

James Cropper PLC

Annual Report 2002

Report of the Independent Auditors

To the members of
James Cropper PLC

James Cropper PLC

Burneside Mills
Kendal
Cumbria
LA9 6PZ

Company Registration No: 30226

July 2002



**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 Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses and the related notes. We have also audited the disclosures relating to emoluments, share options and pension benefits of the directors which form part of the Report of the Remuneration Committee.

Respective responsibilities of directors and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards issued by the Auditing Practices Board and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules 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 Health and Safety Review, the Divisional Reviews, and the Report of the Remuneration Committee.

We review whether the corporate governance statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, 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. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 30th March 2002 and of the profit and cash flows of the Group for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.

Newcastle upon Tyne PRICEWATERHOUSECOOPERS

18th June 2002

Chartered Accountants and Registered Auditors

Report of the Directors

The directors have pleasure in submitting to the members their Annual Report and the audited accounts for the Group for the 52 weeks ended 30th March 2002.

The one hundred and thirteenth Annual General Meeting of the Group will be held at the Bryce Institute, Burnside on Tuesday, 6th August 2002 at 10.30am.

Review of the Business

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 30th March 2002, the dividends paid and recommended and the transfer to reserves are set out in the 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 except where stated below and in the Report of the Remuneration Committee.

(ii) The Board

During the year the Board comprised of five executive directors and four non-executive directors. The non-executive directors, with the exception of James Cropper, represent the independent element of the Board. James Cropper is Non-Executive Chairman of the Company. John Southwell is Chairman of the Remuneration Committee and the Audit Committee and is the senior independent director.

The Board meets regularly, of which seven meetings per annum are Executive Board Meetings, which are attended by the executive directors, and five 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.

(iii) Board Committees

The non-executive directors of the Company comprise the Audit Committee and the Remuneration Committee. John Southwell is chairman of each Committee.

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.

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

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. Nigel Read, John Sclater and John Southwell are submitted for re-election at the forthcoming AGM.

(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 and 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 30th March 2002.

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 correctly accounted for and adequately safeguarded.

In carrying out their responsibilities the directors have put in place a framework of controls to ensure that ongoing financial performance is measured in a timely manner and risk is identified as early as practicably possible. 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 on aspects of the internal financial controls and remedial actions, if necessary, are agreed by the full Board.

(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 implements 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. Throughout the year considerable resource and effort has been devoted to minimising risks to health and safety as part of the overall industry-wide PABIAC initiative. In early 2001 the Group received accreditation to the international environmental standard ISO14000. This standard requires holders to maintain environmental standards in line with established best practice. Our operational quality processes received ISO 9001 accreditation in 1990. Not only does compliance with these standards form the basis of sound internal control but they are increasingly important in satisfying customers' aspirations with regard to the management of their supply chains. BSI audit our processes for continuing compliance every six months. TFP and Converting divisions are accredited with the Investor in People Award. This accreditation is subject to triennial audits. The next audits will take place in late 2002. We work with our external auditors, PricewaterhouseCoopers and other specialist consultants to identify risks and weaknesses in internal controls.

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 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 a 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 ourselves and our customers and suppliers is the key to our future.

(vii) Payment of Creditors

The Company had 37 days (2001 45 days) purchases outstanding at 30th March 2002.

(viii) 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.

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 £14,000 were made for charitable purposes.

Authority to Issue Shares and Disapplication of Pre-emption Rights

The authority of the directors to allot shares has now expired. In accordance with usual practice, an Ordinary Resolution (Resolution 8) contained in the Notice of the Annual General Meeting is being proposed to renew the authority up to the level of the existing authorised share capital for a period of five years, under the provisions of Section 80 of the Companies Act 1985. The maximum value of shares which the directors will be authorised to allot is £410,221, representing 19.6% of the issued share capital of the Company.

The directors have no present intention of exercising the authority other than in connection with the Group's Profit Sharing Scheme.

At the 2001 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. 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 would give 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.

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 13th June 2002 were as follows:-

Nortrust Nominees Ltd A/C TDS	682,500	8.2%
Barfield Nominees Ltd	315,000	3.8%
Stargas Nominees Ltd	264,320	3.2%

Auditors

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

Details of Directors' Interests

The directors who served throughout the period are detailed in the Report of the Remuneration Committee, and details of their interests in shares of the Company are listed below.

