30226.

Reports of the Auditors

To the members of James Cropper PLC

We have audited the financial statements on pages 29 to 42.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 24 the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange and our profession's ethical guidance.

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. 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.

We review whether the statement on page 24 reflects the company's compliance with those provisions of the Combined Code specified for our review by the London Stock Exchange, and we report if it does not. We are not required to form an opinion on the effectiveness of the company's or group's corporate governance procedures or its internal controls.

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 of the group as at 3rd April 1999 and of the profit and cash flows of the group for the 53 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

Newcastle upon Tyne
14th June 1999

PRICEWATERHOUSECOOPERS
Chartered Accountants and Registered Auditors

Report of the Directors

To be presented at the one hundred and tenth Annual General Meeting of the Company to be held at the Bryce Institute, Burneside on Tuesday, 3rd August 1999 at 10.30 a.m.

At the Annual General Meeting there are three items of special business and a separate circular giving an explanation of the special resolutions to be proposed at the meeting accompanies this Annual Report.

Review of the Business

The Chairman, in his statement on page 6, 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 on pages 14 to 22.

Results

The directors have pleasure in submitting to the members their report and the audited accounts for the Group for the 53 weeks ended 3rd April 1999.

The profit for the 53 weeks ended 3rd April 1999, the dividends paid and recommended and the appropriation to reserves are set out in the profit and loss account on page 29.

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 Company's shareholders for corporate governance and this section describes how the relevant principles of governance are applied to the Company. Throughout the year the Company has complied with the provisions set out in the Combined Code for Corporate Governance issued by the London Stock Exchange except where stated below and in the Report of the Remuneration Committee on page 27.

(ii) The Board

The Board comprises six executive directors and three non-executive directors. J A Cropper combines the posts of Chairman and Chief Executive. Although this does not comply with the Combined Code, it has served the Company well over many years. The Board consider that the potential dominance of J A Cropper in his capacity as Chairman and Chief Executive is mitigated by the existence of three non-executive directors. The non-executive directors represent the independent element of the Board, with John Southwell, the senior non-executive director, being Chairman of both the Remuneration Committee and the Audit Committee.

The Board meets monthly, alternating between Executive Board Meetings, which are attended by the executive directors, and 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 Stock Exchange requirements, approving major capital expenditure, budgets and business plans, significant financing matters and treasury, health and safety, and environmental policies.

(iii) Board Committees

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

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. Their report can be found on page 27.

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, except for the Chief Executive. The change to the Articles of Association to be proposed at the 1999 Annual General Meeting provides that the Chief Executive shall also be subject to retirement by rotation. This will ensure conformity with the Combined Code.

(v) Accountability and Audit

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 53 weeks ended 3rd April 1999.

The directors are responsible for the Group's system of internal financial controls.

Whilst the Group's system of internal financial controls cannot provide absolute assurance against material misstatement, loss or fraud, they are designed to provide reasonable assurance that financial 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.

On 10th December 1998 The Stock Exchange advised all UK listed companies that the Institute of Chartered Accountants in England and Wales had agreed to convene a working party to produce guidance for directors on the scope, extent, nature and review of internal controls embodied in Principle D2 and Provision D2.1 of The Combined Code. Until such guidance is published your Board considers that in confirming compliance with the recommendations issued by the Rutteman Working Group in December 1994, compliance with Provision D2.1 of The Combined Code regarding the effectiveness of internal controls is satisfied.

The Company reports to shareholders twice a year. The external auditors report to the Audit Committee on aspects of the internal financial controls and remedial action, if necessary, is agreed by the full Board.

The directors confirm that they have reviewed the effectiveness of internal financial controls during the year.

(vi) Payment of Creditors

The Company pays its suppliers in accordance with agreed terms wherever possible. The average payment period for creditors during the year was 50 days.

(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.

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. A Health and Safety Management and seven group departmental 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 Environmental Committee, whose work is described on page 22, has been active throughout the year.

The Company operates an Employee Profit Sharing 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 £13,000 were made for charitable purposes.

