

30226

Turnover in £'000

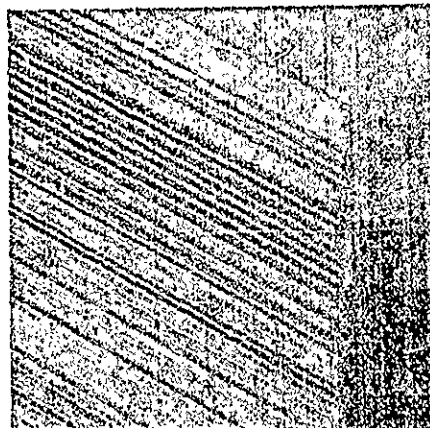
| | |
|-------|-------|
| 42000 | 39374 |
| 38500 | 39148 |
| 35000 | 35268 |
| 31500 | 32707 |
| 28000 | 29109 |
| 24500 | 27482 |
| 21000 | 25138 |
| 17500 | 21667 |
| 14000 | 17573 |
| 10500 | 16975 |
| 7000 | |
| 3500 | |
| 0 | |
| 1982 | 1983 |
| 1984 | 1985 |
| 1986 | 1987 |
| 1988 | 1989 |
| 1990 | 1991 |

Capital Expenditure in £'000

| | |
|-------|-------|
| 12000 | 11532 |
| 11000 | |
| 10000 | |
| 9000 | |
| 8000 | |
| 7000 | |
| 6000 | 5917 |
| 5000 | 4320 |
| 4000 | 4147 |
| 3000 | 3039 |
| 2000 | 2408 |
| 1000 | 1120 |
| 0 | 791 |
| 1982 | 1983 |
| 1984 | 1985 |
| 1986 | 1987 |
| 1988 | 1989 |
| 1990 | 1991 |

Group Sales in tonnes

| | |
|-------|-------|
| 48000 | 43955 |
| 44000 | 42350 |
| 40000 | 40836 |
| 36000 | 38712 |
| 32000 | 37248 |
| 28000 | 35810 |
| 24000 | 29048 |
| 20000 | 28700 |
| 16000 | |
| 12000 | |
| 8000 | |
| 4000 | |
| 0 | |
| 1982 | 1983 |
| 1984 | 1985 |
| 1986 | 1987 |
| 1988 | 1989 |
| 1990 | 1991 |





Directors, Bankers and Advisers

Executive Directors

Chairman and Finance Director

J A Cropper, DL, BA, FCA – born 1938 – is the great great grandson of the founder. He joined the Company in 1966 and the Board in 1967, on the death of his father and became Chairman in 1971.

Personnel Director and Company Secretary

O G D Acland, BA – born 1934 – is also a great great grandson of the founder. He joined the Company in 1958 and the Board in 1964. His father was a director of the Company until his death in 1964.

Papermaking Division Managing Director

N W Willink, BA – born 1935 – is also related to the founder. He joined the Company in 1959 and the Board in 1964. His father retired as Chairman in 1971 after 47 years with the Company.

Technical Fibre Products Ltd and Converting Division Managing Director

J H Larking, BSc born in 1930 – joined the Board in 1971 from Wolvercote Paper Mill after previous service with the Company in the 1960's.

Engineering Director

P Charlton, CEng, MIE – born 1928 – joined the Company as Chief Engineer from Reed's Colthrop Mill in 1974 and joined the Board in 1977 (retires at the end of August).

Director

J Oakley BSc CEng MIMechE – born 1944 – joined the Board this June to take over from P Charlton. He has joined the Company from Dairy Crest.

Non-Executive Directors

J R Sclater, MA, MBA – born 1940 – joined the Board in 1972. His appointments include: Chairman of the Foreign & Colonial Investment Trust PLC, Chairman of Berisford International PLC, Vice Chairman of Hill Samuel Bank Limited, Trustee of the Grosvenor Estate and a Member of the Council of The Duchy of Lancaster.

J P Southwell, MA – born 1933 – joined the Board in 1984. A director of Credit Lyonnais Laing Corporate Finance and Chairman of Helical Bar PLC.

Bankers

Barclays Bank PLC, Kendal

Auditors

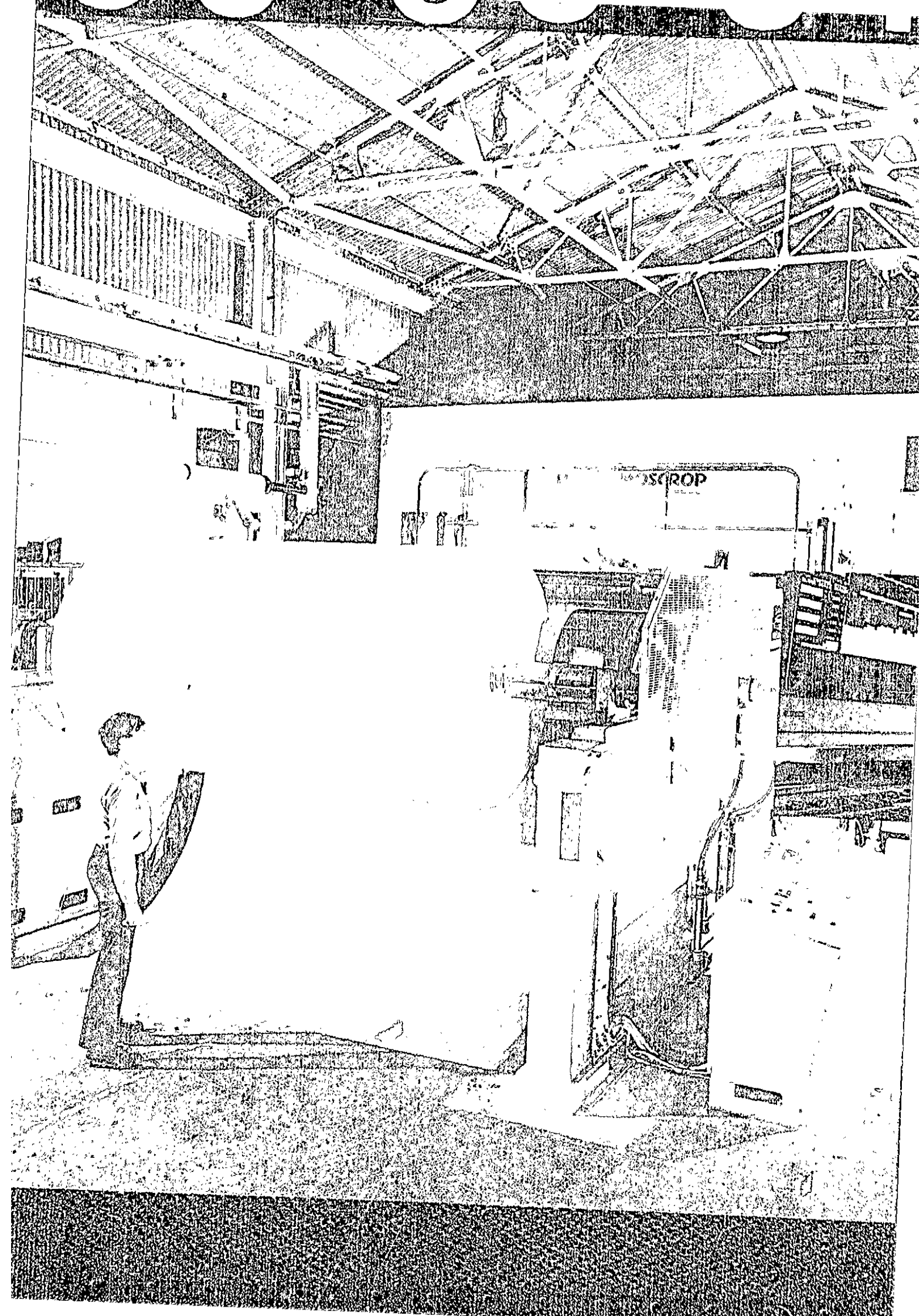
Pricewaterhouse, Newcastle

Stockbrokers

Credit Lyonnais Laing, London

Corporate Lawyers

Dickinson Dees, Newcastle



Chairman's Review

This financial year has been one of major importance to the Company and marks the completion of the most ambitious ten year investment programme in our history. The major project has been the replacement of No. 3 MG Machine with a very advanced Fourdrinier machine 3.25 metres wide - our third new machine commissioned in a decade, full details of which are included later in the Report.

I am delighted to report that we have managed to complete this project successfully without too seriously affecting the profits for the year. Indeed

lack of demand in the UK market and excess paper machine capacity worldwide led to price pressure downwards even spreading to speciality papers. Orders were difficult to find for the new paper machine and then only at low margins.

Thus it is pleasing to report Group profits have recovered by 44% from £1,024,000 to £1,476,000 with a good performance from the Papermaking and Converting Divisions being offset by poor results from Technical Fibre Products. It is an achievement to complete our most ambitious and highest ever capital spend at a time of high interest rates and a severe recession and produce a respectable profit at the end of it.

Dividends

We have decided to increase the dividend this year by 7.5% with a total dividend of 2.9p this year as against 2.7p last year. Although the dividend is well covered at over five times profits after taxation, we need to be prudent at a time of such a severe recession, for the cash generated this year is needed to finance the high capital expenditure.

Papermaking Division

This Division has had a better year with an increase in profitability over last year, despite a static turnover. Sales tonnes increased by 2% with extra tonnage from the new No. 3 Machine in the last quarter offsetting the four months preceding the start-up.

The market in the UK was depressed for most of the year with a trend to smaller order sizes with more difficult running conditions. However we had another record year in our export markets, particularly in continental Europe and deep sea markets details of which are set out later. This good performance in the export markets has offset the gradual weakening in the home market over the past 18 months.

Converting Division

This Division has had another very good year. Sales turnover was only slightly up but extra volume on our embossing facilities and better margins on laminated products led to greater profitability.

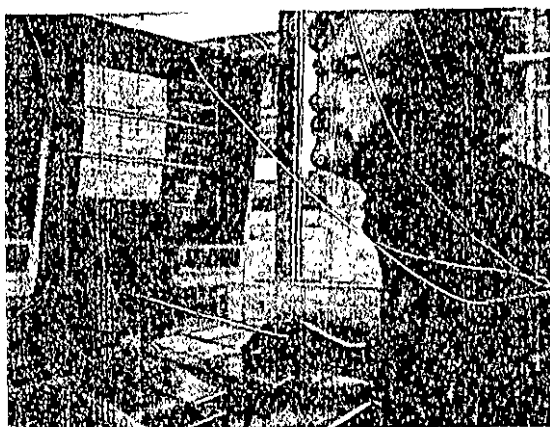
We are preparing for the time when lack of space will hamper the growth of this Division by applying for planning permission for a new building on an extension to our present site. By concentrating all converting facilities into one area it will give room for both Divisions to grow in a more efficient manner.

It was thus very disappointing that we have been refused planning permission three times by the local council on weak grounds; we are hoping for a favourable outcome to our recent appeal. We wish to establish the principle that we can continue to grow on our present site rather than look elsewhere in the world to expand our activities.

Technical Fibre Products Ltd

This subsidiary has had a frustrating year. We expected the research and development carried out in previous years to lead to sales increasing at a faster rate than actually happened. Turnover only increased by 7% which was insufficient to cover the cost of extra staff we took on, in particular in sales, and the cost of further trials and testing to back up our products. Thus, a small operating profit became, after depreciation and interest, a loss of £163,000.

We are expecting a more rapid increase in turnover this year, for we are concentrating on the American market for volume sales of battery separator papers and filter papers for clean air systems. We have appointed Norm Scheffel to develop our sales in



we have had fortune on our side in the earlier months in that the upward spiral of pulp prices peaked then began to decline.

This enabled us to make good progress in the first six months despite No. 3 Machine being shut for three months of the period and the extra manpower and other costs arising from its installation. However our ambitions to advance to a record profit for the year soon faded in the winter as the recession affected our markets. The

that market. His background is in the microfine glass market where he was a leading player. He is opening up many new opportunities for regular business. Exports continue to provide a high proportion of sales of this subsidiary.

Faserlec, the joint venture in Germany between Technical Fibre Products and Deutsche Basaltsteinwolle had a moderate trading year and produced a small profit after deducting the final accelerated depreciation allowances on the manufacturing plant.

Pacofa

This converting company based in Halluin, near Lille, in France in which we have a 35% stake, has had another year of substantial progress. It acquired in the autumn of last year the fluorescent coated poster paper assets of Papyrus, a subsidiary of Papeteries de Clairefontaine - in particular a coater, cutter and the stocks. It now has a dominant presence in this market in France. Our share of the profit increased by 13% this year to £142,000. There was some effect on turnover and profits from the costs of the acquisition.

Capital Expenditure

The total capital spend in the year was £11.5 million of which £10.3 million arose from the decision to replace No. 3 MG Machine with a 3.25 metre wide Fourdrinier machine.

The machine itself cost £8.8 million and extensions to the machine house and other ancillary work were required at £487,000. The extra capacity of the machine required a new cutter at £672,000 and a warehouse extension at £350,000.

