ARJOWIGGINS

Arjo Wiggins Fine Papers Limited

Directors' Report and Financial Statements

for the Year Ended 31 December 2012

Registration number 961440

Arjo Wiggins Fine Papers Limited

Contents

Arjo Wiggins Fine Papers Limited

Directors' Report for the Year Ended 31 December 2012

The directors present their report and the audited financial statements for the year ended 31 December 2012

Directors of the company

The directors who held office during the year were as follows

A P D Gourjon (appointed 15 February 2012)

J D Mitchell (appointed 2 July 2012)

C Mountford

M J Newell

S Kronfol (resigned 22 February 2013)

A P M Le Chatelier (resigned 12 April 2013)

G M M Leonard (resigned 2 July 2012)

E C M Maruani (resigned 15 February 2012)

The following director was appointed after the year end

J-B Laigle (appointed 22 February 2013)

Principal activity

The Company is engaged in the manufacture and distribution of paper and paper products

Results and dividends

The audited financial statements for the year are set out on pages 9 to 26

No dividends were paid during the year, and the directors recommend that no final dividend be declared for the year ended 31 December 2012 (2011 £nil)

Business review

Fair review of the business

During 2012 there have been no significant changes in the structure of the business or in the distribution channels used to get products to market The Fine Papers business saw a small, 5%, decrease in overall volumes as well as some down trading due to the global economic situation and the increasing impact of electronic communication The relatively small Casting business saw a greater decline in volume, mix and profitability as Asian demand slowed resulting in pipeline destocking

Thus sales volume in the year, compared to 2011, decreased by 7 3% to 65,600 tonnes Sales in virtually all markets were down compared to 2011, with Europe being particularly badly hit but there were also difficult conditions in Asia, Mexico and certain Middle eastern countries A few countries experienced growth in Europe (Netherlands, Germany, Russia and Italy countered the trend) and elsewhere there were gains in Chile and Brazil Overall, however, 2012 was a year when the market for papers supplied by the Company paused or stepped back and 2013 has started with a further reduction (anticipated) in orders and sales in most areas

Fair review of the business (continued)

Reported turnover reduced to £144 8m from £167 4m, or minus 13 5%, in the year, due to the decrease in volumes and average selling price with a significant £5m adverse impact from foreign exchange as, against sterling, the Euro weakened by 7% while the US dollar strengthened slightly (84% of the sales were in non-GBP currencies) Total operating expenses for the year were £146 2m compared to £158 2m in 2011 before exceptional operating costs, a reduction of 7 6%, as a result of the lower sales volumes but also due to continuing increases in input prices (particularly energy) In addition, within the operating expenses in 2012 were £5 9m of pension deficit payments and pension scheme administration costs, in prior years these costs were charged in the accounts of The Wiggins Teape Group Limited, an Arjo Wiggins holding company However, Arjo Wiggins Fine Papers Limited is the principal employer for the Wiggins Teape Pension scheme and it has been decided that for 2012 and in the future this company will bear these costs

In 2011 there were exceptional operating costs of £2 1m (£nil in 2012) Therefore the decrease in turnover from 2011 to 2012 was greater than the decrease in total operating costs, resulting in an operating loss of £1 4m compared to an operating profit of £7 1m in 2011

The Company had net funds (being cash and group and other loans, receivable and payable) at the end of the year of £127 2m, up from £120 8m at the end of 2011, due to improvements in working capital The Company continues to generate positive cash flow, which is channelled back to the ArjoWiggins Group The Company paid no dividends (2011 nil) in the year

Future developments

The Company's order book at the start of 2013 is weaker in most areas compared to 2012 However, sales to Latin America, to Asia and to the Middle East are improving and likely to continue to improve but the situation in western Europe is uncertain Little change is anticipated from exchange rate movements in 2013 but, against sterling, the Euro and the US dollar will likely strengthen slightly Input prices (especially the cost of gas) have remained high in Quarter 1, 2013 but are expected to ease slightly later in the year Pulp and other raw material prices continue to be higher than anticipated due to demand in China and energy prices have continued to be affected by the concerns over the supply constraints in a world with increasing energy demand as well as the very cold winter in northern Europe

The decision to pay pension deficit payments and pension admin fees from the company, together with reducing sales volumes and profitability will result in a lower capacity to generate positive cash flow in future years

