

SCA Hygiene Products Tissue Limited  
Annual report and financial statements  
for the year ended 31 December 2014

Registered number: 8033620

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# SCA Hygiene Products Tissue Limited

## Annual report and financial statements

### for the year ended 31 December 2014

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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**

Bank of America N.A

26 Elmfield Road

Bromley

Kent

BR1 1WA

# **SCA Hygiene Products Tissue Limited**

## **Strategic report for the year ended 31 December 2014**

The directors present their strategic report on 24 September 2015 for the year ended 31 December 2014.

### **Principal activities**

The principal activities of the company were the manufacture, distribution and sale of disposable paper products. Production ceased in October 2014 and the company is now non trading.

### **Review of business**

The results for the year are set out in the profit and loss account on page 9 and the position of the company as at the year end is set out in the balance sheet on page 10.

The results of the company show a profit on ordinary activities before taxation of £6.3 million (2013: loss £40.3 million) for the year and sales of £28.6 million (2013: £127.5 million). The profit relates primarily to the release of negative goodwill.

During the year, a release of £5.8 million (2013: charge £35.7 million) was recognised in respect of operating exceptional items as explained in note 6.

The company was incorporated on 17 April 2012. On 20 July 2012 the company purchased some of the trade and assets of Georgia Pacific GB Limited. This acquisition was part of the larger acquisition by Svenska Cellulosa Aktiebolaget ("SCA") of the Georgia Pacific EMEA business from Koch Industries Inc. This deal was subject to approval by the European Competition Commission, subject to certain conditions which require the company to dispose of two of its four manufacturing sites, relating to the consumer business.

Following 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 Ltd in 2013. The remaining papermaking site was transferred and incorporated into SCA Hygiene products UK Ltd on 31 March 2014. This left the remaining converting site within SCA Hygiene Products Tissue Ltd, the final converting machine ceased production at the end of October 2014, however stock management was still active at 31 December 2014. The Away from Home trade transferred to SCA Hygiene Products UK Ltd with the majority of the assets being transferred. Any remaining assets were sold to other SCA companies worldwide, sold to third parties or scrapped.

# SCA Hygiene Products Tissue Limited

## Strategic report for the year ended 31 December 2014 (continued)

### Key Performance Indicators (“KPIs”)

The company relies on different key performance indicators at an operational level. Such KPIs are used by the management team to monitor performance on a regular basis and are monitored at business group level. The main KPIs are as follows:

	Year ended 31 December 2014	Year ended 31 December 2013
Current Ratio – current assets divided by current liabilities	1.47	0.91
External Current Ratio – 3rd party current assets divided by 3rd party current liabilities	4.62	2.32
Gross Margin - the ratio of gross profit to turnover expressed as a percentage	3.53%	19.4%
Pre Tax Profit Margin – the ratio of the profit on ordinary activities before taxation to turnover expressed as a percentage	19.0%	(31.6%)

### 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.

# SCA Hygiene Products Tissue Limited

## Strategic report for the year ended 31 December 2014 (continued)

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.

### *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.

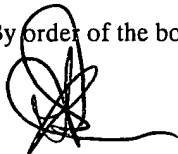
The board has overall responsibility for the company's risk management and internal control systems and for reviewing their effectiveness. The systems are designed to provide reasonable control over the activities of the company and to enable the board to comply with the directors' responsibilities.

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

### **Future developments**

On 31 March 2014 the remaining papermaking site was transferred and incorporated into SCA Hygiene Products UK Ltd, the remaining converting operation was also transferred to SCA Hygiene Products UK Ltd. in October 2014. The Oughtibridge site will be sold in late 2015 which will leave SCA Hygiene Products Tissue Ltd as a management and rental company post sale.

By order of the board



P A Bailey

Company secretary

24 SEPTEMBER 2015

# SCA Hygiene Products Tissue Limited

## Directors' report for the year ended 31 December 2014

The directors present their annual report and the audited financial statements of SCA Hygiene Products Tissue Limited for the year ended 31 December 2014.

