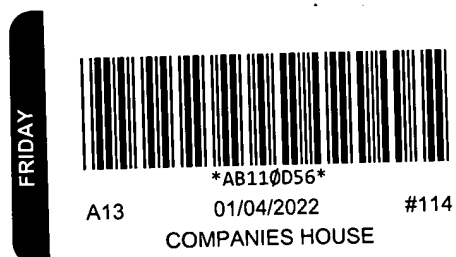


Essity Operations Limited  
Annual report and financial statements  
for the year ended 31 December 2020

Registered number: 08033620



Essity Operations Limited  
Annual report and financial statements  
for the year ended 31 December 2020  
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# **Essity Operations Limited**

## **Directors and advisers**

### **Directors**

P A Bailey

K J Starr

A Richards

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

P A Bailey

Southfields Road

Dunstable

Bedfordshire

LU6 3EJ

### **Independent auditors**

Ernst & Young LLP

400 Capability Green

Luton

LU1 3LU

### **Solicitors**

Reynolds Porter Chamberlain

Chichester House

278/282 High Holborn

London

WC17 7HA

### **Bankers**

BNP Paribas

10 Harewood Avenue

London

NW1 6AA

# **Essity Operations Limited**

## **Strategic report for the year ended 31 December 2020**

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

The company operates a warehouse facility to store products owned by other Essity UK group companies.

The global economy in 2020 was significantly impacted by the pandemic outbreak of Coronavirus (COVID-19), which started in China and quickly spread over Europe and the United States. The economic impact of COVID-19 has been severe and has impacted the global economy in 2020, however the overall performance of the company throughout 2020 and into 2021 has not been significantly impacted.

### **UK Production facilities**

Covid-19 safe working practices were adopted quickly in 2020. As a result, no production time has been lost due to Covid-19. With safe working practices still in existence, no disruption to production is expected.

### **Market conditions**

The company as a whole has seen a positive impact from Covid-19, and is not expecting any significant negative impacts looking forward

The results for the year are set out in the income statement on page 10 and the position of the company as at the year-end is set out in the statement of financial position on page 11.

The results of the company show a profit on ordinary activities before taxation of £129,000 (2019: £576,000 loss (restated)).

### **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.

# Essity Operations Limited

## Strategic report for the year ended 31 December 2020 (continued)

### Financial risk management (continued)

The finance department has a policy and procedure manual set by the Essity 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.

#### *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.

#### *Liquidity 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 Essity UK cash pooling facility.

As a member of the Essity cash pool arrangement, the company's cash management is effectively controlled by Essity Treasury AB, a fellow group company. The Essity 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.

### Principal risks and uncertainties

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

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.

By order of the board



Paul Bailey  
Director  
30 March 2022

# **Essity Operations Limited**

## **Directors' report for the year ended 31 December 2020**

The directors present their annual report and the audited financial statements of Essity Operations Limited for the year ended 31 December 2020.

### **Results and dividends**

The results of the company show a profit on ordinary activities before taxation of £129,000 (2019: £576,000 loss (restated)).

Interim dividends of £nil (2019: £nil) were paid in the year.

### **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)

K J Starr

A Richards

### **Going concern**

The company was profitable in 2020 and has current assets at the balance sheet date.

The directors have received confirmation that the ultimate parent company, Essity Aktiebolag (publ)., intends to support the company at least until 31 March 2023.

The company as a whole has seen a positive impact from Covid-19, and is not expecting any significant negative impacts looking forward.

The company has access to significant cash reserves which are administered by the Group Treasury function which could be drawn upon by the company if needed. The Group remains in a strong position and, like the UK business, continues to trade well through the pandemic.

The directors, having reviewed the company's current performance, forecasts and in consideration of group financing arrangements, including specific consideration of the current Coronavirus outbreak, consider that the company has sufficient resources to continue in operation and meet its liabilities as they fall due until 31 March 2023.

