James Cropper PLC

ANNUAL REPORT 2004

James Cropper PLC

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James Cropper Speciality Papers

During the year exclusive supply was secured to Swarovski for their prestigiously branded decorative crystal. This further enhances the business's reputation as a manufacturer of high quality, deep coloured packaging papers.

The Paper Mill Shop

Four new outlets were opened at Chatham, Street, Whiteley and Bridgend taking the total number of outlets at the year-end to eleven. Further openings are planned.

Technical Fibre Products

An innovative use of Tecnofire® was its use in the refurbishment of New York's Whitestone Bridge when it was applied to the inside surfaces of fairings to provide fire protection. The fairings were mounted on the bridge to dampen the effects of wind flow.

James Cropper Converting

Development of the digital imaging board market progressed during the year. Resources have been committed to enable the introduction of a full range of papers and boards to be marketed on a direct basis.

Our ambition

is to provide our customers with levels of technical capability, service, value and insight, which are innovative, bespoke and unrivalled in our chosen market.

Profitability and Independence through People and Customer Service.

Our values

To improve the goodwill of shareholders through increasing shareholder value

To sustain and develop long term relationships with customers and suppliers

To be committed to continuous improvement

To be forward looking, innovative and performance orientated

To value and develop our people through teamwork

To create an enjoyable, challenging and safe work place

To respect, support and trust each other

To be professional and behave with integrity in all our dealings

To demonstrate environmental responsibility

To contribute to the well being of the local community

ANNUAL REPORT 2004
CONTENTS

SUMMARY OF RESULTS

	2004	2003
Group turnover	£56,565,000	**£55,010,000**
Group profit before tax	£785,000	**£1,867,000**
Earnings per share	7.6p	**15.1p**
Dividends		
Interim paid	1.9p	**1.9p**
Final proposed	5.9p	**5.6p**
Total	7.8p	**7.5p**
Capital and reserves	£27,075,000	**£27,119,000**

Group 5 Year Performance

	2004	2003	2002	2001	2000
Group turnover £'000	56,565	55,010	54,451	54,242	53,365
Export turnover £'000	20,192	20,755	19,725	19,965	18,910
Profit & Loss Summary £'000					
Paper	415	1,085	1,043	(1,725)	2,574
Converting	394	551	1,069	961	871
TFP (Group & Joint Venture)	381	623	314	504	195
Total operating profit/(loss)	1,190	2,259	2,426	(260)	3,640
Other income/(expenditure)	(50)	16	(271)	30	26
Net Interest	(355)	(408)	(629)	(549)	(606)
Profit/(loss) before tax	785	1,867	1,526	(779)	3,060
Earnings per share	7.6p	15.1p	9.2p	(7.9p)	25.9p
Dividends per share	7.8p	7.5p	7.0p	6.3p	6.3p
Gearing %	27%	24%	27%	34%	22%
Capital expenditure £'000	3,101	2,299	2,750	4,400	2,121

DIRECTORS, BANKERS AND ADVISERS

NON-EXECUTIVE 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.

EXECUTIVE DIRECTORS

CHIEF EXECUTIVE & MANAGING DIRECTOR, PAPER DIVISION

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, Human Resources, Purchasing, Information Systems and Project Management. He is also a director of the Paper Federation of Great Britain Limited.

SALES AND MARKETING DIRECTOR, PAPER DIVISION

Nigel A Read, BA – Born 1954. He joined the Group in 1981 from Robert Fletcher & Sons Limited and the Board in 1998.

OPERATIONS DIRECTOR, PAPER DIVISION

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 LTD

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

John R Sclater, MA, MBA – Born 1940. He joined the Board in 1972. He is Chairman of Graphite Enterprise Trust PLC, Argent Group Europe Limited and Finsbury Life Sciences Investment Trust plc. He is a director of Millennium & Copthorne Hotels PLC, Wates Group Limited and other companies. He is a Trustee of The Grosvenor Estate.

John P Southwell, MA – Born 1933. He joined the Board in 1984. He is Chairman of Helical Bar plc and Lochain Patrick Holdings Limited. He is also a consultant to Credit Lyonnais Laing Corporate Finance.

Peter L Herring, BSc (Econ) – Born 1940. He joined the Board in 1997. He was previously a director of BPB plc.

David R Wilks, LLB (Hons) – Born 1954. He joined the Board in April 2004. He is a Director of Wilks & Partners, the management consultancy 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.

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, Kendal

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP, Newcastle upon Tyne

STOCKBROKERS

Evolution Beeson Gregory, London

CORPORATE LAWYERS

Dickinson Dees, Newcastle upon Tyne

FINANCIAL ADVISERS

Close Brothers plc, London

REGISTRARS

Capita Registrars, Huddersfield

PUBLIC RELATIONS

Citigate Dewe Rogerson, Birmingham

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Company Registration No: 30226

CHAIRMAN'S REVIEW

James Cropper with John Southwell *(left)* and David Wilks *(right)*

THE PAST FINANCIAL YEAR

I am pleased to report that Group Profit before Taxation recovered in the second half from £95,000 at the half year to £785,000 for the full year. This compares with £1,867,000 for the previous year. I mentioned in my Interim Statement that the Paper Division had been affected by difficult trading conditions in the first half. Although the situation in this Division remains challenging there was sign of some recovery in the second half as a result of increased volumes. I also commented on several cost increases that were largely outside the Group's control such as National Insurance, insurance premiums, effluent treatment charges and regulatory compliance, which affected all Divisions. In addition the weakness of the US$ affected margins on export sales by the Converting and Technical Fibre Products Divisions. Although the weak US$ benefited the Paper Division this was more than offset by the increase in costs of raw materials denominated in Euros as this currency strengthened. Action has been taken to redress the balance in currency flows across the Group. Additionally increased pension contributions arising from the results of the recent actuarial valuations of the Group's two final salary schemes have been charged against profit in the second half-year. Inevitably given all these factors there has been a reduction in the profits reported by each Division compared to the previous year.

DIVIDENDS

The Board has decided to maintain its policy of progressive dividend increases with a 4.0% overall increase on last year with a final dividend of 5.9p, making the total dividend 7.8p compared to 7.5p in 2003. This is to reflect the improved operating conditions in the second half year and the Group's longer-term growth plans.

GROUP RE-ORGANISATION

With effect from 30th March 2003 the Group structure was reorganised. James Cropper PLC transferred the Papermaking and Converting businesses to two new subsidiary companies, James Cropper Speciality Papers Limited and James Cropper Converting Limited respectively. Each business now has its own capital structure to enable more effective financial measurement of their individual performance.

PAPER

The Division's operating profit reduced from £1,085,000 to £415,000.

It has been a year of contrasts for James Cropper Speciality Papers with subdued economic activity leading to the paper machines running below full capacity in the first half whilst in the second half volumes increased. Management's focus on growing turnover has been rewarded with some attractive new business that bodes well for the future. Sales into China were less than expected due to planned exhibitions being cancelled or postponed because of the SARS epidemic. Progress has been made in the USA market through the appointment of a new agent. We remain confident that these two markets hold considerable potential. The price of Northern Softwood Bleached Kraft pulp, the market benchmark, reached US$560 per tonne in the first quarter, then fell to US$520 in the second quarter, before resuming an upward trend in the last quarter towards US$600. However the weakness of the US$ mitigated the impact of these increases. Although the Euro strengthened during the year a weaker market for Euro priced hardwood pulps counteracted the strength of the currency. The cost of those dyes and other chemicals priced in Euros increased considerably as the value of the currency rose.

The Paper Mill Shop retail business grew strongly with four new outlets opening in the year bringing the total number of shops at the year-end to eleven. This growth, together with that of James Cropper Speciality Papers in the second half led to an increase in turnover of 6.8% for the Division as a whole.

CONVERTING

Operating profit declined from £551,000 to £394,000. Turnover was down 3.7%, with volume up 5.9%. The Division maintained its position as the leading UK manufacturer of display board recapturing market share against fierce competition but at the expense of margins. The demand for mount board continues to be positive but the weakness of the US$ has eroded margins on sales into the USA. Good progress has been made in implementing cost reduction measures.

TECHNICAL FIBRE PRODUCTS ("TFP")

Operating profit for the year was £474,000 against a record £646,000 last year. Turnover was down by 4.9%. With over 40% of its business in the USA it was inevitable that TFP's turnover and margins would be adversely affected by the weak US$. In addition sales into South East Asia were depressed by the SARS

TFP has completed qualification programmes with eight major US door manufacturers. As a result TFP's fire retardant products are now placed in a very strong position with the US construction industry as the Federal International Building Code places more stringent control on the industry. Sales of fire retardant materials into the USA grew by over 40% during the last year.

TFP has strengthened its market position by moving upstream to manufacture highly conductive metal-coated carbon fibres through a 50/50 joint venture with Thermion Systems International Inc, a customer based in the USA. The joint venture company, known as Electro Fiber Technologies LLC ("EFT"), has acquired an exclusive license and rights to sub-license patented technology from another USA company. The first objective of EFT is to provide TFP with security of supply of metal-coated carbon fibre materials. A plant sized to service both the JV partners' needs in the near term was commissioned towards the end of the year. The Group's share of start up costs was £93,000 during the period. Applications for these materials include use in electronic, medical and flexible heating devices. There is also significant emerging potential with regard to electromagnetic interference shielding and communication signal management systems.

TFP's fuel cell component programme with Johnson Matthey continues to deliver improved development materials to meet new and changing specifications emerging from this exciting technology.

PENSIONS

The latest triennial actuarial valuations of the Group's two final salary pensions schemes were completed during the year. The valuations have revealed a combined deficit of £9,024,000 as at 31st March 2003. The deficits reflect changes in the Actuaries' assumptions regarding longevity and the continuation of low inflation, interest rates and investment yields. It is planned to eliminate the deficits over a maximum period of 17 years. Payments to the pension schemes commenced in the year. These are subject to Corporation Tax relief. Both schemes have been closed to new membership for a number of years. Existing members contributions will be increased over the next two years.

SAFETY

Although our objective is to achieve zero injuries in the long term we have set a number of targets at which to aim. On the journey to zero accidents the following short to medium term targets have been set:

- Achieve a 33% year on year reduction in total lost time injuries
- Achieve a 25% year on year reduction in minor injuries

I am pleased to report that we have beaten our targets for the past year.

The Board firmly believes that a safer working environment is also a more effective, productive and cost efficient working environment.

PEOPLE

David Wilks joined the Board as a Non-Executive Director in April 2004. He is a Director of Wilks & Partners, a management consultancy he founded in 2001. David brings extensive experience of manufacturing operations to the Board having previously worked for H.J. Heinz, United Biscuits, as a consultant with ER Consultants and latterly his own firm. David will stand for election at the AGM in August.

John Southwell will retire at the AGM after 20 years service as a Non-Executive Director and 10 years as Chairman of the Audit and Remuneration Committees. His knowledge, commitment and wise advice together with his long involvement in corporate finance in the City has been invaluable to the Group particularly regarding corporate matters. I would like to take this opportunity to offer John our thanks for his long and loyal service.

OUTLOOK

The thrust of James Cropper Speciality Paper's efforts will continue to be founded on growing turnover both in the UK and export markets combined with efficiency savings. Pulp prices are currently on an upward trend although the cost is mitigated by the weak US$. It is questionable whether the rate of increase will be sustainable through the rest of the year. The recent escalation in the price of crude oil and natural gas will have a significant impact on energy costs in the current year. The Paper Mill Shop has already opened two new outlets in the current financial year and is looking at further suitable sites. We anticipate opening up to four outlets each year for the foreseeable future.

Converting will concentrate on increasing mountboard volume and maintaining its position in the display board market and reducing costs to restore its profitability to its former level over the next few years.

The business focus of TFP will be to develop strong leadership positions and growth in composite, fire protection and fuel cell markets. With the passing of the SARS epidemic, sales into South East Asia are anticipated to grow beyond previous levels. The investment in EFT secures supply of metal-coated carbon fibre materials and could lead to significant sales potential in the future.

I am confident that each Division's long-term strategy will be achieved and that the Group as a whole will rise to the inevitable challenges that lie ahead and continue to reward shareholders through progressive increases in dividends.

James Cropper

James Cropper
Chairman

FINANCIAL REVIEW

OVERALL PERFORMANCE

Group operating profit was £1,283,000 compared to £2,282,000 in the previous year, down 43.8%. All three divisions traded profitably.

Interest charges for the year were £414,000 against £508,000 previously. Interest cover was 2.9 times.

Profit before taxation was £785,000 compared to £1,867,000 in 2003.

The tax charge was £154,000. This comprised Corporation Tax of £171,000 for the year less £91,000 with respect to prior periods, deferred tax of £34,000 and overseas taxation of £40,000. The profit after tax was therefore reduced to £631,000 compared to £1,264,000 in the previous year.