### Results and dividends

The results of the company show a profit on ordinary activities before taxation of £6,295,000 (Loss 2013: £40,339,000).

The directors do not propose the payment of a dividend (2013: £nil).

### 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

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

# SCA Hygiene Products Tissue Limited

## Directors' report for the year ended 31 December 2014 (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, the 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

By order of the board



P A Bailey  
Company secretary

24 SEPTEMBER 2015



# 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 financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2014 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 comprise:

- the balance sheet as at 31 December 2014;
- the profit and loss account 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 applicable law and United Kingdom Accounting Standards (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.

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

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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.

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.

# SCA Hygiene Products Tissue Limited

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

### Responsibilities for the financial statements and the audit

#### Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, 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 and Financial Statements 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

28 September 2015

# SCA Hygiene Products Tissue Limited

## Profit and loss account for the year ended 31 December 2014

	Note	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
<b>Turnover</b>	2	<b>28,584</b>	127,547
Cost of sales		(27,574)	(102,806)
Gross profit		<b>1,010</b>	24,741
Distribution costs	3	(420)	(8,027)
Administrative expenses	3	(610)	(19,961)
<b>Operating profit / (loss) before exceptional items</b>		<b>(20)</b>	(3,247)
Exceptional items	6	<b>6,776</b>	(35,653)
<b>Profit / (Loss) on ordinary activities before interest</b>		<b>6,756</b>	(38,900)
Interest receivable and similar income	7	<b>464</b>	106
Interest payable and similar charges	8	(925)	(1,545)
<b>Profit / (Loss) on ordinary activities before taxation</b>	9	<b>6,295</b>	(40,339)
Tax on profit / (loss) on ordinary activities	10	<b>11,745</b>	(3,010)
<b>Profit / (Loss) for the financial year</b>	21	<b>18,040</b>	(43,349)

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

There are no other recognised gains and losses for the current and prior financial year other than the result shown above. Accordingly, a separate Statement of Total Recognised Gains and Losses has not been prepared.

All results are in respect of continuing operations.

# SCA Hygiene Products Tissue Limited

## Balance sheet as at 31 December 2014

	Note	At 31 December 2014 £'000	At 31 December 2013 £'000
<b>Fixed assets</b>			
Intangible assets	11	-	(4,584)
Tangible assets	12	1,222	43,364
		<b>1,222</b>	<b>38,780</b>
<b>Current assets</b>			
Stocks	13	135	6,489
Debtors	14	82,011	79,612
Assets held for sale	15	2,491	-
Cash at bank and in hand		-	2
		<b>84,637</b>	<b>86,103</b>
<b>Creditors: amounts falling due within one year</b>	16	<b>(55,934)</b>	<b>(94,542)</b>
<b>Net current assets / (liabilities)</b>		<b>28,703</b>	<b>(8,439)</b>
<b>Total assets less current liabilities</b>		<b>29,925</b>	<b>30,341</b>
Provisions for liabilities	17	(3,174)	(21,630)
<b>Net assets</b>		<b>26,751</b>	<b>8,711</b>
<b>Capital and reserves</b>			
Called up share capital	20	-	-
Share Premium account	21	-	45,000
Profit and loss account	21	26,751	(36,289)
<b>Total shareholders' funds</b>	21	<b>26,751</b>	<b>8,711</b>

The financial statements on pages 9 to 27 were approved by the board of directors on ~~24 September~~ 2015 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

## Notes to the financial statements for the year ended 31 December 2014

### 1 Accounting policies

#### Basis of preparation

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 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. The principal accounting policies are set out below.