Accordingly, the directors are satisfied that it is appropriate to adopt the going concern basis in preparing the financial statements.

### **Independent auditors**

In accordance with s485 of the Companies Act 2006, a resolution has been proposed at the Annual General Meeting for reappointment of Ernst & Young LLP as auditors of the Company.

# **Essity Operations Limited**

## **Directors' report for the year ended 31 December 2020 (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, 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 elected to prepare 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'.

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 judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors 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



Paul Bailey  
Director  
30 March 2022

## **Independent auditor's report to the members of Essity Operations Limited**

### **Opinion**

We have audited the financial statements of Essity Operations Limited for the year ended 31 December 2020 which comprise the Income Statement, the Statement of financial position, the Statement of changes in equity and the related notes 1 to 14 including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2020 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.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the period to 31 March 2023.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.



## **Independent auditor's report to the members of Essity Operations Limited (continued)**

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

## **Independent auditor's report to the members of Essity Operations Limited (continued)**

### ***Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud***

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant to be those relating to United Kingdom General Accepted Accounting Practice, the Companies Act 2006, and the relevant tax compliance regulations in the jurisdictions in which the company operates. In addition, the company must comply with operational and employment laws and regulations including health and safety regulations, environmental regulations and GDPR.
- We understood how the company is complying with those frameworks by making enquiries of senior finance personnel and gaining an understanding of the entity level controls of the company in respect of these areas and the controls in place to reduce the opportunity for fraudulent transactions.

We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where it considered there was susceptibility to fraud. We considered the procedures and controls that the company has established to address risks identified, or that otherwise prevent, deter and detect fraud and gained an understanding as to how those procedures and controls are implemented and monitored. We determined there to be a risk of management override in relation to posting of non-standard manual journals in respect of revenue. To address the risk of management override, we have used data analytics and obtained the entire population of journals for the year, and identified specific transactions for further investigation based on certain criteria. We understood the transactions identified for testing and agreed them to source documentation.

- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures included obtaining and reading board and management meeting minutes and relevant approval documents, enquiries of senior finance personnel and agreement of samples of transactions throughout the audit to supporting source documentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

## **Independent auditor's report to the members of Essity Operations Limited (continued)**

### **Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Ernst & Young LLP*

Adrian Bennett (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Luton

31 March 2022

## Essity Operations Limited

### Income statement for the year ended 31 December 2020

		2020	Restated 2019
	Note	£'000	£'000
<b>Turnover from continuing activities</b>	1	<b>1,392</b>	614
Administrative expenses		(1,206)	(1,356)
Other operating income		6	228
<b>Operating profit/(loss) before exceptional items</b>	2	<b>192</b>	(514)
<b>Profit/(loss) on ordinary activities before interest</b>		<b>192</b>	(514)
Interest payable and similar charges	4	(83)	(101)
Interest receivable and similar income	5	20	39
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>129</b>	(576)
Tax on profit/(loss) on ordinary activities	6	(20)	102
<b>Profit/(loss) for the financial year</b>		<b>109</b>	(474)

The company has no recognised other comprehensive income and therefore no separate statement of Other Comprehensive Income has been presented.

# Essity Operations Limited

## Statement of financial position as at 31 December 2020

		As at 31 December 2020 £'000	Restated As at 31 December 2019 £'000
	Note		
<b>Non-current assets</b>			
Tangible assets	7	352	-
Right of use assets	13	1,699	2,152
		<b>2,051</b>	<b>2,152</b>
<b>Current assets</b>			
Debtors	8	3,506	3,754
		<b>3,506</b>	<b>3,754</b>
<b>Creditors: amounts falling due within one year</b>	9	<b>(1,910)</b>	<b>(1,579)</b>
<b>Net current assets</b>		<b>1,596</b>	<b>2,175</b>
<b>Total assets less current liabilities</b>		<b>3,647</b>	<b>4,327</b>
Creditors: amounts falling due after more than one year	10	(2,260)	(3,044)
Provisions for deferred tax	11	(3)	(8)
<b>Net assets</b>		<b>1,384</b>	<b>1,275</b>
<b>Capital and reserves</b>			
Called up share capital	12	-	-
Profit and loss account		1,384	1,275
<b>Total shareholders' funds</b>		<b>1,384</b>	<b>1,275</b>

The financial statements on pages 10 to 25 were approved by the board of directors on 30 March 2022 and were signed on its behalf by:



Paul Bailey  
Director

Essity Operations Limited is registered in England and Wales under company number 08033620.

