their duties, may take independent professional advice, if necessary, at the Company's expense. All Directors are aware of their responsibility to regularly update their skills and knowledge.

(iii) Board Committees
There are four sub-committees reporting to the Group Board:

- Executive Committee
- Remuneration & Management Committee
- Audit Committee
- Nomination Committee

The Executive Committee comprises the executive directors and two senior executives. The Committee's terms of reference include the development and implementation of strategies, operational plans, and the assessment and control of risk. Alun Lewis, the Company's Chief Executive, is Chairman of the Committee.

The Audit Committee, the Remuneration and Management Committee, and the Nomination Committee comprise the Non-Executive Directors of the Company. David Wilks is Chairman of the Audit Committee, Peter Herring is Chairman of the Remuneration & Management Committee, and James Cropper is Chairman of the Nomination Committee. These committees do not consist solely of directors deemed independent under the Combined Code.

The Board is satisfied that the Audit Committee has at least two members who have relevant financial experience.

Each of the Committees held meetings during the year and their terms of reference are displayed on the Company's website.

The following table sets out attendance of the Directors at the Board and Committee meetings during the financial year.

In the few instances when a Director has not been able to attend a Board or Committee meeting due to other commitments his comments on the papers to be considered have been communicated in advance to the relevant chairman.

	Group Board Meetings	Executive Committee Meetings	Audit Committee	Remuneration Committee	Nominations Committee
			(Executive Directors attend by invitation)		
	(8 in the year)	(11 in the year)	(3 in the year)	(4 in the year)	(0 in the year)
Chairman					
J A Cropper	8		3	4	
Deputy Chairman					
M A J Cropper	8		3	4	
Executive Directors					
A I Lewis (Chief Executive)	8	11	2	3	
J M Denman	8	11	3		
G T Quayle	8	11	1		
N A Read	8	11	1		
P J Willink	8	10	1		
Non Executive Directors					
P L Herring	7		3	3	
D R Wilks	6		3	4	

(iv) Re-election
The Directors are subject to retirement by rotation and re-election by the shareholders in accordance with the Articles of Association whereby one third of the Directors retire by rotation each year. Alun Lewis, Patrick Willink, and David Wilks retire by rotation in accordance with the Articles of Association and, being eligible, offer themselves up for re-election.

Peter Herring who has served as a Non-Executive Director for more than eleven years will retire at this year's AGM.

Resolutions 3 to 5 at the Annual General Meeting deal with the proposed re-elections of directors.

(v) Performance Evaluation
The Board undertakes a board evaluation on an annual basis, including the sub-committees of the Board where appropriate.

The performance evaluation process includes the Chairman reviewing and monitoring the Chief Executive's performance on an annual basis and the Chief Executive reviewing and monitoring the Executive Directors. The high level individual objectives agreed at the reviews are communicated to the Remuneration Committee.

The Chairman reviews the non-executive directors' performance annually on an individual basis.

The Chairman's performance is appraised by the senior independent director and the other non-executive directors without the Chairman being present, and the comments fed back to him for discussion.

(vi) Financial Policies and Internal Controls
The Board is committed to presenting a full, balanced and understandable assessment of the Company's position and prospects, both in the Annual Report and at other times as appropriate throughout the year.

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The Directors are responsible for preparing financial statements for each financial year which give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements comply with IFRSs as adopted by the European Union;

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

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of 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 United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Board is responsible for and sets appropriate policies on internal control and seeks regular assurance, at least annually, that enables it to satisfy itself that processes are functioning effectively. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide reasonable, but not absolute, assurance against material misstatement or loss. If a failure is discovered the Board will take remedial action.

There is no internal audit function within the Company and the Board consider that this is appropriate given the nature of the Group's activities. The letter from the external auditors' confirming their independence and objectivity was reviewed by the Audit Committee. KPMG Audit Plc have confirmed their independence and the Directors believe KPMG Audit Plc to be independent and objective.

The Audit Committee monitors and reviews the effectiveness of the Company's financial accounting process.

The Key Performance Indicators (KPIs) and principal risks and uncertainties affecting the Group are considered in the Chairman's Review and the Financial Review.

(vii) Risk Management

The Directors continually review the effectiveness of the Group's system of internal controls.

The Board has overall ownership of the risk management strategy and process and coordinates activity across the Group. There is an ongoing process for identifying, evaluating and managing significant risks faced by the Group, which has been in place for the year under review and up to the date of approval of this Annual Report. The Group manages risk by a combination of insurance and self-insurance. Self-insurance refers to actions taken internally or in conjunction with other third parties. In broad terms, high risks in financial and operational areas are more dependent on insurance than risks in commercial and personnel areas, which because of their nature are more likely to be managed by self-insurance.

Each subsidiary company has a strategy and process for highlighting the key risk areas of their business, and explaining the control measures and risk exposure. It then takes appropriate steps to manage the risk exposure taking into consideration the likelihood, impact and cost/benefit of each of the risks. In addition to the Audit Committee, which is a mandatory requirement under the Combined Code, the Board has Steering Groups with risk management briefs.

These include:

- Health & Safety • Environment • Insurance • Foreign Currency
- Human Resources • Purchasing • Pensions • Information Systems

(viii) Relations with Shareholders

The Finance Director and Chief Executive keep in contact with institutional investors and any presentations made to them can be found on the Company's website.

Brewin Dolphin Securities, the Company's stockbrokers, arrange a series of presentations during the year to encourage new shareholder investment, and the Company's executives attend private investor trade shows to promote the Company.

The non-executive directors attend the Annual General Meeting and are available for discussions with shareholders.

(ix) Going Concern

The Directors consider that the risks noted in (vii) above are the most significant to the Group but these do not necessarily comprise all risks to which the Group is exposed. In particular, the Group's performance could be adversely affected by poor economic conditions. Additional risks and uncertainties currently unknown to the Directors, or which the Directors currently believe are immaterial, may also have a material adverse effect on its business, financial condition or prospects.

At 28 March 2009 the Group's available borrowing facilties were £7,808,000, of which £5,172,000 was undrawn. Having taken account of current borrowings to be repaid within 12 months of the balance sheet date, £5,674,000 was available to the Group beyond 12 months.

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

At the Annual General Meeting the Chairman will give an update on the current trading position and invites shareholders to table any questions and encourages their participation.

Payment of Creditors

The Company had 28 days (2008: 30 days) purchases outstanding at 28 March 2009. It is the Group's policy to agree terms of payment with its suppliers when agreeing the terms of a business transaction or transactions. All suppliers are aware of this procedure and the Group abides by the agreed payment terms subject to the terms and conditions being met by the supplier.

Employee Involvement

Regular Consultative Meetings are held with the employee trade union representatives to advise them on all aspects of company developments.
A monthly briefing on Group performance is carried out for all employees and they receive a copy of the Annual Report.

REPORT OF THE DIRECTORS continued

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 improvement.

The Group operates an Employee Profit Sharing Scheme which is made up of three elements – financial performance, safety performance, and attendance performance. A Save as You Earn Share Option Scheme is also available to encourage employee involvement.

Independent to the assets on the Group Balance Sheet there is an Employee Share Trust which currently holds approx 110,500 shares in James Cropper plc for the benefit of all employees so that their interests are linked to the Company's future growth.

The Trust was set up in 1997 and the initial finance came from savings achieved through the introduction of a Profit Related Pay salary replacement scheme.

The share dividends relating to the shareholding are paid into the Trust.

No director is a trustee of the Scheme, and the trustees confirm that they apply the assets for purely benevolent purposes.

Employment of Disabled People
It is the Group's 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 Group tries to provide equal promotion opportunities wherever possible.

Donations for Political and Charitable Purposes
It is the Company's policy not to make any donations to, or incur expenditure on behalf of, political parties, other political organisations or independent election candidates and the Board does not intend to change this policy. However the Companies Act 2006 contains restrictions on companies making political donations and incurring political expenditure and it defines these terms very widely. Resolution 12 relating to political donations is being proposed as an ordinary resolution at the Annual General Meeting to ensure that the Company does not commit an inadvertent or technical infringement of the 2006 Act.

Donations totalling £12,000 (2008: £14,000) were made for various local charitable purposes.

Directors' Authority to Allot Shares
Resolution 9 which will be proposed as an special resolution renews an existing authority which expires this year and gives the Directors authority to exercise the powers of the Company to allot un-issued shares.

The Directors have no present intention of exercising the allotment authority proposed by the resolution other than pursuant to existing rights under employee share schemes. To ensure compliance with institutional guidelines and market practice, it is proposed that the authority will:-

- be limited to £381,908, being less than one-third of the Company's issued share capital; and
- expire at the conclusion of the next Annual General Meeting or, if earlier, 18 months from the forthcoming Annual General Meeting except insofar as commitments to allot shares have been entered into before that date.

It is the intention of the Directors to seek a similar authority annually.

Directors' Power to Disapply Pre-emption Rights
Resolution 10 is being proposed as a special resolution granting the Directors authority for the ensuing year to allot shares by way of rights to shareholders and to issue a maximum of £211,810 of the nominal share capital of the Company for cash without first offering the shares to the existing shareholders pursuant to Section 95 of the Companies Act 1985. The resolution also disapplies pre-exemption rights in the event of the sale of treasury shares. Other than in the case of rights issues, the amount of the general authority to the Directors is limited to allotments of shares for cash up to a total nominal value of £211,810 which represents approximately 10% of the issued ordinary share capital. The authority will terminate at the next Annual General meeting or 18 months after the forthcoming Annual General Meeting, whichever comes first. The Directors propose to renew this authority annually.

Company's Authority to Purchase Shares
Resolution 11 will be proposed as a special resolution to renew an existing authority which expires at the Annual General Meeting and gives the Company authority to make market purchases of its own shares. The Directors would only exercise this power when it would be in the interests of the Group's shareholders as a whole to do so, having regard to the effect on both earnings and net asset values per share. Currently there is no intention of making repurchases.

If such repurchases were made, the Directors would have to agree whether the shares are to be cancelled or to be held in treasury so as to be available for sale at a later date.

The amount of the general authority to the Directors represents approximately 15% of the issued ordinary share capital. The authority will terminate at the next Annual General Meeting or 15 months after the forthcoming Annual General Meeting, whichever comes first. The Directors intend to renew this authority annually.

Adoption of New Articles of Association
Resolution 13 is being proposed as a special resolution to adopt new Articles of Association in order to update the Company's current Articles of Association, primarily to take account of changes in company law brought about by the Companies Act 2006.

A separate circular detailing the principal changes to the Articles is enclosed with the Annual Report.