There have been no material changes between the year end and 13th June 2002. There have been no disclosable contracts or arrangements, other than contracts of service for the executive directors, subsisting during the financial year.

Details of Directors' Interests

Director	Interest	At 30th March 2002		At 31st March 2001	
		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	669,962	-	682,462	-
A I Lewis	beneficial	12,761	54,725	12,761	24,725
J M Denman	beneficial	3,808	44,200	3,808	29,200
	non-beneficial	291,000	-	241,000	-
N A Read	beneficial	3,289	39,725	3,289	24,725
	non-beneficial	291,000	-	241,000	-
P J Willink	beneficial	7,035	39,725	7,035	24,725
	non-beneficial	69,434	-	69,434	-
G T Quayle	beneficial	4,221	39,725	4,221	24,725
J R Sclater	beneficial	10,000	-	10,000	-
J P Southwell	beneficial	13,200	-	13,200	-
P L Herring	beneficial	1,000	-	1,000	-

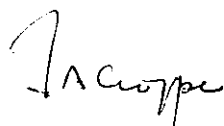
Further information relating to the interests of the directors in options on ordinary shares is given in the Report of the Remuneration Committee.

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

Burnside Mills
Kendal

J A Cropper
Chairman

18th June 2002



Report of the Remuneration Committee

Companies Act Remuneration Disclosure

This report provides details of executive remuneration. The Companies Act 1985 still requires certain information in a prescribed form and this is given below and in Note 5 to the accounts.

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.

The appointment of James Cropper as Non-Executive Chairman of the Group is for an initial fixed term of two years to March 2003, and will continue until terminated by three months notice on either side. There are no service contracts for the other non-executive directors.

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.

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

The Group operates a Senior Executive Bonus Scheme for executive directors. It provides for bonuses to be paid on a sliding scale if profits, before bonus and tax, exceed 10% of the average equity in 1997 adjusted each year by RPI + 2%. The rules of the Scheme provide that no executive director can be paid a bonus greater than their annual salary.

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 in this report.

Details of Directors' Remuneration

The following table brings together the various elements of remuneration of each director for the 52 weeks to 30th March 2002:-

	Salary and Fees		Benefits		Annual Bonus		Total	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Executive								
J A Cropper	-	85	-	16	-	-	-	101
A I Lewis	85	64	10	10	-	-	95	74
J M Denman	75	75	10	9	-	-	85	84
N A Read	64	63	11	10	-	-	75	73
P J Willink	62	57	4	3	-	-	66	60
G T Quayle	62	57	7	8	-	-	69	65
Non-executive								
J A Cropper	35	-	17	-	-	-	52	-
J R Sclater	15	15	-	-	-	-	15	15
J P Southwell	18	18	-	-	-	-	18	18
P L Herring	17	18	-	-	-	-	17	18
	433	452	59	56	-	-	492	508

Highest paid Director

	2002 £'000	2001 £'000
Aggregate emoluments	95	101
Accrued pension under defined benefit pension scheme	20	55

Directors' Pensions

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

The executive directors are required to retire no later than their sixty third birthday, with no loss of benefit even though normal retirement age is sixty five.

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

	Total accrued pension as at 31st March 2001 adjusted for inflation £'000	Increase in accrued pension during year £'000	Total accrued pension as at 30th March 2002 £'000	Transfer value of the increase/(decrease) in accrued pension during the year (less members' contributions) £'000
A I Lewis	13	7	20	68
J M Denman	14	1	15	4
N A Read	20	1	21	5
P J Willink	9	2	11	4
G T Quayle	8	1	9	9

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 March 2001	Number granted in year	Number exercised in year	Options lapsed in year	Exercise Price £	Exercisable	Number at March 2002
J M Denman	9,200	-	-	-	3.25	August 1999 to August 2006	9,200

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 March 2001	Number granted in year	Number exercised in year	Options lapsed in year	Exercise Price £	Exercisable	Number at March 2002
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 March 2001	Number granted in year	Number exercised in year	Options lapsed in year	Exercise Price £	Exercisable	Number at March 2002
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 market price of the shares at the year end was £1.85 and the high and low for the year was £2.23 and £1.24 respectively.