#### 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.

#### 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.

# SCA Hygiene Products Tissue Limited

## Notes to the financial statements for the year ended 31 December 2014 (continued)

### 1 Accounting policies (continued)

#### 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.

#### 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.

# SCA Hygiene Products Tissue Limited

## Notes to the financial statements for the year ended 31 December 2014 (continued)

### 1 Accounting policies (continued)

#### 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.

### 2 Turnover

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

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
United Kingdom	28,552	124,152
Rest of Europe	32	3,395
	<b>28,584</b>	<b>127,547</b>

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

# SCA Hygiene Products Tissue Limited

## Notes to the financial statements for the year ended 31 December 2014 (continued)

### 3 Distribution costs and administrative expenses

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Selling and distribution expenses	420	8,027
Administrative expenses	610	19,473
Royalties	-	488
	<b>1,030</b>	<b>27,988</b>

### 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 (2013: 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 2014 Number	Year ended 31 December 2013 Number
<b>By activity</b>		
Tissue Manufacturing	91	370
Distribution	13	49
Sales and Marketing	-	20
Finance and Administration	7	31
	<b>111</b>	<b>470</b>



# SCA Hygiene Products Tissue Limited

## Notes to the financial statements for the year ended 31 December 2014 (continued)

### 5 Employee information (continued)

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
<b>Staff costs (for the above persons):</b>		
Wages and salaries	7,640	15,567
Social security costs	435	1,635
Other pension costs (see note 22)	520	1,945
	<b>8,595</b>	<b>19,147</b>

### 6 Exceptional Items

	Year ended 31 December 2014 £'000	Period ended 31 December 2013 £'000
Reorganisation Provision (note 17)	(790)	10,504
Onerous lease (note 17)	(842)	2,300
Loss on divestment (note 21)	-	32,328
Accelerated amortisation (note 11)	(5,144)	(9,479)
	<b>(6,776)</b>	<b>35,653</b>

#### 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 2013 was £9,419,000 which included severance (£4,920,000) and Site clean-up costs (£3,274,000). In addition site clean-up cost in relation to an environmental matter was (£963,000) and other items (£262,000). The total provision remaining at the end of 2014 is £1,716,000 which will be utilised in Q1 and Q2 2015.

The exceptional items above have been classified as exceptional based on the criteria as defined within FRS 3.

#### Release of negative goodwill

As a result of the transfer of the Stubbins Mill and cessation of production at Oughtibridge, the related negative goodwill has been released.

# SCA Hygiene Products Tissue Limited

## Notes to the financial statements for the year ended 31 December 2014 (continued)

### 7 Interest receivable and similar income

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
On amounts owed by group undertakings	463	106
Other interest receivable	1	-
	464	106

### 8 Interest payable and similar charges

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
On amounts owed to group undertakings	925	1,542
Other interest payable	-	3
	925	1,545

# SCA Hygiene Products Tissue Limited

## Notes to the financial statements for the year ended 31 December 2014 (continued)

### 9 Profit / (loss) on ordinary activities before taxation

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
<b>Profit / (loss) 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	120
Depreciation charge for the year on tangible fixed assets:		
Owned assets	1,487	4,563
Amortisation of intangible fixed assets	-	(632)
Foreign currency exchange (gains)/losses	(25)	-
Operating lease charges for:		
Land and buildings	50	328
Plant and machinery	105	316
Other	19	120

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

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Current tax	-	-
UK corporation tax on profit / (loss) for the year	-	-
Prior year adjustment	(460)	
Group relief payable / (surrendered)	(1,163)	(973)
Total current tax charge / (credit)	(1,623)	(973)
Deferred tax		
Other timing differences	(10,122)	3,983
Total deferred tax (credit) / charge (note 17) (note 18)	(10,122)	3,983
<b>Tax on profit / (loss) on ordinary activities</b>	<b>(11,745)</b>	<b>3,010</b>

# SCA Hygiene Products Tissue Limited

## Notes to the financial statements for the year ended 31 December 2014 (continued)

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

The tax assessed for the year is higher (2013: higher) than the standard effective rate of corporation tax in the UK for the year ended 31 December 2014 of 21.50% (2013: 23.25%). The differences are explained below:

#### Reconciliation of current tax charge

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
<b>Profit / (loss) on ordinary activities before taxation</b>	<b>6,295</b>	<b>(40,339)</b>
Profit / (loss) on ordinary activities multiplied by standard rate in the UK 21.50% (2013: 23.25%)	<b>1,353</b>	<b>(9,379)</b>
Effects of:		
Expenses not deductible for tax purposes	<b>42</b>	<b>7,701</b>
Depreciation in excess of capital allowances	<b>(1,128)</b>	<b>275</b>
Prior year adjustments	<b>(460)</b>	<b>-</b>
Other short term timing differences	<b>(1,430)</b>	<b>430</b>
<b>Current tax charge / (credit) for the year</b>	<b>(1,623)</b>	<b>(973)</b>

The standard rate of corporation tax in the UK changes from 24% to 23% with effect from 1 April 2013. Accordingly, the company's results for this accounting year are taxed at an effective rate of 21.50% (2013: 23.25%).

In addition to the changes in rates of Corporation tax disclosed above, further changes to the UK Corporation tax system were announced in the Autumn statement 2012 and the March 2013 Budget. These include further reductions to the main rate to reduce the rate from 21% from 1 April 2014 and to 20% from 1 April 2015 respectively. These changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

The company's deferred tax balances have been restated to reflect their expected unwind at 20% rather than the main rate of 21.5%.

# SCA Hygiene Products Tissue Limited

## Notes to the financial statements for the year ended 31 December 2014 (continued)

### 11 Intangible assets

	<b>Emission rights</b>	<b>Negative Goodwill</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost</b>			
At 1 January 2014	560	(5,986)	(5,426)
Additions	117	-	117
Disposals	(677)	-	4,295
<b>At 31 December 2014</b>	<b>-</b>	<b>(5,986)</b>	<b>(1,014)</b>
<b>Accumulated amortisation</b>			
At 1 January 2014	-	842	842
Credit for the year	-	5,144	172
<b>At 31 December 2014</b>	<b>-</b>	<b>5,986</b>	<b>1,014</b>
<b>Net book amount</b>			
<b>At 31 December 2014</b>	<b>-</b>	<b>-</b>	<b>-</b>
At 31 December 2013	560	(5,144)	(4,584)

The negative goodwill was generated on the acquisition of certain trade and assets of Georgia Pacific GB Limited during 2012.

Amortisation was accelerated during the year as a result of disposal of fixed assets to SCA Hygiene Products UK and third parties. The assets remaining are all held for sale (note 15).

# SCA Hygiene Products Tissue Limited

## Notes to the financial statements for the year ended 31 December 2014 (continued)

### 12 Tangible fixed assets

	Land and buildings	Plant and machinery	Assets under construction	Total
	£'000	£'000	£'000	£'000
<b>Cost</b>				
At 1 January 2014	18,640	30,664	398	49,702
Additions	-	-	221	221
Transfer to assets held for sale	(3,321)	(500)	-	(3,821)
Transfers from assets under construction	83	243	(326)	-
Impairment	(2,186)	4,240	-	2,054
Transfers out	(13,204)	(30,853)	(293)	(44,350)
Disposals	(12)	(2,006)	-	(2,018)
<b>At 31 December 2014</b>	<b>-</b>	<b>1,788</b>	<b>-</b>	<b>1,788</b>
<b>Accumulated depreciation</b>				
At 1 January 2014	1,497	4,841	-	6,338
Charge for the year	469	1,018	-	1,487
Transfers to assets held for sale	(830)	(500)	-	(1,330)
Transfers out	(1,136)	(4,146)	-	(5,282)
Disposals	-	(647)	-	(647)
<b>At 31 December 2014</b>	<b>-</b>	<b>566</b>	<b>-</b>	<b>566</b>
<b>Net book amount</b>				
<b>At 31 December 2014</b>	<b>-</b>	<b>1,222</b>	<b>-</b>	<b>1,222</b>
<b>At 31 December 2013</b>	<b>17,143</b>	<b>25,823</b>	<b>398</b>	<b>43,364</b>

The value of freehold land not depreciated as at 31 December 2014 was £2,491,000 (2013: £4,614,000). There are no assets held under finance leases.

