

Essity Holding UK Limited
Annual report and financial statements
for the year ended 31 December 2019

Registered number: 03665635

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Essity Holding UK Limited

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Essity Holding UK Limited

Directors and advisers

Directors

PA Bailey

DPR Minney

KJ Starr

Company secretary

P A Bailey

Registered office

Southfields Road

Dunstable

Bedfordshire

LU6 3EJ

Independent auditors

Ernst & Young LLP

Chartered Accountants and Statutory Auditors

400 Capability Green

Luton

LU1 3LU

Solicitors

Reynolds Porter Chamberlain

Chichester House

278/282 High Holborn

London

WC17 7HA

Bankers

BNP Paribas

10 Harewood Avenue

London

NW1 6AA

Registered number

03665635

Essity Holding UK Limited

Strategic report for the year ended 31 December 2019

Result and dividends

The results for the company show a loss on ordinary activities before taxation of £13,304,000 (2018: profit of £188,017,000) for the year.

Dividends of £nil (2018: £200,600,000) were received from subsidiaries in the year.

The directors do not propose the payment of a final dividend (2018: £nil).

At the year-end the company has net assets of 241,647,000 (2018: £253,239,000).

Review of business and future developments

The principal activity is that of a holding company. The external commercial environment in all business areas of the company's subsidiaries remained competitive during 2019 and this is expected to continue during 2020. However the directors are confident that the business outlook is positive.

The global economy in 2020 was significantly impacted by the pandemic outbreak of Coronavirus (COVID-19), which started in China and quickly spread over Europe and the United States. The economic impact of COVID-19 has been severe and has impacted the global economy in 2020, it is uncertain as to the future potential for a global recession as local economies recover or are impacted by a second wave of the virus.

As a holding company, there is little impact on the financial statements or the future prospects of the company. The Group has performed well during the pandemic due to the essential nature of the products supplied and has adequate financial resources to continue as a going concern for at least 12 months from the date these financial statements are signed.

For the Group, the Senior management team are managing the risks associated with the COVID-19 virus. The team continue to have regular updates to incorporate new guidance from government and Public Health England (PHE). The team is involved in decision making which impacts on employees, operations and interaction with all stakeholders with the primary aim of maintaining safe operations and protection for employees as advised by PHE.

Key performance indicators ("KPIs")

Given the straight forward nature of the business, the company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

Principal risks and uncertainties

The company is a holding company for a number of trading subsidiaries. As such, the principal risks and uncertainties facing each of these companies are disclosed in their own financial statements. The company's principal risks are considered to be the financial risks noted below.

Essity Holding UK Limited

Strategic report for the year ended 31 December 2019 (continued)

Financial risk management

The company's operations expose it to two principal financial risks: namely the effects of changes in liquidity risk and of changes in interest rate risk.

Where applicable, the company follows the Essity Group monetary policy. The company's financial risk management is centralised to capitalise on economies of scale and synergy effects and to minimise operational risks.

Liquidity risk

The company actively manages its liquidity risk by short-term debt finance with the Essity Group Treasury, supported by external borrowings where appropriate, that is designed to ensure the company has sufficient available funds for operations and planned expansions.

Interest rate risk

The company has both interest bearing assets and interest bearing liabilities. The Essity Group Treasury function is responsible for identifying and managing interest rate exposure.

Statement by the directors in performance of their statutory duties in accordance with Section 172(1) Companies Act 2006

The directors consider that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so having regard to the matters set out in section 172 (1) (a) to (f) below.

The company is part of the Essity group and as such, the directors of the company benefit from and contribute to Essity's global vision, Beliefs and Behaviours and Code of Conduct and apply these in promoting the success of the company. The company is the immediate parent company of Essity's trading companies within the UK, with policies and procedures being followed by all group companies.

The likely consequences of any decision in the long term

Essity's vision is "Dedicated to improving well-being through leading hygiene and health solutions". Using a sustainable business model and a focus on profitable growth, Essity strives to achieve group targets relating to organic sales growth, profitability and sustainability and to generate long-term value creation. The directors, through operational business units, ensure strategic decisions are taken with Essity's vision and targets in focus.

Essity Holding UK Limited

Strategic report for the year ended 31 December 2019 (continued)

Statement by the directors in performance of their statutory duties in accordance with Section 172(1) Companies Act 2006 (continued)

The interests of the company's employees

The company aims to provide an open, healthy and respectful workplace based on fair and responsible principles. With regards to safety, the company has a vision for zero accidents. The directors promote personal responsibility for health and safety, and ensure managers promote a safety culture that is embedded throughout the company.

