SCA PACKAGING BRITAIN LIMITED

(Registered Number 192236)

Directors' Report and Financial Statements

for the year ended 31 December 2000

INDEX

SCA PACKAGING BRITAIN LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2000.

RESULTS AND REVIEW OF ACTIVITIES

The Company has not traded since 28 February 1999.

DIVIDENDS AND TRANSFERS TO RESERVES

No interim dividend was paid during the year (1999: £nil). The directors do not recommend the payment of a final dividend (1999: £nil). As the Company has not traded there has been no transfer to reserves. In 1999 a loss of £8,257,000 was transferred to reserves.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were:

S G Haglund	
R L Holdron	(appointed 21 January 2000, resigned 15 January 2001)
C J Williams	
M G Schmidt	(resigned 21 January 2000)
A D Thorne	(resigned 1 October 2000)
D R Stead	(appointed 15 January 2001)
J D Williams	(appointed 15 January 2001)

None of the directors who held office at the year end had any interest in the shares or debentures of the Company or any of its holding companies incorporated in Great Britain.

No directors had, at any time during the year, any material interest in a contract with the Company.

INSURANCE EFFECTED FOR OFFICERS

During the year the Company maintained insurance for directors and other officers against liabilities in relation to the Company.

AUDITORS

A resolution to reappoint PricewaterhouseCoopers as auditors will be proposed at the Annual General Meeting.

CHARITABLE AND POLITICAL DONATIONS

The donations made by the Company during the year for charitable purposes amounted to £nil (1999: £16,000). No donations were made for political purposes.

LAYING OF ACCOUNTS

In accordance with Section 252 (1) of the Companies Act 1985 the Company has elected not to lay its report and accounts before the members in the general meeting.

By order of the Board

A J Staples
Secretary

4 December 2001

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year that 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 year. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently as explained on pages 9 and 10 under Note 1 "Principal Accounting Policies". They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2000 and that applicable accounting standards have been followed.

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.

A J Staples
Company Secretary

14 December 2001

AUDITORS' REPORT TO THE MEMBERS OF SCA PACKAGING BRITAIN LIMITED

We have audited the financial statements on pages 6 to 14.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 4, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards 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 judgements 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 December 2000 and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Maidstone

5 December 2001

SCA PACKAGING BRITAIN LIMITED

Profit and loss account for the year ended 31 December 2000

	Note	2000 £000	1999 £000
Turnover	2	-	23,442
Cost of sales		-	(10,967)
Gross profit		-	12,475
Net operating expenses		-	(8,723)
Operating profit	3	-	3,752
Provision against fixed asset investments	7	-	(10,180)
Interest receivable	5	-	419
Interest payable	5	-	(390)
Loss on ordinary activities before taxation		-	(6,399)
Taxation	6	-	(1,858)
Loss for the year		-	(8,257)

All the Company's operations were discontinued on 28 February1999.

The Company has no recognised gains and losses other than the results above and therefore no separate statement of total recognised gains and losses has been presented.

SCA PACKAGING BRITAIN LIMITED

Note of historical cost profits and losses

	2000 £000	1999 £000
Reported loss on ordinary activities before taxation	-	(6,399)
Realisation of property revaluation gains of previous years	-	4,122
Historical cost loss on ordinary activities before taxation	-	(2,277)
Historical cost loss for the year after taxation	-	(4,135)

SCA PACKAGING BRITAIN LIMITED

Balance sheet - 31 December 2000

	Note	2000 £000	1999 £000
FIXED ASSETS			
Investments	7	**26,473**	26,473
		26,473	26,473
CURRENT ASSETS			
Debtors: amounts falling due after more than one year	8	**112,617**	112,617
NET CURRENT ASSETS		**112,617**	112,617
NET ASSETS		**139,090**	139,090
CAPITAL AND RESERVES			
Called up share capital	9	**8,833**	8,833
Share premium account	10	**121,146**	121,146
Profit and loss account	10	**9,111**	9,111
EQUITY SHAREHOLDERS' FUNDS	11	**139,090**	139,090

The financial statements on pages 6 to 14 were approved by the Board of Directors on 4 December 2001 and signed on its behalf by:

D R Stead (director)

Notes to the financial statements - 31 December 2000

1. Principal Accounting Policies

a) **Accounting convention**

The financial statements have been prepared in accordance with applicable Accounting Standards and under the historical cost convention as modified by the revaluation of certain fixed assets. A summary of the principal accounting policies, all of which have been applied consistently, is set out below.

b) **Depreciation**

Depreciation is calculated so as to write off the cost or valuation of tangible fixed assets on a straight-line basis over their estimated useful economic life. Freehold buildings and leasehold land and buildings are depreciated over their estimated future useful lives or, if shorter, the period of the lease. Estimated useful economic lives for buildings range up to 50 years. The depreciation rates for plant and machinery are from 5% to 33%. Freehold land is not depreciated. Assets in the course of construction or development are not depreciated.

c) **Government grants**

Grants received from 1 January 1991, where material, have been included in the balance sheet as deferred income, which is then credited to the profit and loss account over the related asset's useful life. Grants received prior to that date have been credited against the cost of the asset to which they relate.

d) **Leased assets**

Where assets are financed by leasing arrangements which give risks and rewards approximating to ownership ("finance leases") they are treated as if they have been purchased outright on credit. They are therefore initially recorded as a fixed asset and a liability at a sum equal to the fair value of the asset. Leasing payments on such assets are regarded as consisting of a capital element which reduces the outstanding liability and an interest charge. This interest charge in the profit and loss account is made on a straight-line basis, reflecting the nature of the contracts. All other leases are regarded as operating leases and the total payments made under them are charged to the profit and loss account as incurred.

e) **Foreign currencies**

Assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the balance sheet date. Exchange differences arising on transactions are dealt with in the profit and loss account.

f) **Stocks and work in progress**

Stocks and work in progress are stated at the lower of cost and net realisable value. In general, cost is determined on a first-in-first-out basis; in the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal level of activity.

Notes to the financial statements - 31 December 2000 - continued

1. Principal Accounting Policies continued

g) **Turnover**

Turnover represents the invoiced value of goods and services supplied by the Company exclusive of Value Added Tax, sales between divisions and trade discounts.

h) **Taxation**

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and for accounting purposes. Account is taken of the effect of timing differences between the accounting and tax treatment of certain items of revenue and expense to the extent that it is probable that a liability will arise or that an asset will be realised in the foreseeable future.

j) **Pensions**

During the period for which the Company continued to trade, the majority of employees belonged to employee benefit plans of the Company's former ultimate holding company, Rexam plc. These were defined benefit schemes and the charge in these accounts represents contributions paid to the schemes. The charge does not take full account of the actuarial surplus disclosed by the last actuarial valuation, which was carried out in April 1997, and details of which are disclosed in the Annual Report and Accounts of Rexam plc.

On 1 November 1999, after the transfer of the Company's trade to SCA Packaging Ltd, the majority of employees exercised their option to join schemes run by the SCA group in the UK. Full details of these schemes are given in the accounts of SCA UK Holdings Limited.

k) **Cashflow statements**

As the SCA Group controls in excess of 90% of the voting rights of the Company, and the consolidated financial statements in which the Company's results are included are publicly available, the Company is exempt from preparing a cashflow statement under the provision of FRS1 (Revised).

2. Turnover

The geographical analysis of the Company's turnover by destination is as follows:

	2000	1999
	£000	£000
United Kingdom	-	22,416
Europe (excluding the UK)	-	969
Rest of the World	-	57
	-	23,442

All turnover originated in the United Kingdom.

Notes to the financial statements - 31 December 2000 - continued

3. Operating profit

	2000 £000	1999 £000
Operating profit is stated after charging/(crediting):		
Depreciation	-	931
Hire of plant and machinery	-	69
Other operating lease rentals	-	70
Diminution in value of fixed assets	-	1,870
Profit on disposal of fixed assets	-	(9)
Auditors' remuneration: Audit fees	-	7

4. Directors and employees

a) Average number of employees

	2000	1999
The average number of persons employed by the Company during the year was:	-	264

	2000 £000	1999 £000
Staff costs for the above persons:		
Wages and salaries	-	5,011
Social security costs	-	422
Other pension costs	-	393
	-	5,826

b) Directors' emoluments

The emoluments of directors are paid by other group companies. Their services are deemed to be wholly attributable to other group companies, and accordingly, these financial statements include no emoluments in respect of them (1999: £nil).