Authority to Issue Shares and Disapplication of Pre-emption Rights

At the 1998 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 £104,450 of the nominal share capital of the Company for cash without first offering the shares to existing shareholders pursuant to Section 95 of the Companies Act 1985.
The directors propose to renew this authority annually and Special Resolution 8 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 at 1st June 1999. 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 interest of directors referred to below, the notified shareholdings in excess of 3% of the issued capital at 14th June 1999 were as follows:

Mineworkers Pensions Scheme (Client) Nominees Ltd	496,572	5.9%
RBSTB Nominees	430,000	5.1%
Talbot Nominees Ltd (A/C 757700)	410,000	4.9%
British Coal Staff Superannuation Scheme (Chase GIS) Nominees Ltd	372,429	4.5%

Close Company

The directors consider that the Company is not a close company, as defined by the Income and Corporation Taxes Act 1988.

Auditors

Our previous auditors, Price Waterhouse, merged with Coopers & Lybrand on 1st July 1998 and the directors have appointed the new firm, PricewaterhouseCoopers to fill the vacancy. A resolution to re-appoint the new firm as auditors will be proposed at the Annual General Meeting.

Details of Directors' Interests

The directors who served throughout the period are detailed on page 5 and details of their interests in shares of the Company are lised below.

There have been no material changes between the year end and 14th June 1999. 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

		At 3rd April 1999		At 28th March 1998	
Director	Interest	Ordinary Shares	Options on Ordinary Shares	Ordinary Shares	Options on Ordinary Shares
J A Cropper	beneficial	427,989	22,565	427,989	20,000
	non-beneficial	660,211	–	688,295	–
J M Denman	beneficial	3,808	9,200	1,610	9,200
	non-beneficial	291,000	–	96,000	–
N A Read	beneficial	2,979	10,000	1,538	–
	non-beneficial	291,000	–	96,000	–
P J Willink	beneficial	6,725	10,000	5,284	–
	non-beneficial	41,350	–	41,350	–
A I Lewis	beneficial	12,451	10,000	11,010	–
G T Quayle	beneficial	3,911	10,000	2,470	–
J R Slater	beneficial	10,000	–	10,000	–
J P Southwell	beneficial	13,200	–	13,200	–
P L Herring	beneficial	1,000	–	1,000	–

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

Comparative interests at the prior year end for N A Read, P J Willink, A I Lewis and G T Quayle represent their interests at the date of their appointment to the board on 29th March 1998.

J A Cropper

J A Cropper
Chairman

Burneside Mills
Kendal
14th June 1999

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 Chairman and Finance Director are employed on rolling contracts subject to two years notice on either side. This does not strictly comply with the provisions of the Combined Code for Corporate Govenance which suggests that the contract period for directors should be one year or less. The other executive directors are on rolling one year contracts, subject to one year's notice served by the company on the executive, and 6 months notice served by the executive on the company.

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 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 Company operates a Senior Executive Bonus Scheme which was revised in April 1998. 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 can be paid bonus greater than their average annual salary.

No bonus becomes payable on the 1999 results.

Share Option Schemes

The Company operates an Inland Revenue Approved Share Option Scheme which was approved by shareholders at the last Annual General Meeting. Details of the options granted during the year are shown on the next page.

Pension Scheme

At 28th March 1998 J A Cropper and J M Denman were the only members of the Senior Executive Pension Scheme. This Scheme had been closed to new members two years previously. The other Executive Directors are members of the Staff Pension Scheme. Both schemes are defined benefit schemes. During the course of the year the assets and benefits of the Senior Executive Pension Scheme were assigned to the Staff Pension Scheme. Members of the Staff Pension Scheme contribute 5% of their salaries to the scheme. The Senior Executive Pension Scheme was a non-contributory scheme. On their transfer to the Staff Pension Scheme the salaries of J A Cropper and J M Denman were adjusted accordingly.

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

Details of Directors' Remuneration

The following table brings together the various elements of remuneration of each director for the 53 weeks to 3rd April 1999.

	Salary and Fees		Benefits		Annual Bonus		Total	
	1999 £'000	**1998 £'000**	**1999 £'000**	**1998 £'000**	**1999 £'000**	**1998 £'000**	**1999 £'000**	**1998 £'000**
Executive								
J A Cropper – Chairman	78	74	13	13	–	5	91	92
J M Denman	69	62	8	7	–	5	77	74
N A Read (appointed 29.3.98)	60	–	7	–	–	–	67	–
P J Willink (appointed 29.3.98)	54	–	9	–	–	–	63	–
A I Lewis (appointed 29.3.98)	54	–	7	–	–	–	61	–
G T Quayle (appointed 29.3.98)	54	–	7	–	–	–	61	–
O G D Acland (retired 30.9.97)	–	29	–	3	–	1	–	33
N W Willink (retired 28.3.98)	–	56	–	9	–	2	–	67
Non-executive								
J R Sclater	14	12	–	–	–	–	14	12
J P Southwell	17	15	–	–	–	–	17	15
P L Herring	15	8	–	–	–	–	15	8
	415	256	51	32	–	13	466	301

The increase in the salaries of J A Cropper and J M Denman include adjustments to reflect the change in their pension arrangements. J M Denman's increase also reflects the progressive increase in his responsibilities since joining the Company.