We are leasing over 10 to 12 years £7.2 million of the cost of the machine and cutter, with the first primary rental payable annually in advance in December 1991. The balance of the capital expenditure for the year has been financed internally without incurring a significant increase in short term borrowings.

Capital expenditure has been at a very high level over the past five years with the new No. 2 and No. 3 Machines and Gas Turbine. It is unlikely to be at such a level for a number of years; smaller projects to increase efficiency will be undertaken to reduce the high present level of group borrowings including leasing commitments.

The main focus of the expenditure in the current year will be to improve the operation and efficiency of the power plant, which has suffered from a number of problems.

Forecast capital expenditure of £1.7 million will be well covered by depreciation which should enable debt to be reduced.

The Power Plant

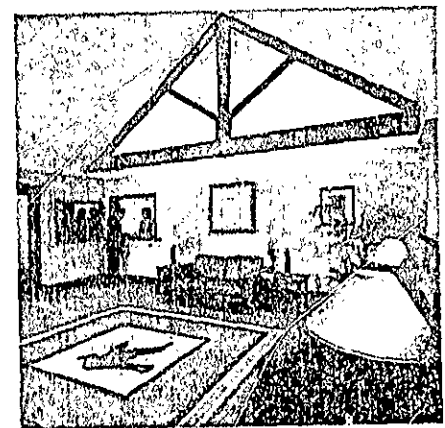
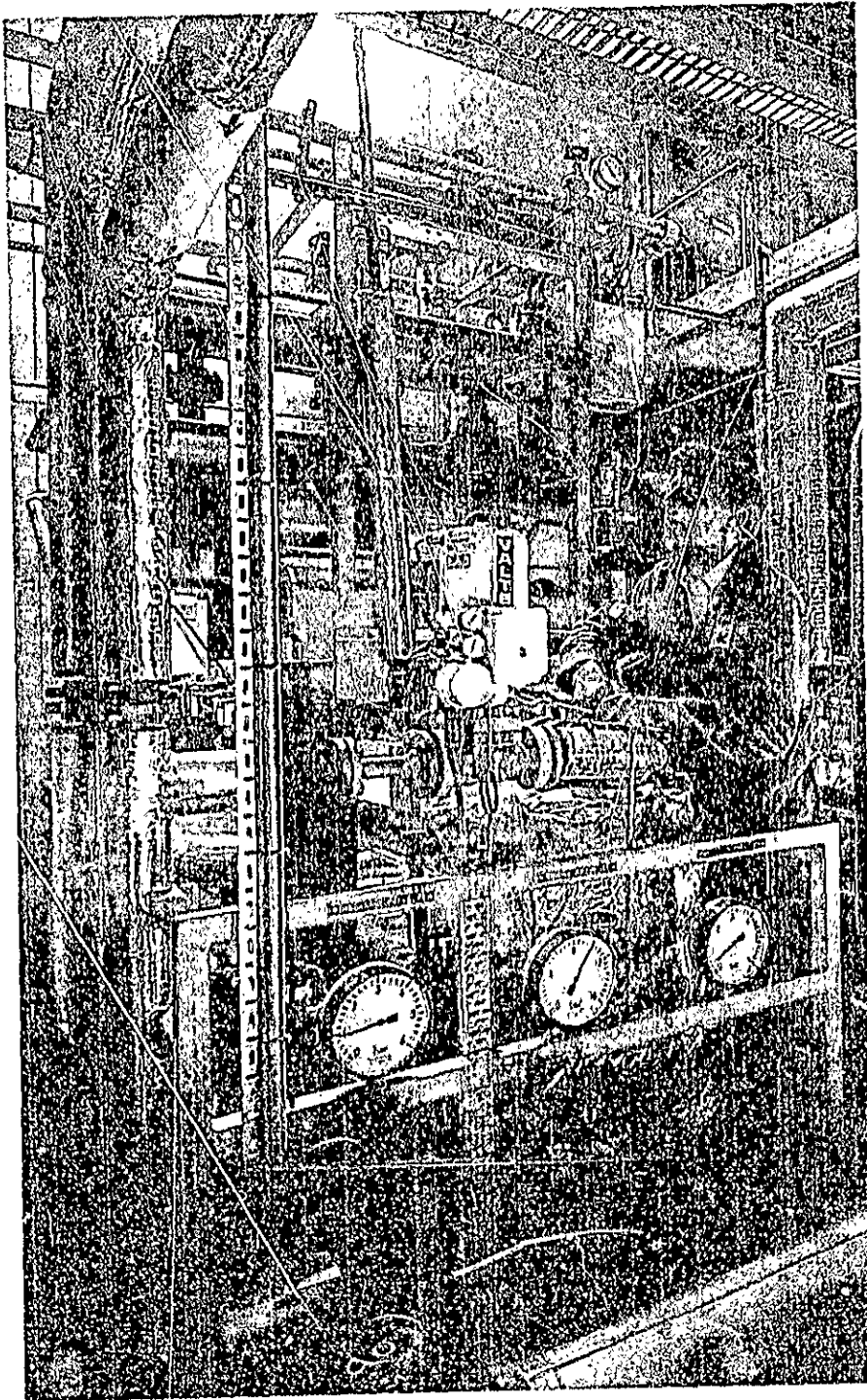
During the year we experienced two failures of the Combined Heat and Power Plant, the first with the boiler, the second the gas turbine. Both these incidents are covered by insurance and whilst additional electricity charges have been incurred, these will be substantially recovered.

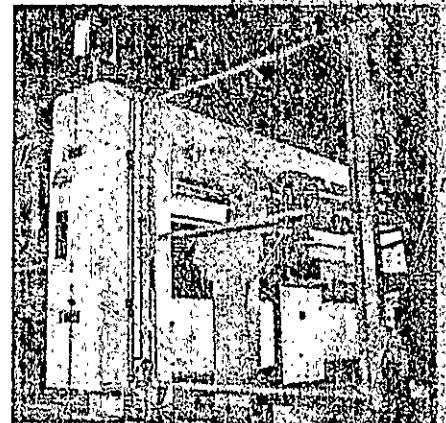
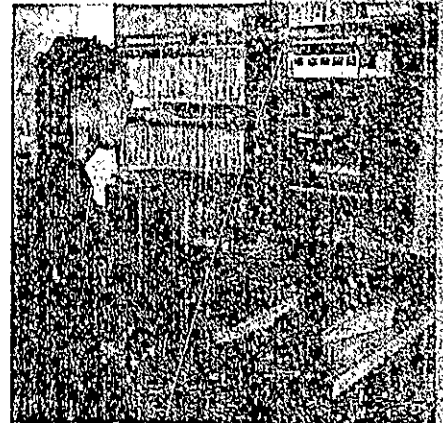
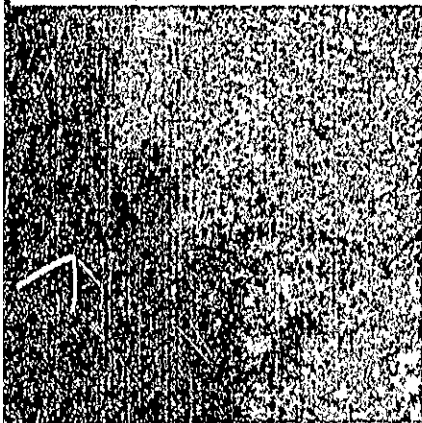
The gas turbine manufacturer is currently devoting considerable resources to resolving the outstanding difficulties. Modifications have been proposed and when completed, greater reliability of operation can be expected.

The overall Mill energy efficiency was slightly down on the previous year; this was mainly due to the rebuild of No. 3 Machine.

Severe weather in February resulted in all interruptible gas supply customers being cut off nationally, during which time the boilers ran on oil, at some higher cost.

It is expected that our energy efficiency will improve during the current year.





Personnel

I am glad to report a fourth year of low reportable accidents. Our frequency rate is less than half the average for our industry and well below that for the whole of manufacturing industry. This is achieved by everyone taking safety into consideration at all times.

Two significant steps in harmonisation of employment conditions have been completed recently. Over the last two years the pay levels of all our skilled workers and craftsmen have been re-aligned to reflect the contribution that they make to the Company. This year we have also moved to weekly staff status for all hourly paid employees; a move that was started four years ago.

Many years of development have made it possible to bring the No. 3 project on line. Our engineering department has been responsible for many aspects of design and installation; not least in the ability to program paper machine control computer using our own staff, some of whom have received all their training whilst employed here.

Previous long papermaking experience combined with thorough training, good supervision and a determination to succeed have allowed us to move successfully all the crews from the old to the new No. 3 Machine. This is a clear indication of the quality and adaptability of our workforce, who have had to meet new challenges not only in technology but also in new equipment and higher running speeds. It is a great credit to all those involved that they have adapted to the new machine so quickly.

You will see elsewhere in this report illustrations of the disruption caused by the building programme. Obviously this sort of change affects the working lives not only of all employees but also of visitors to the Mill, not to mention the village itself. I should like to apologise to the village and to our visitors for the



disturbance caused and to thank everyone who works at the Mill for their enthusiastic cooperation during this exciting and challenging development.

Directors

Peter Charlton, our Group Engineering Director, reached retirement age in April this year. It is impossible to express adequately our thanks and gratitude for the immense contribution he has made to the Group over the past 17 years. He has planned and carried out the complete modernisation of the paper mill in every area including three new paper machines and one of the most advanced power plants in the country. Indeed, our No. 2 Machine was designed and substantially built in our own workshop as were three specialised machines - two for Technical Fibre Products and one for Fasortec. His legacy is visible for all to see and will be long lasting.

We wish him and his wife, Mary, a long and happy retirement, so very well deserved after so many years of unremitting hard work.

His successor is James Oakley who joined us at the beginning of June. He held for many years senior engineering posts with United Biscuits and was, until recently, UK Chief Engineer for Dairy Crest Foods.

The Outlook

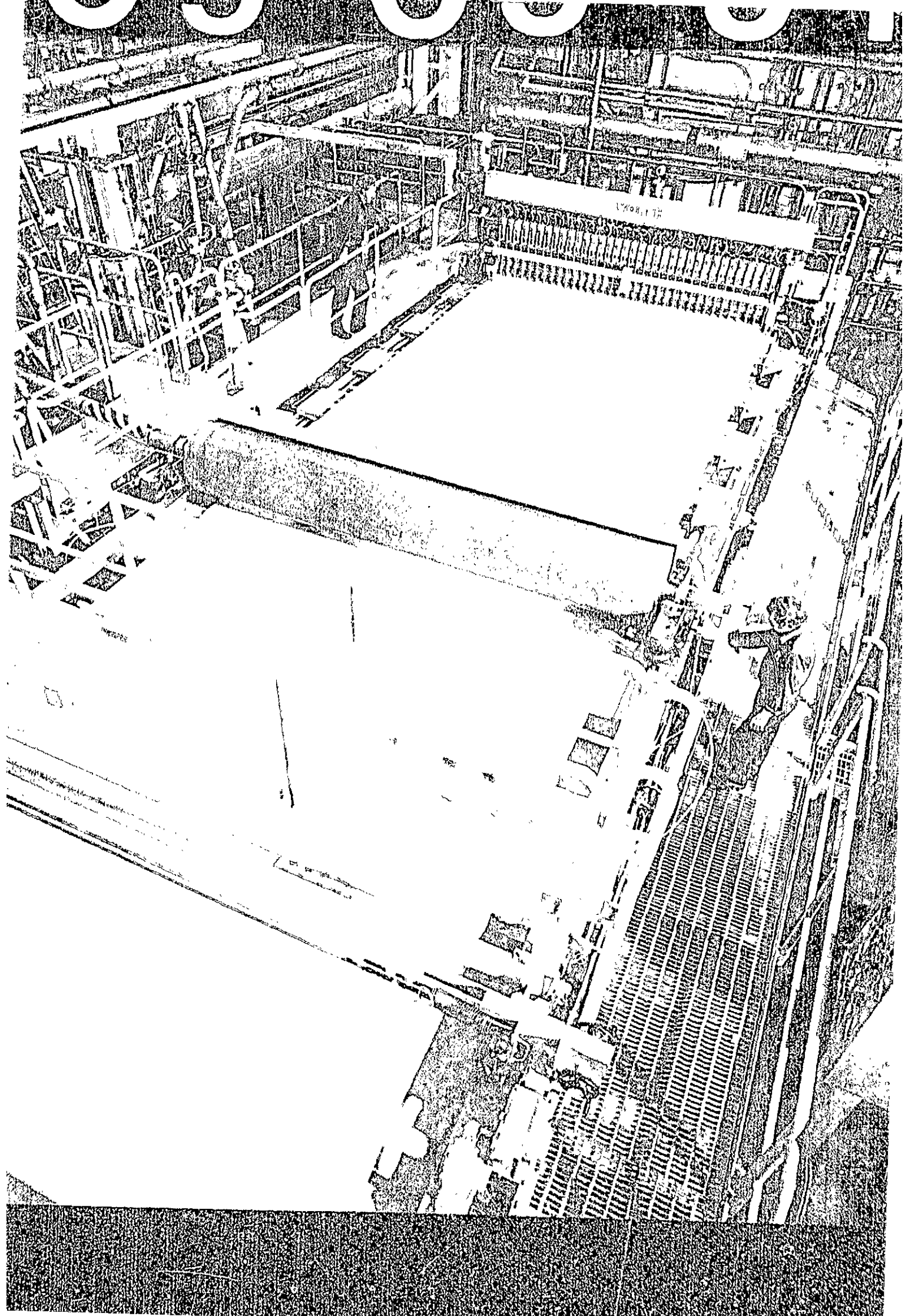
1991 promises to be a difficult year. It will not be easy to maintain a full order book with reasonable margins during a world wide recession.