Basic and diluted earnings per share were 7.6 pence, down from 15.1 pence in 2003.

The Group intends to pay a dividend for the year of 7.8 pence per share, totaling £652,000, resulting in a deficit of £21,000 being absorbed by Reserves. Dividend cover was 1.0 times earnings.

Shareholders' funds at the year-end were £27,075,000, with net debt of £7,427,000, resulting in a gearing ratio of 27 %.

GROUP RE-ORGANISATION

With effect from 30th March 2003 the Group structure was re-organised. James Cropper PLC transferred the papermaking and converting businesses to two new subsidiary companies, James Cropper Speciality Papers Limited and James Cropper Converting Limited respectively. Operating net assets of each business were transferred from James Cropper PLC to the respective subsidiaries at net book value. The subsidiaries are funded by a combination of share capital issued by the subsidiaries to James Cropper PLC and loans granted by James Cropper PLC to the subsidiaries. James Cropper Speciality Papers Limited and The Paper Mill Shop Company Limited form the Paper Division.

PROFIT AND LOSS ACCOUNT

	2004 £'000	2003 £'000	Change %
Turnover			
Paper	42,770	40,047	+7
Converting	11,184	11,611	-4
TFP	6,008	6,318	-5
	59,962	57,976	+3
Less inter-segmental sales	(3,397)	(2,966)	
Group Turnover	56,565	55,010	
Operating Profit			
Paper	415	1,085	-62
Converting	394	551	-28
TFP	474	646	-27
Group operating profit	1,283	2,282	-44

Group turnover was £56,565,000 compared to £55,010,000 last year. Overall Group raw material and consumables costs were £27,656,000 up 5.0% on last year. Raw materials and consumables represented 49.0% of turnover compared with 48.0% in 2003. Significant increases in National Insurance, insurance premiums, effluent treatment charges and regulatory compliance affected the profitability of all Divisions.

The Paper Division returned an operating profit of £415,000 compared to £1,085,000 in the previous year. Turnover was up 7% to £42,770,000 as a result of the opening of four new The Paper Mill Shop outlets and a recovery of volume by James Cropper Speciality Papers in the second half. The cost of pulp behaved erratically during the course of the year as a consequence of varying market prices and exchange rates. Softwood and hardwood pulps were priced in US$s and € s respectively. Over the year the US$ weakened while the € strengthened. The price of softwood pulp reached US$560 per tonne in the first quarter, fell to US$520 in the second quarter and then progressed to end the year at US$600. This increase was mitigated by the decline in value of the US$. The rise in the € price of hardwood pulps was less exaggerated as a result of lower market demand. Nevertheless the rise in value of the € had a detrimental impact on the cost of hardwood pulps and those dyes and chemicals priced in € s.

Converting's operating profits fell by 28% to £394,000 compared to a 4% fall in turnover. The Division recaptured lost market share in display board sales at the expense of margins. However cost savings eased the pressure. Reduced sales of picture mountboard to the USA were offset by increased sales in the UK. The Division's margins on US sales were adversely affected by the weakness of the US$. Converting has little expenditure denominated in US$ against which to offset its US$ revenues.

The operating profit of Technical Fibre Products was £474,000 compared to £646,000 in the previous year. TFP's margins on US sales were also exposed to the declining value of the US$. Sales of fire retardant material into the USA grew by over 40% during the last year. Activity in South East Asia was severely affected by the SARS epidemic for a significant part of the year.

Electro Fiber Technologies Inc, the joint venture company based in the USA in which TFP has a 50% share, invested in a manufacturing facility towards the end of the previous year. Work carried out during the course of the year relating to the commissioning of this facility led to significant start up costs. The Group's share of the joint venture loss for the year was £93,000.

Employment costs increased by 6.3% to £15,717,000 compared to £14,779,000 in the previous year. As a consequence of the Actuaries' recommendations arising from the triennial valuation of the Group's two final salary schemes as at 1 April 2003 additional pension contributions of £336,000 were charged employed increased by 5.4% from 499 to 526 over the year. The increase in headcount was primarily driven by The Paper Mill Shop expanding the number of its outlets from seven to eleven over the year.

External charges increased from £9,002,000 to £10,050,000, up £1,048,000. The major components of the increase related to National Insurance, insurance premiums, effluent treatment charges and regulatory compliance. External charges also include overheads relating to retail activity, which increased significantly over the year as a result of the opening of four new outlets.

Depreciation was £3,067,000 compared to £3,449,000 in 2003. The useful economic life of the Group's computer development costs capitalised since 1998 has been reassessed in the year from being a life of five years to a remaining life of ten years. The impact of this change on depreciation was to reduce the charge for the year by £339,000.

BALANCE SHEET

The deficit for the year of £21,000, together with exchange differences written off to reserves of £23,000, reduced Shareholders' Funds from £27,119,000 at the previous year-end to £27,075,000 as at 27th March 2004.

Capital expenditure was £3,101,000, major capital projects being paper machine process control equipment, £322,000, retail outlets, £275,000, expansion of TFP facilities, £628,000 and TFP production equipment modifications, £200,000. There was also considerable expenditure on safety improvements.

Net current assets increased by £2,014,000 over the year from £9,490,000 to £11,504,000, with working capital (stocks, debtors, net of creditors) increasing by £376,000 and cash increasing by £1,638,000. Major working capital movements were increases in stocks, £1,368,000 and trade debtors, £745,000, offset by increases in bank loans, £604,000 and accruals and other creditors, £907,000.

Bank loans falling due after more than a year increased by £1,935,000 from £4,654,000 to £6,589,000 over the year.

CASH FLOW

Cash inflow from operating activities was £3,557,000, against £4,903,000 in 2003. Capital expenditure totaling £3,101,000 represented the major cash outflow. There was a net outflow before financing of £901,000 resulting in net debt increasing from £6,526,000 to £7,427,000. This compares to a net cash inflow before financing in the previous year of £638,000. During the year there was a net increase in loans of £2,539,000 with cash increasing by £1,638,000. Sterling fund facilities were £13,270,000 at 27th March 2004, of which £8,667,000 was drawn down on that date. Of the drawn down facilities £6,589,000 was medium term finance. Cash at bank and in hand on 27th March 2004 was £1,240,000. Net debt was £7,427,000.

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. Over the year € cash inflow from customers was €13,414,000 compared with € cash outflow to suppliers of €17,437,000, a net outflow of €4,023,000. During this period there was a net inflow of US$4,588,000 arising from an inflow from customers of US$12,557,000 and an outflow to suppliers of US$7,969,000. Converting and TFP generated surplus US$s during the year, which, as a consequence of the weakened US$ had an adverse impact on divisional profitability. Paper absorbed a proportion of these funds. The € deficit principally arose in Paper. To redress the imbalance of currency flows certain supplies have been switched from being US$ denominated to € denominated. 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. The latest triennial actuarial valuations of the James Cropper PLC Pension Scheme (the "Staff Scheme") and the James Cropper PLC Works Pension Plan (the "Works Scheme") were conducted using the projected unit method as at April 2003. The value of assets held by the Staff Scheme and Works Scheme at this date was £15,866,000 and £15,012,000 compared to liabilities of £20,238,000 and £19,664,000 respectively, indicating funding levels of 78% and 76%. The Actuaries have recommended that the deficits of the Staff Scheme and the Works Scheme of £4,372,000 and £4,652,000 respectively should be eliminated over a period of no greater than seventeen years. The Board will consider the feasibility of phasing payments to the Schemes over a shorter period of time. These payments will be subject to tax relief. As a consequence of the valuations additional pension costs of £336,000 were charged in the year.

Membership of Staff and Works Schemes has been closed 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.

In common with the majority of UK companies James Cropper PLC has adopted the transitional rules for FRS17. As at 27th March 2004 the FRS17 valuation of both schemes, based upon broadly the same actuarial assumptions, yielded combined assets of £38,080,000 (2003 £30,634,000) and combined liabilities of £51,855,000 (2003 £43,565,000) resulting in an overall deficit prior to deferred tax relief of £13,775,000 (2003 £12,931,000). Net of deferred tax the deficit was £9,642,000 (2003 £9,052,000). It should be noted that because the assumptions underlying the FRS17 valuation are based on financial conditions at the year-end, which will vary from year to year, the results are likely to prove volatile from one year to the next. The assumptions used by the Actuaries for their FRS17 valuations are likely to be very different from those that they used with regard to their triennial valuations.

DIVISIONAL REVIEW

	2004 £'000	2003 £'000	Change %
Turnover	42,770	40,047	+7
Operating Profit	415	1,085	-62

PAPER

The restructuring of the Group and the creation of James Cropper Speciality Papers Limited referred to earlier in the Chairman's Review started to deliver some of the expected benefits to the business in the second half of the year. Along with the other subsidiaries, Speciality Papers now has a strong management team focused on profitable growth, a platform for the development of the Speciality brand and the capital structure to enable more effective financial measurement of performance.

Following a difficult first half characterised by subdued export markets, rising pulp prices and increasing costs of regulation, the second six months saw an encouraging recovery in sales. This was driven by some notable successes in three key market segments, namely text & cover, printing & writings and luxury packaging. While export markets remained difficult throughout the year, there are now signs that the economies of our largest European markets, France and Germany, are moving forward after a prolonged downturn. China and our other Far East markets are recovering from the aftermath of SARS.

Swarovski crystal packaging

The appointment of new agents in the North American market has coincided with a number of closures and consolidations within the speciality sector in the US. Whilst the 20% weakening of the dollar over the last two years has had the effect of reducing margins considerably, this large and established market for uncoated speciality papers remains an exciting opportunity.

The UK market, accounting for some two thirds of Speciality Papers' sales had a positive year in terms of sales, with the key market sectors of covering materials and industrials grades making good progress. However filing material markets came under intense volume and margin pressures.

Throughout the period, operations and support functions continued working on product developments, product quality, customer service and efficiencies. Developments in product mix, product specification and customer requirements have been addressed by changes to optimise the utilisation of the extensive capabilities of our four paper machines. There have also been downstream changes in secondary finishing operations.

The Company's commitment to investing in modern business systems and process control continued with the implementation of a further phase of the site-wide programme relating to order entry and commercial systems, whilst the largest of the paper machines, PM4, benefited from a new Da Vinci Honeywell process control system.

The Paper Mill Shop retail business introduced in 2000 as a "factory shop pilot" at the mill in Burneside continues to make encouraging progress, with four additional retail outlets opening during the year bringing the total to eleven by the year-end. The success of this venture is closely linked to the availability of attractive second grade and excess material from Speciality Papers and in securing retail outlets where the "Pick 'n Mix" concept works well. Further shop openings are planned over the next 12 months.

The momentum established in the second half of last year has continued into the new financial year, with commercial and operational plans on target to deliver increased sales and improved efficiencies. Whilst issues relating to pulp, energy and the costs of regulation continue to provide an uncertain backdrop to business developments, the Paper Division is focused and well structured to meet the challenges of growing a profitable business.

CONVERTING

This was a year of consolidation for the Division. A disappointing profit trend in the second half of the prior year was reversed and overall sales volume increased. This progress should be viewed against the backdrop of a business environment that continued to present a number of challenges.

In the UK, spending on media and advertising continued to be depressed during the first half of the year. This had a direct effect on the market for display board where overall market sales of these Point of Sale products was at least 10% lower than the same period in the prior year.

The generally depressed US economy made trading there more difficult. The overall market for picture mountboard actually contracted over the year, following a number of years of steady growth. The US$ weakened further over the course of the year impacting adversely on margins since the Division has almost no expenditure denominated in US$ against which to offset its US$ revenues.

A restructuring exercise was conducted during the early part of the year, along with a drive to improve efficiencies, quality and service. As a result our competitive position is now more closely aligned to the new realities and requirements of the markets in which we operate. This improved competitive position allowed us to strongly increase our sales of display board within a short period of time.

A stall in growth of our picture mountboard sales in the US was more than offset by good progress in the UK. There is still plenty of scope for development in this market and an additional range of mount board was recently launched in the UK. This range has been developed to meet the needs of higher volume users. It is important that the Division levers its favourable position in the market place as being the world's only picture mount board producer vertically integrated with a paper mill capable of supplying all the elements of the product.

There was some recovery in volumes of contract laminating arising from new business opportunities.

Digital print boards

Development of the digital imaging board market progressed during the year. Resources have been committed to enable the introduction of a full range of papers and boards to be marketed on a direct basis.

Having addressed the pressing requirement to improve our competitive position, the Division can now focus on further development of long-term value adding projects. Our objective is to target our resources into markets or sales channels, which are novel and additive to our current business.