Highest paid Director

	1999 £'000	1998 £'000
Aggregate emolments	91	92
Gains arising on the exercise of share options	–	14
Accrued pension under defined benefit pension scheme	51	47

Directors Pensions

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

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

	Total accrued pension as at end March 1998 adjusted for inflation £'000	Increase in accrued pension during year £'000	Total accrued pension as at end March 1999 £'000	Transfer value of the increase/(decrease) in accrued pension during the year (less members' contributions) £'000
J A Cropper	48	3	51	41
J M Denman	6	3	9	21
N A Read	16	1	17	1
P J Willink	5	2	7	5
A I Lewis	8	2	10	11
G T Quayle	4	1	5	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 28th March 1998	Number granted in year	Number exercised in year	Options lapsed in year	Exercise Price £	Exerciseable	Number at 3rd April 1999
J A Cropper	20,000	–	–	–	1.24	January 1994 to January 2001	20,000
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 28th March 1998	Number granted in year	Number exercised in year	Options lapsed in year	Exercise Price £	Exerciseable	Number at 3rd April 1999
J A Cropper	–	2,565	–	–	2.027	August 2001 to August 2008	2,565
N A Read	–	10,000	–	–	2.027	August 2001 to August 2008	10,000
P J Willink	–	10,000	–	–	2.027	August 2001 to August 2008	10,000
A I Lewis	–	10,000	–	–	2.027	August 2001 to August 2008	10,000
G T Quayle	–	10,000	–	–	2.027	August 2001 to August 2008	10,000

The market price of the shares at the end of the year was £1.435 and the high and low for the year was £2.31 and £1.435 respectively.

Group Profit and Loss Account
for the 53 weeks ended 3rd April 1999

	1999		1998 (as restated – see Note 14)	
	£'000	£'000	£'000	£'000
Turnover (Note 2)		53,078		54,685
Change in stocks of finished *goods and work in progress*		(556)		(377)
Own work capitalised		133		106
Other operating income		197		239
		52,852		54,653
Raw materials and consumables	(25,739)		(28,275)	
Other external charges	(7,013)		(7,076)	
Staff costs (Notes 4, 5 & 6)	(13,612)		(12,965)	
Depreciation	(3,259)		(3,106)	
		(49,623)		(51,442)
Operating profit (Notes 3 & 7)		3,229		3,231
Profit on sale of freehold houses (Note 8)		232		–
Income from fixed asset investments		17		10
Interest receivable and similar income		14		9
Interest payable and similar charges (Note 9)		(994)		(921)
Profit on ordinary activities before taxation		2,498		2,329
Tax on profit on ordinary activities (Note 10)		(800)		(859)
Profit on ordinary activities after taxation (Note 11)		1,698		1,470
Dividends paid and proposed:				
Interim 1.4p (1998 1.4p)	(117)		(116)	
Proposed final 4.1p (1998 3.6p)	(343)		(301)	
		(460)		(417)
Amount set aside to reserves (Note 21)		1,238		1,053
Earnings per Ordinary Share of 25p (Note 12)				
Basic		20.3p		17.7p
Diluted		20.3p		17.7p

Balance Sheets
As at 3rd April 1999

	Group 1999	Group 1998 (as restated – see Note 14)	Company 1999	Company 1998
	£'000	£'000	£'000	£'000
Fixed assets				
Tangible assets (Note 13)	28,380	29,739	25,927	27,063
Investments (Note 14)	738	738	738	738
	29,118	30,477	26,665	27,801
Current assets				
Stocks (Note 15)	5,275	5,854	4,547	5,059
Debtors (Note 16)	11,579	11,671	11,235	11,988
Cash at bank and in hand	641	5	3,126	1,633
	17,495	17,530	18,908	18,680
Creditors (amounts falling due within one year) (Note 17)	(10,822)	(12,283)	(10,417)	(11,834)
Net current assets	6,673	5,247	8,491	6,846
Total assets less current liabilities	35,791	35,724	35,156	34,647
Creditors (amounts falling due after more than one year) (Note 18)	(6,161)	(7,596)	(6,161)	(7,596)
Deferred Taxation (Note 19)	(840)	(576)	(806)	(542)
	28,790	27,552	28,189	26,509
Capital and reserves				
Called up equity share capital (Note 20)	2,090	2,090	2,090	2,090
Share premium account (Note 21)	454	454	454	454
Revaluation reserve (Note 21)	471	1,640	471	1,640
Profit and loss account (Note 21)	25,775	23,368	25,174	22,325
Equity shareholders' funds	28,790	27,552	28,189	26,509

