James Cropper PLC

Annual Report 2008

for the period ended
29 March 2008

Registered number 30226

Vision Statement

Our Company Goal

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

Our Values

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

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

Summary of Results

Group 5 Year Performance

	IFRS basis				UK GAAP basis	
	2008	**2007**	**2006**	**2005**	**2005**	**2004**
Group turnover £'000	**72,744**	**69,085**	**64,201**	**64,568**	**64,568**	**58,010**
Profit and Loss Summary £'000						
Trading activities						
Technical Fibre Products	1,426	2,053	777	521	522	506
Speciality Papers	1,281	1,435	(247)	1,787	1,826	549
Converting	548	460	62	385	389	438
The Paper Mill Shop	(358)	(358)	241	370	381	257
Other Group expenses	(147)	(86)	-	-	-	-
	2,750	3,504	833	3,063	3,118	1,750
Director and employee bonuses	(324)	(433)	-	-	-	-
"On-going" trading operating profit	2,426	3,071	833	3,063	3,118	1,750
Profit on sale of trade investment	-	-	116	-	-	-
Trading operating profit	2,426	3,071	949	3,063	3,118	1,750
Joint venture	(61)	(95)	(89)	(114)	(114)	(93)
Other expenditure	-	-	-	(200)	(200)	(50)
Trading profit before interest	2,365	2,976	860	2,749	2,804	1,607
Net interest	(402)	(438)	(511)	(357)	(337)	(355)
Trading profit before tax	**1,963**	**2,538**	**349**	**2,392**	**2,467**	**1,252**
(After future service pension contributions paid)						
Net pension adjustments to						
Operating profit	(610)	(610)	(364)	(423)	(696)	(467)
Net interest	227	179	(114)	(330)	-	-
Net pension adjustment before tax	**(383)**	**(431)**	**(478)**	**(753)**	**(696)**	**(467)**
Overall Group after pension adjustments						
Operating profit	1,816	2,461	585	2,640	2,422	1,283
Joint venture	(61)	(95)	(89)	(114)	(114)	(93)
Other (expenditure)/income	-	-	-	(200)	(200)	(50)
Profit before interest	1,755	2,366	496	2,326	2,108	1,140
Net interest	(175)	(259)	(625)	(687)	(337)	(355)
Profit/(Loss) before tax	**1,580**	**2,107**	**(129)**	**1,639**	**1,771**	**785**
Earnings/(Losses) per Share	**14 0p**	**16 2p**	**(1 2p)**	**12 6p**	**13 8p**	**7 6p**
Dividends per Share	**7 3p**	**7 0p**	**4 1p**	**8 2p**	**8 2p**	**7 8p**
Balance Sheet Summary £'000						
Non-pension assets - excluding cash	45,616	45,758	46,668	47,005	46,155	45,759
Non-pension liabilities - excluding borrowings	(12,640)	(13,505)	(11,993)	(11,524)	(12,044)	(11,184)
	32,976	32,253	34,675	35,481	34,111	34,575
Net pension (liabilities)/assets	(1,299)	(4,306)	(7,221)	(7,495)	831	(73)
	31,677	27,947	27,454	27,986	34,942	34,502
Net borrowings	(6,016)	(5,294)	(8,595)	(8,350)	(7,404)	(7,427)
Equity shareholders' funds	**25,661**	**22,653**	**18,859**	**19,636**	**27,538**	**27,075**
Gearing %	**23**	**23**	**46**	**43**	**27**	**27**
Capital Expenditure £'000	**2,337**	**2,756**	**2,889**	**3,228**	**3,228**	**3,101**

Following adoption of Regulation 1606/2002 by the European Parliament in July 2002 all EU listed companies are required to report their consolidated financial statements under IFRS adopted for use in the EU ("adopted IFRS") for accounting periods beginning on or after 1 January 2005 Prior to this period James Cropper PLC had previously reported its results under UK Generally Accepted Accounting Principles ("UK GAAP") All references to "Net pension adjustment" in the Profit and Loss Account refer to the net impact on the Profit and Loss Account of the pension schemes operating costs and finance costs, as described in the IAS 19 section of the Financial Review

Contents

Directors, Bankers and Advisers

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

Deputy Chairman
Mark Cropper, MA - Born in 1974
He joined the Board in 2006 and became Deputy Chairman on 24th April 2008 Mark Cropper is the sixth generation of the Cropper family to be involved in the business He is a FSA authorised corporate finance adviser for Turquoise International, which specialises in energy and environmental investment He previously worked at Johnson Matthey PLC as a fuel cell analyst He is a director of Ellergreen Limited and Ellergreen Hydro Limited

Executive Directors

Chief Executive
Managing Director, James Cropper Speciality Papers Limited
Managing Director, The Paper Mill Shop Company Limited
Alun I Lewis, BSc, MBA – Born 1957
He joined the Group in 1987 from Wiggins Teape Limited and the Board in April 1998, becoming Chief Executive in January 2001

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

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

Operations Director, James Cropper Speciality Papers Limited
Patrick J Willink, BSc, MBA – Born 1964 – is also related to the founder He joined the Group in 1990 from Aquascutum Limited and the Board in 1998

Managing Director, Technical Fibre Products Limited
George T Quayle, BSc, C Chem, MRSC – Born 1953 He joined the Group in 1992 from Whatman PLC and the Board in 1998

Non-Executive Directors

John R Sclater, MA, MBA – Born 1940
He joined the Board in 1972 He is Chairman of Graphite Enterprise Trust PLC, Argent Group (Europe) Limited and The Biotech Growth Trust PLC He was formerly Chairman of Nordic Bank PLC, Guinness Mahon & Co Limited, Hill Samuel Bank Limited, Berisford International PLC, The Union Discount Company of London PLC and various other companies He was also the First Church Estates Commissioner, a member of the Council of the Duchy of Lancaster and a Trustee of The Grosvenor Estate John Sclater retires from the Board at the AGM to be held on 30th July 2008

Peter L Herring, BSc (Econ) – Born 1940
He joined the Board in 1997 He is a director of Brenmatch Limited and was previously a director of BPB PLC

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

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

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

Independent Auditors
KPMG Audit Plc, Preston

Tax Advisors
PricewaterhouseCoopers LLP, Newcastle upon Tyne

Stockbrokers
Brewin Dolphin Securities, Leeds

Corporate Lawyers
Dickinson Dees, Newcastle upon Tyne

Registrars
Capita Registrars, Huddersfield

Public Relations
Citigate Dewe Rogerson, Birmingham

Pension Advisors
Watson Wyatt, Manchester

James Cropper PLC
Burneside Mills, Kendal, Cumbria
LA9 6PZ, England

Telephone 01539 722002
Fax 01539 722001

email info@cropper com
website www cropper com

Company Registration
No 30226 (Limited by shares)

BS EN ISO 9001 2000
FM 10048

OHSAS 18001 1999
OHS 93474

BS EN ISO 14001 2004
EMS 57536

Chairman's Review

The Group recorded a profit before tax of £1,580,000 for the year (a profit of £1,963,000 prior to net IFRS pension adjustments). This compares with a profit before tax of £2,107,000 in 2007 (a profit of £2,538,000 prior to net IFRS pension adjustments). Turnover was up 5% to £72,744,000.

Although sales growth was sustained across all four subsidiaries during the year, maintaining margins proved to be difficult, especially in our core paper-making business, which posted a good result against a background of rapidly escalating energy and pulp costs The overall impact on the Group of currency exchange rate movements was broadly neutral Gearing remained low at 23%, in line with last year

Dividends

The Board is proposing a final dividend payment of 5 1p, making a total dividend for the full year of 7 3p compared to 7 0p in 2007, an overall increase of 4 3% on the previous year

AIM

At an Extraordinary General Meeting held on 1st August 2007 shareholders agreed to move the trading of the Company's issued share capital from the Official List of the UK Listing Authority to the Alternative Investment Market ("AIM") of the London Stock Exchange plc The transfer to AIM duly took place on 31st August 2007

Technical Fibre Products ("TFP")

TFP's operating profit for the year was £1,426,000 compared to £2,053,000 in 2007, with turnover improving overall by 12% on the previous year to £10,125,000 TFP's performance in 2007 was exceptional by any measure being driven by significant sales of very high margin product in the final quarter of that year Profit in 2008 was 83% higher than the level achieved in 2006, despite further weakening of the US$ and the acquisition of two new US based manufacturing companies

Sales into the North American market grew by 7% in £Sterling terms and by 13% in US$ terms Growth in demand of engineered composite materials was the prime drivers behind this increase At the average exchange rate for the year, sales to the North American market represented approximately 46% of TFP's turnover in £Sterling terms Sales to "Rest of the World" were ahead by 17%, with sales of composite and insulating materials leading the way There was significant growth in turnover from TFP's new facility in Cheshire This facility, which commenced operations in the final quarter of the previous financial year, is dedicated to converting insulating materials for TFP's main customer in this market Although margins for this activity are less than TFP's mainstream business, TFP's position in the European thermal insulation market has been strengthened as a consequence

Sales of TFP composite materials containing metal-coated carbon fibres have grown strongly in recent years, particularly into the US electronic and aerospace industries These fibres were supplied by Diamond Fiber Composites Inc and Electro Fiber Technologies LLC ("EFT"), the latter being the joint-venture company in which TFP had a 50% share At the end of June 2007 TFP purchased the business assets of Diamond Fiber Composites Inc and acquired complete control of EFT The combined purchase consideration was approximately £0 5 million These acquisitions provide TFP with control of quality, product development and security of supply TFP will thus be able to service the technically demanding applications that contain these fibres with greater confidence at the increased levels of turnover expected in future years However, it is anticipated that EFT's losses will continue at a similar level in the medium term From July 2007 these losses have been fully borne by TFP EFT fibres could potentially provide a key functional element relating to a major US based aerospace development

James Cropper Speciality Papers ("Speciality Papers")

Speciality Papers reported an operating profit of £1,281,000 against £1,435,000 in the previous year Turnover was £48 342,000, up 5% with volume growing by 4% over the year Despite this significant growth in sales profitability was adversely affected by upward pressure from pulp and energy costs

Northern Bleached Softwood Kraft ("NBSK") pulp, the market benchmark priced in US$s, opened the financial year at US$760 per tonne and increased progressively in price to US$880 per tonne by the end of the financial year, up 16% over the year The € price of hardwoods increased by 5% but given the 14% strengthening of the € against £Sterling in the period the impact was much more significant Overall pulp costs in the year were £1 3m *higher than in the previous 12 months*

Although the average cost of natural gas in the first-half was 24p/therm, against 34p/therm in the comparable period, costs in the second-half averaged 50p/therm against 28p/therm in the previous year Overall the cost of gas was up 26% for the full year at £2 8m, some £0 6m higher

Given the competitive nature of both UK and export markets it was not possible to fully recover these dramatic cost escalations through increased selling prices within the time span of the financial year During the year further significant progress was made with regard to the reduction of the cost base through greater energy efficiency, improved productivity and lower wastage

James Cropper pictured with John Sclat

James Cropper Converting ("Converting")
Converting's operating profit was £548,000 compared to £460,000 in the previous year, with turnover increasing by 6% to £11,856,000

Sales of US$ denominated products grew by 14% in £Sterling terms and by 21% in US$ terms in the year and represented 19% of turnover in £Sterling terms The decline in the value of the US$ over the year had a significant impact on the value of Converting's margins The continuing weakness of the US$ outweighed the cost benefits derived from the upgraded laminating line commissioned in the previous year

The Paper Mill Shop ("TPMS")
Turnover was £6,202,000, up 3% on the previous year However margin was lower reflecting a change in the product mix As a consequence the operating loss was in-line with the previous year at £358,000

Depreciation of capital expenditure is accelerated over four years This has led to the resulting depreciation charge being a significant proportion of TPMS's operating loss reflecting the number of store openings in recent years As there were no new store openings in the period cash out flow was relatively low

Pensions and International Accounting Standard 19 ("IAS 19")
The Group operates two funded pension schemes providing defined benefits for the majority of its full time employees In order to comply with the strictures of IAS 19 a discount rate of 6 55% has had to be used to reflect the current high rate of return on corporate bonds resulting from the dramatic fall in the value of corporate bonds as a consequence of the "credit crunch" This aberration has produced IAS 19 deficits for both Schemes smaller in comparison with the concurrent "on-going" valuations, which are based upon more realistic projections of long-term returns The IAS 19 results are thus misleading

Left to right, Bill Thomson, David Carey, James Cropper, Ian Valentine and Tony Hal

People
I am pleased to report the Board appointed my son Mark as Deputy Chairman of James Cropper PLC on 24th April 2008 Mark is the sixth generation of the Cropper family to be involved in the business He joined the Board in 2006

John Sclater will retire from the Board at the AGM after 36 years as a Non-executive Director His membership and commitment to the Board over so many years with his knowledge and wise advice from his banking experience and chairmanship of major British companies has been invaluable to the Group I am in particular indebted to him as Chairman over the same period for his help and support in ensuring that we have remained a strong and independent company I would like to take this opportunity to offer John our grateful thanks for his exceptionally long and loyal service

The past financial year marked the retirement of four long-serving senior managers David Carey (Chief Accountant), Ian Valentine (Papermaking Operations Manager), Bill Thomson (Head of Information Systems) and Tony Hall (Group Purchasing Manager) Together their service totalled 121 years I am extremely grateful to them for their contribution to James Cropper PLC over this time

During the year I was pleased to welcome to the Group Steve Oxley (as Papermaking Operations Manager), Simon Johnston (as Group Purchasing Manager), Deborah Birch (as Senior HR Adviser), Liam Convery (as TFP Operations Manager) and Chris Newton (as Head of Information Systems) I wish them well in their careers with us

Left to right, Chris Newton, Steve Oxley, Deborah Birch, James Cropper, Simon Johnston and Liam Convery

Chairman's Review
continued

Safety
There were 13 Lost Time Accidents ("LTAs') in the past financial year compared to 12 in the previous year This was disappointing However there was a dramatic improvement in the Severity Rate This measures the extent of injury and hence business disruption caused by poor safety performance A new Safety Bonus Scheme has been introduced, which if successful will more than offset its extra cost by reducing the overall cost of the impact on the Group of time lost caused by injuries to our employees

Outlook
The outlook for TFP's profit growth is encouraging Its new facilities in Cheshire and the USA strengthen its long-term position in specialised non-woven insulating and composite markets

Given the uncertainties surrounding the general economic downturn and continued high energy and pulp costs, the outlook for Speciality Papers is difficult to project It should therefore be anticipated that the subsidiary's profitability in the current financial year could be significantly less than that achieved in the year ended 29th March 2008

As regards The Paper Mill Shop it is intended to exit a small number of under performing stores as their leases expire unless it is more economic to do so earlier Other cost rationalisation actions and aspects of TPMS's recovery plan are also being progressed