We have made a reasonable start to the year with the Mill just running at near normal capacity. We look forward to further relief during the year from the severe burden of high interest rates, so that capital intensive industries like ourselves can operate without excessive real rates of interest.

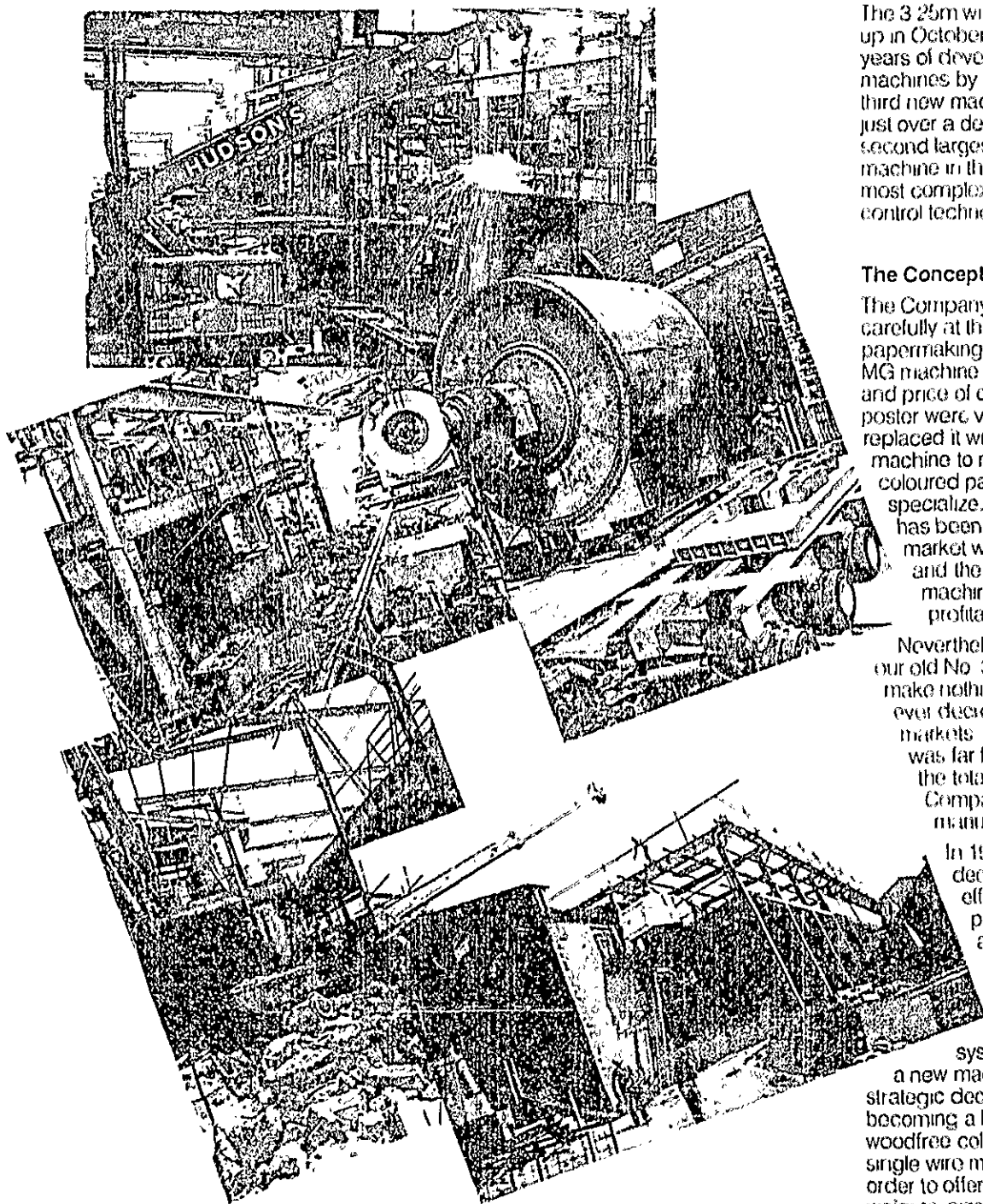
Our greatest strength, particularly in the medium term, is our high investment in new plant and machinery, coupled with our continuing commitment to having a well educated and trained workforce. Few other paper companies of our size have invested at our rate. We now have one of the most modern mills for coloured and speciality papers in the world, with nearly all our plant and machinery dating from 1980 or later.

Thus we are confident that there is a bright future ahead for the Company despite the present difficult trading conditions.

James Cropper



The No. 3 Machine Story



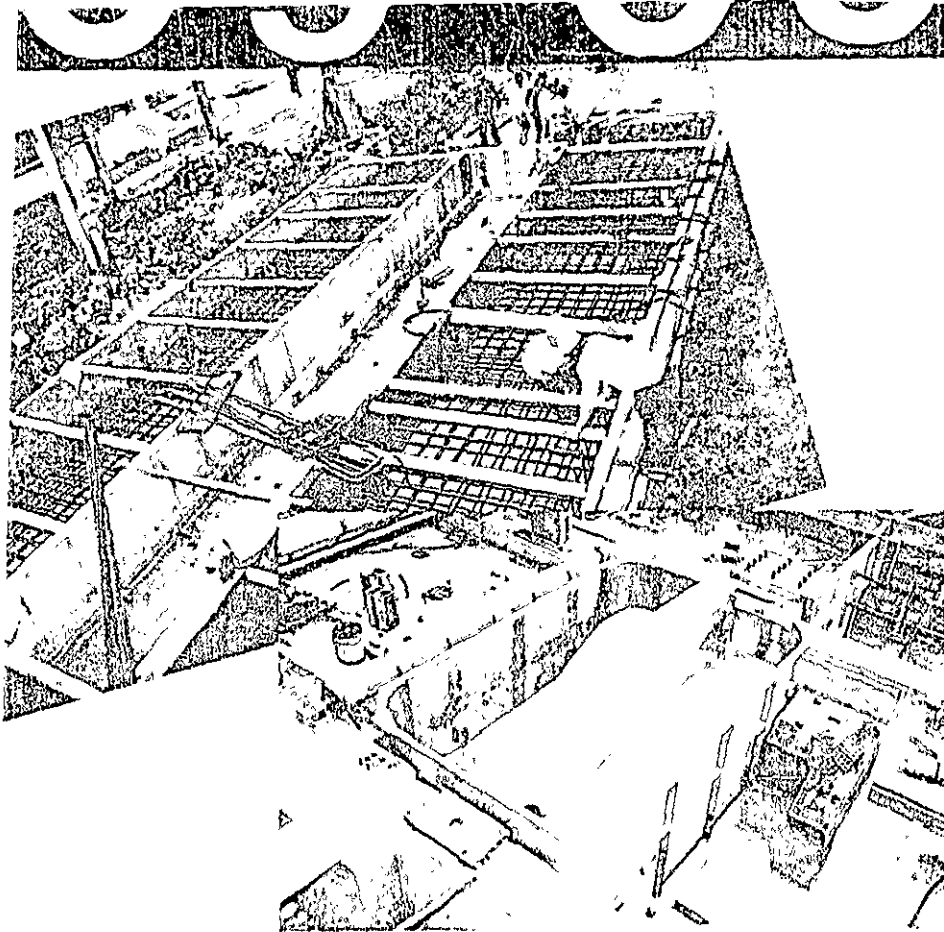
The 3.25m wide machine which started up in October 1991 completes 10 years of development in paper machines by the Company and is the third new machine commissioned in just over a decade. Although the second largest in output it is the widest machine in the Mill and is certainly the most complex and sophisticated in its control technology.

The Concept

The Company has looked long and carefully at the shape of its papermaking future. We closed one MG machine in 1986 as the market for and price of cheap envelopes and poster were very depressed and replaced it with a second small machine to make more of the coloured papers in which we specialize. This strategic decision has been amply justified as the market we left deteriorated further and the paper made on the new machine has been much more profitable.

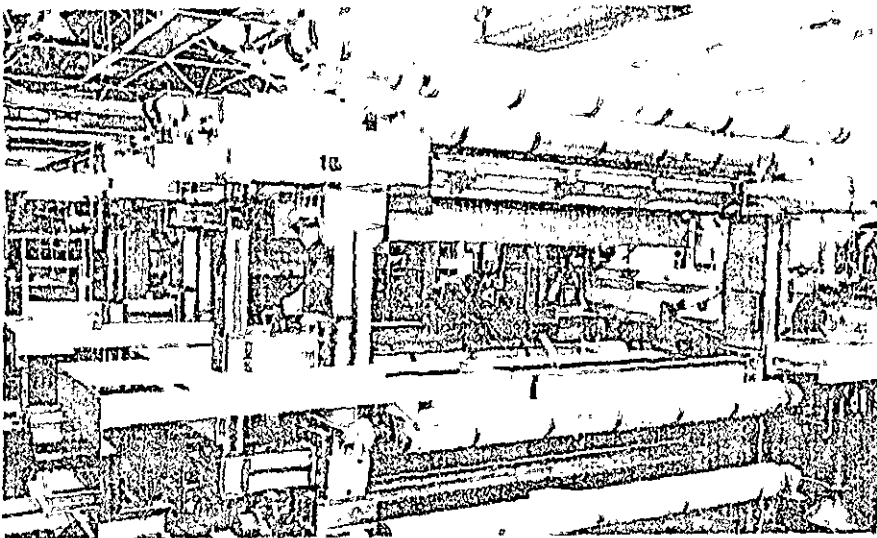
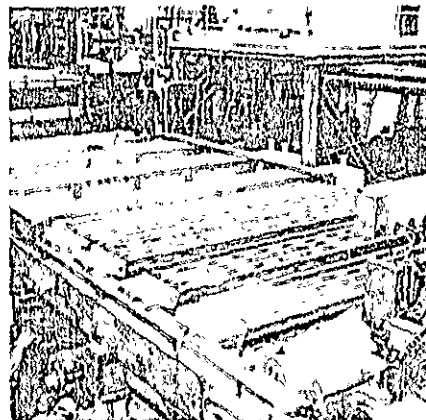
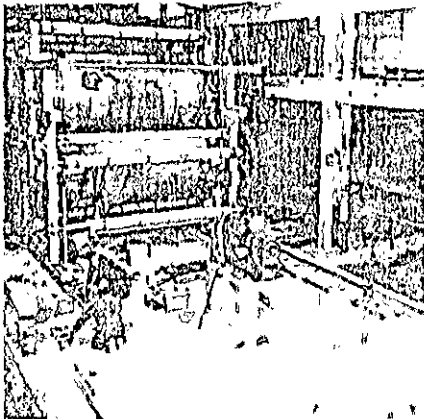
Nevertheless we were still left with our old No. 3 Machine which could make nothing but MG papers, with ever decreasing margins and markets. Although this machine was far from versatile it did widen the total range of papers that the Company was able to manufacture.

In 1989 the Company decided to concentrate its efforts on Fourdrinier papermaking and to abandon MG paper completely. Certain of the products made on the old machine, particularly for filing systems, were transferable to a new machine. We made a strategic decision to set about becoming a big player in specialist woodfree coloured papers, a new single wire machine was necessary in order to offer a complete range of weights, sizes and qualities.



The Plan

The Construction Programme



On with the job

The whole project was completed on time; the fact that 82 contractors came on site shows the complexity of the planning and coordination required.

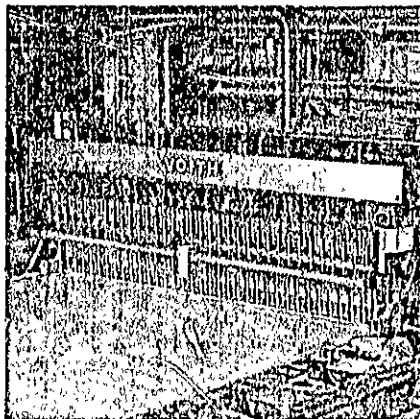
The Machine In Action

The machine started up on the 31st October. We were determined to make paper in the month planned and did so with half an hour to spare. The crews, technicians and supervisors had received extensive training. This was particularly important on the new technology which, while building on our experiences on other machines, is of much greater complexity.