## Essity Operations Limited

### Statement of changes in equity for the year ended 31 December 2020

	Called up share capital £'000	Profit and loss account £'000	Total shareholders' funds £'000
As at 1 January 2019	-	1,749	1,749
Loss for the financial year	-	(474)	(474)
As at 31 December 2019 (Restated)	-	1,275	1,275
As at 1 January 2020	-	1,275	1,275
Profit for the financial year	-	109	109
As at 31 December 2020	-	1,384	1,384

# **Essity Operations Limited**

## **Statement of accounting policies**

### **General information**

The company is dormant but for an onerous lease. 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 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.

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.

### **Going concern**

The company was profitable in 2020 and has current assets at the balance sheet date.

The directors have received confirmation that the ultimate parent company, Essity Aktiebolag (publ.), intends to support the company at least until 31 March 2023.

The company as a whole has seen a positive impact from Covid-19, and is not expecting any significant negative impacts looking forward.

The company has access to significant cash reserves which are administered by the Group Treasury function which could be drawn upon by the company if needed. The Group remains in a strong position and, like the UK business, continues to trade well through the pandemic.

The directors, having reviewed the company's current performance, forecasts and in consideration of group financing arrangements, including specific consideration of the current Coronavirus outbreak, consider that the company has sufficient resources to continue in operation and meet its liabilities as they fall due until 31 March 2023.

Accordingly, the directors are satisfied that it is appropriate to adopt the going concern basis in preparing the financial statements.

# **Essity Operations Limited**

## **Statement of accounting policies (continued)**

### **Exemptions**

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

- 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 paragraph 79(a)(iv) of IAS 1;
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - o 10(d), (statement of cash flows)
  - o 16 (statement of compliance with all IFRS)
  - o 38A (requirement for minimum of two primary statements, including cash flow statements)
  - o 38B-D (additional comparative information)
  - o 40A-D (requirements for a third statement of financial position)
  - o 111 (cash flow statement information)
  - o 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.

### **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 rate used for this purpose is:

	%
Plant and machinery	25

No depreciation is provided on assets under construction.

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Company makes an estimate of the assets recoverable amount in order to determine the extent of the impairment loss. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of asset. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and written down to its recoverable amount. Impairment losses are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

### **Debtors**

Trade debtors are recognised and carried at the lower of their original invoiced value and recoverable amount. Provision for impairment is made through profit and loss when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.



## **Essity Operations Limited**

### **Statement of accounting policies (continued)**

#### **Creditors**

Short term creditors are measured at the transaction price.

#### **Leases**

When an agreement is entered into, the company must first consider whether the contract is, or contains, a lease.

A contract is, or contains, a lease if:

- it contains an identified asset
- the lessee is entitled to essentially all the economic benefits arising from the use of the identified asset
- the lessee is entitled to control the use of the asset.

On the commencement date of the lease, a right-of-use asset and a liability are recognised in the balance sheet. The right-of-use asset is measured at cost and recognised in the balance sheet within non-current assets. The asset is depreciated on a straight-line basis over the shorter period of the assets anticipated useful life and the lease term.

The lease liability is measured at the present value of the future lease payments and recognised within creditors. When making lease payments, the contribution is allocated between interest expense and amortisation of the outstanding lease liability.

In the Income statement, depreciation of the right-of-use asset is recognised in operating profit while interest expense is recognised within Interest payable and similar charges.