Key performance indicators

The ArjoWiggins Group is managed on a worldwide basis by business Within the Company there is one principal paper business (Fine Papers) plus two smaller paper businesses (Casting and Security papers) Also, a significant proportion of products sold by the Company are purchased from other AW Group entities to complete the ranges offered to customers and to allow centralised invoicing and collection As such the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company

Principal risks and uncertainties

A number of risk factors affect the Company's operating results and financial condition The risks factors mentioned below are those material risk factors of which the Group's directors are aware However, these should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties facing the Company

General economic climate and customer demand for products

A downturn in the general economic climate may have an adverse impact on the Company's financial condition and results The mature western European paper markets are already in gradual decline, the growing Asia Pacific paper markets are a key sensitivity to the Company if there was a financial shock in this part of the world

Movement of manufacturing to other group company locations

The ArjoWiggins group has many manufacturing operations in many parts of the world It is possible to transfer volume from one mill to another relatively easily, which could favorably or adversely affect the Company

Technological advances

Printing technology is constantly evolving and therefore it is necessary to keep up to date with developments and ensure that paper produced will work with the different technologies Over the years specific papers have been developed with specific characteristics to work with specific printing technology and this will continue in the future The move to on-line working will also impact sales as this media can by-pass paper products entirely

UK Pension scheme deficit

The Company participates in a UK defined benefit scheme with other UK group companies The Company accounts for the scheme as a defined contribution scheme as it is unable to identify its share of the underlying assets and liabilities of the scheme as allowed by FRS 17 The independent pension scheme trustees calculated a significant deficit for the UK scheme in the 2010 valuation that is not in line with the calculation of a surplus under IAS19 or FRS17 at the end of 2012 The 2010 valuation was finalised in September 2012 and the schedule of contributions and recovery plan were updated, details of which can be found in Note 21

In 2012 the Company paid a £4m deficit payment as specified by the schedule of contributions, plus £1 9m of administration costs In 2011 the corresponding payments were made by a fellow group subsidiary, The Wiggins Teape Group Limited

Financial risk management

Price risk
The Company is exposed to commodity price risk as a result of its operations The prices of pulp and energy are the most significant commodity prices affecting the Company All pulp and energy purchases for the company are made through a central purchasing department, which constantly monitors pulp prices for the benefit of all group companies and monitors energy prices for all UK group companies

Foreign exchange fluctuations
The Company trades in a number of foreign currencies and sells to over 80 countries around the world The main risk is the exposure to the US dollar as the Company has very few costs in this currency There has also been an increase in sales denominated in Euros, which has resulted in an exposure to the Euro exchange rate as well (Euro revenues now exceed costs in Euro) The transactional currency risk is minimised by taking out currency hedges with the ArjoWiggins group parent company for the main trading currencies, normally based upon the value of invoiced sales However, a long-term decline in the value of the US dollar and/or Euro relative to the UK Pound would impact the Company's results to an extent For the past couple of years the reverse has been the case

Adequacy of funding facilities
The Company's exposure to liquidity risk is not significant, as the Company is cash generative, long-term and short-term finance to ensure that the Company has sufficient available funds for operations is provided by other group companies However, a liquidity problem at the ArjoWiggins group level could impact the Company

Credit risk
The Company has implemented policies that require appropriate credit checks on potential customers before sales are made The amount of exposure to any individual customer is subject to a limit, which is regularly reviewed by the company's finance department Comprehensive credit insurance is in place and the level of exposure above the insured level is reviewed on a monthly basis

Interest risk
The Company has both interest bearing assets and interest bearing liabilities Group assets earn interest at local base rates and group liabilities earn interest at local base rates plus a margin to cover Group financing costs Other interest bearing assets include cash balances, all of which earn interest at money market rates

Payment of creditors

The Company's policy in respect of all suppliers is to fix terms of payment when agreeing the terms of business transactions, to ensure that the supplier is aware of those terms and to abide by the agreed terms of payment when the supplier has satisfactorily provided the goods or services in accordance with the terms of the contract

The average number of days taken to pay suppliers was 62 days (2011 62 days)

Charitable donations

During the year the Company made charitable donations to local and national charities amounting to £3,753 (2011 £2,580)

