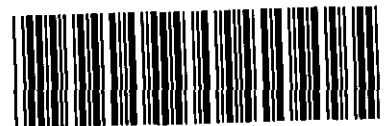


SCA Hygiene Investments Limited  
Annual report and financial statements  
for the year ended 31 December 2005

Registered number: 4119442

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# **SCA Hygiene Investments Limited**

## **Annual report and financial statements for the year ended 31 December 2005**

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# **SCA Hygiene Investments Limited**

## **Directors and advisors for the year ended 31 December 2005**

### **Directors**

P Bailey  
P Davis (resigned 11 August 2005)  
A Pier  
M Scorgie (appointed 11 August 2005)  
P Church (appointed 12 August 2005)

### **Secretary and registered office**

P Bailey  
Southfields Road  
Dunstable  
Bedfordshire  
LU6 3EJ

### **Registered auditors**

PricewaterhouseCoopers LLP  
Central Business Exchange  
Midsummer Boulevard  
Milton Keynes  
MK9 2DF

### **Solicitors**

Reynolds Porter Chamberlain  
Chichester House  
278/282 High Holborn  
London  
WC17 7HA

### **Bankers**

Natwest Bank Plc  
City of London Office  
PO Box 12258  
1 Princes Street  
London  
EC2R 8PA

# **SCA Hygiene Investments Limited**

## **Directors' report for the year ended 31 December 2005**

The directors present their report and the audited financial statements for the year ended 31 December 2005.

### **Principal activities**

The company's principal activity is that of a holding company.

### **Review of business and future developments**

The profit and loss account for the year is set out on page 6.

The company has not traded during 2005.

### **Financial Risk Management**

The directors have not disclosed the Company's financial management objectives and policies nor the Company's exposure to price risk, credit risk, liquidity risk and cashflow risk as such information is not material for the assessment of the Company's assets, liabilities, financial position and profit/loss for the year.

### **Dividends and transfer to reserves**

The directors do not propose the payment of a dividend (2004: £nil).

### **Directors and their interests**

The directors of the company are listed on page 1.

According to the register required to be kept under Section 325 of the Companies Act 1985, none of the directors had any notifiable interest in the shares of either the company or any other group company during the year. As permitted by Statutory Instrument the directors are exempted from notifying the company of any interests in shares in companies incorporated outside of Great Britain.

# SCA Hygiene Investments Limited

## Directors' report for the year ended 31 December 2005 (continued)

### 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 United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The directors are responsible for preparing financial statements for each financial year which give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, 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 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 confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Auditors

The auditors PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

By order of the Board



P Bailey  
Company Secretary

12 FEBRUARY 2007

## **Independent auditors' report to the members of SCA Hygiene Investments Limited**

We have audited the financial statements of SCA Hygiene Investments Limited for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you 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 other transactions is not disclosed.

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

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and 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.

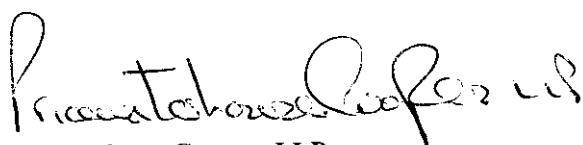
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

## **Independent auditors' report to the members of SCA Hygiene Investments Limited**

### **Opinion**

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.



**PricewaterhouseCoopers LLP**  
Chartered Accountants and Registered Auditors  
Milton Keynes

13 February 2007

## SCA Hygiene Investments Limited

### Profit and loss account for the year ended 31 December 2005

		2005	2004
	Note	£'000	£'000
Income from shares in group undertakings		-	8,550
Profit on sale of investment		-	712
Interest receivable and similar income	3	2,699	2,119
<b>Profit on ordinary activities before taxation</b>	4	2,699	11,381
Tax on ordinary activities	5	(650)	-
<b>Retained profit for the financial year</b>	9	2,049	11,381

The company has no recognised gains or losses other than the profit detailed in the profit and loss account above, and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities and retained profit for the financial year stated above and their historical cost equivalents.

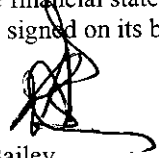
All activities are in respect of continuing operations.

# SCA Hygiene Investments Limited

## Balance sheet as at 31 December 2005

		2005	2004
	Note	£'000	£'000
<b>Current assets</b>			
Debtors : amounts falling due within one year	6	44,920	11,431
Debtors : amounts falling due after one year	6	12,877	43,733
Creditors: amounts falling due within one year	7	(650)	(66)
<b>Net current assets</b>		<b>57,147</b>	<b>55,098</b>
<b>Total assets less current liabilities</b>		<b>57,147</b>	<b>55,098</b>
<b>Capital and reserves</b>			
Called up share capital	8	-	-
Share premium	9	43,733	43,733
Profit and loss account	9	13,414	11,365
<b>Total equity shareholders' funds</b>	10	<b>57,147</b>	<b>55,098</b>

The financial statements on pages 5 to 12 were approved by the Board of directors on 12 FEB 2006 and signed on its behalf by:

  
P Bailey  
Director

# SCA Hygiene Investments Limited

## Notes to the financial statements for the year ended 31 December 2005

### 1 Principal accounting policies

The financial statements have been prepared on a going concern basis in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently (unless otherwise stated), is set out below.

