

SCA Holding Limited
Annual report and financial statements
for the year ended 31 December

Registered Number 00382678

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

Directors' report for the year ended 31 December 2006

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

Business review and principal activities

The principal activity of the company is to act as a holding company for subsidiaries that are engaged in the manufacture and sale of paper and packaging and the provision of packaging services. The results for the company show a pre tax loss of £9,929,000 (2005 £8,819,000) for the year

The company has net assets of £30,962,000 (2005 £39,851,000)

Future developments

The external commercial environment in all business areas of the company's subsidiaries is expected to remain competitive during 2007, however we are confident that the business outlook is positive

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's operations expose it to two principal financial risks namely the effects of changes in liquidity risk and of changes in interest rate risk

Where applicable, the company follows the SCA Group policy. The company's financial risk management is centralised to capitalise on economies of scale and synergy effects and to minimise operational risks

Liquidity risk

The company actively manages its liquidity risk by short-term debt finance with the SCA Group Treasury, supported by external borrowings where appropriate, that is designed to ensure the company has sufficient available funds for operations and planned expansions

Interest rate risk

The company has both interest bearing assets and interest bearing liabilities. The SCA Group Treasury function is responsible for identifying and managing interest rate exposure

Dividends

The company did not pay any dividends during the year (2005 £nil). The directors do not recommend payment of a final dividend (2005 £nil)

Directors and their interests

The directors who served during the year were

B J Miller

T A Rice

D R Stead

J D Williams

SCA Holding Limited

None of the directors who held office at the year end had any beneficial interest in the shares of the company or its holding company incorporated in Great Britain

No directors had, at any time during the year, any material interest in a contract with the company

Insurance effected for officers

During the year the company maintained insurance for its officers against liabilities in relation to the company

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary

The directors confirm that they have complied with the above requirements in preparing the financial statements

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

SCA Holding Limited

Each person who is a director at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of Section 234ZA of the Companies Act 1985

Laying of the accounts

In accordance with Section 252(1) of the Companies Act 1985 the company has elected not to lay its accounts and reports before the members in a general meeting

Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors will be proposed at the annual general meeting

By Order of the Board



M Eyles
Secretary

29 November 2007

SCA Holding Limited

Independent auditors' report to the members of

SCA Holding Limited

We have audited the financial statements of SCA Holding Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

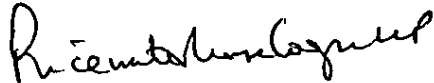
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

SCA Holding Limited

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Gatwick
30 November 2007

SCA Holding Limited

Profit and loss account for the year ended 31 December 2006

	Note	2006 £'000	2005 £'000
Other operating income		290	60
Impairment provision		(5)	(25)
Operating profit	2	285	35
Interest receivable	3	59	103
Interest payable	4	(10,273)	(8,957)
Loss on ordinary activities before taxation		(9,929)	(8,819)
Tax on loss on ordinary activities	5	1,040	-
Loss for the financial year	11	(8,889)	(8,819)

The results above relate entirely to continuing operations

The company has no recognised gains and losses other than the losses above and therefore no separate statement of total recognised gains and losses has been presented

SCA Holding Limited

Note of historical cost profits and losses for the year ended 31 December 2006

	2006 £'000	2005 £'000
Reported (loss) on ordinary activities before taxation	(9,929)	(8,819)
Realisation of property revaluation gains of previous years	396	-
Historical cost (loss) on ordinary activities before taxation	(9,533)	(8,819)
Historical cost (loss) for the year after taxation and dividends	(8,493)	(8,819)

SCA Holding Limited

Balance sheet as at 31 December 2006

	Note	2006 £'000	2005 £'000
Fixed assets			
Investments	6	613,941	616,224
		613,941	616,224
Current assets			
Investment properties	7	-	771
Debtors amounts falling due within one year	8	1,040	-
		1,040	771
Creditors: amounts falling due within one year	9	(425,319)	(372,290)
Net current liabilities		(424,279)	(371,519)
Total assets less current liabilities		189,662	244,705
Creditors: amounts falling due after more than one year	9	(158,700)	(204,854)
Net assets		30,962	39,851
Capital and reserves			
Share capital	10	42,193	42,193
Share premium	11	4,513	4,513
Revaluation reserve	11	-	396
Profit and loss account	11	(15,744)	(7,251)
Equity shareholders' funds	12	30,962	39,851

