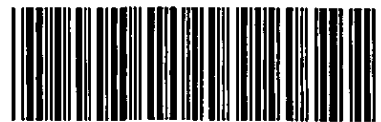


Antalis Group
Registered number 157418

**Annual report and financial statements
for the year ended 31 December 2010**

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ANTALIS GROUP

Annual report and financial statements for the year ended 31 December 2010

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Antalis Group

Directors' report for the year ended 31 December 2010

Registered number. 157418

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2010

Principal activities

The company is 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 business 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

Results and dividends

The audited financial statements for the year ended 31 December 2010 are set out on pages 6 to 14

The directors recommend that no final dividend (2009 £nil) be declared on the ordinary shares for the year ended 31 December 2010

The company's profit for the year is £15,000 (2009 £4,203,000)

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

Key performance indicators ("KPIs")

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

Directors

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

J H Arrowsmith

A P D Gourjon

X G U Roy Contancin

F J M Bernet

S G McCue

A Harvey (resigned 2 July 2010)

Directors' indemnity statement

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' Responsibilities 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 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 then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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.

Antalis Group

Directors' report for the year ended 31 December 2010 (continued)

Statement of disclosure of information to auditors

In the case of each director in office at the time when the report is approved, the following applies

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

On behalf of the board



S G McCue

Director

13 September 2011

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ANTALIS GROUP

We have audited the financial statements of Antalis Group for the year ended 31 December 2010, which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on 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 2010 and of its profit 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 Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

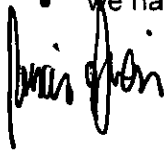
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ANTALIS GROUP
(continued)**

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
13 September 2011

Antalis Group

Profit and loss account for the year ended 31 December 2010

| | | 2010 | 2009 |
|--|------|-------------|--------------|
| | Note | £'000 | £'000 |
| Administrative expenses | 3 | (182) | (251) |
| Other operating income | 2 | 144 | 112 |
| Operating loss | | (38) | (139) |
| Amounts written off investments | 7 | - | (932) |
| Income from shares in group undertakings | | - | 5,232 |
| (Loss)/Profit on ordinary activities before interest and taxation | | (38) | 4,161 |
| Net interest receivable | 4 | 53 | 42 |
| Profit on ordinary activities before taxation | | 15 | 4,203 |
| Tax on profit on ordinary activities | 6 | - | - |
| Profit for the financial year | 11 | 15 | 4,203 |

All results arose 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 profit on ordinary activities before taxation and the profit for the financial years stated above and their historical cost equivalents

Antalis Group**Balance sheet as at 31 December 2010**

| | | 2010 | 2009 |
|--|------|----------------|----------------|
| | Note | £'000 | £'000 |
| Fixed assets | | | |
| Investments | 7 | 84,496 | 44,496 |
| Current assets | | | |
| Debtors | 8 | 9,447 | 9,696 |
| Cash at bank and in hand | | 623 | 200 |
| | | <u>10,070</u> | <u>9,896</u> |
| Creditors - amounts falling due within one year | 9 | <u>(2,046)</u> | <u>(1,887)</u> |
| Net current assets | | <u>8,024</u> | <u>8,009</u> |
| Total assets less current liabilities | | <u>92,520</u> | <u>52,505</u> |
| Net assets | | <u>92,520</u> | <u>52,505</u> |
| Capital and reserves | | | |
| Called up share capital | 10 | 176,927 | 136,927 |
| Share premium account | 11 | 500 | 500 |
| Profit and loss account | 11 | (84,907) | (84,922) |
| Total shareholders' funds | 12 | <u>92,520</u> | <u>52,505</u> |

The financial statements on pages 6 to 14 were approved by the board of directors on
13 September 2011 were signed on its behalf by


S G McCue
Director

1. Principal accounting policies

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.

Basis of accounting

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.

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 currencies

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.

