



Arjo Wiggins Fine Papers Limited

Annual Report and Financial Statements
for the Year Ended 31 December 2017

Registration number: 961440



Arjo Wiggins Fine Papers Limited

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Arjo Wiggins Fine Papers Limited

Company Information

Directors	A P D Gourjon J D Mitchell A L Macsween M J Newell
Company secretary	Eversecretary Limited
Registered office	Eversheds House 70 Great Bridgewater Street Manchester M1 5ES
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 3 Forbury Place 23 Forbury Road Reading RG1 3JH

Arjo Wiggins Fine Papers Limited

Strategic Report for the Year Ended 31 December 2017

The directors present their strategic report for the year ended 31 December 2017.

Principal activities

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

Fair review of the business

2017 was a disappointing year following the better year of 2016 and consequently the operating profit was reduced by £1.6m to £1.0m.

During the year there were no major operational incidents as had been the case in the previous two years but the sales in the main Fine Papers business were lower than anticipated and the input costs were higher than forecast, as discussed below.

In the main Fine Papers business the sales saw no further consolidation in our worldwide distribution network and sales through the sister distributor Antalis companies accounted for two-thirds of Fine paper sales. The Fine Papers business saw a 13% decrease (2016: 4% decrease) in overall volumes, and the decline was felt in both branded and non-branded products. The trend of down trading, due to the global economic situation and the increasing impact of electronic communication, continued, offset to some extent by the growth in luxury packaging sales and the stabilisation of sales in two of the premium coloured paper brands. The main markets of UK and northern Europe were most impacted but France performed well. In southern and eastern Europe the picture was mixed and in the Middle East, Asia and the USA there were significant reductions, exacerbated by policies of destocking to control working capital. Africa and Latin America markets improved but are relatively small.

The relatively small Casting business saw stable volumes versus the previous year, in line with the manufacturing and supply agreement that is in place. A new contract was signed from 1st April extending the duration of the supply contract, providing higher volumes but at lower prices. In addition the relatively small Security Documents business saw increasing volumes and stable prices. Thus overall sales volume in the year, compared to 2016, decreased by 5.9% to 55,600 tonnes while turnover decreased by 2.2%.

Reported turnover at £123.6m compared to £126.4m in 2016 was lower than expectation; the impact of exchange rates was £6.2m positive as the Euro and USD strengthened significantly against sterling (by 7% and 5% for the average of 2017 versus the average of 2016) although the rates versus the second half of 2016 were reasonably stable. Total net operating expenses for the year were £121.9m compared to £123.0m in 2016 (very stable). Energy prices were higher than the previous year and pulp prices also increased throughout the year and prices in USD are now at record levels.

The Company paid no dividend (2016: £5m) in the year. The Directors have reviewed the recoverability of the inter-company asset loans of the Company and determined that an additional exceptional impairment of £70.4m should be booked. This loan impairment has no impact on the short term liquidity of the Company. This is explained further in Note 17.

Key performance indicators

The Arjo Wiggins Group is managed on a worldwide basis by product segments. A significant proportion of products sold by the Company are purchased from other Arjo Wiggins 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.

The development, performance and position of the Arjo Wiggins Group, which includes the Company, is discussed in the Sequana Group's annual report which does not form part of this report.

Arjo Wiggins Fine Papers Limited

Strategic Report for the Year Ended 31 December 2017 (continued)

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 in gradual decline, hence the other markets including the growing Asia Pacific and Latin American paper markets are a key sensitivity to the Company. If there was a financial shock in these parts of the world the Company would be adversely affected.

Foreign exchange rate volatility

The Company trades in a number of foreign currencies and sells to over 80 countries around the world. The main risk is sales denominated in Euros which exceed the Company's costs denominated in Euros. The level of USD sales is similar to the Company's costs denominated in USD (mainly pulp supplies). Hence a long-term decline in the value of the Euro relative to the Pound Sterling would impact the Company's results.

Movement of manufacturing to other group company locations

The number of manufacturing sites has been dramatically reduced in recent years, such that the ability to transfer production is now extremely limited. Therefore the risk is that the productions assets at Stoneywood Mill are unable to produce for some reason (natural or man-made disaster, technical failure) resulting in the permanent loss of customers. The existing combined heat and power plant at Stoneywood is near the end of its useful life and there is a project underway to identify the best technical solution to replace the plant by the end of 2020 and to determine an affordable financial solution. The Company is in discussions with potential partners (technical and financial), and a number of public bodies, to consider any possible routes for relevant support and solutions. The Company expects to have a full technical and financial project plan in place by the end of 2018.

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.

Group Solvency

The Company depends upon other Group companies for its liquidity as surplus and required funds are transferred to and from a Group parent company and also for many of its trading operations, including pulp purchases. Therefore an issue with the solvency of the Group parent company may have an adverse effect on the ability of the Company to operate. An intermediate parent company, Arjowiggins SAS, has confirmed that it intends to support the Company for at least one year after these financial statements are signed.