These financial statements which comprise the profit and loss account, the balance sheet and the related notes were approved by the board of directors 29 November 2007 and were signed on its behalf by



T A Rice
Director

SCA Holding Limited

Notes to the financial statements for the year ended 31 December 2006

1 Principal accounting policies

These financial statements are prepared under the historical cost convention as modified by the revaluation of certain investment properties and in accordance with applicable accounting standards

Basis of preparation

In accordance with Section 228 of the Companies Act 1985 the company has not presented consolidated accounts as it is a wholly owned subsidiary of a UK company, SCA UK Holdings Limited, and the company's results are included in the consolidated financial statements of Svenska Cellulosa Aktiebolaget SCA, a company incorporated in the European Economic Area

The ultimate holding company has provided a letter of support stating that support will be given for twelve months from the date of approval of the financial statements

Investment properties

Investment properties are included within current assets as they are being held for disposal. Accordingly no depreciation or amortisation is provided in respect of freehold investment properties

Cash flow statement

As the SCA Group controls in excess of 90% of the voting rights of the company, and the consolidated financial statements in which the company's results are included are publicly available, the company is exempt from preparing a cash flow statement under the provisions of FRS 1 (Revised)

Investments in associates

An associated company is a company, not being a subsidiary, in which the group has an interest of between 20% and 50% and on whose commercial and financial policy decisions the group exercises significant influence. The carrying value of the associated company is stated at cost less any provision for permanent diminution in value

Deferred taxation

Provision is made for deferred taxation, in respect of all timing differences that have originated but not reversed by the balance sheet date. Deferred tax assets are recognised to the extent that it is considered more likely than not there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax assets and liabilities are not subject to discounting

2 Operating profit

The company has no employees. There were no directors' emoluments. The emoluments of the directors are paid by other group companies. Their services are deemed to be wholly attributable to other group companies, and accordingly, these financial statements include no emoluments in respect of them

Audit fees are borne by other group companies

SCA Holding Limited

3 Interest receivable

	2006	2005
	£'000	£'000
External	3	-
Group companies	56	103
	59	103

4 Interest payable

	2006	2005
	£'000	£'000
Group companies	10,273	8,957

SCA Holding Limited

5 Tax on loss on ordinary activities

(a) Analysis of credit in the year

	2006	2005
	£'000	£'000
United Kingdom corporation tax at 30% (2005 30%)		
- Current	1,040	-
Total current tax	1,040	-
Tax on loss on ordinary activities	1,040	-

(b) Factors affecting tax credit for the year

	2006	2005
	£'000	£'000
Loss on ordinary activities before tax	(9,929)	(8,819)
Loss on ordinary activities multiplied by the standard rate of corporation tax 30% (2005 30%)	(2,979)	(2,646)
Effects of		
- Group relief surrendered	3,065	2,656
- Payment for group relief	(1,040)	-
- Utilisation of tax losses and other deductions	-	4
- Income not taxable	(93)	-
- Expenses not deductible for tax purposes	7	(14)
Current tax credit for the year	(1,040)	-

The company has an unprovided deferred tax asset of £16,789 (2005 £16,789) in respect of unutilised tax losses. The company has not recognised this asset due to uncertainties concerning the extent and timing of its recoverability.

