

**SCA Products (UK) Limited**  
**Annual report and financial statements**  
**for the year ended 31 December 2022**

**Company Registered number 01549728**

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# **SCA Products (UK) Limited**

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## **Directors and advisers**

### **Directors**

S B King

M Henningsson

M Frolander

### **Company secretary**

M J Day

### **Independent auditors**

Ernst & Young LLP

400 Capability Green, Luton, LU1 3LU

### **Bankers**

Handelsbanken

3 Thomas More Square

London

E1W 1WY

National Westminster Bank plc

City of London Office

P O Box 12258

1 Princes Street

London

EC2R 8BP

### **Registered office**

Bulse Grange

Norton End

Wendens Ambo

Saffron Walden

Essex

CB11 4JT

### **Registered number**

01549728

# **SCA Products (UK) Limited**

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## **Strategic Report for the year ended 31 December 2022**

The directors present their strategic report for the year ended 31 December 2022.

### **Principal activities**

During the year ended 31 December 2022, the principal activity of the company was that of the supply of wholesale wood in the UK market.

### **Review of the business**

The company's loss (2021: profit) after tax for the financial year is £99,000 (2021: £1,369,000).

The financial year ended 31 December 2022 was below initial expectations. Trading started slowly in Q1 with customers reporting high stocks, but there was then a positive spike in activity and price in Q2 as a direct result of the Russian invasion of Ukraine, and the UK government acting to ban both the import and trading of Russian and Belorussian timber. These countries represent approximately 10% of the European softwood demand, and there was a clear view that possible short term supply shortages could occur. It was apparent, however, that as we came into Q3, consumption had started to fall with the macro-economic and political backdrop becoming unstable. This led to widespread caution among customers, with the result that demand and ultimately prices fell during the second half of 2022.

However, as a company we are in a strong position with our financial strength and product portfolio and this will help us grow revenue and maintain good profitability in future years.

### **Future developments**

Whilst demand for wood dipped during the second half of 2022 as a result of a general slowdown and perhaps as a balance to the extremely high activity of 2021, the company has formal plans to grow their business in the UK over the next 3 years with an enhanced product portfolio and potentially alternative logistic solutions to aid customers.

### **Key performance indicators**

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPIs, other than the financial statements, and monthly management accounts, is not necessary for an understanding of the development, performance or position of the business. The directors consider revenue and operating profit as the main KPIs. The company's turnover for the year was £14,045,802 (2021: £15,047,996) and operating profit was £5,518 (2021: £1,838,214). The reduction in turnover and its knock-on impact on operating profit have been explained in review of business section above.

### **Principal risks and uncertainties**

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

The task of monitoring risk is undertaken by the directors by regularly reviewing market trends and economic indicators and monthly reviews of results against budget and forecast. Strategic plans are formally reviewed and refreshed twice a year.

## **SCA Products (UK) Limited**

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### **Strategic Report for the year ended 31 December 2022**

**(continued)**

#### **Economic risk**

The company is influenced by global economic conditions and in particular economic conditions of the market in which the company operates. The main factors influencing economic conditions are Brexit, interest rate rises, and the Cost-of-Living increases.

#### **Brexit**

Since the implementation of the various elements of the Brexit deal, there has not been a significant impact on the company in the short or medium term. We do not expect to see any further effects on the movement of goods, availability of labour or the cost of facilitating imports.

#### **Interest rate risk**

The company has access to the group Treasury credit facility which therefore means that the company has access to short term loans from the group should the need arise. Financial risk particularly interest rate risk management is coordinated with the parent group in Sweden in close coordination with the board and focuses on actively securing the company's short-to-medium terms cash flows by minimising exposure to financial markets.

#### **Inflation**

Inflation has increased substantially during all of 2022. The main reasons seem to be the Russian invasion of Ukraine, and subsequent impact on energy costs throughout Europe. The cost-of-living increases have had an impact on the domestic demand for timber products. The directors have assessed the impact of the cost-of-living increases and whilst it is considered to be manageable, the company has seen RPI (Retail Price Index) applied increases to shipping, warehousing and loading which are of a substantial nature. These costs will have to be passed on to the customer base at an appropriate point.

#### **Credit risk**

The credit risk is the risk that a counterparty will not meet its obligations in a customer contract, leading to financial loss. The company is exposed to credit risk from its operating activities, primarily trade receivables and from financing activities, including deposits and other transactions with financial institutions.