Approved by the directors on
14th June 1999 and signed on
their behalf by:
J A Cropper

J A Cropper

Statement of Group Total Recognised Gains and Losses

For the 53 weeks ended 3rd April 1999

	1999 £'000	1998 £'000 (as restated - see Note 14)
Profit for the year	1,698	1,470
Unrealised deficit on property revaluations	–	(493)
Total recognised gains and losses relating to the year	1,698	977
Prior year adjustment (see Note 14)	(298)	
Total recognised gains and losses since last Annual Report	1,400	

Note of Group Historical Cost Profits and Losses

For the 53 weeks ended 3rd April 1999

	1999 £'000	1998 (as restated - see Note 14) £'000
Reported profit on ordinary activities before taxation	2,498	2,329
Realisation of property revaluation gains of previous years	1,139	110
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amounts	30	22
Historical cost profit on ordinary activities before taxation	3,667	2,461
Historical cost profit for the year after taxation and dividends	2,407	1,185

Reconciliation of Movements in Group Shareholders' Funds

For the 53 weeks ended 3rd April 1999

	1999 £'000	1998 £'000 (as restated - see Note 14)
Opening shareholders' funds (as previously stated)	27,850	27,257
Prior year adjustment (see Note 14)	(298)	(371)
Opening shareholders' funds (as restated)	27,552	26,886
Profit for the year	1,698	1,470
Dividends	(460)	(417)
	28,790	27,939
Other recognised gains and losses relating to the year (net)	–	(493)
New share capital issued	–	106
Closing shareholders' funds	28,790	27,552

Group Cash Flow Statement

For the 53 weeks ended 3rd April 1999

	1999		1998	
	£'000	£'000	£'000	£'000
Cash flow from operating activities (Cashflow Note 1)		6,367		4,970
Returns on investments and servicing of finance				
Interest received	14		9	
Interest paid	(627)		(473)	
Interest element of finance lease rental payments	(386)		(433)	
Dividends received	17	(982)	10	(887)
Taxation		(609)		(2,000)
Capital expenditure				
Purchase of tangible fixed assets	(4,631)		(4,102)	
Asset disposal proceeds	3,047	(1,584)	1,368	(2,734)
Acquisitions and disposals				
Sale of Associate		–		84
Equity dividends paid		(418)		(398)
Net cash inflow/(outflow) before financing		2,774		(965)
Financing				
Issue of ordinary share capital	–		106	
New debt due beyond a year	750		3,250	
Repayment of Bank Loans	(2,207)		(1,400)	
Capital element of finance lease payments	(710)	(2,167)	(638)	1,318
Increase in cash in the period		607		353

Notes to Cash Flow Statement

1 Reconciliation of Operating Profit to Cash Flows from Operating Activities

	1999 £'000	1998 £'000
Operating profit	3,229	3,231
Loss on disposal of associated undertaking	–	6
Depreciation charges	3,259	3,106
Profit on fixed asset disposals	(51)	(34)
Decrease in stocks	579	99
Decrease in debtors	60	437
Decrease in creditors	(709)	(1,875)
Net cash inflow from operating activities	6,367	4,970

2 Reconciliation of Net Cash Flow to Movement in Net Debt

	1999 £'000	1998 £'000
Increase in cash for the period	607	353
Decrease/(Increase) in debt and lease financing	2,167	(1,212)
Change in net debt resulting from cash flows	2,774	(859)
Net debt at 28th March 1998	(10,055)	(9,196)
Net debt at 3rd April 1999	(7,281)	(10,055)

3 Analysis of Net Debt

	28th March 1998 £'000	Cash flow £'000	3rd April 1999 £'000
Cash in hand, at bank	5	636	641
Overdrafts	(47)	(29)	(76)
		607	
Debt due after more than 1 year	(4,603)	645	(3,958)
Debt due within 1 year	(1,707)	812	(895)
Finance leases	(3,703)	710	(2,993)
		2,167	
Total	(10,055)	2,774	(7,281)

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 certain fixed assets referred to below, and in accordance with applicable accounting standards.