The company has decided to apply the exemption rules for short-term leases and leases where the underlying asset has a low value. These leases are not included in the right-of-use asset or the lease liability. Lease payments for these contracts are expensed on a straight-line basis over the useful life.

#### **Turnover**

The company applies IFRS 15 Revenue from Contracts with Customers that regulates revenue recognition and disclosure requirements for commercial agreements (contracts) with customers. The standard pertains to commercial agreements with customers in which delivery of goods/services is divided into separately identifiable performance obligations that are recognized independently. The company's performance obligations in the contracts involve providing the goods specified in the contracts. The performance obligations are satisfied and the revenue recognized when control of the products is passed to the customer

## **Essity Operations Limited**

### **Statement of 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.

#### **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.

#### **Prior year adjustments**

##### *i. Reclassification of Income*

In preparation of the financial statements for the year ended 31 December 2020, management have reviewed the classification of revenue from other group companies in the Income statement. Intercompany revenue has previously been recognised as a deduction from Administrative expenses. Management have considered the nature of this revenue and considered that this should be recognised as either turnover or other operating income. Management consider that this treatment would also be correct for the comparative year ended 31 December 2019.

Accordingly, for the year ended 31 December 2019, Turnover has been restated from £nil to £614,000, Administrative expenses have been restated from £86,000 to £928,000 and Other operating income has been restated from £nil to £228,000.

There is no impact on the loss for the financial year ended 31 December 2019, the Statement of financial position at 31 December 2019 or on the retained earnings of the company at 31 December 2019.

# Essity Operations Limited

## Statement of accounting policies (continued)

### Prior year adjustments (continued)

#### ii. Right of Use Assets

In preparation of the financial statements for the year ended 31 December 2020, the directors have reviewed the adoption of IFRS 16 as at 1 January 2019. The review of how IFRS 16 has been adopted has led to the directors releasing the Onerous Lease Provision and recalculating the Right of use asset and liability.

The effect of correcting the error is as follows:

	1 January 2019	Increase/ (Decrease)	1 January 2019 (Restated)
	£'000	£'000	£'000
<b>Assets</b>			
Tangible assets – Property (right of use assets)	2,692	355	3,047
<b>Liabilities</b>			
Lease liabilities due within one year	(516)	(230)	(746)
Lease liabilities due after more than one year	(3,685)	1,384	(2,301)
Provisions	1,509	(1,509)	-
<b>Net impact on equity</b>	-	-	-

The error has been corrected by restating the affected financial statements for the prior period as below.

### Statement of financial position (extract)

	31 December 2019	Increase/ (Decrease)	31 December 2019 (Restated)
	£'000	£'000	£'000
Right of use assets	2,224	(72)	2,152
Debtors – impact on group relief receivable	36	62	98
Creditors – amounts falling due within one year – impact on lease liabilities	(437)	(328)	(765)
<b>Net current assets</b>	<b>2,441</b>	<b>(266)</b>	<b>2,175</b>
Creditors – amounts falling due after more than one year – impact on lease liabilities	(1,739)	(1,305)	(3,044)
Provision for liabilities – impact on onerous lease	(1,348)	1,340	(8)
<b>Net assets</b>	<b>1,578</b>	<b>(303)</b>	<b>1,275</b>
Retained earnings	(1,578)	303	(1,275)
<b>Total equity</b>	<b>(1,578)</b>	<b>303</b>	<b>(1,275)</b>

## Essity Operations Limited

### Statement of accounting policies (continued)

#### Prior year adjustments (continued)

##### ii. *Right of Use Assets (continued)*

#### Income statement

The impact in the 2019 income statement is as follows.

	Increase in Charge/ (credit)
	£'000
Administrative expenses	428
Exceptional items	(103)
Interest payable and similar charges	40
<b>Loss on ordinary activities before taxation</b>	<b>365</b>
Tax on profit on ordinary activities	(62)
<b>Loss for the financial year</b>	<b>303</b>

## Essity Operations Limited

### Notes to the financial statements for the year ended 31 December 2020

#### 1 Turnover

All turnover is derived from one class of business, which is from the sale of products, primarily to fellow subsidiary companies, which are work in progress towards finished products for Essity group companies.