The overall impact on the Group of fluctuating currency exchange rates will remain broadly neutral as a consequence of our internal currency matching policy

Gearing at the year-end was low and working capital remains closely controlled Investment over the coming year will continue to be focused on energy and operating efficiencies

In the medium to long term, the Board is confident in the Group's ability to exploit its competitive positions in its respective niches through the excellence of its products and customer service This confidence is demonstrated by the continued increase in the dividend Nonetheless, in light of the current adverse market conditions and high energy and pulp costs, the Board believes it is realistic to expect a challenging trading period over the short term

James Cropper

James Cropper

Chairman

Financial Reveiw

	2008 £'000	2007 £'000	Change £'000s	Change %
Trading Profit and Loss Account				
Turnover				
Technical Fibre Products	10,125	9,003	1,122	12
Speciality Papers	48,342	45,967	2,375	5
Converting	11,856	11,157	699	6
The Paper Mill Shop	6,202	6,038	164	3
	76,525	72,165	4,360	6
Less inter-segmental sales	(3,781)	(3,080)	(701)	23
	72,744	69,085	3,659	5
Expenses				
Raw materials and consumables used	(32,703)	(30,425)	(2,278)	7
Energy costs	(3,531)	(2,833)	(698)	25
Employee benefit costs*	(17,675)	(16,659)	(1,016)	6
Depreciation and amortisation	(3,280)	(3,315)	35	(1)
Other expenses	(13,498)	(12 890)	(608)	5
Other income and changes in inventory	369	108	261	242
	(70,318)	(66,014)	(4,304)	7
"On-going" trading operating profit/(loss)*	**2,426**	**3,071**	(645)	(21)
(*Before net pension adjustments)				

	2008 £'000	2007 £'000	Change £'000s
Profit and Loss Summary			
Trading activities			
Technical Fibre Products	1,426	2,053	(627)
Speciality Papers	1,281	1,435	(154)
Converting	548	460	88
The Paper Mill Shop	(358)	(358)	-
Other Group expenses	(147)	(86)	(61)
	2,750	3,504	(754)
Director and employee bonuses	(324)	(433)	109
Trading operating profit	2,426	3,071	(645)
Joint Venture	(61)	(95)	34
Trading profit before interest	2,365	2,976	(611)
Net interest	(402)	(438)	36
Trading profit before tax	**1,963**	**2,538**	**(575)**
(After future service pension contributions paid)			
Net pension adjustments			
Group operating profit	(610)	(610)	-
Net interest	227	179	48
Net pension adjustment before tax	**(383)**	**(431)**	**48**
Overall Group after pension adjustments			
Profit before interest	1,755	2,366	(611)
Net interest	(175)	(259)	84
Profit before tax	**1,580**	**2,107**	**(527)**

	2008 £'000	2007 £'000	Change £'000s
Balance Sheet Summary			
Non-pension Assets - excl Cash	45,616	45,758	(142)
Non-pension Liabilities - excl Borrowings	(12,640)	(13,505)	865
	32,976	32,253	723
Net pension liabilities	(1,299)	(4,306)	3,008
	31,677	27,947	3,731
Net Borrowings	(6,016)	(5,294)	(722)
Equity shareholders' funds	25,661	22,653	3,009
Gearing %	23	23	

Overall performance

- "On-going" trading operating profit was £2,426,000 compared to £3,071 000 in the previous year
- Net trading interest charges for the year were £402,000 against £438,000 previously
- Trading profit before tax was £1,963,000 compared to £2,538,000 in 2007
- The net adverse IFRS pension adjustment was £383,000 compared to a net adverse adjustment in the previous year of £431,000
- The Group recorded an overall profit before tax of £1,580,000 for the year This compares with £2,107,000 for the previous year
- A tax charge of £390,000 arose with respect to the year This comprised a current tax charge of £349,000 and a deferred tax charge of £41,000
- The Profit after Tax was therefore reduced to £1,109,000 compared to £1,361,000 in the previous year
- Basic and diluted earnings per share were 14 0 pence for the year compared to 16 2 pence in 2007
- Shareholders' funds at the year-end were £25,661,000, with net debt of £6,016,000, resulting in a gearing ratio of 23%

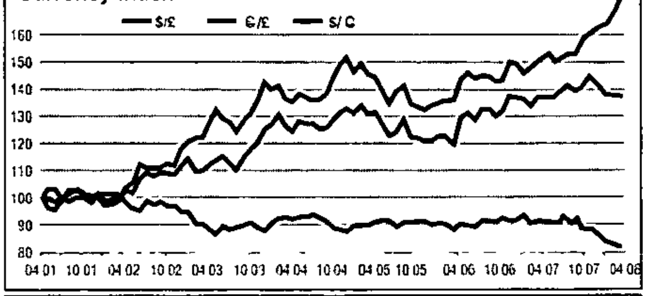
Trading Profit and Loss Account

Group turnover was £72,744,000 compared to £69,085,000 last year up 5% Overall Group raw material and consumable costs, excluding energy, were £32,703,000 up 7% on last year The cost of energy consumption increased over the previous year by £698,000 to £3,531,000, up 25%

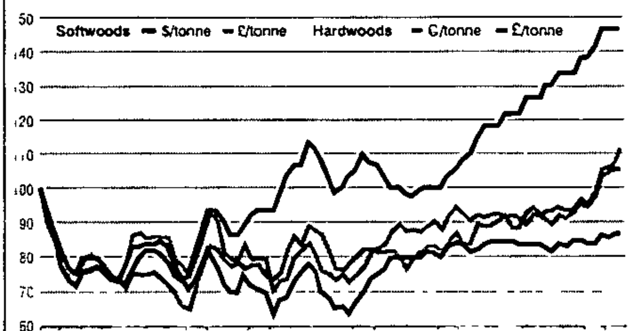
TFP's operating profit reflected a more 'historical" distribution of product mix and thus sales margin compared to the previous year Profit in 2008 was 83% higher than the level achieved in 2006, despite further weakening of the US$ and the acquisition of two new US based manufacturing companies Overall TFP's turnover was up 12% Sales into the North American market grew by 7% in £Sterling terms and by 13% in US$ terms

Financial Reveiw
continued

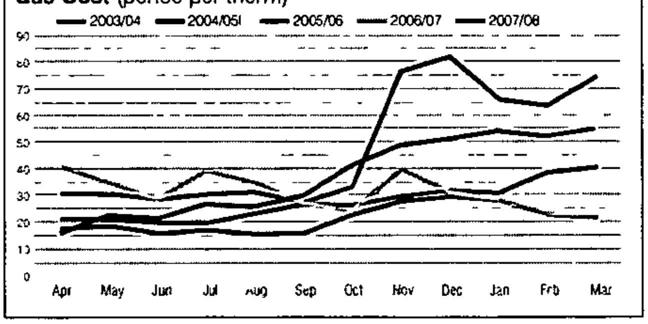
Currency Index



Pulp Index in Denominated Currencies



Gas Cost (pence per therm)



At the average exchange rate for the year, sales to the North American market represented approximately 46% of TFP's turnover in £Sterling terms Sales to "Rest of the World" were ahead by 17% Output from TFP's new converting facility in Cheshire grew significantly Margins from this activity are less than TFP's mainstream business

Despite its 5% growth in turnover Speciality Papers' profitability was adversely affected by upward pressure from pulp and energy costs Northern Bleached Softwood Kraft ("NBSK") pulp, the market benchmark priced in US$s, opened the financial year at US$760 per tonne and increased progressively in price to US$880 per tonne by the end of the financial year, up 16% over the year The € price of hardwoods increased by 5% but given the 14% strengthening of the € against £Sterling in the period the impact was much more significant Overall pulp costs in the year were £1 3m higher than in the previous 12 months Although the average cost of natural gas in the first-half was 24p/therm, against 34p/therm in the comparable period, costs in the second-half averaged 50p/therm against 28p/therm in the previous year Overall the cost of gas was up 26% for the full year at £2 8m, some £0 6m higher

Converting's turnover increased by 6% Sales of US$ denominated products grew by 14% in £Sterling terms and by 21% in US$ terms in the year and represented 19% of turnover in £Sterling terms The continuing weakness of the US$ outweighed the cost benefits derived from the upgraded laminating line commissioned in the previous year

Although sales by The Paper Mill Shop were up 3%, margin was lower reflecting a change in the product mix As there were no new store openings in the period cash out flow was relatively low Prior to net IFRS pension adjustments employment costs increased by 6% to £17,675,000 compared to £16,659,000 in the previous year The average number of people employed increased from 605 to 626 over the year For greater analysis see Table F

Other external charges increased from £12,890,000 to £13,498,000, up £608,000 The increase was mainly associated with the operating costs of TFP s new facilities in Cheshire and the USA

Balance Sheet
Shareholders' Funds increased by £3,009,000 from £22,653 000 at the previous year-end to £25,661,000 as at 29th March 2008 as a consequence of the profit for the year of £1,190,000 and actuarial gains (net of deferred tax) of £2,698,000, offset by dividends paid during the year of £618,000 and the purchase of own shares at a cost of £368,000

Capital expenditure was £2,337,000, with the major investment being devoted to effluent treatment and the acquisition of TFP's new US subsidiary companies

Net current assets increased by £15,000 over the year from £14,624,000 to £14,639,000, with working capital (stocks, debtors, net of creditors) increasing by £1,624,000 and net cash decreasing by £1 609,000 Working capital movements included a £1,274,000 increase in stocks, a £420,000 decrease in trade and other creditors and a £300,000 decrease in current tax liabilities, offset by a £366,000 decrease in trade and other debtors

Over the year bank loans falling due after more than a year fell by £887,000 from £6,650,000 to £5,763,000

Cash Flow
Summarised cash flow is shown in Table A

Net cash inflow from operating activities in the year was after deducting past service pension deficit payments of £876,000

Net cash outflow from investing activities in the year includes capital expenditure totaling £2,337,000 offset by £196,000 received from the sale of assets

Total cash and borrowing changes over the year and facilities available are shown in Table B

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

Converting and TFP generated surplus US$s during the year, which, as a consequence of the weakened US$ had a detrimental impact on divisional profitability Speciality Papers absorbed these US$ funds The € surplus principally arose in Speciality Papers Potential foreign currency surpluses or deficits are dealt with by a combination of foreign currency forward selling and forward purchasing contracts

During the year a loan of US$2,500,000 was drawn down by TFP to counter-balance the value of TFP's net assets denominated in US$s, thus creating a currency hedge on TFP's Balance Sheet

Pensions
The Group operates two funded pension schemes providing defined benefits for the majority of its full time employees including Executive Directors Membership of the Schemes has been closed to new members for a number of years in order to contain the Group's exposure to rising pension costs Since 2001 all new employees have been able to join a defined contribution Group Personal Pension Plan The Group exposure to employee's GPP plans is limited to a fixed percentage of contractual pay The latest actuarial "on-going" valuations of the James Cropper PLC Pension Scheme (the "Staff Scheme") and the James Cropper PLC Works Pension Plan (the "Works Scheme") were conducted as at April 2008 The results of the valuations are shown in Table D

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

Table A **Cash Flow**	**2008 £'000**	**2007 £'000**	**Change £'000s**
Net cash inflow from operating activities	2,433	4,656	(2,223)
Net cash outflow from investing activities	(2,559)	(1,152)	(1,407)
	(126)	3,504	(3,630)
Net cash flow from financing activities	(1,687)	(1,536)	(151)
Net increase in cash and cash equivalents	(1,813)	1,968	(3,781)
Opening cash and cash equivalents	3,730	1,762	1,968
Closing cash and cash equivalents	**1,917**	**3,730**	**(1,813)**

Table B **Net debt**	**2008 £'000**	**2007 £'000**	**Change £'000s**
Cash and cash equivalents	1,917	3,730	(1,813)
Borrowings repayable within one year	(2,170)	(2,374)	204
Net cash	(253)	1,356	(1,609)
Borrowings non-current	(5,763)	(6,650)	887
Net debt	**(6,016)**	**(5,294)**	**(722)**
Facilities			
Borrowings repayable within one year	2,170	2,374	(204)
Borrowings non-current	5,763	6,650	(887)
Facilities drawn down	7,933	9,024	(1,091)
Undrawn facilities	3 453	3,455	(2)
Facilities	**11,386**	**12,479**	**(1,093)**
Funds available			
Cash and cash equivalents	1,917	3,730	(1,813)
Undrawn facilities	3,453	3,455	(2)
Funds available at year end	**5,370**	**7,185**	**(1,815)**
Borrowings repayable within one year	(2,170)	(2,374)	204
Funds available in excess of one year	**3,200**	**4,811**	**(1,611)**

Table C **Group Currency Management**		**US$**	**€**
Opening rate April 2007 v £		1 92	1 47
Closing rate March 2008 v £		1 99	1 26
Exchange rate movement	%	(3)	14
Strengthen/(Weaken) v £			
Currency transactions in year			
Sales receipts	'000	19,120	17,026
Purchase payments	'000	(21,350)	(16,172)
Currency surplus/(deficit)	'000	**(2,230)**	**854**
£ @ Opening rate	£'000	(1,158)	583
£ @ Closing rate	£'000	(1,123)	680
Sterling gain/(loss)	£'000	**35**	**97**

Financial Reveiw
continued

The dual discount rate approach may be considered inappropriate, as the higher return may not ultimately be realised and it could be taken to imply that the accrued liabilities are changing, when actually it is only the split between the investment returns and contributions used to fund them that is changing The difference between the two "on-going" deficits of £12m (i e £14 9m minus £2 9m) is essentially, the extra return of £12m expected to be covered by higher investment returns relating to higher risk equity weighted assets compared with corporate and government bonds Thus if the trustees of the two schemes were to transfer the existing Schemes' assets comprising higher risk investments into holdings of 50% corporate bonds and 50% government bonds a combined deficit of £14 9m would materialise

The Company has been paying deficit contributions of £876,000 p a with the aim of removing the combined deficit in accordance with the agreed Schedules of Contributions This total consists of £420,000 p a in respect of the Staff Scheme and £456,000 p a for the Works Scheme It is the intention of the Board to eliminate the deficits within a period of ten years The Company also pays contributions in respect of future service benefits (in addition to the employees' own contributions) of 15 0% of contractual pay for the Staff Scheme and 10 2% for the Works Scheme

The Buy-out valuation gives an indication of a scheme's ability to secure members' benefits accrued to the valuation date by purchase of immediate and deferred annuities with an insurance company Its purpose is two fold First it sets out the position were the scheme to wind up without recovery of any further assets to assist the funding and without reliance on the Pension Protection Fund Second the deficit shown on this basis equates to the debt on the employer that would apply if the scheme were to be wound up