Employment of disabled persons

The Company gives full and fair consideration to applications for employment from disabled persons, having regard to their aptitudes and abilities Every effort is made to continue the employment of people who become disabled, including the provision of additional facilities and training where appropriate Opportunities for career development and promotion are available to all employees

Employee involvement

The Company seeks to ensure that all its businesses operate sound and progressive employment policies to the mutual benefit of employees and the Company

The Company places considerable importance on consultation and communication with all employees Managers are required to develop appropriate communication procedures to ensure that all employees are properly informed of developments within the businesses to which they belong

Statement of directors' responsibilities

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 financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Declaration in relation to relevant audit information

Having made enquiries of fellow directors each of the directors confirms that

(a) so far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and

(b) 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

Reappointment of auditors

An elective resolution has been passed to appoint PricewaterhouseCoopers LLP as auditors until such time as the Board decide otherwise

Approved by the Board on 26 April 2013 and signed on its behalf by

M J Newell
Director

Independent Auditors' Report to the Members of

Arjo Wiggins Fine Papers Limited

We have audited the financial statements of Arjo Wiggins Fine Papers Limited for the year ended 31 December 2012, which comprise the Profit and Loss Account, the Balance Sheet and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors

As explained more fully in the "Statement of directors' responsibilities" set out in the Directors' Report, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent Auditors' Report to the Members of Arjo Wiggins Fine Papers Limited

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Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Simon O'Brien (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP,
Chartered Accountants and Statutory Auditors

1 Embankment Place
London
WC2N 6RH

30 April 2013

Arjo Wiggins Fine Papers Limited
Profit and Loss Account for the Year Ended 31 December 2012

	Note	2012 £ 000	2011 £ 000
Turnover	2	144,811	167,444
Cost of sales		(110,955)	(126,230)
Gross profit		33,856	41,214
Distribution costs		(18,349)	(20,397)
Administrative expenses		(16,918)	(13,684)
Operating (loss)/profit	3	(1,411)	7,133
Profit/(loss) on disposal of fixed assets	4	50	(502)
Other interest receivable and similar income	7	648	601
Interest payable and similar charges	8	(11)	(3)
(Loss)/profit on ordinary activities before taxation		(724)	7,229
Tax on (loss) / profit on ordinary activities	9	(154)	(194)
(Loss)/profit for the financial year		(878)	7,035

Turnover and operating (loss) / profit derive wholly from continuing operations

The Company has no recognised gains or losses for the year other than the results above

Arjo Wiggins Fine Papers Limited

(Registration number: 961440)

Balance Sheet at 31 December 2012

	Note	2012 £ 000	2011 £ 000
Fixed assets			
Intangible fixed assets	10	486	337
Tangible fixed assets	11	22,733	25,590
		23,219	25,927
Current assets			
Stocks	12	24,130	23,806
Debtors	13	143,263	139,487
Cash at bank and in hand		-	499
		167,393	163,792
Creditors Amounts falling due within one year	14	(37,348)	(35,466)
Net current assets		130,045	128,326
Total assets less current liabilities		153,264	154,253
Provisions for liabilities	15	(718)	(829)
Net assets		152,546	153,424
Capital and reserves			
Called up share capital	17	25,010	25,010
Share premium account	18	50,298	50,298
Profit and loss account	18	77,238	78,116
Total shareholders' funds	19	152,546	153,424

Approved by the Board on 26 April 2013 and signed on its behalf by

M J Newell
Director

1 Accounting policies

Basis of preparation

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom The principal accounting policies, which have been applied consistently throughout the year, are set out below

Exemption from preparing a cash flow statement

The Company is a wholly-owned subsidiary of Sequana SA and is included in the consolidated financial statements of Sequana, which are publicly available Consequently the Company has taken advantage of the exemption from preparing a cash flow statement as allowed by FRS 1 (revised 1996)

Turnover

Turnover for goods and services is recognised net of rebates and excluding value added and other sales taxes on completion and delivery of goods and services in accordance with the contract between the customer and the Company

Intangible assets - emissions quota

Granted CO2 emissions allowances received free of charge are initially recognised at fair market value at the date of acquisition in accordance with the requirement of SSAP 4 "Accounting for Government Grants" A corresponding creditor is recorded in the Company's balance sheet The asset and liability are then adjusted over the compliance period for both utilisation and any transfer to other Group companies of the emissions allowance Any gains or losses on the transfer of emission allowance are recognised in the profit and loss account

