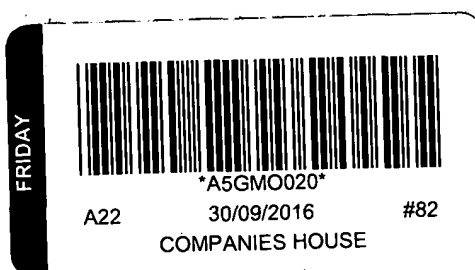


SCA Hygiene Products Tissue Limited  
Annual report and financial statements  
for the year ended 31 December 2015

Registered number: 8033620



# SCA Hygiene Products Tissue Limited

## SCA Hygiene Products Tissue Limited Annual report and financial statements for the year ended 31 December 2015 Contents

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# **SCA Hygiene Products Tissue Limited**

## **Directors and advisers**

### **Directors**

P A Bailey

S A Barker

A Richards

### **Company secretary and registered office**

P A Bailey

Southfields Road

Dunstable

Bedfordshire

LU6 3EJ

### **Independent auditors**

PricewaterhouseCoopers LLP

Central Square South

Orchard Street

Newcastle upon Tyne

NE1 3AZ

### **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 Tissue Limited

## Strategic report for the year ended 31 December 2015

### Principal activities

The principal activities of the company are the manufacture, distribution and sale of disposable paper products.

### Review of business

The results for the year are set out in the profit and loss account on page 11 and the position of the company as at the year end is set out in the balance sheet on page 12.

The results of the company show a profit on ordinary activities before taxation of £5.5 million (2014: £6.3 million) for the year and £nil sales (2014: £28.6 million). The profit relates primarily to the sale of the Oughtibridge site.

During the year, a release of £6.1 million (2014: £6.8 million) was recognised in respect of operating exceptional items as explained in note 6. The exceptional items relate to the following:

- A provision has been established for the shortfall between a lease and a sublease agreement for the Horwich site. The release to the P & L relates to the discounting of the provision at the internal WACC rate of 5.98%.
- A credit of £1,993,000 relates to Indemnification for lost inventory in a fire that occurred on 21 December 2011 at an outside storage site in Leyland
- The profit of £4,909,000 on the sale of the Oughtibridge site which was sold to a third party on 25 September 2015
- The mothballing costs of £638,000 relates to the closure of the Oughtibridge site ensuring that all environmental and legislative requirements had been met.

The sale of the branded and manufacturer retailer branded businesses to third parties and the transfer of the Away from Home sales division into SCA Hygiene Products UK Limited occurred in 2013. This left the remaining converting site within SCA Hygiene Products Tissue Limited, the final converting machine ceased production at the end of October 2014 when the Away from Home trade transferred to SCA Hygiene Products UK Limited with the majority of the assets being transferred.

The site at Oughtibridge was sold to a third party on 25 September 2015 for a consideration of £7,400,000.

# SCA Hygiene Products Tissue Limited

## Strategic report for the year ended 31 December 2015 (continued)

### **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.

### **Financial risk management**

The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs. The company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied.

The finance department has a policy and procedure manual set by the SCA AB Board that sets out specific guidelines to manage interest rate risk, credit risk and circumstances where it would be appropriate to use financial instruments.

### *Currency risk – transaction exposure*

The company has export revenues and import costs in different currencies. This exposes the company to currency fluctuations. SCA’s financial policy provides guidelines for managing the company’s transaction exposure.

### *Credit risk*

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. Credit checks are carried out on major customers where information about the customers’ financial position is obtained from various credit rating companies. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed on a continual basis by the credit manager.

### *Credit risk*

The company actively maintains short term debt finance that is designed to ensure that the company has sufficient available funds for operation. This is maintained in the short term by the SCA UK cash pooling facility.

As a member of the SCA cash pool arrangement, the company effectively manages its own and the rest of the SCA UK group’s cash management. 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 policies and procedures that set out the specific guidelines that must be followed to manage the interest rate risk. The directors monitor these interest rate risks periodically. The exposure to interest rate risk is minimal as this is monitored by a central group treasury function, which is responsible for identifying and managing interest rate exposure.