Table D

Actuarial Pension Valuations

Basis	On-going Dual-Discount Equity/ Bonds	On-going 50 50 Corp/ Govern Bonds	Buy-out
Discount rate pre-retirement	7 65%	5 70%	
Discount rate post-retirement	5 70%	5 70%	
	£'000	£'000	£'000
Staff Scheme as at 1 April 2008			
Assets	26,873	26,873	26,873
Liabilities	(29,443)	(34,630)	(42,049)
Deficit	(2,570)	(7,757)	(15,176)
Funding level - %	91	78	64
Works Scheme as at 5 April 2008			
Assets	30,141	30,141	30,141
Liabilities	(30,401)	(37,236)	(62,828)
Deficit	(260)	(7,095)	(32,687)
Funding level - %	99	81	48
Combined Deficit	**(2,830)**	**(14,852)**	**(47,863)**

Equally, it is the basis for recovery of debts against employers who cease to participate in the scheme The combined deficit on the buy-out basis is approximately £48m

IAS 19

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

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

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

Upon valuation at subsequent year-ends the movement in value from the previous valuation is expressed in the following component parts

Profit and Loss Account

Operating costs

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

Finance costs, being the net of
  Expected return on pension scheme assets
  Interest cost on the accrued pension scheme liabilities

Statement of Total Recognised Gains and Losses

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

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

Table E shows the results of the IAS 19 valuations

The corporate bond based method would typically result in a bigger headline deficit due to the corporate bond yield at the valuation date being significantly lower than the proposed assumption for expected return on equities under a dual discount rate approach However the value of AA corporate bonds have dramatically fallen as a consequence of the "credit crunch", resulting in abnormally high current rates of return on corporate bond at the Balance Sheet date In order to comply with the strictures of IAS 19 a discount rate of 6 55% has had to be used to reflect the current high rate of return on corporate bonds This aberration has produced IAS 19 deficits for both Schemes smaller in comparison with the concurrent "on-going' valuations, which are based upon more realistic projections of long-term returns The IAS 19 results are thus misleading

Actual future service pension contributions paid in the period by the Group to its two final salary schemes in accordance with the actuaries' recommendations, resulting from their latest "on-going" valuations, were £934,000 Under IAS 19 the charge against profit in the year was £1,544,000 This sum included the PPF Levy charge of £130,000 relating to the Works Scheme and a balancing charge of £480,000 being the excess required by IAS 19 over and above the future service contributions that were actually required by the "on-going" valuations

Table F analyses employment costs charged against Operating Profit

Table E	Staff 2008	Works 2008	Total 2008	Total 2007
IAS19 DEFICIT	**£'000**	**£'000**	**£'000**	**£'000**
Current Service Charge	(483)	(1,061)	(1,544)	(1,598)
Future service contributions paid	447	487	934	988
Net impact on Operating Profit	**(36)**	**(574)**	**(610)**	**(610)**
Finance costs	200	27	227	179
Net impact on Profit and Loss Account	**164**	**(547)**	**(383)**	**(431)**
Past service deficit contributions paid	420	456	876	838
Actuarial gains	688	3,167	3 855	3 756
Opening deficit	(1,283)	(4 869)	(6,152)	(10,315)
Closing deficit	**(11)**	**(1,793)**	**(1,804)**	**(6,152)**
Deferred Taxation	3	502	505	1,846
Net deficit	**(8)**	**(1,291)**	**(1,299)**	**(4,306)**
Liabilities	(29,033)	(31,302)	(60,335)	(66,733)
Assets	29,022	29,509	58,531	60,581
Closing deficit	**(11)**	**(1,793)**	**(1,804)**	**(6,152)**
Assets				
Equities	15,926	19,484	35,410	38,386
Bonds	10 493	8,366	18,859	18,138
Property	-	187	187	270
Annuities	2,043	-	2,043	1,890
Cash	560	1,472	2,032	1 897
	29,022	**29,509**	**58,531**	**60,581**
Asset - %				
Equities	55	66	61	63
Bonds	36	28	32	30
Property	-	1	-	-
Annuities	7	-	4	3
Cash	2	5	3	3
	100	100	100	100

Table F

Total adjusted employment costs	**2008**	**2007**	**Change**
	£'000	**£'000**	**£'000s**
Wages and salaries	15,053	13,989	1 064
Director and employee bonuses	324	433	(109)
Social security costs	1,367	1,244	123
Future service pension contributions paid	934	988	(54)
Other pension costs	347	292	55
Total employment costs	18,025	16,946	1,079
Own labour capitalised	(350)	(287)	(63)
Chargeable against Trading Operating Profit	**17,675**	**16,659**	**1,016**
Wages and salaries	15,053	13,989	1,064
Director and employee bonuses	324	433	(109)
Social security costs	1,367	1,244	123
Current service pension charge (IAS 19)	1,544	1,598	(54)
Other pension costs	347	292	55
Total employment costs	18,635	17,556	1,079
Own labour capitalised	(350)	(287)	(63)
Chargeable against Group Operating Profit	18,285	17,269	1 016
Difference being Net IAS 19 pension adjustment against operating profit	610	610	-
Average monthly number of employees	626	605	21

Business Review

Technical Fibre Products

> TFP's third consecutive year of double-digit revenue growth was as a result of strong global demand for composite materials plus the full year's impact of our new business activity relating to the conversion of high temperature insulation materials

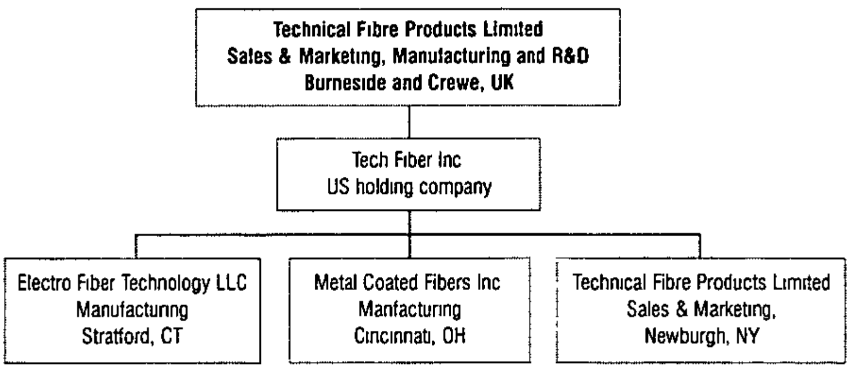
Turnover at £10,125,000 represented an increase of 12% on the back of an exceptional 34% increment in the previous year Despite further weakening of the US$ sales to the North American market increased by 7% in £Sterling terms with sales to 'Rest of the World' increasing by 17%

Notwithstanding the adverse impact of the unfavourable $US exchange rate and the increased costs due to the integration of new USA based subsidiaries and operations at Crewe, the total TFP business delivered an operating profit of £1,425,000 Although this was 31% below last year's exceptional result, it was 83% up on 2006

Growth in North America was again driven by technically advanced materials used in aerospace, consumer electronics and fire doors Materials for wind energy, passive fire protection of buildings and thermal insulation applications were in increasing demand throughout the "Rest of the World" Throughout the latter half of the year we also experienced increased demand for carbon fibre materials destined for fuel cell developments and commercial applications

At the end of June 2007 we furthered our strategy of securing a strong position in the development and supply of highly conductive materials through a £0 5M acquisition of both USA based metal-coated fibre manufactures, Electro Fiber Technologies and Diamond Fiber Composites Products utilising the fundamental characteristics of these fibres have been a major contributor to growth over the past few years and will continue to underpin a significant part of future growth plans in aerospace, electronics, medical equipment and defence markets

A robust pipeline of customer sponsored product developments and full involvement in four Technology Strategy Boards (ex HMG DTI) sponsored collaborative research projects, places the business in a strong position to deliver continued growth in both the near and long term



	2008 £'000	2007 £'000	Change £'000s	Change %
Turnover	10,125	9,003	1,122	12
Operating profit	1,426	2,053	(627)	

Business Review

Speciality Papers

It was another year of turbulence for the paper manufacturing industry with regular increases in the cost of wood pulp throughout the year

Energy costs, which had been subdued at the start of the year, rose very sharply from the summer onwards and, together with the high cost of fibre, served to intensify the pressure on all paper mills' margins

Against this challenging backdrop Speciality Papers made significant progress during the year Sales volumes were 3 5% higher than in the previous year and sales value 4 9% higher

Performance highlights amongst the different markets we serve were the office products and framing and archival sectors in the United Kingdom In the overseas markets we continued to develop new opportunities in the luxury packaging sector James Cropper Speciality Papers is perhaps best known in the paper industry for its manufacture of bookbinding and text and cover papers where the combination of colour, texture and strength perfectly fits our abilities These sectors however require great distribution partners to bring the products to market and we are very fortunate to work with two outstanding marketing companies in G F Smith and Winter & Company More than 30 years of business development with both has enabled us to develop these specialist markets and adapt to their changing needs

The inflationary pressures from raw materials and energy meant that we spent much of the second half of the year talking with customers about price increases All specialist paper markets are subject to significant competition despite the closure of many European mills in recent years, so it is seldom possible to immediately recover cost increases through our paper prices without threatening our own market share or the viability of our customers' business There is therefore a lag between cost increases and price rises which is often missing in commodity papers but which helps to ensure that our increases are sustainable

In Operations it is pleasing to report further improvements in efficiency and reductions in waste despite the market's increasing demands for quicker deliveries and smaller quantities 2007 saw us produce more paper with less waste than at any time in the mill's history

The high and volatile cost of fossil fuels again focussed our efforts on energy efficiency measures supported by some modest capital investments during the year The ambition over the next 12 months is to become net exporters of electricity generated by our CHP plant

Recent significant changes in pulp capacity have coincided with both wood supply issues and alternative uses for wood, enabling the upward momentum in the price of wood pulp to be maintained However it has also become clear that the paper industry can no longer rely on the historic pulp price cycle and so the way we use fibre needs now to be constantly under review

The future remains challenging but a combination of Speciality Papers' technical competitive advantages together with plans to refine some of our commercial strategies means we face this with confidence

	2008 £'000	2007 £'000	Change £'000	Change %
Turnover	48,342	45,967	2,375	5
Operating profit/(loss)	1,281	1,435	(154)	

Business Review
Converting

The UK trading environment was healthy for most of the financial year with a strong retail sector driving sales of our display board

As the financial year drew to a close demand for display board softened somewhat, reflecting an overall slowdown in activity Demand for lower thickness display board continued to grow due to the widespread move to large format litho machines by the larger print companies This was partly at the expense of higher thickness grades used for traditional screen-printing We believe there is further scope for growth in this market as our fully recyclable display board displaces plastic alternatives Production capacity was increased at the end of the year as a result of moving part of the operation from 3-shift to a 4-shift working regime

Converting remains the world's only picture mountboard producer vertically integrated with a paper mill capable of supplying all the elements of the product Demand for picture mountboard was broadly in line with the prior year in both UK and US markets We strengthened our portfolio of products as we added a range of high thickness solid core boards primarily for the US market and a range of aesthetic white core products available to all markets Our strong relationship with Larson Juhl, the USA's top distributor of art and framing products, resulted in our sales volumes holding up well despite a difficult housing market, which normally results in a weakened market for framed art

The US$ weakened further over the year impacting adversely on margins on sales of picture mountboard to the USA As Converting has little expenditure denominated in US$ against which to offset its US$ revenues, this impact was felt on the bottom line

Our sales of digital printing products to professional and amateur photographers via our website, www papermilldirect com, showed further growth over the year It was also pleasing to record continued growth of digital products to major OEMs, such as Fuji, Epson and now Ilford Progress has been made on sales of film-laminated grades, some of which have lengthy development cycles A number of our more specialized grades have been added to the GF Smith collection and we are now an approved supplier to a major packaging company

	2008 £'000	2007 £'000	Change £'000	Change %
Turnover	11,856	11,157	699	6
Operating profit/(loss)	548	460	88	

Business Review

The Paper Mill Shop

Like many retailers, The Paper Mill Shop ("TPMS") has faced a challenging year with weakening consumer confidence and a squeeze on discretionary spending

While sales were broadly in line with the previous year helped by a number of new and exciting marketing initiatives, an operating loss was recorded for the second year running, although mitigated to a large degree in terms of cash flow by the approach to depreciation outlined in the Chairman's statement

Last year's Annual Report referred to the market research which had been commissioned during 2007 and many of the recommendations from this research have been implemented over the course of the year with encouraging results across the chain of stores These have included a range of initiatives focussing on increasing the average transaction value, nurturing customer loyalty and conversion of footfall to sales

Over the last eight years TPMS has established itself as the leading authority in paper craft retailing with its unrivalled range of high quality coloured and textured paper and card founded on the unique relationship with James Cropper Speciality Papers With the growing sophistication of crafters and crafting techniques, TPMS has launched Paper Renaissance, a new selection of on-trend fashionable colours that are stocked in all stores and will evolve over time with emerging colour trends influenced by developments in design, textiles and home furnishings

The transactional website has continued to perform well during the year with strong like for like sales As part of the overall redesign of the site, the home page has been redesigned to promote the launch of the new range of paper and card colours and the project pages have also been given a new look This is an area of the business that has the potential for significant growth and provides a complementary offering to the chain of shop outlets

Despite the failure to return the business to profitability over the course of the last financial year, much of the ground work for a professional and efficient retailing operation are now in place including branding and merchandising, management structure and cost controls While the trading environment will undoubtedly be challenging over the coming 12 months, the business will emerge at the end of the year as a positive generator of cash with a solid platform for a return to profitability

	2008 £'000	2007 £'000	Change £'000	Change %
Turnover	6,202	6,038	164	3
Operating (loss)/profit	(358)	(358)	-	

Health and Safety

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

Accidents
There were 13 Lost Time Accidents ('LTAs") in the past financial year compared to 12 in the previous year However there was a dramatic improvement in the Severity Rate This is a measure of the severity of the injuries being suffered by injured employees as a result of workplace accidents as shown in the chart

Severity Rate is an indirect measure that uses days lost due to injuries as an indicator of the severity of injuries It is calculated by multiplying the days lost in a period by 1000 and by dividing the total by the total number of hours worked in the period

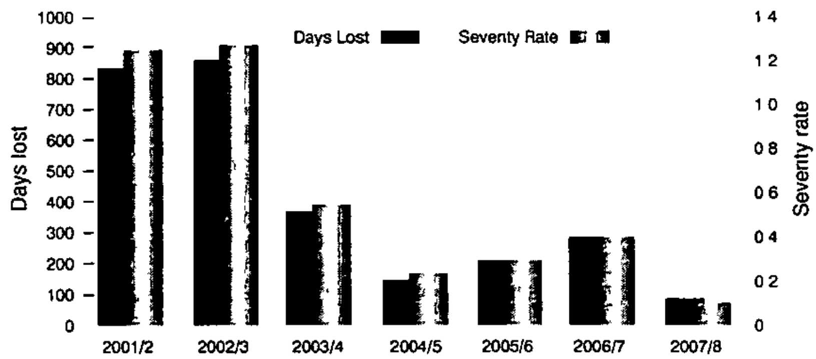
Safety Bonus
The Group's Safety Bonus Scheme was extensively modified by a joint management and trade union working party during the course of the year The existing Scheme rewarded all employees equally based upon overall Group performance Most employees felt that this Scheme gave them little reward for their own efforts The working party's aim was to improve safety by focusing employees' attention on their own specific work place, thus rewarding them according to their own work team's performance

