

SCA Hygiene Products Manchester
Limited (formerly SCA Hygiene
Investments Limited)

Annual report and financial statements
for the year ended 31 December 2007

Registered number: 4119442



SCA Hygiene Products Manchester Limited

Annual report and financial statements for the year ended 31 December 2007

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SCA Hygiene Products Manchester Limited

Directors and advisors for the year ended 31 December 2007

Directors

P A Bailey
P Church
C M Stensson

Secretary and registered office

P A Bailey
Southfields Road
Dunstable
Bedfordshire
LU6 3EJ

Independent auditors

PricewaterhouseCoopers LLP
Chartered accountants and registered auditors
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 Products Manchester Limited

Directors' report for the year ended 31 December 2007

The directors present their annual report and the audited financial statements for the year ended 31 December 2007.

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 2007. All transactions within the company relate to interest receivable from other related group companies.

On 1 October 2007, Svenska Cellulosa Aktiebolaget AB acquired the European Tissue business of The Procter & Gamble Company. As part of this transaction the UK Tissue production facilities at Manchester were acquired by the company on 1 July 2008. The company has subsequently commenced the manufacture of disposable hygiene products which are being sold to our sister company, SCA Hygiene Products UK Limited.

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 arm's 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 arm's length basis and is variable in nature.

SCA Hygiene Products Manchester Limited

Directors' report for the year ended 31 December 2007 (continued)

Dividends

The directors do not propose the payment of a dividend (2006: £nil).

Directors

The directors who held office during the year are given below:

P A Bailey
M Scorgie (resigned 17 July 2007)
P Church
C M Stensson

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.

SCA Hygiene Products Manchester Limited

Directors' report for the year ended 31 December 2007 (continued)

Auditors and disclosure of information to auditors

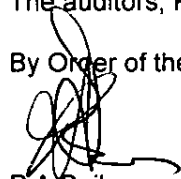
So far as each of the directors are aware, there is no relevant audit information of which the company's auditors are unaware.

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.

Auditors

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

By Order of the Board



P A Bailey
Company Secretary

23 Jan 2009

Independent auditors' report to the members of SCA Hygiene Products Manchester Limited (formerly SCA Hygiene Investments Limited)

We have audited the financial statements of SCA Hygiene Products Manchester Limited (formerly SCA Hygiene Investments Limited) for the year ended 31 December 2007 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.

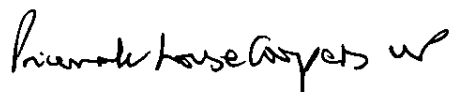
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

Independent auditors' report to the members of SCA Hygiene Products Manchester Limited (formerly 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 2007 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

23 January 2009

SCA Hygiene Products Manchester Limited

Profit and loss account for the year ended 31 December 2007

		2007	2006
	Note	£'000	£'000
Administrative expenses		(488)	-
Other operating income		436	-
Operating loss	3	(52)	-
Interest receivable and similar income	4	2,872	2,353
Interest payable and other similar charges	5	(86)	-
Profit on ordinary activities before taxation		2,734	2,353
Tax on profit on ordinary activities	6	(858)	-
Profit for the financial year	11	1,876	2,353

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 the profit for the year stated above and their historical cost equivalents.

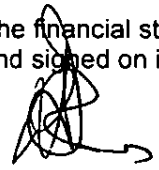
All activities are in respect of continuing operations.

SCA Hygiene Products Manchester Limited

Balance sheet as at 31 December 2007

		2007	2006
	Note	£'000	£'000
Fixed assets			
Intangible assets	7	4,664	-
Current assets			
Debtors: amounts falling due within one year	8	50,574	47,273
Debtors: amounts falling due after one year	8	12,827	12,877
		63,401	60,150
Creditors: amounts falling due within one year	9	(6,689)	(650)
Net current assets		56,712	59,500
Net assets		61,376	59,500
Capital and reserves			
Called up share capital	10	-	-
Share premium	11	43,733	43,733
Profit and loss reserve	11	17,643	15,767
Total shareholders' funds	12	61,376	59,500

The financial statements on pages 7 to 15 were approved by the Board of directors on 23 Jan 2009 and signed on its behalf by:


P A Bailey
Director

SCA Hygiene Products Manchester Limited

Notes to the financial statements for the year ended 31 December 2007

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 in the United Kingdom.

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

Intangible assets

The licence grants the rights to manufacture products for a term of three years that have certain Procter & Gamble marks. Intangible assets are eliminated by amortisation through the profit and loss account over the term of the licence on a straight-line basis.