Substantial Interests

Shareholdings in excess of 3% of the issued capital at 1 June 2009 were as follows:

Name of Shareholding	Number of Shares	% holding	Note No. below
M A J Cropper – Directors' Beneficial Interest	1,206,540	14.2	
P J Willink – Directors' Non-beneficial Interest	1,132,408	13.4	1
J A Cropper 1974 Settlement	1,062,974	12.5	2
J A Cropper – Directors' Beneficial Interest	598,337	7.1	
J A Cropper – Directors' Non-beneficial Interest	598,129	7.1	3
Barclays Nominees Ltd	543,410	6.4	4
Pershing Nominees Ltd	535,500	6.3	
J M Denman – Directors' Non-beneficial Interest	431,000	5.1	
N A Read – Directors' Non-beneficial Interest	431,000	5.1	5

Notes on Shareholding Table

1. Included in this percentage is 12.5% disclosed in the shareholding of J A Cropper 1974 Settlement.
2. Included in this percentage is 6.3 % disclosed in the shareholding of M A J Cropper – Directors' Beneficial Interest.
3. Included in this percentage is 3.3% disclosed in the shareholding of M A J Cropper – Directors' Beneficial Interest.
4. Included in this percentage is 4.2% disclosed in the shareholding of M A J Cropper – Directors' Beneficial Interest and 0.9% disclosed in the shareholding of J A Cropper – Directors' Beneficial Interest.
5. Included in this percentage is 5.1% disclosed in the shareholding of J M Denman – Directors' Non-beneficial Interest.

Details of Directors' Interests

		At 28 March 2009		At 29 March 2008	
		Ordinary Shares	Options on Ordinary Shares	Ordinary Shares	Options on Ordinary Shares
Director	**Interest**				
J A Cropper	Beneficial	598,337	-	467,337	2,565
	Non-beneficial	598,129	-	590,129	-
M A J Cropper	Beneficial	1,206,540	-	979,113	-
	Non-beneficial	160,000	-	160,000	-
A I Lewis	Beneficial	37,761	44,725	12,761	54,725
J M Denman	Beneficial	5,110	35,000	1,610	35,000
	Non-beneficial	431,000	-	131,000	-
N A Read	Beneficial	3,289	29,725	3,289	39,725
	Non-beneficial	431,000	-	131,000	-
P J Willink	Beneficial	19,781	29,725	7,035	39,725
	Non-beneficial	1,132,408	-	28,084	-
G T Quayle	Beneficial	4,221	29,725	4,221	39,725
	Non-beneficial	28,084	-	28,084	-
P L Herring	Beneficial	59,000	-	1,000	-
	Non-beneficial	160,000	-	160,000	-
D R Wilks	Beneficial	7,445	-	1,000	-
	Non-beneficial	160,000	-	160,000	-

Auditors and Disclosure of Information to Auditors

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

The auditor's, KPMG Audit Plc, have indicated their willingness to continue in office and Resolution 6 will be proposed at the Annual General Meeting for their re-appointment.

Details of Directors' Interests

The Directors who served throughout the period are detailed in the Directors' Remuneration Report, and details of their interests in shares of the Company are listed above.

The Company pays £35,000 annually to J A Cropper for the use of reservoirs to supply water to the factory premises.

The contract is based on a twenty year repairing lease with rent reviews every five years.

There have been no material changes between the year end and 1 June 2009.

Further information relating to the interests of the Directors regarding options on ordinary shares is given in the Directors' Remuneration Report.

Non-beneficial interests include shares held jointly as trustee with other Directors.

Approved by the Board of Directors on 22 June 2009 and were signed on its behalf by

J A Cropper

Chairman

Burneside Mills

Kendal

DIRECTORS' REMUNERATION REPORT

This Report provides details of Directors' remuneration.

Service Contracts
The Executive Directors are employed on rolling one year contracts subject to one year's notice served by the Group on the Executive, and six months notice served by the Executive on the Group. The Chairman is employed on a rolling contract subject to three months notice by either side. Other Non-Executive Directors are on one month's notice by either side and they are typically expected to serve two three-year terms, with additional terms of office agreed on an annual basis.

Salaries and Fees
The remuneration and emoluments of Executive Directors are determined by the Remuneration Committee. The remuneration of the Non-Executive Directors is agreed by the Group Board and they are not entitled to participate in pension schemes, bonus arrangements or share schemes. The basic salaries of the Executive Directors are reviewed annually and take into consideration cost of living and overall accountability. Also considered is remuneration paid to senior executives in comparable public companies. This information is checked by reference to published surveys, but no formula is in place to determine any specific relationship.

The remuneration of senior management is discussed by the Chairman of the Remuneration Committee and the Chief Executive and their recommendations endorsed by the Remuneration Committee.

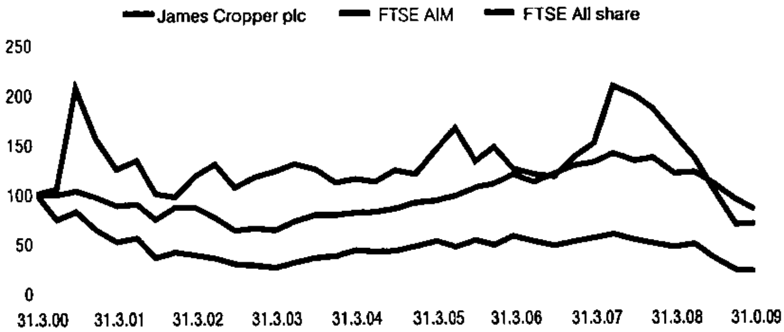
No Director can take part in the decision on his own salary or reward.

Annual Bonus
An Executive Directors' Reward Scheme was introduced in April 2005 which is structured to reward the Executive Directors if targets are achieved on group profitability, return on investment, safety, productivity improvements and a discretionary element agreed by the Remuneration Committee. The total bonus payable to a director is capped at 25% of their contractual salary and is not pensionable.

Employee Share Schemes
The Group operates Inland Revenue Approved and Unapproved Share Option Schemes, and a Long Term Incentive Plan Scheme for the Executive Directors, of which details of the options granted are shown later in this report.

Comparison of Five Year Cumulative Total Shareholder Return (TSR)
To enable shareholders to assess the Company's performance against the London Stock Exchange, the cumulative TSR for the period ended 28 March 2009 is shown in the graph below. The FTSE All Share is deemed to be the most appropriate comparison in terms of performance. TSR is the total return to shareholders in terms of capital growth and dividends reinvested.

Total Shareholder Return



Details of Directors' Remuneration
The financial details within this report have been audited. The following table brings together the various elements of remuneration of each director for the financial year period ended 28 March 2009:

	Salary and Fees		Benefits		Annual Bonus		Total	
	2009 £'000	2008 £'000	**2009** £'000	2008 £'000	**2009** £'000	2008 £'000	**2009** £'000	2008 £'000
Executive								
A I Lewis	**109**	103	**17**	15	**5**	11	**131**	129
J M Denman	**86**	83	**17**	14	**4**	11	**107**	108
N A Read	**82**	79	**14**	11	**6**	10	**102**	100
P J Willink	**82**	78	**17**	16	**6**	12	**105**	106
G T Quayle	**84**	83	**16**	15	**9**	11	**109**	109
Non-Executive								
J A Cropper	**32**	32	**16**	15	-	-	**48**	47
M A J Cropper	**29**	15	-	-	-	-	**29**	15
P L Herring	**17**	17	-	-	-	-	**17**	17
D R Wilks	**17**	17	-	-	-	-	**17**	17
J R Sclater (retired July 2008)	**5**	15	-	-	-	-	**5**	15
	543	522	**97**	86	**30**	55	**670**	663

Highest paid Director

	2009 £'000	2008 £'000
Aggregate emoluments	**131**	**129**
Accrued pension under defined benefit pension scheme	**38**	**34**
Long term incentive scheme	**19**	**10**

Directors' Pensions

The Executive Directors who served during the year have retirement benefits accruing under the Group's Staff Pension Scheme, which is a Defined Benefit Scheme.

The following table shows the amount of entitlements earned, the accrued pension liabilities and the changes therein:

	Increase in accrued pension per annum	Increase in accrued pension excluding inflation per annum	Total accrued pension at 28 March 2009 per annum	Transfer value of net increase in accrual after inflation over period	Increase in transfer value less directors' contributions	Transfer value of accrued pension at 28 March 2009	Transfer value of accrued pension at 29 March 2008
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
A I Lewis	2	4	38	19	46	502	445
J M Denman	3	4	39	31	64	619	546
N A Read	1	3	37	6	42	542	492
P J Willink	2	3	24	7	6	217	203
G T Quayle	2	3	23	17	44	355	302

The accrued pension is the amount that the director would receive if he retired at the end of the year.

The increase in the accrued pension is the difference between the accrued benefit at the year end and that at the previous year end.

All transfer values have been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11. The transfer values represent the value of assets that the pension scheme would need to transfer to another pension provider on transferring the scheme's liability in respect of the directors' pension benefits. They do not represent sums payable to individual directors and therefore cannot be added meaningfully to annual remuneration.

The increase in transfer value less directors' contributions is the increase in the transfer value of the accrued benefits during the year after deducting the directors' personal contributions to the scheme.

The transfer value of net increase in accrual, required by the Listing Rules, discloses the current value of the increase in accrued benefits that the director has earned in the period, whereas his change in transfer value, required by the Companies Act, discloses the absolute increase or decreases in his transfer value and includes the change in value of the accrued benefits that results from market volatility affecting the transfer value at the beginning of the period, as well as the additional value earned in the year.

Share Options

At the 1998 Annual General Meeting shareholders approved the introduction of the 1998 Inland Revenue Approved Share Option Scheme.