6 Investments

	Subsidiary undertakings £'000	Associated undertaking £'000	Total £'000
At 1 January 2006	615,807	417	616,224
Loans repaid during the year	(2,278)	-	(2,278)
Impairment provision	-	(5)	(5)
At 31 December 2006	613,529	412	613,941

SCA Holding Limited

The company owns 100% participating interests (except where indicated) of the companies, all of which were incorporated in Great Britain and registered in England and Wales, except Alex Cowan & Sons Limited, which is registered in Scotland

Name of company	Class of shares and proportion held	Activity
Alex Cowan & Sons Limited	Ordinary	Dormant
John Somers & Sons (Bristol) Limited	Ordinary	Dormant
Pioneer Shipping and Forwarding Company Limited	Ordinary	Dormant
SCA Consultants Limited	Ordinary	Dormant
SCA Euroliner Limited	Ordinary	Dormant
SCA Packaging Limited	Ordinary Preference	Manufacture of packaging
SCA Packaging Britain Limited	Ordinary	Dormant
SCA Recycling Limited	Ordinary	Dormant
SCA Recycling Maybank Limited	Ordinary	Dormant
SCA Transport Limited	Ordinary	Dormant
Staper Limited	100% of A shares 50% of total share capital	Starch production
Tuscarora Limited	Ordinary	Dormant

All investments were owned throughout the year

In the opinion of the directors the aggregate value of the group interests in subsidiary undertakings is not less than the aggregate of the amounts at which these assets are stated or included in the company's balance sheet

SCA Holding Limited

7 Investment properties

	Investment properties £'000
Cost or valuation and net book value	
At 1 January 2006	771
Disposal	(771)
At 31 December 2006	-

8 Debtors: amounts falling due within one year

	2006 £'000	2005 £'000
Amounts owed by group undertakings		
- Subsidiary undertakings	1,040	-
	1,040	-

9 Creditors

	2006 £'000	2005 £'000
Amounts falling due within one year		
- Amounts owed to group companies	425,319	372,290
	425,319	372,290
Amounts falling due after more than one year		
- Amounts owed to subsidiary undertakings	158,700	204,774
- Other creditors	-	80
	158,700	204,854

The amounts owed to group undertakings falling due within one year comprise

- £204,514,000 (2005 £204,514,000) interest-free unsecured loan notes owed to subsidiary undertakings which are guaranteed by the ultimate holding company

SCA Holding Limited

- Loans totalling £219,859,831 (2005 £166,769,464) owed to other group undertakings plus accrued interest of £945,640 (2005 £1,006,924) Interest is payable at rates between 5.14% and 5.98% and these loans are renewable on maturity

The amount owed to subsidiary undertakings falling due after more than one year has no fixed repayment date and is interest free. The subsidiary company has confirmed that it will not require repayment of this debt until the company has the funds to repay the sum.

10 Share capital

	2006 £'000	2005 £'000
Authorised		
50,210,000 ordinary shares of £1 each	50,210	50,210
Allotted, called up and fully paid		
42,192,508 ordinary shares of £1 each	42,193	42,193

11 Reserves

	Share premium £'000	Revaluation reserve £'000	Profit and loss account £'000
At 1 January 2006	4,513	396	(7,251)
Realisation of revaluation surplus	-	(396)	396
Loss for the financial year	-	-	(8,889)
At 31 December 2006	4,513	-	(15,744)

12 Reconciliation of movements in equity shareholders' funds

	2006 £'000	2005 £'000
Opening equity shareholders' funds	39,851	48,670
Loss for the financial year	(8,889)	(8,819)
Closing equity shareholders' funds	30,962	39,851

SCA Holding Limited

13 Contingent liabilities

The UK Group of companies, of which this company is a member, has given joint and several guarantees to its principal clearing banker in respect of banking facilities. At the year-end the total facilities offered were £30,000,000 (2005 £30,000,000) but the actual pooled balance was a net overdraft with its principal clearing banker of £553,000 (2005 £3,602,000)

14 Related party transactions

As the company is a 100% subsidiary of SCA UK Holdings Limited and the results of SCA Holding Limited are included in the consolidated results of Svenska Cellulosa Aktiebolaget SCA, the company has taken advantage of the exemption from disclosing transactions with group undertakings as permitted by FRS 8

15 Ultimate holding company and controlling party

The company is a subsidiary of SCA UK Holdings Limited. The company's ultimate holding company and controlling party is Svenska Cellulosa Aktiebolaget SCA, a company incorporated in Sweden. Copies of the consolidated accounts of the ultimate parent company may be obtained from the Company Secretary, SCA Packaging UK Central Office, Papyrus Way, Larkfield, Aylesford, Kent, ME20 7TW