See Note 8 for amounts due from external customers, in Trade debtors, and amounts due from other group companies derived from turnover.

The destination of the company's turnover is all in the United Kingdom. Principally all of the profit and net assets of the business are in the United Kingdom.

#### 2 Operating profit

	2020	2019
	£'000	£'000
Operating profit is stated after charging:		
Depreciation charge for the year on tangible fixed assets:		
Owned assets	32	-
Right of use asset	453	468
Impairment loss of right of use asset	72	-

Auditors' remuneration has been met on behalf of the company by Essity UK Limited, a fellow subsidiary company. Services provided by the company's auditors: Fees payable for the audit of £5,000 (2019: £5,000).

#### 3 Directors' emoluments

The directors received £nil remuneration from the company during the year (2019: £nil). The directors were remunerated by fellow group companies in the year. No allocation of the directors' emoluments has been made as the directors provide minimal services to the company to the non-trading entities in the group. The directors did not receive any emoluments in respect of their services to the company.

The aggregate emoluments for the company's directors, paid by Essity UK Limited was:

	2020	2019
	£'000	£'000
Aggregate emoluments for qualifying services	687	724
Aggregate value of company contributions to pension schemes	35	29
	722	753

## Essity Operations Limited

### 4 Interest payable and similar charges

	2020	Restated 2019
	£'000	£'000
On amounts owed to group undertakings	1	-
On lease liabilities	82	101
	83	101

### 5 Interest receivable and similar income

	2020	2019
	£'000	£'000
On amounts owed by group undertakings	20	39

## Essity Operations Limited

### Notes to the financial statements for the year ended 31 December 2020 (continued)

#### 6 Tax on profit on ordinary activities

##### Tax charge/(credit) included in profit and loss

	2020	Restated 2019
	£'000	£'000
Current tax		
UK corporation tax on profit for the year	16	(110)
Adjustments in respect of prior periods	9	-
<b>Total current tax charge/(credit)</b>	<b>25</b>	<b>(110)</b>
Deferred tax		
Origination and reversal of timing differences	3	8
Prior year adjustment	(8)	-
<b>Total deferred tax (credit)/charge (note 11)</b>	<b>(5)</b>	<b>8</b>
<b>Tax charge/(credit) on ordinary activities</b>	<b>20</b>	<b>(102)</b>

The tax assessed for the prior year was more than (2019: the same as) the standard effective rate of corporation tax in the UK for the year ended 31 December 2020 of 19%. The differences are explained below:

##### Reconciliation of current tax expense

	2020	2019
	£'000	£'000
<b>Profit/(Loss) on ordinary activities before taxation</b>	<b>129</b>	<b>(576)</b>
Profit/(Loss) on ordinary activities multiplied by standard rate in the UK 19% (2019: 19%)	25	(109)
Effects of:		
Income not taxable for tax purposes	(11)	(1)
Expenses not deductible for tax purposes	5	9
Adjustments in respect of prior periods	1	-
Effect of rate change	-	(1)
<b>Tax expense/ (credit)</b>	<b>20</b>	<b>(102)</b>

The Finance Act 2016, which was enacted on 15th September 2016 included legislation to reduce the main rate of Corporation Tax from 19% to 17% effective from 1st April 2020, consequently deferred tax was recognised at a rate of 17% in the prior year. In the UK Budget of 11<sup>th</sup> March 2020 the rate applicable from 1<sup>st</sup> April 2020 was set at 19%, this change was substantively enacted on 17<sup>th</sup> March 2020.

In the March 2021 Budget the UK Government announced that the main rate of Corporation Tax would be increased to 25% effective from 1<sup>st</sup> April 2023, this change has not been enacted at the balance sheet date so the effect of the rate change has not been included in these accounts. There would be no material difference in these accounts if the 25% rate was applied at the balance sheet date.