# SCA Hygiene Products Tissue Limited

## Strategic report for the year ended 31 December 2015 (continued)

### *Energy price risk*

Due to its energy intensive operations, the company is exposed to risks relating to the changes in the price of energy, particularly gas and electricity. When the energy price risk is not hedged, price changes in the energy market have a direct impact on the company's operating result. The SCA group's energy price policy forms a framework of guidelines for managing energy price risk.

### **Principal risks and uncertainties**

The management of the business and execution of the company's strategy are subject to a number of risks.

The key business risks and uncertainties affecting the company are considered to relate to the competitive nature of the market place and fluctuations in energy and raw materials costs.

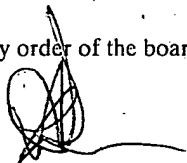
The board has overall responsibility for the company's risk management and internal control systems and for reviewing their effectiveness. The systems are designed to provide reasonable control over the activities of the company and to enable the board to comply with the directors' responsibilities.

This has been further considered within the financial risk management section.

### **Future developments**

The Company is now a management and rental company.

By order of the board



P A Bailey  
Company secretary  
30 September 2016

# SCA Hygiene Products Tissue Limited

## Directors' report for the year ended 31 December 2015

The directors present their annual report and the audited financial statements of SCA Hygiene Products Tissue Limited for the year ended 31 December 2015.

### Results and dividends

The results of the company show a profit on ordinary activities before taxation of £5,480,000 (Profit 2014: £6,295,000).

Ordinary dividends of £30,000,000 (2014: £nil) were paid in the year. The directors do not propose the payment of a final dividend (2014: £nil).

### Future developments

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

### Directors

The directors of the company who held office during the year and up to the date of signing of the financial statements are given below:

P A Bailey (company secretary)  
S A Barker  
A Richards

### Employees

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.

### Independent auditors

PricewaterhouseCoopers LLP will not be continuing their engagement as the auditors of the company. The board has appointed Ernst & Young LLP as the new company auditor effective for periods after 31 December 2015.

# SCA Hygiene Products Tissue Limited

## Directors' report for the year ended 31 December 2015 (continued)

### Provision of information to the auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report 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 and 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 prepared 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 (FRS 101).

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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the board

  
P A Bailey

Company secretary

30 September 2016



# **SCA Hygiene Products Tissue Limited**

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

### **Report on the financial statements**

#### **Our opinion**

In our opinion, SCA Hygiene Products Tissue Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit 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.

#### **What we have audited**

The financial statements, included within the Annual Report and financial statements (the "Annual Report"), comprise:

- the Balance sheet as at 31 December 2015;
- the Profit and loss account for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion, 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.

### **Other matters on which we are required to report by exception**

#### **Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

# SCA Hygiene Products Tissue Limited

## Independent auditors' report to the members of SCA Hygiene Products Tissue Limited (continued)

We have no exceptions to report arising from this responsibility.

### Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

## Responsibilities for the financial statements and the audit

### Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

### What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence; forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Bill Macleod (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Newcastle upon Tyne  
30<sup>th</sup> September 2016

# SCA Hygiene Products Tissue Limited

## Profit and loss account for the year ended 31 December 2015

	Note	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
<b>Turnover</b>	2	-	28,584
Cost of sales		-	(27,574)
Gross result/profit		-	1,010
Distribution costs	3	-	(420)
Administrative expenses	3	(28)	(610)
<b>Operating loss before exceptional items</b>		(28)	(20)
Exceptional items	6	6,138	6,776
<b>Profit on ordinary activities before interest</b>		6,110	6,756
Interest receivable and similar income	7	533	464
Interest payable and similar charges	8	(1,163)	(925)
<b>Profit on ordinary activities before taxation</b>	9	5,480	6,295
Tax on profit on ordinary activities	10	(173)	11,745
<b>Profit for the financial year</b>	20	5,307	18,040

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

There are no other comprehensive income/expenses for the current and prior financial year other than the result shown above. Accordingly, a separate Statement of other comprehensive income has not been prepared.

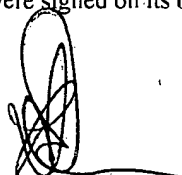
All results are in respect of continuing operations.

