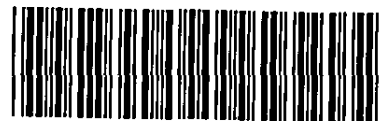


# Arjo Wiggins Appleton Limited

## Directors' report and financial statements for the period ended 18 May 2009

Registered Number 2454830

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Arjo Wiggins Appleton Limited

**Directors' report and financial statements  
for the period ended 18 May 2009**

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# Arjo Wiggins Appleton Limited

## Directors' report

The directors present their report and the audited financial statements for the period ended 18 May 2009

### Principal activities

The Company manages certain financial assets and, on behalf of its former subsidiary, Appleton Papers Inc, it manages a portion of the cleanup of the Lower Fox River in Wisconsin, USA as described in note 15 of the financial statements

### Business review and future developments

On 18 May 2009 the Company sold six of its subsidiaries to their fellow group company Sequana Capital UK Limited

On 18 May 2009 the Company was sold to TMW Investments (Luxembourg) S à r l

Both the level of activity and the period end financial position were satisfactory and the directors expect that the present level of activity will be sustained for the foreseeable future

The directors have taken the view that from 1 January 2009 the Company's functional currency was the US dollar. These accounts, therefore, have been prepared in US dollars

### Results and dividends

The Company's profit before dividends for the financial period is US\$3.3m (2008 US\$107.4m as restated in US\$). The audited profit and loss account for the period ended 18 May 2009 is set out on page 6

A dividend of US\$184.2m was paid on the ordinary shares for the period ended 18 May 2009 (2008 US\$616.5m)

### Directors

The directors holding office during the year, together with their dates of appointment or resignation, where applicable, were

	Date of appointment	Date of resignation
A Courteault		18 May 2009
P Martinet (chairman)		18 May 2009
C Mountford		14 May 2009
M J Newell		14 May 2009
C J Gower	18 May 2009	
B Tauscher	18 May 2009	
V Favier	23 March 2010	

# Arjo Wiggins Appleton Limited

## **Policy and practice on payment of creditors**

The Company's policy on supplier payments is to abide by payment terms whenever possible. The Company had no external trade creditors in 2009 (2008: nil).

## **Principal risks & uncertainties facing the Company**

The principal risk and uncertainty of the Company's results relies on the outcome and valuation of the liability which is described in notes 11 and 15 of the financial statements. Other risks are:

### **Interest rate risk**

The Company has both interest bearing assets and interest bearing liabilities. Group assets earn interest at local base rates and Group liabilities earn interest at local base rates plus a small margin.

### **Foreign exchange fluctuations**

The Company has current assets and liabilities denominated in overseas currencies (Euros and Sterling) and as such is exposed to foreign currency movements.

## **Statement of directors' responsibilities in respect of the Annual Report and 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 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 of 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,
- 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.

# Arjo Wiggins Appleton Limited

## Directors' declaration in relation to relevant audit information

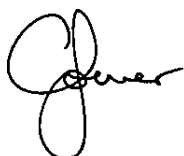
Having made enquiries of fellow Directors and of the Company's auditors, each of the Directors confirms that

- 1 To the best of his or her knowledge and belief, there is no relevant audit information of which the Company's auditors are unaware, and
- 2 he or she has taken all steps that a Director might reasonably be expected to have taken in order to make himself or herself aware of relevant audit information and to establish that the Company's auditors are aware of that information

## Auditors

PricewaterhouseCoopers LLP resigned in November 2009 and Baker Tilly UK Audit LLP was appointed as auditors on 27 November 2009. A resolution will be circulated to the sole shareholder with voting rights to confirm the reappointment of Baker Tilly LLP in accordance with Section 487(2)(a) of the Companies Act 2006. Subject to this resolution being passed, the appointment of Baker Tilly UK Audit LLP will be deemed to be continuous.