The machine is already performing beyond its design capacity and has exceeded 4.5 tonnes per hour on some occasions. The paper is of good quality and is working well on customers' high speed converting machinery. We expect the quality to improve even further when the machine completes the fine tuning stage.

We have chosen a difficult period to launch a new machine; it will take time to build up an order book composed of high value added products. At the moment it is proving necessary to take on a proportion of lower contribution tonnage, which we expect to reduce over the coming year.

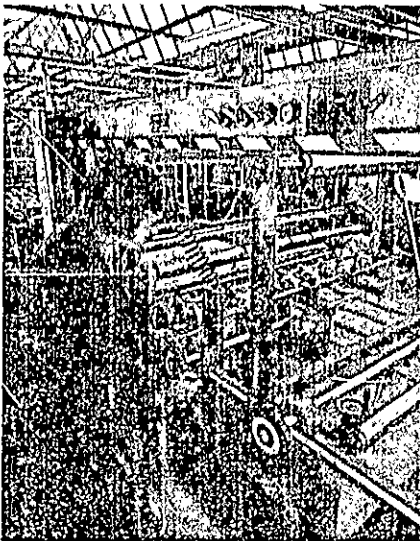
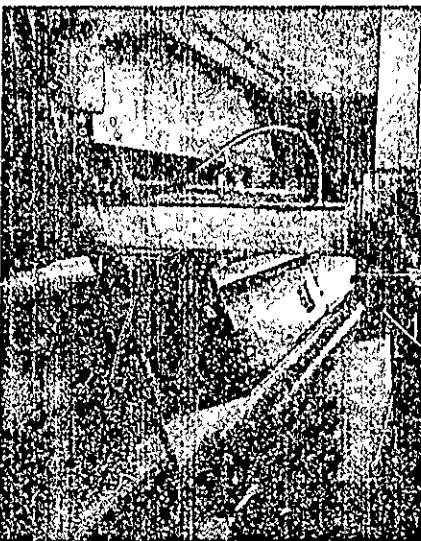


The Machine

The machine is of largely British construction and was designed and built by Holder Pamac. It is worth noting that the extensive civil work was all carried out by a local company, Boa Contractors, whose head office is less than 10 miles from the Mill.

The machine is of conventional design with advanced control for its size. Such control is necessary in order to make high quality paper to exacting specifications. The machine has a Voith headbox and also features a totally enclosed hood, pocket ventilation and a heat recovery system. There are currently some 70 control loops connected to the Taylor MOD 300 process computer and also an Accuracy on-machine computer. Together they control many parameters including weight, thickness and moisture, the last via an infra red Impact profiler. One of the machine's real strengths is its ability to change grades and weights fast; typically weight changes are made in less than 8 minutes.

The MOD 300 system has been designed to be extended to control all the paper machines and is already linked to No. 4 Machine's own process computer system.



Papermaking and Converting Developments

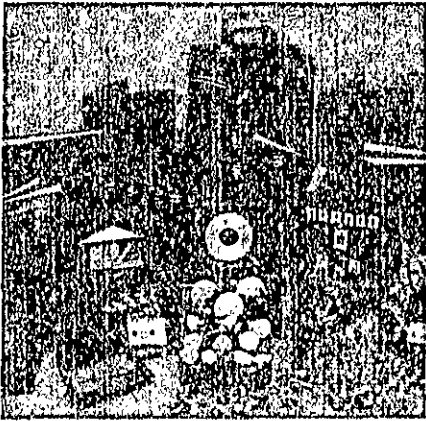
In a year which has been dominated by rebuilding, commissioning and running No. 3 Machine we are also able to report significant developments in many other directions.

No. 4 Machine

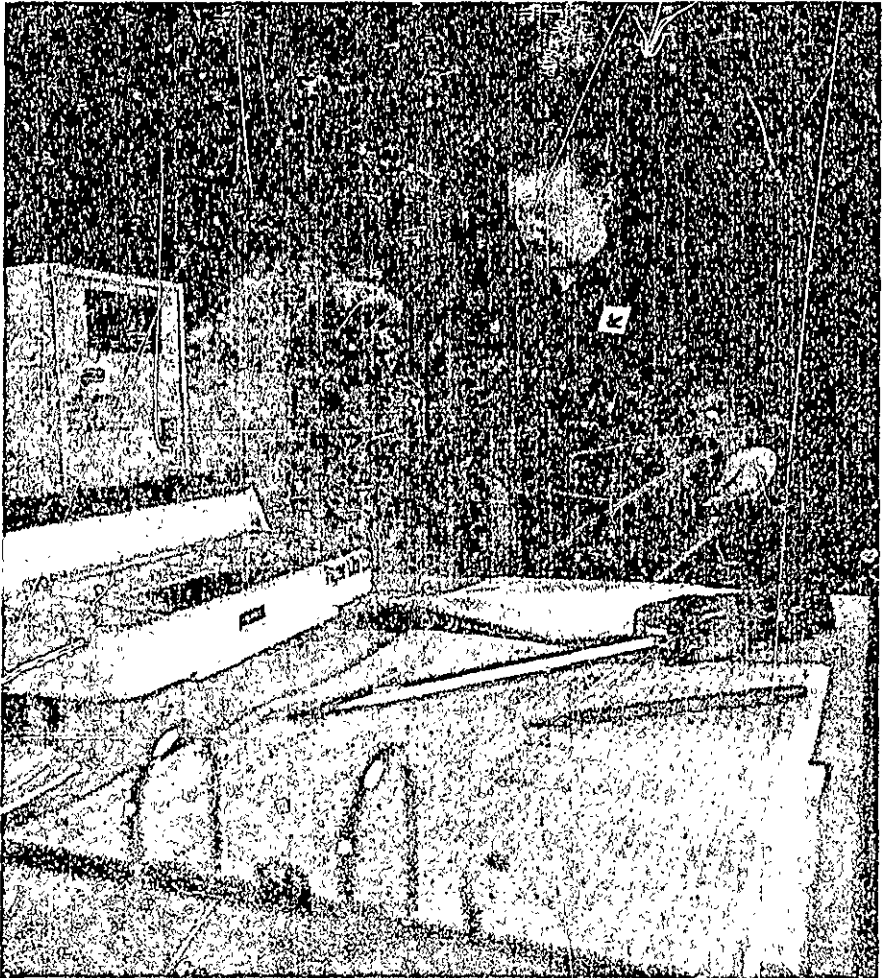
By careful analysis of the pipework in the approach to our largest machine we have been able to increase running speeds on lighter weight paper by 10% without high capital expenditure. This has extended the versatility of the machine.

Black Papers

We have developed further our ability to make black paper, with improvements in both strength and metal foil blocking. Following a campaign in the trade press we received 400 new enquiries for black paper and board. Our sales of black paper, most papermakers' *bête noire*, have consequently continued to grow to well over 2,000 tonnes.



Above
Black paper products

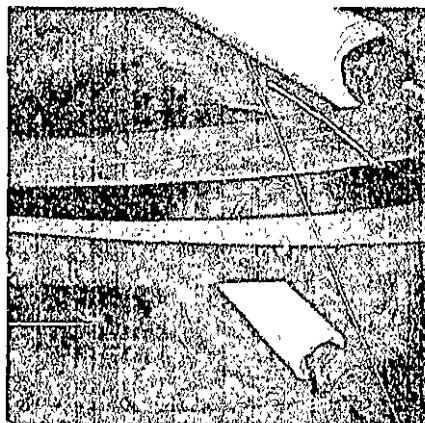


Right
Statistical sampling

BS 5750

We reported last year on our BS 5750 approval. Two subsequent audits have confirmed that we are conforming to both the spirit and the letter of the standard. This standard requires evidence of continuous improvement and to this end we have set up statistical sampling on a three shift basis. This has had three consequences:

- Quick feedback on performance
- Satisfies BS 5750 documentation
- Allows long term statistical analysis of trends in performance



Versatile Training

We have trained three electricians in some aspects of instrument and electronic skills. The Conversion Module developed by the British Paper and Board Education and Training Council was used and the basic training carried out by Skill Centres in Manchester and Maryport and supplemented by work related training on site. This has allowed them to take over shift maintenance responsibility for instrumentation in the Mill.

Pacofa Links

We have strengthened further our links with Pacofa, the French company in which we have a 35% interest. We have given extensive training in French to one of our technical staff so that he can act as the production link between the two companies. We have also recently taken on as a member of our staff a salesman who has had recent experience of selling for a British competitor of Pacofa the same grades as they make. We will hold limited stocks of Pacofa specialities, including coated fluorescent paper, and his first task is to sell these grades in the UK. We believe that the new contacts that he builds up will also lead to sales of our own grades.