The movements on this Scheme during the year were:

	Number at 29 March 2008	Number granted in period	Number exercised in period	Options lapsed in period	Exercise Price £	Exercisable	Number at 28 March 2009
J A Cropper	2,565	-	-	2565	2.027	Aug 2001 to Aug 2008	-
A I Lewis	10,000	-	-	10,000	2.027	Aug 2001 to Aug 2008	-
	4,725	-	-	-	2.059	Dec 2002 to Dec 2009	4,725
N A Read	10,000	-	-	10,000	2.027	Aug 2001 to Aug 2008	-
	4,725	-	-	-	2.059	Dec 2002 to Dec 2009	4,725
P J Willink	10,000	-	-	10,000	2.027	Aug 2001 to Aug 2008	-
	4,725	-	-	-	2.059	Dec 2002 to Dec 2009	4,725
G T Quayle	10,000	-	-	10,000	2.027	Aug 2001 to Aug 2008	-
	4,725	-	-	-	2.059	Dec 2002 to Dec 2009	4,725

DIRECTORS' REMUNERATION REPORT continued

At the 2000 Annual General Meeting shareholders approved the introduction of the Unapproved Part of the 1998 Senior Executive Share Option Scheme.
The movements on this Scheme during the year were:

	Number at 29 March 2008	Number granted in period	Number exercised in period	Options lapsed in period	Exercise Price £	Exercisable	Number at 28 March 2009
A I Lewis	10,000	-	-	-	2.615	Aug 2003 to Aug 2010	10,000
	30,000	-	-	-	2.065	June 2004 to June 2011	30,000
J M Denman	20,000	-	-	-	2.615	Aug 2003 to Aug 2010	20,000
	15,000	-	-	-	2.065	June 2004 to June 2011	15,000
N A Read	10,000	-	-	-	2.615	Aug 2003 to Aug 2010	10,000
	15,000	-	-	-	2.065	June 2004 to June 2011	15,000
P J Willink	10,000	-	-	-	2.615	Aug 2003 to Aug 2010	10,000
	15,000	-	-	-	2.065	June 2004 to June 2011	15,000
G T Quayle	10,000	-	-	-	2.615	Aug 2003 to Aug 2010	10,000
	15,000	-	-	-	2.065	June 2004 to June 2011	15,000

The options for the 1998 Share Option Schemes are subject to the performance condition that before the options can be exercised, the growth in earnings per share must exceed the growth in Retail Price Index plus 2% per annum for the Approved Scheme, and plus 3% per annum for the Unapproved Scheme, over a period of three consecutive years commencing no earlier than the date of the grant of the options. These performance conditions were considered to be appropriate measures when the schemes were introduced.

The options can be exercised at any time after three years as long as the performance conditions have been reached in any three year period since the option was granted.

Long Term Incentive Plans
Awards were made during the year under the 2008 Long Term Incentive Plan were as follows:

	Number at 29 March 2008	Number granted in period	Number exercised in period	Options lapsed in period	Number at 28 March 2009
A I Lewis	15,000	25,000	-	-	40,000
J M Denman	12,000	20,000	-	-	32,000
N A Read	12,000	20,000	-	-	32,000
P J Willink	12,000	20,000	-	-	32,000
G T Quayle	12,000	20,000	-	-	32,000

The maximum number of shares that can be awarded to any participant in a financial year under the Long Term Incentive Scheme, determined by reference to average mid market prices at the time of the award, is limited to 50% of the participant's basic salary. The average mid market price of the awards granted in the year was £1.299.

The Awards are subject to the following performance conditions:
• Awards will vest in full if the earnings per share, adjusted for IFRS pension adjustments, exceed the increase in retail price index plus 10% per annum over a three year period;
• Awards will vest as to 10% if the earnings per share, adjusted for IFRS pension adjustments, exceed the increase in retail price index plus 2.5% per annum over a three year period;
• Awards will vest proportionally between 10% and 100% if the earnings per share, adjusted for IFRS adjustments, exceed the increase in retail price index by more than 2.5% and less than 10% per annum over a three year period;
• Awards will lapse if earnings per share, adjusted for IFRS pension adjustments, do not exceed the increase in retail price plus 2.5% per annum over a three year period.

The market price of the shares at the period end was £0.80 and the high and low for the period was £1.93 and £0.54 respectively.

P L Herring
Chairman of the Remuneration and Management Committee
22 June 2009

INDEPENDENT AUDITORS' REPORT

We have audited the group and parent company financial statements (the "financial statements") of James Cropper plc for the 52 week period ended 28 March 2009 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 21.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

The information given in the Directors' Report includes that specific information presented in the Operating and Financial Review that is cross referred from the Review of the Business section of the Directors' Report.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the group's affairs as at 28 March 2009 and of its loss for the 52 week period then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 28 March 2009;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

22 June 2009

KPMG Audit Plc

KPMG Audit Plc

Chartered Accountants

Registered Auditor

Preston

PR2 2YF

GROUP INCOME STATEMENT
for the period ended 28 March 2009

	Note	2009 £'000	2008 £'000
Continuing operations			
Revenue	2	74,803	72,744
Other income		277	157
Changes in inventories of finished goods and work in progress		272	212
Raw materials and consumables used		(33,895)	(32,703)
Energy costs		(5,199)	(3,531)
Employee benefit costs	20	(18,211)	(18,285)
Depreciation and amortisation	4	(3,179)	(3,280)
Other expenses		(13,788)	(13,498)
Operating profit	2	1,080	1,816
Interest expense	3	(493)	(942)
Interest income	3	271	767
Share of post tax loss from joint venture	10	-	(61)
Profit before tax	4	858	1,580
Tax on profit for the year before exceptional charge	5	(358)	(390)
Exceptional deferred tax charge	5	(587)	-
Total tax expense		(945)	(390)
Profit for the period before exceptional deferred tax charge		**500**	**1,190**
(Loss)/profit for the period after exceptional deferred tax charge	19	**(87)**	**1,190**

	Note	2009	2008
(Losses)/earnings per share, based on (loss)/profit for the year, after total tax expense and expressed in pence per share	6		
-Basic		(1.0p)	14.0p
-Diluted		(1.0p)	14.0p

	Note	2009	2008
Dividends per share expressed in pence per share	7		
-2009 interim dividend paid		1.1p	2.2p
-2009 final dividend proposed		4.0p	5.1p

BALANCE SHEETS
as at 28 March 2009

	Note	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Assets					
Non-current assets					
Intangible assets	8	2,012	1,572	1,713	1,333
Property, plant and equipment	9	18,483	20,308	2,228	923
Investments in subsidiary undertakings	10	-	-	7,350	7,350
Deferred tax assets	17	2,541	505	2,541	505
		23,036	22,385	13,832	10,111
Current assets					
Inventories	11	10,422	9,640	-	-
Trade and other receivables	12	12,836	14,096	31,132	28,237
Cash and cash equivalents		2,636	1,917	2,054	-
Current tax assets		-	-	7	-
		25,894	25,653	33,193	28,237
Liabilities					
Current liabilities					
Trade and other payables	13	(7,662)	(8,124)	(2,645)	(2,765)
Financial liabilities					
- Borrowings	14	(2,134)	(2,170)	(12,304)	(5,986)
Current tax liabilities		(801)	(720)	-	-
		(10,597)	(11,014)	(14,949)	(8,751)
Net current assets		15,297	14,639	18,244	19,486
Non-current liabilities					
Financial liabilities					
- Borrowings	14	(4,954)	(5,763)	(3,189)	(4,504)
Retirement benefit liabilities	16	(9,076)	(1,804)	(9,076)	(1,804)
Deferred tax liabilities	17	(4,129)	(3,796)	(548)	(486)
		(18,159)	(11,363)	(12,813)	(6,794)
Net assets		**20,174**	**25,661**	**19,263**	**22,803**
Shareholders' equity					
Ordinary share capital	18	2,118	2,118	2,118	2,118
Share premium	19	573	573	573	573
Translation reserve	19	532	22	-	-
Retained earnings	19	16,951	22,948	16,572	20,112
Total shareholders' equity attributable to equity holders of the Company		**20,174**	**25,661**	**19,263**	**22,803**

The financial statements on pages 30 to 60 were approved by the Board of Directors on 22 June 2009 and were signed on its behalf by:

J A Cropper
Director

CASH FLOW STATEMENTS
for the period ended 28 March 2009

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Cash flows from operating activities				
Net (loss)/profit	(87)	1,190	2,406	951
Adjustments for:				
Tax	945	390	248	95
Depreciation	3,179	3,280	430	428
Net IAS 19 pension adjustments within Income Statement	250	383	250	383
Past service pension deficit payments	(712)	(876)	(712)	(876)
Foreign exchange losses on currency borrowings	506	-	-	-
Loss/(profit) on disposal of property, plant and equipment	9	(103)	-	(92)
Net bank interest income & expense	448	402	(1,348)	(1,081)
Share of results of joint venture before taxation	-	61	-	-
Share based payments	147	85	147	85
Dividends received from subsidiary companies	-	-	(2,500)	(1,600)
Changes in working capital:				
Increase in inventories	(782)	(1,274)	-	-
Decrease/(increase) in trade and other receivables	1,382	383	(2,209)	(1,621)
(Decrease) in trade and other payables	(832)	(478)	(118)	(480)
Interest received	45	493	1,582	1,833
Interest paid	(514)	(854)	(247)	(720)
Tax paid	(406)	(649)	(406)	(648)
Net cash generated from/(used by) operating activities	**3,578**	**2,433**	**(2,477)**	**(3,343)**
Cash flows from investing activities				
Investment in joint venture	-	(50)	-	-
Acquisition of subsidiaries (net of cash acquired)	-	(550)	-	-
Purchase of intangible assets	(262)	(213)	(262)	(213)
Purchases of property, plant and equipment	(1,071)	(1,574)	(91)	(133)
Proceeds from sale of property, plant and equipment	5	196	-	185
Dividends received	-	-	2,500	1,600
Purchase of LTIP investments	-	(368)	-	-
Net cash (used in)/generated from investing activities	**(1,328)**	**(2,559)**	**2,147**	**1,439**
Cash flows from financing activities				
Proceeds from issue of new loans	1,392	1,259	1,392	-
Repayment of borrowings	(2,744)	(2,349)	(2,744)	(1,717)
Issue/(repayment) of inter-company loans	-	-	8,078	-
Dividends paid to shareholders	(525)	(618)	(525)	(618)
Net cash (used in)/generated from financing activities	**(1,877)**	**(1,708)**	**6,201**	**(2,335)**
Net increase/(decrease) in cash and cash equivalents	**373**	**(1,834)**	**5,871**	**(4,239)**
Effects of exchange gains on revaluation of net assets held in USA	346	21	-	-
Net increase/(decrease) in cash and cash equivalents	**719**	**(1,813)**	**5,871**	**(4,239)**
Cash and cash equivalents at the start of the period	1,917	3730	(3,817)	422
Cash and cash equivalents at the end of the period	**2,636**	**1,917**	**2,054**	**(3,817)**
Cash and cash equivalents consists of:				
Cash at bank and in hand	**2,636**	**1,917**	**2,054**	**(3,817)**

STATEMENT OF RECOGNISED INCOME AND EXPENSE
for the period ended 28 March 2009

		Group		Company	
	Note	2009 £'000	2008 £'000	2009 £'000	2008 £'000
(Loss)/profit for the period		(87)	1,190	2,406	951
Currency translation differences on foreign currency investment		546	21	-	-
Retirement benefit liabilities - actuarial (losses)/gains	16	(7,734)	3,855	(7,734)	3,855
Deferred tax on actuarial gains/(losses) on retirement benefit liabilities	17	2,166	(1,157)	2,166	(1,157)
		(5,022)	2,719	(5,568)	2,698
Total recognised (expense)/income for the period attributable to equity holders of the company		**(5,109)**	**3,909**	**(3,162)**	**3,649**

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

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

Basis of preparation
The accounting "year" for the Group is a 52 week accounting period ending 28 March 2009. The previous year covered 52 weeks ending the 29 March 2008.