# SCA Hygiene Products Tissue Limited

## Balance sheet as at 31 December 2015

	Note	As at 31 December 2015 £'000	As at 31 December 2014 £'000
<b>Fixed assets</b>			
Tangible assets	12	-	1,222
		-	1,222
<b>Current assets</b>			
Stocks	13	-	135
Debtors	14	6,029	82,011
Assets held for sale	15	-	2,491
Cash at bank and in hand		-	-
		6,029	84,637
<b>Creditors: amounts falling due within one year</b>	16	(1,888)	(55,934)
<b>Net current assets</b>		4,141	28,703
<b>Total assets less current liabilities</b>		4,141	29,925
Provisions for liabilities	17	(2,083)	(3,174)
<b>Net assets</b>		2,058	26,751
<b>Capital and reserves</b>			
Called up share capital	19	-	-
Share Premium account	20	-	-
Profit and loss account	20	2,058	26,751
<b>Total shareholders' funds</b>	20	2,058	26,751

The financial statements on pages 11 to 29 were approved by the board of directors on 30 September 2016 and were signed on its behalf by:



P A Bailey  
Director

SCA Hygiene Products Tissue Limited is registered in England and Wales under company number 08033620.

# SCA Hygiene Products Tissue Limited

## Statement of changes in equity for the year ended 31 December 2015

	Share premium account £'000	Profit and loss account £'000	Total shareholders' funds/(deficit) £'000
<b>As at 1 January 2014</b>	45,000	(36,289)	8,711
Profit for the financial year	-	18,040	18,040
Capital reduction	(45,000)	45,000	-
<b>As at 31 December 2014</b>	-	<b>26,751</b>	<b>26,751</b>
<b>As at 1 January 2015</b>	-	<b>26,751</b>	<b>26,751</b>
Profit for the financial year	-	5,307	5,307
Dividend paid	-	(30,000)	(30,000)
<b>As at 31 December 2015</b>	-	<b>2,058</b>	<b>2,058</b>

# SCA Hygiene Products Tissue Limited

## Notes to the financial statements for the year ended 31 December 2015

### 1 Accounting policies

#### General information

The principal activities of the company are the manufacture, distribution and sale of disposable paper products. 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 company has adopted FRS101 for the first time. Details of the impact of transition to FRS 101 are set out in note 24.

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 SCA 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 in this note below.

#### Exemptions

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

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined)
- 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:
  - (i) paragraph 79(a)(iv) of IAS 1;
  - (ii) paragraph 73(e) of IAS 16 Property, plant and equipment;
  - (iii) paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period)
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d), (statement of cash flows)

# SCA Hygiene Products Tissue Limited

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 1 Accounting policies (continued)

- 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),
- 16 (statement of compliance with all IFRS),
- 38A (requirement for minimum of two primary statements, including cash flow statements),
- 38B-D (additional comparative information),
- 40A-D (requirements for a third statement of financial position)
- 111 (cash flow statement information), and
- 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

#### Intangible assets

Goodwill represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. Goodwill is eliminated by amortisation through the profit and loss account over 20 years on a straight-line basis, which is considered by the directors to be the useful economic life of goodwill.

Negative goodwill arises when there is an excess of the fair value of the identifiable net assets above the fair value of consideration given. In such circumstance the excess is recognised in the profit and loss account in the periods to which the non-monetary assets are recovered, by either depreciation or sale.

#### Royalties

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

#### Tangible fixed assets and depreciation

The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition. Depreciation is calculated so as to write off the cost, or valuation, of tangible fixed assets, less their estimated residual values, on a straight-line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

	%
Land & Buildings	2 - 14
Plant and machinery	4 - 33 <sup>1/3</sup>

No depreciation is provided on freehold land or assets under construction.

# SCA Hygiene Products Tissue Limited

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 1 Accounting policies (continued)

#### **Finance and operating leases**

Costs in respect of operating leases are charged on a straight line basis over the lower of the useful economic life and lease term. Leasing arrangements which transfer to the company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element charged against profit in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over their useful economic lives.

#### **Stocks**

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, work in progress, consumables and goods purchased for resale, the first in first out basis is used. In the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal level of activity. Where necessary, provision is made for obsolete, slow moving and defective stocks.

#### **Provisions**

Provisions are recognised when the company has a present obligation, as result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of that obligation can be made. Provisions for restructuring measures are made when a detailed, formal plan for the measures exists and well-founded expectations have been created among those who will be affected by the measures.