The revised Scheme has now been introduced Process and engineering personnel have simply become their own local operational Safety Bonus Teams Managerial and administrative personnel have been allocated to a specific team if they have obvious links to that team If there are no obvious links then they have been allocated at random, trying to keep some non-process teams together as teams, whilst balancing numbers in safety groups overall Under the revised Scheme each member of a Team will earn a bonus for every month that a LTA does not occur in the Team's local area (A LTA is an accident that results in absence of one day or more) When a LTA occurs in a Team each member of the Team "banks" a bonus based on the number of clear months since the last LTA The maximum period that can be used to earn a bonus is 12 consecutive months After this period the maximum bonus is "banked" Accumulation of bonus will recommence in the month following the month in which one or more LTAs occurred or after 12 consecutive months if no LTA has occurred Importantly, a Team's bonus will not be affected by the performance of another team or by contractors working on Company premises

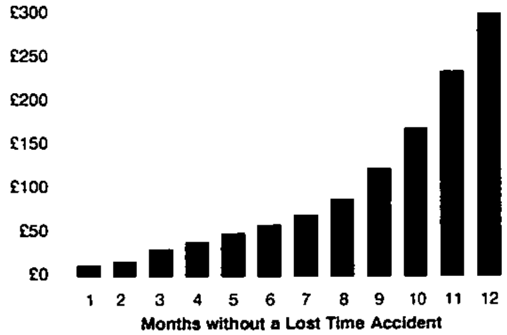
The revised Scheme will contribute to a greater awareness of safety issues in the work place and a progressive change in safety behaviour In summary the Scheme will enable

- Managers to motivate and focus their people to improve safety in their own work place
- Team members to place greater demands on their manager to reduce risks in their own workplace
- Individual members to take more ownership of their own safety and that of their colleagues
- Operational and non-operational members to forge a more collaborative and inclusive working relationship
- Sharing of ideas
- Teams to celebrate their success

Severity Rate



Safety Bonus per Employee



Environment

The aims of the Group s Environment Strategy are primarily to

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

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

Investment programme

The Group has embarked on an ambitious investment programme to ensure that energy and environmental issues do not constrain the Group from meeting its strategic objectives Initially the programme will focus on effluent treatment, landfill, solid waste and energy generation and usage

The Group has operated its own landfill site for the disposal of papermaking sludge for many years The capacity of the site was limited and operations ceased in mid 2007 During the course of the year the Group commissioned a new Effluent Dewatering Plant ("EDP") The aim of the investment was to dramatically reduce the water content of sludge, from 85% to 60% and to allow disposal of sludge from the site on a daily basis The new EDP cost £1 5m Whilst investigating alternative forms of disposal, such as biomass combustion, sludge is being spread on farmland This is a well-established and environmentally acceptable method of disposal Sludge generated by the Group has been passed for such use by the Environment Agency

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

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

The biomass initiative is clearly in line with Government policies to reduce the amount of waste buried in landfill sites and to generate more energy from renewable sources A conclusion on the viability of biomass combustion is expected by the autumn of 2008 If the results of the feasibility study were positive, the proposal would need to be submitted for planning permission The Group would also consult with other interested parties, including our neighbours, to provide assurance as to the health and safety aspects of such an operation It will be important to gain strong local support for the project if it moved beyond the feasibility stage

Climate Change Regulations

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

EUETS, a mandatory scheme for greenhouse gas emission allowance trading within the EU, was introduced in phases from 2005 It is one of the policies being introduced by the EU to tackle emissions of carbon dioxide and other greenhouse gases from a number of specific industrial activities The Group's power generation facilities became subject to this scheme as from 1 January 2008 In the calendar year 2007 the Group emitted 41,000 tonnes of carbon dioxide matching its EUETS allowance to emit 41,000 tonnes per annum The Group's investment programme will lead to a situation where emissions will be reduced further thus allowing the excess to be sold

Forestry

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

Risk Management

The management of risk is fundamental to sound business management and underlying profit performance Risk management transcends every aspect of the organisation and its activities, affecting policies, employees, assets, customers, suppliers and the wider community

The Group manages risk by a combination of insurance and self-insurance Self-insurance refers to actions taken internally or in conjunction with other third parties In broad terms, high risks in financial and operational areas are more dependent on insurance than risks in commercial and personnel areas, which because of their nature are more likely to be managed by self-insurance In addition to the Audit Committee, which is a mandatory requirement under the Combined Code, the Board has for some time established other Steering Groups with risk management briefs These include

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

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

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

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

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

The Group's operational quality processes and environmental and safety management systems are accredited with ISO 9001, ISO 14001 and OHSAS 18001 respectively Not only does compliance with these standards form the basis of sound internal control but also they are increasingly important in satisfying customers' aspirations with regard to the management of their supply chains BSI audits our processes for continuing compliance every six months TFP is accredited with the Investor in People Award This accreditation is subject to triennial audits The next audit will take place in late 2008

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

OHSAS 18001 1999
OHS 93474

BS EN ISO 14001 2004
EMS 57536

BS EN ISO 9001 2000
FM 10048

Report of the Directors

The Directors have pleasure in submitting to the members their Annual Report and the audited accounts of the Group for the 52 weeks ended 29 March 2008

The Annual General Meeting of the Group will be held at the Bryce Institute, Burneside on Wednesday, 30 July 2008 at 10 30am

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

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

On 31 August 2007 the trading of the Company s issued share capital was transferred from the Official List of the UK Listing Authority to the Alternative Investment Market ("AIM") of the London Stock Exchange

Results
The profit attributable to equity holders of the Company for the 52 weeks ended 29 March 2008 is set out in the Profit and Loss Account The dividends paid during the year, and the proposed final dividend, are set out in the Notes to the financial statements

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

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

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

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

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

In preparing each of the group and parent company financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the EU, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business

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

The directors' are responsible for the maintenance and integrity of the corporate and financial information included on the company's website Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Corporate Governance
(i) Directors' Responsibilities
The Board is accountable to the Group's shareholders for corporate governance Whilst there is no requirement to comply with the Combined Code, the Group is committed to a high standard of corporate governance and this section describes how the relevant principles of governance are applied to the Group The Group has also complied with the Turnbull Guidance

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

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

James Cropper is the Chairman of the Company and is responsible for the running of the Board Mark Cropper was appointed Deputy Chairman in April 2008

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

Peter Herring is the senior independent Non-Executive Director

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

Report of the Directors

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

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

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

- Executive Committee
- Remuneration Committee
- Audit Committee
- Nomination Committee

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

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

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

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

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

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

	Group Board Meetings	Executive Committee Meetings	Audit Committee	Remuneration Committee	Nominations Committee
			(Executive Directors attend by invitation)		
	(8 in the year)	(9 in the year)	(2 in the year)	(6 in the year)	(2 in the year)
Chairman					
J A Cropper	8		2	6	2
Executive Directors					
A I Lewis (Chief Executive)	8	9	1	4	2
J M Denman	8	8	1		
G T Quayle	8	8			
N A Read	8	9			
P J Willink	8	9			
Non Executive Directors					
P L Herring	8		1	6	2
J R Sclater	8		1	5	2
D R Wilks	8		2	6	2
M A J Cropper	7		1	4	

(iv) Re-election
The Directors are subject to retirement by rotation and re-election by the shareholders in accordance with the Articles of Association whereby one third of the Directors retire by rotation each year James Cropper, John Denman and Nigel Read retire by rotation in accordance with the Articles of Association and, being eligible, offer themselves up for re-election

The Combined Code provides that any Director who has served more than nine years as a non-executive director should retire and be re-appointed annually Peter Herring has served on the Board since 1997 and offers himself for re-election John Sclater who has served on the Board since 1972 will retire at the Annual General Meeting, and the Company wishes to record its gratitude to John for all his help and advice during the time he has worked with the Company

Resolutions 3 to 6 at the Annual General Meeting deal with the proposed re-elections of directors

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

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

The Chairman reviews the Non-Executive Directors' performance annually on an individual basis

The Chairman's performance is appraised by the senior independent director and the other Non-Executive Directors without the Chairman being present, and the comments fed back to him for discussion

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

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

The Directors are responsible for preparing financial statements for each financial year which give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of affairs of the company and the group and of the profit or loss of the group for that period In preparing those financial statements, the Directors are required to -

- make judgements and estimates that are reasonable and prudent,
- state whether the financial statements comply with IFRSs as adopted by the European Union,

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

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act and Article 4 of the IAS Regulation They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

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

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

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

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

(vii) Risk Management

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

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

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

These include

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

(viii) Relations with Shareholders

The Finance Director and Chief Executive make presentations to institutional investors at the time of the announcement of the interim and final results, and the presentations can be found on the Company's website

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

The Non-Executive Directors attend the Annual General Meeting and are available for discussions with shareholders

(ix) Going Concern

The Directors 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

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

Payment of Creditors

The Company had 30 days (2007 32 days) purchases outstanding at 29 March 2008 It is the Group's policy to agree terms of payment with its suppliers when agreeing the terms of a business transaction or transactions All suppliers are aware of this procedure and the Group abides by the agreed payment terms subject to the terms and conditions being met by the supplier

Employee Involvement

Regular Consultative Meetings are held with the employee trade union representatives to advise them on all aspects of company developments A monthly briefing on Group performance is carried out for all employees and they receive a copy of the Annual Report As a matter of policy, plans are formally discussed with those who will use new equipment, plant and computer systems before designs are finalised Safety Improvement teams deal with day-to-day aspects of safety improvement

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

Report of the Directors

continued

Independent to the assets on the Group Balance Sheet there is an Employee Share Trust which currently holds approx 153,000 shares in James Cropper PLC for the benefit of all employees so that their interests are linked to the Company's future growth

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

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

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

Employment of Disabled People
It is the Group's policy to give equality of opportunity when considering applications from disabled people where the job requirements are considered to be within their ability When existing employees become disabled they are retained wherever reasonable and practicable The Group tries to provide equal promotion opportunities wherever possible

No donations for political purposes were made by the Group Donations totalling £14,000 (2007 £13,000) were made for various local charitable purposes

Directors' Authority to allot shares
Resolution 10 which will be proposed as an special resolution renews an existing authority which expires this year and gives the Directors authority to exercise the powers of the Company to allot un-issued shares

The Directors have no present intention of exercising the allotment authority proposed by this resolution other than pursuant to existing rights under employee share schemes To ensure compliance with recently published institutional guidelines and market practice, it is proposed that the authority will expire at the conclusion of the next Annual General Meeting or, if earlier, 15 months from the forthcoming Annual General Meeting except insofar as commitments to allot shares have been entered into before that date It is the intention of the Directors to seek a similar authority annually

Disapplication of Pre-emption Rights
Resolution 11 is being proposed as a special resolution granting the Directors authority for the ensuing year to allot shares by way of rights to shareholders and to issue a maximum of £105,905 of the nominal share capital of the Company for cash without first offering the shares to the existing shareholders pursuant to Section 95 of the Companies Act 1985 The resolution also disapplies pre-exemption rights in the event of treasury shares Other than in the case of rights issues, the amount of the general authority to the Directors is limited to allotments of shares for cash up to a total nominal value of £105,905 which represents approximately 5% of the issued ordinary share capital The authority will terminate at the next Annual General Meeting or 15 months after the forthcoming Annual General Meeting, whichever comes first The Directors propose to renew this authority annually

Purchase by the Company of its own Shares
Resolution 12 will be proposed as a special resolution to renew an existing authority which expires at the Annual General Meeting and gives the Company authority to make market purchases of its own shares The Directors would only exercise this power when it would be in the interests of the Group's shareholders as a whole to do so, having regard to the effect on both earnings and net asset values per share Currently there is no intention of making such repurchases

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

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

Substantial Interests
Shareholdings in excess of 3% of the issued capital at 1 June 2008 were as follows -

Credit Agricole Cheuvreux International Ltd	1,396,000	16 5%
J A Cropper 1974 Settlement (Note 1 below)	1,062,974	12 5%
M A J Cropper – Directors' Beneficial Interest	979,113	11 6%
J A Cropper – Directors' Non-beneficial Interest (Note 2 below)	590,129	7 0%
J A Cropper – Directors' Beneficial Interest	467,337	5 5%
Stargas Nominees Ltd	261,820	3 1%
Barclayshare Nominees Ltd (Note 3 below)	255,109	3 0%

Note 1 Included in this percentage is 6 3% also disclosed in the name of M A J Cropper's Beneficial Interest

Note 2 Included in this percentage is 3 3% also disclosed in the name of M A J Cropper s Beneficial Interest

Note 3 Included in this percentage is 1 5% also disclosed in the name of M A J Cropper's Beneficial Interest and 1 0% also disclosed in the name of J A Cropper's Beneficial Interest

Auditors and Disclosure of Information to Auditors

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

The auditor's, KPMG Audit Plc, have indicated their willingness to continue in office and Resolution 7 will be proposed at the Annual General Meeting for their re-appointment

Details of Directors' Interests

		At 29 March 2008		At 31 March 2007	
		Ordinary Shares	Options on Ordinary Shares	Ordinary Shares	Options on Ordinary Shares
Director	**Interest**				
J A Cropper	Beneficial	467,337	2,565	412,989	2,565
	Non-beneficial	590,129	-	531 796	-
M A J Cropper	Beneficial	979,113	-	922,189	-
	Non-beneficial	160,000	-	-	-
A I Lewis	Beneficial	12,761	54,725	12,761	54,725
J M Denman	Beneficial	1,610	35,000	1,610	35,000
	Non-beneficial	131,000	-	231,000	-
N A Read	Beneficial	3,289	39,725	3,289	39,725
	Non-beneficial	131,000	-	231,000	-
P J Willink	Beneficial	7,035	39,725	7,035	39,725
	Non-beneficial	28,084	-	28,084	-
G T Quayle	Beneficial	4,221	39,725	4,221	39,725
	Non-beneficial	28,084	-	28,084	-
J R Sclater	Beneficial	20,000	-	10 000	-
P L Herring	Beneficial	1,000	-	1,000	-
	Non-beneficial	160,000	-	-	-
D R Wilks	Beneficial	1,000	-	1,000	-
	Non-beneficial	160,000	-	-	-