5. Interest

	2000 £000	1999 £000
Interest receivable and similar income		
Group companies	-	282
External	-	137
	-	419

Notes to the financial statements - 31 December 2000 - continued

5. Interest - continued

	2000 £000	1999 £000
Interest payable and similar charges		
Borrowings wholly repayable within five years:		
- not by instalments on bank loans and overdrafts		
Group companies	-	346
External	-	10
	-	356
Borrowings not repayable within five years:		
External	-	34
Total interest payable and similar charges	-	390

6. Tax on profit on ordinary activities

	2000 £000	1999 £000
United Kingdom corporation tax @ 30 %	-	1,900
Adjustment in respect of prior years	-	(42)
	-	1,858

7. Investments

	£000
Cost	
At 1 January 2000 and 31 December 2000	36,653
Provision	
At 1 January 2000 and 31 December 2000	(10,180)
Net book value	
At 1 January 2000 and 31 December 2000	26,473

7. Investments - continued

The Company holds the entire ordinary share capital of the following companies:

SCA Packaging Cartons & Print North Limited
SCA Packaging Cartons & Print South Limited
SCA Packaging Cartons & Print Scotland Limited
SCA Packaging Heavy Duty Limited
SCA Packaging John Horn Limited (registered in Scotland)
SCA Packaging North East Limited
SCA Packaging North West Limited
SCA Packaging Scotland Limited
SCA Packaging South East Limited
SCA Packaging South West Limited
SCA Packaging CPS Limited (registered in Scotland)
SCA Packaging CPN Limited
SCA Packaging Kirby Cartons Limited
SCA Packaging Tritek Cardboard Packaging Limited

All subsidiaries except SCA Packaging Cartons and Print North Limited and SCA Packaging Cartons and Print Scotland Limited are dormant and, except where indicated, are registered in England and Wales.

In the opinion of the directors the aggregate value of the assets consisting of shares in or amounts owing from subsidiary undertakings is not less than the aggregate of the amounts at which those assets are stated or included in the Company's balance sheet.

8. Debtors

	2000	1999
	£000	£000
Amounts owed by group undertakings:		
Parent company and fellow subsidiary undertakings	**112,617**	112,617

9. Share capital

	2000	1999
	£000	£000
Authorised:		
10,000,000 Ordinary shares of £1 each	**10,000**	10,000
Allotted, called up and fully paid:		
8,833,000 Ordinary shares of £1 each	**8,833**	8,833

Notes to the financial statements - 31 December 2000 - continued

10. Reserves

	Share premium £000	Profit and loss £000
At I January and 31 December 2000	121,146	9,111

11. Reconciliation of movements in shareholders' funds

	2000 £000	1999 £000
Shareholders' funds as at 1 January 2000	**139,090**	147,347
Loss for the financial year	-	(8,257)
Shareholders' funds as at 31 December 2000	**139,090**	139,390

12. Contingent liabilities

The UK Group of Companies, of which this Company is a member, has given joint and several guarantees to its principal clearing banker in respect of banking facilities. At 31 December 2000 the total facilities offered were £30m but the actual pooled balance was a net deposit balance with its principal clearing banker of £773,870 (1999: net deposit of £374,679).

13. Related party transactions

As the Company is a 100% subsidiary of SCA Holding Limited whose results are included in the consolidated results of Svenska Cellulosa Aktiebolaget, the Company has taken advantage of the exemption from disclosing transactions with Group undertakings as permitted by FRS 8.

There are no other related party transactions.

14. Ultimate holding company and controlling party

The Company is a subsidiary of SCA UK Holdings Limited, a company registered in England.

The Company's ultimate holding company and controlling party is Svenska Cellulosa Aktiebolaget, SCA, a company incorporated in Sweden. Copies of the accounts may be obtained from the Company Secretary, SCA Packaging UK Central Office, Papyrus Way, Larkfield, Aylesford, Kent, ME20 7TW.