Arjo Wiggins Fine Papers Limited

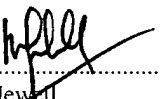
Strategic Report for the Year Ended 31 December 2017 (continued)

Principal risks and uncertainties (continued)

UK Pension scheme deficit.

The Company participates in a UK defined benefit scheme with other UK group companies. The Company is unable to identify its share of the underlying assets and liabilities of the scheme. The independent pension scheme trustee calculated a significant deficit for the UK scheme in the 2016 valuation that is not in line with the calculation of a surplus under FRS102 at the end of 2016 and 2017. The 2016 valuation was finalized in March 2018 and a schedule of contributions and recovery plan were adopted. Details of the scheme's assets and liabilities and the recovery plan are contained within the financial statements of The Wiggins Teape Group Limited, which is the Company's parent entity.

Approved by the Board on 6/6/18 and signed on its behalf by:


.....
M J Newell
Director

Arjo Wiggins Fine Papers Limited

Directors' Report for the Year Ended 31 December 2017

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2017.

Directors of the Company

The directors who held office during the year and up to the date of signing the financial statements were as follows:

A P D Gourjon

J-B Laigle (resigned 6 October 2017)

J D Mitchell

A L Macsween

M J Newell

Results and dividends

The audited financial statements for the year are set out on pages 11 to 34.

No interim dividend has been paid in the year (2016: £5.0m). The directors recommend that no final dividend be declared (2016: £nil).

Financial risk management

Price, credit, liquidity, cash flow and interest rate risks

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 centralised team, which constantly monitors pulp prices for the benefit of all group companies and monitors energy prices for all UK group companies.

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.

Liquidity risk

The Company's exposure to liquidity risk is medium, as the Company is cash neutral; 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.

Cash flow risk

The Company trades in a number of foreign currencies and sells to over 80 countries around the world. The main risk is sales denominated in Euros which exceed the Company's costs denominated in Euros. The level of USD sales is similar to the Company's costs denominated in USD (mainly pulp supplies). The transactional currency risk is minimised by taking out currency contracts with the ArjoWiggins group parent company for the two main trading currencies. However, a long-term decline in the value of the Euro relative to the UK Pound would adversely impact the Company's results to an extent.

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. Other interest bearing assets include cash balances, all of which earn interest at money market rates.

Arjo Wiggins Fine Papers Limited

Directors' Report for the Year Ended 31 December 2017 (continued)

Future developments

The Company's total order book is now at a reasonable level and the new Fine Paper products that will be fully launched during quarters 2 and 3, 2018 are getting a very good reception. The price of woodpulp is higher than forecast but there is a strong movement throughout the industry to increase selling prices, which will very largely offset these higher costs over the next 12 months. The additional non-branded sales opportunities have not been fully realised in the first half of the year but they are still expected to be available in the second half year.

Fine Paper sales are currently behind budget in the first quarter of 2018 due to the low order intake at the very start of the year. In the Casting papers business the new agreement is in place and working satisfactorily; volumes will be higher than budgeted. In the Security Documents business the level of orders and enquiries is high and overall the business is doing better than expected.

The Stoneywood mill is running at full capacity with over 95% utilisation on 5-shifts; therefore the possibilities for significant additional production are limited.

Input energy prices (especially the cost of gas) have risen in the first months of the year but are expected to fall back later in the year. Pulp prices have risen in USD terms and are now at record highs but as mentioned above, selling price increases will very largely offset these higher costs. Foreign exchange movements continue to complicate matters but a weak GBP versus the Euro is beneficial to the Company as the vast majority of sales are in Euro and USD while the majority of costs are in GBP. The USD rate directly impacts the pulp price in GBP but this is offset by the turnover from USD sales.

The current forecast is that the result for 2018 will be challenging despite higher sales revenue than 2017 due to the higher than expected input costs in the first half of 2018.

The directors have carried out an impairment review and have concluded that no impairment of the fixed assets of the Company is required. The tests looked at the approved 2018 forecasts for 2018-2020, extended to 2021, with the terminal value based upon 2021 projections. The tests applied the fair value less cost to sell approach based on discounted post-tax cashflows and a post-tax discount factor of 8.5%. Key assumptions include reasonably stable input costs and selling prices and the replacement of the combined heat and power plant in 2019-2020 as mentioned in the Fair Review of the business. The terminal value assumed a future growth rate of nil. Sensitivities considered were the EUR:GBP exchange rate and the future sales volumes, especially of Fine Papers.

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.

Arjo Wiggins Fine Papers Limited

Directors' Report for the Year Ended 31 December 2017 (continued)

Research and development

The Company charges research and development expenditure to the profit and loss as incurred except for those identified projects where there is a realistic opportunity of achieving significant sales directly from the expenditure in the following years. In these cases the expenditure is capitalised and depreciated over five years, with a review carried out once a year to ensure that the investment does not need to be impaired.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland", 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 then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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.