Cash flow statement

The company, as a fully owned subsidiary of Sequana, has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS Number 1 (Revised 1996).

Related party transactions

Under an exemption granted by paragraph 3(c) of Financial Reporting Standard 8 'Related Party Disclosures', the company, as a wholly-owned subsidiary of a group which publishes consolidated financial statements in which the company is included, is not required to, and does not, disclose transactions with fellow members, associated undertakings and joint ventures of that group.

Antalis Group

Notes to the financial statements for the year ended 31 December 2010 (continued)

2. Other operating income

| | 2010 £'000 | 2009 £'000 |
|-----------------|---------------|---------------|
| Management fees | 144 | 112 |
| | <u>144</u> | <u>112</u> |

3. Administrative expenses

| | 2010 £'000 | 2009 £'000 |
|---|---------------|---------------|
| Auditors' remuneration – audit services | 3 | 3 |
| Professional and legal fees | 179 | 248 |
| Other expenses | - | - |
| | <u>182</u> | <u>251</u> |

The audit fee is borne by Antalis McNaughton Limited, a member of the group

4. Net interest receivable

| | 2010 £'000 | 2009 £'000 |
|--|---------------|---------------|
| Interest payable and similar charges | (94) | (37) |
| Interest receivable and similar income | 147 | 79 |
| Net interest receivable | <u>53</u> | <u>42</u> |

5. 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 (2009 none)

The company had no other employees during the year (2009 none)

6 Tax on profit on ordinary activities

| | 2010 £'000 | 2009 £'000 |
|---|---------------|---------------|
| Current tax | | |
| (a) Analysis of charge in the year | | |
| UK corporation tax charge on profits for the year | - | (27) |
| Less Group relief surrendered to other group companies for no consideration | - | 27 |
| Tax on profit on ordinary activities | <u>-</u> | <u>-</u> |

The tax assessed for the current year is lower (2009 lower) than the standard rate of corporation tax in the UK at 28% (2009 28%) The differences are explained below

| | 2010 £'000 | 2009 £'000 |
|--|---------------|---------------|
| (b) Factors affecting the tax charge for the year | | |
| Profit on ordinary activities before taxation | <u>15</u> | <u>4,203</u> |
| Profit on ordinary activities before taxation multiplied by the standard rate of corporation tax in the UK of 28% (2009 28%) | 4 | 1,177 |
| Effects of | | |
| Use of losses brought forward | (4) | - |
| Amounts written off investments not tax deductible | - | 261 |
| Dividend income not liable to UK corporation tax | - | (1,465) |
| Group relief surrendered for no consideration | - | <u>27</u> |
| Current taxation charge for the year | <u>-</u> | <u>-</u> |

At 31 December 2010, the company had an unrecognised deferred tax asset of £211,000 (2009 £153,000) relating to accelerated depreciation. 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 tax charge in the future is dependent upon the availability of losses from other group companies.

6. Tax on profit on ordinary activities (continued)

A number of changes to UK corporation tax were announced in the June 2010 Budget Statement and the 2011 Budget. The main rate of corporation tax has reduced from 28% to 26% from 1 April 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014. Each of those reductions is expected to be separately enacted in a future year and has not yet been substantially enacted.

7. Investments

| | Total |
|----------------------------------|------------------------|
| | £'000 |
| Cost | |
| As at 1 January 2010 | 9,781 |
| Share capital issued in the year | 40,000 |
| As at 31 December 2010 | <u>139,781</u> |
| Impairment | |
| As at 1 January 2010 | (55,285) |
| Impairment in the year | - |
| As at 31 December 2010 | <u>(55,285)</u> |
| Net book values | |
| As at 31 December 2010 | <u>84,496</u> |
| As at 31 December 2009 | 44,496 |

The increase in investments in the period is due to a group recapitalisation (see note 10).

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 asterisk, 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.