Details of Directors' Interests

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

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

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

There have been no material changes between the year end and 1 June 2008

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

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

J A Cropper

J A Cropper

Chairman

Burneside Mills

Kendal

24 June 2008

Directors' Remuneration Report

This Report provides details of Directors' remuneration

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

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

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

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

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

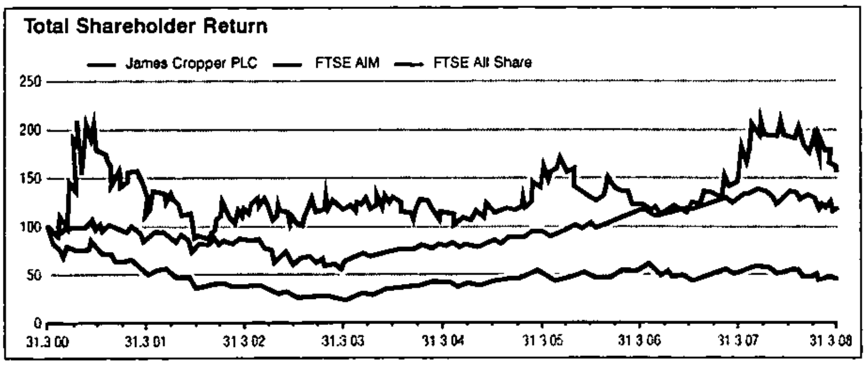
Employee Share Schemes
In 1998 the Group introduced Inland Revenue Approved and Unapproved Share Option Schemes for the Executive Directors, of which details of the options granted are shown later in this report The rules stipulate that the Schemes terminate in 2008 and the Remuneration Committee have therefore reviewed during the current year the incentive arrangements for senior executives The Remuneration Committee concluded that the Group should establish the James Cropper PLC 2008 Long Term Incentive Plan to replace the expired Schemes

Long Term Incentive Plans entitle participants to receive at no cost, a specified number of shares in the company if prescribed performance targets are met over a specified period of time They are considered to be the preferred choice for the following reasons

- Senior executives are rewarded if they achieve substantial improvements in the company's underlying financial performance,
- The rewards available to executives are aligned to the rewards available to shareholders, and
- Assists in the retention of senior management over the long term

Awards under the Long Term Incentive Plans have been made during the year and the details are set out later in this report

Comparison of Five Year Cumulative Total Shareholder Return (TSR)
To enable shareholders to assess the Company's performance against the London Stock Exchange, the cumulative TSR for the period ended 29 March 2008 is shown in the graph below The FTSE All Share is deemed to be the most appropriate comparison in terms of performance TSR is the total return to shareholders in terms of capital growth and dividends reinvested



Details of Directors' Remuneration

The following table brings together the various elements of remuneration of each director for the financial year period ended 29th March 2008 -

	Salary and Fees		Benefits		Annual Bonus		Total	
	2008 £'000	**2007 £'000**	**2008 £'000**	**2007 £'000**	**2008 £'000**	**2007 £'000**	**2008 £'000**	**2007 £'000**
Executive								
A I Lewis	103	96	15	15	11	11	129	122
J M Denman	83	81	14	13	11	11	108	105
N A Read	79	77	11	12	10	10	100	99
P J Willink	78	73	16	17	12	11	106	101
G T Quayle	83	73	15	14	11	15	109	102
Non-Executive								
J A Cropper	32	34	15	11	-	-	47	45
J R Sclater	15	15	-	-	-	-	15	15
P L Herring	17	17	-	-	-	-	17	17
D R Wilks	17	17	-	-	-	-	17	17
M A J Cropper	15	7	-	-	-	-	15	7
	522	490	86	82	55	58	663	630

Highest paid Director

	2008 £'000	**2007 £'000**
Aggregate emoluments	129	122
Accrued pension under defined benefit pension scheme	34	31

Directors' Pensions

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

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

	Increase in accrued pension per annum **£'000**	Increase in accrued pension excluding inflation per annum **£'000**	Total accrued pension at 29 March 2008 per annum **£'000**	Transfer value of net increase in accrual after inflation over period **£'000**	Increase in transfer value less directors' contributions **£'000**	Transfer value of accrued pension at 29 March 2008 **£'000**	Transfer value of accrued pension at 31 March 2007 **£'000**
A I Lewis	2	4	34	21	63	445	372
J M Denman	2	4	35	30	104	546	434
N A Read	1	2	34	7	58	492	426
P J Willink	1	2	21	7	31	203	164
G T Quayle	2	3	20	23	51	302	243

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

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

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

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

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

Directors' Remuneration Report

continued

Share Options

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

The movements on this Scheme during the year were -

	Number at 31 March 2007	Number granted in period	Number exercised in period	Options lapsed in period	Exercise Price £	Exercisable	Number at 29 March 2008
J A Cropper	2,565	-	-	-	2 027	August 2001 to August 2008	2,565
A I Lewis	10,000	-	-	-	2 027	August 2001 to August 2008	10,000
	4,725	-	-	-	2 059	December 2002 to December 2009	4,725
N A Read	10,000	-	-	-	2 027	August 2001 to August 2008	10,000
	4,725	-	-	-	2 059	December 2002 to December 2009	4,725
P J Willink	10,000	-	-	-	2 027	August 2001 to August 2008	10,000
	4 725	-	-	-	2 059	December 2002 to December 2009	4,725
G T Quayle	10,000	-	-	-	2 027	August 2001 to August 2008	10,000
	4 725	-	-	-	2 059	December 2002 to December 2009	4,725

At the 2000 Annual General Meeting shareholders approved the introduction of the Unapproved Part of the 1998 Senior Executive Share Option Scheme

The movements on this Scheme during the year were -

	Number at 31 March 2007	Number granted in period	Number exercised in period	Options lapsed in period	Exercise Price £	Exercisable	Number at 29 March 2008
A I Lewis	10,000	-	-	-	2 615	August 2003 to August 2010	10,000
	30,000	-	-	-	2 065	June 2004 to June 2011	30,000
J M Denman	20,000	-	-	-	2 615	August 2003 to August 2010	20,000
	15,000	-	-	-	2 065	June 2004 to June 2011	15,000
N A Read	10 000	-	-	-	2 615	August 2003 to August 2010	10,000
	15,000	-	-	-	2 065	June 2004 to June 2011	15,000
P J Willink	10,000	-	-	-	2 615	August 2003 to August 2010	10,000
	15,000	-	-	-	2 065	June 2004 to June 2011	15,000
G T Quayle	10,000	-	-	-	2 615	August 2003 to August 2010	10,000
	15,000	-	-	-	2 065	June 2004 to June 2011	15,000

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

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

Long Term Incentive Plans

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

	Number at 31 March 2007	Number granted in period	Number exercised in period	Options lapsed in period	Number at 29 March 2008
A I Lewis	-	15,000	-	-	15 000
J M Denman	-	12,000	-	-	12,000
N A Read	-	12,000	-	-	12,000
P J Willink	-	12,000	-	-	12,000
G T Quayle	-	12,000	-	-	12,000

The maximum number of shares that can be awarded to any participant in a financial year under the Long Term Incentive Scheme, determined by reference to average mid market prices at the time of the award, is limited to 50% of the participant's basic salary
The average mid market price of the awards granted in the year was £2 191

The Awards are subject to the following performance conditions

- Awards will vest in full if the earnings per share, adjusted for IFRS pension adjustments, exceed the increase in retail price index plus 10% per annum over a three year period,
- Awards will vest as to 10% if the earnings per share adjusted for IFRS pension adjustments, exceed the increase in retail price index plus 2 5% per annum over a three year period,
- Awards will vest proportionally between 10% and 100% if the earnings per share, adjusted for IFRS adjustments, exceed the increase in retail price index by more than 2 5% and less than 10% per annum over a three year period,
- Awards will lapse if earnings per share, adjusted for IFRS pension adjustments, do not exceed the increase in retail price plus 2 5% per annum over a three year period

The market price of the shares at the period end was £1 90 and the high and low for the period was £2 61 and £1 815 respectively

P L Herring

Chairman of the Remuneration Committee

24 June 2008

Independent Auditors' Report

to the members of James Cropper plc

We have audited the group and parent company financial statements (the "financial statements") of James Cropper PLC for the period ended 29 March 2008 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Recognised Income and Expense and the related notes These financial statements have been prepared under the accounting policies set out therein

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

Respective responsibilities of directors and auditors

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements The information given in the Directors' Report includes that specific information presented in the Operating and Financial Review that is cross referred from the Business Review section of the Directors' Report

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

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

Basis of audit opinion

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

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

Opinion

In our opinion

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the group's affairs as at 29 March 2008 and of its profit for the period then ended,
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 29 March 2008,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

24 June 2008

Group Profit and Loss Account

for the period ended 29 March 2008

	Note	2008 £'000	2007 £'000
Continuing operations			
Revenue	2	72,744	69,085
Other income		157	195
Changes in inventories of finished goods and work in progress		212	(87)
Raw materials and consumables used		(32,703)	(30,425)
Energy costs		(3,531)	(2,833)
Employee benefit costs	22	(18,285)	(17,269)
Depreciation and amortisation	4	(3,280)	(3,315)
Other expenses		(13,498)	(12,890)
Operating profit	2	1,816	2,461
Interest expense	3	(942)	(783)
Interest income	3	767	524
Share of post tax loss from joint ventures	10	(61)	(95)
Profit before tax	4	1 580	2,107
Taxation	5	(390)	(746)
Profit for the period attributable to equity holders of the Company	20	1,190	1,361
Earnings per share expressed in pence per share	6		
- Basic		14 0p	16 2p
- Diluted		14 0p	16 2p
Dividends per share expressed in pence per share	7		
- 2008 interim dividend paid		2 2p	1 9p
- 2008 final dividend proposed		5 1p	5 1p

Balance Sheets

as at 29 March 2008

	Note	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Assets					
Non-current assets					
Intangible assets	8	1,572	1,351	1,333	1,351
Property plant and equipment	9	20,308	21,517	923	1,080
Investments in subsidiary undertakings	10	-	-	7,350	7,350
Investments in joint ventures	10	-	58	-	-
Financial assets					
Deferred tax assets	18	505	1,846	505	1,846
		22,385	24,772	10,111	11,627
Current assets					
Inventories	11	9,640	8,366	-	-
Trade and other receivables	12	14,096	14,462	28 237	26,500
Financial assets					
- Derivative financial instruments	16	-	4	-	4
Cash and cash equivalents	13	1,917	3,730	-	422
Current tax assets		-	-	-	67
		25,653	26,562	28,237	26,993
Liabilities					
Current liabilities					
Trade and other payables	14	(8,124)	(8,544)	(2,765)	(3,173)
Financial liabilities					
- Borrowings	15	(2,170)	(2,374)	(5,986)	(2 374)
Current tax liabilities		(720)	(1,020)	-	-
		(11,014)	(11,938)	(8 751)	(5,547)
Net current assets		14,639	14,624	19,486	21,446
Non-current liabilities					
Financial liabilities					
- Borrowings	15	(5,763)	(6,650)	(4,504)	(6,650)
Retirement benefit liabilities	17	(1,804)	(6,152)	(1,804)	(6,152)
Deferred tax liabilities	18	(3,796)	(3,941)	(486)	(584)
		(11,363)	(16,743)	(6 794)	(13,386)
Net assets		25,661	22,653	22,803	19,687
Shareholders' equity					
Ordinary share capital	19	2,118	2,118	2,118	2,118
Share premium	20	573	573	573	573
Translation reserve	20	22	(8)	-	-
Retained earnings	20	22,948	19,970	20,112	16,996
Total shareholders' equity attributable to equity holders of the Company		25,661	22,653	22,803	19,687

The financial statements on pages 31 to 56 were approved by the Board of Directors on 24 June 2008 and were signed on its behalf by

J A Cropper

J A Cropper
Director

Cash Flow Statements

for the period ended 29 March 2008

		Group		Company	
		2008	2007	2008	2007
	Note	£'000	£'000	£'000	£'000
Cash flows from operating activities					
Cash generated from / (used by) operating activities	21	3,443	5,133	(3,808)	(824)
Interest received		493	370	1,833	1,822
Interest paid		(854)	(760)	(720)	(740)
Tax paid		(649)	(87)	(648)	-
Net cash generated from / (used by) operating activities		2,433	4,656	(3,343)	258
Cash flows from investing activities					
Investment in joint venture		(50)	(87)	-	-
Acquisition of subsidiaries (net of cash acquired)		(550)	-	-	-
Purchase of intangible assets		(213)	(254)	(213)	(254)
Purchases of property, plant and equipment		(1,574)	(2,502)	(133)	-
Proceeds from sale of property, plant and equipment		196	1,691	185	10
Dividends received		-	-	1,600	850
Purchase of LTIP investments		(368)	-	-	-
Net cash (used in) / generated from investing activities		(2,559)	(1,152)	1,439	606
Cash flows from financing activities					
Proceeds from issue of new bank loan		1,259	1000	-	1000
Proceeds from issue of Ordinary Share Capital		-	147	-	147
Repayment of borrowings		(2,349)	(2,333)	(1,717)	(2,333)
Dividends paid to shareholders		(618)	(343)	(618)	(343)
Net cash used in financing activities		(1,708)	(1 529)	(2,335)	(1,529)
Effect of exchange rate changes		21	(7)	-	-
Net (decrease)/increase in cash and cash equivalents		(1,813)	1,968	(4,239)	(665)
Cash and cash equivalents at the start of the period		3,730	1,762	422	1,087
Cash and cash equivalents at the end of the period		1,917	3,730	(3,817)	422
Cash and cash equivalents consists of					
Cash at bank and in hand	13 and 15	1,917	3,730	(3,817)	422

Statement of Recognised Income and Expense

for the period ended 29 March 2008

		Group		Company	
		2008	2007	2008	2007
	Note	£'000	£'000	£'000	£'000
Profit for the period		1,190	1,361	951	102
Currency translation differences on foreign currency investment		21	(18)	-	-
Retirement benefit liabilities - actuarial gains	17	3,855	3,756	3,855	3,756
Deferred tax on actuarial gains on retirement benefit liabilities	18	(1,157)	(1,127)	(1,157)	(1,127)
		2,719	2,611	2,698	2,629
Total recognised income for the period attributable to equity holders		3,909	3,972	3,649	2,731

Notes to the financial statements

1 Accounting policies

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

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

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period Assumptions used in the calculation of the Group's retirement liability and amounts capitalised as intangible assets have the biggest impact on these financial statements Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates IFRS 7 "Financial Instruments Disclosure" was adopted during the year The adoption of IFRS 7 had no impact on either the Group Profit and Loss Account or Balance Sheets but has resulted in changes to the disclosures provided in respect of financial instruments As this is a new disclosure it has not been possible to provide figures for the prior year, current year information has been provided, and it is the company's intention to disclose current year and prior year figures going forward

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

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

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

Revenue recognition
Revenue comprises the fair value of the consideration for the sale of goods and services, net of value added tax, rebates and discounts Revenue from the sale of goods is recognised when the group has transferred risks and rewards of ownership of products to the customer, the amount of revenue can be measured reliably and collectability of the related receivables is reasonably assured Whilst the Group's revenue in respect of services is minimal where such services are provided revenue is recognised on completion of the services, when the amount can be reliably measured and collection is reasonably assured

