ARJOWIGGINS

Arjowiggins Chartham Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2017

Registration number: 4915241

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Arjowiggins Chartham Limited

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Arjowiggins Chartham Limited

Company Information

Directors	Mr F Gros Mr M Hobday Mr M J Newell Mr J D Mitchell
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

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 principal activity of the Company is the manufacture and distribution of paper and paper products.

Fair review of the business
2017 will be regarded as a reasonably successful year, with turnover slightly better at £14.4m (£13.9m 2016) resulting in a trading profit of £1,000 (2016: £356,000 operating loss). Energy prices remained stable and despite rising pulp prices in US dollars, nine months of favourable exchange rates resulted in relatively stable sterling pulp prices. However in the last quarter the movement in the USD GBP exchange rate only partially offset the increasing world pulp price rises. There was a small decline in volume of 2.8% primarily in the printing & writing sector, although turnover in GBP was 1.5% higher, reflecting the favourable exchange rates.

Despite the increasing pulp costs in the fourth quarter, 2017 the gross contribution percentage in November and December was similar to the year as a whole at 66%, reflecting the robust nature of the business. However, following further pulp cost increases in the first quarter of 2018, price rises on most products have been announced in the second quarter, 2018 to ensure that the contribution margin is maintained in the following semesters.

Therefore, 2018 is likely to be a difficult year regarding margin and therefore profitability, but orders and sales volumes remain strong and in line with expectations. We remain optimistic about possible opportunities we are investing in, and of course the forthcoming price increases will help the second half of 2018.

The balance sheet has a net liability position at year end, however an intermediate parent company, Arjowiggins SAS, has confirmed that it will provide the necessary funding to allow the Company to meet its liabilities as they fall due for at least one year after these financial statements are signed.

Key performance indicators
Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using key performance indicators is not necessary for the understanding of the development, performance or position of the business. Therefore, they focus on monitoring and controlling the performance of turnover, gross margin and operating expenses.

Principal risks and uncertainties
A number of risk factors affect the Company's operating results and financial condition. The risk factors mentioned below are those material risk factors of which the Company'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.

1. General economic climate and customer demand for products
A downturn in the general economic climate may have an adverse impact on the Company's financial condition and results. The mature western European paper markets are already in gradual decline; the growing Asia Pacific paper markets would be a key sensitivity if there were a financial shock in this part of the world.

2. Movement of manufacturing to other group company locations
The Arjo Wiggins group has manufacturing operations in different parts of the world. It is possible to transfer volume from one mill to another relatively easily, which could favourably or adversely affect the Company.

Arjowiggins Chartham Limited

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

Principal risks and uncertainties (continued)

3. Technological advances
Printing technology is constantly evolving and therefore it is necessary to keep up to date with developments and ensure that the 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; this will continue in the future.

4. Foreign exchange fluctuations
The Company trades in a number of foreign currencies and sells to over forty countries around the world. The main risk is the exposure to the Euro as the Company has very few costs in this currency. The transaction currency risk is minimised by taking out currency hedges for the main trading currencies with the Arjo Wiggins Group parent company in France, based normally upon invoiced sales. However, a long-term decline in the value of the Euro would impact the Company's results to some extent.

5. Energy
The process of making translucent paper uses significantly more energy per tonne and is therefore more costly than the manufacture of opaque papers. Due to global supply and demand dynamics there is high price volatility, even within a short period of time and this is a constant threat to the business.

6. UK Pension scheme deficit
The Company participates in the Wiggins Teape Pension Scheme, 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 scheme in the 2016 valuation that is significantly more negative than the calculation of a surplus under FRS 102 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.

7. 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.

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

....
Mr M J Newell
Director

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:

Mr F Gros

Mr M Hobday

Mr M J Newell

Mr J D Mitchell

Results and dividends
The audited financial statements for the year are set out on pages 10 to 29.

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

Financial risk management

Objectives and policies

The Finance department has an Arjo Wiggins group policy and procedures manual that sets out specific guidelines to manage financial risk in the Company.

Price risk, credit risk, and liquidity risk

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

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 not significant, as long-term and short-term finance for the Company is provided by other group companies to ensure the Company has sufficient available funds for operations. Arjowiggins SAS has confirmed that it will provide the necessary funding to allow the Company to meet its liabilities for at least one year after these financial statements are signed. However, an issue with the solvency of the Group parent company may have an adverse effect on the ability of the Company to operate.

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 the 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.

Future developments

The company will focus on maximising revenues from its existing customer base while strictly controlling costs so that it can operate on a break-even basis. The traditional uses of tracing paper are in structural decline but there remain new opportunities to replace volumes and margins, and the company is hopeful that its technical expertise will continue to exploit these growth areas.

Disclosure of information to the auditors

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.