Tangible fixed assets

Tangible fixed assets are valued at cost less depreciation

Depreciation is calculated to write off the cost of tangible fixed assets over their estimated useful economic lives by equal instalments The principal useful economic lives applied in calculating depreciation are as follows

Asset class	Depreciation method and rate
Freehold buildings	between 25 and 40 years
Plant and machinery	between 8 and 20 years
Vehicles	between 3 and 10 years
Office equipment	between 3 and 10 years

No depreciation is provided on freehold land or assets in the course of construction Impairment write-downs of fixed assets are determined by the higher of net realisable value or value in use Leasehold properties are depreciated as for freehold properties, or over the period of the lease if less

Research and development

All research and development expenditure is charged to the profit and loss account as incurred

Stocks, work in progress and long-term contracts

Stocks are valued at the lower of cost, including attributable overheads, and net realisable value

Taxation

Current tax is provided at amounts expected to be paid or recovered using tax rates and laws that have been enacted or substantially enacted by the balance sheet date

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains or losses in tax assessments in periods different from those in which they are recognised in the financial statements

Deferred tax is measured at average tax rates that are expected to apply in periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date Deferred tax is measured on a non-discounted basis

Deferred tax assets are only recognised to the extent that it is regarded more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Foreign currency

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the related forward contract rate All monetary assets and liabilities expressed in foreign currencies not covered by forward contracts are retranslated into sterling at rates of exchange ruling at the end of the financial year Differences between the translated trading transactions and subsequent cash settlements, or retranslated balances, are taken to the profit and loss account

Hire purchase and leasing

Rentals payable under operating leases are charged to the profit and loss account over the term of the lease

Share based payments

The ultimate parent company, Sequana, operates an equity-settled share award scheme The fair value of the employee services received in exchange for the grant of the awards is recognised as an expense in the Group consolidated financial statements The total amount to be expensed over the vesting period is determined by reference to the fair value of the awards granted There is no significant participation in this scheme by UK employees and no material charge arises in these financial statements in respect of this plan and, as a result, no further disclosures are presented

Pensions

Until 31st October 2010 all the Company's employees were members of the Wiggins Teape Pension Scheme ("WTPS"), which covered practically all of the UK employees of the companies within the former Arjo Wiggins Appleton Group The WTPS was closed to all new and existing employees of the company on 31 October 2010 The Company remains a participating employer of the WTPS

Since November 2010 the Company's employees have been employed by Arjo Wiggins Services Limited ("AWSL") and seconded to the Company AWSL makes pension contributions at the rate of 12% to the Antalis Pension Scheme ("APS") as a participating employer and then recharges these costs to the Company

Whilst the WTPS and APS are defined benefit schemes, the Company is unable to identify its share of the underlying assets and liabilities of either scheme, and the Company accounts for the schemes as defined contribution schemes, as required by FRS 17 'Retirement benefits'

2 Turnover

An analysis of turnover by geographical location is given below

	2012 £ 000	2011 £ 000
Sales - UK	21,682	25,191
Sales - Europe	70,044	84,963
Sales - Rest of world	53,085	57,290
	144,811	167,444

All sales by the Company originate from the United Kingdom and are from the manufacture and distribution of paper products

3 Operating (loss) / profit

Operating profit is stated after charging

	2012 £ 000	2011 £ 000
Operating leases - plant and machinery	560	570
Operating leases - other assets	618	825
Foreign currency losses/(gains)	(758)	219
Depreciation of owned assets	4,047	4,919
Exceptional administrative expenses	-	2,067
Auditor's remuneration - company audit fee	95	100
Auditors' remuneration - other services	28	-

In 2011 the exceptional administrative expenses of £2 1m includes

- £0 6m for the cost of an onerous lease on an empty office,
- £0 6m for sales office restructuring,
- £0 7m costs for advice regarding the Company's pensions strategy

4 Profit / (loss) on disposal of assets

In 2012 the Company made a profit of £50,000 on the sale of surplus land at the Stoneywood production site In 2011 there was a loss of £502,000 mainly relating to the disposal of surplus IT equipment