The directors 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.

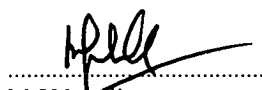
In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information 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.

Reappointment of independent auditors

PricewaterhouseCoopers LLP are deemed to be reappointed in accordance with an elective resolution made under section 386 of the Companies Act 1985 which continued in force under the Companies Act 2006.

Approved by the Board on 6/6/18 and signed on its behalf by:


.....
M J Newell
Director

Arjo Wiggins Fine Papers Limited

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

Report on the audit of the financial statements

Opinion

In our opinion, Arjo Wiggins Fine Papers Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the balance sheet as at 31 December 2017; the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

Arjo Wiggins Fine Papers Limited

Independent Auditors' Report to the members of Arjo Wiggins Fine Papers Limited (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 7, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Arjo Wiggins Fine Papers Limited

Independent Auditors' Report to the members of Arjo Wiggins Fine Papers Limited (continued)

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



.....
Richard French (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP,
Chartered Accountants and Statutory Auditors
Reading

Date: 7 June 2018

Arjo Wiggins Fine Papers Limited

Statement of Comprehensive Income for the Year Ended 31 December 2017

	Note	Year ended 31 December	
		2017 £ 000	2016 £ 000
Turnover *	5	123,580	126,402
Cost of sales *		<u>(92,119)</u>	<u>(92,532)</u>
Gross profit		31,461	33,870
Distribution costs		(17,317)	(18,275)
Administrative expenses		<u>(13,179)</u>	<u>(12,996)</u>
Operating profit	6	965	2,599
Exceptional impairment of group debtors	17	<u>(70,400)</u>	<u>(39,600)</u>
Profit/(loss) before interest and taxation		(69,435)	(37,001)
Interest receivable and similar income	8	1,262	1,353
Interest payable and similar expenses	9	<u>(1,908)</u>	<u>(1,965)</u>
Net interest expense		<u>(646)</u>	<u>(612)</u>
Loss before taxation		(70,081)	(37,613)
Tax on profit/(loss)	13	<u>(5)</u>	<u>(40)</u>
Loss for the financial year		(70,086)	(37,653)
Other comprehensive income for the year		<u>-</u>	<u>-</u>
Total comprehensive income/(expense) for the year		<u><u>(70,086)</u></u>	<u><u>(37,653)</u></u>

* Prior year comparatives have been reclassified to align with current year presentation. The reclassification has no effect on the profit for either year. Refer to note 5.

The above results were derived from continuing operations.

The notes on pages 14 to 34 form an integral part of these financial statements.

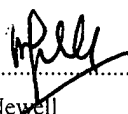
Arjo Wiggins Fine Papers Limited

(Registration number: 961440)

Balance Sheet as at 31 December 2017

				As at 31 December	
	Note	2017 £ 000	2016 £ 000		
Fixed assets					
Intangible assets	14	1,990	1,550		
Tangible assets	15	23,882	25,452		
		<u>25,872</u>	<u>27,002</u>		
Current assets					
Inventories	16	24,579	25,522		
Debtors	17	21,884	92,916		
Cash at bank and in hand	18	546	1,060		
		47,009	119,498		
Creditors: Amounts falling due within one year	19	(43,844)	(44,630)		
Net current assets		<u>3,165</u>	<u>74,868</u>		
Total assets less current liabilities		29,037	101,870		
Creditors: Amounts falling due after more than one year	19	(12,896)	(15,425)		
Provisions for liabilities	20	(245)	(463)		
Net assets		<u>15,896</u>	<u>85,982</u>		
Capital and reserves					
Called up share capital	23	25,010	25,010		
Share premium account		50,298	50,298		
Profit and loss account		(59,412)	10,674		
Total equity		<u>15,896</u>	<u>85,982</u>		

The financial statements on pages 11 to 34 were authorised for issue by the board of directors on 6/4/18... and signed on its behalf by:



 M J Newell
 Director

Arjo Wiggins Fine Papers Limited

Statement of Changes in Equity for the Year Ended 31 December 2017

	Called up share capital £ 000	Share premium account £ 000	Profit and loss account £ 000	Total equity £ 000
At 1 January 2017	25,010	50,298	10,674	85,982
Profit for the financial year and total comprehensive income	-	-	(70,086)	(70,086)
At 31 December 2017	<u>25,010</u>	<u>50,298</u>	<u>(59,412)</u>	<u>15,896</u>

	Called up share capital £ 000	Share premium account £ 000	Profit and loss account £ 000	Total equity £ 000
At 1 January 2016	25,010	50,298	53,327	128,635
Loss for the financial year and total comprehensive expense	-	-	(37,653)	(37,653)
Dividends	-	-	(5,000)	(5,000)
At 31 December 2016	<u>25,010</u>	<u>50,298</u>	<u>10,674</u>	<u>85,982</u>

The notes on pages 14 to 34 form an integral part of these financial statements.