Group Consolidation

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

Fixed Assets

Freehold land, buildings and houses are revalued periodically with subsequent additions at cost. Plant and machinery is stated at cost. Industrial 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. It is the Group's policy to maintain freehold houses in good repair and charge the cost of maintenance to the profit and loss account. Consequently the directors consider the lives of these properties to be so long and their estimated residual values, based on cost or subsequent valuation, to be so high that there is no significant annual depreciation.

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

Provision is made on the liability basis for taxation deferred by accelerated capital allowances and other timing differences and on potential gains on fixed asset revaluations only to the extent that these timing differences are expected to reverse in the foreseeable future.

Pensions

The Group's contributions to its 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.

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 as they fall due.

2 Turnover

Turnover represents the amount receivable from sales of paper and board, excluding VAT.

The turnover of each business is:

	1999 £'000	**1998 £'000**
Papermaking Division	38,580	42,503
Converting Division	10,507	8,180
Technical Fibre Products	3,991	4,002
	53,078	54,685

The geographical analysis of turnover is:

	£'000	**£'000**
UK	34,547	35,600
Continental Europe	11,157	11,295
Asia	2,925	3,511
The Americas	2,768	2,089
Australasia	1,047	1,239
Africa	634	951
	53,078	54,685

3 Analysis of Results

The operating profits of the Group's businesses are as follows:

	£'000	**£'000**
Papermaking Division	2,758	2,670
Converting Division	678	549
Technical Fibre Products	(207)	12
	3,229	3,231

Segmental disclosure has been given although all three businesses referred to above are solely involved in papermaking activities. The directors consider that further disclosure is impracticable due to their common use of assets.

4 Staff Costs

	£'000	***£'000***
Wages and salaries	11,469	10,958
Social security costs	892	887
Other pension costs	1,251	1,120
	13,612	12,965

The average number of employees, including directors, during the year was 488 (1998 485).

5 Directors' Emoluments

The remuneration of the directors, excluding pension contributions was £466,000 (1998 £301,000), and the details of their remuneration is shown on Page 27 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

The Group operates pension schemes providing defined benefits for the majority of its full time employees including executive directors.

During the course of the year the assets and benefits of the Senior Executive Pension Scheme, which had been closed to new members for the two previous years, were transferred to the James Cropper PLC Staff Pension Scheme. The Staff Pension Scheme is also now closed to new members, and eligible new employees will join the existing James Cropper PLC Works Pension Plan.

The James Cropper PLC Works Pension Plan and the James Cropper PLC Staff Pension Scheme were valued respectively using the projected unit method on 6th April 1998 and 1st April 1997 by professionally qualified actuaries. In valuing the funds it has been assumed that the rate of investment income will exceed pension increases by between 4% and 5% and that interest rates will exceed increase in earnings by between 1.5% and 2%.

At the respective dates of valuation the actuarial value of the funds represented 102% and 98% respectively of the benefits that had accrued to members after allowing for expected future increases in earnings. An additional sum of £230,000 was paid by the Company during the year to fully fund the Staff Pension Scheme of which £203,000 of the payment has been treated as a prepayment in Debtors in respect of this payment.

The aggregate value of the funds at 3rd April 1999 was £35,785,000 (1998 £33,412,000)

7 Operating Profit
The operating profit is shown after charging/(crediting):

	1999 £'000	**1998 £'000**
Research and development	548	570
Operating lease rentals in respect of plant and machinery	685	541
Auditors' remuneration	35	35
Non audit services supplied by the Company's auditors	18	14
Profit on disposal of tangible fixed assets	(51)	(34)
Loss on disposal of associated undertaking	–	6

Auditors' remuneration in respect of the parent company for the year amounted to £30,000 (1998 £30,000)

8 Profit on Sale of Freehold Houses

The profit on sale of freehold houses relates to the disposal of seventy four residential properties in Burneside. Fifty eight of the properties were sold on a freehold basis, and the remainder on a long leasehold basis. The net proceeds were £2,118,000 and the net book value was £1,886,000.