By order of the board



C Gower  
Director

26 June 2010

Registered Office  
Mitre House  
160 Aldersgate Street  
London  
EC1A 4DD

# Arjo Wiggins Appleton Limited

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARJO WIGGINS APPLETON LIMITED**

We have audited the financial statements on pages 6 to 17 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)

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed

### **Respective responsibilities of directors and auditors**

As more fully explained 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

### **Scope of the audit**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/UKNP](http://www.frc.org.uk/apb/scope/UKNP)

### **Opinion on the financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 18 May 2009 and of its profit for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

### **Emphasis of matter**

Without qualifying our opinion, we draw attention to note 15 to the financial statements which describes how the Company has indemnified a former subsidiary company, Appleton Papers Inc, for costs in connection with the costs of investigation, remediation of and associated costs related to alleged contamination of the Lower Fox River in Wisconsin, USA Quantification of this liability and its settlement date, together with the realisation of potential contingent insurance policy assets, involve significant judgements by the Company Whilst the Directors have carried out an assessment of the position at 18 May 2009, this matter continues to depend on the rulings of court cases and other agreements with relevant third parties in the future, the outcome of which are not certain at the date of these financial statements, nor are they necessarily under the control of the Company

# Arjo Wiggins Appleton Limited

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARJO WIGGINS APPLETON LIMITED (CONTINUED)

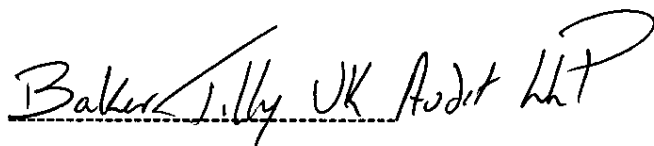
### Opinion on other matter prescribed by the Companies Act 2006

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

### 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

Baker Tilly UK Audit LLP

30 June 2010

ANTHONY SUMMERS (Senior Statutory Auditor)

For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor

Chartered Accountants

12 Gleneagles Court

Brighton Road

Crawley

West Sussex

RH10 6AD



# Arjo Wiggins Appleton Limited

## Profit and loss account

for the period ended 18 May 2009

		18.05.2009	2008 *(As restated)
Note		US\$ m	US\$ m
2	Net operating income	0.8	84.8
	<b>Operating profit</b>	<b>0.8</b>	<b>84.8</b>
	Income from investment in Group undertakings	0.3	-
	Gain arising on the reduction of capital by a subsidiary undertaking	3.0	-
4	Interest receivable and similar income	0.9	32.6
5	Interest payable and similar charges	-	(0.2)
	<b>Profit on ordinary activities before taxation</b>	<b>5.0</b>	<b>117.2</b>
6	Tax on profit on ordinary activities	(1.7)	(9.8)
13	<b>Profit for the financial period/year</b>	<b>3.3</b>	<b>107.4</b>

The profit for the period to 18 May 2009 and in 2008 on ordinary activities arose from continuing operations

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

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial period, stated above, and their historical cost equivalents

\*As restated – see note 1

# Arjo Wiggins Appleton Limited

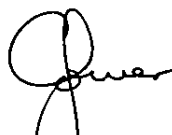
## Balance sheet

as at 18 May 2009

Note		18.05.2009 US\$ m	2008 *(As restated) US\$ m
	<b>Fixed assets</b>		
7	Investments in subsidiary undertakings	-	-
		-	-
	<b>Current assets</b>		
8	Debtors	13.0	208 0
9	Cash at bank and in hand	3.8	1 3
		16.8	209 3
10	Creditors: amounts falling due within one year	(1.3)	(13 0)
	<b>Net current assets</b>	15.5	196 3
	<b>Total assets less current liabilities</b>	15.5	196 3
11	Provisions for liabilities	(4.4)	(4 3)
	<b>Net assets</b>	11.1	192 0
	<b>Capital and reserves</b>		
12	Called up share capital	1.4	1 4
13	Profit and loss account	9.7	190 6
14	<b>Total shareholders' funds</b>	11.1	192 0

\*As restated – see note 1

The financial statements on pages 6 to 17 were approved by the board of directors on 25 June 2010 and were signed on its behalf by



C Gower

Director

# Arjo Wiggins Appleton Limited

## 1. Principal accounting policies

The financial statements have been prepared on the going concern basis, and in accordance with the Companies Act 1985 and accounting standards applicable in the United Kingdom. A summary of the principal accounting policies, which have been applied consistently, is set out below.