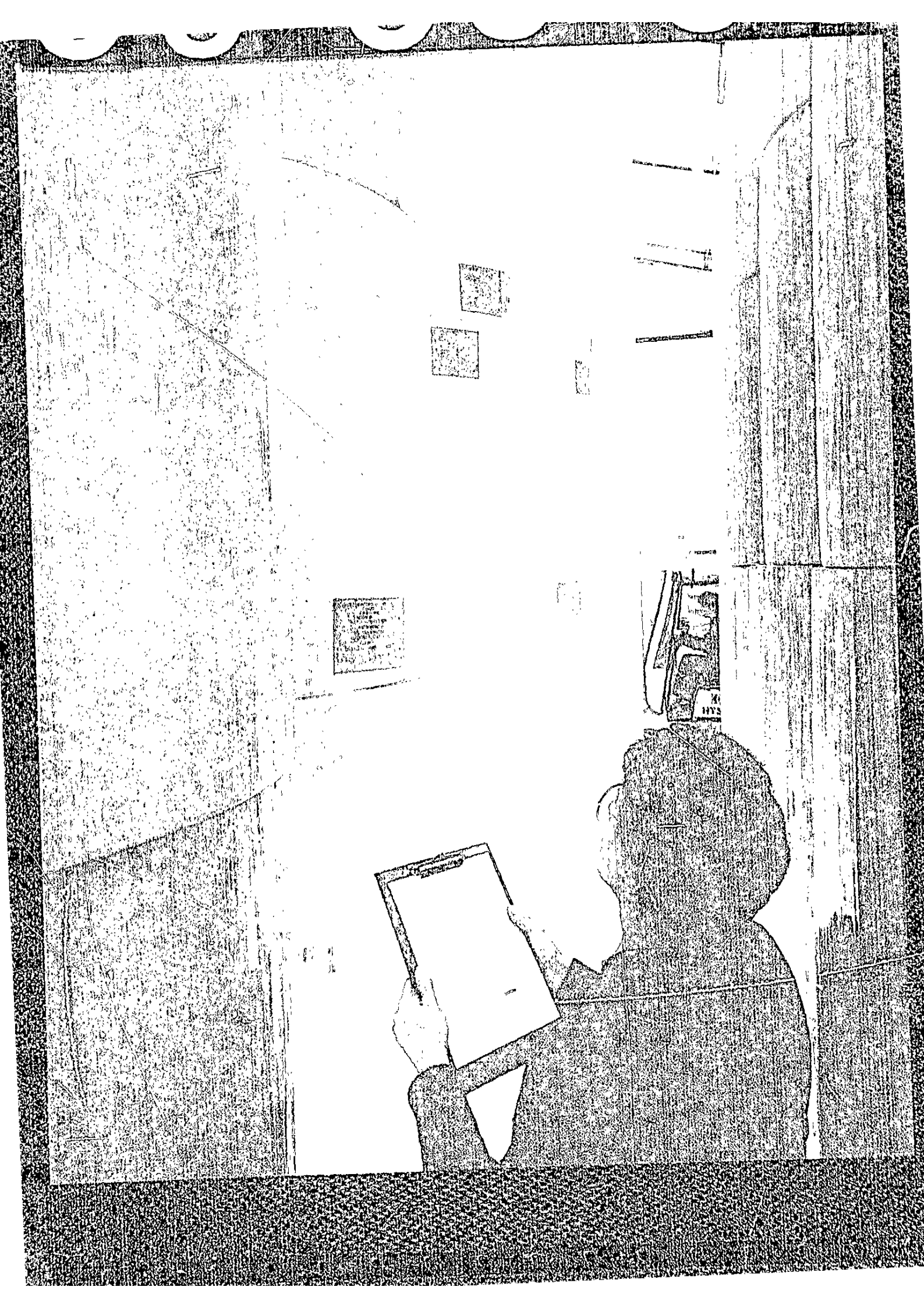
Converting Division Products

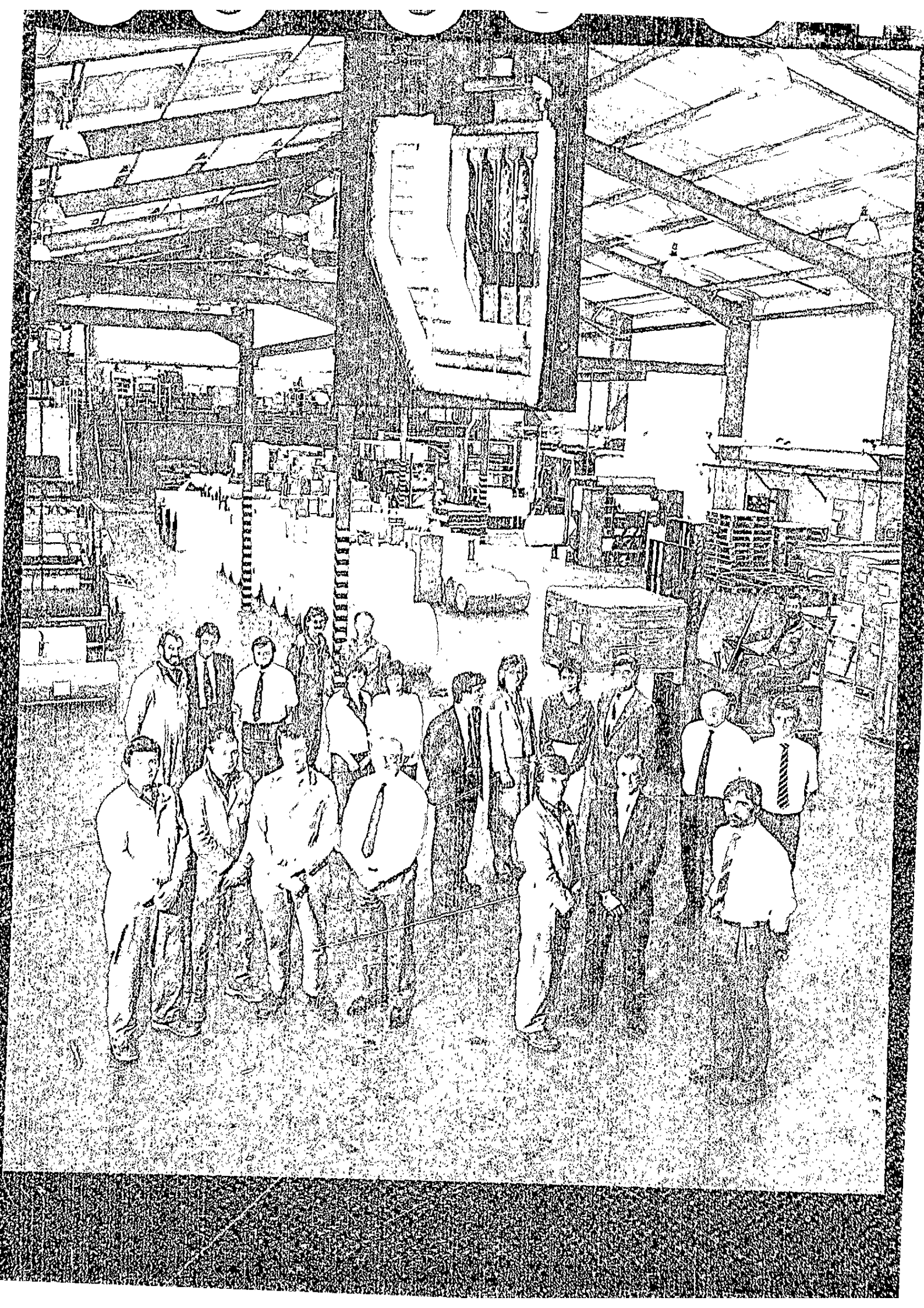
Without purchasing new equipment we are finding new outlets for our existing coater and our Bielloni reel to reel printer. We are having considerable success with impregnated grades on the former and are using the latter for varnishing. This has allowed us to provide an even wider variety of bookbinding and other products. These machines are being used to add value to our own papers and to process other products on our own and customers' behalf.

Above
Pacofa coated paper

Left
Bielloni reel to
reel printer







Exports

The Company has had its best ever year for export with a total turnover of £9,923,000, which is 25% of the Company's turnover; last year's proportion was 20%. Technical Fibre Products Ltd export achievements were already at a very high level so this substantial improvement has largely come from the papermaking division's performance, where we exported over 10,000 tonnes for the first time. The graph shows the progress made in the last 5 years and the table shows the large customer base that we have established overseas.

| | European Customers | All Export Customers |
|------|--------------------|----------------------|
| 1987 | 73 | 187 |
| 1991 | 183 | 318 |

We are beginning to learn the vagaries of different countries' markets. In Italy and Switzerland there is a strong drive for a highly differentiated product, while in Germany it is more necessary to match their traditional grades of paper and board. We are successfully delivering the goods to these three countries as the tonnage delivered there in the last year has increased by 70%.

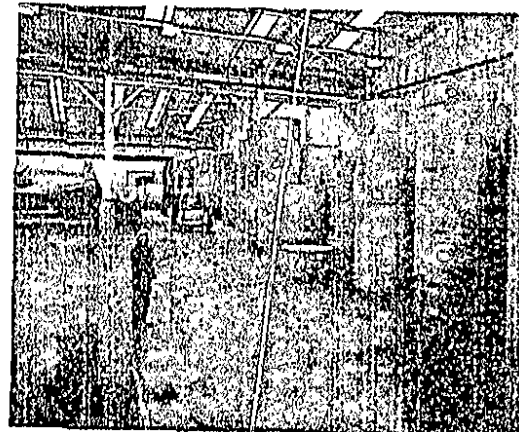
Our Portfolio range of papers was launched last year and is beginning to find a significant place abroad; a number of stockists has already been appointed, the latest being in Hungary where an initial order for £30,000 was placed in May. We have tried to give some idea of the versatility of this range by using four different products from it in the presentation of this Annual Report.

To service our large base of customers overseas we need a combination of a dedicated sales force who go out and visit the customers, an efficient administration within the Mill (we are processing over 2,000 orders each year) and active agents on the spot.

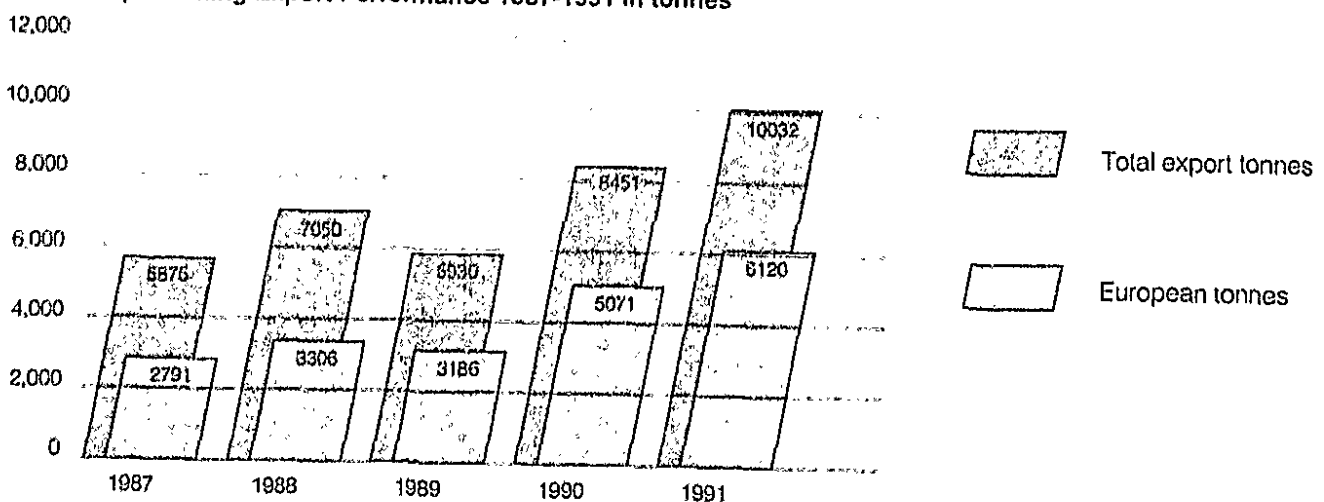
We have been particularly successful in our appointment of agents and in order to cement our relationships with them we are holding a conference for 20 of them this June at the Mill. Our first objective is to make sure that they are all completely up to date with the products that we can market; the second is to present opportunities for

them to exchange their selling experiences with each other so that they can put the lessons learned into operation in their own parts of the world.

We believe that we are in a strong position to develop further all our export markets.



Papermaking Export Performance 1987-1991 in tonnes





Inset left
Battery separator paper

Below
Atomic absorption
analyser

JAMES CROPPER PLC

Technical Fibre Products Ltd

In the course of the year tremendous strides have been made in the improved efficiency and output capability of the two machines. In addition we have installed a Ceveninni slitter from Italy, which has revolutionised the way we can turn out small coils for our customers. The precision and quality of the coils is in advance of anything being produced by our competitors.

Highly technical products require highly technical testing. We have therefore installed an atomic absorption analyser to measure the presence of minute quantities of metals in glass fibre based paper for batteries and a Statistical Quality Control package to report in full on the quality of paper supplied to customers. Without this kind of testing and attention to detail it would be impossible to be a serious supplier in these markets.

During the year we took a policy decision to concentrate much of our expansion in the USA, where the market for many of our products is larger than in the rest of the world. With this in mind we appointed Norm Scheffel to be Vice President of our American operations. He was previously business manager of a supplier of glass fibre to us; he consequently knows the available markets in filtration, insulation and in

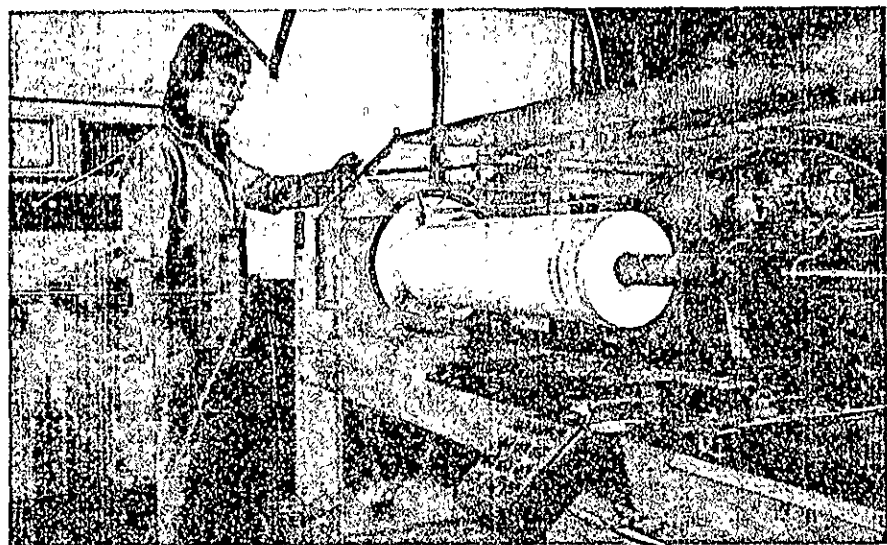
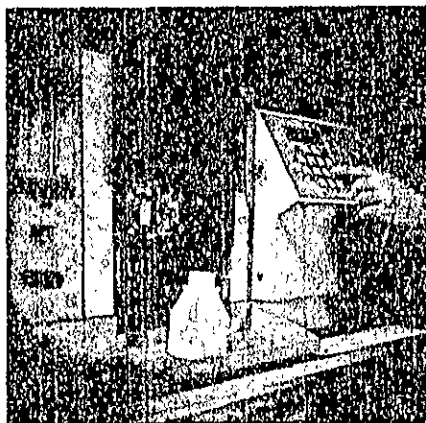
batteries well. Although he has not been in the post long we sold in the course of the year £135,000 of product into the USA. He operates from Denver, Colorado and covers the whole of the USA.

The turnover of our half owned subsidiary, Fasertec, has been at a higher level than in previous years, because of the continued strength of the automotive market in Germany. Our association with Deutsche Basall has helped us to export from this country to Germany alone £350,000 of glass and ceramic paper.

The expansion of the Division has been less rapid than we had planned for two main reasons:

- The time cycle involved in identifying a product need, making the right product as a trial, satisfying the customer, getting him to specify or change to our product is very long.
- The recession has been hitting many of our customers.

However April and May this year have seen the best ever results from the Division. We are now confident enough about the future to be moving towards crewing both machines full time on a continuous basis. This will increase our running time potential by 50%. We are planning therefore to increase our turnover substantially in the current year.



Right
Ceveninni slitter

Environment and Community

Environment

The Company pays close attention to environmental issues. The recent flood of environmental legislation is having profound implications for all paper companies; we believe that we have many major problems already under control here:

- Our effluent is treated to a satisfactory standard by ourselves and by North West Water PLC at their Kendal sewerage works
- As a result of using natural gas for our energy efficient combined heat and power plant we have very low atmospheric pollution
- We believe we are in the forefront in the field of control of chemicals. We also continue to work successfully on our obligations under COSHH legislation.