5 Particulars of employees

The average monthly number of persons employed by the Company (excluding directors) during the year, was

	2012 No.	2011 No.
Administration and support	113	110
Production	325	328
Sales, marketing and distribution	22	24
	460	462

The aggregate payroll costs were as follows

	2012 £ 000	2011 £ 000
Wages and salaries	16,084	15,874
Social security costs	1,681	1,691
Other pension costs - annual employer contributions	3,822	1,906
Other pension costs - deficit funding costs	4,000	-
	25,587	19,471

In 2012 the Company made a deficit payment totalling £4 0m (2011 £nil) and a contribution towards expenses of £1 9m (2011 £nil) to the Wiggins Teape Pension Scheme (see note 21 1)

The above payroll costs do not include 59 employees (2011 63) seconded from fellow Sequana group subsidiaries at a cost of £5,508,000 (2011 £5,556,000)

6 Directors' remuneration

All the directors are employed as managers by companies in the Sequana group of companies The emoluments and benefits the directors receive from the group are attributed wholly to their employment as managers None of the directors has a contract of service or for services as a director or receives any separately identified emoluments or benefits of any kind in respect of their services as directors of the Company, or as directors of any other company in the group (2010 Nil) The emoluments and benefits received by the directors in their employment as managers of the Company are disclosed below

	2012 £ 000	2011 £ 000
Remuneration	198	195
Company contributions paid to money purchase schemes	6	6

During the year the number of directors who were receiving benefits was as follows

	2012 No	2011 No.
Accruing benefits under defined benefit pension scheme	2	2
Accruing benefits under money purchase pension scheme	2	1

7 Other interest receivable and similar income

	2012 £ 000	2011 £ 000
Interest receivable from fellow Group undertakings	648	601

8 Interest payable and similar charges

	2012 £ 000	2011 £ 000
Interest on bank borrowings	2	-
Interest on loans from Group undertakings	9	3
	11	3

9 Taxation

Tax on (loss)/profit on ordinary activities

	2012 £ 000	2011 £ 000
Current tax		
UK Corporation tax charge at 24 5% (2011 26 5%)	1,057	1,945
Group relief surrendered from other group undertakings for no consideration	(1,057)	(1,945)
UK Corporation tax	-	-
Deferred tax		
Deferred tax charge	154	194
Total tax on loss/profit on ordinary activities	154	194

Factors affecting current tax charge for the year

Tax on loss/profit on ordinary activities for the year is higher than (2011 - lower than) the average rate of corporation tax in the UK of 24 5% (2011 - 26 49%)

The differences are reconciled below

	2012 £ 000	2011 £ 000
(Loss)/profit on ordinary activities before taxation	(724)	7,229
Profit on ordinary activities before taxation multiplied by the average rate of UK corporation tax of 24 5% (2011 26 5%)	(177)	1,915
Accelerated capital allowances and other short timing differences	950	1,186
Corporation tax relief due on the Company's share of a £2 0m (2010 £7 7m) payment made to the Antalis Pension Scheme/ Wiggins Teape Pension Scheme by a fellow company	(187)	(1,224)
Corporation tax relief due to the £4 0m payment to the Wiggins Teape Pension Scheme alllocated to fellow group companies	380	-
Expenses not deductible for UK corporation tax	103	68
Profit on sale of land not taxable due to capital gains tax reliefs	(12)	-
Group relief claimed from other group undertakings	(1,057)	(1,945)
Total current tax	-	-

Factors that may affect future tax charges

The main rate of UK corporation tax will reduce from 24% to 23% from 1 April 2013 Further reductions to the main rate are proposed to reduce the rate to 21% on 1 April 2014 and to 20% on 1 April 2015
The deferred tax balance has been calculated using a rate of 23% as this was the rate enacted in law at the balance sheet date for the period in which the deferred tax balances are forecast to be utilised

10 Intangible fixed assets

	CO2 emissions quota £ 000	Total £ 000
Cost		
At 1 January 2012	337	337
Additions	500	500
CO2 emissions quota consumption	(351)	(351)
At 31 December 2012	486	486