Arjo Wiggins Fine Papers Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

1 General information

The Company is a private company limited by shares and is incorporated in the United Kingdom and registered in England.

The address of its registered office is:

Eversheds House
70 Great Bridgewater Street
Manchester
M1 5ES

The principal place of business is:

The Paper Place
4 Lindenwood
Chineham Business park
Basingstoke
RG24 8QY

2 Statement of compliance

The financial statements of Arjo Wiggins Fine Papers Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied 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

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit and loss.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

Going concern

The Company meets its day-to-day working capital requirements through group bank facilities and inter-company current accounts. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current facilities. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

Arjo Wiggins Fine Papers Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

3 Accounting policies (continued)

Summary of disclosure exemptions

The Directors have opted to report under FRS 102 reduced disclosure framework as allowed in FRS 102 para 1.12. The Company has therefore exemption from the following:

- a) presenting a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company, Sequana SA, includes the company's cash flow in its own consolidated financial statements;
- b) disclosing certain financial instruments;
- c) disclosing key management personnel compensation; and
- d) disclosing related party transactions entered into between two or more companies that are wholly owned within the Sequana group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the company and value added tax.

The company recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer: (b) the company retains no continuing involvement or control over the goods: (c) the amount of revenue can be measured reliably: (d) it is probable that future economic benefits will flow to the company and (e) when the specific criteria relating to each of the company's sales channels have been met.

Finance income and costs policy

Interest income is recognised using the effective interest rate method.

Foreign currency

i) Functional and presentation currency

The Company's functional and presentational currency is the pound sterling.

ii) Transactions and balances

Transactions in foreign currencies are translated into the functional currency at the rate ruling at the date of the transaction.

At period end all monetary assets and liabilities expressed in foreign currencies are retranslated into sterling at closing rates of exchange.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates, of monetary assets and liabilities denominated in foreign currencies, are recognised in the profit and loss account.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit and loss account within 'finance (expenses)/income'. All other foreign exchange gains and losses are presented in the profit and loss within 'operating profit/(loss)'.

Derivative financial instruments and hedging

The company enters into forward currency contracts to mitigate the exchange rate risk for certain foreign currency receivables and payables. At 31 December 2017 the outstanding contracts all mature within 3 months (2016: 3 months) of the year end. The company is committed to sell 11,227,000 US dollars (2016: buy 310,000 US dollars) and buy 5,946,000 Euros (2016: sell 5,261,000 Euros) and receive fixed sterling amounts.

The unrealised exchange gain on these contracts at the balance sheet date was £719,000 (2016: £661,000 gain).

Arjo Wiggins Fine Papers Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

3 Accounting policies (continued)

Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the Company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

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 section 24 of FRS 102. 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.

Intangible assets - Software

Software is stated at cost less accumulated amortisation and accumulated impairment losses. Software is amortised over its estimated useful life, of between three and five years, on a straight line basis.

Intangible assets - Development costs

Research and development expenditure is capitalised as development costs where there is a realistic opportunity of achieving significant sales directly from the expenditure in the following years. Development costs are depreciated over five years on a straight-line basis, with a review carried out once a year to ensure that the investment does not need to be impaired.

Tangible assets

Tangible assets is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Freehold buildings	between 25 and 40 years
Plant and machinery	between 3 and 20 years

Arjo Wiggins Fine Papers Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

3 Accounting policies (continued)

Leasehold properties are depreciated as for freehold properties, or over the period of the lease if less.

Assets in course of construction are stated at cost. These assets are not depreciated until they are available for use.

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the profit and loss account and included in 'Cost of sales'.

Leased assets

At inception the company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

i) Finance leased assets

Leases of assets that transfer substantially all risks and rewards incidental to ownership are classified as finance leases.

Finance leases are capitalised at commencement of the lease at the fair value of the asset, or if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. The capital element of the lease obligation is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge.

ii) Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to profit and loss on a straight-line basis over the period of the lease.

iii) Lease incentives

Incentives received to enter into a finance lease reduce the fair value of the asset and are included in the calculation of the present value of minimum lease payments.

Incentives received to enter into an operating lease are credited to the profit and loss account, to reduce the lease expense, on a straight-line basis over the period of the lease.

Arjo Wiggins Fine Papers Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

3 Accounting policies (continued)

Impairment of non-financial assets

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in profit or loss.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the profit and loss account.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Inventories are recognised as an expense in the period in which the related revenue is recognised.

Cost is determined on the first-in, first out (FIFO) method. Cost includes the purchase price, including transport and handling directly attributable to bring the stock to its present location and condition. The cost of manufactured finished goods and work in progress includes raw materials, direct labour and other direct costs and related production overheads (based on normal operating capacity).

At the end of each reporting period stocks are assessed for impairment. If an item of stock is impaired, the identified stock is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the profit and loss account.

Financial instruments

The Company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

Arjo Wiggins Fine Papers Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

3 Accounting policies (continued)

i. Financial assets

Basic financial assets, including trade and other receivables, and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at the market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit and loss.