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 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, 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:

....

Mr M J Newell
Director

Independent Auditors' Report to the members of Arjowiggins Chartham Limited

Report on the audit of the financial statements

Opinion

In our opinion, Arjowiggins Chartham Limited's 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.

Independent Auditors' Report to the members of Arjowiggins Chartham 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 5, 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.

Independent Auditors' Report to the members of Arjowiggins Chartham 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

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

Date: 7 June 2018

Arjowiggins Chartham Limited

Statement of Comprehensive Income for the Year Ended 31 December 2017

	Note	Year ended 31 December 2017 £ 000	2016 £ 000
Turnover *	5	14,414	13,934
Cost of sales *		(11,532)	(10,805)
Gross profit		2,882	3,129
Distribution costs		(922)	(1,014)
Administrative expenses		(1,959)	(2,471)
Operating profit/(loss)	6	1	(356)
Interest receivable and similar income	7	81	53
Interest payable and similar expenses	8	(343)	(366)
Net interest expense		(262)	(313)
Loss before taxation		(261)	(669)
Tax on loss	12	-	-
Loss for the financial year		(261)	(669)
Other comprehensive income for the year		-	-
Total comprehensive expense for the year		(261)	(669)

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

The above results were derived from continuing operations.

Arjowiggins Chartham Limited

(Registration number: 4915241)
Balance Sheet as at 31 December 2017

	Note	As at 31 December 2017 £ 000	2016 £ 000
Fixed assets			
Intangible assets	13	-	-
Tangible assets	14	3,951	3,761
		3,951	3,761
Current assets			
Inventories	15	1,338	1,403
Debtors	16	1,860	1,561
Cash at bank and in hand	17	36	99
		3,234	3,063
Creditors: Amounts falling due within one year	18	(15,333)	(14,711)
Net current liabilities		(12,099)	(11,648)
Total assets less current liabilities		(8,148)	(7,887)
Net liabilities		(8,148)	(7,887)
Capital and reserves			
Called up share capital	21	6,000	6,000
Profit and loss account		(14,148)	(13,887)
Total equity		(8,148)	(7,887)

The financial statements on pages 10 to 29 were authorised for issue by the board of directors on 6/6/18 and signed on its behalf by:

....
Mr M J Newell
Director

The notes on pages 13 to 29 form an integral part of these financial statements.

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

	Called up share capital £ 000	Profit and loss account £ 000	Total equity £ 000
At 1 January 2017	6,000	(13,887)	(7,887)
Loss for the financial year	-	(261)	(261)
Total comprehensive expense for the year	-	(261)	(261)
At 31 December 2017	6,000	(14,148)	(8,148)

	Called up share capital £ 000	Profit and loss account £ 000	Total equity £ 000
At 1 January 2016	6,000	(13,218)	(7,218)
Loss for the financial year	-	(669)	(669)
Total comprehensive expense for the year	-	(669)	(669)
At 31 December 2016	6,000	(13,887)	(7,887)

The notes on pages 13 to 29 form an integral part of these financial statements.

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:
Chartham Paper Mill
Station Road
Chartham
Kent
CT4 7JA

2 Statement of compliance

The financial statements of Arjowiggins Chartham 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 land and buildings and 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 directors have received confirmation that Arjowiggins SAS intends to support the Company for at least one year after these financial statements are signed. Therefore 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.

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

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the Company's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts and after eliminating sales within the company.

The Company recognises revenue when:
• The amount of revenue can be reliably measured;
• it is probable that future economic benefits will flow to the entity; and
• specific criteria have been met for each of the Company's activities.

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 presentation currency is the pound sterling.

ii) Transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency of the entity at the rates prevailing on the reporting period date.

Non-monetary items measured at historical cost are translated using the currency rate at the date of the transaction. Non-monetary items carried at fair value are measured at the rates prevailing on the date the fair value was determined.

Derivative financial instruments and hedging

The Company enters into forward currency contracts to mitigate the exchange risk for certain foreign currency receivables and payables. Such derivatives are initially recognised at fair value on the date the contract is entered into and are subsequently re-measured at their fair value at each period end. Changes in the fair value of derivatives are recognised in the profit and loss.

Taxation

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.

3 Accounting policies (continued)

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 - 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.

Tangible assets
Tangible assets are stated at cost less accumulated depreciation. Cost includes the original purchase price and costs directly attributable to bringing the asset to its working condition for its intended use.

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

Tangible assets are derecognised on disposal. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the profit and loss and included in 'Other operating (losses) / gains'.

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 machinery and other assets	5 years or less

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 'Other operating (losses)/gains'.

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.

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 at bank and in hand
Cash at bank and in hand comprises cash on hand and deposits held at call with banks. Bank overdrafts are shown within borrowings in current liabilities.