Royalties

Royalties are charged on the net invoiced external sale value on products under the sub-licence agreement.

Taxation

UK corporation tax is provided on 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 (2006: £nil). There are no other employees (2006: none).

SCA Hygiene Products Manchester Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

3 Operating profit

	2007	2006
	£'000	£'000
<hr/>		
Profit on ordinary activities before taxation is stated after charging:		
Amortisation of intangible fixed assets	424	-
<hr/>		
Auditors' remuneration has been met on behalf of the company by SCA Hygiene Products UK Limited. Services provided by the company's auditor: Fees payable for the audit - £5,725		

4 Interest receivable and similar income

	2007	2006
	£'000	£'000
<hr/>		
On loans due from group undertakings	2,872	2,353
<hr/>		

5 Interest payable and similar charges

	2007	2006
	£'000	£'000
<hr/>		
On loans due to group undertakings	86	-
<hr/>		

6 Tax on profit on ordinary activities

	2007	2006
	£'000	£'000
<hr/>		
Current tax		
UK corporation tax	858	-
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Tax on profit on ordinary activities	858	-
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SCA Hygiene Products Manchester Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

6 Tax on profit on ordinary activities (continued)

The tax assessed for the year is lower (2006: lower) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

Reconciliation of current tax charge

	2007	2006
	£'000	£'000
Profit on ordinary activities before taxation	2,734	2,353
Profit on ordinary activities multiplied by the standard rate in the UK 30% (2006: 30%)	820	706
Effects of :		
Expenses not deductible for tax purposes	216	-
Payment for group relief	858	-
Group relief claimed before payment	(1,036)	(706)
Tax on profit on ordinary activities	858	-

The corporation tax charge for the year has been reduced by £1,036,000 because of losses surrendered by a fellow subsidiary undertaking. No payment for this surrender is to be made by the company.

Factors that may affect tax charges:

The standard rate of Corporation Tax in the UK changed to 28% with effect from 1 April 2008.

SCA Hygiene Products Manchester Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

7 Intangible fixed assets

	Licence £'000
Cost	
At 1 January 2007	-
Additions	5,088
At 31 December 2007	5,088
Amortisation	
At 1 January 2007	-
Amortisation for the year	424
At 31 December 2007	424
Net book amount	
As at 31 December 2007	4,664
As at 31 December 2006	-

On 1 October 2007 the company acquired an exclusive royalty free licence for the trademark and design licence for the Proctor & Gamble brands Bounty and Charmin.

SCA Hygiene Products Manchester Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

8 Debtors

	2007	2006
	£'000	£'000
Amounts falling due within one year		
Amounts owed by group undertakings	50,574	47,273
Amounts falling due after more than one year		
Amounts owed by group undertakings	12,827	12,877

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 of £50,145,000 (2006 : £47,273,000), on which interest is receivable at a base rate of 0.55% above LIBOR and which is reviewed every 3 months.

9 Creditors: amounts falling due within one year

	2007	2006
	£'000	£'000
Amounts owed for group relief	650	650
Amounts owed to group undertakings	5,181	-
Corporation tax	858	-
	6,689	650

The amounts owed to group undertakings have an interest rate of 6.98% and were initially repayable on 3 March 2008. This loan was then transferred to another group company at the Nat West Bank base rate plus 0.5% with no fixed date of repayment.

SCA Hygiene Products Manchester Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

10 Called-up share capital

	2007	2006
	£	£
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

11 Reserves

	Profit and loss account	Share premium
	£'000	£'000
At 1 January 2007	15,767	43,733
Profit for the financial year	1,876	-
At 31 December 2007	17,643	43,733

SCA Hygiene Products Manchester Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

12 Reconciliation of movement in shareholders' funds

	2007	2006
	£'000	£'000
Opening shareholders' funds	59,500	57,147
Profit for the financial year	1,876	2,353
Closing shareholders' funds	61,376	59,500

13 Ultimate and immediate parent undertaking and controlling party

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

The consolidated financial statements of Svenska Cellulosa Aktiebolgat AB are available from the following address:

Southfields Road
Dunstable
Bedfordshire
LU6 3EJ

14 Post Balance Sheet Events

On 1 October 2007, Svenska Cellulosa Aktiebolaget AB acquired the European Tissue business of The Proctor & Gamble Company. As part of this transaction the UK Tissue production facilities at Manchester were acquired by the company on 1 July 2008. The company has subsequently commenced the manufacture of disposable hygiene products which are being sold to our sister company, SCA Hygiene Products UK Limited.