### Functional currency and restatement of comparative figures

From 1 January 2009, the directors consider the functional currency to be US dollars. As a result the financial statements for the period ended 18 May 2009 have been prepared in US dollars and the balance sheet Euro comparatives have been translated into US dollars. The Euro to US dollar exchange rate used at 18 May 2009 was 1.3518 and at 31 December 2008 was 1.3917.

At the same time, the directors have reclassified certain balance sheet items where previously they had been netted off. There is no impact on the profit and loss account as a result of this balance sheet reclassification.

### Consolidation

No consolidated accounts are submitted as the Company has taken advantage of the exemption to prepare consolidated financial statements under section 398 of the Companies Act 2006 as the group which it heads qualifies as a small group.

### 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, not covered by forward contracts, are retranslated into Euros at rates of exchange ruling at the end of the financial period. Differences between the translated trading transactions and subsequent cash settlements, or retranslated related balances, are taken to the profit and loss account.

### Pensions and other post retirement benefits

Some of the Company's directors were employees of the UK companies of the Arjo Wiggins group and are therefore members of The Wiggins Teape Pension Scheme, which covers substantially all of the UK employees of the companies within the former Arjo Wiggins Appleton Group. Whilst this is a defined benefit scheme, the Company is unable to identify its share of the underlying assets and liabilities of the scheme and the Company accounts for the scheme as a defined contribution scheme, as required by FRS 17 'Retirement benefits'. The common group contribution rate is based on pension costs across the participating companies of the former Arjo Wiggins Appleton group as a whole.

The Company also operates an unfunded defined benefit pension scheme for a small number of former employees of the Arjo Wiggins group. The net deficit or surplus is based on the present value of the defined benefit obligation at the balance sheet date. The actuarial cost charged to operating profit consists of current service cost, past service costs and gains or losses on settlements and curtailments.

### Investments

Investments in subsidiary undertakings and joint ventures are stated at cost, less any provision for impairment in value.

# Arjo Wiggins Appleton Limited

## 1. Principal accounting policies (continued)

### Provisions

Provisions are created where the group has a present obligation (legal or constructive) as a result of a past event, where it is probable that the obligation can be measured reliably. The amounts provided are based on the group's best estimate of the net present value of future cash flows.

### Taxation

Current tax is provided at amounts expected to be paid or recovered using tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

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 that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains or losses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is measured at average tax rates that are expected to apply in periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

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

### Insurance refunds

Insurance refunds are recognised upon receipt and included within operating profit.

## 2. Net operating income

	18.05.2009	2008
	US\$ m	As restated US\$ m
Staff costs (see note 3)	-	0.5
Credit in respect of adjustment to the Fox River provision (see note 11 and 15)	-	86.4
Credit in respect of the write back of the Fox River warranty provision (see note 11)	-	1.9
Indemnity received in respect of unfunded pension provision (note 11)	4.4	-
Other operating income	3.0	7.8
Foreign exchange losses	(6.2)	(9.2)
Other operating expenses	(0.4)	(2.6)
	<u>0.8</u>	<u>84.8</u>

# Arjo Wiggins Appleton Limited

## 2. Net operating income (continued)

Audit fees for the period were borne by Sequana. Other income includes, amongst other things, the proceeds received from insurance relating to the Fox River matter (see note 15)

## 3. Employee information

Employee numbers:	18.05.2009	2008
	Number	Number
Average number of persons employed by the Company (including directors)	4	5
		As restated
The employment costs were (in US\$m)	18.05.2009	2008
Wages and salaries	-	0.1
Social security costs	-	-
Other pension	-	(0.5)
	-	(0.4)

### Directors' emoluments:

None of the directors received emoluments for the period (2008 \$69,585)

Two directors who were also employees of the UK Arjo Wiggins group are members of the Wiggins Teape Pension Scheme defined benefit pension scheme (2008 three) (see note 11). No directors are members of defined contribution schemes (2008 nil)

## 4. Interest receivable and similar income

	18.05.2009	2008
	US\$ m	US\$ m
Interest receivable from Group undertakings	0.9	32.6
	0.9	32.6

Group undertakings include Sequana group companies. At 18 May 2009 the Company ceased to be part of the Sequana group.

## 5. Interest payable and similar charges

	18.05.2009	2008
	US\$ m	US\$ m
Interest payable to Group undertakings	-	0.2
	-	0.2

Group undertakings include Sequana group companies. At 18 May 2009 the Company ceased to be part of the Sequana group.