11 Tangible fixed assets

	Land and buildings £ 000	Plant and machinery £ 000	Total £ 000
Cost			
At 1 January 2012	3,939	120,645	124,584
Additions	391	799	1,190
Disposals	(12)	(7,564)	(7,576)
At 31 December 2012	4,318	113,880	118,198
Accumulated depreciation			
At 1 January 2012	1,787	97,207	98,994
Charge for the year	128	3,919	4,047
Eliminated on disposals	(12)	(7,564)	(7,576)
At 31 December 2012	1,903	93,562	95,465
Net book value			
At 31 December 2012	2,415	20,318	22,733
At 31 December 2011	2,152	23,438	25,590

12 Stocks

	2012 £ 000	2011 £ 000
Raw materials and consumables	4,116	4,596
Work in progress	2,183	2,122
Finished goods	17,831	17,088
	24,130	23,806

13 Debtors

	2012 £ 000	2011 £ 000
Trade debtors	4,344	3,937
Amounts owed by Group undertakings	6,174	10,435
Interest bearing loans to group undertakings	129,708	121,654
Deferred tax (see note 16)	-	154
Other debtors	2,201	2,791
Prepayments and accrued income	836	516
	143,263	139,487

Amounts owed by Group undertakings are non-interest bearing trading balances

The interest rate on the Group interest-bearing loans are calculated at the UK base rate or at a margin on the LIBOR rate All loans are repayable on demand

The Company has provided security, in the form of the amounts owed by fellow group undertakings, to third parties in respect of loans provided to an intermediate parent company, ArjoWiggins SAS

14 Creditors. Amounts falling due within one year

	2012 £ 000	2011 £ 000
Trade creditors	13,029	13,062
Amounts owed to group undertakings	13,644	13,167
Bank loans and overdrafts	48	-
Loans from Group undertakings	2,486	1,361
Taxation and social security	208	208
Other creditors	910	981
Accruals and deferred income	7,023	6,687
	37,348	35,466

The loans from Group undertakings are unsecured and do not have a fixed repayment date The loans bears interest at the LIBOR rate

Included within Other creditors is £349,000 (2011 £377,000) relating to the emissions quota shown in Intangible assets in note 11

15 Provisions for liabilities

	Disputes provision £ 000	Restructuring provision £ 000	Total £ 000
At 1 January 2012	360	469	829
(Credited)/charged to the profit and loss account	(72)	212	140
Utilised during the year	-	(251)	(251)
	(72)	(39)	(111)
At 31 December 2012	288	430	718

The provision for disputes relates to customer complaints that are expected to be settled within twelve months

The restructuring provision relates to the onerous lease costs for a surplus property and other property dilapidation costs

16 Deferred tax asset

At 31 December 2012, the Company had an unrecognised deferred tax asset of £9,551,000 (2011 £9,279,000) being mainly accelerated capital allowances With the current level of uncertainty of trading conditions in the UK market and the possibility of group losses being surrendered to the company for no consideration for the foreseeable future, the timing of recovery of the asset is not sufficiently clear to justify the recognition of this amount

17 Share capital

Allotted, called up and fully paid shares

	2012		2011	
	No. 000	**£ 000**	**No. 000**	**£ 000**
Ordinary shares of £1 00 each (2011 £1 00)	25,010	25,010	25,010	25,010

18 Reserves

	Share premium account £ 000	Profit and loss account £ 000
At 1 January 2012	50,298	78,116
Loss for the financial year	-	(878)
At 31 December 2012	50,298	77,238

19 Reconciliation of movement in shareholders' funds

	2012 £ 000	2011 £ 000
(Loss)/profit for the financial year	(878)	7,035
Net (reduction)/addition to shareholders' funds	(878)	7,035
Shareholders' funds at 1 January	153,424	146,389
Shareholders' funds at 31 December	152,546	153,424

20 Pension schemes

20.1 Defined benefits - Wiggins Teape Pension Scheme

The Company participates in a defined benefit pension scheme, known as "The Wiggins Teape Pension Scheme" or WTPS The Company is unable to identify its share of the underlying assets and liabilities of the WTPS and accordingly accounts for the scheme as a defined contribution scheme as required by FRS 17 "Retirement Benefits" The assets of the WTPS are held in a separate trustee-administered fund and are valued regularly by the independent professionally qualified actuaries Aon Hewitt Limited
The principal assumptions used to calculate the technical provisions include a term structure basis using the gross annualised redemption yield on UK government fixed interest gilts, appropriate to the date of each of the scheme's expected future cash flows as advised by the scheme actuary Details of the 2010 valuation are shown in the table below including the main assumptions over 5 and 20 years