Financial assets are derecognised when a) the contractual rights to the cash flows from the asset expire or are settled, or b) substantially all risks and rewards of the ownership of the asset are transferred to another party or c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

ii. Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, and loans from fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payables are classified as current liabilities if payment is due within one year. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derivatives, including forward foreign exchange contracts, are not basic 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 current fair value. Changes in the fair value of derivatives are recognised in the profit and loss in finance costs or income as appropriate.

The Company does not currently apply hedge accounting for foreign exchange derivatives.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Arjo Wiggins Fine Papers Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

3 Accounting policies (continued)

iii. Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements only when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Provisions

Provisions are recognised when the Company has an obligation at the reporting date as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Distributions to equity holders

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are approved by the Company's shareholders. These amounts are recognised in the statement of changes in equity.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the Company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

Defined benefit pension obligation

Until 31 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.

Whilst the WTPS is a defined benefit scheme, the Company is unable to identify its share of the underlying assets and liabilities. As allowed by FRS 102, details of the scheme are contained within the Financial Statements of The Wiggins Teape Group Limited, the Company's parent entity and the company that currently pays the administration costs of the WTPS and also pays any required deficit payments.

Arjo Wiggins Fine Papers Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

4 Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a) Critical Judgements

The directors believe there are no critical judgements made in applying the Company's accounting policies

b) Key sources of estimation uncertainty

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

i) Impairment of debtors

The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment management considers factors including the current credit rating of the debtor, the aging profile of debtors and historical experience.

5 Turnover

The analysis of the company's revenue for the year from continuing operations is as follows:

	2017 £ 000	2016 £ 000
Sale of goods	122,875	125,642
Other revenue	<u>705</u>	<u>760</u>
	<u>123,580</u>	<u>126,402</u>

Other revenue has been adjusted from the previous presentation to include the income from the sale of surplus electricity generated by the combined heat and power plant. Previously this income was netted off against cost of sales.

The analysis of the company's turnover for the year by market is as follows:

	2017 £ 000	2016 £ 000
UK	14,993	17,411
Europe	75,472	70,042
Rest of world	<u>33,115</u>	<u>38,949</u>
	<u>123,580</u>	<u>126,402</u>

Arjo Wiggins Fine Papers Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

6 Operating profit

Operating profit is stated after charging/(crediting)

	2017 £ 000	2016 £ 000
Depreciation expense	2,629	2,378
Amortisation expense	621	859
Impairment loss	-	67
Write-down of inventories to net realisable value	744	35
Research and development cost	887	490
Foreign exchange (gains)/losses	(254)	2,432
Operating lease expense - property	173	194
Operating lease expense - plant and machinery	172	124
Operating lease expense - other	676	620
Loss on disposal of property, plant and equipment	<u>9</u>	<u>6</u>

7 Profit on sale of assets and operations

On 19 December 2013 the company sold its Casting Paper commercial business to a third party for total consideration of £22,000,000. The company also signed an exclusive long term agreement whereby it would supply the third party with certain minimum quantities of base and coated paper for a minimum period of 5 years.

At 31 December 2013 £16,085,000 of the consideration was deferred to be recognised in proportion to the sale of paper to the third party over the subsequent 5 years. During 2017 £3,951,000 of this consideration was recognised as revenue (2016: £2,442,000), leaving £5,629,000 (2016: £9,580,000) deferred at the year-end (see note 19).

A new supply contract was signed as of 1 April 2017. This involves selling higher volumes but at a lower price. The Directors have determined that the release of the consideration should therefore be amended: the release for 9 months of 2017, for 2018 and about 4 months of 2019 (when the consideration will be fully utilised) will be in proportion to the increased level of sales in these periods. For 2017 this has meant that an additional £1,134,000 has been released into the P&L for the year.

8 Interest receivable and similar income

	2017 £ 000	2016 £ 000
Interest receivable from group undertakings	1,203	601
Gain on derivative financial instruments	<u>59</u>	<u>752</u>
Total interest receivable and similar income	<u>1,262</u>	<u>1,353</u>

Arjo Wiggins Fine Papers Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

9 Interest payable and similar expenses

	2017 £ 000	2016 £ 000
Interest payable to group undertakings	17	27
Interest on obligations under finance leases	1,706	1,938
Interest expense on other finance liabilities	185	-
Total interest payable and similar expenses	<u>1,908</u>	<u>1,965</u>

10 Staff costs

The monthly average number of persons who are employed by a fellow group company, Arjo Wiggins Services Limited, but whose costs are recharged to the Company (excluding non-executive directors) during the year, analysed by category was as follows:

	2017 No.	2016 No.
Production	379	364
Administration and support	116	117
Sales, marketing and distribution	13	14
	<u>508</u>	<u>495</u>

The aggregate payroll costs (including directors' remuneration) were as follows:

	2017 £ 000	2016 £ 000
Wages and salaries	19,182	18,679
Social security costs	2,012	1,939
Pension costs, defined contribution scheme	2,282	2,370
Redundancy costs	131	156
Other employee expense	378	32
	<u>23,985</u>	<u>23,176</u>

The above payroll costs do not include 56 employees (2016: 59) seconded from fellow Sequana group subsidiaries at a cost of £5,282,000 (2016: £5,314,000).