#### Basis of accounting

The financial statements have been prepared under the historical cost convention and are made up to 31 December 2005.

#### Taxation

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

Deferred taxation 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 and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded 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 from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates and laws 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 substantially enacted by the balance sheet date. Deferred tax assets and liabilities recognised have not been discounted.

#### Cash flow statement

The company is a wholly owned subsidiary and the cash flow of the company is therefore included in the consolidated group cash flow statement, which is available to the public. Consequently, the company is exempt under the terms of Financial Reporting Standard No. 1 (Revised 1996) from publishing a cash flow statement. The cash flows of the company are included in the consolidated financial statements of SCA Hygiene Products AG.

#### Related party disclosures

Financial Reporting Standard 8 'Related party disclosures' require the disclosure of details of material transactions between the company and any related parties.

Under Financial Reporting Standard 8, transactions between fellow subsidiary undertakings, whose voting rights are 90 % or more controlled within the group are exempt from disclosure provided that the group's financial statements are publicly available. The directors have taken advantage of this exemption not to disclose such transactions in the financial statements.

# SCA Hygiene Investments Limited

## Notes to the financial statements for the year ended 31 December 2005 (continued)

### 2 Directors and employees

The directors received no remuneration from the company during the period. There are no other employees.

### 3 Interest receivable and similar income

	2005	2004
	£'000	£'000
On loans due to group undertakings	1,041	341
On deferred element of purchase consideration	1,658	1,778
	2,699	2,119

Interest related to the deferred consideration agreement which is due to the unwind of the arrangement.

### 4 Profit on ordinary activities before taxation

Auditors' remuneration has been met on behalf of the company by SCA Hygiene Products UK Limited.

### 5 Taxation

	2005	2004
	£'000	£'000
Corporation tax charge at 30 %	-	-
Amount payable to fellow subsidiary in respect of tax saved by group relief	650	-
Tax on profit on ordinary activities	650	-

# SCA Hygiene Investments Limited

## Notes to the financial statements for the year ended 31 December 2005 (continued)

### 5 Taxation (continued)

#### Reconciliation of current tax charge

	2005	2004
	£'000	£'000
Profit on ordinary activities before tax	2,699	11,381
Tax on profit on ordinary activities at UK standard CT rate 30% (2004: 30%)	810	3,414
Effects of:		
Income not taxable	(153)	(747)
Dividends received	-	(2,565)
Group relief claimed before payment	(7)	(102)
Tax on profit on ordinary activities	650	-

### 6 Debtors

	2005	2004
	£'000	£'000
<b>Amounts falling due within one year:</b>		
Amounts owed by group undertakings	44,920	11,431
<b>Amounts falling due after more than one year:</b>		
Amounts owed by group undertakings	12,877	43,733
	57,797	55,164

The amount falling due within one year of £44,920,000 is receivable from SCA Hygiene Products (Fluff) Limited.

The amount falling due after more than one year of £12,877,000 is receivable from SCA Hygiene Products UK Limited.

# SCA Hygiene Investments Limited

## Notes to the financial statements for the year ended 31 December 2005 (continued)

### 7 Creditors: amounts falling due within one year

	2005	2004
	£'000	£'000
Amounts owed to group undertakings	650	66

### 8 Called-up share capital

	2005	2004
	£	£
<b>Authorised</b>		
100 ordinary shares of £0.01 each	1	1
<b>Allotted, called up and fully paid</b>		
100 ordinary shares of £0.01 each	1	1

### 9 Reserves

	Profit and loss account	Share premium
	£'000	£'000
Balance brought forward	11,365	43,733
Retained profit for the financial year	2,049	-
<b>Balance carried forward</b>	<b>13,414</b>	<b>43,733</b>

# SCA Hygiene Investments Limited

## Notes to the financial statements for the year ended 31 December 2005 (continued)

### 10 Reconciliation of movements in shareholders' funds

	2005	2004
	£'000	£'000
Opening shareholders' funds	55,098	43,717
Retained profit for the financial year	2,049	11,381
Closing shareholders' funds	57,147	55,098

### 11 Ultimate controlling party and ultimate and immediate parent undertakings

The directors regard Svenska Cellulosa Aktiebolgat AB, a company incorporated in Sweden, as the ultimate parent company. The directors regard Svenska Cellulosa Aktiebolgat AB as the ultimate controlling party. The immediate parent is SCA UK Holdings Limited, a company incorporated in Great Britain and registered in England. Svenska Cellulosa Aktiebolgat AB heads the largest group in which the results are consolidated. The smallest group in which the results are consolidated is that headed by SCA Hygiene Products AG.

The consolidated financial statements of Svenska Cellulosa Aktiebolgat AB and SCA Hygiene Products AG are available from the following address:

Southfields Road  
Dunstable  
Bedfordshire  
LU6 3EJ