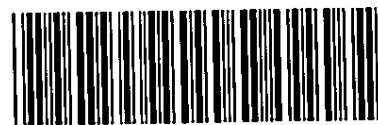


Antalis Group
Registered Number: 157418

**Annual report and financial statements
for the year ended 31 December 2007**

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ANTALIS GROUP

Annual report and financial statements for the year ended 31 December 2007

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Directors' report for the year ended 31 December 2007

The directors present their annual report and audited financial statements for the year ended 31 December 2007

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. On 3 May 2006, the company increased its share capital by £20,935,000, allotting 20,935,000 ordinary £1 shares to its immediate parent company, Antalis Group Holdings Limited, funded by the capitalisation of a €30,000,000 loan granted by Antalis Group Holdings Limited in 2005

Results and dividends

The audited accounts for the year ended 31 December 2007 are set out on pages 6 to 14

The directors recommend that no final dividend (2006 £nil) be declared on the ordinary shares for the year ended 31 December 2007

The retained profit of £260,000 (2006 £11,714,000) will therefore be transferred to reserves

Principal risks and uncertainties

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

All borrowings are through a group treasury department, based in Paris, who operate a base rate plus system, so the company is exposed to interest rate volatility

Key Performance Indicators

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, are given below

J H Arrowsmith
J H Cubbon (resigned 13 July 2007)
G A Harrison
A P D Gourjon
X G U Roy-Contancin
O G Bouillaud
R Jackson (appointed 27 July 2007)

Company secretary

On 30 January 2008, Bondlaw Securities Limited resigned as company secretary and, on 31 January 2008, Abogado Nominees Limited were appointed in their stead

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

In preparing those financial statements, the directors are required to

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

Auditors and disclosure of information to auditors

In the case of the persons who are directors at the time when the report is approved under section 234ZA, 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 / she has taken all the steps that he ought to have taken as a director in order to make himself / herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

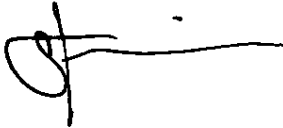
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Directors' report for the year ended 31 December 2007 (continued)

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting

By order of the board



G A Harrison
Director

28 April 2008

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ANTALIS GROUP

We have audited the financial statements of Antalis Group for the year ended 31 December 2007, which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

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

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

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

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

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

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

Frankshaw Coopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

28 April 2008

Profit and loss account for the year ended 31 December 2007

		2007	2006
	Note	£'000	£'000
Other operating income	2	306	106
Operating expenses	3	(93)	(208)
Operating profit / (loss)		213	(102)
Income from shares in group undertaking		120	15,660
Loss on share capital reduction of investment		-	(2,475)
Reversal of impairment		-	148
Profit on ordinary activities before interest and taxation		333	13,231
Net interest payable	4	(73)	(1,517)
Profit on ordinary activities before taxation		260	11,714
Tax on profit on ordinary activities	6	-	-
Profit for financial year	12	260	11,714

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 year stated above and their historical cost equivalents

The notes on pages 8 to 14 form part of these accounts

Balance sheet as at 31 December 2007

	Note	2007 £'000	2006 £'000
Fixed assets			
Investments	7	47,188	53,494
Current assets			
Debtors	8	2,543	166
Cash at bank and in hand		51	71
		<u>2,594</u>	<u>237</u>
Creditors: amounts falling due within one year	9	<u>(1,829)</u>	<u>(6,034)</u>
Net current assets / (liabilities)		<u>765</u>	<u>(5,797)</u>
Total assets less current liabilities		<u>47,953</u>	<u>47,697</u>
Provision for liabilities and charges	10	<u>-</u>	<u>(4)</u>
Net assets		<u>47,953</u>	<u>47,693</u>
Capital and reserves			
Called up share capital	11	136,927	136,927
Share premium account	12	500	500
Profit and loss account	12	(89,474)	(89,734)
Total shareholders' funds	13	<u>47,953</u>	<u>47,693</u>

The financial statements on pages 6 to 14 were approved by the board of directors on 28 April and were signed on its behalf by



G A Harrison
Director

28 April 2008

1. Accounting policies

The financial statements have been prepared on the going concern basis under the historical cost convention in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom. The principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, are set out below.