# Arjo Wiggins Appleton Limited

## 6. Tax on profit on ordinary activities

<b>(a) Analysis of charge in the period (in US\$m)</b>	<b>18.05.2009</b>	<b>2008</b> As restated
UK corporation tax charge		
UK Corporation tax charge at 28% (2008 28.5%)	-	9.5
Adjustment in respect of prior years	-	0.3
Current tax	-	9.8
Deferred tax		
- current year	-	-
- prior year adjustment	1.7	-
Total tax charge	1.7	9.8

<b>(b) Factors affecting tax charge for the period (in US\$m)</b>	<b>18.05.2009</b>	<b>2008</b> As restated
Profit on ordinary activities before taxation	5.0	117.2
Profit on ordinary activities multiplied by the current rate of UK Corporation tax of 28% (2008 28.5%)	1.4	33.4
Gain on subsidiary capital reduction not taxable	(0.8)	-
Impairment of investment in group undertakings and provision for liabilities not deductible for tax purposes	-	(25.2)
Income not taxable	(0.8)	(2.2)
Indemnity received not taxable	(1.2)	-
Expenses not deductible for tax purposes	0.1	0.7
Non taxable exchange losses/(gains) (principally on EC Fine and Fox River provisions)	-	2.8
Dividend received from subsidiary not taxable	(0.1)	-
Adjustment in respect of prior years	-	0.3
Tax losses carried forward	1.4	-
<b>Current tax</b>	-	9.8

# Arjo Wiggins Appleton Limited

## 7. Investments in subsidiary undertakings

	18.05.2009 US\$ m
<b>Cost</b>	
At 1 January 2009 (as restated)	579.5
Disposals	(316.1)
<b>At 18 May 2009</b>	<b>263.4</b>
<b>Provision for impairment</b>	
At 1 January 2009 (as restated)	(579.5)
Reversal of impairment on disposals	316.1
<b>At 18 May 2009</b>	<b>(263.4)</b>
<b>Net book values</b>	
<b>At 1 January 2009 and 18 May 2009</b>	<b>-</b>

The Company's principal direct and indirect subsidiary undertakings in 2009 are set out below

Name of undertaking and nature of business	Country of incorporation (or registration and operation)	Description of shares held	Proportion of nominal value of issued shares held
<b><u>Holding companies</u></b>			
Arjo Wiggins Appleton Holdings *†	UK	Ordinary shares	100%
Arjo Wiggins (Bermuda) Holdings Limited *	Bermuda	Class A Common shares	100%
<b><u>Investment companies</u></b>			
Arjo Wiggins Appleton (Bermuda) Limited	Bermuda	Class A Common shares	80%
		Class B Preference shares	99.99%
<b><u>Financing companies</u></b>			
AWA Finance *†	UK	Ordinary shares	100%

# Arjo Wiggins Appleton Limited

## 7. Investments in subsidiary undertakings (continued)

### Other

Arjo Wiggins Europe Holdings *†	UK	Ordinary shares	100%
Arjo Wiggins North America Investments *†	UK	Ordinary shares	100%
Arjo Wiggins US Holdings*†	UK	Ordinary shares	100%
Wiggins Teape Pensions Limited*†	UK	Ordinary Shares	100%
Lower Fox River Remediation LLC Φ	USA	Ordinary Shares	15%

\*Companies held directly

†Companies sold to Sequana Capital UK Limited on 18 May 2009

ΦLower Fox River Remediation LLC is considered a subsidiary by virtue of the 15% owned by the group and control over the 45% held by Appleton Papers Inc. The group through various agreements has control over Appleton Papers Inc's holding in Lower Fox River Remediation LLC

## 8. Debtors

	18.05.2009	2008 As restated
	US\$ m	US\$ m
Amounts falling due within one year		
Amounts owed by previous parent company	8.6	197.8
Amounts owed by other Sequana group companies	-	8.5
Unfunded pension indemnity received (see note 11)	4.4	-
Deferred tax debtor (see note 11)	-	1.7
	<b>13.0</b>	<b>208.0</b>

All inter-company balances in 2008 and 2009 with the Sequana group were repayable on demand, bearing interest based on, for Euro loans, the average EONIA rate for the month or, for Sterling loans, the Bank of England base rate. These ceased to be inter-group on 18 May 2009.