J P Southwell

Chairman of the Remuneration Committee

Group Profit and Loss Account

for the 52 weeks ended 30th March 2002

		2002		2001	
	£'000	£'000	£'000	£'000	£'000
Turnover (Note 2) – continuing operations			54,451		54,242
Change in stocks of finished goods and work in progress			(551)		173
Own work capitalised			370		378
Other operating income			389		397
			54,659		55,190
Raw materials and consumables		(26,648)		(30,217)	
Other external charges		(7,998)		(7,656)	
Staff costs (Note 4)	– normal (13,989)		(13,552)		
	– exceptional -	(13,989)	(380)	(13,932)	
Depreciation		(3,598)		(3,645)	
			(52,233)		(55,450)
Operating profit/(loss) – continuing operations (Notes 3 & 7)			2,426		(260)
Income from fixed asset investments			22		30
Interest receivable and similar income			29		35
Amounts written off investments (Note 13)			(293)		-
Interest payable and similar charges (Note 8)			(658)		(584)
Profit/(loss) on ordinary activities before taxation			1,526		(779)
Tax on profit/(loss) on ordinary activities (Note 9)			(760)		121
Profit/(loss) on ordinary activities after taxation			766		(658)
Dividends paid and proposed:					
Interim 1.8 p (2001 1.8p)		(150)	(150)		
Proposed final 5.2 p (2001 4.5p)		(435)	(377)		
			(585)		(527)
Amount set aside to/(from) reserves (Note 20)			181		(1,185)
Earnings per Ordinary Share of 25p (Note 11)					
Basic			9.2p		(7.9p)
Diluted			9.2p		(7.9p)

JAMES CROPPER PLC

Balance Sheets

As at 30th March 2002

	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Fixed assets				
Tangible assets (Note 12)	26,981	27,927	24,941	25,892
Investments (Note 13)	445	738	445	738
	27,426	28,665	25,386	26,630
Current assets				
Stocks (Note 14)	5,375	6,223	4,704	5,379
Debtors (Note 15)	11,709	12,888	10,995	12,392
Cash at bank and in hand	75	2	1,573	308
	17,159	19,113	17,272	18,079
Creditors (amounts falling due within one year) (Note 16)	(9,473)	(12,340)	(8,477)	(10,049)
Net current assets	7,686	6,773	8,795	8,030
Total assets less current liabilities	35,112	35,438	34,181	34,660
Creditors (amounts falling due after more than one year) (Note 17)	(4,542)	(5,188)	(4,542)	(5,188)
Deferred Taxation (Note 18)	(4,088)	(3,949)	(3,847)	(3,781)
	26,482	26,301	25,792	25,691
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)	226	292	226	292
Profit and loss account (Note 20)	23,712	23,465	23,022	22,855
Equity shareholders' funds	26,482	26,301	25,792	25,691

Approved by the directors
on 18th June 2002 and signed on
their behalf by:-



J A Cropper
Director

Statement of Group Total Recognised Gains and Losses

For the 52 weeks ended 30th March 2002

	2002 £'000	2001 £'000
Profit/(loss) for the year	766	(658)
Total recognised gains and (losses) for the year	766	(658)
Prior year adjustment (Note 18)	-	(2,849)
Total gains and (losses) since last Annual Report	766	(3,507)

Note of Group Historical Cost Profits and Losses

For the 52 weeks ended 30th March 2002

	2002 £'000	2001 £'000
Reported profit/(loss) on ordinary activities before taxation	1,526	(779)
Realisation of property revaluation gains of previous years	-	2
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amounts	66	35
Historical cost profit/(loss) on ordinary activities before taxation	1,592	(742)
Historical cost profit/(loss) for the year after taxation and dividends	247	(1,148)

Reconciliation of Movements in Group Shareholders' Funds

For the 52 weeks ended 30th March 2002

	2002 £'000	2001 £'000
Opening shareholders' funds (2001 originally £30,335,000 before deducting prior year adjustment of £2,849,000)	26,301	27,486
Profit/(loss) for the year	766	(658)
Dividends	(585)	(527)
Closing shareholders' funds	26,482	26,301