Both the parent company financial statements and the Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). On publishing the parent company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in s230 of the Companies Act 1985 not to present its individual Income Statement and related notes that form a part of these approved financial statements.

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

Basis of consolidation
The financial statements of the Group consolidate the accounts of the company and those of its subsidiary undertakings. No subsidiaries are excluded from consolidation. The results and cash flows of subsidiary undertakings acquired are included from the effective date of acquisition. Intragroup balances and any unrealised income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Joint Ventures
Joint ventures are entities over which the Group has joint control based on a contractual arrangement. The results and assets and liabilities of joint ventures are incorporated in the consolidated financial statements using the equity method of accounting from the date that joint control commences until the date that joint control ceases.

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 Group 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 Group'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.

Segmental reporting
The Group's primary reporting format is business segments and its secondary format is geographical segments based on location of customer. Business segments are those components of the Group that are engaged in providing a group of related products that are subject to risks and returns that are different to other business segments. Geographical segments are components where the eventual product destination is in a particular geographic environment which is subject to risks and returns that are different from other such segments. Costs are allocated to segments based on the segment to which they relate. Central costs are recharged on an appropriate basis.

Foreign currencies
Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Balance Sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Income Statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

The assets and liabilities of foreign operations are translated at foreign exchange rates ruling at the Balance Sheet date. The revenues and expenses of foreign operations are translated at an average rate for the period where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from translation of foreign operations are taken directly to the translation reserve and they are released into the income statement 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 is 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
The Group operates various pension schemes. The schemes are generally funded through payments to trustee-administered funds, determined by periodic actuarial valuations. The Group 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 the Group pays fixed contributions.

The liability recognised in the Balance Sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the Balance Sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur outside of Income Statement in the Statement of Recognised Income and Expense.

Past service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Group pays agreed contributions to the schemes. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due.

Share based payments
Options granted to employees are recognised as employee expenses based on fair value at grant date, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due only to share prices not achieving the threshold for vesting.

Intangible fixed assets
Intangible assets are stated at cost less accumulated amortisation and accumulated impairments losses, if any. The following useful lives have been determined for intangible assets.

Trade secrets such as processes or unique recipes	10 years
Computer software	3 - 10 years
Emission Allowances	0 years (refer to note below on Emissions trading scheme for policy)

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
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.

Emissions trading scheme
The Group's power generation facilities became subject to the European Union Emission Trading Scheme ("EUETS") as from 1 January 2008. The Group's is permitted to emit 41,000 tonnes of carbon dioxide in a calendar year. Credits for this quantum are issued to the Group free of charge by HM Government. The Group has adopted an accounting policy which recognises the emission allowances as an intangible asset and an associated liability. The intangible asset is valued at the market price on the date of issue. The liability is valued at the market price on the date of issue up to the level of allocated allowances held. Should emissions exceed the annual allowance any excess of liability above the level of the allowances held is valued at the market price ruling at the balance sheet date and charged against operating profit. Un-utilised allowances are maintained against a potential future shortfall. When allowances are utilised both the intangible asset and liability are amortised to the Income Statement. Currently the Group's emissions are running in line with its permitted EUETS allowance and hence there is no impact on profit. At 28 March 2009 the intangible asset and an associated liability were valued at £370,000. The liability is categorised under current liabilities.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 Accounting policies (continued)

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 Income Statement in the period to which they relate.

Leasing
Leases are classified as finance leases at inception where substantially all of the risks and rewards of ownership are transferred to the Group. Assets classified as finance leases are capitalised on the Balance Sheet and are depreciated over the expected useful life of the asset. The interest element of the rental obligation is charged to the Income Statement 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 Income Statement in the appropriate period.

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: The initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the Balance Sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

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 Balance Sheet date. The resulting gain or loss on re-measurement is recognised in the Income Statement, 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 Group 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 Balance Sheet date, which are classified as non-current assets. Loans and receivables are included within trade and other receivables in the Balance Sheet.

The fair value of financial instruments traded in active markets is based on quoted market prices at the Balance Sheet date.

Investments
Trade investments are stated at cost less any impairment in value.

The Group's share of the profit less losses of joint ventures is included in the Income Statement on the equity accounting basis. The carrying value of joint ventures in the Group Balance Sheet is calculated by reference to the Group's equity in the net assets of such joint ventures as shown in the most recent accounts.

Cash and cash equivalents
Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown as borrowings within current liabilities on the Balance Sheet. Bank overdrafts that are repayable on demand and form an integral part of the Group'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 Income Statement over the period of the borrowings using the effective interest method. Interest is not capitalised within property, plant and equipment.

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

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

Trade payables
Trade payables are stated at their fair value.

Impairment of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group 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.

Capital Management

Group and Company's capital includes share capital, reserves and retained earnings. The Group and 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 Group and Company invest in financial assets that will provide an adequate level of return to the shareholder commensurate with the level of risk.

The Group and 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 Group and 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 Group, and Company, are not subject to any externally imposed capital requirements. There have been no material changes in the management of capital during the period.

New standards and Interpretation not applied

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 Group.

International Accounting Standards and Interpretations		Effective date
IAS 1	Amendment - Presentation of financial statements	1 January 2009
IAS 23	Amendment - Borrowing Costs	1 January 2009
IAS 32	Amendment - Financial Instruments Presentation	1 January 2009
IAS 39	Amendment - Financial Instruments Recognition and Measurement	1 July 2009
IFRIC 13	Customer Loyalty Programmes	1 January 2009
IFRS 1and IAS 27	Amendment - Cost of an investment in a subsidiary	1 July 2009
IFRS 8	Operating Segments	1 January 2009
IFRS2	Amendment -Share Based Payments	1 January 2009

IFRS 8 Operating Segments - requires that entities adopt the 'management approach' to reporting the financial performance of it's operating segments. It is concerned with disclosures only and as such will have no impact on the Group Income Statement and Balance Sheets. IAS 1 Amendment - Presentation of financial statements - requires a change in the format and presentation of Group's primary statements but will have no impact on reported profits and equity. All other standards and interpretations that are available for early adoption have no impact for the Group

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 Segmental reporting

Primary reporting format - business segments

Period ended 28 March 2009

	JC Speciality Papers £'000	The Paper Mill Shop £'000	JC Converting £'000	Technical Fibre Products £'000	Group Services £'000	Other £'000	Eliminations £'000	Group £'000
Continuing operations								
Revenue								
- External	47,148	5,674	10,333	11,648	-	-	-	74,803
- Inter-segment	2,676	-	662	-	-	-	(3,338)	-
Segment profit/(loss) before HQ Intra Group charges	148	(374)	550	2,175	(1,419)	-	-	1,080
Segment (loss)/profit after HQ Intra Group charges	(310)	(388)	406	2,099	(727)	-	-	1,080
Interest Expense								(493)
Interest Income								271
Profit before tax								858
Tax on profit for year from continuing operations and before exceptional tax item								(358)
Profit for the year from continuing operations before exceptional tax charge								**500**
Exceptional tax charge								(587)
Loss for the year								**(87)**
Total Assets	29,827	1,824	9,158	11,547	45,627	1,786	(53,426)	46,343
Total Liabilities	(24,576)	(2,179)	(7,107)	(9,406)	(26,284)	(368)	43,751	(26,169)
Other segment items								
Capital expenditure	614	64	93	209	353	-	-	1,333
Depreciation	1,676	250	302	492	178	-	-	2,898
Amortisation of intangible assets	-	-	-	29	252	-	-	281
Impairment of trade receivables	102	-	7	71	-	-	-	180

At 28 March 2009, the Group is organised into five main business segments, on the basis of it's statutory structure, principally based in the UK:

- JC Speciality Papers – relates to James Cropper Speciality Papers, a manufacturer of coloured paper and boards.
- The Paper Mill Shop – relates to the retailing of paper and associated products.
- JC Converting – relates to James Cropper Converting. Converting of paper.
- Technical Fibre Products – Manufacture of high performance wet-laid non-wovens from fibres.
- Group services – comprises central functions providing services to the subsidiary companies

Comparative information is presented on the same basis.

Primary reporting format - business segments

Period ended 29 March 2008

	Papermaking	Retail	Converting	Technical Fibre Products	Group Services	Other	Eliminations	Group
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Continuing operations								
Revenue								
- External	45,229	6,202	11,188	10,125	-	-	-	72,744
- Inter-segment	3,113	-	668	-	-	-	(3,781)	-
Segment profit/(loss) before HQ Intra Group charges	1,790	(309)	648	1,549	(1,862)	-	-	1,816
Segment profit/(loss) after HQ Intra Group charges	1,281	(358)	548	1,426	(1,081)	-	-	1,816
Interest Expense								(942)
Interest Income								767
Share of post tax results of joint ventures								(61)
Profit before tax								1,580
Taxation								(390)
Profit for the year from continuing operations								**1,190**
Total Assets	29,238	1,695	10,127	12,501	38,348	2,016	(45,887)	48,038
Total Liabilities	(22,863)	(1,654)	(7,442)	(9,841)	(15,545)	(368)	35,336	(22,377)
Other segment items								
Capital expenditure	1,090	26	120	756	345	-	-	2,337
Depreciation	1,740	315	291	494	197	-	-	3,037
Amortisation of intangible assets	-	-	-	12	231	-	-	243
Impairment of trade receivables	-	-	(10)	12	-	-	-	2

Secondary reporting format – geographical segments

The group's manufacturing operations are principally based in the UK. The sales analysis in the table below is based on the location of the customer.

