Antalis Group

Directors' Report and Financial Statements

for the Year Ended 31 December 2011

Registration number: 157418

Antalis Group

Contents

Antalis Group
Company Information

Directors	J H Arrowsmith A P D Gourjon X G U Roy Contancin F J M Bernet S G McCue
Company secretary	Abogado Nominees Limited
Registered office	100 New Bridge Street London EC4V 6JA
Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place London WC2N 6RH

Directors' Report for the Year Ended 31 December 2011

The directors present their annual report and the financial statements of the company for the year ended 31 December 2011

Principal activity

The principal activity of the company is that of an investment holding company holding shares in subsidiary undertakings, situated in the United Kingdom and overseas, which are principally engaged in the sale of paper and paper products

Review of busniness and future developments

The company's activities have remained unchanged all year and the directors do not foresee any alteration to its activities as an investment holding company in the foreseeable future

Key performance indicators ("KPI's")

Given the straightforward nature of the business, the company's directors are of the opinion that analysis by using KPIs is not necessary for an understanding of the development, performance and position of the business

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to the following risks

All borrowings are through a group treasury department, based in Paris, which operates a base rate plus system, so the company is exposed to interest rate volatility The company operates in foreign currencies and is open to currency fluctuations

Results and dividends

The audited financial statements for the year ended 31 December 2011 are set out on pages 7 to 18

The directors recommend a final dividend payment of £0 (2010 £0) be made in respect of the financial year ended 31 December 2011

Directors

The directors who held office during the year were and up to the signing of the financial statements, are given below as follows

J H Arrowsmith

A P D Gourjon

X G U Roy Contancin

F J M Bernet

S G McCue

Post balance sheet events

On 2 January 2012, the trade and assets of Ambassador Packaging Limited were purchased by Ambassador Antalis Packaging Limited, a new subsidiary of Antalis McNaughton Limited, itself an indirect subsidiary of Antalis Group, for £8 4m satisfied in cash In addition, estimated costs of acquisition were €1 2m The purchase was funded by a £5m injection of share capital into the new company by Antalis McNaughton Limited on 2 January 2012, plus a cash loan of £5m from Antalis International SAS Antalis McNaughton Limited funded the purchase of £5m share capital in Ambassador Antalis Packaging Limited through an issue of £5m of its own share capital to Antalis Holdings Limited in exchange for a promissory note of £5m issued by Antalis International SAS to Antalis Group Holdings Limited, which was assigned in turn to Antalis Group, Antalis Holdings Limited, Antalis McNaughton Limited, and lastly to Ambassador Antalis Packaging Limited in the same manner Immediately following this, the promissory note was extinguished via a part settlement of Ambassador Antalis Packaging Limited's intercompany balance due to Antalis International SAS

On 22 March 2012, the 500,000 ordinary shares currently in issue in gm2 Logistics Limited were sold by James McNaughton Group Limited (50% holding) and Antalis Group Holdings Limited (50% holding), and purchased by Antalis McNaughton Limited at market value On the same day, gm2 Logistics Limited issued 10 million new £1 ordinary shares at par to Antalis McNaughton Limited, which rank pari pasu with the existing shares The share capital was issued to support a cross company guarantee to the James McNaughton Group Limited Pension Assurance Scheme and the MoDo Pension Assurance scheme with Antalis McNaughton Limited Antalis McNaughton Limited funded the purchase of £10m share capital in gm2 Logistics Limited through an issue of £8,544,000 of its own share capital to Antalis Holdings Limited in exchange for a promissory note of £8,544,000 issued by Antalis International SAS to Antalis Group Holdings Limited, which was assigned in turn to Antalis Group, Antalis Holdings Limited, Antalis McNaughton Limited, and lastly to gm2 Logistics Limited in the same manner, and £1,456,000 in cash Immediately following this, the promissory note was extinguished via a part settlement of gm2 Logistics Limited's intercompany balance due to Antalis International SAS