Group Cash Flow Statement

For the 52 weeks ended 30th March 2002

	2002		2001	
	£'000	£'000	£'000	£'000
Cash flow from operating activities				
(Cash flow Note 1)		5,661		3,333
Returns on investments and servicing of finance				
Interest received	29		35	
Interest paid	(505)		(356)	
Interest element of finance lease rental payments	(198)		(266)	
Dividends received	22	(652)	19	(568)
Taxation		(40)		(670)
Capital expenditure				
Purchase of tangible fixed assets	(2,750)		(4,400)	
Asset disposal proceeds	98	(2,652)	3	(4,397)
Equity dividends paid		(527)		(527)
Net cash inflow/(outflow) before financing		1,790		(2,829)
Financing				
New debt due beyond a year	1,500		4,000	
Repayment of bank loans	(1,203)		(661)	
Capital element of finance lease payments	(625)	(328)	(880)	2,459
Increase/(decrease) in cash in the year		1,462		(370)

Notes to Cash Flow Statement

1 Reconciliation of Operating Profit to Cash Flow from Operating Activities

	2002 £'000	2001 £'000
Operating profit/(loss)	2,426	(260)
Depreciation charges	3,598	3,645
Loss/(profit) on fixed asset disposals	1	(1)
Decrease/(increase) in stocks	848	(325)
Decrease/(increase) in debtors	774	(262)
(Decrease)/increase in creditors	(1,986)	536
Net cash inflow from operating activities	5,661	3,333

2 Reconciliation of Net Cash Flow to Movement in Net Debt

	2002 £'000	2001 £'000
Increase/(decrease) in cash for the period	1,462	(370)
Decrease/(increase) in debt and lease financing	328	(2,459)
Change in net debt resulting from cash flows	1,790	(2,829)
Net debt at 31st March 2001	(8,954)	(6,125)
Net debt at 30th March 2002	(7,164)	(8,954)

3 Analysis of Net Debt

	31st March 2001 £'000	Cash flow £'000	30th March 2002 £'000
Cash in hand, and at bank	2	73	75
Bank overdrafts	(1,840)	1,389	(451)
		1,462	
Debt due after more than 1 year	(4,490)	(52)	(4,542)
Debt due within 1 year	(1,303)	(245)	(1,548)
Finance leases	(1,323)	625	(698)
		328	
Total	(8,954)	1,790	(7,164)

Notes on the Accounts**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, and in accordance with applicable accounting standards.

The transitional arrangements permitted by FRS 17 'Retirement Benefits' have been adopted in the year. The additional disclosures required are provided in Note 6.

The adoption of FRS 18 'Accounting Policies' in the year has had no impact. FRS 19 'Deferred Tax' was adopted early in the prior year.

Group Consolidation

The Group accounts include the accounts of the Company and all its subsidiaries prepared for the financial year.

Turnover

Turnover represents the sales value of goods despatched to customers, net of VAT.

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 is not depreciated.

Investments

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 in future as a result of the reversal of those timing differences.

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 against revenue 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.

Financial Instruments and Derivatives

The Group's accounting policy for derivatives is to defer and only 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. 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

Turnover represents the sales value of goods despatched to customers, net of VAT.

The turnover of each business is:

	2002 £'000	2001 £'000
Papermaking Division	37,812	38,023
Converting Division	11,623	11,061
Technical Fibre Products	5,016	5,158
	54,451	54,242

The geographical analysis of turnover by destination is:

	£'000	£'000
UK	34,726	34,277
Continental Europe	10,416	10,633
The Americas	4,183	3,968
Asia	3,578	3,446
Australasia	1,092	1,438
Africa	456	480
	54,451	54,242

3 Analysis of Results

The operating profits/(losses) of the Group's businesses are as follows:

	£'000	£'000
Papermaking Division	1,043	(1,725)
Converting Division	1,069	961
Technical Fibre Products	314	504
	2,426	(260)

It is not possible to provide segmental analysis of net assets due to common use of assets by the divisions.

4 Staff Costs

	£'000	£'000
Wages and salaries	11,747	11,843
Social security costs	946	926
Other pension costs	1,296	1,163
	13,989	13,932

The average number of employees, including directors, during the year was 479 (2001 483)

Prior year wages and salaries included exceptional costs of £380,000 relating to the cost of reorganisation in the Papermaking Division and the consequent redundancies. There was a tax credit of £114,000 relating to the exceptional item. There was no cashflow in the prior year, however this has been paid in the current year.