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

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

The assets and liabilities of foreign operations are translated at foreign exchange rates ruling at the Balance Sheet date The revenues and expenses of foreign operations are translated at an average rate for the period where this rate approximates to the foreign exchange rates ruling at the dates of the transactions

Research and development
Research expenditure is recognised as an expense as incurred Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the IAS38 conditions are met Other development expenditures are recognised as an expense is incurred Development costs with a finite useful life that have been capitalised are amortised from the commencement of the commercial production of the product on a straight-line basis over the period of its expected benefit, not exceeding 5 years

Retirement benefits
The Group operates various pension schemes The schemes are generally funded through payments to trustee-administered funds, determined by periodic actuarial valuations The Group has both defined benefit and defined contribution plans A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement A defined contribution plan is a pension plan under which the Group pays fixed contributions

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

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

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

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

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

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

Trade secrets such as processes or unique recipes
10 years

Computer software
3 - 10 years

Property plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation Depreciation is provided on all property, plant and equipment, other than freehold land, at rates calculated to write off the cost less residual value of each asset evenly over its expected useful life, as follows

Freehold buildings	14 – 40 years
Plant and machinery	4 – 20 years

Residual values and useful lives are reviewed annually

Inventories
Inventories are stated at the lower of cost and net realisable value Cost is determined using the first-in first-out (FIFO) method The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) It excludes borrowing costs Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses

Grants
Capital grants are credited to a deferral account and released to income over the expected useful lives of the relevant assets Grants of a revenue nature are credited to the Profit and Loss Account in the period to which they relate

Leasing
Leases are classified as finance leases at inception where substantially all of the risks and rewards of ownership are transferred to the Group Assets classified as finance leases are capitalised on the Balance Sheet and are depreciated over the expected useful life of the asset The interest element of the rental obligation is charged to the Profit and Loss Account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding Operating lease payments are charged to the Profit and Loss Account in the appropriate period

Taxation
Tax on the Profit or Loss Account for the year comprises current and deferred tax Tax is recognised in the Profit and Loss Account except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity

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

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

Financial risk management
The Group s activities expose it to a variety of financial risks including the effects of changes in foreign exchange rates, credit risks, liquidity and interest rates

The Group uses derivative financial instruments to hedge certain risk exposures

a) Foreign exchange risk
The Group has operations in the USA The Group is exposed to foreign exchange risks primarily with respect to US Dollars and the Euro Where possible, the Group maintains a policy of balancing sales and purchases denominated in foreign currencies Where an imbalance remains, the Group has also entered into certain forward exchange contracts No material contracts were outstanding at the year end

b) 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 floating rates of interest and then uses interest rate caps to manage its exposure to interest rate fluctuations

c) Liquidity risk
The Group's policy is to maintain a mix of short, medium and long term borrowings with a number of banks Short term flexibility is achieved through overdraft facilities It is, in addition, the Group's policy to maintain undrawn committed borrowing facilities in order to provide flexibility in the management of liquidity

d) Credit risk
The Group has implemented policies that require appropriate credit checks on potential customers before sales commence for some of its businesses In addition, some of the Group's businesses have credit insurance in place

Financial instruments
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at each Balance Sheet date The resulting gain or loss on re-measurement is recognised in the Profit and Loss Account, unless hedge accounting is applicable There were no material balances at the year end

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable They are included in current assets, except those with maturities greater than twelve months after the Balance Sheet date, which are classified as non-current assets Loans and receivables are included within trade and other receivables in the Balance Sheet

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

Notes to the financial statements (continued)

1 Accounting policies (continued)

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

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

Cash and cash equivalents
Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts Bank overdrafts are shown as borrowings within current liabilities on the Balance Sheet Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the Statement of Cash Flows

Borrowing costs
Borrowings are recognised initially at fair value, net of transaction costs incurred Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Profit and Loss Account over the period of the borrowings using the effective interest method Interest is not capitalised within property, plant and equipment

Interest
Interest is recognised in the consolidated Profit and Loss Account on an accruals basis using the effective interest method

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

Trade payables
Trade payables are stated at their fair value

Impairment of assets
At each reporting date, the Group assesses whether there is any indication that an asset may be impaired Where an indicator of impairment exists, the Group makes an estimate of recoverable amount Where the carrying value of an asset exceeds its recoverable amount the asset is written down to its recoverable amount Recoverable amount is the higher of fair value less costs to sell and value in use and is deemed for an individual asset If the asset does not generate cash flows that are largely independent of those from other assets or groups of assets, the recoverable amount of the cash generating unit to which the asset belongs is determined Discount rates reflecting the asset specific risks and the time value of money are used for the value in use calculation

Capital Management
Group and Company's capital includes share capital, reserves and retained earnings The Group and Company's policy is to maintain the ability to continue as a going concern in order to provide returns to the shareholder and benefits to other stakeholders The Group, and Company, invest in financial assets that will provide an adequate level of return to the shareholder commensurate with the level of risk

The Group and Company manages the capital structure and adjusts this in light of the changes in the economic conditions and risk associated with the underlying assets In order to maintain or adjust the capital structure, the Group and Company may adjust the amount of any dividend paid to the shareholder, return capital to the shareholder issues new shares, or sell assets to reduce debt The Group, and Company, are not subject to any externally imposed capital requirements There have been no material changes in the management of capital during the period

New standards and interpretation not applied
The following adopted IFRS, which will have an impact for the Group, was available for early adoption, but has not been applied in these financial statements

International Accounting Standards and Interpretations	Effective date
IFRS 8 Operating Segments	1 January 2009

IFRS 8 requires that entities adopt the 'management approach' to reporting the financial performance of its operating segments It is concerned with disclosures only and, as such, will have no impact on the Group Profit and Loss Account and Balance Sheets

2 Segmental reporting

Primary reporting format - business segments

Period ended 29 March 2008

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

At 29 March 2008, the Group is organised into five main business segments principally based in the UK

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

Comparative information is presented on the same basis

Notes to the financial statements (continued)

2 Segmental reporting (continued)

Primary reporting format - business segments

Period ended 31 March 2007

	Papermaking £'000	The Paper Mill Shop £'000	Converting £'000	Technical Fibre Products £'000	Group Services £'000	Other £'000	Eliminations £'000	Group £'000
Continuing operations								
Revenue - external	43,680	6,038	10,364	9,003	-	-	-	69,085
- inter segment	2,287	-	793	-	-	-	(3,080)	-
Segment profit/(loss) before HQ Intra Group charges	1,896	(336)	551	2,144	(1,794)	-	-	2,461
Segment profit/(loss) after HQ Intra Group charges	1,435	(358)	460	2,053	(1,129)	-	-	2,461
Interest expense								(783)
Interest income								524
Share of post tax results of joint ventures								(95)
Profit before tax								2,107
Taxation								(746)
Profit for the year from continuing operations								1,361
Segment assets	28,352	1,832	9 145	9,864	38,619	1,648	(38,077)	51,383
Investment in equity accounted joint venture	-	-	-	58	-	-	-	58
Total Assets	28,352	1,832	9,145	9,922	38,619	1,648	(38,077)	51,441
Total Liabilities	(22,799)	(1,426)	(6,970)	(7,176)	(18,932)	-	28,515	(28,788)
Other segment items								
Capital expenditure	1,731	52	323	396	254	-	-	2,756
Depreciation	1,742	365	367	417	205	-	-	3,096
Amortisation of intangible assets	-	-	-	-	219	-	-	219
Impairment of trade receivables	(4)	-	(5)	28	-	-	-	19

Secondary reporting format – geographical segments

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

	Revenue 2008 £'000	Revenue 2007 £'000	Segment asset 2008 £'000	Segment asset 2007 £'000	Capital Expenditure 2008 £'000	Capital Expenditure 2007 £'000
Continuing operations						
UK	44,670	43,871	44,747	49,833	1,787	2,756
Europe	14,560	12,000	-		-	-
The Americas	7,932	7 036	3,291	1,550	597	-
Asia	3,949	4,413	-	-	-	-
Australasia	1,258	1,558	-	-	-	-
Africa	375	207	-	-	-	-
	72,744	69,085	48,038	51,383	2,384	2,756
Investment in equity accounted joint ventures	-	-	-	58	-	-
	72,744	**69,085**	**48,038**	**51,441**	**2,384**	**2,756**

3 Finance costs

	2008 £'000	2007 £'000
Interest expense		
Interest payable on bank borrowings	942	783
Total interest expense	942	783
Interest income		
Interest receivable on bank borrowings	540	345
Retirement benefits		
Expected return on pension scheme assets	3,818	3,492
Interest on pension scheme liabilities	(3,591)	(3,313)
Total interest income	767	524

4 Profit/(loss) before tax

	Note	2008 £'000	2007 £'000
The following items have been charged/(credited) in arriving at profit before tax			
Staff costs	22	18,285	17,269
Depreciation of property, plant and equipment			
- owned assets		3,037	3,096
-amortisation of intangibles		243	219
Profit on disposal of fixed assets		(103)	(39)
Other operating lease rentals payable			
-Plant & machinery		480	386
-Retail outlets		969	972
Repairs and maintenance expenditure on property, plant and equipment		2,038	2,342
Government grants received		(102)	(133)
Fair value adjustments relating to financial assets and liabilities at fair value through profit and loss		-	8
Research and development expenditure		862	767
Foreign exchange differences		(129)	267
Trade receivables impairment		2	19

Government grants relate to assistance received for research projects

Services Provided by the Group's Auditor and network firms

During the year the Group obtained the following services from the Group's auditor KPMG Audit Plc (2007 PricewaterhouseCoopers LLP) at costs as detailed below

	2008 £'000	2007 £'000
Audit Services		
- Fees payable to the company's auditor for the audit of parent company and consolidated accounts	13	13
Other services		
- Remuneration payable to the company's auditor for the auditing of accounts and associates of the company pursuant to legislation (including that of countries and territories outside Great Britain)	41	40
-Fees in respect of work performed on grants	-	3
-Fees in respect of other accountancy matters	5	-
-Tax compliance services	-	32
-Tax advisory services	19	-
	78	88

Notes to the financial statements (continued)

5 Taxation

Analysis of charge in the period

Continuing operations	Note	2008 £'000	2007 £'000
Current tax		773	958
Adjustments in respect of prior period current tax		(424)	(317)
		349	641
Deferred tax	18	(373)	(116)
Adjustments in respect of prior period deferred tax	18	414	221
		41	105
Taxation		390	746

Tax on items charged to equity

	2008 £'000	2007 £'000
Deferred tax on actuarial gains on retirement benefit liabilities	1,157	1,127

The tax for the period is lower (2007 higher) than the standard rate of corporation tax in the UK (30%)
The differences are explained below

	2008 £'000	2007 £'000
Profit before tax	1,580	2,107
Profit multiplied by rate of corporation tax in the UK of 30% (2007 30%)	474	632
Effects of		
Adjustments to tax in respect of prior period	(10)	(96)
Unrelieved tax losses	-	129
Expenses not deductible for tax purposes	129	79
Rate change on deferred tax	(220)	-
Other	17	2
Total taxation (continuing operations)	390	746

6 Earnings per share

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

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

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

	2008			2007		
	Earnings	Weighted average number of shares	Per-share amount	Earnings	Weighted average number of shares	Per-share amount
	£'000	'000	pence	£'000	'000	pence
Basic EPS						
Earnings attributable to ordinary shareholders	1,190	8,472	14 0	1,361	8,376	16 2
Effect of dilutive securities						
Options	-	21	-	-	9	-
Diluted EPS	1,190	8,493	14 0	1,361	8,385	16 2

7 Dividends

	2008 £'000	2007 £'000
Final paid for the period ended 31 March 2007/period ended 1 April 2006	432	184
Interim paid for the period ended 29 March 2008/period ended 31 March 2007	186	159

In addition, the directors are proposing a final dividend in respect of the financial period ended 29 March 2008 of 5 1p per share which will absorb an estimated £432,000 (2007 £432,000) of shareholders' funds If approved by members at the Annual General Meeting, it will be paid on 15 August 2008 to shareholders who are on the register of members at 18 July 2008 There are no tax implications in respect of this proposed dividend

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

8 Intangible assets

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

	Group Computer Software	Group Trade Secrets	Group Total	Company Computer Software	Company Trade Secrets	Company Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 2 April 2006	2,717	-	2,717	2,717	-	2,717
Additions -acquired	109	-	109	109	-	109
Additions - internally generated	145	-	145	145	-	145
At 31 March 2007	2,971	-	2,971	2,971	-	2,971
Aggregate amortisation						
At 2 April 2006	1,401	-	1,401	1,401	-	1,401
Charge for period	219	-	219	219	-	219
At 31 March 2007	1,620	-	1,620	1,620	-	1,620
Net book value at 31 March 2007	**1,351**	**-**	**1,351**	**1,351**	**-**	**1,351**

The computer software capitalised principally relates to the ongoing development of the Group's Enterprise Resource Planning and Financial systems The remaining amortisation period of the assets at the period end is 7 years (2007 8 years)

The trade secrets relate to certain recipes and know how acquired within the TFP division The remaining amortisation period of the assets at the period end is 10 years

Notes to the financial statements (continued)

9 Property plant and equipment

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

	Freehold land & buildings £'000	Plant & machinery £'000	Total £'000
Cost			
Brought forward at 2 April 2006	10 068	66 028	76,096
Additions at cost	100	2,402	2,502
Disposals	(24)	(3,003)	(3,027)
At 31 March 2007	10,144	65,427	75,571
Accumulated Depreciation			
Brought forward at 2 April 2006	3,940	48,393	52,333
Charge for period	287	2,809	3,096
Disposals	(24)	(1,351)	(1,375)
At 31 March 2007	4,203	49,851	54,054
Net book value at 31 March 2007	**5,941**	**15,576**	**21,517**

9 Property plant and equipment

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

	Freehold land & buildings £'000	Plant & machinery £'000	Total £'000
Cost			
Brought forward at 2 April 2006	951	2,117	3,068
Additions at cost	-	-	-
Disposals	(24)	(10)	(34)
At 31 March 2007	927	2,107	3,034
Accumulated Depreciation			
Brought forward at 2 April 2006	243	1,530	1,773
Charge for period	38	167	205
Disposals	(24)	-	(24)
At 31 March 2007	257	1,697	1,954
Net book value at 31 March 2007	**670**	**410**	**1,080**

Notes to the financial statements (continued)

10 Investments

(i) Investments in subsidiary undertakings

	Group		Company	
	2008 £'000	**2007 £'000**	**2008 £'000**	**2007 £'000**
At 29 March 2008 and 31 March 2007	-	-	7,350	7 350

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

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

(ii) Investments in joint ventures

	Group		Company	
	2008 £'000	**2007 £'000**	**2008 £'000**	**2007 £'000**
At 31 March 2007	58	77	-	-
Investment in year	50	87	-	-
Share of loss in year	(61)	(95)	-	-
Exchange adjustments	-	(11)	-	-
Transfer to investment in subsidiary	(47)	-	-	-
At 29 March 2008	-	58	-	-