Basis of accounting

No consolidated accounts are submitted, as the company is a wholly owned subsidiary of Sequana Capital, a company registered in France, and is therefore exempt under Section 228(1) of the Companies Act 1985.

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

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

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

Investments

Fixed asset investments are shown at cost less any provision for impairment. Current asset investments are stated at the lower of cost and net realisable value.

2. Other operating income

	2007	2006
	£'000	£'000
Exchange gains (net) on financing	190	-
Management fees	<u>116</u>	<u>106</u>
	<u>306</u>	<u>106</u>

Antalis Group

Notes to the financial statements for the year ended 31 December 2007 (continued)

3. Operating expenses

	2007 £'000	2006 £'000
Auditors' remuneration – audit services	12	6
Professional and legal fees	85	101
Other expenses	(4)	(1)
Exchange losses (net) on financing	-	102
	<u>93</u>	<u>208</u>

In 2006, audit fees of £6,000 were recharged to the parent company, Antalis International SAS

4. Net interest payable

	2007 £'000	2006 £'000
Interest payable		
- On loans from fellow group undertakings	(276)	(1,954)
Interest receivable		
- On loans to fellow group undertakings	203	420
- On loans to other undertakings	-	17
Net interest payable	<u>(73)</u>	<u>(1,517)</u>

5. Employee information & 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.

The company had no other employees during the year.

6. Tax on profit on ordinary activities

	2007	2006
	£'000	£'000
(a) Analysis of charge in the year		
UK corporation tax charge of 30% (2006 30%)	-	-
Current tax charge for year	<u>-</u>	<u>-</u>

The tax assessed for the current year is lower (2006 lower) than the standard rate of corporation tax in the UK (30%) The differences are explained below

	2007	2006
	£'000	£'000
(b) Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	<u>260</u>	<u>11,714</u>
Profit on ordinary activities before taxation multiplied by the standard rate of corporation tax in the UK of 30% (2006 30%)	78	3,514
Effects of		
Impairment of investments not deductible for UK corporation tax	-	(45)
Loss on share capital reduction not deductible for UK corporation tax	-	742
Other expenses not tax deductible	-	(2)
Capital allowances in excess of depreciation	(69)	(93)
Dividend income not liable to UK corporation tax	(36)	(4,698)
Group losses surrendered for no consideration	<u>27</u>	<u>582</u>
Current tax charge for year	<u>-</u>	<u>-</u>

At 31 December 2007, the company had an unrecognised deferred tax asset of £195,000 (2006 £279,000) 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 standard rate of corporation tax in the UK changed to 28% with effect from 1 April 2008

Antalis Group

Notes to the financial statements for the year ended 31 December 2007 (continued)

7. Fixed asset investments

	Shares in group undertakings £'000	Loans to group undertakings £'000	Total £'000
Cost:			
As at 1 January 2007	103,214	4,633	107,847
Reduction in share capital	(3,433)	-	(3,433)
Loans repaid	-	(2,873)	(2,873)
As at 31 December 2007	99,781	1,760	101,541
Impairment:			
As at 1 January and 31 December 2007	(54,353)	-	(54,353)
Net book values:			
As at 31 December 2007	45,428	1,760	47,188
As at 31 December 2006	48,861	4,633	53,494

A loan of £1,760,000 is expressed in euros, bears interest at six months Euribor + 1 1% and is repayable in 2010

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. In compliance with the Companies Act 1985, details of all subsidiary undertakings will be annexed to the company's annual return.