The market value of the assets and liabilities shown as at 31 December 2010 are after allowing for the transfer of active members to the Antalis Pension Scheme ("APS") (see note 1 to the financial statements and note 21 2 below), which took place on 1 November 2010, although the actual transfer of assets to the APS did not take place until January and February 2011

Method of valuation	Projected unit credit
Date of most recent actuarial valuation	31 December 2010
Market value of scheme assets at date of valuation	£ 478 2m
Market value of liability of accrued benefit at date of valuation	£ 566 2m
Net deficit in scheme	(£ 88 0m)
Assumed annual rate of	
Inflation - 5 years / 20 years	2 55% / 3 76%
Return on investments in active service - 5 years / 20 years	n/a
Return on investments after leaving service - 5 years / 20 years	4 59% / 5 44%
Return on investments after retirement service - 5 years / 20 years	2 54% / 4 52%
Increase in pensionable remuneration - 5 years / 20 years	n/a
Increases in pensions in payment - 5 years / 20 years	2 59% / 3 77%
Long term funding rate	12 0%

On the 31 October 2010 the WTPS closed to future accrual as all active members were offered membership of the Antalis Pension Scheme (APS) As a result, no further pension contributions will be paid, although deficit payments will still be required based on future schedules of contributions
The Company made a deficit payment totalling £4 0m to the WTPS in accordance with the schedule of contributions dated 26 September 2012 The 2011 payment of £7 7m was paid by The Wiggins Teape Group Limited

The schedule of contributions agreed on 26 September 2012, on completion of the 2010 valuation, requires the company and fellow group companies to pay the following amounts

Year	Contribution (£m)
1 October 2011 (paid)	7 7
1 October 2012 (paid)	4 0
2 April 2013	4 0
1 October 2013	8 2
1 October 2014	9 4
1 October 2015	9 7
1 October 2016	10 0
1 October 2017	10 3
1 October 2018	10 6
1 October 2019	1 3

The schedule of contributions also requires the companies covered by the schedule to pay the administration expenses of the WTPS based on a budget set by the trustees each year For 2012 the expenses were set at £1 9m and have been paid by the Company For 2013 the trustees' budget for administration costs has been set at £2 0m

It is expected that the Company will pay any deficit contributions due and the administrative expenses of the WTPS for the foreseeable future

The Company along with other group companies in the Sequana group have agreed to provide the WTPS trustees with security against the risk of the participating employers failing to pay agreed contributions The guarantee, as disclosed in the consolidated financial statements of Sequana SA, is equal to the lower of 113% of the funds buy-out deficit, as estimated at 31 December each year, or £164 0m
For FRS 17 disclosure purposes, an actuarial valuation of the WTPS scheme has been performed by the independent professionally qualified actuary, Towers Watson The fair value of the scheme's assets and the net present value of the liabilities as at 31 December 2012 and the main assumptions in the calculation were

	Value at 31 December 2012 £m	Value at 31 December 2011 £m
Equities	**134.2**	127 0
Government bonds	**359.2**	368 3
Corporate bonds	**43.3**	40 3
Cash and other assets	**22.3**	16 6
Fair value of assets	**559.0**	552 2
Net present value of liabilities	**(487.1)**	(462 2)
Net surplus before deferred tax impact	**71.9**	90 0

	31 December 2012	31 December 2011
Discount rate	**4 25%**	4 75%
Inflation	**2.70%**	2 95%
Salary increases	**n/a**	n/a
Pension increases	**2 60%**	2 90%
Expected return on assets - equities	**6.40%**	6 75%
Expected return on assets - government bonds	**2 63%**	2 73%
Expected return on assets - corporate bonds	**4.25%**	4 75%
Expected return on assets - other	**2.20%**	2 55%

The mortality table is PMA92 with medium cohort improvements subject to a minimum of 1% per annum and a scaling factor of 1 25 for males and PFA92 with medium cohort improvements subject to a minimum of 1% per annum and a scaling factor of 1 25 for females