Antalis Group

Notes to the financial statements for the year ended 31 December 2010 (continued)

7. Investments (continued)

| Name of undertaking | Country of incorporation or registration and operation | Proportion of issued capital held |
|--|--|-----------------------------------|
| Holding companies | | |
| Antalis Holdings Limited* | England | 100 00 |
| Antalis Overseas Holdings Limited* | England | 100 00 |
| Antalis SA Holdings* | England | 100 00 |
| Inversiones Antalis Holdings Limitada | Chile | 12 89 |
| Paper merchants | | |
| Antalis McNaughton Limited | England | 100 00 |
| Antalis Botswana (Proprietary) Limited | Botswana | 100 00 |

8. Debtors

| | 2010 £'000 | 2009 £'000 |
|---|---------------|---------------|
| Amounts falling due within one year: | | |
| Loans to group undertakings | 9,366 | 9,344 |
| Interest receivable from group undertakings | 22 | 352 |
| Amounts owed by group undertakings | 59 | - |
| | 9,447 | 9,696 |

The loan is owed from Antalis International SAS. The loan is repayable on demand. The interest is calculated daily at LIBOR plus 0.5% (2009 LIBOR plus 1.25%).

9. Creditors - amounts falling due within one year

| | 2010 £'000 | 2009 £'000 |
|--|---------------|---------------|
| Loans from group undertakings | 1,706 | 1,743 |
| Amounts owed to other group undertakings | 330 | 138 |
| Accruals | 10 | 6 |
| | 2,046 | 1,887 |

The loan is from Antalis Holdings Ltd and is unsecured and repayable on demand. Interest is calculated daily at LIBOR plus 4.9% (2009 LIBOR plus 1.5%).

10 Called up share capital

| | 2010 | 2009 |
|---|----------------|---------|
| | £'000 | £'000 |
| Authorised | | |
| 195,000,000 (2009 155,000,000) ordinary shares of £1 each | 195,000 | 155,000 |
| Allotted and fully paid | | |
| 176,926,563 (2009 136,926,563) ordinary shares of £1 each | 176,927 | 136,927 |

On 23 December 2010 the company issued 40 million ordinary shares of £1 each to Antalis Group Holdings Ltd in exchange for a promissory note issued by Antalis International SAS to Antalis Group Holdings Ltd in exchange for an issue of shares at the same value, which was assigned to Antalis Group and then further assigned to Antalis Holdings Ltd, and lastly to Antalis McNaughton Ltd in the same manner. Immediately following this, the promissory note was extinguished via a part settlement of Antalis McNaughton Ltd's intercompany balance due to Antalis International SAS (see note 7)

11. Reserves

| | Share premium account £'000 | Profit and loss Account £'000 | Total £'000 |
|-------------------------------|--|--|------------------------|
| As at 1 January 2010 | 500 | (84,922) | (84,422) |
| Profit for the financial year | - | 15 | 15 |
| As at 31 December 2010 | 500 | (84,907) | (84,407) |

12. Reconciliation of movements in shareholders' funds

| | 2010 | 2009 |
|--|---------------|--------|
| | £'000 | £'000 |
| Profit for the financial year | 15 | 4,203 |
| Issue of share capital during the year | 40,000 | - |
| Net increase in shareholders' funds | 40,015 | 4,203 |
| Total shareholders' funds at the beginning of the year | 52,505 | 48,302 |
| Total shareholders' funds at the end of the year | 92,520 | 52,505 |

13. Contingent liabilities

The company has guaranteed a lease in favour of Antalis SNC for an amount of €223,000 (£192,000) (2009 €7,768,000 (£7,768,000)) The company is also the beneficiary of a counter guarantee for the above amounts from Antalis International SAS

14. Immediate and ultimate parent company and controlling party

The immediate parent company is Antalis International SA, 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 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 2010 A copy of the consolidated financial statements for this company can be obtained from the Secretary at the following address

Corso Matteotti 26
10121 Turin

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