In 2013 an impairment provision of £8,500,000 was initially booked against Plant and machinery. During 2014 it became apparent that this needed to be split between Land and Buildings and Plant and machinery, transferring £2,186,000 from Plant and machinery to Land and Buildings. During the year £467,000 of the provision was utilised and £1,587,000 was released to the Profit and loss account.

# SCA Hygiene Products Tissue Limited

## Notes to the financial statements for the year ended 31 December 2014 (continued)

### 13 Stocks

	2014	2013
	£'000	£'000
Raw materials and consumables	-	1,288
Work in progress	-	1,678
Finished goods and goods for resale	135	-
Engineering stores	-	3,523
	<b>135</b>	<b>6,489</b>

### 14 Debtors

	2014	2013
	£'000	£'000
<b>Amounts falling due within one year:</b>		
Trade debtors	513	9,285
Amounts owed by group undertakings	79,170	50,363
Other Debtors	1,540	-
Prepayments and accrued income	17	19,964
Deferred tax asset (note 18)	771	-
	<b>82,011</b>	<b>79,612</b>

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 Ltd of £45m, on which the interest rate is fixed at 0.5%.
- (ii) Amounts due from SCA Hygiene Products UK Ltd of £31m, on which the interest rate is fixed at 1%

# SCA Hygiene Products Tissue Limited

## Notes to the financial statements for the year ended 31 December 2014 (continued)

### 15 Assets held for sale

As noted in the Directors' report, it is planned that the remaining Converting site will be sold in late 2015. The details of the assets affected by this are set out below:

	2014	2013
	£'000	£'000
Freehold land & buildings	2,491	-
	2,491	-

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

	2014	2013
	£'000	£'000
Trade creditors	111	12,837
Amounts owed to group undertakings	55,478	79,179
Taxation and social security	-	13
Other creditors	-	7
Accruals and deferred income	345	2,506
	55,934	94,542

The amounts owed to group undertakings are unsecured, interest free and have no fixed date of repayment except amounts due to SCA Capital NV £55m, on which interest is payable at a rate of Sterling LIBOR overnight.



# SCA Hygiene Products Tissue Limited

## Notes to the financial statements for the year ended 31 December 2014 (continued)

### 17 Provisions for liabilities

	Reorganisation	Onerous lease	Emissions	Deferred tax	Total
	£'000	£'000	£'000	£'000	£'000
At 1 January 2014	9,419	2,300	560	9,351	21,630
Arising in the year	-	-	-	-	-
Profit and loss account (credit) / charge for the year	(790)	(842)	-	(9,351)	(10,983)
Transferred out	-	-	(560)	-	(560)
Utilised during the year	(6,913)	-	-	-	(6,913)
<b>At 31 December 2014</b>	<b>1,716</b>	<b>1,458</b>	<b>-</b>	<b>-</b>	<b>3,174</b>

#### 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 2013 was £9,419,000 which included Severance (£4,920,000) and Site clean-up costs (£3,273,891). In addition site clean-up cost in relation to an environmental matter was (£963,000) and other items (£262,000). The total provision remaining at the end of 2014 is £1,716,000 which will be utilised in Q1 & Q2 2015.

#### 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 6.43%.

#### Emissions

The emissions allowance was transferred to SCA Hygiene Products UK Ltd with the Stubbins site on 31 March 2014.