9 Interest Payable and Similar Charges

	1999 £'000	**1998 £'000**
Interest on bank and other borrowings repayable within 5 years	468	465
Interest on bank borrowings repayable after more than 5 years	153	35
Interest on finance leases repayable within 5 years	373	421
	994	921

10 Tax on Profit on Ordinary Activities

The taxation charge comprises:

	1999 £'000	**1998 £'000 (as restated - see Note 14)**
Corporation tax charge/(credit) – current year at 31% (1998 31%)	634	760
– prior years	(23)	(1)
Deferred taxation	189	100
	800	859

11 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 £2,140,000 (1998 £1,606,000) which is dealt with in the accounts of the Company.

12 Earnings Per Share

The calculation of basic earnings per share is based on profits on ordinary activities after taxation of £1,698,000 (1998 £1,507,000 as previously stated, £1,470,000 as restated following the prior year adjustment explained in Note 14) and the weighted average number of shares in issue of 8,359,114 (1998 8,315,614).

The calculation of diluted earnings per share is based on the profit on ordinary activities after taxation of £1,698,000 (1998 £1,507,000 as previously stated, £1,470,000 as restated following the prior year adjustment explained in Note 14) and on 8,366,023 ordinary shares, 8,359,114 being the weighted average number of shares in issue plus 6,909 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 (1998 8,327,150 ordinary shares, 8,315,614 being the weighted average number of shares in issue plus 11,536 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).

13 Tangible Fixed Assets

	Group				Company			
	Freehold land and buildings	Freehold houses	Plant and machinery	Total	Freehold land and buildings	Freehold houses	Plant and machinery	Total
Cost or valuation	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 28th March 1998	8,966	1,839	48,526	59,331	8,748	1,839	44,455	55,042
Additions in year	385	217	4,061	4,663	385	217	3,937	4,539
Disposals	–	(1,886)	(1,016)	(2,902)	–	(1,886)	(1,016)	(2,902)
Capital work in progress	–	–	3	3	–	–	3	3
At 3rd April 1999	9,351	170	51,574	61,095	9,133	170	47,379	56,682
Depreciation								
At 28th March 1998	1,851	–	27,741	29,592	1,751	–	26,228	27,979
Provision for year	254	–	3,005	3,259	236	–	2,676	2,912
Disposals	–	–	(136)	(136)	–	–	(136)	(136)
At 3rd April 1999	2,105	–	30,610	32,715	1,987	–	28,768	30,755
Net Book Amount								
At 3rd April 1999	7,246	170	20,964	28,380	7,146	170	18,611	25,927
At 28th March 1998	7,115	1,839	20,785	29,739	6,997	1,839	18,227	27,063

Included in the above figures for plant and machinery is £3,630,000 (1998 £4,082,000) net book amount, and £451,000 (1998 £451,000) depreciation provided for the year in respect of assets under hire purchase and finance lease agreements.

Freehold houses were revalued by the Directors as at 28th March 1998 at open market value on an existing use basis.

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 houses at 3rd April 1999 would be as follows:

	Freehold land and buildings	Freehold houses
	£'000	**£'000**
Cost	8,382	40
Aggregate depreciation	(2,420)	–
Net book amount	5,962	40

14 Investments

	Group	Company	
	Other investments	Subsidiary undertakings	Other investments
	£'000	£'000	£'000
At 28th March 1998 (as previously stated)	1,036	–	738
Prior year adjustment	(298)	–	–
At 28th March 1998 (as restated)	738	–	738
At 3rd April 1999	738	–	738

Name of company	Country of incorporation and operation	% holding	Nature of business
Technical Fibre Products Limited	England	100	Manufacturer of paper from manmade fibres
Technical Fibre Products Inc	USA	100	Sales organisation for products from Technical Fibre Products Ltd
Pacofa SA	France	35	Converter of paper products

Prior year adjustment:
The Group's interest in Pacofa has been restated following the introduction of Financial Reporting Standard 9, "Associates and Joint Ventures". This represents a change in accounting policy for the interest in Pacofa, as the directors consider the Group does not exercise a significant influence over the operating and financial policies of Pacofa. The interest has therefore been reflected as a trade investment rather than an associated undertaking. The carrying value and income received in respect of the investment have been restated in the 1998 comparative figures.

Had this change in accounting policy not been implemented, profit on ordinary activities after taxation for the 53 weeks ended 3rd April 1999 would have increased by £19,000.