We place value on having a diverse workforce and our aspiration is to help every employee reach their full potential.

The company's policy is to consult and discuss with employees, through unions, works councils and at meetings, to raise common awareness on the part of all employees of the financial and economic factors affecting the company's performance and to enable employees to raise views.

Information on matters of concern to employees is given through information bulletins, briefings and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

The company's policy is not to discriminate on grounds of sex, age, national origin, disability or sexual orientation in any aspect of the employment relationship, including recruitment, training, career development, or other employment benefits.

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultations with employees or their representatives have continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the company as a whole. Communication with all employees continues with works councils and the in-house intranet.

The need to foster the company's business relationships with suppliers, customers and others

Essity's Code of Conduct leads all employees to behave in a manner which will foster professional and constructive relationships with suppliers, customers and other stakeholders.

The company's products improve everyday life through Essity innovation and marketing teams developing solutions based on a unique insight into the needs, challenges and expectations of our customers and consumers. We break barriers through bold marketing of sensitive products.

Essity Holding UK Limited

Strategic report for the year ended 31 December 2019 (continued)

Statement by the directors in performance of their statutory duties in accordance with Section 172(1) Companies Act 2006 (continued)

The impact of the company's operations on the community and the environment

The company engages with local communities through charitable donations and encouraging employees to generate opportunities to involve each site in its local community.

The company actively contributes towards Essity's targets to reduce resource consumption, reduce water usage and for responsible sourcing.

The desirability of the company maintaining a reputation for high standards of business conduct

The company aims to conduct all its business fairly and build relationships based upon honesty and integrity. Employees receive training in Essity's Code of Conduct to ensure high standards of business conduct.

The need to act fairly as between members of the company

The company is ultimately a 100% subsidiary of its ultimate parent company and controlling party, Essity Aktiebolag (publ), a company incorporated in Sweden. The directors regard to promote the success of the company is held as part of the overall strategy of the Essity group.

By order of the Board



Paul Bailey
Company Secretary
17 September 2020

Essity Holding UK Limited

Directors' report for the year ended 31 December 2019

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2019.

Principal activities

The principal activity of the company is to act as a holding company for subsidiaries that are engaged in the manufacture and sale of paper and disposable hygiene products. The Company also employs the GBS HR function which provides all transactional HR services for the Group.

Future developments

See the Strategic report on page 2 for information on future developments.

Dividends

See the Strategic report on page 2 for information on dividends.

Financial risk management

See the Strategic report on page 2 for information on financial risk management.

Directors

The directors who served during the year and up to the date of signing of the financial statements were:

PA Bailey
DPR Minney
KJ Starr

Going concern

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent company Essity Aktiebolag (publ).

The directors have received confirmation that Essity Aktiebolag (publ) intend to support the company for at least one year after these financial statements are signed.

As detailed in the strategic report, since the year end the global economy has been impacted by the COVID-19 pandemic. As this company is dependent on the support of the parent company, the directors have given due consideration to the ability of the parent company to provide the required support. As a Group, Essity Aktiebolag (publ) sells a range of products which are essential in nature and, although the product mix has changed driven by the pandemic, the group is in a strong financial position and well placed to be able to provide support to the company, if required.

Independent auditors

In accordance with s485 of the Companies Act 2006, a resolution has been proposed at the Annual General Meeting for reappointment of Ernst & Young LLP as auditors of the Company.

Essity Holding UK Limited

Directors' report for the year ended 31 December 2019 (continued)

Statement on disclosure of information to auditors

So far as each director is aware, there is no relevant audit information of which the company's auditors are unaware.

Each director has taken all the steps that ought to have been taken in their duty as directors 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

The directors are responsible for preparing the Strategic report, Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the board



Paul Bailey

Director

17 September 2020

Independent auditor's report to the members of Essity Holding UK Limited

Opinion

We have audited the financial statements of Essity Holding UK Limited (Formerly SCA UK Holdings Limited) for the year ended 31 December 2019 which comprise the Income Statement, the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes 1 to 17 including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Disclosures in relation to the impact of COVID-19

We draw attention to the Note of Accounting Policies (Basis of Preparation) and Note 17 (Post Balance Sheet Events) of the financial statements, which describe the financial and operational consequences the company is facing as a result of COVID-19 which is impacting the company. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- 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.