The unfunded pension scheme indemnity was received from Sequana to guarantee the unfunded pension liability of the Company (2009 US\$4.4m) to a maximum of £6.0m.

## 9. Cash at bank and in hand

Cash at bank and in hand includes \$1.1m (2008 \$1.1m) of restricted funds held by a third party to pay unpaid dividends dating back to when the company was a listed company.



# Arjo Wiggins Appleton Limited

## 10. Creditors: amounts falling due within one year

	18.05.2009	2008
	US\$ m	US\$ m
		As restated
Loans owed to Group undertakings	-	3 2
Amounts owed to Group undertakings	-	7 9
Other creditors	1.1	1 1
Other accruals and deferred income	0.2	0 8
	<u>1.3</u>	<u>13 0</u>

All inter-group balances with the Sequana group were unsecured, repayable on demand and bore interest based on the Bank of England Base Rate. The balances were repaid during the period.

## 11. Provisions for liabilities and charges

	Fox River provision	Unfunded pensions	Total
		As restated	As restated
	US\$ m	US\$ m	US\$ m
At 1 January 2009	-	4.3	4 3
Charge to profit and loss	-	-	-
Exchange loss	-	0 1	0 1
At 18 May 2009	<u>-</u>	<u>4.4</u>	<u>4.4</u>

### Fox River provision

The Fox River provision represents the anticipated excess discounted future expenditure on the project over the discounted available project insurance. More information in regard to the Fox River provision and why it is \$nil is provided in note 15.

### Deferred taxation

The recognised deferred tax asset of US\$1 7m at 31 December 2008 arising on unfunded pension scheme was released to the profit and loss account during the period to 18 May 2009 as a result of obtaining the unfunded pension indemnity from Sequana (see note 8).

# Arjo Wiggins Appleton Limited

## 11. Provisions for liabilities and charges (continued)

### Post-retirement benefits

#### (1) Unfunded pension provision held by the Company

This provision is an unfunded unapproved retirement benefit scheme providing defined benefits to members whose earnings exceed the Inland Revenue's earnings cap on pensionable salary. The Company charges the cost of the scheme each year, as advised by the Group's actuary, to the profit and loss account and holds these amounts as a provision in the balance sheet.

The provision has been actuarially assessed in accordance with FRS 17 at the balance sheet date. The main assumptions for this unfunded scheme are (i) discount rate 6.25% (2008 6.25%), (ii) inflation 2.75% (2008 2.75%), (iii) salary increases 3.75% (2008 3.75%).

On 18 May the Company was indemnified by Sequana, the former holding company, to cover up to £6m of future pension costs relating to the unfunded pension scheme.

#### (2) Wiggins Teape defined benefit scheme

From the execution of new agreements with the WTPS trustees on March 31, 2008, the Company ceased to participate and to be principal employer for WTPS. The Company is no longer party to any of the arrangements involving the WTPS and therefore no disclosure relating to the WTPS has been included in these financial statements.

### Warranty provisions – Fox River

The Company has historically provided warranties and indemnities following the disposal of subsidiary businesses, in particular the sale of Appleton Papers Inc. in 2001. Depending on the evolution of the risks as disclosed in note 15, this provision was written back in the year ending 31 December 2008.

## 12. Called up share capital

	18.05.2009	2008
		As restated
<b>Authorised share capital</b>	<b>US\$ m</b>	<b>US\$ m</b>
999,721 ordinary shares of €1 each / US\$ 1.3917 each	1.4	1.4
1 redeemable preference share of €1	-	-
	<u>1.4</u>	<u>1.4</u>
<b>Allotted, called up and fully paid</b>		<b>US\$m</b>
As at 31 December 2008 and 18 May 2009 999,721 ordinary shares of €1 each		1.4
1 redeemable preference share of €1		-
		<u>1.4</u>

# Arjo Wiggins Appleton Limited

## 12. Called up share capital (continued)

On 18 May 2009, the Company issued a single redeemable preferred share to Sequana (the Company's former parent) whereby Sequana is entitled to receive 80% of the profits of the company available for distribution (as defined in the articles of association) until Sequana has received a total of \$70 million and thereafter will receive 50% of profits available for distribution (as so defined). This special share also places certain restrictions on the operation and management of the company as set out in the Company's articles of association.