15 Stocks

	Group		Company	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Raw materials	2,211	2,234	1,773	1,764
Work in progress	1,198	1,403	949	1,112
Finished goods	1,866	2,217	1,825	2,183
	5,275	5,854	4,547	5,059

16 Debtors

	Group		Company	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Trade debtors	10,682	10,646	9,847	9,882
Pensions prepayment	203	128	203	128
Other prepayments and accrued income	493	545	469	496
Other debtors	201	352	201	352
Amounts owed by subsidiary undertakings	–	–	515	1,130
	11,579	11,671	11,235	11,988

Included within the Company figures above are amounts due in more than one year owed by a subsidiary undertaking of £404,000 (1998 £404,000).

17 Creditors
(amounts falling due within one year)

	Group 1999 £'000	Group 1998 £'000	Company 1999 £'000	Company 1998 £'000
Bank overdrafts	76	47	–	–
Bank loans	895	1,707	895	1,707
Finance leases	790	710	790	710
Trade creditors	2,878	4,090	2,705	3,817
Bills of exchange discounted	57	139	57	139
Taxation and social security	1,500	1,154	1,464	1,133
Accruals	4,089	3,951	3,977	3,849
Other creditors	194	184	186	178
Proposed dividend	343	301	343	301
	10,822	12,283	10,417	11,834

18 Creditors
(amounts falling due after *more than one year)*

	Group 1999 £'000	Group 1998 £'000	Company 1999 £'000	Company 1998 £'000
Bank loans				
repayable between 1 and 2 years	2,089	895	2,089	895
repayable between 2 and 5 years	1,583	3,136	1,583	3,136
repayable over 5 years	286	572	286	572
	3,958	4,603	3,958	4,603
Finance leases				
payable between 1 and 2 years	880	790	880	790
payable between 2 and 5 years	1,323	2,203	1,323	2,203
	2,203	2,993	2,203	2,993
	6,161	7,596	6,161	7,596

Bank loans repayable by instalments over more than five years amount to £1,714,000 at 3rd April 1999 (1998 £2,000,000). These loans are repaid on a quarterly basis and carry interest rates at 1% above LIBOR.

19 Deferred Taxation
Deferred taxation provided in the accounts comprises:

	Group 1999 £'000	Group 1998 £'000	Company 1999 £'000	Company 1998 £'000
Accelerated capital allowances at 30% (1998 31%)	840	651	806	617
Unrelieved advance corporation tax	–	(75)	–	(75)
	840	576	806	542

The potential liability for deferred taxation not provided in the accounts represents:

	Group 1999 £'000	Group 1998 £'000	Company 1999 £'000	Company 1998 £'000
Accelerated capital allowances at 30% (1998 31%)	2,942	3,298	2,790	2,997

20 Share Capital

	1999 £'000	1998 £'000
Authorised:		
10,000,000 (1998 10,000,000) Ordinary Shares of 25p each	2,500	2,500
Allotted and fully paid:		
8,359,114 (1998 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 3rd April 1999 in respect of the following:

Type	Number of shares subject to option	Period of option	Price per share £
Ordinary	20,000	January 1994 to January 2001	1.240
Ordinary	9,200	August 1999 to August 2006	3.250
Ordinary	42,565	August 2001 to August 2008	2.027

21 Reserves

	Group			Company		
	Share Premium Account	Revaluation Reserve	Profit and Loss Account	Share Premium Account	Revaluation Reserve	Profit and Loss Account
	£'000	£'000	£'000	£'000	£'000	£'000
At 28th March 1998 (as previously stated)	454	1,640	23,666	454	1,640	22,325
Prior year adjustment (see Note 14)	–	–	(298)	–	–	–
At 28th March 1998 (as restated)	454	1,640	23,368	454	1,640	22,325
Release during year	–	(1,169)	1,169	–	(1,169)	1,169
Amount set aside from profit for year	–	–	1,238	–	–	1,680
At 3rd April 1999	454	471	25,775	454	471	25,174

22 Commitments under Operating Leases

At 3rd April 1999 there were annual commitments under operating leases for plant and machinery terminating as follows:

	Group		Company	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Within 1 year	50	179	46	179
In 2 to 5 years	337	339	312	332
More than 5 years	330	205	330	205
	717	723	688	716

23 Capital Commitments

At 3rd April 1999 the Group had placed contracts for capital expenditure of approximately £721,000 (1998 £1,720,000).

24 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.

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 27% of the Group's borrowings were at fixed rates of interest. A further £4 million of debt was covered by interest rate caps at interest rates of between 8% and 8.5%.

