

SCA Hygiene Investments Limited
Annual report and financial statements
for the year ended 31 December 2006

Registered number 4119442



SCA Hygiene Investments Limited

Annual report and financial statements for the year ended 31 December 2006

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SCA Hygiene Investments Limited

Directors and advisors for the year ended 31 December 2006

Directors

P Bailey
M Scorgie
P Church
CM Stensson

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 2006

The directors present their report and the audited financial statements for the year ended 31 December 2006

Principal activities

The company's principal activity is that of an investment company

Review of business and future developments

The profit and loss account for the year is set out on page 7. The company has not traded during 2006. All transactions within the company relate to interest receivable from other related group companies. The directors consider the future outlook for the company to remain unchanged for the foreseeable future.

Key performance indicators ("KPIs")

Given the fact that the company is non-trading, the company directors do not use KPIs to manage the business and do not consider them necessary for an understanding of the development, performance or position of the business.

Principal risks and uncertainties

The principal risks and uncertainties of the company relate to potential fluctuations in the interest rate as described in the financial risk management note below.

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 and liquidity risk as such information is not material for the assessment of the company's assets, liabilities, financial position and profit for the year.

Due to the nature of the company, it has exposure to a limited number of financial risks.

Cash management

As a member of the SCA cash pool arrangement, the company's cash management is effectively controlled by its UK parent organisation. The SCA treasury function conducts an annual risk assessment exercise, taking into account credit rating information regarding the company, provided by an external credit rating agency. This information is used to provide a risk adjusted interest rate which is applied between the company and its parent in respect of any loans receivable or payable, on an arms length basis.

Interest rate and cash flow Risk

The company has an interest bearing asset and liability consisting of a loan to and from other related companies. The interest rate is calculated on an arms length basis and is variable in nature.

Dividends

The directors do not propose the payment of a dividend (2005: £nil).

SCA Hygiene Investments Limited

Directors' report for the year ended 31 December 2006 (continued)

Directors and their interests

The directors who held office during the year are given below

P Bailey
A Pier (resigned 31 October 2006)
M Scorgie
P Church
CM Stensson (appointed 1 November 2006)

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.

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 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 and disclosure of information to auditors

So far as each of the directors are 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 by them 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.

SCA Hygiene Investments Limited

Directors' report for the year ended 31 December 2006 (continued)

Auditors

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

By Order of the Board

A handwritten signature in black ink, appearing to be 'P Bailey', written over the text 'By Order of the Board'.

P Bailey
Company Secretary

31 JANUARY 2008

SCA Hygiene Investments Limited

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 2006 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 judgments 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.


SCA Hygiene Investments Limited

Independent auditors' report to the members of SCA Hygiene Investments Limited (continued)

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 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Milton Keynes

31 January 2008

SCA Hygiene Investments Limited

Profit and loss account for the year ended 31 December 2006

		2006	2005
	Note	£'000	£'000
Interest receivable and similar income	3	2,353	2,699
Profit on ordinary activities before taxation	4	2,353	2,699
Tax on profit on ordinary activities	5	-	(650)
Profit for the financial year	9	2,353	2,049

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 material difference between the profit on ordinary activities before taxation and profit for the 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 2006

	Note	2006 £'000	2005 £'000
Current assets			
Debtors amounts falling due within one year	6	47,273	44,920
Debtors amounts falling due after one year	6	12,877	12,877
		60,150	57,797
Creditors: amounts falling due within one year	7	(650)	(650)
Net current assets		59,500	57,147
Total assets less current liabilities		59,500	57,147
Net Assets		59,500	57,147
Capital and reserves			
Called up share capital	8	-	-
Share premium	9	43,733	43,733
Profit and loss account	9	15,767	13,414
Total shareholders' funds	10	59,500	57,147

The financial statements on pages 7 to 12 were approved by the Board of directors on 31 Jan 08 and signed on its behalf by



P Bailey
Director

SCA Hygiene Investments Limited

Notes to the financial statements for the year ended 31 December 2006 (continued)

1 Accounting policies

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 1985 and applicable accounting standards

The accounting policies have been applied consistently in dealing with the items which are considered material in relation to the company's financial statements

The Company has adopted FRS 20, 'Share based payment', in these financial statements. The adoption of this standard represents a change in accounting policy. The adoption of this standard has not had a material effect on the Company's financial statements both in the current and comparative year.

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.

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 is measured on a non – discounted basis.

Cash flow statement and related party disclosures

The company is a wholly-owned subsidiary of Svenska Cellulosa Aktiebolaget AB, its ultimate parent company, which is incorporated in Sweden, and is included in the consolidated financial statements of Svenska Cellulosa Aktiebolaget AB, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS1 (revised 1996). The company is also exempt under the terms of FRS8 from disclosing related party transactions with entities that are part of the Svenska Cellulosa Aktiebolaget AB group.

2 Directors and employees

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

3 Interest receivable and similar income

	2006	2005
	£'000	£'000
On loans due from group undertakings	2,353	1,041
On deferred element of purchase consideration	-	1,658
	2,353	2,699

SCA Hygiene Investments Limited

Notes to the financial statements for the year ended 31 December 2006 (continued)

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

	2006	2005
	£'000	£'000
Current tax:		
UK corporation tax charge on profits for the year	-	-
Amount payable to fellow subsidiary in respect of tax saved by group relief	-	650
Tax on profit on ordinary activities	-	650

The tax assessed for the period is lower (2005 lower) than the standard rate of corporation tax in the UK (30%). The differences are explained below

Reconciliation of current tax charge

	2006	2005
	£'000	£'000
Profit on ordinary activities before tax	2,353	2,699
Tax on profit on ordinary activities at UK standard CT rate (30%) (2005 30%)	706	810
Effects of		
Income not taxable	-	(153)
Group relief claimed before payment	(706)	(7)
Tax on profit on ordinary activities	-	650

SCA Hygiene Investments Limited

Notes to the financial statements for the year ended 31 December 2006 (continued)

6 Debtors

	2006	2005
	£'000	£'000
Amounts falling due within one year		
Amounts owed by group undertakings	47,273	44,920
Amounts falling due after more than one year		
Amounts owed by group undertakings	12,877	12,877
	60,150	57,797

The balances due from group undertakings are all unsecured, interest free and have no fixed date of repayment except for the amount due from SCA Hygiene Products (Fluff) Limited, on which interest is receivable at a base rate of 0.55% above LIBOR and are reviewed every 3 months

7 Creditors: amounts falling due within one year

	2006	2005
	£'000	£'000
Amounts owed for group relief	650	650

8 Called-up share capital

	2006	2005
	£	£
Authorised		
100 ordinary shares of £0.01 each	1	1
Allotted, called up and fully paid		
100 ordinary shares of £0.01 each	1	1

SCA Hygiene Investments Limited

Notes to the financial statements for the year ended 31 December 2006 (continued)

9 Reserves

	Profit and loss account	Share premium
	£'000	£'000
At 1 January 2006	13,414	43,733
Profit for the financial year	2,353	-
At 31 December 2006	15,767	43,733

10 Reconciliation of movements in shareholders' funds

	2006	2005
	£'000	£'000
Opening shareholders' funds	57,147	55,098
Profit for the financial year	2,353	2,049
Closing shareholders' funds	59,500	57,147

11 Ultimate and immediate parent undertaking and controlling interest

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