	Revenue		Segment asset		Capital Expenditure	
	2009	2008	2009	2008	2009	2008
	£'000	£'000	£'000	£'000	£'000	£'000
Continuing operations						
UK	42,499	44,670	44,712	44,747	1,224	1,787
Europe	17,015	14,560	-	-	-	-
Asia	4,176	3,949	-	-	-	-
The Americas	9,155	7,932	3,023	3,291	109	597
Australasia	1,555	1,258	-	-	-	-
Africa	403	375	-	-	-	-
	74,803	**72,744**	**47,735**	**48,038**	**1,333**	**2,384**

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 Finance Costs

	2009 £'000	2008 £'000
Interest expense		
Interest payable on bank borrowings	424	942
Interest payable on finance leases	60	-
Other interest payable	9	-
Total interest expense	**493**	**942**
Interest income		
Interest receivable on bank borrowings	45	540
Retirement benefits:		
Expected return on pension scheme assets	4,179	3,818
Interest on pension scheme liabilities	(3,953)	(3,591)
Total interest income	**271**	**767**
Finance costs - net	**222**	**175**

4 Profit/(loss) before tax

	2009 £'000	2008 £'000
The following items have been charged/(credited) in arriving at profit before tax:		
Staff Costs	18,211	18,285
Depreciation of property, plant and equipment		
-owned assets	2,898	3,037
-amortisation of intangibles	281	243
Loss/(profit) on disposal of fixed assets	9	(103)
Other operating lease rentals payable		
-Plant & machinery	663	480
-Retail outlets	999	969
Repairs and maintenance expenditure on property, plant and equipment	2,772	2,831
Government grants received	(252)	(102)
Research and development expenditure	976	862
Foreign exchange differences	(368)	(129)
Trade receivables impairment	180	2

Government grants relate to assistance received for research projects and the development of new technology.

Services Provided by the Group's Auditor and network firms

During the year the group obtained the following services from the group's auditor at costs as detailed below:	2009 £'000	2008 £'000
Audit Services		
- Fees payable to the company's auditor for the audit of parent company and consolidated accounts	15	13
Other services		
- Remuneration payable to the company's auditor for the auditing of subsidiary accounts and associates of the company pursuant to legislation (including that of countries and territories outside Great Britain	44	41
-Fees in respect of other accountancy matters	2	5
-Tax advisory services	25	19
	86	**78**

5 Taxation

Analysis of charge in the period

Continuing operations	**Note**	**2009 £'000**	**2008 £'000**
Current tax		719	773
Adjustments in respect of prior period current tax		(161)	(424)
Foreign tax		(76)	-
Total current tax		482	349
Deferred tax		366	(373)
Adjustments in respect of prior period deferred tax		97	414
Total deferred tax	17	463	41
Taxation		**945**	**390**

Tax on items charged to equity

Deferred tax on actuarial gains on retirement benefit liabilities	(2,166)	1,157

The tax for the period is higher from the standard rate of corporation tax in the UK (28%).

The differences are explained below:	**2009 £'000**	**2008 £'000**
Profit before tax	858	1,580
Profit on ordinary activities multiplied by rate of corporation tax in the UK of 28% (2008: 30%)	241	474
Effects of:		
Adjustments to tax in respect of prior period	(148)	(10)
Overseas tax rates	54	-
Expenses not deductible for tax purposes	124	129
Rate change on deferred tax	-	(220)
Other	87	17
Exceptional tax item		
Deferred tax movement on assets becoming non-qualifying - removal of IBA's*	587	-
Total tax charge for the period	**945**	**390**

* The phasing out of Industrial Buildings Allowance ("IBA") in 2008/09 resulted in an exceptional Deferred Tax charge of £587,000. In previous years future entitlement for tax relief arising from IBA had been accounted for as a "deferred asset" on the Balance Sheet. With the removal of this entitlement the benefit from this "deferred asset" will no longer materialise thus leading to it being written off in the year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

6 (Losses)/Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of shares outstanding during the year.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has one class of dilutive potential ordinary shares - those share options granted to employees where the exercise price is less than the average market price of the company's ordinary shares during the year.

Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below.

	2009			2008		
	Earnings	**Weighted average number of shares**	**Per-share amount**	**Earnings**	**Weighted average number of shares**	**Per-share amount**
	£'000	**'000**	**pence**	**£'000**	**'000**	**pence**
Basic EPS						
(Losses)/Earnings attributable to ordinary shareholders	(87)	8,472	(1.0)	1,190	8,472	14.0
Effect of dilutive securities						
Options	-	-	-	-	21	-
Diluted EPS	**(87)**	**8,472**	**(1.0)**	**1,190**	**8,493**	**14.0**

7 Dividends

	2009 £'000	2008 £'000
Final paid for the period ended 29 March 2008 / period ended 31 March 2007	432	432
Interim paid for the period ended 28 March 2009 / period ended 29 March 2008	93	186

In addition, the directors are proposing a final dividend in respect of the financial period ended 28 March 2009 of 4.0p per share which will absorb an estimated £339,000 (2008: £432,000) of shareholders' funds. If approved by members at the Annual General Meeting, it will be paid on 14 August 2009 to shareholders who are on the register of members at 17 July 2009. There are no tax implications in respect of this proposed dividend.

The proposed dividend is not accounted for until it is formally approved at the Annual General Meeting.

8 Intangible assets

	Group				Company			
	Computer Software £'000	Trade Secrets £'000	Emission Allowances £'000	Total £'000	Computer Software £'000	Trade Secrets £'000	Emission Allowances £'000	Total £'000
Cost								
At 29 March 2008	3,184	251	-	3,435	3,184	-	-	3,184
Additions -acquired	53	-	1,143	1,196	53	-	1,143	1,196
Additions - internally generated	209	-	-	209	209	-	-	209
Effects of movements in foreign exchange	-	89	-	89	-	-	-	-
At 28 March 2009	3,446	340	1,143	4,929	3,446	-	1,143	4,589
Aggregate amortisation								
At 29 March 2008	1,851	12	-	1,863	1,851	-	-	1,851
Charge for period	252	29	773	1,054	252	-	773	1,025
At 28 March 2009	2,103	41	773	2,917	2,103	-	773	2,876
Net book value at 28 March 2009	**1,343**	**299**	**370**	**2,012**	**1,343**	**-**	**370**	**1,713**

	Group				Company			
	Computer Software £'000	Trade Secrets £'000	Emission Allowances £'000	Total £'000	Computer Software £'000	Trade Secrets £'000	Emission Allowances £'000	Total £'000
Cost								
At 31 March 2007	2,971	-	-	2,971	2,971	-	-	2,971
Additions -acquired	17	251	-	268	17	-	-	17
Additions - internally generated	196	-	-	196	196	-	-	196
At 29 March 2008	3,184	251	-	3,435	3,184	-	-	3,184
Aggregate amortisation								
At 31 March 2007	1,620	-	-	1,620	1,620	-	-	1,620
Charge for period	231	12	-	243	231	-	-	231
At 29 March 2008	1,851	12	-	1,863	1,851	-	-	1,851
Net book value at 29 March 2008	**1,333**	**239**	**-**	**1,572**	**1,333**	**-**	**-**	**1,333**

The computer software capitalised principally relates to the ongoing development of the Group's Enterprise Resource Planning and Financial systems. The remaining amortisation period of the assets at the period end is 6 years (2008: 7 years).

The trade secrets relate to certain recipes and know how acquired within the TFP division. The remaining amortisation period of the assets at the period end is 9 years.

The Emission Allowances relate to the allowances received through the European Emissions Trading Scheme (EUETS) and are valued at market value at the date of initial recognition. The allocated allowances are held throughout each compliance period and are used to meet the Group's emissions obligations.

NOTES TO THE FINANCIAL STATEMENTS (continued)

9 Property plant and equipment

Group	Freehold land & buildings £'000	Plant & machinery £'000	Total £'000
Cost			
Brought forward at 29 March 2008	10,070	66,844	76,914
Additions at cost	9	1,062	1,071
Disposals	-	(48)	(48)
Effects of movements in foreign exchange	-	101	101
At 28 March 2009	10,079	67,959	78,038
Accumulated Depreciation			
Brought forward at 29 March 2008	4,473	52,133	56,606
Charge for period	266	2,705	2,971
Disposals	-	(22)	(22)
At 28 March 2009	4,739	54,816	59,555
Net book value at 28 March 2009	**5,340**	**13,143**	**18,483**

	Freehold land & buildings £'000	Plant & machinery £'000	Total £'000
Cost			
Brought forward at 31 March 2007	10,144	65,427	75,571
Additions at cost	19	1,901	1,920
Disposals	(93)	(484)	(577)
At 29 March 2008	10,070	66,844	76,914
Accumulated Depreciation			
Brought forward at 31 March 2007	4,203	49,851	54,054
Charge for period	270	2,767	3,037
Disposals	-	(485)	(485)
At 29 March 2008	4,473	52,133	56,606
Net book value at 29 March 2008	**5,597**	**14,711**	**20,308**

Assets held under finance leases, capitalised and included in tangible fixed assets:

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Cost	1,392	-	1,392	-
Depreciation in period	134	-	134	-
Net book value	1,258	-	1,258	-

9 Property plant and equipment

Company	Freehold land & buildings £'000	Plant & machinery £'000	Total £'000
Cost			
Brought forward at 29 March 2008	853	1,996	2,849
Transfers from a subsidiary company	-	1,392	1,392
Additions at cost	-	91	91
Disposals	-	-	-
Effects of movements in foreign exchange	-	-	-
At 28 March 2009	853	3,479	4,332
Accumulated Depreciation			
Brought forward at 29 March 2008	268	1,658	1,926
Charge for Period	13	165	178
Disposals	-	-	-
At 28 March 2009	281	1,823	2,104
Net book value at 28 March 2009	**572**	**1,656**	**2,228**

	Freehold land & buildings £'000	Plant & machinery £'000	Total £'000
Cost			
Brought forward at 31 March 2007	927	2,107	3,034
Additions at cost	19	114	133
Disposals	(93)	(225)	(318)
At 29 March 2008	853	1,996	2,849
Accumulated Depreciation			
Brought forward at 31 March 2007	257	1,697	1,954
Charge for Period	11	186	197
Disposals	-	(225)	(225)
At 29 March 2008	268	1,658	1,926
Net book value at 29 March 2008	**585**	**338**	**923**

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 Group's 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 28 March 2009 being year 1. Years 2, 3 and 4 were based on the subsidiary's 2009/10 Business Plan approved by the Board, with management's projections used beyond those years. The key assumptions in the forecast were:

- No new store openings
- Closure of underperforming stores on lease termination
- No sales price inflation
- Sales volume growth beyond year 3 of the business plan continues the trend established in the plan
- Gross margin remains constant throughout
- Nil inflation in costs; cost increases being offset by productivity gains
- Working capital recovered in the final year.