#### **Foreign currencies**

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

#### **Emissions rights**

Emission allowances relating to carbon-dioxide emissions are recognised as an intangible asset and as deferred income (liability) when they are received. Allowances are received free of charge and measured and reported at market value as of the day to which the allocation pertains. For allocated emission allowances, the reported cost and provisions for emissions amount to the market value as of the day to which the allocation pertains. For purchased emission allowances, the reported cost and provisions for emissions amount to the purchase price. During the year, the initial liability for emission allowances received is recognised through the profit and loss account as income in pace with carbon-dioxide emissions made. If the market price of emission allowances on the balance sheet date is less than reported cost, any surplus emission allowances that are not required to cover emissions made are written down to the market price applying on the balance sheet date.

In conjunction with this, the remaining part of the deferred income is recognised as income by a corresponding amount and therefore no net effect occurs in the profit and loss account. The emissions allowances are used as payment in the settlement with the UK Government regarding liabilities for emissions. If the emission allowances received do not cover emissions made, SCA makes a provision to reserves for the deficit valued at the market value on the balance sheet date. Sales of surplus emission allowances are recognised as income on the settlement date.



# SCA Hygiene Products Tissue Limited

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 1 Accounting policies (continued)

#### Turnover

Turnover, which excludes value-added tax less any discounts, represents the amounts derived from the provision of goods and services to customers during the year. Turnover is recognised on transfer of title to the customer.

#### Exceptional Items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

#### 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.

#### Pensions

For defined contribution schemes, contributions are charged to the profit and loss account in the year to which they relate. Differences between contributions paid and amounts payable are held as either accruals or prepayments in the balance sheet.

#### Cash flow statement and related party disclosures

The company is a wholly-owned subsidiary of Svenska Cellulosa Aktiebolaget, its ultimate parent company, which is incorporated in Sweden, and is included in the consolidated financial statements of Svenska Cellulosa Aktiebolaget, 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 and balances with entities that are part of the Svenska Cellulosa Aktiebolaget group.

# SCA Hygiene Products Tissue Limited

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 1 Accounting policies (continued)

#### Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

#### *Provision for onerous lease*

There is a time difference between the lease for the Horwich site and the sub lease. This is reviewed annually to reflect the potential impact of any rent reviews or any breaks in the contracts. See note 16 for the current carrying value of the provision.

### 2 Turnover

The analysis by geographical area of the destination of the company's turnover is set out below:

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
United Kingdom	-	28,552
Rest of Europe	-	32
	-	28,584

Principally all of the profit and net assets of the business are in the United Kingdom. The company operates one class of business.

### 3 Distribution costs and administrative expenses

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Selling and distribution expenses	-	420
Administrative expenses	28	610
	28	1,030

# SCA Hygiene Products Tissue Limited

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 4 Directors' emoluments

The directors of the company were also directors of another UK group company for which remuneration was received in relation to services performed. The directors did not receive remuneration for any services provided for SCA Hygiene Products Tissue Limited (2014: nil).

### 5 Employee information

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

	Year ended 31 December 2015	Year ended 31 December 2014
	Number	Number
<b>By activity</b>		
Tissue Manufacturing	-	91
Distribution	-	13
Finance and Administration	-	7
	-	111
	Year ended 31 December 2015	Year ended 31 December 2014
	£'000	£'000
<b>Staff costs (for the above persons):</b>		
Wages and salaries	-	7,640
Social security costs	-	435
Other pension costs	-	520
	-	8,595

# SCA Hygiene Products Tissue Limited

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 6 Exceptional Items

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Reorganisation Provision (note 17)	-	(790)
Onerous lease (note 17)	126	(842)
Indemnification for lost inventory in fire	(1,993)	-
Profit on sale of Oughtibridge	(4,909)	-
Mothballing Cost	638	-
Accelerated amortisation	-	(5,144)
	(6,138)	(6,776)

In the prior year amortisation was accelerated during the year as a result of the disposal of fixed assets to SCA Hygiene Products UK and third parties.