Name of undertaking	Country of incorporation or registration and operation	Proportion of issued capital held
Holding Companies		
Antalis Europe Holdings *	England	100.00
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 Merchanting		
Antalis Limited	England	100.00
First Paper House Botswana (Pty) Ltd	Botswana	100.00

7. Fixed asset investments (continued)

The following changes in investments occurred during the year -

On 1 October 2007, Antalis Overseas Holdings Limited sold its interests in Antalis (Hong Kong) Limited, Antalis (Thailand) Limited, Antalis (Singapore) Pte Limited and Antalis (Malaysia) Sdn Bhd to Image Paper Asia Pte Limited, a company based in Singapore and jointly owned by Antalis International SASU and Arjo Wiggins SAS

On 17 December 2007, Antalis Holdings Limited sold its interest in Antalis Ireland Limited to Antalis International SASU

8. Debtors

	2007 £'000	2006 £'000
Amounts falling due within one year.		
Loans to other group companies	2,237	-
Interest receivable from group companies	43	-
Dividend receivable from group company	120	-
Amounts due from group undertakings	8	31
Other debtors	135	135
As at 31 December	2,543	166

Short-term loans to other group companies are repayable on demand and interest has been charged between 6 21% and 7 49%, the annual average being 6 72%

9. Creditors

	2007 £'000	2006 £'000
Amounts falling due in less than one year:		
Loans from group undertakings	1,706	5,939
Amounts owed to other group undertakings	117	71
Accruals	6	24
As at 31 December	1,829	6,034

Short-term loans from group undertakings are repayable on demand and the interest rates charged have ranged between 6 31% and 7 69%, the annual average being 6 88%

10. Provision for liabilities and charges

	2007 £'000	2006 £'000
As at 1 January and 31 December 2007	=	4

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Notes to the financial statements for the year ended 31 December 2007 (continued)

11. Called up share capital

	2007 £'000	2006 £'000
Authorised		
155,000,000 ordinary shares of £1 each	<u>155,000</u>	<u>155,000</u>
Allotted, called up and fully paid		
136,926,563 ordinary shares of £1 each	<u>136,927</u>	<u>136,927</u>

12. Reserves

	Share premium account £'000	Profit and loss account £'000	Total £'000
As at 1 January 2007	500	(89,734)	(89,234)
Profit for the year	-	260	260
As at 31 December 2007	<u>500</u>	<u>(89,474)</u>	<u>(88,974)</u>

13. Reconciliation of movements in total shareholders' funds

	2007 £'000	2006 £'000
Profit on ordinary activities after taxation	<u>260</u>	11,714
Net increase in shareholders' funds	260	11,714
Total shareholders' funds at the beginning of the year	47,693	15,044
Issue of share capital	-	20,935
Total shareholders' funds at the end of the year	<u>47,953</u>	<u>47,693</u>

14. Contingent liabilities

The company has also guaranteed two leases respectively in favour of Antalis Poland zoo and Antalis SNC undertakings one for an amount of USD 202,830 (£101,000) (2006 USD 202,830 (£103,417)) and one for €7,768,000 (£5,711,000) (2006 €7,768,000 (£5,216,212))

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Notes to the financial statements for the year ended 31 December 2007 (continued)

15. Cash flow

The company, as a wholly-owned subsidiary of a group which publishes consolidated financial statements in which the company is included, is exempt under the terms of Financial Reporting Standard (FRS) No 1 (Revised 1996) 'Cash Flow Statements' from publishing a cash flow statement

16. Related party transactions

Under an exemption granted by Financial Reporting Standard (FRS) 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

17. Ultimate parent undertaking

The immediate parent company is Antalis Group Holdings Limited, a company registered in England. The first intermediate parent company for which consolidated accounts are prepared is Sequana Capital, a company registered in France. 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

Further parent companies for which group accounts are prepared are IFIL – Finanziaria di Partecipazioni S p A, and IFI -Istituto Finanziario Industriale S p A, both companies registered in Italy. A copy of the consolidated financial statements of those companies 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, acting for members of the Agnelli family