Independent auditor's report to the members of Essity Holding UK Limited (continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Independent auditor's report to the members of Essity Holding UK Limited (continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

Auditor's 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 auditor's 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 Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.



Chris Nobbs (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Luton
17 September 2020

Essity Holding UK Limited

Income statement for the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Turnover from continuing activities		531	582
Administrative expenses		(616)	(558)
Operating (Loss)/Profit on continuing activities	1	(85)	24
Income from subsidiaries		-	200,600
Interest payable and similar charges	2	(13,220)	(12,598)
Other finance income/(expense)	13	1	(9)
(Loss)/profit on ordinary activities before taxation		(13,304)	188,017
Tax on loss/profit on ordinary activities	5	1,603	2,556
(Loss)/profit for the financial year		(11,701)	190,573

Essity Holding UK Limited

Statement of comprehensive income for the year ended 31 December 2019

		2019	2018
	Note	£'000	£'000
(Loss)/profit for the financial year		(11,701)	190,573
Actuarial gains on pension scheme	13	131	359
Movement on deferred tax relating to pension scheme	8	(22)	(61)
Other comprehensive income for the year		109	298
Total comprehensive (expense)/income for the year		(11,592)	190,871

Essity Holding UK Limited

Statement of financial position as at 31 December 2019

	Note	2019 £'000	2018 £'000
Fixed assets			
Investments	6	767,357	767,357
Current assets			
Debtors	7	152,100	153,443
Creditors: amounts falling due within one year	9	(677,284)	(666,832)
Net current liabilities		(525,184)	(513,389)
Total assets less current liabilities		242,173	253,968
Provisions for liabilities	10	(680)	(751)
Net assets excluding pension liabilities		241,493	253,217
Pension surplus	13	154	22
Net assets		241,647	253,239
Capital and reserves			
Called up share capital	14	50,657	50,657
Profit and loss account		190,990	202,582
Total shareholders' funds		241,647	253,239

The financial statements on pages 11 to 29 were approved by the board of directors 17 September 2020 and were signed on its behalf by:



Paul Bailey
Director

Registered number: 03665635

Essity Holding UK Limited

Statement of changes in equity for the year ended 31 December 2019

	Ordinary share capital	Profit and loss account	Total Equity
	£'000	£'000	£'000
As at 1 January 2018	50,657	11,711	62,368
Profit for the year	-	190,573	190,573
Other comprehensive expense (Total as per SOCIE)	-	298	298
As at 31 December 2018	50,657	202,582	253,239
As at 1 January 2019	50,657	202,582	253,239
Loss for the financial year	-	(11,701)	(11,701)
Other comprehensive expense (Total as per SOCIE)	-	109	109
As at 31 December 2019	50,657	190,990	241,647

Essity Holding UK Limited

Statement of accounting policies

General information

The principal activity of the company is to act as a holding company for subsidiaries that are engaged in the manufacture and sale of paper and disposable hygiene products. The Company also employs the GBS HR function which provides all transactional HR services for the Group. The company is a private company incorporated in the United Kingdom. Its registered address is Southfields Road, Dunstable, Bedfordshire, LU6 3EJ.

Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 101 “Reduced Disclosure Framework” (“FRS101”) and the Companies Act 2006.

The financial statements are prepared in sterling which is also the functional currency.

The accounting policies set out below have been consistently applied to all the years presented unless otherwise stated. They have been prepared under the historical cost convention, and on a going concern basis.

Consolidated financial statements have not been prepared by the Company as it is entitled to the exemption under section 400 of the Companies Act 2006, by virtue of being included in the consolidated financial statements of Essity Group Holding BV. These financial statements present information about the company as an individual undertaking and not about its group.

The preparation of financial statements in conformity with FRS 101 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 below.

Critical accounting estimates and judgements

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.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Management do not consider there to be any critical judgements or estimates which have a significant impact on the financial statements of the company.

Exemptions

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 7, ‘Financial Instruments: Disclosures’
- Paragraphs 91 to 99 of IFRS 13, ‘Fair value measurement’ (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- Paragraph 38 of IAS 1, ‘Presentation of financial statements’ comparative information requirements in respect of paragraph 79(a)(iv) of IAS 1;

Essity Holding UK Limited

Statement of accounting policies (continued)

- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - o 10(d), (statement of cash flows)
 - o 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements)
 - o 16 (statement of compliance with all IFRS)
 - o 38A (requirement for minimum of two primary statements, including cash flow statements)
 - o 38B-D (additional comparative information)
 - o 40A-D (requirements for a third statement of financial position)
 - o 111 (cash flow statement information)
 - o 134-136 (capital management disclosures)
- IAS 7, 'Statement of cash flows'
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