### 7 Interest receivable and similar income

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
On amounts owed by group undertakings	533	463
Other interest receivable	-	1
	533	464

### 8 Interest payable and similar charges

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
On amounts owed to group undertakings	1,163	925

# SCA Hygiene Products Tissue Limited

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 9 Profit on ordinary activities before taxation

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
<b>Profit on ordinary activities before taxation is stated after charging/(crediting):</b>		
Services provided by the company's auditor		
Fees payable for the audit – this company	-	72
Depreciation charge for the year on tangible fixed assets:		
Owned assets	-	1,487
Foreign currency exchange (gains)/losses	-	(25)
Operating lease charges for:		
Land and buildings	-	50
Plant and machinery	-	105
Other	-	19

### 10 Tax on profit on ordinary activities

#### Tax expense included in profit and loss

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Current tax		
UK corporation tax on profit for the year	-	-
Prior year adjustment	452	(460)
Group relief surrendered	(948)	(1,163)
Total current tax credit	(496)	(1,623)
Deferred tax		
Other timing differences	669	(10,122)
Total deferred tax charge/(credit) (note 18)	669	(10,122)
Tax on profit on ordinary activities	173	(11,745)

# SCA Hygiene Products Tissue Limited

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 10 Tax on profit / (loss) on ordinary activities (continued)

The tax assessed for the year is lower (2014: lower) than the standard effective rate of corporation tax in the UK for the year ended 31 December 2015 of 20.25% (2014: 21.50%). The differences are explained below:

#### Reconciliation of current tax charge

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
<b>Profit on ordinary activities before taxation</b>	5,480	6,295
Profit on ordinary activities multiplied by standard rate in the UK 20.25% (2014: 21.50%)	1,109	1,353
Effects of:		
Expenses not deductible for tax purposes	-	42
Income not taxable for tax purposes	(1,134)	-
Depreciation in excess of capital allowances	(686)	(1,128)
Prior year adjustments	451	(460)
Other short term timing differences	433	(11,552)
<b>Tax charge/ (credit)</b>	173	(11,745)

The standard rate of corporation tax in the UK changed from 21% to 20% with effect from 1 April 2015. Accordingly, the company's profits for this accounting year are taxed at an effective rate of 20.25% (2014: 21.5%). A change to the UK Corporation tax rate was announced in the Chancellor's budget on 16 March 2016. The change announced is to reduce the main rate to 17% from 1 April 2020. Changes to reduce the UK Corporation tax rate from 19% from 1 April 2017 and to 18% from 1 April 2020 had already been substantively enacted on 26 October 2015. As the change to 17% had not been substantively enacted at the balance sheet date its effects are not included in these financial statements.

# SCA Hygiene Products Tissue Limited

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 11 Dividends paid and proposed

#### Equity dividends

	2015	2014
	£'000	£'000
<b>Ordinary shares</b>		
£15,000,000 (2014: £nil) per £1 share	30,000	-

### 12 Tangible assets

	Plant and machinery	Total
	£'000	£'000
<b>Cost</b>		
At 1 January 2014	1,788	1,788
Impairment	-	-
Transfers out	(923)	(923)
Disposals	(865)	(865)
<b>At 31 December 2015</b>	-	-
<b>Accumulated depreciation</b>		
At 1 January 2015	566	566
Transfers out	(191)	(191)
Disposals	(375)	(375)
<b>At 31 December 2015</b>	-	-
<b>Net book amount</b>		
<b>At 31 December 2015</b>	-	-
<b>At 31 December 2014</b>	1,222	1,222

# SCA Hygiene Products Tissue Limited

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 13 Stocks

	2015	2014
	£'000	£'000
Finished goods and goods for resale	-	135

### 14 Debtors

	2015	2014
	£'000	£'000
<b>Amounts falling due within one year:</b>		
Trade debtors	17	513
Amounts owed by group undertakings	3,115	79,170
Other Debtors	2,604	1,540
Prepayments and accrued income	190	17
Deferred tax asset (note 18)	103	771
	6,029	82,011

The balances owed by group undertakings are all unsecured, interest free and have no fixed date of repayment, except:

- (i) Amounts due from SCA UK Holdings Limited of £nil (2014: £45m), on which the interest rate is fixed at the Bank of England rate of 0.5%.
- (ii) Amounts due from SCA Hygiene Products UK Limited of £2,655,000 (2014: £31m), on which the interest rate is the Bank of England rate plus 0.5%