Inventories
Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first-in, first-out (FIFO) method.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, inventories are assessed for impairment. If inventories are impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

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.

3 Accounting policies (continued)

Financial instruments

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

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.

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.

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.

Derivative financial instruments

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 £862,000 (2016: £708,000). The unrealised exchange gain on these contracts at the balance sheet date was £65,000 (2016: £103,000 loss). The outstanding contracts all mature within 3 months (2016: 3 months) of the year end.

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.

4 Critical accounting judgements and estimation uncertainty (continued)

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	13,661	13,471
Other revenue	753	463
	14,414	13,934

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	3,774	4,353
Europe	4,743	3,618
Rest of world	5,897	5,963
	14,414	13,934

In the opinion of the directors there is only one class of business.

6 Operating profit/(loss)

Operating profit/(loss) is stated after charging/(crediting)

	2017 £ 000	2016 £ 000
Depreciation expense	134	86
Research and development cost	19	31
Foreign exchange (gains)/losses	(35)	389
Operating lease expense - plant and machinery	46	55
Operating lease expense - other	33	36

7 Interest receivable and similar income

	2017 £ 000	2016 £ 000
Interest receivable from group undertakings	10	3
Gain on derivative financial instruments	71	50
Total interest receivable and similar income	81	53

8 Interest payable and similar expenses

	2017 £ 000	2016 £ 000
Interest expense on other finance liabilities	41	-
Interest payable on loans from group undertakings	296	213
Loss on derivative financial instruments	6	153
Total interest payable and similar expenses	343	366

9 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:

9 Staff costs (continued)

	2017 No.	2016 No.
Production	45	43
Administration and support	39	40
Sales, marketing and distribution	6	6
	90	89

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

	2017 £ 000	2016 £ 000
Wages and salaries	3,424	3,353
Social security costs	356	356
Pension costs, defined contribution scheme	392	390
Other post-employment benefit costs	10	29
Other employee expense	175	105
	4,357	4,233

10 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	100	88
Contributions paid to money purchase schemes	9	15
	109	103

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	1	1

11 Auditors' remuneration

	2017 £ 000	2016 £ 000
Audit of the financial statements	19	20

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

12 Tax on loss

Tax (credit)/charge included in the profit and loss

	2017 £ 000	2016 £ 000
Current taxation		
Corporation tax credit	(106)	(205)
Losses surrendered to fellow group undertakings for no consideration	106	205
Tax expense in the profit and loss account	-	-

The tax accrued on the loss for the year is higher than (2016 - higher 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	(261)	(669)
Corporation tax at standard rate	(50)	(134)
Corporation tax relief on the Company's share of a £4.6m (2016: £5.0m) payment made to the Wiggins Teape Pension Scheme and the Antalis Pension Scheme by a fellow group company.	(104)	(117)
Effect of expense not deductible in determining taxable loss	29	30
Effect of accelerated capital allowances and other short-term timing differences	19	16
Losses surrendered to fellow group undertakings for no consideration	106	205
Total tax charge/(credit)	-	-

12 Tax on loss (continued)

Factors that may affect future tax charges

The UK corporation rate was reduced from 20% to 19% on 1 April 2017. Changes to reduce the UK corporation tax rate to 17% from 1 April 2020 were substantially enacted on 6 September 2016.

As the change to 17% was substantially enacted at the balance sheet date the effects are included in these financial statements.

Unrecognised deferred tax asset

Deferred tax assets of £2,179,000 (2016: £2,162,000) on losses carried forward, depreciation in excess of tax allowances and short-term timing differences have not been recognised. Unrecognised deferred tax balances at 31 December 2017 have been calculated using a rate of 17% as this is the proposed rate for the period after 1 April 2020.

13 Intangible assets

	Trademarks, patents and licenses £ 000	Software £ 000	Total £ 000
Cost or valuation			
At 1 January 2017	48	33	81
At 31 December 2017	48	33	81
Accumulated amortisation			
At 1 January 2017	48	33	81
At 31 December 2017	48	33	81
Carrying amount			
At 31 December 2017	-	-	-
At 31 December 2016	-	-	-

The aggregate amount of research and development expenditure recognised as an expense during the year is £19,059 (2016 - £30,719).

14 Tangible assets

	Land and buildings £ 000	Plant and machinery £ 000	Assets in course of construction £ 000	Total £ 000
Cost or valuation				
At 1 January 2017	3,746	5,237	135	9,118
Additions	-	-	324	324
Transfers	53	356	(409)	-
At 31 December 2017	3,799	5,593	50	9,442
Accumulated depreciation				
At 1 January 2017	486	4,871	-	5,357
Charge for the year	33	101	-	134
At 31 December 2017	519	4,972	-	5,491
Carrying amount				
At 31 December 2017	3,280	621	50	3,951
At 31 December 2016	3,260	366	135	3,761

Included within the net book value of land and buildings above is £3,279,897 (2016 - £3,260,062) in respect of freehold land and buildings.