Fixed asset investments

Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Company makes an estimate of the assets recoverable amount in order to determine the extent of the impairment loss. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of asset. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and written down to its recoverable amount. Impairment losses are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

Debtors

Trade debtors are recognised and carried at the lower of their original invoiced value and recoverable amount. Provision for impairment is made through profit and loss when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Essity Holding UK Limited

Statement of accounting policies (continued)

Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Short term creditors are measured at the transaction price. Other financial liabilities, including intercompany liabilities, are initially measured at the fair value of consideration received less any directly attributable costs, and are subsequently measured at amortised cost using the effective interest method

Cash at bank and in hand

Cash and short term deposits in the balance sheet comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events 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.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

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

Foreign currencies

Monetary assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. Transactions in foreign currency are converted to sterling at the rate ruling at the date of the transaction. All differences on exchange are taken to the profit and loss account.

Provisions

Provisions are recognised when the company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Going concern

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent company Essity Aktiebolag (publ).

The directors have received confirmation that Essity Aktiebolag (publ) intend to support the company for at least one year after these financial statements are signed.

As detailed in the strategic report, since the year end the global economy has been impacted by the COVID-19 pandemic. As this company is dependent on the support of the parent company, the directors have given due consideration to the ability of the parent company to provide the required support. As a Group, Essity Aktiebolag (publ) sells a range of products which are essential in nature and, although the product mix has changed driven by the pandemic, the group is in a strong financial position and well placed to be able to provide support to the company, if required.

Essity Holding UK Limited

Notes to the financial statements for the year ended 31 December 2019

1 Operating loss

Auditors' remuneration has been met on behalf of the company by Essity UK Limited. Services provided by the company's auditors: Fees payable for the audit of £5,000 (2018: £5,000).

2 Interest payable and similar charges

	2019	2018
	£'000	£'000
On amounts owed to group undertakings	13,220	12,598

3 Directors' emoluments

The directors received £nil remuneration from the company during the year (2018: £nil). The directors were remunerated by fellow group companies in the year. No allocation of the directors' emoluments has been made as the directors provide minimal services to the non-trading entities in the group. The directors did not receive any emoluments in respect of their services to the company.

Essity Holding UK Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

4 Employee information

The average monthly number of persons (including executive directors) employed by the company during the year was:

	2019 Number	2018 Number
By activity		
Administration	11	9

	2019 £'000	2018 £'000
Staff costs (for the above persons):		
Wages and salaries	368	402
Social security costs	40	36
Other pension costs	36	54
	444	492

The payroll expenses with regards to the above employees are recharged to other group entities.

Essity Holding UK Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

5 Tax on loss on ordinary activities

Tax credit included in the income statement	2019	2018
	£'000	£'000
Current tax:		
United Kingdom corporation tax on loss for the year		
- Current tax credit on loss	(2,422)	(2,751)
- Adjustments in respect of prior year	214	192
Total current tax credit	(2,208)	(2,559)
Deferred tax:		
- Origination and reversal of timing differences	245	232
- Rate change	(26)	(24)
- Adjustments in respect of prior year	386	(205)
Total deferred tax expense (note 8)	605	3
Tax on loss on ordinary activities	(1,603)	(2,556)

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 19% (2018: 19%).
The actual tax credit for the year is lower (2018: lower) than the standard rate for the reasons set out in the following reconciliation:

	2019	2018
	£'000	£'000
Loss on ordinary activities before tax	(13,304)	188,017
Loss on ordinary activities multiplied by the standard rate of Corporation Tax 19% (2017: 19.25%)	(2,528)	35,723
Effects of:		
- Adjustment in respect of prior years	600	(13)
- Expenses not deductible for tax	351	106
- Impact of change in main rate of Corporation Tax	(26)	(24)
- Income not taxable in determining taxable loss	-	(38,348)
Tax credit	(1,603)	(2,556)

The Finance Act 2016, which was enacted on 15 September 2016 included legislation to reduce the main rate of Corporation Tax from 19% to 17% from 1 April 2020. Consequently deferred tax has been recognised at a rate of 17%.

Essity Holding UK Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

6 Investments

	Shares in subsidiary undertakings £'000	Loans £'000	Total £'000
Cost			
At 1 January 2019 and 31 December 2019	2,541,300	600	2,541,900
Impairment provision			
At 1 January 2019 and 31 December 2019	1,774,543	-	1,774,543
Net book value			
At 31 December 2019	766,757	600	767,357
At 31 December 2018	766,757	600	767,357

Loans to subsidiaries comprise interest-free loans of £600,000 (2018: £600,000) with no fixed date of repayment.