5 Directors' Emoluments

The remuneration of the Directors, excluding pension contributions, was £492,000 (2001 £508,000) and the details of their remuneration is shown in the Report of the Remuneration Committee.

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 Staff Pension Scheme ('Staff Scheme') and the James Cropper PLC Works Pension Plan ('Works Scheme') were valued respectively using the projected unit method on 1st April 2000 and 6th April 2000 by professionally qualified actuaries.

The principal actuarial assumptions used in the valuation were:

	Staff Scheme	Works Scheme
Average annual rate of interest	7.0%	6.5%
Average annual increase in total pensionable earnings	5.0%	5.0%
Average annual increase in pension payments	3.5%	3.5%

At the respective dates of valuation the funds represented 105% and 93% respectively of the benefits that had accrued to members after allowing for expected future increases in earnings.

The aggregate values of the funds as at the dates of their last actuarial valuation were £20,644,000 for the Staff Scheme and £18,856,000 for the Works Scheme, and an amount of £320,000 (2001 £341,000) is included as a prepayment within the balance sheet in respect of the Staff Scheme.

The Group also operates a defined contribution pension scheme. The total pension cost for the period in respect of this scheme was £12,000 (2001 £nil). There are no outstanding or prepaid contributions at 30th March 2002 (2001 £nil).

In addition payments of £11,000 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. The implementation of the new standard is to be phased in during the three years to 27th March 2004. Under transitional arrangements the company is required to disclose the following information about the schemes and the figures that would have been shown under FRS 17 in the current balance sheet.

As noted above, the Company operates two funded defined benefit pension schemes. The contributions made to the Staff Scheme were £674,000, equivalent to 21% of pensionable earnings, and are set to increase to 22% from 1st April 2002. These rates are inclusive of members' contributions at the rate of 6% 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 16.5% of pensionable earnings, which is due to increase to 17.5% from 1st April 2002, and totalled £601,000 in the period. These rates are inclusive of members' contributions at the rate of 6% 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.

The most recent full actuarial valuations have been updated to 30th March 2002 by qualified independent actuaries. The major assumptions used by the actuary for each scheme were as follows:

	At 30th March 2002	
	Staff Scheme	Works Scheme
Rate of increase in salaries	3.9%	3.9%
Rate of increase in pensions in payment	3.0%	3.0%
Rate of increase in deferred pensions	2.9%	2.9%
Discount rate	5.9%	5.9%
Inflation assumption	2.9%	2.9%

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

	Staff Scheme		Works Scheme	
	Long term rate of return expected at 30th March 2002 %	Value at 30th March 2002 £'000	Long term rate of return expected at 30th March 2002 %	Value at 30th March 2002 £'000
Equities	7.0	14,386	7.0	15,359
Bonds	5.5	3,355	5.5	2,005
Property	-	-	7.0	202
Cash	5.0	815	4.0	828
Managed funds	6.5	991	-	-
Annuities	n/a	62	-	-
Total market value of assets		19,609		18,394
Present value of scheme liabilities		(20,806)		(17,619)
(Deficit)/surplus in the scheme		(1,197)		775
Related deferred tax asset/(liability)		359		(233)
Net pension (liability)/asset		(838)		542

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

	At 30th March 2002 £'000
Net assets	
Net assets excluding pension liability	26,482
Less SSAP24 prepayment (net of deferred tax)	(224)
Net pension liability under FRS 17	(296)
Net assets including net pension liability	25,962
Profit and loss account reserve	
Profit and loss account excluding pension liability	23,712
Less SSAP24 prepayment (net of deferred tax)	(224)
Net pension liability under FRS 17	(296)
Profit and loss account including net pension liability	23,192

7 Operating Profit/(loss)

The operating profit/(loss) is shown after charging/(crediting):

	2002	2001
	£'000	£'000
Research and development	713	697
Operating lease rentals in respect of plant & machinery	695	688
Auditors' remuneration	40	40
Non audit services supplied by the Group's auditors	36	19
Loss/(profit) on disposal of tangible fixed assets	1	(1)

Auditors' remuneration in respect of the parent company for the year amounted to £32,000 (2001 £34,000)

8 Interest Payable and Similar charges

	2002	2001
	£'000	£'000
Interest payable on bank loans and overdraft	470	335
Interest on finance leases	188	249
	658	584