On a winding up, the holder of the redeemable preferred share shall be entitled, in priority to the ordinary shareholders, to receive an amount equal to the percentage rate applied to the profit of the company available for distribution applicable at that time. The holder of the redeemable preferred share is entitled to attend the Company's AGM but is not entitled to vote.

## 13. Reserves

	<b>Profit and loss account US\$ m</b>
At 1 January 2009 (as restated)	190.6
Profit for the financial period	3.3
Dividend paid	(184.2)
<b>At 18 May 2009</b>	<b>9.7</b>

## 14. Reconciliation of movements in equity shareholders' funds

	<b>18.05.2009</b>	<b>2008 As restated</b>
	<b>US\$ m</b>	<b>US\$ m</b>
Profit for the financial year	3.3	107.4
Dividend - interim paid	(184.2)	(616.5)
Opening shareholders' funds	192.0	701.1
<b>Closing shareholders' funds</b>	<b>11.1</b>	<b>192.0</b>

## 15. Contingent liabilities

The Company carries a contingent liability arising from the sale of Appleton Papers Inc ("API") in 2001. As a condition of the sale, the Company agreed to indemnify API against any liability it may incur in connection with the investigation and remediation of the alleged contamination of the Lower Fox River (the "LFR") in Wisconsin, USA with polychlorinated biphenyls. In return for this indemnity, API granted to the Company all API's interest in insurance and other recoveries relating to the LFR.

As a requirement of the sale and in order to secure the Company's indemnity obligation to API, the Company, through its indirectly-held subsidiary, Arjo Wiggins Appleton (Bermuda) Limited, purchased an insurance policy from an AIG company. This policy was intended to cover all of the Company's then expected indemnity exposure to API with a policy limit of \$250 million.

# Arjo Wiggins Appleton Limited

## **15. Contingent liabilities (continued)**

The Company, on behalf of API, pursued claims against API's historic insurers. Those insurers filed suit against API in January 2005 seeking a declaratory judgment that they were not obligated to provide API with coverage for the contamination of the LFR. The case was tried and API prevailed. During and after the case, the Company reached settlements with certain carriers on behalf of API. Settlement discussions continue with the remaining carriers whilst their appeal to the Wisconsin Court of Appeals is pending.

On 4 May 2009, the US Supreme Court delivered its decision in *Burlington Northern & Santa Fe Ry Co v United States*. In that case the Court considered three issues relevant to the Fox River matter: (i) arranger liability, (ii) divisibility of the harm, and (iii) joint and several liability. The Company believes that the Court's decision in *Burlington Northern* signifies that API has no arranger liability, that a reasonable basis for apportioning the harm on the LFR exists, and, therefore, that API is not jointly and severally liable for all the costs of remediating the LFR.

In light of the *Burlington Northern* decision and based on the Company's own scientific and technical investigation regarding the processes utilised at the facility now owned by API, the directors have determined that the Company has sufficient financial assets to meet its indemnity obligations to API on the basis that those obligations are limited. It is the view of the directors that it is reasonably likely that the Company, on behalf of API, has already paid more than the amount that API will ultimately be held legally obligated to pay. Accordingly, whilst the Company intends to continue to fund the ongoing cleanup work for the time being, resolution of API's share will be sought through appropriate avenues including the courts.

## **16. Cash flow statement**

The Company has taken advantage of the exemption in Financial Reporting Standard No. 1 (Revised) to not publish a cash flow statement on the grounds that the Company is small.

## **17. Related party transactions**

Under an exemption granted by FRS 8 'Related party disclosures', the Company, as a wholly-owned subsidiary of Sequana up until 18 May 2009 which publishes consolidated financial statements in which the Company is included, is not required to, and does not, disclose transactions with fellow Sequana Group undertakings.

## **18. Immediate and ultimate parent company**

As from 18 May 2009 the immediate and ultimate parent company of the Company is TMW Investments (Luxembourg) S à r l, a company registered in Luxembourg. Copies of the accounts of this company can be obtained from the Registre de Commerce et des Sociétés at [www.rcsl.lu](http://www.rcsl.lu).