The investment in joint ventures related to the Group's 50% shareholding in Electro Fiber Technologies Inc , a company based in the USA, and now a 100% subsidiary of Tech Fibers Inc

The aggregate amounts included in the financial statements relating to the Group's share of joint ventures are

	Group	
	2008 £'000	**2007 £'000**
Gross assets	-	73
Gross liabilities	-	(15)
	-	58

11 Inventories

	Group		Company	
	2008 £'000	**2007 £'000**	**2008 £'000**	**2007 £'000**
Materials	5,005	3,961	-	-
Work in progress	1,691	1,674	-	-
Finished goods	2,944	2,731	-	-
	9,640	8,366	-	-

Inventories are stated after a provision for impairment of £152,000 (2007 £121,000)

12 Trade and other receivables

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Trade debtors	13,280	13,554	-	-
Less Provision for impairment of receivables	(69)	(67)	-	-
Trade debtors -net	13,211	13,487	-	-
Amounts owed by group undertakings	-	-	27,886	26,062
Other debtors	177	140	76	114
Prepayments	708	835	275	324
	14,096	14,462	28,237	26,500

Management believe there is no further credit risk provision required in excess of normal provision for doubtful receivables The adoption of IFRS 7 "Financial Instruments Disclosure" has resulted in additional disclosures on credit risk which can be viewed in note 16

13 Cash and cash equivalents

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Cash at bank and in hand	1,917	3,730	-	422

14 Trade and other payables

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Trade payables	1,700	1,813	1,195	1,081
Amounts owed to group undertakings	-	-	96	-
Other tax and social security payable	788	1,164	495	852
Other creditors	86	169	82	149
Accruals	5,550	5,398	897	1,091
	8,124	8,544	2,765	3,173

15 Borrowings

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Current				
Bank loans and overdrafts due within one year or on demand				
Unsecured	2,170	2,374	5,986	2,374
Non-current				
Bank loans				
Unsecured	5,763	6,650	4 504	6,650

Bank loans are denominated in Sterling and bear interest at rates between 1% and 1 5% above UK bank base rates

Notes to the financial statements (continued)

16 Financial instruments

Numerical financial instruments disclosures are set out below and the adoption of IFRS 7 has resulted in additional disclosures as shown Current year information has been provided, and it is the company's intention to disclose current year and prior year figures going forward Additional disclosures are set out in the accounting policies relating to risk management

Group and Company	At 29 March 2008		**At 31 March 2007**	
	Assets £'000	**Liabilities £'000**	**Assets £'000**	**Liabilities £'000**
Interest rate caps	-	-	4	-
Forward foreign currency contracts	-	-	-	-
	-	-	4	-

In accordance with IAS 39, "Financial instruments Recognition and measurement", James Cropper PLC has reviewed all contracts for embedded derivatives that are required to be separately accounted for if they do not meet certain requirements set out in the standard No such embedded derivatives were identified from this review

There are no outstanding financial instruments that are designated as hedges at the Balance Sheet date

Fair values of non-derivative financial assets and financial liabilities

Where market values are not available, fair values of financial assets and financial liabilities have been calculated by discounting expected future cash flows at prevailing interest rates and by applying year-end exchange rates The carrying amounts of short-term borrowings approximate to book value

Fair value of non-current borrowings

		Group 2008		**Group 2007**	
	Note	**Book value £'000**	**Fair value £'000**	**Book value £'000**	**Fair value £'000**
Long term borrowings	15	5,763	5,763	6,650	6,650
Fair value of other financial assets and financial liabilities					
Short term borrowings	15	2,170	2 170	2,374	2,374
Trade and other payables	14	8,124	8,124	8,544	8,544
Trade and other receivables	12	14,096	14,096	14,462	14,462
Cash at bank and in hand	13	1,917	1,917	3,730	3,730

The fair values are based on cash flows discounted using a rate based on borrowings of 6 5% (2007 6 5%) The fair value of long-term borrowings approximates to the carrying value reported in the Balance Sheet as these are floating rates where payments are reset to market rates at intervals of less than one year, and the current rate is below the Group's interest rate cap

Maturity of financial liabilities

The maturity profile of the carrying amount of the Group's non-current financial liabilities, at 29 March 2008, was as follows

		Group 2008			**Group 2007**	
	Debt £'000	**Other financial liabilities £'000**	**Total £'000**	**Debt £'000**	**Other financial liabilities £'000**	**Total £'000**
In more than one year but not more than two years	2,182	-	2,182	2,182	-	2,182
In more than two years but not more than five years	3,510	-	3,510	4,111	-	4,111
In more than five years	71	-	71	357	-	357
	5,763	-	5,763	6,650	-	6,650

Interest rate risk

As part of the Group's interest rate management strategy, the Company entered into two interest rate caps for total consideration of £27,000, the first matured in September 2007 and the second one will mature in September 2008 Under the remaining interest rate cap the maximum LIBOR interest rate the group will pay on bank borrowings of up to £5 million is 6%

The effective interest rates at the Balance Sheet date were as follows

	Group	
	2008 %	2007 %
Bank overdraft	6 3	6 3
Bank borrowings	6 5	6 5

Liquidity risk

The Group's policy is to maintain a mix of short, medium and long-term borrowings with a number of banks Short-term flexibility is achieved through overdraft facilities It is, in addition, the Group's policy to maintain undrawn committed borrowing facilities in order to provide flexibility in the management of liquidity

Borrowing facilities

The Group has the following undrawn committed borrowing facilities available at 29 March 2008 in respect of which all conditions precedent had been met at that date

	Floating rate £'000	Fixed rate £'000	2008 Total £'000	2007 Total £'000
Expiring within one year	3,453	-	3,453	3,455

The facilities expiring within one year are annual facilities subject to review at various dates during 2008/09 All these facilities incur commitment fees at market rates

The following are the contractual maturities on financial liabilities as at 29 March 2008

Trade Payables - carrying amount	Not past due £'000	Past due 0 to 30 days £'000	Past due 31 to 60 days £'000	Past due 61 days and over £'000	Total contractual cash flows £'000
Group	(1,529)	(120)	(97)	46	(1,700)
Company	(1,222)	(1)	(58)	86	(1,195)

Currency risk

The majority of exports into continental Europe are invoiced in €s €s are used to purchase € priced pulp and other raw materials sourced from Europe in €s Similarly, export sales outside Europe are invoiced in US$ and the receipts fund the purchase of US$ priced pulp These steps reduce exposure to foreign currency rate fluctuations The situation is monitored to ensure that whenever possible currency receipts and payments are matched The following table illustrates the Group's currency management process in practice comparing the opening and closing exchange rates for the financial year

		US$	€
Opening rate April 2007 v £		1 92	1 47
Closing rate March 2008 v £		1 99	1 26
Exchange rate movement	%	(3)	14
Strengthen/(Weaken) v £			
Currency transactions in year			
Sales receipts	'000	19,120	17,026
Purchase payments	000	(21,350)	(16,172)
Net currency surplus/(deficit)	'000	(2,230)	854
£ @ Opening rate	£'000	(1,158)	583
£ @ Closing rate	£'000	(1,123)	680
£ sterling gain	£'000	35	97

Potential foreign currency surpluses or deficits are dealt with by a combination of foreign currency forward selling and forward purchasing contracts

Notes to the financial statements (continued)

16 Financial instruments (continued)

During the year a loan of US$2,500,000 (£1,259,000 at year end) was drawn down by TFP to counter-balance the value of TFP's net assets denominated in US$s, thus creating a currency hedge on TFP's Balance Sheet As at the Balance Sheet date on 29 March 2008 the Group's exposure to foreign currency risk was as follows

	Note	USD £'000	Euro £'000	GBP £'000	Total £'000
Trade receivables	12	1,662	2,355	9,194	13 211
Cash and cash equivalents	13	375	1,565	(23)	1,917
Trade payables	14	92	(176)	(1,616)	(1,700)
Unsecured current loans	15	-	-	(2,170)	(2,170)
Unsecured non-current loans	15	(1,259)	-	(4,504)	(5,763)
Net exposure		870	3,744	881	5,495

Rates	2008 Average rate	29 March 2008 Reporting date
Euro	1 4174	1 2563
US Dollar	2 0065	1 9855

Sensitivity analysis

A one percent strengthening of the pound against the Euro and the US Dollar at 29 March 2008 would have decreased equity and profit by the amounts shown below This analysis assumes that all other variables, in particular interest rates, remain constant

		Equity £'000	Profit £'000
29 March 2008	USD	(9)	(17)
29 March 2008	Euro	(37)	(22)

A one percent weakening of the pound against the Euro and the US Dollar at 29 March 2008 would have had an equal and opposite effect on the amounts shown above, on the basis that all other variables remain constant

Credit risk

Surplus funds are invested on the money markets and are reviewed on a daily basis

The Group's credit risk is primarily attributable to trade receivables The Group has implemented policies that require appropriate credit checks on potential customers before sales commence for some of its businesses In addition, Technical Fibre Products Ltd and James Cropper Speciality Papers Limited operate credit insurance Trade receivables are included in the Balance Sheet net of doubtful receivables estimated by the Group's management based on prior experience At the Balance Sheet date the directors consider there to be no significant credit risk

The ageing of trade receivables at the reporting date was

	Not past due £'000	Past due 0 to 30 days £'000	Past due 31 to 60 days £'000	Past due 61 days and over £'000	Total £'000
Trade Receivables	12,800	224	53	203	13,280
Impairment	-	-	-	(69)	(69)

17 Retirement benefits

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

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

	Group	
	2008	**2007**
	£'000	**£'000**
Defined contribution schemes	183	139
Personal pension contributions	16	9

Other pension costs totalled £149,000 (2007 £144,000) and represent life assurance charges and government pension protection fund levies

Defined benefit plans

The most recent actuarial valuations of the Staff Scheme and the Works Scheme have been updated to 29 March 2008 by qualified independent actuaries The major assumptions used by the actuary for each scheme were as noted below The expected return on plan assets is calculated by using a weighted average across each category of asset

	Staff Scheme		Works Scheme	
	2008	**2007**	**2008**	**2007**
	%	**%**	**%**	**%**
Rate of increase in pensionable salaries	4 8	4 2	4 8	4 2
Rate of increase of pensions in payment and deferred	3 9	3 2	3 9	3 2
Discount rate	6 6	5 4	6 6	5 4
Inflation assumption	3 8	3 2	3 8	3 2
Expected return on plan assets	6 8	6 3	7 4	6 4

In respect of mortality the PA92 series table has been used with the medium cohort projections applied, and a plus three year age rating adjustment to the Works members, and no age rating for the Staff members This represents a longer assumed life expectancy than assumed in the 31 March 2007 disclosures The different age ratings applied to each Scheme reflect the different characteristics of the members within these Schemes

The amounts recognised in the Balance Sheet are determined as follows

	2008	**2007**	**2006**	**2005**	**2004**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Present value of scheme liabilities	(60,335)	(66,733)	(66,007)	(55,436)	(51,855)
Fair value of plan assets	58,531	60,581	55,692	44,729	38,080
Net liability recognised in the Balance Sheet	(1,804)	(6,152)	(10,315)	10 707	13,775

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

	Staff Scheme		Works Scheme	
	2008	**2007**	**2008**	**2007**
	%	**%**	**%**	**%**
Equities	55	59	66	68
Bonds	36	32	28	28
Property	-	-	-	1
Cash	2	3	5	3
Annuities	7	6	1	-

The pension plan assets include investments in the shares of the Company with a fair value of £249,000 (2007 £418,000)

Notes to the financial statements (continued)

17 Retirement benefits (continued)

Defined benefit plans (continued)

The amounts recognised in the Profit and Loss Account are as follows

	2008 £'000	2007 £'000
Current service cost	1,544	1,598
Total included within employee benefit costs	1,544	1 598
Expected return on plan assets	(3,818)	(3,492)
Interest on pension scheme liabilities	3,591	3,313
Total included within interest	(227)	(179)
Total	1,317	1,419

Analysis of the movement in the Balance Sheet liability

	2008 £'000	2007 £'000
At 31 March 2007	(6,152)	(10,315)
Total expense as above	(1,317)	(1,419)
Contributions paid	1,810	1,826
Actuarial gains/(losses) recognised in SORIE	3,855	3,756
At 29 March 2008	(1,804)	(6,152)

The actual return on plan assets was negative (£1,962,000) (2007 positive £4,255,000) The Company expects to pay £899,000 (2007 £935,000) in contributions to the Staff Scheme and £977,000 (2007 £946,000) in contributions to the Works Scheme in the next financial period

The cumulative amount of gains/losses recognised in the SORIE since the adoption of IAS 19 is gains of £9,788 000 (2007 gains of £5,933,000)

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

	Works Scheme		Staff Scheme	
	Assets £'000	DBO £'000	Assets £'000	DBO £'000
At 31 March 2007	30,561	(35,430)	30,020	(31,303)
Expected return on assets	1,945	-	1,873	-
Current service costs	-	(1,061)	-	(483)
Benefits paid	(1,183)	1,183	(1,397)	1,397
Contributions by plan participants	406	(406)	276	(276)
Employer contributions	943	-	867	-
Interest cost	-	(1,918)	-	(1,673)
Actuarial (losses)/gains	(3,163)	6,330	(2 617)	3,305
At 29 March 2008	29,509	(31,302)	29,022	(29,033)

Experience adjustments

	2008 £'000	2007 £'000	2006 £'000	2005 £'000	2004 £'000
Arising on plan assets	(5,780)	763	6 786	2 253	5,035
Percentage of scheme assets	(9 9%)	1 3%	12 2%	5 0%	13 0%
Arising on plan liabilities	3,291	(204)	1,983	(32)	(1,458)
Percentage of scheme liabilities	5 5%	0 3%	3 0%	0 1%	(3 0%)

18 Deferred taxation

The movement on the deferred tax account is shown below

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
At 31 March 2007	(2,095)	(863)	1,262	2,537
Deferred tax on actuarial gains on retirement liabilities	(1,157)	(1,127)	(1,157)	(1,127)
Profit and loss charge	(261)	(105)	(85)	(148)
Rate change	220	-	(1)	-
Other	2	-	-	-
At 29 March 2008	(3,291)	(2,095)	19	1,262

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

No deferred tax is recognised on the un-remitted earnings of overseas subsidiaries and joint ventures As the earnings are continually reinvested by the group, no tax is expected to be payable on them in the foreseeable future The combined distributable reserves of Tech Fibers Inc and its subsidiaries are in deficit by £17,000

The movements in deferred tax assets and liabilities during the period are shown below