9 Tax on profit on ordinary activities**(a) Analysis of charge in period**

	2002	2001
	£'000	£'000
Current tax:		
UK corporation tax on profits of the period	532	-
Adjustments in respect of previous periods	49	(318)
	581	(318)
Foreign tax	40	40
Total current tax	621	(278)
Deferred tax:		
Deferred tax on profits for the period	62	167
Adjustments in respect of previous periods	(5)	(10)
Adjustment to opening balances due to rate change	82	-
Total deferred tax	139	157
Tax on profit on ordinary activities	760	(121)

(b) Factors affecting the tax charge for the year

	2002	2001
	£'000	£'000
Profit/(loss) on ordinary activities before tax	1,526	(779)
Profit/(loss) on ordinary activities multiplied by a standard rate of corporation tax in the UK of 30%	458	(234)
Charges not deductible for tax purposes (primarily write down of investment)	177	95
Capital allowances in excess of accounting depreciation	(63)	(158)
Utilisation of tax losses	-	337
Adjustments relating to prior year's corporation tax	49	(318)
Current year corporation tax charge	621	(278)

(c) Factors that may affect future tax charges

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

10 James Cropper PLC Profit & 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 £686,000 (2001 loss £873,000) 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 £766,000 (2001 loss £658,000) and the weighted average number of shares in issue of 8,359,114 (2001 8,359,114). The calculation of diluted earnings per share is based on the profit on ordinary activities after taxation of £766,000 and on 8,359,114 ordinary shares, 8,359,114 being the weighted average number of shares in issue plus nil shares being the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares (2001 8,369,397 ordinary shares, 8,359,114 being the weighted average number of shares in issue plus 10,283 being the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares).

12 Tangible Fixed Assets

Cost or valuation	Group			Company		
	Freehold land and buildings £'000	Plant and machinery £'000	Total £'000	Freehold land and buildings £'000	Plant and machinery £'000	Total £'000
At 31st March 2001	9,492	56,937	66,429	9,274	52,818	62,092
Additions in year	58	2,277	2,335	1	1,981	1,982
Disposals	-	(2,294)	(2,294)	-	(2,294)	(2,294)
Inter Company transfers	-	-	-	-	(4)	(4)
Capital work in progress	-	415	415	-	415	415
At 30th March 2002	9,550	57,335	66,885	9,275	52,916	62,191
Depreciation						
At 31st March 2001	2,640	35,862	38,502	2,486	33,714	36,200
Charge for year	272	3,326	3,598	253	2,995	3,248
Disposals	-	(2,196)	(2,196)	-	(2,196)	(2,196)
Inter Company transfers	-	-	-	-	(2)	(2)
At 30th March 2002	2,912	36,992	39,904	2,739	34,511	37,250
Net Book Amount						
At 30th March 2002	6,638	20,343	26,981	6,536	18,405	24,941
At 31st March 2001	6,852	21,075	27,927	6,788	19,104	25,892

Included in the above figures for plant and machinery is £2,279,000 (2001 £2,728,000) net book amount, £97,000 of disposals (2001 nil), and £352,000 (2001 £451,000) depreciation provided for the year in respect of assets under finance lease agreements.

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 30th March 2002 would be as follows:

	Freehold land and buildings £'000
Cost	8,554
Aggregate depreciation	(3,090)
Net book amount	5,464

13 Investments

	Group and Company
	Other investments
	£'000
Cost	
As at 30th March 2002 and 31st March 2001	738
Provisions	
At 31st March 2001	-
Provision for impairment (see note below)	293
At 30th March 2002	293
Net Book Value	
At 30th March 2002	445
At 31st March 2001	738

The Company has a £3 (2001 £3) investment in subsidiary undertakings.

	Country of incorporation	% holding	Nature of business
Subsidiary companies:			
Technical Fibre Products Ltd	England	100	Manufacturer of high performance wet-laid nonwovens from fibres
Technical Fibre Products Inc	USA	100	Sales organisation for products from Technical Fibre Products Ltd
The Paper Mill Shop Co. Ltd	England	100	Retailing of paper
Other investments:			
Pacofa SA	France	35	Converter of paper products

A provision for impairment of £293,000 has been recorded in respect of Pacofa SA, to write down the investment to its estimated recoverable value.