# SCA Hygiene Products Tissue Limited

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 15 Assets held for sale

As noted in the Directors' report, the site at Oughtibridge was sold to a third party on 25 September 2015. The details of the assets affected by this are set out below:

	2015	2014
	£'000	£'000
Freehold land & buildings	-	2,491
	-	2,491

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

	2015	2014
	£'000	£'000
Trade creditors	129	111
Amounts owed to group undertakings	1,373	55,478
Taxation and social security	239	-
Accruals and deferred income	147	345
	1,888	55,934

The amounts owed to group undertakings are unsecured, interest free and have no fixed date of repayment except amounts due to SCA UK Holdings £957,000, which bears interest at the Natwest Bank base rate plus 0.5%.

# SCA Hygiene Products Tissue Limited

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 17 Provisions for liabilities

	Reorganisation	Onerous lease	Total
	£'000	£'000	£'000
At 1 January 2015	1,716	1,458	3,174
Arising in the year	-	-	-
Profit and loss account charge for the year	638	126	764
Transferred out	-	-	-
Utilised during the year	(1,855)	-	(1,855)
<b>At 31 December 2015</b>	<b>499</b>	<b>1,584</b>	<b>2,083</b>

#### Onerous lease

A provision has been established for the shortfall between a lease and a sublease agreement. The release to the P & L relates to the discounting of the provision at the internal WACC rate of 5.98%.

#### Reorganisation

In May 2013, the company announced the closure of the Oughtibridge site and its former head office. The total provision remaining at the end of 2015 is £499,000 which will be utilised in 2016.

# SCA Hygiene Products Tissue Limited

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 18 Deferred Tax

#### Deferred tax

The provision for deferred tax consists of the following deferred tax liabilities (assets):

Deferred tax liabilities/(assets)	Accelerated capital allowances	Other	Total
At January 2014	9,890	(539)	9,351
Charged / (credited) to the income statement	(10,510)	388	(10,122)
At 31 December 2014	(620)	(151)	(771)
Charged / (credited) to the income statement	620	49	669
At 31 December 2015	-	(103)	(103)

### 19 Called up share capital

	2015 £'000	2014 £'000
<b>Authorised</b>		
2 (2014: 1) ordinary share of £1 each	-	-
<b>Allotted and fully paid</b>		
2 (2014: 1) ordinary shares of £1 each	-	-

# SCA Hygiene Products Tissue Limited

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 20 Reserves

	Profit and loss account £'000
At 1 January 2015	26,751
Dividends Paid	(30,000)
Profit for the financial year	5,307
<b>At 31 December 2015</b>	<b>2,058</b>

### 21 Reconciliation of movements in shareholders' funds

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Profit for the financial year/period	5,307	18,040
Dividends paid	(30,000)	-
Opening shareholders' funds	26,751	8,711
<b>Closing shareholders' funds</b>	<b>2,058</b>	<b>26,751</b>

### 22 Capital commitments

At 31 December 2015 the company had contracted for but not provided for future capital expenditure amounting to nil (2014: £nil).

# **SCA Hygiene Products Tissue Limited**

## **Notes to the financial statements for the year ended 31 December 2015 (continued)**

### **23 Immediate and ultimate parent undertaking and controlling party**

The company is a subsidiary of SCA 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 Svenska Cellulosa Aktiebolaget SCA (Publ) ('SCA'), a company incorporated in Sweden. The immediate parent company is SCA UK Holdings Limited a company registered in England and Wales.

Svenska Cellulosa Aktiebolaget SCA (Publ) is the parent company of the largest and smallest group to prepare consolidated financial statements. Copies of these financial statements for the year ended 31 December 2015 may be obtained from the following address:

Southfields Road  
Dunstable  
Bedfordshire  
LU6 3EJ

### **24 Changes in accounting policies**

#### **Impact of change in accounting policy on the income statement**

As stated in the Statement of accounting policies, these are the Company's first financial statements prepared in accordance with FRS 101.

The accounting policies set out in the Statement of accounting policies have been applied in preparing the financial statements for the year ended 31 December 2015, the comparative information presented in these financial statements for the year 31 December 2014 and in the preparation of an opening FRS 101 balance sheet at 1 January 2014 (the Company's date of transition).

The transition to FRS 101 has not affected the financial position or financial performance of the company.