On 30 April 2012, Antalis McNaughton Limited, acquired the trade and assets of James McNaughton Group Limited for £29,559,408, at market value for the company This was settled by an increase in Antalis McNaughton Limited's intercompany balance due to Antalis International SAS

Directors' liabilites

As permitted by the Articles of Association, the directors have the benefit of an indemnity, which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006 The indemnity was in force throughout the financial year and is currently in force The company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and the directors

Directors' responsibility statement

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 have prepared 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, 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

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information The directors confirm that there is no relevant information that they know of and which they know the auditors are unaware of

Approved by the Board on 20 June 2012 and signed on its behalf by

S G McCue
Director

Independent Auditor's Report to the Members of Antalis Group

We have audited the financial statements of Antalis Group for the year ended 31 December 2011, which comprise the Profit and Loss Account, the Balance Sheet and related notes set out on pages 7 to 18 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 on page 3), 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 (APB'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 2011 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 Auditor's Report to the Members of Antalis Group

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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

London

25 June 2012

Antalis Group

Profit and Loss Account for the Year Ended 31 December 2011

	Note	2011 £ 000	2010 £ 000
Administrative expenses		(252)	(182)
Other operating income		139	144
Operating loss	2	(113)	(38)
Income from shares in group undertakings		12	-
Other interest receivable and similar income	4	108	147
Interest payable and similar charges	5	(100)	(94)
(Loss)/profit on ordinary activities before taxation		(93)	15
Tax on (loss)/profit on ordinary activities	6	-	-
(Loss)/profit for the financial year	11	(93)	15

Turnover and operating profit derive wholly from continuing operations

The company has no recognised gains and losses other than those included in the profit and loss account above and therefore no separate statement of total recognised gains and losses has been presented

There are no material differences between the (loss)/profit on ordinary activities before taxation and the (loss)/profit for the financial years stated above and their historical cost equivalents

Antalis Group

(Registration number. 157418)

Balance Sheet at 31 December 2011

	Note	2011 £ 000	2010 £ 000
Fixed assets			
Investments	7	84,496	84,496
Current assets			
Debtors	8	9,756	9,447
Cash at bank and in hand		38	623
		9,794	10,070
Creditors Amounts falling due within one year	9	(1,863)	(2,046)
Net current assets		7,931	8,024
Total assets less current liabilities		92,427	92,520
Creditors Amounts falling due after more than one year		-	-
Net assets		92,427	92,520
Capital and reserves			
Called up share capital	10	176,927	176,927
Share premium account	11	500	500
Profit and loss account	11	(85,000)	(84,907)
Shareholders' funds	12	92,427	92,520

These financial statements on pages 7 to 18 were approved by the Board on 20 June 2012 and signed on its behalf by

S G McCue
Director

1 Accounting policies

Basis of preparation

These financial statements have been 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, are set out below

The financial statements contain information about Antalis Group as an individual company and do not contain consolidated financial information as the parent of a group The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent Sequana, a company registered in France, and is included in the consolidated financial statements of Sequana, which are publicly available

Cash flow statement and related party transactions

The company is a wholly owned subsidiary company of a group headed by Antalis International SAS and is included in the consolidated financial statements of that company, which are publicly available (note 15) Consequently, the company has taken advantage of the exemption within FRS 1 (revised 1996) 'Cash flow statements' from preparing a cash flow statement

The company has taken advantage of the exemption under paragraph 3(c) from the provisions of FRS8, 'Related Party Disclosures', on the grounds that it is a wholly owned subsidiary of a group headed by Antalis International SAS

Income from group companies

Income from group companies comprises dividends receivable on investments in other group companies, which are recognised as income once they are formally approved

Foreign currency

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction All monetary assets and liabilities expressed in foreign currencies are translated into sterling at the rate of exchange ruling at the end of the financial year Differences between the translated transactions and subsequent cash settlements are taken as gains or losses to the profit and loss account

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by Financial Reporting Standard 19

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all evidence, it can be regarded as more likely than not there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date Deferred tax is measured on an undiscounted basis

Investments

Fixed asset investments are shown at cost less any provision for impairment The carrying value of investments is reviewed on an annual basis and is shown at the lower of cost and net realisable value