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

14 Stocks

	Group		Company	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Raw materials	1,948	2,245	1,566	1,824
Work in progress	1,214	1,473	1,013	1,157
Finished goods	2,213	2,505	2,125	2,398
	5,375	6,223	4,704	5,379

15 Debtors

	Group		Company	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Trade debtors	10,255	11,136	9,063	10,260
Prepayments and accrued income	1,120	888	877	644
Other debtors	334	441	330	440
Corporation Tax recovered	-	423	-	423
Amounts owed by Group undertakings	-	-	725	625
	11,709	12,888	10,995	12,392

Included within the Company figures above are amounts due in more than one year owed by a subsidiary undertaking of £404,000 (2001 £404,000).

16 Creditors

(amounts falling due within one year)

	Group		Company	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Bank overdrafts	451	1,840	-	-
Bank loans	1,548	1,303	1,548	1,303
Finance leases	698	625	698	625
Trade creditors	1,612	2,898	1,347	2,722
Taxation and social security	861	373	750	301
Accruals	3,638	4,765	3,471	4,568
Other creditors	230	159	228	153
Proposed dividend	435	377	435	377
	9,473	12,340	8,477	10,049

17 Creditors

(amounts falling due after more than one year)

	Group		Company	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Bank loans				
- repayable between 1 and 2 years	1,213	1,334	1,213	1,334
- repayable between 2 and 5 years	2,686	2,656	2,686	2,656
- repayable over 5 years	643	500	643	500
	4,542	4,490	4,542	4,490
Finance leases				
- repayable between 1 and 2 years	-	698	-	698
	4,542	5,188	4,542	5,188

18 Deferred Taxation

	Group	
	2002	2001
	£'000	£'000
Accelerated capital allowances	4,087	3,949
Short term timing differences	1	-
Provision for deferred tax	4,088	3,949
Provision at start of period	3,949	
Deferred tax in P & L account (Note 9)	139	
Provision at end of period	4,088	
	Company	
	2002	2001
	£'000	£'000
Accelerated capital allowances	3,847	3,781
Provision for deferred tax	3,847	3,781
Provision at start of period	3,781	
Deferred tax charge in P & L account	66	
Provision at end of period	3,847	

2001 Prior Year Adjustment

A prior year adjustment of £2,849,000 was recorded in the year ended 31st March 2001 upon the implementation of FRS 19.

No provision has been made for deferred tax 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. 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 Share Capital

	2002	2001
Authorised:		
10,000,000 (2001 10,000,000) Ordinary Shares of 25p each	2,500	2,500
Allotted and fully paid:		
8,359,114 (2001 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 30th March 2002 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

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 31st March 2001	454	292	23,465	454	292	22,855
Release during year	-	(66)	66	-	(66)	66
Retained profit for the year	-	-	181	-	-	101
At 30th March 2002	454	226	23,712	454	226	23,022

21 Commitments under Operating Leases

At 30th March 2002 there were annual commitments under operating leases for plant and machinery agreements, terminating as follows:

	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Within 1 year	39	207	36	205
In 2 to 5 years	498	490	495	463
	537	697	531	668

22 Capital Commitments

At 30th March 2002 the Group had in place contracts for capital expenditure of approximately £339,000 (2001 £1,027,000).

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.

24 Contingent Liabilities

The Company is currently awaiting the outcome of an investigation into the death of an employee following an accident on 2nd March 2002. At this early stage it is not possible to quantify any financial effect on the Company resulting from the conclusion of this investigation, or the timing of its conclusion. Some costs are expected to be covered by insurance.

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 5% (2001 9%) of the Group's borrowings were at fixed rates of interest.

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 £13,298,000 with four banks, 49% (2001 66%) of which was drawn down. The weighted average period until maturity of these facilities was 3.1 years (2001 2.6 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 30th March 2002 was:

Currency	Total		Floating rate financial liabilities		Fixed rate financial liabilities	
	2002	2001	2002	2001	2002	2001
	£'000	£'000	£'000	£'000	£'000	£'000
Sterling	7,239	8,859	6,849	8,137	390	722
US \$	-	97	-	97	-	-
	7,239	8,956	6,849	8,234	390	722

Fixed rate financial liabilities

Currency	Weighted average interest rate %		Weighted average periods for which rate is fixed	
	2002	2001	2002	2001
Sterling	9%	9%	1.1 years	2.1 years

The floating rate financial liabilities comprise:

- sterling denominated bank borrowings and overdrafts that bear interest at rates between 1% and 1.125% above UK bank base rates.
- US dollar denominated overdraft that bears interest at rates based on bank 'cost of funds' plus 1%.
- sterling denominated finance leases that bear interest based on UK bank base rates.