A pre-tax discount rate of 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 Directors believe that given the recent trading performance of TPMS the above assumptions are the most appropriate, however it should be noted 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

10 Investments

(i) Investments in subsidiary undertakings

	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
At 28 March 2009 and 29 March 2008	-	-	7,350	7,350

Investments in subsidiary undertakings are stated at cost. A list of principal subsidiary undertakings is given below:

	Country of incorporation	% holding of ordinary shares	Nature of business
James Cropper Speciality Papers Limited	England	100	Manufacture of coloured paper and boards
The Paper Mill Shop Company Limited	England	100	Retailing of paper
James Cropper Converting Limited	England	100	Paper converter
Technical Fibre Products Limited	England	100	Manufacture of high performance wet-laid nonwovens from fibres
Tech Fibers Inc	USA	100	Holding Company
Technical Fiber Products Inc	USA	100	Sales and marketing organisation
Metal Coated Fibers Inc	USA	100	Manufacturer of metal coated carbon fibres
Electro Fiber Technologies LLC	USA	100	Manufacturer of metal coated fibres
Melmore Limited	England	100	Dormant company
Papermilldirect.com Limited	England	100	Dormant company
James Cropper EBT Limited	England	100	Trustee of an employee benefit trust

(ii) Investments in joint ventures

	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
At 29 March 2008 and 31 March 2007		-	58	–
Investment in year	-	50	-	-
Share of loss in year	-	(61)	-	-
Exchange adjustments	-	-	-	-
Transfer to investment in subsidiary	-	(47)	-	-
At 28 March 2009 and 29 March 2008		-	-	–

The investment in joint ventures related to the Group's 50% shareholding in Electro Fiber Technologies Inc., a company based in the USA, and which became a 100% subsidiary of Tech Fibers Inc. in the year end 29 March 2008.

11 Inventories

	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Materials	4,890	5,005	-	-
Work in progress	2,055	1,691	-	-
Finished goods	3,477	2,944	-	-
	10,422	9,640	-	-

Inventories are stated after a provision for impairment of £323,000 (2008: £152,000)

12 Trade and other receivables

	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Trade debtors	11,977	13,280	-	-
Less: Provision for impairment of receivables	(249)	(69)	-	-
Trade debtors -net	11,728	13,211	-	-
Amounts owed by group undertakings	-	-	30,437	27,886
Other debtors	300	177	291	76
Prepayments	808	708	404	275
	12,836	14,096	31,132	28,237

Management believe there is no further credit risk provision required in excess of normal provision for doubtful receivables.
The adoption of IFRS 7 "Financial Instruments: Disclosure" has resulted in additional disclosures on credit risk which can be viewed in note 15.

13 Trade and other payables

	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Trade payables	1,950	1,700	1,323	1,195
Amounts owed to group undertakings	-	-	129	96
Other tax and social security payable	385	788	79	495
Other creditors	491	86	450	82
Accruals	4,836	5,550	664	897
	7,662	8,124	2,645	2,765

14 Borrowings

	Note	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Current					
Intercompany loans		-	-	10,170	-
Bank loans and overdrafts due within one year or on demand:					
Unsecured bank loans		1,855	2,170	1,855	5,986
Secured finance lease		279	-	279	-
		2,134	2,170	12,304	5,986
Non-current					
Unsecured bank loans		4,049	5,763	2,284	4,504
Secured finance lease		905	-	905	-
	15.3	4,954	5,763	3,189	4,504

Bank loans bear interest at rates between 1% and 1.5% above UK bank base rates.
A new finance lease was entered into during the period, (2008: no finance leases in operation). The future minimum lease payments under finance leases held, together with the value of principal are as follows:

Group and Company	Minimum lease payments 2009	Interest 2009	Principal 2009
Within one year	321	42	279
Greater than one year and less than five years	990	85	905
After five years	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

15 Financial Instruments and Risk

The Group 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 Group's financial instruments, the Group's exposure to each of the risks noted and the Group's objectives, policies and processes for measuring and managing risk. The Board has overall responsibility of the risk management strategy and coordinates activity across the Group. This responsibility is discussed further in the Directors' Report.
Exposure to the financial risks noted arise in the normal course of the Group's business.

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

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

		Group		Group	
	Note	Book value 2009 £'000	Fair value 2009 £'000	Book value 2008 £'000	Fair value 2008 £'000
Financial assets					
Current					
Trade and other receivables	12	12,836	12,836	14,096	14,096
Cash and cash equivalents		2,636	2,636	1,917	1,917
		15,472	15,472	16,013	16,013
Financial liabilities					
Current					
Trade and other payables	13	(7,662)	(7,662)	8,124	8,124
Short term borrowings	14	2,134	2,134	2,170	2,170
		(5,528)	(5,528)	10,294	10,294
Non-current long term borrowings	14	4,954	4,954	5,763	5,763

The fair values are stated at a specific date and may be different from the amounts which will be actualy 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.

15.2 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty fails to meet its contractual obligations. Credit risk arising from the Group's normal commercial activities are controlled by individual business units operating in accordance with Group policies and procedures. Exposure to credit risk arises from the potential of a customer defaulting on their invoiced sales. Some of the Group's businesses have credit insurance in place. For un-insured customers, 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 28 March 2009 were:

	2009 £'000	2008 £'000
JC Speciality Papers	7,321	8,515
The Paper Mill Shop	115	127
JC Converting	2,136	2,529
Technical Fibre Products	2,156	2,041
	11,728	13,211

The Company does not have trade receivables.

The ageing of trade receivables at the reporting date was:

	2009 £'000	2008 £'000
Not past due	11,384	12,800
Past due 0-30 days	228	224
Past due 31 -60 days	2	53
Over 61 days	363	203
	11,977	13,280
less impairment	(249)	(69)
	11,728	13,211

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 balance sheet date. This amount is calculated by reference to the age, status and risk of each receivable.

15.3 Liquidity risk

Liquidity risk is the risk that the Group will have sufficient funds to meet liabilities. The Group's policy is to maintain a mix of short, medium and long term borrowings with a number of banks. Short term flexibility is achieved through overdraft facilities. In addition, it is the Group's policy to maintain undrawn committed borrowing facilities in order to provide flexibility in the management of liquidity.

Non- current financial liabilities

The maturity profile of the carrying amount of the Group's non-current financial liabilities, at 28 March 2009, was as follows:

	Debt 2009 £'000	Group Finance lease obligations 2009 £'000	Total 2009 £'000	Debt 2008 £'000	Group Finance lease obligations 2008 £'000	Total 2008 £'000
In more than one year but not more than two years	1,037	-	1,037	2,182	-	2,182
In more than two years but not more than five years	3,012	905	3,917	3,510	-	3,510
In more than five years	-	-	-	71	-	71
	4,049	905	4,954	5,763	-	5,763

15.3 Liquidity risk continued

Trade payables

Trade payables at the reporting date was:	Group		Company	
	2009	**2008**	**2009**	**2008**
	£'000	**£'000**	**£'000**	**£'000**
Total contractual cash flows	1,950	1,700	1,323	1,195

Borrowing facilities

The Group has the following undrawn committed borrowing facilities available

	At 28 March 2009 Floating rate £'000	At 29 March 2008 Floating rate £'000
Expiring within one year (renewable annually)	5,172	4,754

15.4 Currency risk

The Group publishes it's consolidated 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 Group's transaction costs or in the underlying foreign currency assets of it's foreign operations. The Group has operations in the US. The Group 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. Where an imbalance remains the Group has also entered into certain forward exchange contracts. No material contracts were outstanding at the year end. The management of foreign currency is described in further detail in the Financial Review.

Represented below is the net exposure to foreign currencies, reported in pounds sterling, and arising from all Group activities, as at 28 March 2009.

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

	USD £'000	Euro £'000	GBP £'000	Total £'000
Trade Receivables	2,108	2,072	7,548	11,728
Cash and cash equivalents	305	1	2,330	2,636
Trade payables	(44)	(227)	(1,679)	(1,950)
Unsecured current loans	-	-	(1,855)	(1,855)
Finance lease current	-	-	(279)	(279)
Unsecured non- current loans	(1,765)	-	(2,284)	(4,049)
Finance lease non -current	-	-	(905)	(905)
Net exposure	604	1,846	2,876	5,326

At the 29 March 2008 the Group's exposure to foreign currency risk was as follows:

	USD £'000	Euro £'000	GBP £'000	Total £'000
Trade Receivables	1,662	2,355	9,194	13,211
Cash and cash equivalents	375	1,565	(23)	1,917
Trade payables	92	(176)	(1,616)	(1,700)
Unsecured current loans	-	-	(2,170)	(2,170)
Unsecured non- current loans	(1,259)	-	(4,504)	(5,763)
Net exposure	870	3,744	881	5,495

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

	USD At 28 March 2009 £'000	Euro At 28 March 2009 £'000	USD At 29 March 2008 £'000	Euro At 29 March 2008 £'000
Equity	(6)	(18)	(9)	(37)
Income Statement	(20)	(18)	(17)	(22)

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

15.5 Interest rate risk

Interest rate risk derives from the Group's exposure to changes in value of an asset or liability or future cash flow through changes in interest rates. The group finances its operations through a mixture of retained profits and bank borrowings. The group borrows in the desired currencies at floating rates of interest and then uses interest rate caps to manage its exposure to interest rate fluctuations. There are no outstanding financial instruments that are designated as hedges outstanding at the year-end. The exposure is therefore measured on variable rates debt and instruments. The net exposure to interest rates at the balance sheet date can be summarised as follows:

	Group 2009 £'000	Group 2008 £'000
Interest bearing liabilities - floating		
Borrowings	5,904	5,763
Finance lease	1,184	-
	7,088	5,763

The effective interest rates at the balance sheet date were as follows:

	2009 %	2008 %
Bank overdraft	1.5	6.3
Borrowings	2.1	6.5

The sensitivity analysis below assumes a 100 basis point change in interest rates from their levels at the reporting date, with all other variables held constant. A 1% rise in interest rates would result in an additional £71,000 interest expense being incurred per year. The impact of a decrease in rates would be an identical reduction in the annual charge.

	28 March 2009 £'000	29 March 2008 £'000
Income Statement	71	58

16 Retirement benefits

The Group operates a number of pension schemes. Two of these schemes, the James Cropper plc Works Pension Plan ("Works Scheme") and the James Cropper plc Pension Scheme ("Staff Scheme") are funded schemes of the defined benefit type.
The Group also operates a defined contribution scheme and makes contributions to personal pension plans for its employees in the USA.

Pension costs for the defined contribution scheme and personal pension contributions are as follows:

	Group	
	2009 £'000	2008 £'000
Defined contribution schemes	225	183
Personal pension contributions	14	16

Other pension costs totalled £90,000 (2008: £149,000) and represent life assurance charges and government pension protection fund levies.

Defined benefit plans
The most recent actuarial valuations of the Staff Scheme and the Works Scheme have been updated to 28 March 2009 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	
	2009 %	2008 %	2009 %	2008 %
Rate of increase in pensionable salaries	4.1	4.8	4.1	4.8
Rate of increase of pensions in payment and deferred	3.5	3.9	3.5	3.9
Discount rate	6.7	6.6	6.7	6.6
Inflation assumption	3.1	3.8	3.1	3.8
Expected return on plan assets	6.7	6.8	6.7	7.4

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 balance sheet dates. The long-term expected return on bonds is determined by reference to UK long dated government and corporate bond yields at the balance sheet date. The long-term expected rate of return on equities is based on the rate of return on bonds with a allowance for out-performance.