Customer credit risk is managed by the company's policy and procedures. The credit risk of customers is monitored by using external credit ratings with individual credit limits defined in accordance with this assessment.


Customer credit risk is further mitigated by regular contact with debtors in order to minimise further losses should a customer default on a current liability towards the company.

On behalf of the board

Stephen B. King  
Director

Date:

Registered Number: 01549728



27/9/23

# SCA Products (UK) Limited

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## Directors' report for the year ended 31 December 2022

The directors present their annual report and the audited financial statements for the year ended 31 December 2022.

### Future developments

Future developments are detailed in the strategic report.

### Dividends

The directors have not declared or paid an interim or final dividend for the year ended 31 December 2022 (2021: Nil).

### Going concern

The period since 2021 financial statements continued to highlight the importance of both global and local UK supply chains, in which the company plays an important part.

The demand for wood was lacklustre during Q1 2022 as the market sought to reduce its stockholding of wood. The subsequent invasion of Ukraine by Russia in February 2022 has led to a ban on trading of both Russian and Belorussian products and services, including wood products. The effect of this alone led to increased activity in Q2 2022 and price increases, on the basis that approximately 6% of the UK's imported wood volume would disappear.

However, this was a temporary improvement, and wider macro-economic factors including serious concerns about energy costs started to impact the business going into Q3 2022 with a decline in both activity and price. Q4 2022 remained problematic in terms of demand, and this has carried on into 2023. Q2 2023 saw a slight increase in demand, but this dropped back in Q3. The outlook remains uncertain, with the directors expecting a more subdued market going into 2024. The reduction in activity seen in the last 3 months is expected to reduce the company's profitability for 2023. However, there continues to remain good opportunity for SCA to grow their business in the UK in 2024 with some additional products added to the portfolio and an expectation that the wider economic conditions will improve.

During the entire period, SCA's supply chain remained strong and we continue to work closely with our sawmills in SCA Sweden to ensure good supplies of wood products. We continue to maintain a close working relationship with our terminal operator in Hull, Global Shipping Ltd; and our main haulage providers to ensure continued flow of said products.

The directors have prepared forecasts including an estimate of the maximum unavoidable costs for a period of 12 months from the date of approving the 2022 UK financial statements. The forecasts reflect the ongoing business model for SCA Products (UK) Ltd.

The company has received a letter of support from its ultimate parent company, Svenska Cellulosa Aktiebolaget SCA (Publ), confirming their support to the company to meet its liabilities as they fall due for a period of 12 months from the date of approving the 2022 UK financial statements.

## **SCA Products (UK) Limited**

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### **Directors' report for the year ended 31 December 2022**

#### **(continued)**

##### **Going concern (continued)**

Having considered their forecasts, the company's financial position, the parental support and the ability of the parent to support the company after making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operation for a period of 12 months from the date of approval of these financial statements. Accordingly, the financial statements have been prepared on a going concern basis.

##### **Directors**

The directors who held office during the year and up to the date of signing the financial statements, unless otherwise stated, are as follows:

S B King  
M Henningsson  
M Frolander

##### **Disclosure of information to auditors**


Each of the persons who are directors at the date of approval of this report confirms that:

- so far as the directors are 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 in order 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 s418 of the Companies Act 2006.

The auditors, Ernst & Young LLP have indicated their willingness to continue in office, and a resolution concerning their re-appointment will be proposed at the Annual General meeting.

On Behalf of the Board

  
S B King  
Director

27/9/23

Date:

### **Statement of directors' responsibilities in respect of the financial statements**

The directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable United Kingdom 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 company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in FRS101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company financial position and financial performance;
- state whether applicable UK Standards, including FRS 101, 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.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report and directors' report that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

# **SCA Products (UK) Limited**

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## **Independent auditor's report to the members of SCA Products (UK) Limited**

### **Opinion**

We have audited the financial statements of SCA Products (UK) Limited for the year ended 31 December 2022 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes 1 to 20, 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 2022 and of its loss 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 a period of 12 months from when the financial statements are authorised for issue.

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.



## **SCA Products (UK) Limited**

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### **Independent auditor's report to the members of SCA Products (UK) Limited (continued)**

#### **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.

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 this gives rise to 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 the 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 and the 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 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, 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.

### **Independent auditor's report to the members of SCA Products (UK) Limited (continued)**

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.