	2004 £'000	2003 £'000	Change %
Turnover	11,184	11,611	-4
Operating Profit	394	551	-28

DIVISIONAL REVIEW

TECHNICAL FIBRE PRODUCTS

	2004 £'000	2003 £'000	Change %
Turnover	6,008	6,318	-5
Operating Profit	474	646	-27

Well-publicised global events had a detrimental impact during the course of the year contributing to a 5% decline in £sterling turnover. Direct sales and those by our customers into South East Asian markets were almost extinguished for a 10-month period as a consequence of the SARS epidemic. Sales into these markets have now started to recover. The weakening of the US$ had a significant impact on the profitability of US subsidiary TFP Inc when its results were translated into £sterling.

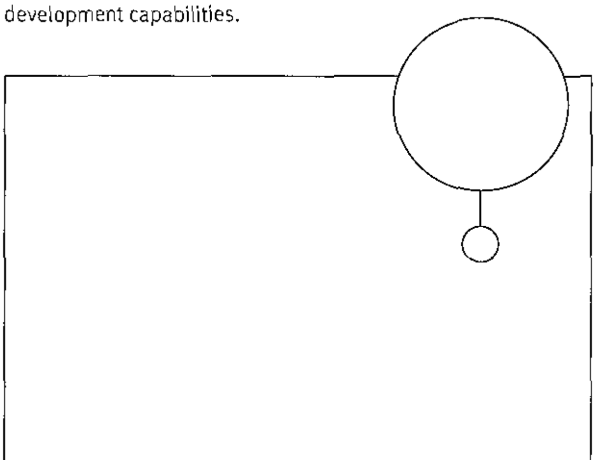
Despite these setbacks encouraging progress has taken place in several fields.

Compliance by the US construction industry with the Federal International Building Code has gained pace during the course of the year. This has opened up major opportunities for our intumescent product Tecnofire®, particularly in the fabrication of intumescent sealed firedoors specified to provide positive pressure assurance. TFP has completed qualification programmes with eight major door manufacturers. As a result we are now placed in a very strong position. Sales into this market have grown by over 40% compared with last year. Additional opportunities for Tecnofire® are under qualification at the present time to meet other more stringent fire protection requirements specified in the code. Similar stringent fire protection regulations are also emerging in South East Asia and Australasia leading to further potential sales of Tecnofire®.

An innovative use of Tecnofire® was its use in the refurbishment of New York's Whitestone Bridge. Lightweight composite fairings were mounted on the bridge to dampen the effect of wind flows over the bridge. If the fairings were unprotected and exposed to a fire on the bridge the composite material would burn fiercely. Tecnofire® was applied to the surface of the fairings to reduce this hazard. This contract demonstrates the versatile capabilities of Tecnofire®. We are confident that this will lead to other opportunities for the product to provide fire protection for large composite structures used in construction, mass transport and marine applications.

As reported last year, niche opportunities for highly conductive metal-coated carbon fibre materials have grown steadily in recent years.

Applications include the use of these materials in electronic, medical and flexible heating devices and to provide lightening strike dissipation. Significant growth potential will also emerge in electromagnetic interference shielding and communication signal management systems. We have strengthened our position in this field by moving upstream to manufacture metal-coated carbon fibres through a 50/50 joint venture with Thermion Systems Inc, a customer based in the USA. The joint venture company, known as Electro Fiber Technologies LLC (EFT), is hosted at Thermion's plant in Connecticut. EFT has acquired an exclusive license and rights to sub-license patented technology from another USA company. The first objective of EFT is to provide TFP with security of supply of highly conductive metal-coated carbon fibre materials. A plant sized to service both JV partners' needs in the near term was commissioned towards the end of the year leading to significant start up costs. Materials from EFT are in the course of qualification with several key accounts. Excess capacity will be sold into niche opportunities through TFP Inc. Fibre chopping equipment has also been installed at Burneside so as to enable rapid response to customer needs and enhance product development capabilities.



A fairing mounted on the Whitestone bridge

TFP's fuel cell component programme with Johnson Matthey continues to deliver improved development materials to meet new and changing specifications emerging from this exciting technology. Recently the Department of Trade and Industry has given encouragement to the programme by awarding funds to assist R&D by TFP, Johnson Matthey and other UK companies to ensure that the UK becomes a world centre for fuel cell technology.

Until the supply of fuel cell materials commence in commercial volumes in the latter part of this decade, TFP's strategy for delivering significant growth remains focused on fire protection and surface engineering opportunities.

HEALTH AND SAFETY

The Group's re-defined Safety Strategy launched to all employees at the beginning of the year embraces the need to create well-developed safety management processes and a sound safety culture. The Strategy will progress from a "regulation led" phase through a "management led" phase to an "employee led" phase. Throughout industry the majority of workplace accidents are the result of unsafe behaviour. Behaviour is an outward manifestation of the culture of a group of people based upon their values. Behaviour changes as a result of changes in the values of individuals who can influence the culture of the Group. Culture is primarily shaped by management attitude and actions. An improvement in culture follows improvements in safety hardware and systems. Culture will start to change once the Strategy has entered the "management led" phase where management can demonstrate that it is seriously committed to change by delivering against positive actions that are perceived to make changes for the better.

The aim of the Safety Strategy is to achieve zero injuries. Although such an aim would currently seem incredible to the majority of employees, by adopting the principle that all injuries are preventable, management are accepting that it is their responsibility to achieve this aim in the long term. On the journey to zero accidents the following short to medium term targets have been set:

- 33% year on year reduction in total lost time injuries
- 25% year on year reduction in minor injuries
- A doubling of reported Dangerous Occurrences and Hazards every year.

If dangerous occurrences and hazards are reported they can be dealt with before anyone is hurt thus reducing the potential for injuries. Therefore an increase in reporting will minimise the potential. The targets for the year were met. Clearly they become more challenging as time passes. This aim of zero injuries will only be achieved by prioritising and devoting resource to key objectives. Steady progress has been made during the course of the year.

A key objective will be to achieve OHSAS 18001 accreditation. This will be supported by further development of Incident & Accident Investigation, Risk Assessment and Safe Systems of Work procedures. The latter will increasingly include Permits to Work.

To facilitate this the Group has acquired Achiever Plus document management software. Incident & Accident Investigation procedures are now managed through Achiever Plus and it is intended that it should encompass further procedures during the course of the coming year.

Consultants have conducted a survey to assess the Group's compliance with legislation and regulations. The priority will be to plug gaps revealed on the basis of highest risk. Continuing compliance will be assessed by external agencies on a periodic basis. Work continued during the year to advance compliance with the code of practice known as Making Paper Safely (MPS). This details minimum standards for safeguarding the operation of machinery with particular emphasis on papermaking machines. The Health and Safety Executive has adopted MPS as a mandatory industry standard and has issued a deadline to all UK mills to implement MPS. Further work will be progressed during the coming year to complete outstanding work relating to paper machines PM1 and PM2.

The effectiveness of James Cropper PLC is highly dependent on the effectiveness of its equipment, infrastructure and services. These are highly complex and potentially hazardous to those without expert knowledge. Engineering expertise requires a comprehensive and detailed technical library that is up to-date, well maintained, controlled and easy to access. A major initiative is underway to achieve this.

Operational training will increasingly be linked to Safe Systems of Work and the competence of trainers will be improved by providing them with instructional techniques training. The range of activities requiring Permits of Work has been extended and new isolation procedures have been introduced.

The aim of the Safety Strategy will only be achieved through an effective leadership style that nurtures, establishes and sustains the engagement, involvement and commitment of all employees to safety improvement. From the outset the Safety Strategy recognised that a leadership approach that places safety above all other priorities was essential. A behavioural model developed by Dupont based upon safety-coaching techniques impressed those involved in drafting the Strategy. This model has been adapted and was deployed towards the end of the year. Known as "Safety Walks and Talks" managers talk to individual employees in their place of work about safety issues and the employee's views as to how safety in their work place could be improved. The intention being that during the course of a year each employee is involved in a "Safety Walks and Talks" at least once. "Safety Walks and Talks" supplement formal departmental safety meetings.

ENVIRONMENT

During the year an Environment Strategy Team was formed with the purpose of establishing the Group's environmental aims and priorities for the next five years. Over this period 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, the latter leading to an increase in effluent treatment and demand for landfill capacity. 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 forthcoming 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 Special Area of Conservation, will ensure that its activities will come under close scrutiny. Unless managed effectively, a number of energy and environmental issues could constrain the Group from meeting its strategic objectives.

The aims of the 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 legislation.
- Maintain ISO14001 accreditation.
- 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.

Initially the Strategy will focus on effluent treatment, landfill, solid waste, energy generation, energy usage and management accountabilities.

INTEGRATED POLLUTION PREVENTION AND CONTROL

The Group's Permit to Operate contains a number of conditions concerning emissions to air, land, water and sewer. Accompanying the Permit issued by the Environment Agency are a number of Improvement Conditions with which the Group is required to comply in order to improve environmental performance. These include minimising the use of water, energy and raw materials. Such initiatives will be structured to providing frameworks to identify and eliminate costs and inefficiencies on an on-going basis.

CLIMATE CHANGE LEVY AGREEMENT AND EUETS

The Group is a signatory to the paper sector Climate Change Levy Agreement negotiated with DEFRA by the Confederation of Paper Industries. Under the Agreement the Group receives exemption from the Levy on natural gas consumed in its CHP plant, an 80% discount against the Levy attributable to imported electricity and exemption from Business Rates chargeable on the CHP plant. In return, the Group is committed to a series of increasingly stringent energy use targets that take effect over milestone target periods for the 10-year term of the Agreement.

EUETS, a mandatory scheme for greenhouse gas emission allowance trading within the EU, will commence on 1st January 2005. It is one of the policies being introduced in 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 will be subject to this scheme. EUETS will work by requiring operators of installations carrying out specified activities to hold a permit authorising the emission of carbon dioxide. The UK Government has set a total national cap on the allowable carbon dioxide emissions from installations. It has also allocated individual allowances to operators that are equal in total to the national cap to ensure that the national cap is not exceeded. An allowance will be composed of units equal to one tonne of carbon dioxide. This individual allowance is not a cap or a limit on the amount of carbon dioxide an installation can emit since operators will be able to trade allowances as a commodity between themselves. Installations that reduce their emissions to below the number of allowances they hold can trade their surplus on the market. Installations that need additional allowances to cover their annual emissions will be able to buy them from the market. The details of the scheme have not been finalised and so the implications for the Group are as yet unclear. EUETS may be extended to other greenhouse gases in future.

FORESTRY

James Cropper PLC continues its policy of purchasing only from those suppliers who demonstrate practical application of environmentally sound management. We purchase annually some 40,000 tonnes of virgin wood pulp of highest environmental pedigree. All of our suppliers commit to the concept of sustainable forest management and comply fully with their local national standards and legislation. Formal statements of suppliers' environmental policies are received and assessed by the Group through visits and audits of our suppliers. All of our suppliers have attained the International Standards ISO 9000 and ISO 14001 relating to quality and environmental management procedures respectively. Increasing volumes of wood supply to our pulp producers are subject to forest certification procedures and chain of custody accreditation. Our pulp comes substantially from Sweden and Finland.

WEBSITE

Extensive information relating to our environmental policies, practices and initiatives is given on our website www.cropper.com .

REPORT OF THE INDEPENDENT AUDITORS

To the members of James Cropper PLC

We have audited the financial statements which comprise the Group Profit and Loss Account, the Statement of Group Total Recognised Gains and Losses, the Balance Sheets, the Note of Group Historical Cost Profit and Losses, the Reconciliation of Movements in Shareholders' Funds, the Group Cash Flow Statement and the related notes. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the directors' remuneration report ("the auditable part").

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

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

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

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Report of the Directors, the Chairman's Review, the Financial Review, the Divisional Reviews, the Health and Safety Review, the Environment Review, and the unaudited part of the Directors' Remuneration Report.

We review whether the corporate governance statement reflects the company's compliance with the seven provisions of the Combined Code issued in June 1998 specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the company's or group's corporate governance procedures or its risk and control procedures.

BASIS OF AUDIT OPINION

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

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

OPINION

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the company and the group at 27th March 2004 and of the profit and cash flows of the group for the 52 weeks then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the directors' remuneration report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors, Newcastle upon Tyne

8th June 2004

The Directors have pleasure in submitting to the members their Annual Report and the audited accounts of the Group for the 52 weeks ended 27th March 2004.

The one hundred and fifteenth Annual General Meeting of the Group will be held at the Bryce Institute, Burneside on Wednesday, 21st July 2004 at 10.30am.

REVIEW OF THE BUSINESS
The Group's principal activities comprise the manufacture and retail of paper and paper related products. The Chairman, in his Review, has included a review of business activities during the year and commented on future developments and prospects. The Group makes and sells a wide range of paper and board. Details of the Group's activities are included in the Divisional Reviews.