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 £10,853,000 with four banks, 40% of which was drawn down. The weighted average period until maturity of these facilities was 1.9 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 3rd April 1999 was:

Currency	Total	Floating rate financial liabilities	Fixed rate financial liabilities
	£'000	**£'000**	**£'000**
Sterling	4853	3548	1305
US Dollar	76	76	-
	4,929	3,624	1,305

Fixed rate financial liabilities

Currency	Weighted average interest rate	Weighted average period for which rate is fixed
	%	Years
Sterling	9	4.1

The floating rate financial liabilities comprise:

- sterling denominated bank borrowings and overdrafts that bear interest at rates between 0.75% 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%.

Maturity of financial liabilities and undrawn commitments:

The maturity profile of the Group's financial liabilities and undrawn commitments at 3rd April 1999 was as follows:

	Liabilities **£'000**	Undrawn **£'000**
In 1 year or less, or on demand	971	5,424
In more than 1 year but not more than 2 years	2,089	500
In more than 2 years but not more than 5 years	1,583	-
In more than 5 years	286	-
	4,929	5,924

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 3rd April 1999, 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 3rd April 1999:

	Book value ***£'000***	Fair value ***£'000***
Fixed asset investments	738	738
Cash at bank and in hand	641	641
Bank overdrafts	(76)	(76)
Bank loans repayable within one year	(895)	(923)
Bank loans repayable after more than one year	(3,958)	(3,985)
Forward foreign currency contracts	–	(16)
Interest rate caps	10	–

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 cash flows at prevailing interest rates. For floating rate bank loans, fair values closely approximate to book values.

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 **£'000**	Losses **£'000**	Total net gains/(losses) **£'000**
Unrecognised gains and losses on hedges at 3rd April 1999	–	(26)	(26)
Of which:			
Gains and losses expected to be recognised in 2000	–	(24)	(24)
Gains and losses expected to be recognised in 2001 or later	–	(2)	(2)

Shareholder Information

1998-1999

Reporting	Interim results announced and sent to Ordinary Shareholders	16th November 1998
	Final results announced	14th June 1999
	Annual Report issued by	9th July 1999
	Annual General Meeting – at Bryce Institute, Burneside, Kendal, Tuesday 3rd August 1999 at 10.30 a.m.	
Dividends	**Ordinary Shares**	
	Interim dividend paid on 8th January 1999 to Ordinary Shareholders registered on 18th December 1998.	
	Final dividend to be paid on 13th August 1999 to Ordinary Shareholders registered on 30th July 1999.	
Registrars	KPMG Festival Way Stoke on Trent Staffordshire ST1 5TA	
	Telephone	(01782) 216000
	Fax	(01782) 216050

Notice of Annual General Meeting

Tuesday 3rd August 1999 at 10.30 a.m.

Notice is hereby given that the one hundred and tenth Annual General Meeting of the above named Company will be held at the Bryce Institute, Burneside, Kendal, Cumbria, on Tuesday 3rd August 1999 at 10.30am for the following purposes:-

Ordinary Business

1. *To receive and consider* the statement of accounts and the reports of the directors and the auditors of the Company for the 53 weeks ended 3rd April 1999.

2. *To declare a final dividend.*

3. To re-elect Mr J R Sclater, who retires by rotation, as a director of the Company.

4. To re-elect Mr J P Southwell, who retires by rotation, as a director of the Company.

5. To transact any other business of an Annual General Meeting.

Special Business

To consider and if thought fit pass the following resolutions as special resolutions of the Company:

6. To re-appoint PricewaterhouseCoopers as auditors of the Company (having previously been appointed by the Directors to fill the casual vacancy arising on the resignation of PriceWaterhouse and special notice having been received of the intention to propose this resolution) and to authorise the Directors to fix their remuneration.

7. That the Articles of Association in the form of the draft produced to the meeting and, for the purposes of identification only, signed by the chairman of the meeting, be and they are hereby approved and adopted as the Articles of Association of the Company in substitution for and to the exclusion of the Company's existing Articles of Association.

8. That, pursuant to resolution 6 passed on 25th July 1997, 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 Ordinary Shareholders where the equity securities respectively attributable to the interests of all Ordinary Shareholders are proportionate (as nearly as may be) to the respective numbers of Ordinary Shares held by them on a fixed record date (but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of or the requirements of any recognised regulatory body or any stock exchange or 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 £104,450; 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.

Burneside Mills,	By order
Kendal,	of the Board
Cumbria,	D R Carey
9th July 1999	Secretary

Notes

1. *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 pm on 30th July 1999, when the registrar 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.

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.