In the opinion of the directors, the recoverable amount of each of the company's interests in subsidiary undertakings is not less than the amount at which that investment is stated or included in the company's balance sheet.

The company owns 100% interests (except where indicated) in the following companies; all companies are registered in England and Wales (except where indicated):

Name of the company	Activity (where not dormant)	Class of shares and proportion held	Country of incorporation or registration where not England and Wales
Essity Operations Manchester Limited	Disposable hygiene products	Ordinary	England
Essity Operations Limited		Ordinary	England
SCA Hygiene Products (Fluff) Limited		Ordinary	England
Essity UK Limited	Disposable hygiene products	Ordinary	England
and its subsidiary:			
SCA Hygiene Products (NI) Limited		Ordinary	England

The registered addresses of the above companies, excluding those which are dissolved, are the same as the registered address for Essity Holding UK Limited which is disclosed in the director's report.

Essity Holding UK Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

7 Debtors

	2019 £'000	2018 £'000
Trade Debtors	1	1
Amounts owed by group undertakings:		
- Subsidiary undertakings	147,037	146,894
- Other group undertakings	-	3
Other Debtors	19	19
Corporation tax – group relief receivable	4,950	5,810
Other taxation and social security	3	-
Prepayments and accrued income	1	-
Deferred tax asset (note 8)	89	716
	152,100	153,443

The amounts owed by group undertakings of £147,037,000 (2018: £146,897,000) are all unsecured, interest free and have no fixed date of repayment.

Essity Holding UK Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

8 Deferred tax

	2019	2018
	£'000	£'000
Deferred tax asset	89	716

The deferred tax asset at the year-end comprises amounts provided in respect of:

	Accelerated capital allowances £'000	Other £'000	Total £'000
As at 1 January 2019	-	716	716
Charged to the income statement	-	(605)	(605)
Charged to the statement of comprehensive income	-	(22)	(22)
As at 31 December 2019	-	89	89

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Notes to the financial statements for the year ended 31 December 2019 (continued)

9 Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Amounts owed to group undertakings:		
- Parent undertaking	4,001	4,000
- Subsidiary undertakings	6	6
- Other group undertakings	673,236	662,817
Accruals	41	9
	677,284	666,832

Included in amounts owed to other group undertakings are:

A loan from Essity Treasury AB of £166,259,000 (2018: £162,965,000) on which interest is payable at a fixed rate of 1.78% (2018: 2.02%) and accrued interest on this balance of £632,000 (2018: £722,000). The loan matured on 14 April 2020 and was rolled forward to 14 October 2020.

A balance due to Essity Treasury AB of £506,304,000 (2018: £499,122,000) on which interest is payable at the 6 month GBP LIBOR rate plus 1.1%.

Amounts owed to subsidiary undertakings of £6,000 (2018: £102,034,000), and due to the parent undertaking of £4,001,000 (2018: £4,000,000) are not interest bearing.

10 Provisions for liabilities

	Pension £'000
At 1 January 2019	751
Payments	(71)
At 31 December 2019	680

The Company is responsible for administering the pension promise payments to a number of ex Group employees. A provision was established to cover the cost of the payments and is reviewed on a regular basis.

Essity Holding UK Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

11 Post-employment benefits

The company operated both a defined benefit and a defined contribution scheme during the year.

Defined benefit scheme

Plan assets held in the fund are governed by local regulations and practice in the United Kingdom. Responsibility for the governance of the plan – including investment decisions and contribution schedules – lies jointly with the company and the board of directors of the fund.

The risks of the scheme are as follows:

(a) Asset volatility

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. The plan holds a significant proportion of equities, which are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short-term.

As the plans mature, the company intends to reduce the level of investment risk by investing more in assets that better match the liabilities. However, the company believes that due to the long-term nature of the plan liabilities and the strength of the supporting group, a level of continuing equity investment is an appropriate element of the group's long term strategy to manage the plans efficiently.

(b) Changes in bond yields

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

(c) Life expectancy

The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities.

(d) Inflation risk

The pension obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plan's assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit.

On 17th April 2018 the company announced a proposal to close the scheme to future accruals and started a consultation period with all affected employees.