During the year employee costs of £244,000 were capitalised (2016: £76,000).

Arjo Wiggins Fine Papers Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

11 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 (2016: Nil).

The emoluments and benefits received by the directors' in their employment as managers of the company for the year was as follows:

	2017 £ 000	2016 £ 000
Remuneration	273	263
Contributions paid to money purchase schemes	18	24
	<u>291</u>	<u>287</u>

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2017 No.	2016 No.
Accruing benefits under money purchase pension scheme	<u>2</u>	<u>3</u>

Highest paid director

The highest paid director's emoluments were as follows:

	2017 £ 000	2016 £ 000
Remuneration	149	154
Company contributions to money purchase pension schemes	<u>-</u>	<u>7</u>

12 Auditors' remuneration

	2017 £ 000	2016 £ 000
Audit of the financial statements	<u>170</u>	<u>193</u>

There has been no provision of non-audit services in the year (2016: nil).

Arjo Wiggins Fine Papers Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

13 Tax on profit/loss

Tax charged in the income statement

	2017 £ 000	2016 £ 000
Current taxation		
UK corporation tax	5	297
Group relief	-	(257)
Tax expense in the income statement	<u>5</u>	<u>40</u>

The tax on profit for the year is lower than (2016: lower than) the standard rate of corporation tax in the UK of 19.25% (2016: 20%).

The differences are reconciled below:

	2017 £ 000	2016 £ 000
Loss before taxation	<u>(70,081)</u>	<u>(37,613)</u>
Corporation tax at standard rate	(13,488)	(7,522)
Effect of expenses not deductible for UK corporation tax	131	117
Impairment of asset loan not deductible for UK corporation tax	13,552	7,920
Tax increase from effect of capital allowances, depreciation and other short-term timing differences	387	(113)
Corporation tax losses surrendered to fellow group undertakings for no consideration	-	257
Corporation tax relief due to the Company's share of a £4.6m (2016: £5.0m) payment made to the Antalis Pension Scheme and the Wiggins Teape Pension Scheme by a fellow group company	(582)	(659)
Tax increase from effect of adjustment in research and development tax credit	<u>5</u>	<u>40</u>
Total tax charge	<u>5</u>	<u>40</u>

Factors that may affect future tax charges

The UK corporation rate was reduced from 20% to 19% on 1 April 2017. Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

Arjo Wiggins Fine Papers Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

13 Tax on profit/loss (continued)

Unrecognised deferred tax asset

At 31 December 2017, the company had an unrecognised deferred tax asset of £14,148,000 (2016: £13,780,000) in respect of accelerated capital allowances, losses carried forward and other short-term differences. 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.

Unrecognised deferred tax balances at 31 December 2017 have been calculated using a rate of 17% as this is the rate enacted for the period after 1 April 2020.

14 Intangible assets

	Software £ 000	Other intangible assets £ 000	Total £ 000
Cost			
At 1 January 2017	34,559	1,205	35,764
Additions	-	524	524
Transfers	-	537	537
At 31 December 2017	34,559	2,266	36,825
Accumulated amortisation			
At 1 January 2017	33,870	344	34,214
Amortisation charge	273	348	621
At 31 December 2017	34,143	692	34,835
Carrying amount			
At 31 December 2017	416	1,574	1,990
At 31 December 2016	689	861	1,550

During the year £537,000 of assets have been reclassified from Tangible assets in course of construction to Other intangible assets.

Arjo Wiggins Fine Papers Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

15 Tangible assets

	Land and buildings £ 000	Plant and machinery £ 000	Assets in course of construction £ 000	Total £ 000
Cost				
At 1 January 2017	4,926	78,979	3,389	87,294
Additions	6	3,419	(1,819)	1,606
Disposals	-	(846)	-	(846)
Transfers	-	-	(537)	(537)
At 31 December 2017	4,932	81,552	1,033	87,517
Accumulated depreciation				
At 1 January 2017	2,535	59,307	-	61,842
Charge for the year	176	2,453	-	2,629
Eliminated on disposal	-	(836)	-	(836)
At 31 December 2017	2,711	60,924	-	63,635
Carrying amount				
At 31 December 2017	2,221	20,628	1,033	23,882
At 31 December 2016	2,391	19,672	3,389	25,452

Included within the net book value of land and buildings above is £2,149,296 (2016: £2,275,334) in respect of freehold land and buildings, and £72,688 (2016: £116,324) in respect of long leasehold land and buildings.

During the year £537,000 of assets have been reclassified from Tangible assets in course of construction to Other intangible assets.