RESULTS
The profit for the 52 weeks ended 27th March 2004, the dividends paid and recommended and the transfer to reserves are set out in the Group Profit and Loss Account.

RESEARCH AND DEVELOPMENT
The Group continued to invest in research and development to ensure that the range and quality of products are continually updated.

CORPORATE GOVERNANCE
(i) Directors' Responsibilities
The Board is accountable to the Group's shareholders for corporate governance and this section describes how the relevant principles of governance are applied to the Group. Throughout the year the Group has complied with the provisions set out in the Combined Code for Corporate Governance issued by the Financial Services Authority in June 1998 except for the notice period of the Finance Director's service contract, and the membership of the Remuneration Committee includes a director who is not independent.

The Board is currently considering the impact of the revised Combined Code issued in July 2003.

(ii) The Board
During the year the Board comprised of five Executive Directors and four Non-Executive Directors. On 1st April 2004 David Wilks joined the Board as a Non-Executive Director to replace John Southwell, the senior independent director, who will be retiring at the Annual General Meeting.

The Board meets regularly, of which eight meetings per annum are Executive Board Meetings, which are attended by the Executive Directors, and four meetings per annum are Group Board Meetings which are attended by both Executive and Non-Executive Directors. Agendas of the meetings are sent out to the Directors before each Board Meeting. There is a formal schedule of items that can be approved by the Executive Board Meetings and by the Group Board Meetings which includes Companies Act and Financial Services Authority requirements, approving major capital expenditure, budgets and business plans, significant financing matters and treasury, health and safety, and environmental policies.

Training is given to new Directors and all Directors have access to the advice and services of the Company Secretary. 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.

(iii) Board Committees
The Non-Executive Directors of the Company comprise the Audit Committee and the Remuneration Committee. David Wilks is Chairman of the Audit Committee and Peter Herring is Chairman of the Remuneration Committee, both of whom replaced John Southwell from 1st April 2004. Both Committees have written terms of reference.

The Remuneration Committee includes James Cropper, who is not an independent director, and therefore this is an area of non-compliance with the Combined Code.

The terms of reference of the Audit Committee require it to meet at least twice yearly and it also meets in private with the Company's auditors. The Audit Committee is involved in all important issues raised in the auditors' Annual Report to the Board of Directors, and also for ensuring the independence of the auditors.

The Remuneration Committee is responsible for reviewing and deciding on the Executive Directors' remuneration and their terms and conditions of employment.

The Company does not have a Nomination Committee. The appointment of Directors is considered by all members of the Board and is ratified by the Remuneration Committee.

(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.

John Southwell is retiring from the Board of Directors at the Annual General Meeting and is not submitting himself for re-election.

David Wilks was appointed a Director on 1st April 2004, and in accordance with the Articles of Association will retire at the Annual General Meeting but is offering himself for re-election.

The revised Combined Code issued in July 2003 provides that any Director who has served more than nine years as a non-executive director should retire and be re-appointed annually. John Sclater has served more than nine years and accordingly is retiring from the Board of Directors at the Annual General Meeting but is offering himself for re-election.

Peter Herring and Patrick Willink retire by rotation in accordance with the Articles of Association and, being eligible, offer themselves up for re-election.

(v) Financial Policies and Internal Controls
The Directors are required by law to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial period and of the profit or loss and cash flows of the Group for that period.

The Directors confirm that appropriate accounting policies and standards have been used and applied consistently, and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the 52 weeks ended 27th March 2004.

The Directors are responsible for the Group's system of internal controls and reviewing its effectiveness. The Directors have conducted a review of the effectiveness of the Group's system of internal control, including financial, operational and compliance controls and risk management.

Whilst the Group's system of internal controls cannot provide absolute assurance against material misstatement, loss or fraud, they are designed to provide reasonable assurance that information is relevant, reliable and accurate and that the Group's assets are appropriately accounted for and adequately safeguarded.

In carrying out their responsibilities the Directors have put in place a framework of controls as required by the Turnbull Report to ensure that ongoing financial performance is measured in a timely manner and risk is identified as early as practicably possible. The framework has been in place for the year under review and up to the date of the approval of the Annual Report. There is a comprehensive budgeting system and monthly management accounts are prepared which compare actual results against both budget and previous year. They are reviewed and approved by the Board.

The Group reports to shareholders twice a year. The external auditors report to the Audit Committee any weaknesses in internal financial controls arising from their normal audit procedures and remedial actions, if necessary, are agreed by the full Board.

The maintenance and integrity of the James Cropper PLC web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

(vi) 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 Board of James Cropper PLC has overall ownership of the risk management strategy and process and coordinates activity across the Group. 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 Management
- Customer Service and Risk Management
- Foreign Currency Management
- People Development
- Organisational Development
- Pensions
- Information Systems

The Board sets appropriate policies on internal control and seeks regular assurance that enables it to satisfy itself that processes are functioning effectively. In determining its policies with regard to internal control and thereby assessing what constitutes a sound system of internal control, the Board's deliberations include consideration of 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.

It is the role of Management to implement Board policies on risk and control. In fulfilling its responsibilities, Management identifies and assesses the risks faced by the Group for consideration by the Board and designs, operates and monitors suitable systems of internal control which implement the policies adopted by the Board.

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.

In July 2002 a sub-team of the Board, the Safety Strategy Team, were delegated with the responsibility of re-defining the Group's Safety Strategy to ensure that a sustainable improvement in the Group's safety performance could be achieved. The re-defined Strategy embraces the need to create well-developed safety management processes and a sound safety culture. The Safety Strategy Team recognised that the Strategy would progress from a "regulation led" phase through a "management led" phase to an "employee led" phase. These phases correspond to the categorisation of development of safety culture and improvement in performance also identified by the Health and Safety Executive. An improvement in culture follows improvements in safety hardware and systems.

The Group's operational quality processes and environmental management systems are accredited with ISO 9001 and ISO 14001 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. This accreditation is subject to triennial audits. The next audit will take place in late 2005.

Since 1st January 2001 membership of the Group's final salary (defined benefit) schemes has been closed to new employees to contain the Group's exposure to rising pension costs. From 1st July 2001 all new employees have been be able to join a defined contribution Group Personal Pension Plan. The Group's contribution to new employees' GPP plans is limited to a fixed percentage of contractual pay.

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 overall Strategic Aims of the Group and its Values. The Aims set the direction. Our Values influence our behaviours. Sound behaviours are critical to the development of successful relationships between people. The 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 in an ever competitive and shrinking world. The relationship between us and our customers and suppliers is the key to our future.

(vii) Going Concern

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

PAYMENT OF CREDITORS

The Company had 33 days (**2003 35 days**) purchases outstanding at 27th March 2004. Although following the Group's restructuring James Cropper PLC is essentially a holding company, the Group's purchasing is a function of the Company.

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

A monthly briefing on Group performance is carried out for all employees. All employees are sent a copy of the Annual Report. As a matter of policy, plans are formally discussed with those who will use new equipment, plant and computer systems before designs are finalised. Health & Safety Management and Safety Improvement teams deal with all aspects of health and safety in the Group. Departmental personnel meetings allow representatives to make valuable contributions on aspects of training, organisation and performance.

The Group operates an Employee Profit Sharing Scheme and a Save as You Earn Share Option Scheme.

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

No donations for political purposes were made by the Group.

Donations totalling £11,000 were made for charitable purposes to local charities (**2003 £12,000**).

DISAPPLICATION OF PRE-EMPTION RIGHTS

At the 2003 Annual General Meeting a Special Resolution was passed granting the Directors authority for the ensuing year to allot shares by way of rights to shareholders and to issue a maximum of £104,489 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 Directors propose to renew this authority annually and Special Resolution 9 to this effect is therefore also included in the Notice of the Annual General Meeting. The amount of the general authority to the Directors represents 5% of the issued ordinary share capital.

Since 1st December 2003, UK listed companies have been able to purchase and hold in treasury up to 10% of their issued share capital. Pre-emption rights will normally apply to the subsequent sale of the shares held in treasury in the same way as they apply to an issue of new shares for cash. Special Resolution 9, however, also disapplies pre-emption rights in the event of sales of treasury shares.

The authority will terminate at the next Annual General Meeting or 15 months after the forthcoming Annual General Meeting, whichever comes first.

PURCHASE BY THE COMPANY OF ITS OWN SHARES

Special Resolution 10 renews an 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. There is no present intention of making such repurchases. If such repurchases were made, the Directors have yet to determine whether the shares would be cancelled or whether they would be held in treasury so as to be available to be sold at a later date.

The amount of the general authority to the Directors represents 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.

SUBSTANTIAL INTERESTS

Apart from the interests of Directors referred to overleaf, the notified shareholdings in excess of 3% of the issued capital at 24th May 2004 were as follows: -

J. A. Cropper 1974 Settlement	1,062,974	12.7%
Nortrust Nominees Ltd A/C TDS	477,000	5.7%
Barfield Nominees Ltd	300,000	3.6%
P. O'Reilly	270,000	3.2%
Stargas Nominees Ltd	264,320	3.2%

INDEPENDENT AUDITORS

A resolution to re-appoint PricewaterhouseCoopers LLP as auditors will be proposed at the Annual General Meeting.

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 below.

The Company pays £26,250 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. The rent is negotiated through independent advisors representing each party.

There have been no material changes between the year end and 24th May 2004.

DETAILS OF DIRECTORS' INTERESTS

		At 27th March 2004		At 30th March 2003	
Director	Interest	Ordinary Shares	Options on Ordinary Shares	Ordinary Shares	Options on Ordinary Shares
J A Cropper	beneficial	417,989	2,565	417,989	2,565
	non-beneficial	654,129	-	664,129	-
A I Lewis	beneficial	12,761	54,725	12,761	54,725
J M Denman	beneficial	1,610	44,200	3,808	44,200
	non-beneficial	291,000	-	291,000	-
N A Read	beneficial	3,289	39,725	3,289	39,725
	non-beneficial	291,000	-	291,000	-
P J Willink	beneficial	7,035	39,725	7,035	39,725
	non-beneficial	69,434	-	69,434	-
G T Quayle	beneficial	4,221	39,725	4,221	39,725
J R Sclater	beneficial	10,000	-	10,000	-
J P Southwell	beneficial	13,200	-	13,200	-
P L Herring	beneficial	1,000	-	1,000	-

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

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

J A Cropper
Chairman

Burneside Mills
Kendal

8th June 2004

COMPANIES ACT REMUNERATION DISCLOSURE

This Report provides details of Directors' remuneration. The Companies Act 1985 still requires certain information in a prescribed form and this is given below and in Note 5.

SERVICE CONTRACTS

The Executive Directors, other than the Group Finance Director, 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 Group Finance Director is employed on a rolling contract subject to two years notice on either side, which does not comply with the Combined Code issued in June 1998.

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 set by the whole Board. No director takes part in discussions regarding their own remuneration. 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.

ANNUAL BONUS

A Senior Executive Bonus Scheme was introduced from April 2003 which provides for bonuses to be paid on a sliding scale of profits, starting at a profit before interest and tax of £3.0 million. Two thirds of the bonus to be paid to the Executive Directors is profit related, with the remaining one third discretionary, based on performance. The bonus is not pensionable. No bonus was awarded in the year.

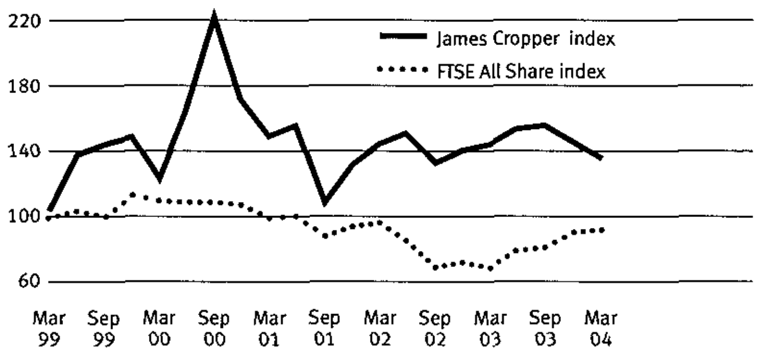
SHARE OPTION SCHEMES

The Group operates an Inland Revenue Approved Share Option Scheme and an Unapproved Share Option Scheme for Executive Directors. Details of options granted during the year are shown later in this report. No options were granted in the year.

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 five year period ended 27th March 2004 is shown in the graph below. The FTSE All Share is deemed to be the most appropriate comparison in terms of performance taking into account the size of the Company and the nature of its activities.

TSR is the total return to shareholders in terms of capital growth and dividends reinvested.