The land and buildings were valued at the date of transition to FRS 102 using the deemed cost exemption. The property was last revalued in 2013 by an independent valuer using market based evidence for similar properties sold in the local area, resulting in a revaluation of land and buildings by £1.5m.

15 Inventories

	2017 £ 000	2016 £ 000
Raw materials and consumables	503	508
Work in progress	446	474
Finished goods and goods for resale	389	421
	1,338	1,403

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

Inventories are stated after provisions for impairment of £49,000 (2016: £44,000).

16 Debtors

	2017 £ 000	2016 £ 000
Trade debtors	502	594
Amounts owed by group undertakings	634	535
Other debtors	537	272
Prepayments and accrued income	116	110
Financial assets at fair value	71	50
Total current trade and other debtors	1,860	1,561

Amounts owed by group undertakings are non-interest bearing trading balances of £589,000 (2016: £499,000) and loans of £1,000 (2016: £36,000). The loans are unsecured, interest bearing and are repayable on demand, they bear interest at the one month interbank offered rates plus a small margin.

Trade debtors are stated after provisions for impairment of £26,000 (2016: £28,000).

17 Cash at bank and in hand

	2017 £ 000	2016 £ 000
Cash on hand	2	5
Cash at bank	34	94
	36	99

18 Creditors: Amounts falling due within one year

	2017 £ 000	2016 £ 000
Due within one year		
Trade creditors	804	944
Amounts owed to group undertakings	13,847	13,045
Other creditors	62	63
Accruals and deferred income	614	506
Financial liabilities at fair value	6	153
	15,333	14,711

Amounts due to group undertakings comprise non-interest bearing trading balances of £450,000 (2016: £456,000) and loans of £13,397,000 (2016: £12,589,000) which are unsecured, interest bearing, do not have a fixed repayment date and are repayable on demand. The average interest rate for the year was 2.20% (2016: 1.73%).

19 Pension and other schemes

19.1 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 2017 and 2016 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 £392,069 (2016 - £390,241).

19 Pension and other schemes (continued)

19.2 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:

	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

20 Derivative financial instruments

At 31 December 2017, the Company had entered into forward currency contracts related to the purchase and sale of US Dollars amounting to the equivalent of approximately £862,000 (2016: £269,000). The unrealised exchange gain on these contracts at the balance sheet date was £65,000 (2016: £103,000).

At 31 December 2016 the Company had also entered into forward currency contracts related to the sale of Euros amounting to the equivalent of approximately £977,000. The unrealised exchange loss on these contracts was £153,000. There were no outstanding contracts in Euros at 31 December 2017.

21 Share capital

Allotted, called up and fully paid shares

	2017		2016	
	No. 000	**£ 000**	**No. 000**	**£ 000**
Ordinary shares of £1 each	6,000	6,000	6,000	6,000

22 Obligations under leases and hire purchase contracts

Operating leases
The total of future minimum lease payments is as follows:

	2017 £ 000	2016 £ 000
Not later than one year	100	52
Later than one year and not later than five years	208	43
	308	95

The amount of non-cancellable operating lease payments recognised as an expense during the year was £79,000 (2016 - £90,000).

23 Commitments

Other financial commitments

At 31 December 2016, the Company had entered into forward currency contracts related to the purchase and sale of foreign currencies amounting to the equivalent of approximately £862,000 (2016: £708,000). The net unrealised exchange gain on these contracts at the balance sheet date was £65,000 (2016: £103,000 loss).

24 Contingent liabilities

The Company had been subject to a legal court case brought by a former agent and associated parties in India following the termination of an agency agreement. The case has been settled in 2017 at no cost to the company.

25 Related party transactions

Summary of transactions with entities with joint control or significant interest
In the normal course of its business the Company trades with Antalis International SA and its subsidiaries, all of which were 100% owned by Antalis International SA ("the Antalis group of companies"). Antalis International SA was 75% owned by the Sequana group as at 31 December 2017 (31 December 2016: 100%).

During the year the Company sold £47,000 to Antalis group companies (2016: £177,000). At the year end £13,000 was outstanding and included in debtors (2016: £9,000). The amounts are not secured and are payable on normal commercial terms.

Purchases from the Antalis group of companies amounted to £67,000 in the year (2016: £46,000). At the year end £17,000 (2016: 24,000) was outstanding and included in creditors and are payable on normal commercial terms.

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

26 Parent and ultimate parent undertaking

The company's immediate parent is The Wiggins Teape Group Limited, incorporated in England.

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