2 Loss on ordinary activities before interest and taxation

Loss on ordinary activities is stated after charging / (crediting)

	2011 £ 000	2010 £ 000
Auditor's remuneration - The audit of the company's annual accounts	3	3
Foreign currency losses	17	1

3 Employee information and directors' emoluments

The directors are or were employees of other group companies and their emoluments and contributions to pension schemes on their behalf are paid by other group companies Their services to the company are of a non executive nature and their remuneration, including pension benefits, is deemed to be wholly attributable to their services to other group companies Accordingly, none of the directors received any remuneration for their services as a director of the company during the year (2010 none)

The company had no other employees during the year (2010 none)

4 Other interest receivable and similar income

	2011 £ 000	2010 £ 000
Interest receivable and similar income	108	147

5 Interest payable and similar charges

	2011 £ 000	2010 £ 000
Interest on loans from group undertakings	100	94
	100	94

6 Taxation

Tax on (loss)/profit on ordinary activities

	2011 £ 000	2010 £ 000
Current tax		
UK Corporation tax	-	-

Factors affecting current tax charge for the year

Tax on (loss)/profit on ordinary activities for the year is higher than (2010 - lower than) the standard rate of corporation tax in the UK of 26 5% (2010 - 28%)

The differences are reconciled below

	2011 £ 000	2010 £ 000
(Loss)/profit on ordinary activities before taxation	(93)	15
Corporation tax at standard rate	(25)	4
Capital allowances in excess of depreciation	(37)	-
Dividend income not liable to UK corporation tax	(3)	-
Utilisation of losses brought forward	-	(4)
Group relief surrendered for no consideration	65	-
Total current tax	-	-

Factors that may affect future tax charges

The recovery of this asset is dependent upon the continued operating profitability of the company With the current level of uncertainty of operating conditions in the UK market, the timing of recovery is not sufficiently clear to justify recognition of this deferred tax asset The amount not recognised in the period was £160,000 (2010 - £211,000)

The tax charge in the future is dependent upon the availability of losses from other group companies

During the year, the relevant deferred tax balances have been re-measured as a result of the change in the UK main corporation tax rate to 26%, which was substantively enacted on 29 March 2011 and was effective from 1 April 2011, and to 25%, which was substantively enacted on 5 July 2011 and was expected to be effective from 1 April 2012

Further reductions to the UK corporation tax rate were announced in the March 2012 Budget The change in the main corporation tax rate to 24% from 1 April 2012 was substantively enacted on 26 March 2012 The changes are not material to these financial statements

7 Investments

Shares in group undertakings and participating interests

	Subsidiary undertakings £ 000	Total £ 000
Cost		
At 1 January 2011	139,781	139,781
At 31 December 2011	139,781	139,781
Provision for impairment		
At 1 January 2011	(55,285)	(55,285)
At 31 December 2011	(55,285)	(55,285)
Net book value		
At 31 December 2011	84,496	84,496
At 31 December 2010	84,496	84,496

Details of undertakings

The company's principal subsidiary undertakings and investments in other group companies are set out below Except where otherwise stated, all holdings are in ordinary shares or their equivalent Direct subsidiaries are marked with an asterix, all other subsidiaries are indirectly owned There are further subsidiary undertakings which are either not material or are dormant The directors have reviewed the impairment provision and believe an additional impairment is required against its shareholding in Antalis SA Holdings The carrying value of the company's investments is supported by the net assets of its subsidiaries

Undertaking	Holding	Proportion of voting rights and shares held	Principal activity
Subsidiary undertakings			
Antalis Holdings Limited*	Ordinary shares	100%	Holding company
Antalis Overseas Holdings Limited*	Ordinary shares	100%	Holding company
Antalis SA Holdings Limited*	Ordinary Shares	100%	Holding company
Inversiones Antalis Holdings Limitada	Ordinary shares	12 89%	Holding company
Antalis McNaughton Limited	Ordinary Shares	100%	Paper Merchant
Antalis Botswana (Propriety) Limited	Ordinary shares	100%	Paper Merchant