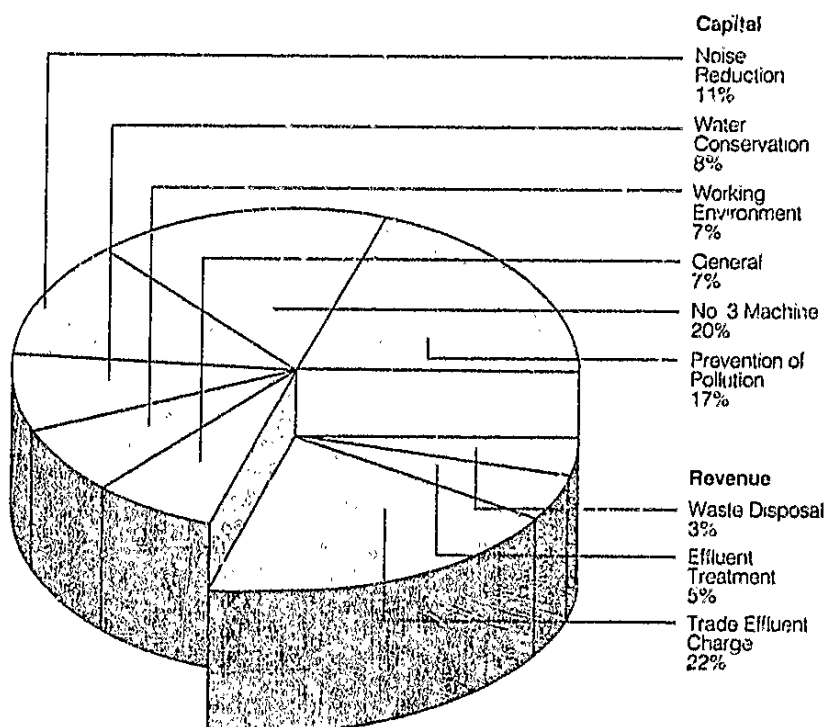
Environmental Audit Group

The Company's Environmental Audit Group has been operating for well over a year now and has recently reviewed the progress made in tackling issues raised by the first environmental audit for the whole of the Burnside site. 1990 was an unusual year as we were able to tackle a number of long term environmental problems during the reconstruction of No. 3 Machine.

In 1990-91 the directors approved the Company Environmental Policy Statement. Using this as a starting point we have recently published a booklet "Environmental Matters" which is being distributed to all customers, to suppliers, to employees and to local councillors and other interested parties.

Other achievements in the year have been:

- The Company will move to an all diesel fleet of cars. Two directors are leading the way
- Many more of our raw materials are purchased in returnable containers
- We are rationalising the packaging requirements of some of our own products



- Critical spillage areas are having containing "bunds" built round them, or are being piped to the effluent plant.

The Group's objectives for the coming year are to:

- Ensure that our solid waste disposal systems meet our "duty of care" under the Environmental Protection Act
- Improve mill processes and efficiency to reduce our trade effluent charges below the budgeted figure
- Improve our communications to ensure that our workforce are conscious of their responsibilities
- Monitor closely our environmental costs
- Reaudit the whole site to record progress and to identify new or continuing problem areas.

Cost

It is difficult to isolate all environmental costs as in many cases they are so bound in with the total cost of doing the job. For example as a result of building the new No. 3 Machine we have engineered in a significant reduction in the noise level both within and outside the Mill. Our noise reduction programme has enabled us to reduce the number of people working in areas with a noise level greater than 90 dBA from 45 to 18. In addition improved sound havens have been constructed for our machine operators.

The chart above shows the distribution of environmental costs.



Top
New water tower

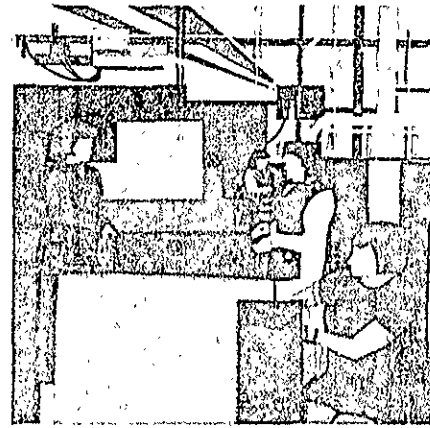
Centre
In the Café
Lancaster Royal
Grammar School
for Girls

Bottom
Burnside paper in a
Burnside School

Community

The Company and its charitable trust help most village activities by providing capital and revenue support. Burnside Youth Club has a large building which belongs to and is maintained by the Company. We sponsor the concert in which Burnside Choral Society sings at the biannual Mary Wakefield Music Festival. The Anglers Trust has provided equipment for five local schools this year and is also making a donation to the Brewery Arts Centre in Kendal.

In the last year we have kept note of the paper we have supplied to organisations far and wide. We have distributed over 10 tonnes to well over a hundred organisations including three consignments to Rumania and many local playgroups and schools.



There are four Company personnel as school governors and two at the Kendal College. We have provided work experience for at least 20 students at schools and colleges in the last year and provided support for three Young Enterprise companies.

The education package developed jointly by the industry and the School Industry Partnership has proved to be a valuable resource. It has been used by our customers and by our own training department as well as in primary and secondary schools. The Company supported the project to the tune of £1,800 and in addition has donated over £1,200 worth of materials.

The CBI places great emphasis on enterprise awareness training and two teacher trainers, one teacher and 27 student teachers have been involved in this activity at the mill.

JAMES CROPPER PLC ENVIRONMENTAL POLICY STATEMENT

- (1) The Company will meet all legal requirements regarding the effluents and waste products from its operations.
- (2) We recognize that papermaking has a potential to pollute the environment, that our operations have done so in the past, and we are committed to maintain and continue the major improvements of recent years.
- (3) We will use non-polluting technologies whenever possible, and will endeavour to solve potential environmental problems at source.
- (4) We will continue both to invest in environmental improvements on a progressive basis, and to reduce our impact on the local community.
- (5) We will inform our suppliers, customers, work-force and the public about the measures we take to protect the environment, and seek their co-operation in meeting our objectives.
- (6) This policy will apply in all the Company's operations at Burnside.



Shareholder Information

1990-1991

Reporting

| | |
|--|--------------------|
| Interim results announced and sent to ordinary shareholders | 26th November 1990 |
| Final results announced and advertised | 13th June 1991 |
| Annual Report issued by | 10th July 1991 |
| Annual General Meeting -- at Burneside Mills, Kendal, Thursday 1st August 1991 at 10.30 a.m. | |

Dividends

Ordinary Shares

Interim dividend paid on 11th January 1991 to Ordinary Shareholders registered on 2nd January 1991.
Final dividend to be paid on 13th August 1991 to Ordinary Shareholders registered on 31st July 1991.

Loan Stock Interest

9% Unsecured Loan Stock 1994/99

| | |
|------------|---------------|
| Payment on | 30th November |
| Payment on | 31st May |

Company Registration Number

30226

Report of the Auditors

To the members of
James Cropper PLC

We have audited the financial statements on pages 28 to 38 in accordance with Auditing Standards.
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 1991 and of the profit and source and application of funds of the Group for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.

Newcastle upon Tyne
14th June 1991

P. A. Waterhouse
PRICE WATERHOUSE
Chartered Accountants

Report of the Directors

To be presented at the one hundred and second Annual General Meeting of the Company to be held at the registered office on Thursday, 1st August 1991 at 10.30 a.m.

Review of the Business

The Chairman, in his statement on page 7, 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 12 to 24.

Results

The directors have pleasure in submitting to the members their report and the audited accounts for the Group for the 52 weeks ended 30th March 1991.

The profit for the 52 weeks ended 30th March 1991, the dividends paid and recommended and the appropriation to reserves are set out in the profit and loss account on page 28.

Fixed Assets

Expenditure during the year amounted to £11,532,000.

Research and Development

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

Employee Involvement

A monthly briefing on Company performance is carried out for all employees. Once a year meetings are arranged to enable all employees to have a presentation from the Chairman and discussions with him. This year all employees will be 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 safety management committee and three departmental safety committees deal with all aspects of health and safety in the mill. An energy committee involves employees

in increasing energy efficiency.

Departmental personnel meetings allow representatives to make valuable contributions on aspects of training, manning and promotion.

An environmental audit group, whose work is described on page 22, has also been operational during the year.

The Group bonus scheme, based on the profit of the Group's UK operations, is an important part of employee involvement and is complemented by the employee share 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 £13,282 were made for charitable purposes.

Purchase by the Company of Its own Shares

At the Annual General Meeting last year a resolution was passed giving the Company general authority to repurchase 400,000 of its own shares. This resolution remains in force only to the Annual General Meeting on 1st August this year. No shares have been repurchased up to the date of this Report.

A similar authority for the period to the next Annual General Meeting is sought in Resolution 6 in the Notice of the Annual General Meeting.

Disapplication of pre-emption rights

At the 1990 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 £102,000 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 7 to this effect is therefore also included in the Notice of the Annual General Meeting.

Substantial Interests

Apart from those shown below, the notified shareholdings in excess of 3% of the issued capital at 14th June 1991 were as follows:

| | |
|--|---------|
| Bank of Scotland (Stanlife) Nominees | 799,500 |
| Talbot Nominees | 651,000 |
| Bank of Scotland (Save & Prosper) Nominees | 432,000 |
| British Aerospace Pension Funds | 355,000 |

Directors and their Interests

The directors of the Company are detailed on page 4 and the details of their interests in the shares and loan stock of the Company at the beginning and end of the financial year are set out below.

Apart from the above there have been no disclosable contracts or arrangements, other than contracts of service for the executive directors, subsisting during the financial year.

Close Company

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

Auditors

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

Burnside Mills
Kendal

J A Cropper
Chairman

14th June 1991

Details of Directors' Interests

| Director | Interest | Loan Stock | At 30th March 1991 | | At 30th March 1990 | |
|---------------|----------------|------------|--------------------|----------------------------|--------------------|----------------------------|
| | | | Ordinary Shares | Options on Ordinary Shares | Ordinary Shares | Options on Ordinary Shares |
| J A Cropper | beneficial | - | 400,443 | 40,000 | 360,114 | 30,000 |
| | non-beneficial | - | 655,695 | - | 645,000 | - |
| O G D Acland | beneficial | 500 | 41,661 | 30,000 | 41,661 | 30,000 |
| | non-beneficial | - | 119,084 | - | 119,084 | - |
| N W Willink | beneficial | - | 86,900 | 30,000 | 86,900 | 30,000 |
| | non-beneficial | - | 1,182,058 | - | 1,182,058 | - |
| J H Larking | beneficial | - | 49,862 | 40,000 | 49,862 | 40,000 |
| J R Sclater | beneficial | - | 10,000 | - | 10,000 | - |
| P Charlton | beneficial | - | 27,186 | 40,000 | 27,186 | 40,000 |
| | non-beneficial | - | 9,000 | - | 9,000 | - |
| J P Southwell | beneficial | - | 16,700 | - | 16,700 | - |

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

All the options on ordinary shares held by directors at the year end were granted under the James Cropper PLC Executive Share Option Scheme. Of those held by J A Cropper 20,000 are exercisable between January 1991 and January 1998 at 193p per share and 20,000 between January 1993 and January 2000 at 124p per share. O G D Acland and N W Willink each

hold 20,000 exercisable between January 1991 and January 1998 at 193p per share and 10,000 exercisable between January 1993 and January 2000 at 124p per share. J H Larking and P Charlton each hold 20,000 exercisable between January 1991 and January 1998 at 193p per share and 20,000 exercisable between July 1991 and July 1998 at 198p per share.