Essity Holding UK Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

13 Post-employment benefits (continued)

A comprehensive actuarial valuation of the company pension scheme, using the projected unit basis, was carried out at 31 December 2014 by Towers Watson LLP, independent consulting actuaries. Adjustments to the valuation at that date have been made based on the following assumptions:

	At 31 December 2019	At 31 December 2018
	%	%
Rate of increase in pensions	2.90%	2.90%
Rate of increase for deferred pensions	2.90%	2.90%
Salary increase	3.00%	3.00%
Discount rate+	2.07%	2.72%
Inflation assumptions (RPI)	3.00%	3.00%

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in the UK. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65:

	31 December 2019	31 December 2018
	Number	Number
Longevity at age 65 for current pensioners		
- Men	22.1	22.1
- Women	24.3	24.3
Longevity at age 65 for future pensioners		
- Men	24.2	24.2
- Women	26.5	26.5

Essity Holding UK Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

13 Post-employment benefits (continued)

Reconciliation of scheme assets and liabilities:

	Assets	Liabilities	Total
	£'000	£'000	£'000
At 1 January 2019	979	(957)	22
Interest cost	-	(25)	(25)
Disbursements	(8)	8	-
Actuarial gains/(losses)	366	(235)	131
Actual return on plan assets	26	-	26
At 31 December 2019	1,363	(1,209)	154

The total contributions to the defined benefit schemes in 2020 are expected to be £nil (2019: £nil).

Total cost recognised as an expense:

	2019	2018
	£'000	£'000
Current service cost	-	27
Interest (income)/expense	(1)	9
	(1)	36

The fair value of plan assets were:

	2019	2018
	£'000	£'000
Equities	826	593
Corporate Bonds	416	299
Other – Cash/Property	122	87
Total market value of assets	1,363	979

Essity Holding UK Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

13 Post-employment benefits (continued)

The sensitivity of the defined benefit obligation to changes in the weighted principal assumption is:

	Change in assumption	Increase in assumption	Decreases in assumption
Discount rate	0.5% pa	(117)	129
Salary growth rate	0.5% pa	-	-
Pension growth rate	0.5% pa	96	(89)
Life expectancy	1 year	53	(51)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Defined contribution schemes

The Group's defined contribution schemes are funded by the payment of contributions to independently administered funds and the assets of the schemes are held separately from those of the company. The pension cost charges for the year amounted to £36,000 (2018: £27,000). Contributions totalling £nil (2018: £nil) were payable to the funds at the year end.

14 Called up share capital

	2019 £'000	2018 £'000
Authorised		
50,657,458 (2018: 50,657,458) ordinary shares of £1 each (2018: 1 each)	50,657	50,657
	2019 £'000	2018 £'000
Allotted and fully paid		
50,657,458 (2018: 50,657,458) ordinary shares of £1 each (2018: 1 each)	50,657	50,657

Essity Holding UK Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

15 Contingent liabilities

The company has given guarantees having the following total outstanding commitments:

	2019	2018
	£'000	£'000
Guarantees on behalf of subsidiaries:		
- re operating leases	1,217	1,217

16 Ultimate parent undertaking and controlling party

The company is a subsidiary of Essity Group Holding BV, a company registered in the Netherlands. By virtue of their shareholding, the ultimate parent company and controlling party of the company is Essity Aktiebolag (publ) a company incorporated in Sweden.

Essity Aktiebolaget (Publ) is the parent company of the largest and smallest group to prepare consolidated financial statements for 2019. Copies of these financial statements for the year ended 31 December 2019 may be obtained from the Company Secretary, Essity Holding UK Limited, Southfields Road, Dunstable, Bedfordshire, LU6 3EJ.

17 Post Balance Sheet Events

The global economy in 2020 was significantly impacted by the pandemic outbreak of Coronavirus (COVID-19), which started in China and quickly spread over Europe and the United States. The economic impact of COVID-19 has been severe and has impacted the global economy in 2020, it is uncertain as to the future potential for a global recession as local economies recover or are impacted by a second wave of the virus.

As a holding company, there is little impact on the financial statements or the future prospects of the company. The Group has performed well during the pandemic due to the essential nature of the products supplied and has adequate financial resources to continue as a going concern for at least 12 months from the date these financial statements are signed.

For the Group, the Senior management team are managing the risks associated with the COVID-19 virus. The team continue to have regular updates to incorporate new guidance from government and Public Health England (PHE). The team is involved in decision making which impacts on employees, operations and interaction with all stakeholders with the primary aim of maintaining safe operations and protection for employees as advised by PHE.