Maturity of financial liabilities and undrawn commitments:

The maturity profile of the Group's financial liabilities and undrawn commitments at 30th March 2002 was as follows:

	Liabilities		Undrawn	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
In 1 year or less, or on demand	2,697	3,768	6,757	4,013
In more than 1 year but not more than 2 years	1,213	2,032	-	-
In more than 2 years but not more than 5 years	2,686	2,656	-	-
In more than 5 years	643	500	-	-
	7,239	8,956	6,757	4,013

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 30th March 2002, 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 30th March 2002.

	Book value		Fair value	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Fixed asset investments	445	738	445	738
Cash at bank and in hand	75	2	75	2
Bank overdrafts	(451)	(1,840)	(451)	(1,840)
Bank loans repayable within one year	(1,548)	(1,303)	(1,556)	(1,315)
Bank loans repayable after more than one year	(4,542)	(4,490)	(4,543)	(4,494)
Finance leases	(698)	(1,323)	(698)	(1,323)
Forward foreign currency contracts	-	-	-	(20)
Interest rate caps	26	-	23	-

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. For floating rate bank loans, fair values closely approximate to book values.

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 the majority are floating rate 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 31st March 2001	3	(23)	(20)
Recognised in the year	(3)	23	20
Not recognised in the year	-	-	-
Arising in the year not recognised	-	(3)	(3)
At 30th March 2002	-	(3)	(3)
Of which:			
Gains and losses expected to be recognised in 2003	-	(1)	(1)
Gains and losses expected to be recognised in 2004 or later	-	(2)	(2)

Shareholder Information 2001-2002

Reporting	Interim results announced and sent to Ordinary Shareholders 19th November 2001 Final results announced 18th June 2002 Annual Report issued by 12th July 2002 Annual General Meeting – at Bryce Institute, Burneside, Kendal, Tuesday, 6th August 2002 at 10.30am
Dividends	Ordinary Shares Interim dividend paid on 11th January 2002 to Ordinary Shareholders registered on 21st December 2001. Final dividend to be paid on 16th August 2002 to Ordinary Shareholders registered on 26th July 2002.
Registrars	Northern Registrars Limited Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0LA Telephone (01484) 600900 Fax(01484) 600911

Notice of Annual General Meeting

Tuesday 6th August 2002 at 10:30 a.m.

Notice is hereby given that the one hundred and thirteenth Annual General Meeting of the above named Company will be held at the Bryce Institute, Burneside, Kendal, Cumbria on Tuesday, 6th August 2002 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 ending 30th March 2002.
2. To declare a final dividend.
3. To re-elect Mr N A Read, who retires by rotation, as a director of the Company.
4. To re-elect Mr J R Sclater, who retires by rotation, as a director of the Company.
5. To re-elect Mr J P Southwell, who retires by rotation, as a director of the Company.
6. To re-appoint the present auditors, PricewaterhouseCoopers, 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.
7. To transact any other business of an Annual General Meeting.

Special Business

To consider and if thought fit pass the following resolutions, in the case of resolution 8 as an ordinary resolution of the Company and in the case of resolutions 9 and 10 as special resolutions:

8. That (in substitution for any previous authority in this regard) the directors be and they are hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (as defined in Section 80 of the Companies Act 1985) to a maximum nominal amount of £410,221 being the amount of the authorised but unissued share capital of the Company at the date of the passing of this resolution provided that this authority shall expire on the day preceding the fifth anniversary of the passing of this resolution save that this authority allows the Company to make an offer or agreement before such expiry which would or might require relevant securities to be allotted after such expiry.

Special Resolutions

9. That the directors be and they are empowered, pursuant to Section 95 of the Companies Act 1985, to allot equity securities (as defined in Section 94 of that Act) as if subsection (1) of Section 89 of that 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 a 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,
12th July 2002

By order of the Board

D R Carey
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 5pm on 1st August 2002, 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 Directors contained in the Annual Report.