Group Profit and Loss Account

For the 52 weeks ended 30th March 1991

| | 1991 | | 1990 | |
|--|----------|----------|----------|----------|
| | £'000 | £'000 | £'000 | £'000 |
| Turnover (Note 2) | | 39,374 | | 38,147 |
| Change in stocks of finished goods and work in progress | | (69) | | 100 |
| Own work capitalised | | 909 | | 517 |
| Other operating income | | 234 | | 242 |
| | | 40,448 | | 39,006 |
| Raw materials and consumables | (22,285) | | (24,912) | |
| Other external charges | (4,062) | | (3,426) | |
| Staff costs (Notes 3, 4 & 5) | (8,544) | | (7,400) | |
| Depreciation | (2,264) | | (2,170) | |
| | | (37,155) | | (37,908) |
| Operating profit (Note 6) | | 3,293 | | 2,774 |
| Share of profits from related undertakings (Note 13) | | 146 | | 120 |
| Interest payable and similar charges (Note 7) | | (1,963) | | (1,831) |
| Profit on ordinary activities before taxation | | 1,476 | | 1,063 |
| Taxation (Note 8) | | (250) | | (111) |
| Profit on ordinary activities after taxation (Note 9) | | 1,226 | | 952 |
| Extraordinary items (Note 11) | | - | | 11 |
| Profit for the financial year | | 1,226 | | 963 |
| Dividends paid and proposed | | | | |
| Interim 0.975p (1990 0.874p) | (80) | | (71) | |
| Proposed final 1.925p (1990 1.925p) | (158) | | (140) | |
| | | (238) | | (211) |
| Amount set aside to reserves (Note 20) | | 988 | | 752 |
| Earnings per share of 25p (Note 10) | | 15.0p | | 12.0p |

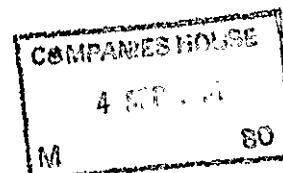
Balance Sheets

As at 30th March 1991

| | Group | | Company | |
|---|----------|----------|----------|----------|
| | 1991 | 1990 | 1991 | 1990 |
| Fixed assets | £'000 | £'000 | £'000 | £'000 |
| Tangible assets (Notes 12 & 22) | 33,849 | 24,746 | 32,682 | 22,468 |
| Investments (Note 13) | 734 | 710 | 561 | 514 |
| | 34,583 | 25,456 | 33,243 | 22,982 |
| Current assets | | | | |
| Stocks (Note 14) | 3,710 | 4,502 | 3,508 | 2,802 |
| Debtors (Note 15) | 8,800 | 9,035 | 8,778 | 10,638 |
| | 12,510 | 13,537 | 12,286 | 13,440 |
| Creditors (amounts falling due within one year - Notes 16 & 22) | (16,844) | (16,459) | (15,295) | (15,008) |
| Net current liabilities | (4,334) | (2,922) | (3,009) | (1,568) |
| Total assets less current liabilities | 30,249 | 22,534 | 30,234 | 21,414 |
| Creditors (amounts falling due after more than one year - Notes 17 & 22) | (11,529) | (15,350) | (11,529) | (15,371) |
| Deferred Taxation (Note 18) | - | - | - | - |
| | 18,720 | 7,184 | 18,705 | 6,043 |
| Capital and reserves | | | | |
| Called up share capital (Note 19) | 2,051 | 2,046 | 2,051 | 2,046 |
| Share premium account (Note 20) | 213 | 193 | 213 | 193 |
| Revaluation reserve (Note 20) | 1,692 | 1,713 | 1,692 | 1,713 |
| Profit and loss account (Note 20) | 14,764 | 13,761 | 14,749 | 13,572 |
| | 18,720 | 7,713 | 18,705 | 7,524 |

Approved by the Directors on 14th June 1991 and signed on their behalf by:
 J A Cropper
 O G D Acland

J A Cropper
O G D Acland



Group Source and Application of Funds

For the 52 weeks ended 30th March 1991

| | 1991 | | 1990 | |
|--|---------|--------|----------|---------|
| | £'000 | £'000 | £'000 | £'000 |
| Source of funds | | | | |
| Profit on ordinary activities before taxation | | 1,476 | | 1,357 |
| Adjustment for items not involving the movement of funds: | | | | |
| Depreciation | | 2,264 | | 2,111 |
| Profit on disposal of fixed assets | | (18) | | (49) |
| Share of retained profits of related undertakings for year | | (146) | | (121) |
| Total generated from operations | | 3,576 | | 3,398 |
| Funds from other sources: | | | | |
| Proceeds on disposal of fixed assets | | 195 | | 1,070 |
| Proceeds from issue of ordinary shares | | 55 | | 11 |
| Dividends from related undertakings | | 28 | | |
| | | 3,854 | | 4,479 |
| Application of funds | | | | |
| Dividends paid | | 229 | | 203 |
| Tax paid | | 87 | | 138 |
| Purchase of fixed assets | | 11,532 | | 4,147 |
| Investment in related undertaking | | - | | 30 |
| Purchase of loan stock | | 1 | | |
| | | 11,849 | | 4,318 |
| (Decrease)/increase in working capital | | | | |
| (Decrease)/increase in stocks | (312) | | (630) | |
| (Decrease)/increase in debtors, excluding tax | (1,079) | | (2,347) | |
| Increase in creditors, excluding loans, dividends and tax | (6,182) | | (8,764) | |
| | (7,573) | | (11,201) | |
| | | 4,276 | | 6,217 |
| Decrease in net liquid funds | | (422) | | (2,444) |

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.

Group Consolidation

The Group accounts include the accounts of the Company and its subsidiary prepared for the financial year, and include the Group's proportion of the retained earnings of related undertakings 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 normally written off over 15 years and industrial buildings over 25 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 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 liabilities are expected to become payable 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

The profits of the related undertakings, and other assets and liabilities expressed in foreign currencies, are translated into sterling at rates ruling at the year end. Exchange differences on investments, net of differences on related foreign currency borrowings, are shown as movements on reserves. Other translation differences are dealt with in the profit and loss account.

Leased Assets

Assets subject to finance leases are included in the balance sheet at cost value 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 geographical analysis of turnover is:

| | 1991 £'000 | 1990 £'000 |
|----------------|---------------|---------------|
| UK | 29,451 | 31,139 |
| France | 2,627 | 2,131 |
| Rest of Europe | 4,097 | 3,139 |
| Asia | 1,091 | 999 |
| Australasia | 949 | 837 |
| Africa | 888 | 1,000 |
| The Americas | 271 | 290 |
| | 39,374 | 42,435 |

3 Staff Costs

| | £'000 | £'000 |
|-----------------------|-------|-------|
| Wages and salaries | 7,383 | 6,425 |
| Social security costs | 567 | 499 |
| Other pension costs | 594 | 625 |
| | 8,544 | 7,549 |

The average number of employees, including directors, over the year was 449 (1990: 447).

4 Directors' Emoluments

Staff costs in Note 3 above include the following remuneration in respect of the directors:

| | £'000 | £'000 |
|--|-------|-------|
| Fees | 1 | 1 |
| Executive emoluments (including pension funding) | 401 | 383 |
| Pensions to widows of former directors | 12 | 30 |

The emoluments, excluding pension funding, of the Chairman, who is also the highest paid director of the Company were £60,000 (1990: £56,000).

The emoluments of the other directors, excluding pension funding, fell into the following bands:

| | Numbers | |
|-------------------|---------|------|
| | 1991 | 1990 |
| £5,001 - £10,000 | 1 | 1 |
| £10,001 - £15,000 | 1 | 1 |
| £15,001 - £20,000 | 1 | 2 |
| £20,001 - £25,000 | 1 | 2 |
| £25,001 - £30,000 | 4 | 2 |

5 Pensions

The Group operates pension schemes providing defined benefits for the majority of its full-time employees including executive directors. The funds of two of the schemes, the James Cropper PLC Works Pension Plan and the James Cropper PLC Staff Pension Scheme are managed by insurance companies. The third, the James Cropper PLC Senior Executive Scheme is financed through an insurance policy. All the schemes are administered by trustees.

The James Cropper PLC Works Pension Plan, the James Cropper PLC Staff Pension Scheme and the James Cropper PLC Senior Executive Scheme were valued at 5th April 1990, 1st February 1988 and 28th March 1989 respectively by professionally qualified actuaries. The projected unit method was used for the first two schemes and the aggregate method for the third. In valuing the funds it has been assumed that the rate of investment income will exceed pension increases by between 6% and 6.5% and that interest rates will exceed increases in earnings by between 0.5% and 1%. At the respective dates of valuation the actuarial value of the funds represented 105%, 98% and 82% respectively of the benefits that had accrued to members after allowing for expected future increases in earnings. The aggregate value of the funds at 30th March 1991 was £11,949,000 (1990: £10,011,000).

6 Operating Profit

The operating profit is shown after charging:

| | 1991 | 1990 |
|---|-------|-------|
| | £'000 | £'000 |
| Research and Development | 662 | 494 |
| Operating lease rentals in respect of plant and machinery | 238 | 151 |
| Auditors' remuneration | 28 | 79 |

7 Interest

Interest payable on bank and other borrowings repayable within 5 years
Hire purchase and finance lease interest

| | £'000 | £'000 |
|--|-------|-------|
| Interest payable on bank and other borrowings repayable within 5 years | 1,627 | 1,483 |
| Hire purchase and finance lease interest | 859 | 646 |
| | 2,486 | 2,129 |
| Less capitalised | (523) | |
| | 1,963 | 2,129 |

8 Taxation

The taxation charge comprises:

| | £'000 | £'000 |
|--|-------|-------|
| Corporation tax charge at 34% - current year | 30 | |
| at 35% - prior year | (2) | (13) |
| Deferred taxation | 170 | |
| Share of related undertakings tax | 52 | 47 |
| | 250 | 34 |

The taxation charge for the year at the effective rate of 34% has benefited by approximately £639,000 (1990: £214,000) in respect of deferred taxation not provided in accordance with the accounting policy described in Note 1.

9 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 £1,313,000 (1990: £958,000) which is dealt with in the accounts of the Company.

10 Earnings Per Share

The calculation of earnings per share is based on profits on ordinary activities after taxation of £1,226,000 (1990) and the weighted average of 8,177,392 (1990) shares in issue during the year.

11 Extraordinary items

| | 1991 £'000 | 1990 £'000 |
|---|---------------|---------------|
| Extraordinary profit on sale of Cowan Head Mill | - | 3,174 |
| Extraordinary provision for extra depreciation on closure of No. 3 M.G. Machine | - | (2,174) |
| | - | 1,000 |

12 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 1st April 1990 | 4,242 | 1,613 | 31,995 | 37,850 | 3,723 | 1,613 | 30,340 | 35,676 |
| Additions in year | 688 | 120 | 10,724 | 11,532 | 626 | 120 | 10,568 | 11,314 |
| Revaluations during the year | - | 12 | - | 12 | - | 12 | - | 12 |
| Disposals | (36) | (24) | (1,616) | (1,676) | (36) | (24) | (1,608) | (1,668) |
| Transfers from subsidiary undertaking | - | - | - | - | 466 | - | 355 | 821 |
| At 30th March 1991 | 4,894 | 1,721 | 41,103 | 47,718 | 4,779 | 1,721 | 39,655 | 46,155 |
| Depreciation | | | | | | | | |
| At 1st April 1990 | 497 | - | 12,607 | 13,104 | 469 | - | 12,299 | 12,768 |
| Provision for year | 131 | - | 2,133 | 2,264 | 125 | - | 2,005 | 2,130 |
| Disposals | (2) | - | (1,497) | (1,499) | (2) | - | (1,491) | (1,493) |
| Transfers from subsidiary undertaking | - | - | - | - | 22 | - | 46 | 68 |
| At 30th March 1991 | 626 | - | 13,243 | 13,869 | 614 | - | 12,859 | 13,473 |
| Net Book Amount | | | | | | | | |
| At 30th March 1991 | 4,268 | 1,721 | 27,860 | 33,849 | 4,165 | 1,721 | 26,796 | 32,682 |
| At 30th March 1990 | 3,745 | 1,613 | 19,388 | 24,746 | 3,253 | 1,613 | 18,041 | 22,907 |

12 Tangible Fixed Assets (continued)

Included in the above figures for plant and machinery is £10,473,000 (1990: £10,473,000) net book amount, and £546,000 (1990: £546,000) depreciation provided for the year in respect of assets under hire purchase and finance lease agreements.

Freehold houses were professionally revalued at sitting tenant value as at 29th March 1988 with subsequent additions at cost. Disposals in the year were revalued on a vacant possession basis.

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

On an historic cost basis the net book amount of freehold land and buildings and freehold houses at 30th March 1991 would be as follows:

| | Freehold land and buildings | Freehold houses |
|------------------------|--------------------------------|--------------------|
| Cost | £'000 | £'000 |
| Aggregate depreciation | 4,025 | 433 |
| Net book amount | 1,110 | - |
| | 2,915 | 433 |

13 Investments

| | Group Share of net assets of related undertakings | Company Shares in subsidiary undertakings | Shares in related undertakings at cost |
|----------------------------------|--|--|--|
| | £'000 | £'000 | £'000 |
| At 1st April 1990 | 700 | - | 514 |
| Share of profit retained in year | 77 | - | - |
| Exchange (losses)/gains | (43) | - | 47 |
| At 30th March 1991 | 734 | - | 561 |

| Name of company | Country of incorporation | % holding | Nature of business |
|-------------------------------------|-----------------------------|--------------|--|
| Technical Fibre Products Ltd. | UK | 100 | Manufacturer of paper from manmade fibres |
| Pacofa SA | France | 35 | Converter of paper products |
| Faserlec Technische Papiere GmbH | West Germany | 50* | Manufacturer of paper from manmade fibres |

*This investment is held by Technical Fibre Products Ltd.