#### **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.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are the Companies Act 2006, the Financial Reporting Standard 101, the United Kingdom direct and indirect tax regulations. In addition, the company must comply with operational and employment laws and regulations including health and safety regulations and GDPR.
- We understood how the company is complying with those frameworks by making enquiries of management and 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 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, and senior finance personnel. 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 audited the risk of management override of controls, including through testing certain non-standard manual journal entries and other adjustments for appropriateness. We also audited the risk of improper revenue recognition through performing audit procedures on revenue cut off.
- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures included obtaining and reading management meeting minutes and relevant approval documents, enquiries of senior finance personnel and management and agreement of samples of transactions throughout the audit to supporting source documentation. In addition, we completed procedures to conclude on the compliance of the disclosures in the financial statements with all applicable reporting requirements.

## SCA Products (UK) Limited

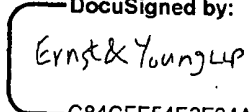
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### Independent auditor's report to the members of SCA Products (UK) Limited (continued)

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.

#### 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.

DocuSigned by:  
  
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Farzin Radfar (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Luton

Date: 28 September 2023

## SCA Products (UK) Limited

### Statement of comprehensive income for the year ended 31 December 2022

	Note	2022 £000	2021 £000
<b>Turnover</b>	3	14,046	15,048
<b>Cost of sales</b>		(12,747)	(11,992)
<b>Gross profit</b>		1,299	3,056
<b>Distribution costs</b>		(1,913)	(2,178)
<b>Administrative expenses</b>		(2,046)	(1,622)
<b>Other income</b>		2,666	2,582
<b>Operating profit</b>	4	6	1,838
<b>Finance income</b>	7	147	183
<b>Finance costs</b>	7	(278)	(326)
<b>Finance costs - net</b>	7	(131)	(143)
<b>(Loss)/profit on ordinary activities before taxation</b>		(125)	1,695
<b>Tax on (loss)/profit on ordinary activities</b>	8	26	(326)
<b>(Loss)/profit on ordinary activities for the financial year</b>		(99)	1,369
<b>Other comprehensive (expenses)/income</b>		-	-
<b>Total comprehensive (expenses)/ income for the year</b>		(99)	1,369

## SCA Products (UK) Limited

### Statement of financial position as at 31 December 2022

	Note	2022 £000	2021 £000
<b>Fixed assets</b>			
Tangible fixed assets	10	6	8
Right-of-use assets	11	1,208	1,611
<b>Total fixed assets</b>		<b>1,214</b>	<b>1,619</b>
<b>Current assets</b>			
Inventories	13	1,853	4,248
Trade and other receivables	14	2,545	3,681
Net investment in finance leases	12	1,678	2,155
Cash and cash equivalents		1,584	1,423
		<b>7,660</b>	<b>11,507</b>
<b>Creditors: amounts falling due within one year</b>	15	<b>(5,122)</b>	<b>(8,356)</b>
<b>Net current assets</b>		<b>2,538</b>	<b>3,151</b>
<b>Total assets less current liabilities</b>		<b>3,752</b>	<b>4,770</b>
Creditors: amounts falling due after more than one year	16	(2,068)	(2,987)
<b>Net assets</b>		<b>1,684</b>	<b>1,783</b>
<b>Capital and reserves</b>			
Called up share capital	18	200	200
Other reserves	18	500	500
Retained earnings		984	1,083
<b>Total equity</b>		<b>1,684</b>	<b>1,783</b>

The financial statements were approved by the Board of Directors on 27/9/23 and were signed on its behalf by:

S B King  
Director



Company Registered number 01549728

## SCA Products (UK) Limited

### Statement of changes in equity for the year ended 31 December 2022

	Called up share capital	Other reserves	Retained earnings	Total equity
	£000	£000	£000	£000
As at 1 January 2021	200	500	(286)	414
Total comprehensive income for the year	-	-	1,369	1,369
As at 31 December 2021	200	500	1,083	1,783
As at 1 January 2022	200	500	1,083	1,783
Total comprehensive (expenses) for the year	-	-	(99)	(99)
As at 31 December 2022	200	500	984	1,684

# **SCA Products (UK) Limited**

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## **Notes to the financial statements for the year ended 31 December 2022**

### **1 Accounting policies for the year ended 31 December 2022**

#### **General information**

SCA Products (UK) Limited is a limited company incorporated in the United Kingdom. The address of its registered office and principal place of business is Bulse Grange, North End, Wendens Ambo, Saffron Walden, Essex, CB11 4JT.