Information Subject to Audit

DETAILS OF DIRECTORS' REMUNERATION

The following table brings together the various elements of remuneration of each director for the 52 weeks to 27th March 2004: -

	Salary and Fees		Benefits		Annual Bonus		Total	
	2004	**2003**	2004	**2003**	2004	**2003**	2004	**2003**
	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**
Executive								
A I Lewis	89	87	8	10	-	-	97	97
J M Denman	79	77	10	9	-	-	89	86
N A Read	68	66	9	12	-	-	77	78
P J Willink	67	65	9	5	-	-	76	70
G T Quayle	67	65	5	5	-	-	72	70
Non-Executive								
J A Cropper	35	35	4	11	-	-	39	46
J R Sclater	15	15	-	-	-	-	15	15
J P Southwell	18	18	-	-	-	-	18	18
P L Herring	17	17	-	-	-	-	17	17
D R Wilks (appointed 1.4.04)	-	-	-	-	-	-	-	-
	455	445	45	52	-	-	500	497

Benefits include the provision of a company car, car fuel and medical insurance.

HIGHEST PAID DIRECTOR

	2004 £'000	**2003 £'000**
Aggregate emoluments	97	**97**
Accrued pension under defined benefit pension scheme	24	**22**

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. Non-executive directors do not participate in the Group's pension schemes.

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 27th March 2004 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 27th March 2004	**Transfer value of accrued pension at 30th March 2003**
	£000	£000	£000	£000	£000	£000	**£000**
A I Lewis	2	1	24	6	22	234	**206**
J M Denman	3	3	23	23	39	256	**211**
N A Read	2	1	25	6	22	272	**246**
P J Willink	2	1	14	2	9	95	**81**
G T Quayle	1	1	12	7	15	137	**118**

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 decrease in his/her 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

The Inland Revenue Approved Share Option Scheme introduced in 1987 expired in January 1998. The movements and outstanding options remaining to be exercised on the Scheme are:-

	Number at 30th March 2003	Number granted in year	Number exercised in year	Options lapsed in year	Exercise Price £	Exercisable	Number at 27th March 2004
J M Denman	9,200	-	-	-	3.25	August 1999 to August 2006	9,200

The above options are not subject to performance conditions, since it was not market practice to impose these at the time the Scheme was established.

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 30th March 2003	Number granted in year	Number exercised in year	Options lapsed in year	Exercise Price £	Exercisable	Number at 27th March 2004
J A Cropper	2,565	-	-	-	2.027	August 2001 to August 2008	2,565
A I Lewis	10,000	-	-	-	2.027	August 2001 to August 2008	10,000
	4,725	-	-	-	2.059	December 2002 to December 2009	4,725
N A Read	10,000	-	-	-	2.027	August 2001 to August 2008	10,000
	4,725	-	-	-	2.059	December 2002 to December 2009	4,725
P J Willink	10,000	-	-	-	2.027	August 2001 to August 2008	10,000
	4,725	-	-	-	2.059	December 2002 to December 2009	4,725
G T Quayle	10,000	-	-	-	2.027	August 2001 to August 2008	10,000
	4,725	-	-	-	2.059	December 2002 to December 2009	4,725

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 30th March 2003	Number granted in year	Number exercised in year	Options lapsed in year	Exercise Price £	Exercisable	Number at 27th March 2004
A I Lewis	10,000	-	-	-	2.615	August 2003 to August 2010	10,000
	30,000	-	-	-	2.065	June 2004 to June 2011	30,000
J M Denman	20,000	-	-	-	2.615	August 2003 to August 2010	20,000
	15,000	-	-	-	2.065	June 2004 to June 2011	15,000
N A Read	10,000	-	-	-	2.615	August 2003 to August 2010	10,000
	15,000	-	-	-	2.065	June 2004 to June 2011	15,000
P J Willink	10,000	-	-	-	2.615	August 2003 to August 2010	10,000
	15,000	-	-	-	2.065	June 2004 to June 2011	15,000
G T Quayle	10,000	-	-	-	2.615	August 2003 to August 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.

The market price of the shares at the year end was £1.615 and the low and high for the year was £1.50 and £1.905 respectively.

P L Herring
Chairman of the Remuneration Committee

8th June 2004

GROUP PROFIT AND LOSS ACCOUNT

for the 52 weeks ended 27th March 2004

	52 weeks ended 27th March 2004		**52 weeks ended 29th March 2003**	
	£'000	£'000	**£'000**	**£'000**
Turnover (including share of Joint Venture)		56,570		55,010
Less share of Joint Venture		(5)		-
Turnover (Note 2) - continuing operations		56,565		55,010
Change in stocks of finished goods and work in progress		699		155
Own work capitalised		357		407
Other operating income		152		272
		57,773		55,844
Raw materials and consumables	(27,656)		(26,332)	
Other external charges	(10,050)		(9,002)	
Staff costs (Note 4)	(15,717)		(14,779)	
Depreciation	(3,067)		(3,449)	
		(56,490)		(53,562)
Group operating profit - continuing operations (Note 3)		1,283		2,282
Share of operating loss in Joint Ventures (Note 13)		(93)		(23)
Total operating profit:				
Group and share of Joint Ventures (Notes 3 & 7)		1,190		2,259
Income from fixed asset investments (Note 13)		-		16
Other interest receivable and similar income		59		100
Amounts written off investments (Note 13)		(50)		-
Interest payable and similar charges (Note 8)		(414)		(508)
Profit on ordinary activities before taxation		785		1,867
Tax on profit on ordinary activities (Note 9)		(154)		(603)
Profit on ordinary activities after taxation		631		1,264
Dividends paid and proposed:				
Interim paid 1.9p (2003 1.9p)	(159)		(159)	
Proposed final 5.9p (2003 5.6p)	(493)		(468)	
		(652)		(627)
Amount set aside (from)/to reserves (Note 20)		(21)		637
Earnings per Ordinary Share of 25p (Note 11)				
Basic		7.6p		15.1p
Diluted		7.6p		15.1p

James Cropper PLC

BALANCE SHEETS

As at 27th March 2004

	Group		Company	
	As at 27th March 2004 £'000	**As at 29th March 2003 £'000**	As at 27th March 2004 £'000	**As at 29th March 2003 £'000**
FIXED ASSETS				
Tangible assets (Note 12)	25,836	**25,826**	2,519	**23,706**
Trade investments (Note 13)	395	**445**	395	**445**
Investment in Subsidiary Companies (Note 13)	-	-	7,350	-
Investments in Joint Venture (Note 13):				
Share of gross assets	129	**167**	-	-
Share of gross liabilities	(11)	-	-	-
	26,349	**26,438**	10,264	**24,151**
CURRENT ASSETS				
Stocks (Note 14)	7,166	**5,798**	-	**4,956**
Debtors (Note 15)	12,507	**11,785**	31,319	**11,014**
Cash at bank and in hand	1,240	**6**	74	**1,226**
	20,913	**17,589**	31,393	**17,196**
CREDITORS (amounts falling due within one year) (Note 16)	(9,409)	**(8,099)**	(9,416)	**(6,671)**
Net current assets	11,504	**9,490**	21,977	**10,525**
TOTAL ASSETS LESS CURRENT LIABILITIES	37,853	**35,928**	32,241	**34,676**
CREDITORS (amounts falling due after more than one year) (Note 17)	(6,589)	**(4,654)**	(6,589)	**(4,654)**
DEFERRED TAXATION (Note 18)	(4,189)	**(4,155)**	(445)	**(3,927)**
	27,075	**27,119**	25,207	**26,095**
CAPITAL AND RESERVES				
Called up equity share capital (Note 19)	2,090	**2,090**	2,090	**2,090**
Share premium account (Note 20)	454	**454**	454	**454**
Revaluation reserve (Note 20)	138	**177**	32	**177**
Profit and loss account (Note 20)	24,393	**24,398**	22,631	**23,374**
Equity shareholders' funds	27,075	**27,119**	25,207	**26,095**

Approved by the Directors
on 8th June 2004 and signed on
their behalf by:-

J A Cropper

J A Cropper
Director

STATEMENT OF GROUP TOTAL RECOGNISED GAINS AND LOSSES

for the 52 weeks ended 27th March 2004

	52 weeks ended 27th March 2004 £'000	**52 weeks ended 29th March 2003 £'000**
Profit for the year	631	**1,264**
Currency translation differences on foreign currency investment	(23)	-
Total recognised gains and losses relating to the year	608	**1,264**

NOTE OF GROUP HISTORICAL COST PROFITS AND LOSSES

for the 52 weeks ended 27th March 2004

	52 weeks ended 27th March 2004 £'000	**52 weeks ended 29th March 2003 £'000**
Reported profit on ordinary activities before taxation	785	**1,867**
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amounts	39	**49**
Historical cost profit on ordinary activities before taxation	824	**1,916**
Historical cost profit for the year after taxation and dividends	18	**686**

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

for the 52 weeks ended 27th March 2004

	Group		Company	
	52 weeks ended 27th March 2004 £'000	**52 weeks ended 29th March 2003 £'000**	52 weeks ended 27th March 2004 £'000	**52 weeks ended 29th March 2003 £'000**
Opening shareholders' funds	27,119	**26,482**	26,095	**25,792**
Profit/(loss) for the year	631	**1,264**	(236)	**930**
Dividends	(652)	**(627)**	(652)	**(627)**
Other recognised gains and losses relating to the year	(23)	-	-	-
Closing shareholders' funds	27,075	**27,119**	25,207	**26,095**

GROUP CASH FLOW STATEMENT

for the 52 weeks ended 27th March 2004

	2004		2003	
	£'000	£'000	£'000	£'000
CASH FLOW FROM OPERATING ACTIVITIES (Cash flow Note 1)		3,557		4,903
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Interest received	46		100	
Interest paid	(394)		(381)	
Interest element of finance lease rental payments	-		(158)	
Dividends received	-	(348)	16	(423)
TAXATION		(316)		(765)
CAPITAL EXPENDITURE				
Purchase of tangible fixed assets	(3,101)		(2,299)	
Asset disposal proceeds	2	(3,099)	6	(2,293)
ACQUISITIONS				
Investment in Joint Venture		(68)		(190)
EQUITY DIVIDENDS PAID		(627)		(594)
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING		(901)		638
FINANCING				
New debt due beyond a year	4,000		1,500	
Repayment of bank loans	(1,461)		(1,580)	
Capital element of finance lease payments	-	2,539	(698)	(778)
INCREASE/(DECREASE) IN CASH IN THE YEAR (Cash flow Note 2)		1,638		(140)

NOTES TO CASH FLOW STATEMENT

1 RECONCILIATION OF GROUP OPERATING PROFIT TO CASH FLOW FROM OPERATING ACTIVITIES

	2004 £'000	**2003 £'000**
Group operating profit	1,283	**2,282**
Depreciation charges	3,067	**3,449**
Loss/(profit) on fixed asset disposals	22	**(1)**
Increase in stocks	(1,368)	**(423)**
Increase in debtors	(494)	**(84)**
Increase/(decrease) in creditors	1,047	**(320)**
Net cash inflow from operating activities	3,557	**4,903**

2 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2004 £'000	**2003 £'000**
Increase/(decrease) in cash for the period	1,638	**(140)**
(Increase)/decrease in debt and lease financing	(2,539)	**778**
Change in net debt resulting from cash flows	(901)	**638**
Net debt at 30th March 2003	(6,526)	**(7,164)**
Net debt at 27th March 2004	(7,427)	**(6,526)**

3 ANALYSIS OF NET DEBT

	30th March 2003 £'000	Cash flow £'000	Non-cash changes £'000	27th March 2004 £'000
Cash at bank and in hand	6	1,234	-	1,240
Bank overdrafts	(522)	404	-	(118)
		1,638		
Debt due after more than 1year	(4,654)	(4,000)	2,065	(6,589)
Debt due within 1 year	(1,356)	1,461	(2,065)	(1,960)
		(2,539)		
Total	(6,526)	(901)	-	(7,427)

Non-cash changes relate to transfers between categories of debt.

1 ACCOUNTING POLICIES

The significant accounting policies which have been adopted in the preparation of these accounts are as follows:

Historical Cost Convention
The accounts have been prepared under the historical cost convention,except for the revaluation of certain fixed assets referred to below, in accordance with the Companies Act 1985 and in accordance with applicable accounting standards in the United Kingdom.

Group Consolidation
The Group accounts include the accounts of the Company and its subsidiaries prepared for the financial period. Investments in joint ventures are accounted for under the gross equity method.

Turnover
For retail business, revenue is recognised at the point of sale to the customer. For other business, revenue is recognised when substantially the risks and rewards have been transferred to the customer. Depending on the terms of shipment, this may be on despatch or on receipt by the customer.

Fixed Assets
Freehold land, buildings and houses have in the past been revalued periodically, with subsequent additions at cost. However, the Group has not adopted a formal policy of revaluation going forward and has therefore taken advantage of the transitional provisions of FRS 15, 'Tangible fixed assets', and not updated the most recent valuations. The dates of the most recent valuations are disclosed in Note 12.