# SCA Hygiene Products Tissue Limited

## Notes to the financial statements for the year ended 31 December 2014 (continued)

### 18 Deferred Tax

Deferred tax is recognised in the financial statements arising from the effects of timing differences as follows:

	Amount provided / (recognised)	
	2014	2013
	£'000	£'000
Tax effect of timing differences because of:		
Capital allowances in excess of depreciation	(621)	9,890
Other	(150)	(539)
<b>Total deferred tax (asset) / liability</b>	<b>(771)</b>	<b>9,351</b>
1 January 2014	<b>9,351</b>	5,368
Arising on acquisition		-
Deferred tax (credit) / charge in profit and loss account (note 10)	<b>(10,122)</b>	3,983
<b>31 December 2014 (note 14)</b>	<b>(771)</b>	<b>9,351</b>

During 2014 the deferred tax liability has moved to a deferred tax asset

# SCA Hygiene Products Tissue Limited

## Notes to the financial statements for the year ended 31 December 2014 (continued)

### 19 Operating lease commitments

The company has the following annual operating lease commitments for land and buildings and other leased assets:

	2014		2013	
	Land and buildings	Other	Land and buildings	Other
	£'000	£'000	£'000	£'000
Leases which expire:				
In less than one year	-	-	-	16
In two to five years	-	-	-	6
In over five years	-	-	49	-
	-	-	49	22

### 20 Called up share capital

	2014	2013
	£'000	£'000
<b>Authorised</b>		
2 (2013: 1) ordinary share of £1 each	-	-
<b>Allotted and fully paid</b>		
2 (2013: 1) ordinary shares of £1 each	-	-

# SCA Hygiene Products Tissue Limited

## Notes to the financial statements for the year ended 31 December 2014 (continued)

### 21 Reserves

	Share premium account £'000	Profit and loss account £'000
At 1 January 2014	45,000	(36,289)
Capital reduction (note 19)	(45,000)	45,000
Profit for the financial year	-	18,040
<b>At 31 December 2014</b>	<b>-</b>	<b>26,751</b>

During the year the majority of assets of SCA Hygiene Products Tissue Ltd were transferred to SCA Hygiene Products UK Ltd at market value as part of the transfer of the Away from Home trade.

On 18 December 2014 a capital reduction was passed by the Directors cancelling the entire share premium account of the company to nil, in the amount of £45,000,000. The amount ensuing upon the capital reduction, being the sum of £45,000,000 would be credited to the profit and loss account.

### 22 Reconciliation of movements in shareholders' funds

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Profit / (loss) for the financial year/period	18,040	(43,349)
Issue of share	-	45,000
Opening shareholders' funds	8,711	7,060
<b>Closing shareholders' funds</b>	<b>26,751</b>	<b>8,711</b>

# **SCA Hygiene Products Tissue Limited**

## **Notes to the financial statements for the year ended 31 December 2014 (continued)**

### **23 Capital commitments**

At 31 December 2014 the company had contracted for but not provided for future capital expenditure amounting to nil (2013: £220,742).

### **24 Pension and similar obligations**

#### **Defined contribution scheme**

The pension cost contributions charged during the year relating to the defined contribution scheme amounted to nil (2013: £1,945,000) of which nil (2013: £7,945) was included in other creditors at the year end.

### **25 Post balance sheet events**

The property held for sale is currently on the market and will hopefully be sold during Q4 2015.

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

The company's immediate parent company is SCA UK Holdings Limited, of which SCA Hygiene Products Tissue Limited is a wholly owned subsidiary. The ultimate parent undertaking and controlling party is Svenska Cellulosa Aktiebolaget SCA (Publ), a company incorporated in Sweden, which is the parent undertaking of the largest group to consolidate these financial statements.

Svenska Cellulosa Aktiebolaget SCA (Publ) is the parent company of the largest and smallest group to consolidate these results. The consolidated financial statements of Svenska Cellulosa Aktiebolaget SCA (Publ) are available from the following address:

Southfields Road  
Dunstable  
Bedfordshire  
LU6 3EJ