14 Stocks

| | Group | | Company | |
|------------------|-------|-------|---------|-------|
| | 1991 | 1990 | 1991 | 1990 |
| | £'000 | £'000 | £'000 | £'000 |
| Raw materials | 1,581 | 1,404 | 1,418 | 1,191 |
| Work in progress | 525 | 771 | 517 | 777 |
| Finished stocks | 1,604 | 1,427 | 1,573 | 1,404 |
| | 3,710 | 3,602 | 3,508 | 3,372 |

15 Debtors

| | Group | | Company | |
|--------------------------------------|-------|-------|---------|--------|
| | 1991 | 1990 | 1991 | 1990 |
| | £'000 | £'000 | £'000 | £'000 |
| Trade debtors | 7,997 | 8,504 | 7,585 | 7,891 |
| Prepayments and accrued income | 491 | 609 | 490 | 540 |
| Other debtors | 238 | 569 | 238 | 682 |
| Amounts owed by group undertakings | - | - | 465 | 1,180 |
| Amounts owed by related undertakings | 74 | - | - | - |
| | 8,800 | 9,682 | 8,778 | 10,293 |

Included within the above are amounts due in more than one year owed by the subsidiary undertaking of £404,000 (1990 £1,159,000) and taxation recoverable of £16,000 (1990 £12,000)

16 Creditors
(amounts falling due within one year)

| | Group | | Company | |
|------------------------------------|--------|--------|---------|--------|
| | 1991 | 1990 | 1991 | 1990 |
| | £'000 | £'000 | £'000 | £'000 |
| Bank borrowings | 8,234 | 7,032 | 6,864 | 6,012 |
| Trade creditors | 4,155 | 4,134 | 4,089 | 4,024 |
| Bills of exchange payable | 559 | 345 | 559 | 345 |
| Taxation and social security | 270 | 247 | 258 | 281 |
| Accruals | 2,093 | 2,347 | 2,006 | 2,424 |
| Employee savings | 83 | 101 | 83 | 101 |
| Hire purchase and finance leases | 1,214 | 804 | 1,203 | 804 |
| Other creditors | 78 | 211 | 75 | 211 |
| Proposed dividend | 158 | 211 | 158 | 211 |
| Amounts owed to group undertakings | - | - | - | - |
| | 16,844 | 16,462 | 15,295 | 14,004 |

Employee savings are secured on certain freehold houses. The parent company has guaranteed the bank borrowings of its subsidiary undertaking.

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17 Creditors

(amounts falling due after more than one year)

| | Group | | Company | |
|--|--------|-------|---------|-------|
| | 1991 | 1990 | 1991 | 1990 |
| | £'000 | £'000 | £'000 | £'000 |
| Bank borrowings, repayable January 1994 | 3,000 | 4,000 | 3,000 | 4,000 |
| 9% Unsecured Loan Stock 1994/99 | 237 | 237 | 237 | 237 |
| Hire purchase and finance leases payable between 1 and 2 years | 1,223 | 943 | 1,223 | 844 |
| payable between 2 and 5 years | 1,009 | 1,491 | 1,009 | 1,491 |
| payable over 5 years | 6,060 | | 6,060 | |
| | 11,529 | 6,771 | 11,529 | 6,572 |

18 Deferred taxation

Deferred taxation provided in the accounts comprises:

| | Group | | Company | |
|---------------------------------------|-------|-------|---------|-------|
| | 1991 | 1990 | 1991 | 1990 |
| | £'000 | £'000 | £'000 | £'000 |
| Accelerated capital allowances at 34% | 170 | | 170 | |
| Unrelieved advance corporation tax | (170) | | (170) | |

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

| | | | | |
|--|-------|-------|-------|-------|
| Accelerated capital allowances at 34% (1990 35%) | 4,144 | 3,505 | 3,954 | 3,241 |
| Unrelieved advance corporation tax | (44) | (44) | (44) | (44) |
| | 4,100 | 3,461 | 3,910 | 3,197 |

19 Share Capital

| | 1991 | 1990 |
|--|-------|-------|
| | £'000 | £'000 |
| Authorised: 10,000,000 (1990 10,000,000) ordinary shares of 25p each | 2,500 | 2,500 |
| Allotted and fully paid: 8,204,757 (1990 8,181,607) ordinary shares of 25p each | 2,051 | 2,045 |

During the year 43,260 ordinary shares were issued to employees in accordance with the provisions of the Employee Share Scheme.
Under The James Cropper PLC Executive Share Option Scheme, options were outstanding at 30th March 1991 in respect of the following:

| Type | No. of shares subject to option | Period of option | Price per share |
|----------|---------------------------------|------------------------------|-----------------|
| Ordinary | 100,000 | January 1991 to January 1998 | 193p |
| Ordinary | 40,000 | July 1991 to July 1998 | 198p |
| Ordinary | 40,000 | January 1993 to January 2000 | 124p |

20 Reserves

| | Group | | | Company | | |
|---------------------------------------|-----------------------------|------------------------|-----------------------------|-----------------------------|------------------------|-----------------------------|
| | Share Premium Account | Revaluation Reserve | Profit & Loss Account | Share Premium Account | Revaluation Reserve | Profit & Loss Account |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| At 1st April 1990 | 169 | 1,703 | 13,761 | 169 | 1,703 | 13,572 |
| Premium on shares issued during year | 44 | - | - | 44 | - | - |
| Revaluations during year | - | 12 | - | - | 12 | - |
| Release during year | - | (23) | 23 | - | (23) | 23 |
| Amount set aside from profit for year | - | - | 988 | - | - | 1,075 |
| Exchange (losses)/gains | - | - | (8) | - | - | 79 |
| | 213 | 1,692 | 14,764 | 213 | 1,692 | 14,749 |

The share premium arising during the year represents the difference between market price and nominal value of new shares issued in accordance with the provisions of the Employee Share Scheme.

21 Commitments under Operating Leases

At 30th March 1991 there were annual commitments under operating leases for plant and machinery terminating as follows:

| | Group | | Company | |
|-----------------|-------|-------|---------|-------|
| | 1991 | 1990 | 1991 | 1990 |
| | £'000 | £'000 | £'000 | £'000 |
| Within 1 year | - | - | - | - |
| In 2 to 5 years | 148 | 148 | 145 | 145 |
| Over 5 years | 131 | 131 | 131 | 131 |
| | 279 | 279 | 276 | 276 |

22 Capital and Other Commitments

At 30th March 1991 the Group and the Company had authorised capital expenditure of approximately £1,687,000 (1990 £1,687,000) of which contracts had been placed for approximately £145,000 (1990 £1,272,000). In 1983 the Company commenced a 20 year annuity payable to the North West Water Group Plc amounting to £1,322,000 of which £793,000 was outstanding at 31st March 1991 (1990 £793,000).

Notice of Annual General Meeting

Thursday 1st August 1991
at 10.30 a.m.

Notice is hereby given that the one hundred and second annual general meeting of the Company will be held at the registered office, Burneside Mills, Kendal, on Thursday 1st August 1991 at 10.30 a.m.

Ordinary Business

1 To receive and consider the statement of accounts for the 52 weeks ended 30th March 1991 and the directors' and auditors' reports thereon, and to declare a dividend.

2 To re-elect Mr J. R. Sclater, who is the director retiring by rotation.

3 To elect Mr J. Oakley as a director of the Company.

4 To appoint the present auditors, Price Waterhouse, 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.

5 To transact any other business of an annual general meeting.

Special Business

To consider and if thought fit pass the following resolutions, of which that numbered 6 will be proposed as an Ordinary Resolution and that numbered 7 will be proposed as a Special Resolution of the Company.

Ordinary Resolution

6 (a) That, in accordance with Article 11(B) of its Articles of Association and Chapter VII of the Companies Act 1985, the Company be and is hereby granted general and unconditional authority (pursuant to Section 166 of the said Act) to make market purchases (as defined in Section 163 of the said Act) of any of its own Ordinary Shares on such terms and in such manner as the Board of Directors of the Company may from time to time determine.

(b) The general authority conferred by the Resolution shall.

(i) expire on the date of the next annual general meeting of the Company;

(ii) be limited to 400,000 Ordinary Shares of 25p each;

(iii) not permit the payment per share of more than 5% above the average of the middle market quotations on the Stock Exchange on the 10 previous dealing days or less than 25p exclusive of advanced corporation tax (if any) payable by the Company; and
(iv) before its expiry entitle the Company to enter into any contracts for the purchase of its own shares which will or might be executed wholly or partly after its expiry.

(c) This authority shall only be capable of variation, revocation or renewal by the Company in General Meeting.

Special Resolution

7 That the Directors be and they are hereby empowered to allot equity securities (as defined in Section 94 of the Companies Act 1985) pursuant to the authority conferred by resolution 6 passed at the annual general meeting held on 1st August 1990 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 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 in any territory), 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 £102,000 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
Kendal
14th June 1991

By order
of the Board
O.G.D. Acland
Secretary

Notes

1. 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.

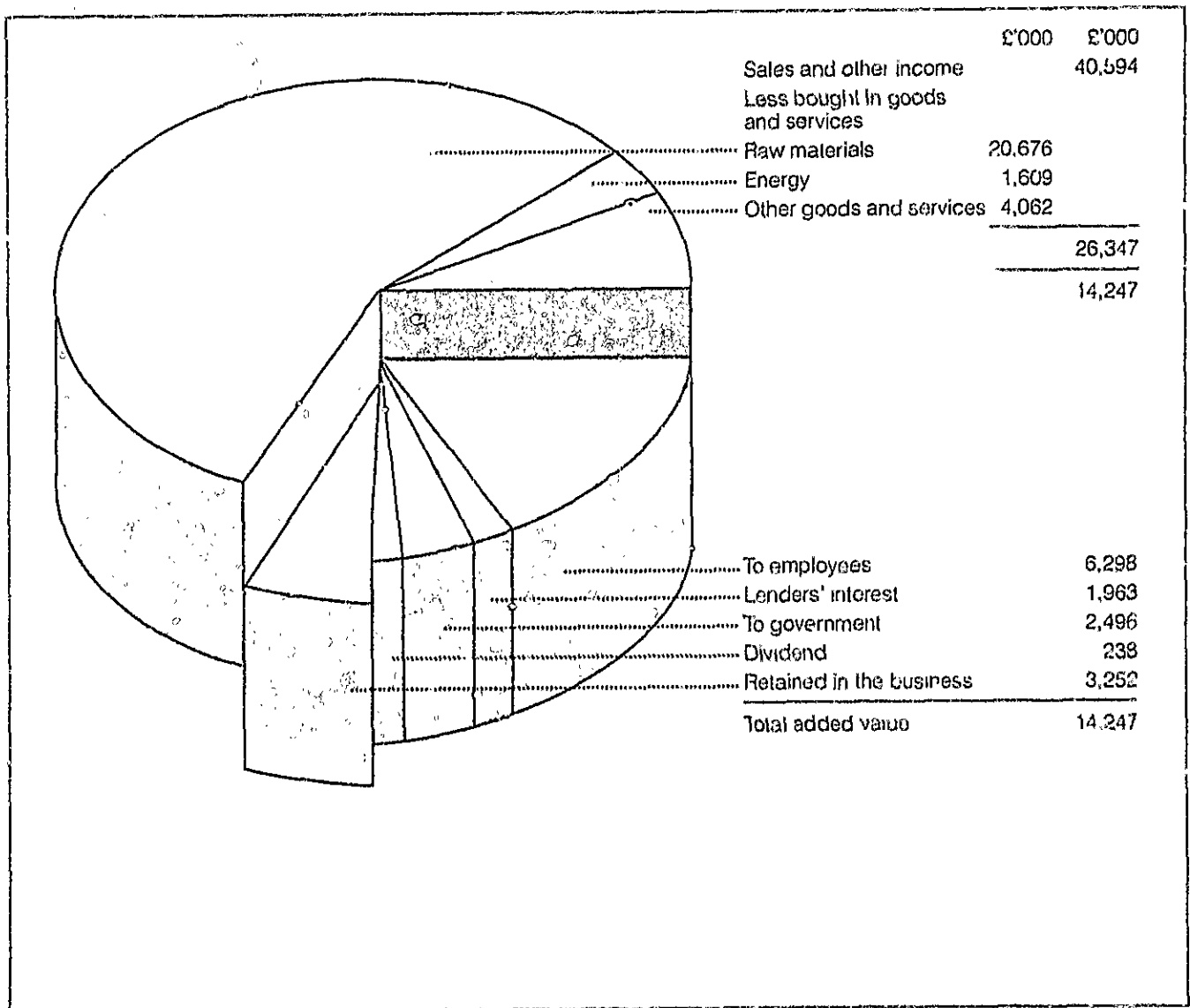
2. Contracts of service for the six executive directors are available for inspection at the registered office until 1st August 1991 and at the place of the meeting for at least 15 minutes prior to the meeting and at the meeting.

3. Unsecured loan stock holders are not entitled to attend, or vote at, the annual general meeting of the Company.

4. The reasons for the Special Business are explained in the Report of the Directors on pages 26 and 27 of the Annual Report.

JAMES CROPPER PLC

Value Added Statement



All paper from James Cropper PLC's Portfolio Range

Cover - Palazzo Titian Grey 250g/m²

Text - Kendal Snow White 130g/m²

Financial Section - Lorenzo Smoke 100g/m²

Envelope - Valencia Tuscan Grey 220g/m²

Designed by Mackay Design Associates Ltd, Carlisle

Typeset and printed by Frank Peters (Printers) Ltd, Kendal

Main photography by Colin Cuthbert, Newcastle