Fixed assets include own labour capitalised where costs are incremental and directly attributable to time spent by employees on constructing or acquiring the specific asset to bring it into working condition for its intended use. Interest costs are not capitalised. Plant and machinery is stated at cost. Buildings and plant and machinery are being written off in equal annual instalments over their estimated useful lives. Plant and machinery is written off over a period of 4 to 20 years depending on category of asset, and industrial buildings over either 15 or 40 years. Freehold land and capital work in progress are not depreciated.

The useful economic life of certain assets were revised in the year. Further details are given in Note 12.

Investments
Trade investments are stated at cost less provision for any permanent diminution in value.

Stocks
Stocks are stated at cost or net realisable value, whichever is the lower. Cost in the case of work in progress and finished stock includes an appropriate portion of production and administrative overheads.

Deferred Taxation
Deferred tax is provided on timing differences where the Group has an obligation to pay more tax, or a right to pay less tax, in future as a result of the reversal of those timing differences, at rates expected to apply when they crystallise based on current tax rates and law. Deferred tax assets are recognised to the extent it is regarded more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Pensions
The Group's contributions to its defined benefit pension schemes are charged to the profit and loss account with the objective of spreading the cost over the employees' working lives within the Group.

For the Group's defined contribution scheme, the pension cost recognised in the profit and loss account represents the contributions payable to the scheme.

Research and Development
Research and development costs are written off in the year in which they are incurred.

Foreign Currency Translation
Assets and liabilities expressed in foreign currencies are translated into sterling at rates ruling at the year end, or if hedged forward, at the rate of exchange under the related forward contract. Other translation differences are dealt with in the profit and loss account.

The transactions of overseas subsidiaries operating as agents for the Group are treated as if they are foreign currency transactions of the Group and therefore they are consolidated using the temporal method of translation.

Financial Instruments and Derivatives
The Group's accounting policy for derivatives is to recognise in the Group profit and loss account gains and losses on hedges of revenues, operating payments and capital expenditure to match the underlying transactions.

Forward foreign exchange contracts entered into as hedges of future purchases and sales denominated in foreign currencies are recorded at cost. Gains and losses are deferred and matched to the underlying transaction when it matures.

Interest rate cap agreements taken out are recorded at cost in the balance sheet and amortised over the period of the agreements. Amounts payable or receivable in respect of interest rate cap agreements are recognised in the net interest payable charge on an accruals basis.

Leased Assets
Assets subject to finance leases are included in the balance sheet at cost and depreciation is charged based on the Group's normal accounting policy or over the term of the lease, whichever is shorter. Finance charges included in the lease payments are charged against profits over the period of the lease. Operating lease rentals are charged to the profit and loss account in the period for which they relate.

2 TURNOVER

The turnover of each business, all of which, with the exception of joint venture turnover which originates in The Americas, originates in the UK, is:

	2004 £'000	**2003 £'000**
Paper	42,770	**40,047**
Converting	11,184	**11,611**
Technical Fibre Products	6,008	**6,318**
	59,962	**57,976**
Less Intersegmental sales	(3,397)	**(2,966)**
	56,565	**55,010**
Share of Joint Venture sales	5	**-**
	56,570	**55,010**

The geographical analysis of turnover by destination is:

	2004 £000's	**2003 £000's**
UK	36,373	**34,255**
Continental Europe	10,038	**10,426**
The Americas	4,739	**4,795**
Asia	4,001	**3,958**
Australisia	1,069	**1,208**
Africa	350	**368**
Total including Joint Ventures	56,570	**55,010**
of which:		
Group	56,565	**55,010**
Share of Joint Venture sales	5	**-**

3 ANALYSIS OF RESULTS AND NET ASSETS

The Group's profit before tax, analysed by class of business is as follows:

	2004 £'000	**2003 £'000**
Paper	415	**1,085**
Converting	394	**551**
Technical Fibre Products	474	**646**
Group Operating Profit	1,283	**2,282**
Share of Joint Ventures	(93)	**(23)**
	1,190	**2,259**
Income from investments	-	**16**
Amounts written off investment	(50)	**-**
Net finance costs	(355)	**(408)**
Profit before tax	785	**1,867**

3 ANALYSIS OF RESULTS AND NET ASSETS (continued)

The net assets of the Group's businesses are as follows:

	2004 £'000	**2003 £'000**
Paper	21,631	**20,920**
Converting	7,326	**7,005**
Technical Fibre Products – Group	5,192	**4,457**
Technical Fibre Products – Joint Venture	118	**167**
Net Assets of Operating Divisions	34,267	**32,549**
Head Office	235	**1,096**
Net Debt	(7,427)	**(6,526)**
Capital & Reserves	27,075	**27,119**
of which:		
Group	26,957	**26,952**
Joint Ventures	118	**167**

The geographical analysis of the net assets is as follows:

	2004 £'000	**2003 £'000**
United Kingdom	34,046	**32,345**
North America – Group	103	**37**
North America – Joint Venture	118	**167**
Net Assets of Operating Divisions	34,267	**32,549**
Headquarters	235	**1,096**
Net Debt	(7,427)	**(6,526)**
Capital & Reserves	27,075	**27,119**
of which:		
Group	26,957	**26,952**
Joint Ventures	118	**167**

4 STAFF COSTS

	2004 £'000	**2003 £'000**
Wages and salaries	12,884	**12,391**
Social security costs	1,099	**996**
Other pension costs	1,734	**1,392**
	15,717	**14,779**

The average number of employees, including Directors, during the year was 526 (2003 499).

5 DIRECTORS' EMOLUMENTS

The remuneration of the Directors, excluding pension contributions, was £500,000 **(2003 £497,000)** and the details of their remuneration is shown in the Directors' Remuneration Report, under 'Details of Directors' Remuneration'.

Pension benefits were accrued during the period on behalf of all the Executive Directors under the James Cropper PLC Staff Pension Scheme.

6 PENSIONS

(a) SSAP 24 DISCLOSURES

The Group operates funded pension schemes providing defined benefits for the majority of its full time employees including Executive Directors.

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

The principal actuarial assumptions used in the valuations were:

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

The market value of assets in the Staff Scheme and Works Scheme at the date of the last valuation were £13,668,000 and £15,012,000.

On a current funding level basis the Staff Scheme and the Works Scheme had funding levels of 78% and 76% and showed deficits of £4,372,000 and £4,652,000 respectively. The actuaries have recommended that the deficits of the Staff Scheme and the Works Scheme of £4,372,000 and £4,652,000 respectively should be eliminated over a period of no greater than seventeen years. The Board will consider the feasibility of phasing payments to the Schemes over a shorter period of time.

The pension cost for the Staff Scheme and the Works Scheme were £755,000 **(2003 £685,000)** and £892,000 **(2003 £655,000)**. Costs are higher in 2004 as a consequence of the additional funding referred to above. This additional cost amounted to £336,000 and amounts of £161,000 and £175,000 are included in the balance sheet representing the amounts not yet paid over to the Staff Scheme and to the Works Scheme relating to this additional cost. Also, prepayments of £171,000 **(2003 £299,000)** in respect of the Staff Scheme and £nil **(2003 £95,000)** in respect of the Works Scheme are included in the balance sheet.

The Group also operates a defined contribution pension scheme. The total pension cost for the period in respect of this scheme was £76,000 **(2003 £43,000)**. There are no outstanding or prepaid contributions at 27th March 2004 **(£2003 £nil)**.

In addition, pension payments of £11,000 **(2003 £9,000)** were made in respect of personal pension arrangements for USA employees.

(b) FRS 17 DISCLOSURES

The Accounting Standards Board issued Financial Reporting Standard 17 ('FRS 17'), "Retirement benefits," in November 2000. Under transitional arrangements the Group is required to disclose the following information about the schemes and the figures that would have been shown under FRS 17 in these financial statements.

As noted above, the Group operates two funded defined benefit pension schemes. The contributions made to the Staff Scheme were equivalent to 22% **(2003 22%)** of pensionable earnings. These rates are inclusive of members' contributions at the rate of 7% **(2003 7%)** of pensionable earnings. The Staff scheme is closed to new entrants. As a consequence the current service cost calculated under the projected unit method can be expected to increase over time as the average age of the membership increases.

Contributions made to the Works Scheme are currently paid at 18% **(2003 18%)** of pensionable earnings. These rates are inclusive of members' contributions at the rate of 7% **(2003 7%)** of pensionable earnings. The Works scheme is closed to new entrants. As a consequence the current service cost calculated under the projected unit method can be expected to increase over time as the average age of the membership increases.

(b) FRS 17 DISCLOSURES (continued)

The most recent full actuarial valuations have been updated to 27th March 2004 by qualified independent actuaries. The major assumptions used by the actuary for each scheme were as follows:

	At 27th March 2004		**At 29th March 2003**		**At 30th March 2002**	
	Staff Scheme	Works Scheme	Staff Scheme	Works Scheme	Staff Scheme	Works Scheme
Rate of increase in salaries	4.0%	4.0%	3.5%	3.5%	3.9%	3.9%
Rate of increase in pensions in payment	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Rate of increase in deferred pensions	3.0%	3.0%	2.5%	2.5%	2.9%	2.9%
Discount rate	5.5%	5.5%	5.4%	5.4%	5.9%	5.9%
Inflation assumption	3.0%	3.0%	2.5%	2.5%	2.9%	2.9%

The assets in the schemes and the expected rates of return were:

	Staff Scheme						**Works Scheme**					
	At 27th March 2004		At 29th March 2003		At 30th March 2002		At 27th March 2004		At 29th March 2003		At 30th March 2002	
	Long term rate of return %	Value £'000	Long term rate of return %	Value £'000	Long term rate of return %	Value £'000	Long term rate of return %	Value £'000	Long term rate of return %	Value £'000	Long term rate of return %	Value £'000
Equities	7.0	13,519	7.5	10,192	7.0	14,386	7.0	15,003	7.5	11,629	7.0	15,359
Bonds	5.0	2,674	5.0	2,800	5.5	3,355	5.0	2,656	5.0	2,214	5.5	2,005
Property	-	-	-	-	-	-	7.0	281	7.5	249	7.0	202
Cash	4.5	1,028	4.6	880	5.0	815	4.5	891	4.0	631	4.0	828
Managed funds	-	-	-	-	6.5	991	-	-	-	-	-	-
Annuities	5.5	2,028	5.4	2,039	5.9	62	-	-	-	-	-	-
Total market value of assets		19,249		15,911		19,609		18,831		14,723		18,394
Present value of scheme liabilities		(25,241)		(23,004)		(20,806)		(26,614)		(20,561)		(17,619)
(Deficit)/surplus in the scheme		(5,992)		(7,093)		(1,197)		(7,783)		(5,838)		775
Related deferred tax asset/(liability)		1,798		2,128		359		2,335		1,751		(233)
Net pension (liability)/asset		(4,194)		(4,965)		(838)		(5,448)		(4,087)		542

If the above amounts had been recognised in the financial statements, the Group's net assets and profit and loss account would be as follows:

	27th March 2004 £'000	**29th March 2003 £'000**	**30th March 2002 £'000**
NET ASSETS			
Net assets excluding pension liability	27,075	27,119	26,482
Plus SSAP 24 accrual (net of deferred tax)	235	-	-
Less SSAP 24 prepayment (net of deferred tax)	(120)	(276)	(224)
Net pension liability under FRS 17	(9,642)	(9,052)	(296)
Net assets including net pension liability	17,548	17,791	25,962
PROFIT AND LOSS ACCOUNT			
Profit and loss account excluding pension liability	24,393	24,398	23,712
Plus SSAP 24 accrual (net of deferred tax)	235	-	-
Less SSAP 24 prepayment (net of deferred tax)	(120)	(276)	(224)
Net pension liability under FRS 17	(9,642)	(9,052)	(296)
Profit and loss account including net pension liability	14,866	15,070	23,192

Analysis of the amount that would be charged to operating profit:

	Staff Scheme		Works Scheme		Total	
	2004 £'000	**2003 £'000**	2004 £'000	**2003 £'000**	2004 £'000	**2003 £'000**
Current service cost	553	683	850	662	1,403	1,345
Curtailments and settlement costs	-	131	-	-	-	131
Total operating charge	553	814	850	662	1,403	1,476

Analysis of the amount that would be credited to other finance income:

	Staff Scheme		Works Scheme		Total	
	2004 £'000	**2003 £'000**	2004 £'000	**2003 £'000**	2004 £'000	**2003 £'000**
Expected return on pension scheme assets	1,058	1,305	1,034	1,249	2,092	2,554
Interest on pension scheme liabilities	(1,247)	(1,242)	(1,123)	(1,050)	(2,370)	(2,292)
Net return	(189)	63	(89)	199	(278)	262