16 Inventories

	2017 £ 000	2016 £ 000
Raw materials and consumables	5,022	4,982
Work in progress	2,127	1,470
Finished goods and goods for resale	17,430	19,070
	24,579	25,522

Arjo Wiggins Fine Papers Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

16 Inventories (continued)

There is no significant difference between the replacement cost of work in progress and finished goods and goods for resale and their carrying value.

Inventories are stated after provisions for impairment of £3,033,000 (2016: £2,208,000).

17 Debtors

	Note	2017 £ 000	2016 £ 000
Trade debtors		3,288	4,198
Amounts owed by group undertakings		10,019	4,099
Loans to group undertakings		5,909	81,968
Other debtors		959	1,013
Prepayments and accrued income		990	977
Financial assets at fair value	22	719	661
Total current trade and other debtors		<u>21,884</u>	<u>92,916</u>

Trade debtors are stated after provisions for impairment of £38,000 (2016: £67,000).

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 one month EURIBOR rate. All loans are unsecured and repayable on demand.

Included within the loans to group undertakings is a loan due from The Wiggins Teape Group Limited of £115,709,000 (2016: £110,607,000). Interest on this loan is calculated at the UK base rate. The expectation of the Directors is that this loan is partially irrecoverable to the extent that the balance sheet assets of The Wiggins Teape Group Limited cannot be realised in the foreseeable future. Therefore an exceptional impairment of £70,400,000 was made in the 2017 financial statements, in addition to the £39,600,000 made in 2016; such provision is to be reviewed on an annual basis. After allowing for the provision, loans to group undertakings amount to £5,909,000 (2016: £81,968,000).

18 Cash at bank and in hand

	2017 £ 000	2016 £ 000
Cash on hand	1	1
Cash at bank	<u>545</u>	<u>1,059</u>
	<u>546</u>	<u>1,060</u>

Arjo Wiggins Fine Papers Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

19 Creditors

	2017 £ 000	2016 £ 000
Amounts falling due within one year		
Trade creditors	11,180	11,584
Amounts owed to group undertakings	7,281	7,971
Loans from group undertakings	9,937	4,449
Social security and other taxes	422	-
Other creditors	718	492
Accruals and deferred income	11,798	17,592
Other current financial liabilities	2,508	2,542
	<u>43,844</u>	<u>44,630</u>
Amounts falling due after more than one year		
Other non-current financial liabilities	<u>12,896</u>	<u>15,425</u>

The Amounts owed to group undertakings comprise non-interest bearing trading balances.

The Loans from group undertakings are unsecured and are repayable on demand. The loans bears interest at either UK bank rate or at a margin on the one month EURIBOR rate.

Included in Other creditors is £372,000 (2016: £208,000) relating to the emissions quota.

Included in Accruals and deferred income is £5.6m (2016: £9.6m) of deferred consideration in relation to the sale of the Casting Paper business.

Other current financial liabilities and Other non-current financial liabilities relate to the sale and leaseback of substantially all the industrial plant and machinery at Stoneywood mill, payable in monthly instalments.

20 Provisions for liabilities

	Customer complaints £ 000	Restructuring provision £ 000	Total £ 000
At 1 January 2017	369	94	463
Additional provisions	22	34	56
Amounts utilised	<u>(160)</u>	<u>(114)</u>	<u>(274)</u>
At 31 December 2017	<u>231</u>	<u>14</u>	<u>245</u>

Arjo Wiggins Fine Papers Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

20 Provisions for liabilities (continued)

The customer complaints provision relates to customer claims that are expected to be settled within twelve months.

The restructuring provision related to redundancy and property dilapidation costs.

21 Pension and other schemes

21.1 Defined contribution pension scheme

The Company participates in a defined contribution pension plan called the Wiggins Teape Defined Contribution Plan (the "DC plan"). The DC plan is set up as a Group Personal Pension. The Company contribution in 2016 and 2017 was 12.2% for all employees who elected to join the DC plan in respect of company contributions. It is expected that the company contribution for 2018 onwards will be 12.2%. The 12.2% contribution includes a payment to provide life cover for members of the DC plan.

Contributions to the DC plan in year amounted to £2,282,000 (2016: £2,370,000).

Contributions totalling £208,396 (2016: £86,436) were payable to the scheme at the end of the year and are included in creditors.

In addition the Company contributed £3,700 (2016: £3,500) towards the defined contribution pension costs of an overseas employee.

21.2 Defined benefits - Wiggins Teape Pension Scheme

The Company is a participating employer in a defined benefit pension scheme, known as The Wiggins Teape Pension Scheme or "WTPS". The scheme is administered by independent trustees, who are responsible for ensuring that the plan is sufficiently funded to meet current and future obligations.

The WTPS closed to future accrual on 31 October 2010 with all active members being offered membership of the Antalis Pension Scheme (APS). No pension contributions have been paid into the WTPS since 2010, although deficit payments will still be required based on future schedules of contributions.