20.2 Defined benefits - Antalis Pension Scheme

As described in note 1 to the financial statements, from 1 November 2010 the Company's active employees were transferred to a new company called Arjo Wiggins Services Limited ("AWSL") and also to the APS AWSL is a participating employer of the APS From 1 November 2010 AWSL has been making pension contributions at the 12% rate to the APS and recharging these costs to the Company Contributions paid to the APS in the year, including costs associated with redundancy, amounted to £1,520,000 (2011 £1,582,000)
For FRS 17 disclosure purposes, an actuarial valuation of the APS scheme has been performed by the independent professionally qualified actuary, Towers Watson The fair value of the scheme's assets and the net present value of the liabilities for Arjo Wiggins UK participating companies, including the Company, as at 31 December 2012 and the main assumptions in the calculation were

Arjo Wiggins share of Antalis Pension Scheme	Value at 31 December 2012 £m	Value at 31 December 2011 £m
Equities	**53.8**	51 3
Corporate bonds	**25 1**	25 2
Property	**10 8**	-
Fair value of assets	**89 7**	76 5
Net present value of liabilities	**(88 4)**	(77 4)
Net surplus / (deficit) / before deferred tax impact	**1.3**	(0 9)

	31 December 2012	31 December 2011
Discount rate	**4 60%**	4 75%
Inflation	**3 10%**	3 25%
Salary increases	**4 10%**	4 25%
Pension increases	**2 90%**	3 15%
Expected return on assets - equities	**6 80%**	7 05%
Expected return on assets - corporate bonds	**4.60%**	4 75%
Expected return on assets - property	**5.90%**	-

Fellow companies in the Sequana group have agreed to provide the APS trustees with security against the risk of the participating employers failing to pay agreed contributions The guarantee, as disclosed in the consolidated financial statements of Sequana SA, is equal to 113% of the funds buy-out deficit, as estimated at 31 December each year, subject to a maximum liability of £36 0m

The mortality table is PMA92 with medium cohort improvements subject to a minimum of 1% per annum and a scaling factor of 1 25 for males and PFA92 with medium cohort improvements subject to a minimum of 1% per annum and a scaling factor of 1 25 for females

20 3 Defined contributions

The Company participates in a defined contribution pension plan called the Wiggins Teape Defined Contribution Pension Plan (the 'DC plan') The DC plan has been set up with Friends Life under stakeholder legislation The Company contribution in 2012 was 12 2% for all employees who elected to join the DC plan in respect of Company contributions, rather than accrue benefits in the APS It is expected that the Company contribution for 2013 onwards will be 12 2 % The 12 2 % contribution includes a payment to provide life cover for members of the DC plan Contributions paid to the DC plan in the year amounted to £315,000 (2011 259,000)
In addition the Company contributed £11,000 (2011 £12,000) towards the defined contribution pension costs of certain overseas employees

21 Contingent liabilities

In 2011 the Company give an undertaking to its bankers in respect of guarantees given by them to HM Customs The directors are of the opinion that this arrangement is no longer required and have therefore not renewed the undertaking The amount guaranteed is £nil (2011 - £120,000)

22 Commitments

Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £66,000 (2011 - £nil)

Operating lease commitments

As at 31 December 2012 the company had annual commitments under non-cancellable operating leases as follows

Operating leases which expire

	2012 £ 000	2011 £ 000
Land and buildings		
Within two and five years	571	571
Other		
Within one year	4	6
Within two and five years	99	94
	103	100

Other commitments

At 31 December 2012, the company had entered into forward contracts relating to the purchase and sale of foreign currencies amounting to the equivalent of approximately £17 1m (2011 £23 0m) The unrealised gain on these contracts at the balance sheet date was £212,000 (2011 £192,000 loss)

23 Related party transactions

The Company has taken advantage of the exemption in FRS8 "Related Party Disclosures" from disclosing transactions with other wholly owned members of the group

24 Control

The immediate parent undertaking is The Wiggins Teape Group Limited, a company registered in Great Britain The ultimate parent undertaking and controlling party is Sequana SA, a company registered in France, which is the parent undertaking of the smallest and largest group to consolidate these financial statements A copy of the consolidated financial statements of that company can be obtained from the Secretary, at the following address

19 avenue Montaigne
75008 Paris