(b) FRS 17 DISCLOSURES (continued)

Analysis of amount that would be recognised in statement of total recognised gains and losses (STRGL):

	Staff Scheme		Works Scheme		Total	
	2004	**2003**	2004	**2003**	2004	**2003**
	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**
Actual return less expected return on pension scheme assets	2,180	**(5,157)**	2,855	**(5,288)**	5,035	**(10,445)**
Experience gains/(losses) arising on the scheme liabilities	212	**907**	(1,670)	**(223)**	(1,458)	**684**
Changes in assumptions underlying the present value of the scheme liabilities	(1,026)	**(1,356)**	(2,808)	**(1,325)**	(3,834)	**(2,681)**
Actuarial gain/(loss) recognised in STRGL	1,366	**(5,606)**	(1,623)	**(6,836)**	(257)	**(12,442)**

Movement in deficit during the period:

	Staff Scheme		Works Scheme		Total	
	2004	**2003**	2004	**2003**	2004	**2003**
	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**
(Deficit)/surplus in scheme at start of year	(7,093)	**(1,197)**	(5,838)	**775**	(12,931)	**(422)**
Movement in period:						
Current service cost	(553)	**(683)**	(850)	**(662)**	(1,403)	**(1,345)**
Contributions	477	**461**	617	**686**	1,094	**1,147**
Curtailment and settlement costs	-	**(131)**	-	**-**	-	**(131)**
Other finance income	(189)	**63**	(89)	**199**	(278)	**262**
Actuarial gain/(loss)	1,366	**(5,606)**	(1,623)	**(6,836)**	(257)	**(12,442)**
Deficit in scheme at period end	(5,992)	**(7,093)**	(7,783)	**(5,838)**	(13,775)	**(12,931)**

History of experience gains and losses:

	Staff Scheme		Works Scheme		Total	
	2004	**2003**	2004	**2003**	2004	**2003**
	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**
Difference between the expected and actual return on scheme assets:						
Amount (£'000)	2,180	**(5,157)**	2,855	**(5,288)**	5,035	**(10,445)**
Percentage of the scheme assets	11%	**(32%)**	15%	**(36%)**	13%	**(34%)**
Experience gains on scheme liabilities:						
Amount (£'000)	212	**907**	(1,670)	**(223)**	(1,458)	**684**
Percentage of the present value of the scheme liabilities	1%	**4%**	(6%)	**(1%)**	(3%)	**(2%)**
Total amount that would be recognised in statement of total recognised gains and losses:						
Amount (£'000)	1,366	**(5,606)**	(1,623)	**(6,836)**	(257)	**(12,442)**
Percentage of the present value of the scheme liabilities	5%	**(24%)**	(6%)	**(33%)**	(1%)	**(29%)**

7 TOTAL OPERATING PROFIT

The total operating profit is shown after charging/(crediting):	2004 £'000	**2003** **£'000**
Research and development expenditure	694	**730**
Operating lease rentals in respect of plant & machinery	750	**597**
Insurance	871	**732**
Auditors' remuneration	55	**41**
Non-audit services supplied by the Group's auditors:		
Tax compliance services	57	**48**
Tax advisory services	96	**-**
Loss/(profit) on disposal of tangible fixed assets	22	**(1)**

Auditors' remuneration in respect of the parent company for the year amounted to £10,000 **(2003 £32,000)**.

8 INTEREST PAYABLE AND SIMILAR CHARGES

	2004 £'000	**2003** **£'000**
Interest payable on bank loans and overdraft	414	**389**
Interest on finance leases	-	**119**
	414	**508**

9 TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of charge in period	2004 £'000	**2003** **£'000**
Current tax:		
UK corporation tax on profits of the period	171	**495**
Adjustments in respect of previous periods	(91)	**(2)**
	80	**493**
Foreign tax	40	**43**
Total current tax	120	**536**
Deferred tax:		
Origination and reversal of timing differences	34	**67**
Tax on profit on ordinary activities	154	**603**

(b) Factors affecting the tax charge for the year

	2004 £'000	**2003 £'000**
Profit on ordinary activities before tax	785	**1,867**
Profit on ordinary activities multiplied by a standard rate of corporation tax in the UK of 30%	235	**560**
Charges not deductible for tax purposes	(36)	**70**
Capital allowances in excess of accounting depreciation	2	**(101)**
Tax rate adjustment	10	**9**
Adjustments relating to prior year's corporation tax	(91)	**(2)**
Current tax charge for period	120	**536**

(c) Factors that may affect future tax charges

There are no factors, other than disclosed in Note 18, that are expected to significantly affect the taxation charge in future years.

10 JAMES CROPPER PLC PROFIT AND LOSS ACCOUNT

As permitted by Section 230(1) of the Companies Act 1985 the Company has not presented its own profit and loss account. The Group profit for the year includes a loss of £236,000 **(2003 £930,000 profit)** which is dealt with in the accounts of the Company.

11 EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit on ordinary activities after taxation of £631,000 **(2003 £1,264,000)** and the weighted average number of shares in issue of 8,359,114 **(2003 8,359,114)**. There is no difference between the profit on ordinary activities after taxation and the weighted average number of shares in issue used to calculate basic earnings per share and diluted earnings per share. As the option price is higher than the share price throughout the year, none of the shares under option are dilutive.

12 TANGIBLE FIXED ASSETS

	Group			**Company**		
Cost or valuation	Freehold land and buildings £'000	Plant and machinery £'000	Total £'000	Freehold land and buildings £'000	Plant and machinery £'000	Total £'000
At 30th March 2003	9,656	59,479	69,135	9,339	54,629	63,968
Additions in year	337	2,665	3,002	5	386	391
Transfers	(42)	42	-	-	-	-
Disposals	(42)	(1,254)	(1,296)	(8,393)	(50,955)	(59,348)
Capital Work in Progress	-	99	99	-	-	-
At 27th March 2004	9,909	61,031	70,940	951	4,060	5,011
Depreciation						
At 30th March 2003	3,185	40,124	43,309	2,990	37,272	40,262
Charge for year	262	2,805	3,067	13	277	290
Disposals	(42)	(1,230)	(1,272)	(2,788)	(35,272)	(38,060)
At 27th March 2004	3,405	41,699	45,104	215	2,277	2,492
Net Book Amount						
At 27th March 2004	6,504	19,332	25,836	736	1,783	2,519
At 30th March 2003	6,471	19,355	25,826	**6,349**	**17,357**	**23,706**

The useful economic life of the Company's computer development costs capitalised since 1998, which had a net book value of £1,184,000 at 29th March 2003, has been reassessed in the year from an initial estimate of five years to a remaining life of ten years as the Directors believe this better reflects the period over which the asset will be used in the business. The effect of this change has reduced depreciation in the year by £339,000.

Freehold land and buildings were professionally revalued on an existing use basis as at 30th November 1985 with subsequent additions at cost.

On a historic cost basis the net book amount of freehold land and buildings and freehold property at 27th March 2004 would be as follows:

	Freehold land and buildings
	£'000
Cost	8,955
Aggregate depreciation	(3,537)
Net book amount	5,418

13 FIXED ASSET INVESTMENTS

	Group		Company	
	£000	£000	£000	£000
(i) Trade Investments				
Cost at 27th March 2004 and 30th March 2003		738		738
Provision for impairment at 30th March 2003	(293)		(293)	
Charge for the current year	(50)	(343)	(50)	(343)
Net Book value at 27th March 2004		395		395
Net Book value at 29th March 2003		**445**		**445**

The investment is a 35% holding the Company has in Pacofa SA, a French company which converts paper. No dividend **(2003 £16,000)** was received from Pacofa during the year.

The Company does not exert significant influence over the operating and financial policies of Pacofa as it is not actively involved and influential in the direction of the company.

The aggregate of capital and reserves in their last financial statements for the year 31st December 2003 was €3,550,000 **(2003 €3,945,000)** and the loss after tax was €395,000 **(2003 loss €144,000)**.

(ii) Investments in Joint Ventures

Technical Fiber Products Inc, a 100% owned subsidiary of Technical Fibre Products Ltd, has continued investing during the year in Electro Fiber Technologies Inc, a joint venture company based in the USA. The joint venture company produces conductive materials. The Group's share of the joint venture is 50% and the Group's share of the loss for the year was £93,000 **(2003 £23,000)**. Share of turnover in the year was £5,000 **(2003 nil)**.

(ii) Investments in Joint Ventures (continued)

The share of the net assets at 27th March 2004 in the Group Balance Sheet comprises:

	£'000
Share of net assets at 30th March 2003	167
Additions in period	68
Share of loss in period	(93)
Exchange movements	(23)
Other	(1)
Share of net assets at 27th March 2004	118

(iii) Subsidiary Companies

The Company has a £7,350,006 **(2003 £3)** investment in ordinary shares of the following subsidiary companies: -

	Country of Incorporation and Operation	% Holding	Nature of Business
James Cropper Speciality Papers Limited	England	100	Manufacturer 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
Technical Fiber Products Inc	USA	100	Sales organisation for products from Technical Fibre Products Ltd
Melmore Company Limited	England	100	Dormant company

The investments are held by James Cropper PLC with the exception of Technical Fiber Products Inc, which is held through Technical Fibre Products Ltd.

14 STOCKS

	Group		Company	
	2004 £'000	**2003 £'000**	2004 £'000	**2003 £'000**
Raw materials	2,885	**2,216**	-	**1,723**
Work in progress	1,530	**1,284**	-	**1,050**
Finished goods	2,751	**2,298**	-	**2,183**
	7,166	**5,798**	-	**4,956**

15 DEBTORS

	Group		Company	
	2004 £'000	**2003 £'000**	2004 £'000	**2003 £'000**
Trade debtors	11,131	**10,386**	-	**8,961**
Prepayments and accrued income	911	**1,016**	510	**736**
Other debtors	234	**383**	203	**380**
Corporation tax recoverable	231	**-**	441	**-**
Amounts owed by Group undertakings	-	**-**	30,165	**937**
	12,507	**11,785**	31,319	**11,014**

Included within the Company figures above are amounts due in more than one year owed by subsidiary undertakings of £nil **(2003 £404,000).**

16 CREDITORS
(amounts falling due within one year)

	Group		Company	
	2004 £'000	**2003 £'000**	2004 £'000	**2003 £'000**
Bank overdrafts	118	**522**	-	**-**
Bank loans	1,960	**1,356**	1,960	**1,356**
Amounts owed to Group undertakings	-	**-**	4,286	**-**
Trade creditors	1,624	**1,746**	1,380	**1,412**
Taxation and social security	767	**467**	492	**214**
Accruals	4,109	**3,533**	668	**3,216**
Other creditors	338	**7**	137	**5**
Proposed dividend	493	**468**	493	**468**
	9,409	**8,099**	9,416	**6,671**

17 CREDITORS
(amounts falling due after more than one year)

	Group		Company	
	2004 £'000	**2003 £'000**	2004 £'000	**2003 £'000**
Bank loans				
Repayable between 1 and 2 years	1,652	**1,347**	1,652	**1,347**
Repayable between 2 and 5 years	3,524	**2,432**	3,524	**2,432**
Repayable over 5 years	1,413	**875**	1,413	**875**
	6,589	**4,654**	6,589	**4,654**

18 DEFERRED TAXATION

	Group	
	2004	**2003**
	£'000	**£'000**
Accelerated capital allowances	4,240	**4,156**
Short term timing differences	(51)	**(1)**
Provision for deferred tax	4,189	**4,155**

	£'000
Provision at start of period	4,155
Deferred tax in the Profit and Loss account (Note 9)	34
Provision at end of period	4,189

	Company	
	2004	**2003**
	£'000	**£'000**
Accelerated capital allowances	394	**3,927**
Short term timing differences	51	**-**
Provision for deferred tax	445	**3,927**

	£'000
Provision at start of period	3,927
Transfers arising from group restructuring	(3,506)
Deferred tax in the Profit and Loss account	24
Provision at end of period	445

No provision has been made for deferred tax on gains recognised on revaluing property to its market value or on the sale of properties where potentially taxable gains have been rolled over into replacement assets. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. The total amount unprovided for is £350,000 **(2003 £350,000)**. At present it is not envisaged that any such tax will become payable in the foreseeable future.

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries. As the earnings are continually reinvested by the Group, no tax is expected to be payable on them in the foreseeable future.