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 company is unable to identify its share of the underlying assets and liabilities of the WTPS.

There is no contractual agreement for charging the costs of the WTPS, but these costs are normally borne by The Wiggins Teape Group Limited, the Company's immediate parent entity.

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 2017 were:

Arjo Wiggins Fine Papers Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

21 Pension and other schemes (continued)

	Value at 31 December 2017 £m	Value at 31 December 2016 £m
Liability driven investments	310.0	300.6
FRS 102 value of insurance policy	330.7	375.0
Cash and cash equivalents	2.1	4.5
Fair value of assets	642.8	680.1
Net present value of liabilities	(569.2)	(598.3)
Net surplus before deferred tax impact	73.6	81.8

Full disclosure of the scheme is contained within the Annual Report and Financial Statements of The Wiggins Teape Group Limited. This report can be obtained from :

The Company Secretary
The Wiggins Teape Group Limited
Eversheds House
70 Great Bridgewater Street
Manchester
M1 5ES

22 Derivative financial instruments

The company enters into forward currency contracts to mitigate the exchange rate risk for certain foreign currency receivables and payables. At 31 December 2017 the outstanding contracts all mature within 3 months (2016: 3 months) of the year end. The company is committed to sell 11,227,000 US dollars (2016: buy 310,000 US dollars) and buy 5,946,000 Euros (2016: sell 5,261,000 Euros) and receive fixed sterling amounts.

The unrealised exchange gain on these contracts at the balance sheet date was £719,000 (2016: £661,000 gain).

23 Share capital

Called up share capital

	2017		2016	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	25,010	25,010	25,010	25,010

Arjo Wiggins Fine Papers Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

24 Obligations under leases and hire purchase contracts

Finance leases

The Company entered into a sale and leaseback transaction at the end of 2015 involving substantially all the industrial plant and machinery at Stoneywood mill. At the end of 2016 an additional finance lease amounting to £236,000 was taken out on a new item of plant and machinery at the mill.

The total of future minimum lease payments is as follows:

	2017 £ 000	2016 £ 000
Not later than one year	3,967	4,252
Later than one year and not later than five years	15,818	15,883
Later than five years	-	3,920
Total charges	19,785	24,055
Less Finance charges	(4,383)	(6,088)
Obligation under finance lease	15,402	17,967

Operating leases

The total of future minimum lease payments is as follows:

	2017 £ 000	2016 £ 000
Not later than one year	726	672
Later than one year and not later than five years	932	1,499
Later than five years	361	-
	2,019	2,171

The amount of non-cancellable operating lease payments recognised as an expense during the year was £1,022,000 (2016: £939,000).

25 Dividends

	2017 £ 000	2016 £ 000
Interim dividend of £Nil (2016 - £0.1999) per ordinary share	-	5,000

The directors recommend that no final dividend be declared for the year ending 31 December 2017 (2016: £nil).

Arjo Wiggins Fine Papers Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

26 Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements was £652,000 (2016 - £365,000).

Other financial commitments

At 31 December 2017, the Company had entered into forward currency contracts related to the purchase and sale of foreign currencies amounting to the equivalent of approximately £3.7m (2016: £4.1m). The unrealised gain on these contracts at the balance sheet date was £719,000 (2016: £661,000).

The total amount of other financial commitments not provided in the financial statements was £Nil (2016 - £Nil).

27 Related party transactions

Summary of transactions with entities with joint control or a significant interest

In the normal course of its business the Company trades with Antalis International SA and various subsidiaries, all of which are owned 100% by Antalis International SA. Antalis International SA was 75% owned by the Sequana group as at 31 December 2017 (31 December 2016: 100%).

Antalis International is the second largest paper merchant in the world and accounts for a substantial proportion of the Companies sales. During the year the Company had sales of £60,020,000 to the Antalis group companies worldwide (2016: £63,105,000). At the year end £9,045,000 was outstanding and included in debtors (2016: £3,119,000). The amounts are not secured and are payable on normal commercial terms.

Antalis companies provide some warehousing facilities for the Company in the UK and France, they also carry out paper converting and finishing services and marketing support. The total charges for these services was £3,982,000 (2016: £4,046,000). At the year-end £1,467,000 (2016: £2,596,000) was outstanding and included in creditors. These amounts are payable on normal commercial terms.

The Company provides tax consultancy services to the Antalis group companies registered in the UK. In 2017 a charge of £80,000 was made for this service (2016: £80,000).

The Company is exempt from disclosing other related party transactions as they are with other companies that are wholly owned within the group.

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Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

28 Parent and ultimate parent undertaking

The Company's immediate parent is The Wiggins Teape Group Limited, incorporated in England and Wales.

The ultimate parent undertaking and controlling party is Sequana SA, a company incorporated in France, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. A copy of these financial statements are available upon request from:

The Shareholder and Investor Relations Department
Sequana SA
8 rue du Seine
92100 Boulogne-Billancourt
France