## Essity Operations Limited

### Notes to the financial statements for the year ended 31 December 2020 (continued)

#### 7 Tangible fixed assets

	Plant and machinery £'000
<b>Cost</b>	
At 1 January 2020	-
Additions	384
<b>At 31 December 2020</b>	<b>384</b>
<b>Accumulated depreciation</b>	
At 1 January 2020	-
Charge for the year	32
<b>At 31 December 2020</b>	<b>32</b>
<b>Net book amount</b>	
<b>At 31 December 2020</b>	<b>352</b>
At 31 December 2019	-



## Essity Operations Limited

### Notes to the financial statements for the year ended 31 December 2020 (continued)

#### 8 Debtors

	2020	Restated 2019
	£'000	£'000
<b>Amounts falling due within one year:</b>		
Trade debtors	16	15
Amounts owed by group undertakings	3,165	3,486
Group relief receivable	84	98
Taxation and social security	92	50
Other debtors	44	2
Prepayments and accrued income	105	103
	<b>3,506</b>	<b>3,754</b>

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

- (i) An amount due from Essity Treasury AB of £nil (2019: £212,000), on which interest is receivable at 1.1% above the 6 month GBP LIBOR interest rate.
- (ii) Amounts due from Essity UK Limited of £2,654,000 (2019: £2,654,000), on which interest is receivable at 0.5% above the Bank of England base rate, and accrued interest of £131,000 (2019: £111,000) on this balance

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

	2020	Restated 2019
	£'000	£'000
Lease liabilities (Note 13)	572	765
Trade creditors	42	74
Amounts owed to group undertakings	1,290	600
Accruals and deferred income	6	140
	<b>1,910</b>	<b>1,579</b>

The amounts owed to group undertakings are unsecured, interest free and have no fixed date of repayment.

## Essity Operations Limited

### Notes to the financial statements for the year ended 31 December 2020 (continued)

#### 10 Creditors: Amounts falling due after more than one year

	2020	2019
	£'000	£'000
Lease liabilities (Note 13)	2,260	3,044

#### 11 Deferred Tax

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

Deferred tax liability	Accelerated Capital Allowances	Other £'000	Total £'000
	£'000		
At 1 January 2020	-	8	8
Charged/(credited) to the income statement	3	(8)	(5)
At 31 December 2020	3	-	3

#### 12 Called up share capital

	2020	2019
	£'000	£'000
<b>Authorised</b>		
2 (2020: 2) ordinary share of £1 each	-	-
<b>Allotted and fully paid</b>		
2 (2019: 2) ordinary shares of £1 each	-	-

## Essity Operations Limited

### Notes to the financial statements for the year ended 31 December 2020 (continued)

#### 13 Leases

The carrying amounts of right-of-use assets are set out below.

	Property £'000
Valuation at 1 January 2020	2,152
Depreciation	(453)
Valuation at 31 December 2020	1,699

The carrying amounts of lease liabilities are set out below.

	Lease liabilities £'000
Valuation at 1 January 2020	3,809
Interest expense	82
Payments	(1,059)
Valuation at 31 December 2020	2,832

Maturity analysis of liability:

	Lease liabilities £'000
Payable within 1 year	572
Payable after more than one year and up to 5 years	2,260
At 31 December 2020	2,832

#### 14 Immediate and ultimate parent undertaking and controlling party

The company is a subsidiary of Essity 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 Essity Aktiebolag (publ), a company incorporated in Sweden. The immediate parent company is Essity Holding UK Limited, a company registered in England and Wales.

Essity Aktiebolag (publ) is the parent company of the largest and smallest group to prepare consolidated financial statements for 2020. Copies of these financial statements for the year ended 31 December 2020 may be obtained from the following address:

Southfields Road, Dunstable, Bedfordshire, LU6 3EJ