The amounts recognised in the balance sheet are determined as follows:

	2009 £'000	2008 £'000	2007 £'000	2006 £'000	2005 £'000
Present value of scheme liabilities	(57,333)	(60,335)	(66,733)	(66,007)	(55,436)
Fair value of plan assets	48,257	58,531	60,581	55,692	44,729
Net liability recognised in the Balance Sheet	(9,076)	(1,804)	(6,152)	(10,315)	(10,707)

Defined benefit plans (continued)

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

	Staff Scheme		Works Scheme	
	2009	2008	2009	2008
	%	%	%	%
Equities	45	55	55	66
Bonds	18	36	36	28
Property	-	-	1	-
Cash	1	2	8	5
Annuities	8	7	-	1
Corporate Bonds	28	-	-	-

The pension plan assets include investments in the shares of the Company with a fair value of £345,000 (2008: £249,000).

Defined benefit plans

The amounts recognised in the Income Statement are as follows:

	2009	2008
	£'000	£'000
Current service cost	1,300	1,544
Total included within employee benefit costs	1,300	1,544
Expected return on plan assets	(4,179)	(3,818)
Interest on pension scheme liabilities	3,953	3,591
Total included within interest	(226)	(227)
Total	**1,074**	**1,317**

Analysis of the movement in the Balance Sheet liability

	2009	2008
	£'000	£'000
At 28 March 2008	(1,804)	(6,152)
Total expense as above	(1,074)	(1,317)
Contributions paid	1,536	1,810
Actuarial gains/(losses) recognised in SORIE	(7,734)	3,855
At 28 March 2009	**(9,076)**	**(1,804)**

The actual return on plan assets was negative £10,539,000 (2008: negative £1,952,000). The Company expects to pay £586,000 (2008: £899,000) in contributions to the Staff Scheme and £802,000 (2008: £977,000) in contributions to the Works Scheme in the next financial period.

The cumulative amount of gains/losses recognised in the SORIE since the adoption of IAS 19 are gains of £2,054,000 (2008: gains of £9,788,000).

NOTES TO THE FINANCIAL STATEMENTS (continued)

16 Retirement benefits continued

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

	Works Scheme		Staff Scheme		Works Scheme		Staff Scheme	
	Assets 2009 £'000	DBO 2009 £'000	Assets 2009 £'000	DBO 2009 £'000	Assets 2008 £'000	DBO 2008 £'000	Assets 2008 £'000	DBO 2008 £'000
At 29 March 2008 / 31 March 2007	29,509	(31,302)	29,022	(29,033)	30,561	(35,430)	30,020	(31,303)
Expected return on assets	2,197	-	1,982	-	1,945	-	1,873	-
Current service costs	-	(869)	-	(431)	-	(1,061)	-	(483)
Benefits paid	(1,096)	1,096	(797)	797	(1,183)	1,183	(1,397)	1,397
Contributions by plan participants	403	(403)	219	(219)	406	(406)	276	(276)
Employer contributions	916	-	620	-	943	-	867	-
Interest cost	-	(2,056)	-	(1,897)	-	(1,918)	-	(1,673)
Actuarial (losses)/gains	(7,462)	3,362	(7,256)	3,622	(3,163)	6,330	(2,617)	3,305
At 28 March 2009 / 29 March 2008	**24,467**	**(30,172)**	**23,790**	**(27,161)**	**29,509**	**(31,302)**	**29,022**	**(29,033)**

Experience adjustments

	2009 £'000	2008 £'000	2007 £'000	2006 £'000	2005 £'000
Arising on plan assets	(14,718)	(5,780)	763	6,786	2,253
Percentage of scheme assets	(30.5%)	(9.9%)	1.3%	12.2%	5.0%
Arising on plan liabilities	152	3,291	(204)	1,983	(32)
Percentage of scheme liabilities	0.3%	5.5%	0.3%	3.0%	0.1%

17 Deferred taxation

The movement on the deferred tax account is shown below:

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
At 29 March 2008	(3,291)	(2,095)	19	1,262
Deferred tax on actuarial gains on retirement liabilities	2,166	(1,157)	2,165	(1,157)
Profit and loss charge	(463)	(261)	(191)	(85)
Rate change	-	220	-	(1)
Other	-	2	-	-
At 28 March 2009	**(1,588)**	**(3,291)**	**1,993**	**19**

Deferred tax assets have been recognised in respect of all temporary differences giving rise to deferred tax assets because it is probable that these assets will be recovered.

No deferred tax is recognised on the un-remitted earnings of overseas subsidiaries.

Based on the combined distributable reserves in the US Companies of £74,000 (2008: deficit £17,000), tax at 28% of £21,000 could be payable, before any application for double tax relief, which could be expected to reduce the UK liability to nil.

Deferred tax liabilities

	Accelerated capital allowances £'000	Other £'000	Total £'000
At 29 March 2008	(3,533)	(263)	(3,796)
Profit and loss (charge)/credit	(467)	134	(333)
At 28 March 2009	(4,000)	(129)	(4,129)

Deferred tax assets

	Pension £'000	Total £'000
At 29 March 2008	505	505
Deferred tax on actuarial gains on retirement liabilities	2,166	2,166
Deferred tax on difference between contribution paid and net pension cost to the Income Statement	(130)	(130)
At 28 March 2009	2,541	2,541

	Total £'000
Net deferred tax liability	(1,588)

18 Called up equity share capital

Group and Company

Authorised	2009 £'000	2008 £'000
10,000,000 (2008: 10,000,000) ordinary shares of 25p each	2,500	2,500

Issued and fully paid

	Number of Ordinary shares	£'000
At 29 March 2008	8,472,368	2,118
Issued during the period	-	-
At 28 March 2009	8,472,368	2,118

Potential issue of ordinary shares

Under the James Cropper plc Executive Share Option Scheme, options were outstanding at 28 March 2009 in respect of the following:

Year of grant	Exercise price (p)	Exercise period	2009 Number	2008 Number
1999	205.9	December 2002 to December 2009	18,900	18,900
2000	261.5	August 2003 to August 2010	60,000	60,000
2001	206.5	June 2004 to June 2011	90,000	90,000
	224.6		168,900	168,900

There were no share options exercised in the period and therefore there were no gains made by directors on the exercise of share options.

For share options outstanding at the end of the period, the range of exercise prices was 202.7p to 261.5p, and the weighted average contractual life was 7 years.

NOTES TO THE FINANCIAL STATEMENTS (continued)

18 Called up equity share capital continued

Under the Group's long-term incentive plan for executive directors and senior executives, such individuals hold rights over ordinary shares that may result in the issue of up to 216,000 25p ordinary shares by 2012 (2008: 81,000 25p ordinary shares by 2111). There were no share options exercised in the period (2008 no options were exercised).

Share based payments

The Save As You Earn (SAYE) schemes were introduced in December 2003 and August 2007 respectively and each run for either a three or five year period.

Options were valued using a Black-Scholes option pricing model. The fair value per option and assumptions used in the calculation are as follows:

	Dec 2003 5 year scheme	Aug 2007 3 year scheme	Aug 2007 5 year scheme
Fair value per option	46p	62p	69p
Date of grant	18 Dec 03	21 Aug 07	21 Aug 07
Exercise price	130.5p	191p	191p
Market price at date of grant	156p	235p	235p
Volatility	32.5%	22%	22%
Net dividend yield	4%	3%	3%
Term of option	5.25 years	3.25 years	5.25 years
Risk free rate of interest	4.6%	5.2%	5.2%

During the period no options were exercised (2008: no options were exercised).

19 Reserves, shareholders's funds and changes in shareholders' equity

Group	Share capital £'000	Share premium £'000	Translation reserve £'000	Other reserve £'000	Retained earnings £'000	Total £'000
At 29 March 2008	2,118	573	22	-	22,948	25,661
Loss for the period	-	-	-	-	(87)	(87)
Exchange differences	-	-	510	-	36	546
Dividends paid	-	-	-	-	(525)	(525)
Share based payment charge	-	-	-	-	147	147
Actuarial gains on retirement benefit liabilities (net of deferred tax)	-	-	-	-	(5,568)	(5,568)
At 28 March 2009	**2,118**	**573**	**532**	**-**	**16,951**	**20,174**

	Share capital £'000	Share premium £'000	Translation reserve £'000	Other reserve £'000	Retained earnings £'000	Total £'000
At 31 March 2007	2,118	573	(8)	-	19,970	22,653
Profit for the period	-	-	-	-	1,190	1,190
Exchange differences	-	-	30	-	(9)	21
Dividends paid	-	-	-	-	(618)	(618)
Share based payment charge	-	-	-	-	85	85
Actuarial gains on retirement benefit liabilities (net of deferred tax)	-	-	-	-	2,698	2,698
Consideration paid for own shares	-	-	-	-	(368)	(368)
At 29 March 2008	**2,118**	**573**	**22**	**-**	**22,948**	**25,661**

Company	Share capital £'000	Share premium £'000	Translation reserve £'000	Other reserve £'000	Retained earnings £'000	Total £'000
At 29 March 2008	2,118	573	-	-	20,112	22,803
Profit for the period	-	-	-	-	2,406	2,406
Dividends paid	-	-	-	-	(525)	(525)
Share based payment charge	-	-	-	-	147	147
Actuarial gains on retirement benefit liabilities (net of deferred tax)	-	-	-	-	(5,568)	(5,568)
At 28 March 2009	**2,118**	**573**	**-**	**-**	**16,572**	**19,263**

	Share capital £'000	Share premium £'000	Translation reserve £'000	Other reserve £'000	Retained earnings £'000	Total £'000
At 31 March 2007	2,118	573	-	-	16,996	19,687
Profit for the period	-	-	-	-	951	951
Dividends paid	-	-	-	-	(618)	(618)
Share based payment charge	-	-	-	-	85	85
Actuarial gains on retirement benefit liabilities (net of deferred tax)	-	-	-	-	2,698	2,698
At 29 March 2008	**2,118**	**573**	**-**	**-**	**20,112**	**22,803**

As permitted by Section 230(1) of the Companies Act 1985 the Company has not presented its own profit and loss account. The company's profit for the financial period is disclosed above.