19 CALLED UP EQUITY SHARE CAPITAL

	2004	**2003**
	£'000	**£'000**
Authorised:		
10,000,000 **(2003 10,000,000)** Ordinary Shares of 25p each	2,500	**2,500**
Allotted and fully paid:		
8,359,114 **(2003 8,359,114)** Ordinary Shares of 25p each	2,090	**2,090**

Under the James Cropper PLC Executive Share Option Schemes, options were outstanding at 27th March 2004 in respect of the following:

Type	Number of shares subject to option	Period of option	Exercise price per share £
Ordinary	9,200	August 1999 to August 2006	3.250
Ordinary	42,565	August 2001 to August 2008	2.027
Ordinary	18,900	December 2002 to December 2009	2.059
Ordinary	60,000	August 2003 to August 2010	2.615
Ordinary	90,000	June 2004 to June 2011	2.065
	220,665		

20 RESERVES

	Group			Company		
	Share Premium Account £'000	Revaluation Reserve £'000	Profit and Loss Account £'000	Share Premium Account £'000	Revaluation Reserve £'000	Profit and Loss Account £'000
At 30th March 2003	454	177	24,398	454	177	23,374
Release during period	-	(39)	39	-	(145)	145
Exchange losses	-	-	(23)	-	-	-
Retained loss for the period	-	-	(21)	-	-	(888)
At 27th March 2004	454	138	24,393	454	32	22,631

21 COMMITMENTS UNDER OPERATING LEASES

At 27th March 2004 there were annual commitments under operating leases for plant and machinery and building terminating as follows:

	Group		Company	
	2004 £'000	**2003 £'000**	2004 £'000	**2003 £'000**
Plant & Machinery:				
Within 1 year	195	**13**	-	**10**
In 2 to 5 years	299	**504**	153	**483**
	494	**517**	153	**493**
Buildings:				
More than 5 years	205	**-**	-	**-**
	699	**517**	153	**493**

22 CAPITAL COMMITMENTS

At 27th March 2004 the Group had in place contracts for capital expenditure of approximately £335,000 **(2003 £960,000)**.

23 RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption available under Financial Reporting Standard 8, "Related Party Disclosures", not to disclose details of transactions with its subsidiary undertakings.

The Company pays £26,250 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. The rent is negotiated through independent advisors representing each party.

24 CONTINGENT LIABILITIES

There were no contingent liabilities at the end of the financial year. The Company is involved in cross guarantees between itself and its subsidiaries.

25 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

Set out below are the narrative and numerical disclosures required by Financial Reporting Standard 13 "Derivatives and other financial instruments". The Group has taken advantage of the exemption available under FRS 13 not to provide numerical disclosures in relation to short-term debtors and creditors.

(I) NARRATIVE DISCLOSURES:

Financial instruments:

The Group's financial instruments, other than derivatives, comprise borrowings, some cash and liquid resources, and various items such as trade debtors, trade creditors etc, that arise directly from its operations. The main purpose of these financial instruments is to manage the finance for the Group's operations. The Group also enters into derivative transactions (principally interest rate caps and forward foreign currency contracts). The purpose of such transactions is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. These policies have remained unchanged throughout the year.

Interest Rate Risk:

The Group finances its operations through a mixture of retained profits and bank borrowings. The Group borrows in the desired currencies at both fixed and floating rates of interest and then uses interest rate caps to manage the Group's exposure to interest rate fluctuations. At the year end there were no Group borrowings at fixed rates of interest (2003 £27,000).

Liquidity Rate Risk:

As regards liquidity, the Group's policy has throughout the year been to maintain a mix of short, medium and long term borrowings with a number of banks and institutions. Short-term flexibility is achieved by overdraft facilities. It is, in addition, the Group's policy to maintain undrawn committed borrowing facilities in order to provide flexibility in the management of the Group's liquidity. At the year end the Group had committed facilities of £13,270,000 with four banks, 65% (2003 56%) of which was drawn down. The weighted average period until maturity of these facilities was 3.4 years (2003 2.5 years).

Currency Risk:

Although the Group is based in the UK, it has an investment in overseas operations in TFP Inc in the USA. As a result, the Group's sterling balance sheet can be affected by movements in the US dollar/sterling exchange rates. The magnitude of this exposure is currently not significant to the Group and therefore no measures are currently taken to manage this risk. The Group also has transactional currency exposures. Such exposures arise from sales or purchases by an operating unit in currencies other than the unit's functional currency. The Group uses forward currency contracts to reduce the currency exposure as well as matching payments and receipts to minimise exposure.

(II) NUMERICAL DISCLOSURES:

Interest rate and currency profile of financial liabilities:

After taking into account interest rate caps and forward currency contracts entered into by the Group, the interest rate and currency profile of the Group's financial liabilities at 27th March 2004 was:

Currency	Total		Floating rate financial liabilities		Fixed rate financial liabilities	
	2004 £'000	**2003 £'000**	2004 £'000	**2003 £'000**	2004 £'000	**2003 £'000**
Sterling	8,549	**6,498**	8,549	**6,470**	-	**28**
US $	118	**34**	118	**34**	-	**-**
	8,667	**6,532**	8,667	**6,504**	-	**28**

Currency	Fixed rate financial liabilities Weighted average interest rate %		Weighted average periods for which rate is fixed	
	2004	**2003**	2004	**2003**
Sterling	-	**9%**	-	**0.1 years**

The floating rate financial liabilities comprise:

- sterling denominated bank borrowings that bear interest at rates between 1% and 1.25% above UK bank base rates.

- US dollar denominated overdraft that bears interest at rates based on bank 'cost of funds' plus 1%.

Interest rate risk of financial assets

The currency profile of the Group's interest rate risk of financial assets at 27th March 2004 was:

	Cash 2004 £'000	**Cash 2003 £'000**
Sterling	1,035	**5**
US $	107	**-**
Euro	98	**1**
	1,240	**6**

All financial assets are at floating rates.

Maturity of financial liabilities and undrawn commitments:

The maturity profile of the Group's financial liabilities and undrawn commitments at 27th March 2004 was as follows:

	Liabilities		Undrawn	
	2004 £'000	**2003 £'000**	2004 £'000	**2003 £'000**
In 1 year or less, or on demand	2,078	**1,878**	4,603	**5,231**
In more than 1 year but not more than 2 years	1,652	**1,347**	-	**-**
In more than 2 years but not more than 5 years	3,524	**2,432**	-	**-**
In more than 5 years	1,413	**875**	-	**-**
	8,667	**6,532**	4,603	**5,231**

Currency exposures on monetary assets:
The Group's other currency exposures comprise only those exposures that give rise to net currency gains and losses to be recognised in the profit and loss account. Such exposures comprise the monetary assets and monetary liabilities of the Group that are not denominated in the operating (or "functional") currency of the operating unit involved. As at 27th March 2004, after taking into account forward currency contracts and matching of payments and receipts, these other exposures are immaterial to the Group.

Fair values of financial assets and liabilities:
Set out below is a comparison by category of book values and fair values of the Group's financial assets and liabilities as at 27th March 2004.

	Book Value		Fair Value	
	2004 £'000	**2003 £'000**	2004 £'000	**2003 £'000**
Fixed asset investments	513	**612**	513	**612**
Cash at bank and in hand	1,240	**6**	1,240	**6**
Bank overdrafts	(118)	**(522)**	(118)	**(522)**
Bank loans repayable within one year	(1,960)	**(1,356)**	(1,960)	**(1,357)**
Bank loans repayable after more than one year	(6,589)	**(4,654)**	(6,589)	**(4,654)**
Forward foreign currency contracts	-	**-**	-	**(17)**
Interest rate caps	7	**16**	-	**1**

Interest rate caps and forward foreign currency contracts have been marked to market to produce fair value figures. All other fair values shown above have been calculated by discounting cashflows at prevailing interest rates.

The fair value of short term loans and overdrafts approximates to their carrying value because of the short maturity of these instruments. The fair value of long term borrowings approximate to the carrying value reported in the Balance Sheet as they are all at floating interest rates where payments are reset to market rates at intervals of less than one year.

Gains and losses on hedges:
The Group enters into forward foreign currency contracts to reduce the currency exposures that arise on sales and purchases denominated in foreign currencies, as well as matching foreign currency payments and receipts wherever possible. It also uses interest rate caps to manage its interest rate exposure. Changes in the fair value of instruments used as hedges are not recognised in the financial statements until the hedged position matures.

An analysis of these unrecognised gains and losses is as follows:

	Gains	Losses	Total net gains/(losses)
	£'000	£'000	£'000
Unrecognised gains and losses on hedges:			
At 30th March 2003	-	(34)	(34)
Recognised in the year	-	27	27
Not recognised in the year	-	(7)	(7)
Arising in the year not recognised	-	-	-
At 27th March 2004	-	(7)	(7)
Of which:			
Gains and losses expected to be recognised in 2005	-	(7)	(7)
Gains and losses expected to be recognised in 2006 or later	-	-	-

SHAREHOLDER INFORMATION

2003-2004

Reporting	Interim results announced and sent to Ordinary Shareholders	18th November 2003
	Final results announced	8th June 2004
	Annual Report issued by	28th June 2004
	Annual General Meeting – at Bryce Institute, Burneside, Kendal, Wednesday, 21st July 2004 at 10.30am	

Dividends

Ordinary Shares

Interim dividend paid on 9th January 2004 to Ordinary Shareholders registered on 19th December 2003.

Final dividend to be paid on 13th August 2004 to Ordinary Shareholders registered on 23rd July 2004.

Registrars

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

NOTICE OF ANNUAL GENERAL MEETING
Wednesday 21st July 2004 at 10:30 a.m.

Notice is hereby given that the one hundred and fifteenth Annual General Meeting of the above named Company will be held at the Bryce Institute, Burneside, Kendal, Cumbria on Wednesday, 21st July 2004 at 10.30am for the following purposes: -

Ordinary Business

1. To receive and consider the statement of accounts and reports of the directors and the auditors of the Company for the 52 weeks ended 27th March 2004.
2. To declare a final dividend.
3. To re-elect Mr D R Wilks as a director of the Company.
4. To re-elect Mr J R Sclater as a director of the Company.
5. To re-elect Mr P L Herring as a director of the Company.
6. To re-elect Mr P J Willink as a director of the Company.
7. To re-appoint PricewaterhouseCoopers LLP as auditors to hold office from the conclusion of the meeting until the next Annual General Meeting and authorise the directors to fix their remuneration.
8. To consider and approve the report of the remuneration committee for the 52 weeks ended 27th March 2004.

Special Business

To consider and if thought fit pass the following resolutions:

Special Resolutions

9. That 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) either pursuant to the general authority conferred on them by an ordinary resolution passed at the Annual General Meeting of the Company held on 6th April 2002 or where the equity securities are held by the Company as treasury shares (within the meaning of Section 162A(3) of the Act), in each case as if subsection (1) of Section 89 of the Act did not apply to any such allotment provided always that the foregoing power shall be limited:

   (i) to 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 number 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 legal or practical problems under the laws of or the requirements of any recognised regulatory body or any stock exchange in any territory or any other matter whatsoever); and

   (ii) to the allotment (otherwise than pursuant to sub-paragraph (i) of this resolution) of equity securities up to an aggregate nominal amount of £104,489;

and shall expire on the date of the next Annual General Meeting of the Company or (if earlier) fifteen months from the date of the passing of this resolution save that the Company is hereby enabled to make an offer or agreement before such expiry which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

10. That the Company be generally and unconditionally authorised for the purposes of section 166 of the Companies Act 1985 (the 'Act') to make one or more 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:-

   (i) the maximum aggregate number of ordinary shares hereby authorised to be purchased is 1,253,867;

   (ii) the minimum price which may be paid for such shares is 25p per ordinary share;

   (iii) 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 an ordinary share as derived from the London Stock Exchange's Daily Official List for the five business days immediately preceding the date on which the ordinary shares are purchased;

   (iv) unless previously renewed, varied or revoked, the authority hereby conferred shall expire at the conclusion of the Company's next Annual General Meeting or 15 months from the date of this resolution (whichever is earlier); and

   (v) 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 such contract or contracts.

Burneside Mills,
Kendal,
Cumbria,
25th June 2004

By order of the Board
D R Carey
Company Secretary

Notes

1. Pursuant to Regulation 34 of the Uncertificated Securities Regulations 1995, to be entitled to attend and vote at the meeting (and for the purpose of determination by the Company of the number of votes they may cast), members must be entered on the Company's Register of Members by 5.00pm on 16th July 2004, when the register of members will be closed until after the Annual General Meeting.
2. A member of the Company who is entitled to attend and vote may appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. Appointing a proxy will not preclude members from attending and voting at the meeting if they later decide to do so. A facility to appoint a proxy through the website of the Company's Registrars is available and details are set out on the enclosed form of proxy.
3. Copies of the contracts of service for the directors are available for inspection during normal business hours on each business day at the registered office. In addition such copies will be available at the place of the meeting for at least 15 minutes prior to the meeting and at the meeting.
4. The reasons for the Special Business are explained in the Report of the Directors contained in the Annual Report.