Deferred tax liabilities

Group	Accelerated capital allowances £'000	Other £'000	Total £'000
At 31 March 2007	(3,760)	(181)	(3,941)
Profit and loss charge	(25)	(86)	(111)
Rate change	252	4	256
At 29 March 2008	(3,533)	(263)	(3,796)

Deferred tax assets	Accelerated capital allowances £'000	Pension £'000	Total £'000
At 31 March 2007	-	1,846	1,846
Deferred tax on actuarial gains on retirement liabilities	-	(1,157)	(1 157)
Rate change	-	(36)	(36)
Deferred tax on difference between contribution paid and net pension cost charged to the Profit and Loss Account	-	(148)	(148)
At 29 March 2008	-	505	505

	Total £'000
Net deferred tax liability	(3,291)

During the year, as a result of the change in the UK Corporation Tax rate from 30% to 28%, which will be effective from 1 April 2008, deferred tax balances have been re-measured Deferred tax expected to reverse in the year to 31 March 2009 has been measured using the effective rate for the period (28%) This has resulted in a credit to the Profit and Loss Account of £220,000

It is anticipated that the proposed phasing out of industrial buildings allowances will become law during the 2008/09 accounting period of the Group It is estimated that the effect of this change will be a release of approximately £587,000 of the deferred tax provision of the Group

Notes to the financial statements (continued)

19 Called up equity share capital

Group and Company

Authorised	2008 £'000	2007 £'000
10,000,000 (2007 10,000,000) ordinary shares of 25p each	2,500	2,500

Issued and fully paid

	Number of Ordinary shares	£'000
At 31 March 2007	8,472,368	2,118
Issued during the period	-	-
At 29 March 2008	8 472,368	2,118

Potential issue of ordinary shares

Under the James Cropper PLC Executive Share Option Scheme, options were outstanding at 29 March 2008 in respect of the following

Year of grant	Exercise price (p)	Exercise period	2008 Number	2007 Number
1998	202 7	August 2001 to August 2008	42,565	42,565
1999	205 9	December 2002 to December 2009	18,900	18,900
2000	261 5	August 2003 to August 2010	60 000	60 000
2001	206 5	June 2004 to June 2011	90,000	90,000
	221 3		211,465	211,465

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

For share options outstanding at the end of the period, the range of exercise prices was 202 7p to 261 5p, and the weighted average contractual life was 7 years

Under the Group's long-term incentive plan for executive directors and senior executives, such individuals hold rights over ordinary shares that may result in the issue of up to 81,000 25p ordinary shares by 2011

Share based payments

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

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

	December 03 5 year scheme	August 07 3 year scheme	August 07 5 year scheme
Fair value per option	46p	62p	69p
Date of grant	18 December 03	21 August 07	21 August 07
Exercise Price	130 5p	191p	191p
Market Price at date of grant	156p	235p	235p
Volatility	32 5%	22%	22%
Net dividend yield	4%	3%	3%
Term of option	5 25 years	3 25 years	5 25 years
Risk free rate of interest	4 6%	5 2%	5 2%

During the period no options were exercised (2007 113,254 options were exercised)

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

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

	Share capital £'000	Share premium £'000	Translation reserve £'000	Other reserve £'000	Retained earnings £'000	Total £'000
At 2 April 2006	2,090	454	10	61	16,244	18,859
Profit for the period					1,361	1,361
Exchange differences	-	-	(18)	-		(18)
Dividends paid	-	-	-	-	(343)	(343)
Share based payment charge	-	-	-	-	18	18
Actuarial gains on retirement benefit liabilities (net of deferred tax)	-	-	-	-	2,629	2,629
Transfer from other reserve	-	-	-	(61)	61	-
Proceeds from shares issued	28	119	-	-	-	147
At 31 March 2007	**2,118**	**573**	**(8)**	**-**	**19,970**	**22,653**

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

	Share capital £'000	Share premium £'000	Translation reserve £'000	Other reserve £'000	Retained earnings £'000	Total £'000
At 2 April 2006	2,090	454	-	14	14,576	17,134
Profit for the period	-	-	-	-	102	102
Exchange differences	-	-	-	-	-	-
Dividends paid	-	-	-	-	(343)	(343)
Share based payment charge	-	-	-	-	18	18
Actuarial gains on retirement benefit liabilities (net of deferred tax)	-	-	-	-	2,629	2,629
Transfer from other reserve	-	-	-	(14)	14	-
Proceeds from shares issued	28	119	-	-	-	147
At 31 March 2007	**2,118**	**573**	**-**	**-**	**16,996**	**19,687**

As permitted by Section 230(1) of the Companies Act 1985 the Company has not presented its own Profit and Loss Account

The Company's profit for the financial period is disclosed above

Notes to the financial statements (continued)

21 Cash flow from operating activities

Reconciliation of net profit to net cash generated from operating activities

	Group		Company	
Continuing operations	**2008 £'000**	**2007 £'000**	**2008 £'000**	**2007 £'000**
Net Profit	1,190	1,361	951	102
Adjustments for				
Tax	390	746	95	(23)
Depreciation	3,280	3,315	428	424
Profit on disposal of property, plant and equipment	(103)	(39)	(92)	-
Bank interest income & expense	402	438	(1 081)	(1,024)
Share of results of joint venture before taxation	61	95	-	-
Share Based Payments	85	17	85	17
Dividends received from Subsidiary Companies	-	-	(1,600)	(850)
Net IFRS Pension Adjustments	383	431	383	431
Past Service Deficit Payments	(876)	(838)	(876)	(838)
Changes in working capital				
Decrease / (Increase) in inventories	(1,274)	(99)	-	-
Decrease / (Increase) in trade and other receivables	383	(1,100)	(1,621)	2,304
(Decrease) / Increase in trade and other payables	(478)	806	(480)	(1,367)
Cash generated from /(used by) continuing operations	3,443	5,133	(3,808)	(824)

22 Employees and directors

Staff costs for the Group during the period

	2008 £'000	**2007 £'000**
Wages and salaries	15,377	14,422
Social Security costs	1,367	1,244
Pension costs	1,891	1,890
	18,635	17 556
Own labour capitalised	(350)	(287)
	18,285	17,269

The average monthly number of people (including executive directors) employed in the Group was 626 (2007 605)

The average monthly number of people (including executive directors) employed in the Company was 54 (2007 57)

Key management compensation

	2008 £'000	**2007 £'000**
Salaries and short term benefits	954	800
Post-employment benefits	111	111
Shared based payments	54	1
	1,119	912

23 Commitments under operating leases

Group	2008 Property £'000	2008 Plant & machinery £'000	2007 Property £'000	2007 Plant & machinery £'000
Commitments under non-cancellable operating leases expiring				
Within one year	17	-	-	2
Later than one year and less than five years	1,013	2,101	1,257	569
After five years	3,897	-	4,545	1,820
	4,927	2,101	5,802	2,391

Company	2008 Property £'000	2008 Plant & machinery £'000	2007 Property £'000	2007 Plant & machinery £'000
Commitments under non-cancellable operating leases expiring				
Later than one year and less than five years	-	502	-	438
	-	502	-	438

Contingent rent payments are determined on the basis of turnover

24 Capital commitments

	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Contracts placed for future capital expenditure not provided in the financial statements	287	557	8	14

25 Contingent liabilities

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

Notes to the financial statements (continued)

26 Related party transactions

Group

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

The Group also has the following transactions with related parties that are not eliminated on consolidation

	Sales £'000	Purchases £'000	Receivable £'000	2008 Payable £'000
Electro Fiber Technologies Inc	-	20	-	-

	Sales £'000	Purchases £'000	Receivable £'000	2007 Payable £'000
Electro Fiber Technologies Inc	-	105	-	5

Company

The Company pays £35 000 (2007 £35,000) annually to Mr J A Cropper for the use of reservoirs to supply water to the factory premises

The contract is based on a twenty year repairing lease with rent reviews every five years The rent is negotiated through independent advisers representing each party

The Company also has the following transactions with related entities

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

	Sales £'000	Management charges £'000	Receivable / (Payable) £'000	2007 Loans and net intercompany funding £'000
James Cropper Speciality Papers Limited	45,161	3,829	858	16,000
The Paper Mill Shop Company Limited	53	133	49	-
James Cropper Converting Limited	13,387	589	34	6,000
Technical Fibre Products Limited	339	606	121	3,000
	58,940	5,157	1,062	25,000

2007 - 2008 Shareholder Information

Reporting

Interim Results announced and sent to Ordinary Shareholders	20 November 2007
Final results announced	24 June 2008
Annual Report issued by	7 July 2008

Annual General Meeting - at Bryce Institute, Burneside, Kendal, Wednesday 30 July 2008 at 10 30am

Dividends on Ordinary Shares

Interim dividend paid on 11 January 2008 to Ordinary Shareholders registered on 21 December 2007

Final dividend to be paid on 15 August 2008 to Ordinary Shareholders registered on 18 July 2008

Registrars

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

Notice of Annual General Meeting

Notice is hereby given that the one hundred and nineteenth annual general meeting of James Cropper PLC (the "Company") will be held at the Bryce Institute, Burneside, Kendal, Cumbria at 10 30am on Wednesday 30 July 2008 to consider and, if thought fit, pass the following resolutions, of which resolutions 10 11 and 12 are to be proposed as special resolutions of the Company -

1 To receive and consider the statement of accounts and reports of the directors and the auditors for the 52 weeks ended 29 March 2008

2 To declare a final dividend

3 To re-elect Mr J A Cropper as a director of the Company

4 To re-elect Mr J M Denman as a director of the Company

5 To re-elect Mr N A Read as a director of the Company

6 To re-elect Mr PL Herring as a director of the Company

7 To re-appoint KPMG Audit Plc as auditors of the Company to hold office from the conclusion of the meeting until the next Annual General Meeting

8 To authorise the directors to agree the remuneration of the auditors of the Company

9 To consider and approve the Directors' Remuneration Report for the 52 weeks ended 29 March 2008

10 That the directors be authorised for the purpose of section 80 of the Companies Act 1985 (the "Act") to allot relevant securities (within the meaning of section 80(2) of the Act) up to an aggregate nominal amount of £381,908 provided that -

(a) except as provided in paragraph (b) below this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or 15 months from the date of this resolution (whichever is the earlier) but may be previously revoked or varied by an ordinary resolution of the Company, and

(b) the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired

11 That subject to the passing of and pursuant to the general authority conferred by the resolution numbered 10 in the notice convening this meeting the directors be empowered pursuant to Section 95 of the Companies Act 1985 (the "Act") to allot equity securities (as defined in section 94 of the Act) or where the equity securities are held by the Company as qualifying shares (to which sections 162A to 162 G of the Act apply), in each case as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to -

(a) the allotment of equity securities in connection with any rights or other pre-emptive issue in favour of the ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective number of ordinary shares held by them on a fixed record date (but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange in any territory or any other matter whatsoever), and

(b) otherwise than pursuant to paragraph (a) of this resolution, the allotment of equity securities up to an aggregate nominal amount of £105,905 and shall expire on the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or 15 months from the date of this resolution (whichever is earlier) except that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred by this resolution had not expired

12 That the Company be generally and unconditionally authorised for the purposes of section 166 of the Companies Act 1985 (the "Act") to make market purchases (within the meaning of section 163(3) of the Act) on the London Stock Exchange of ordinary shares of 25p each in the capital of the Company provided that -

12 1 the maximum aggregate number of ordinary shares hereby authorised to be purchased is 1,270,855,

12 2 the minimum price which may be paid for such shares is 25p per ordinary share,

12 3 the maximum price which may be paid for such ordinary shares shall not be more than 5% above the average of the market values for a ordinary share as derived from the London Stock Exchange's Daily Official List for the five business days immediately preceding the date on which the ordinary shares are purchased,

12 4 unless previously renewed, varied or revoked, the authority hereby conferred shall expire at the conclusion of the Company's next Annual General Meeting or 15 months from the date of this resolution (whichever is earlier) and

12 5 the Company may make a contract or contracts to purchase ordinary shares under the authority conferred by this resolution prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of ordinary shares in pursuance of any such contract or contracts

By order of the Board

D R Carey
Secretary
8 July 2008

Registered office -
Burneside Mills
Kendal
Cumbria
LA9 6PZ

Registered in England and Wales No 30226

Notes

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

1 Only those members registered in the Register of Members of the Company as at 10 30am on 28 July 2008 shall be entitled to attend and vote at the meeting convened above in respect of the number of shares registered in their names at that time

2 A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint another person as his proxy to exercise all or any of his rights to attend and to speak and vote at a meeting of the Company Any such member may appoint more than one proxy provided that each proxy is appointed to exercise the rights attached to a different share or shares held by such member You may not appoint more than one proxy to exercise rights attached to any one share To appoint more than one proxy, please photocopy the form of proxy and indicate in the box next to the proxy's name the number of shares in relation to which they are authorised to act as your proxy Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given All forms must be signed and should be returned together in the same envelope A proxy need not be a member of the Company Appointing a proxy will not prevent a shareholder from attending in person and voting at the meeting If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the Chairman of the meeting) and give your instructions directly to that person

3 A form of appointment of proxy is enclosed You may register your proxy appointment or voting directions electronically through the website of the Company's Registrars and details are set out in the enclosed form of proxy If you return more than one proxy appointment, either by paper or by electronic communication, that received last by the registrar before the latest time for the receipt of proxies will take precedence

4 The form of proxy includes a vote withheld option Please note that a vote withheld is not a vote in law and will not be counted in the calculation of the proportion of votes for and against any particular resolution

5 The appointment of a proxy and the original or duly certified copy of the power of attorney or other authority (if any) under which it is signed or authenticated should be deposited with the Company s Registrars at the address shown on the proxy form or received via the website of the Company's Registrars not later than 10 30am on 28 July 2008 or 48 hours before the time for holding any adjourned meeting

6 The above statement as to proxy rights does not apply to a person who receives this notice of general meeting as a person nominated to enjoy "information rights" under section 146 of the Companies Act 2006 If you have been sent this notice of meeting because you are such a nominated person, the following statements apply - (a) you may have a right under an agreement between you and the member of the Company by whom you were nominated to be appointed or to have someone else appointed as a proxy for this general meeting, and (b) if you have no such right or do not wish to exercise it, you may have a right under such an agreement to give instructions to that member as to the exercise of voting rights

7 As at 9 00am on the date of this notice the Company's issued share capital comprised 8,472,368 ordinary shares of 25p each Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 9 00am on the date of this notice is 8,472,368

8 Copies of the contracts of service for directors are available for inspection during normal business hours at the registered office of the Company and they may be inspected at the place of the Annual General Meeting for at least 15 minutes prior to the meeting and at the meeting

9 In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting then on a poll those corporate representatives will give voting direction to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions, and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www icsa org uk) for further details of this procedure The guidance includes a sample form of appointment letter if the chairman is being appointed as described in (i) above

10 The reasons for the proposal of Resolutions 3, 4, 5, 6, 10, 11 and 12 are set out in the Report of the Directors contained in the Annual Report