NOTES TO THE FINANCIAL STATEMENTS (continued)

20 Employees and directors

Staff costs during the period	**Group**		**Company**	
	2009	**2008**	**2009**	**2008**
	£'000	**£'000**	**£'000**	**£'000**
Wages and salaries	15,589	15,377	1,955	1,978
Social Security costs	1,361	1,367	198	186
Pension costs (note 16)	1,629	1,891	690	865
	18,579	18,635	2,843	3,029
Own labour capitalised	(368)	(350)	(368)	(350)
	18,211	**18,285**	**2,475**	**2,679**

The average monthly number of people (including executive directors) employed in the Group was 629 (2008: 626).

The average monthly number of people (including executive directors) employed in the Company was 59 (2008: 54).

Key management compensation

	2009	**2008**
	£'000	**£'000**
Salaries and short term benefits	990	954
Post-employment benefits	97	111
Shared based payments	106	54
	1,193	**1,119**

21 Commitments under operating leases

Group	2009 Property £'000	2009 Plant & machinery £'000	2008 Property £'000	2008 Plant & machinery £'000
Commitments under non-cancellable operating leases expiring:				
Within one year	48	43	17	-
Later than one year and less than five years	2,013	1,663	1,013	2,101
After five years	2,227	-	3,897	-
	4,288	**1,706**	**4,927**	**2,101**

Company	2009 Property £'000	2009 Plant & machinery £'000	2008 Property £'000	2008 Plant & machinery £'000
Commitments under non-cancellable operating leases expiring:				
Later than one year and less than five years	-	479	-	502
	-	**479**	**-**	**502**

Contingent rent payments are determined on the basis of turnover.

22 Capital commitments

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Contracts placed for future capital expenditure not provided in the financial statements	372	287	8	8

23 Contingent liabilities

There were no contingent liabilities at the period end. The Company is included in a cross guarantee between itself and its subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS (continued)

24 Related party transactions

Group
The Group has taken advantage of the exemption not to disclose intra-group transactions that are eliminated on consolidation.

Company

The Company pays £35,000 (2008: £35,000) annually to Mr J A Cropper for the use of reservoirs to supply water to the factory premises.

The contract is based on a twenty year repairing lease with rent reviews every five years. The rent is negotiated through independent advisers representing each party. The Company paid £10,000 (2008: £nil) to Wilks & Partners, a company in which David R Wilks, (a non executive director for James Cropper plc), is a director, in the period for consultancy services relating to strategic development programmes.

The Company also has the following transactions with related entities:

	Sales £'000	Management charges £'000	Receivable / (Payable) £'000	2009 loans and net intercompany funding £'000
James Cropper Speciality Papers Limited	34,989	3,037	2,799	8,449
The Paper Mill Shop Company Limited	54	25	(129)	1,315
James Cropper Converting Limited	7,444	597	230	4,500
Technical Fibre Products Limited	401	752	225	2,381
James Cropper EBT Limited	-	-	-	368
	42,888	**4,411**	**3,125**	**17,013**

	Sales £'000	Management charges £'000	Receivable / (Payable) £'000	2008 loans and net intercompany funding £'000
James Cropper Speciality Papers Limited	30,361	3,127	635	16,000
The Paper Mill Shop Company Limited	23	89	(65)	-
James Cropper Converting Limited	8,209	539	768	6,000
Technical Fibre Products Limited	511	606	(31)	4,115
James Cropper EBT Limited	-	-	-	368
	39,104	**4,361**	**1,307**	**26,483**

2008 - 2009 SHAREHOLDER INFORMATION

Reporting

Interim Results announced and sent to

Ordinary Shareholders	18 November 2008
Final results announced	23 June 2009
Annual Report issued by	8 July 2009

Annual General Meeting -
at Bryce Institute, Burneside,
Kendal, Wednesday 29 July 2009 at 11.00am.

Dividends on Ordinary Shares

Interim dividend paid on 9 January 2009 to Ordinary Shareholders registered on 19 December 2008.
Final dividend to be paid on 14 August 2009 to Ordinary Shareholders registered on 17 July 2009.

Registrars

Capita Registrars Limited
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
HD8 0LA
Tel 01484 600900
Fax 01484 600911

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the one hundred and twentieth annual general meeting of James Cropper plc (the "Company") will be held at The Bryce Institute, Burneside, Kendal, Cumbria at 11.00am on Wednesday 29 July 2009 to consider and, if thought fit, pass the following resolutions of which resolutions 1 to 9 and 12 are being proposed as ordinary resolutions and resolutions 10, 11 and 13 as special resolutions:-

1. To receive and consider the statement of accounts and reports of the directors and the auditors for the 52 weeks ended 28 March 2009.
2. To declare a final dividend.
3. To re-elect Alun I. Lewis as a director of the Company.
4. To re-elect Patrick J. Willink as a director of the Company.
5. To re-elect David R. Wilks as a director of the Company.
6. To re-appoint KPMG Audit Plc as auditors to hold office from the conclusion of the meeting until the next Annual General Meeting.
7. To authorise the directors to agree the remuneration of the auditors of the Company.
8. To consider and approve the directors' remuneration report for the 52 weeks ended 28 March 2009.
9. That the directors be authorised for the purpose of section 80 of the Companies Act 1985 (the "Act") to allot relevant securities (within the meaning of section 80(2) of the Act) up to an aggregate nominal amount of £381,908 provided that:-
   - 9.1 except as provided in paragraph (b) below this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, or 18 months from the date of this resolution (whichever is earlier) but may be previously revoked or varied by an ordinary resolution of the Company; and
   - 9.2 the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.
10. That subject to the passing of and pursuant to the general authority conferred by the resolution numbered 9 in the notice convening this meeting the directors be empowered pursuant to Section 95 of the Companies Act 1985 (the "Act") to allot equity securities (as defined in section 94 of the Act) or where the equity securities are held by the Company as qualifying shares (to which sections 162A to 162G of the Act apply), in each case as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:-
    - 10.1 the allotment of equity securities in connection with any rights or other pre-emptive issue in favour of the ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them on a fixed record date (but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange in any territory or any other matter whatsoever); and
    - 10.2 otherwise than pursuant to paragraph (a) of this resolution, the allotment of equity securities up to an aggregate nominal amount of £211,810,

    and shall expire on the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or 18 months from the date of this resolution (whichever is earlier) except that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred by this resolution had not expired.
11. That the Company be generally and unconditionally authorised for the purposes of section 166 of the Companies Act 1985 (" the Act") to make market purchases (within the meaning of section 163(3) of the Act) on the London Stock Exchange of ordinary shares of 25p each in the capital of the Company provided that:-
    - 11.1 the maximum aggregate number of ordinary shares hereby authorised to be purchased is 1,270,855;
    - 11.2 the minimum price which may be paid for such shares is 25p per ordinary share;
    - 11.3 the maximum price which may be paid for such ordinary shares shall not be more than 5% above the average of the market values for a ordinary share as derived from the AIM appendix to the London Stock Exchange's Daily Official List for the five business days immediately preceding the date on which the ordinary shares are purchased;
    - 11.4 unless previously renewed, varied or revoked, the authority hereby conferred shall expire at the conclusion of the Company's next Annual General Meeting or 18 months from the date of this resolution (whichever is earlier); and
    - 11.5 the Company may make a contract or contracts to purchase ordinary shares under the authority conferred by this resolution prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of ordinary shares in pursuance of any such contract or contracts.

12. That the Company and all companies that are its subsidiaries at any time during the period for which this resolution is effective are hereby authorised to:-

12.1 make political donations to political parties and/or to independent election candidates not exceeding £25,000 in total;

12.2 make political donations to political organisations other than political parties not exceeding £25,000 in total; and

12.3 incur political expenditure in an aggregate amount not exceeding £25,000 in total

during the period ending on the earlier of fifteen months from the date of the passing of this resolution and the date of next year's annual general meeting.

For the purposes of this resolution, the terms "political donations" "political parties", "independent election candidates", "political organisation" and "political expenditure" have the meanings set out in sections 363 to 365 of the Companies Act 2006.

13. That the articles of association is the form laid before the meeting and initialled by the Chairman of the meeting be and are hereby adopted in place of the existing articles of association of the Company.

By order of the Board

D.R.Carey
Secretary

6 July 2009

Registered office:
Burneside Mills
Kendal
Cumbria
LA9 6PZ

Registered in England and Wales No. 30226

NOTICE OF ANNUAL GENERAL MEETING

Notes

The following notes explain your general rights as a shareholder and your right to attend and vote at this meeting or to appoint someone else to vote on your behalf.

1. Only those members registered in the Register of Members of the Company as at 6.00pm on 27 July 2009 shall be entitled to attend and vote at the meeting convened above in respect of the number of shares registered in their names at that time.
2. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint another person as his proxy to exercise all or any of his rights to attend and to speak and vote at a meeting of the Company. Any such member may appoint more than one proxy provided that each proxy is appointed to exercise the rights attached to a different share or shares held by such member. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please photocopy the form of proxy and indicate in the box next to the proxy's name the number of shares in relation to which he or she is authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope. A proxy need not be a member of the Company. Appointing a proxy will not prevent a shareholder from attending in person and voting at the meeting. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the Chairman of the meeting) and give your instructions directly to that person.
3. A form of appointment of proxy is enclosed. If you return more than one proxy appointment, that received last by the registrar before the latest time for the receipt of proxies will take precedence.
4. The form of proxy includes a vote withheld option. Please note that a vote withheld is not a vote in law and will not be counted in the calculation of the proportion of votes for and against any particular resolution.
5. The appointment of a proxy and the original or duly certified copy of the power of attorney or other authority (if any) under which it is signed or authenticated should be deposited with the Company's registrar at the address shown on the proxy form not later than 11.00am on 27 July 2009 or 48 hours before the time for holding any adjourned meeting.
6. The above statement as to proxy rights does not apply to a person who receives this notice of general meeting as a person nominated to enjoy "information rights" under section 146 of the Companies Act 2006. If you have been sent this notice of meeting because you are such a nominated person, the following statements apply: (a) you may have a right under an agreement between you and the member of the Company by whom you were nominated to be appointed or to have someone else appointed as a proxy for this general meeting; and (b) if you have no such right or do not wish to exercise it, you may have a right under such an agreement to give instructions to that member as to the exercise of voting rights.
7. As at 9.00am on the date of this notice the Company's issued share capital comprised 8,472,368 ordinary shares of 25p each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 9.00am on the date of this notice is 8,472,368.
8. Copies of the contracts of service for directors, the proposed new articles of association of the Company and a statement of directors' interests are available for inspection during normal business hours at the registered office of the Company and they may be inspected at the place of the Annual General Meeting for at least 15 minutes prior to the meeting and at the meeting.
9. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting direction to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of appointment letter if the chairman is being appointed as described in (i) above.