Inversiones Antalis Holdings Limitada is incorporated in Chile and Antalis Botswana (Proprietary) Limited is incorporated in Botswana

8 Debtors

	2011 £ 000	2010 £ 000
Loans to group undertakings	9,715	9,366
Interest receivable from group undertakings	41	22
Amounts owed by group undertakings	-	59
	9,756	9,447

The loan is owed from Antalis International SAS The loan is repayable on demand The interest is calculated daily at LIBOR plus 0 5% (2010 LIBOR plus 0 5%)

9 Creditors: Amounts falling due within one year

	2011 £ 000	2010 £ 000
Loans from group undertakings	1,729	1,706
Amounts owed to other group undertakings	134	330
Accruals	-	10
	1,863	2,046

The loan is due to Antalis Holdings Limited, a fellow group company and is unsecured and repayable on demand Interest is calculated daily at LIBOR plus 3 01% (2010 LIBOR plus 4 9%)

10 Share capital

Allotted, called up and fully paid shares

	2011		2010	
	No. 000	**£ 000**	**No. 000**	**£ 000**
Ordinary shares of £1 each	176,927	176,927	176,927	176,927

11 Reserves

	Share premium account £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2011	500	(84,907)	(84,407)
Loss for the year	-	(93)	(93)
At 31 December 2011	500	(85,000)	(84,500)

12 Reconciliation of movement in shareholders' funds

	2011 £ 000	2010 £ 000
(Loss)/profit attributable to the members of the company	(93)	15
New share capital subscribed	-	40,000
Net (reduction)/addition to shareholders' funds	(93)	40,015
Shareholders' funds at 1 January	92,520	52,505
Shareholders' funds at 31 December	92,427	92,520

13 Contingent liabilities

The company has guaranteed a lease in favour of Antalis SNC for an amount of €223,000 (£186,000) (2010 €223,000 (£192,000)) The company is also the beneficiary of a counter guarantee for the above amounts from Antalis International SAS

14 Post balance sheet events

On 2 January 2012, the trade and assets of Ambassador Packaging Limited were purchased by Ambassador Antalis Packaging Limited, a new subsidiary of Antalis McNaughton Limited, itself an indirect subsidiary of Antalis Group, for £8 4m satisfied in cash In addition, estimated costs of acquisition were €1 2m The purchase was funded by a £5m injection of share capital into the new company by Antalis McNaughton Limited on 2 January 2012, plus a cash loan of £5m from Antalis International SAS Antalis McNaughton Limited funded the purchase of £5m share capital in Ambassador Antalis Packaging Limited through an issue of £5m of its own share capital to Antalis Holdings Limited in exchange for a promissory note of £5m issued by Antalis International SAS to Antalis Group Holdings Limited, which was assigned in turn to Antalis Group, Antalis Holdings Limited, Antalis McNaughton Limited, and lastly to Ambassador Antalis Packaging Limited in the same manner Immediately following this, the promissory note was extinguished via a part settlement of Ambassador Antalis Packaging Limited's intercompany balance due to Antalis International SAS

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On 30 April 2012, Antalis McNaughton Limited, acquired the trade and assets of James McNaughton Group Limited for £29,559,408, at market value for the company This was settled by an increase in Antalis McNaughton Limited's intercompany balance due to Antalis International SAS

15 Immediate and ultimate parent company and controlling party

The immediate parent company is Antalis International SAS, a company registered in France

Sequana SA (formerly Sequana Capital S A), a Company registered in France, is the parent undertaking of the smallest group of undertakings to consolidate these financial statements A copy of the consolidated financial statements of that company can be obtained from the Company Secretary at the following address

19 Avenue Montaigne
75008 Paris

EXOR S p A, a company registered in Italy, is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2011 A copy of the consolidated financial statements for this company can be obtained from the Company Secretary at the following address

Corso Matteotti 26
10121 Turin

The ultimate controlling party is Giovanni Agnelli e C Sapaz, a company registered in Italy and acting for members of the Agnelli family