#### **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 financial statements are prepared in Sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

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.

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 note 2.

#### **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:
  - (i) paragraph 79(a)(iv) of IAS 1;
  - (ii) paragraph 73(e) of IAS 16 Property, plant and equipment

## Notes to the financial statements for the year ended 31 December 2022

### 1 Accounting policies for the year ended 31 December 2022 (continued)

- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d) (statement of cash flows),
  - 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements),
  - 16 (statement of compliance with all IFRS),
  - 38A (requirement for minimum of two primary statements, including cash flow statements),
  - 38B-D (additional comparative information),
  - 40A-D (requirements for a third statement of financial position),
  - 111 (cash flow statement information), and
  - 134-136 (capital management disclosures)
- IAS 7, 'Statement of cash flows'
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group

#### Going concern

The period since 2021 financial statements continued to highlight the importance of both global and local UK supply chains, in which the company plays an important part.

The demand for wood was lacklustre during Q1 2022 as the market sought to reduce its stockholding of wood. The subsequent invasion of Ukraine by Russia in February 2022 has led to a ban on trading of both Russian and Belorussian products and services, including wood products. The effect of this alone led to increased activity in Q2 2022 and price increases, on the basis that approximately 6% of the UK's imported wood volume would disappear.

However, this was a temporary improvement, and wider macro-economic factors including serious concerns about energy costs started to impact the business going into Q3 2022 with a decline in both activity and price. Q4 2022 remained problematic in terms of demand; and this has carried on into 2023. Q2 2023 saw a slight increase in demand, but this dropped back in Q3. The outlook remains uncertain, with the directors expecting a more subdued market going into 2024. The reduction in activity seen in the last 3 months is expected to reduce the company's profitability for 2023. However, there continues to remain good opportunity for SCA to grow their business in the UK in 2024 with some additional products added to the portfolio and an expectation that the wider economic conditions will improve.

During the entire period, SCA's supply chain remained strong and we continue to work closely with our sawmills in SCA Sweden to ensure good supplies of wood products. We continue to maintain a close working relationship with our terminal operator in Hull, Global Shipping Ltd; and our main haulage providers to ensure continued flow of said products.



# **SCA Products (UK) Limited**

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## **Notes to the financial statements for the year ended 31 December 2022**

### **1 Accounting policies for the year ended 31 December 2022 (continued)**

#### **Going concern (continued)**

The directors have prepared forecasts including an estimate of the maximum unavoidable costs for a period of 12 months from the date of approving the 2022 UK financial statements. The forecasts reflect the ongoing business model for SCA Products (UK) Ltd.

The company has received a letter of support from its ultimate parent company, Svenska Cellulosa Aktiebolaget SCA (Publ), confirming their support to the company to meet its liabilities as they fall due for a period of 12 months from the date of approving the 2022 UK financial statements.

Having considered their forecasts, the company's financial position, the parental support and the ability of the parent to support the company after making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operation for a period of 12 months from the date of approval of these financial statements. Accordingly, the financial statements have been prepared on a going concern basis.

#### **New accounting standards, amendments and IFRIC interpretations**

There are no amendments to accounting standards or IFRIC interpretations that are effective for the year ended 31 December 2022 that have had a material impact on the company's financial statements.

#### **Revenue recognition**

Revenue is recognised at an amount that reflects the consideration to which the company expects to be entitled in exchange for promised goods or services to customers net of discounts and VAT. Revenue is recognised when control has passed to the customer by the customer being able to use or benefit from the good or service. Control may be passed at a given point in time, usually the case for sale of goods. In other cases, a performance obligation may be satisfied over time, usually the case for sale of services.

#### **Foreign currencies**

Trading transactions denominated in foreign currencies are translated into Sterling at the exchange rate ruling on the date that the transactions were entered into. Differences that arise from the date of settlement are taken to the statement of comprehensive income. Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at the exchange rate ruling at the balance sheet date. Exchange gains or losses are taken to the statement of comprehensive income.

## **SCA Products (UK) Limited**

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### **Notes to the financial statements for the year ended 31 December 2022**

#### **1 Accounting policies for the year ended 31 December 2022 (continued)**

##### **Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation. The cost of fixed assets represents their purchase cost, together with any incidental expenses of acquisition.

Depreciation is calculated so as to write off the cost of 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:

Office equipment	25%
Fixtures and fittings	20-25%

Gains and losses on disposals are determined by comparing the sale proceeds with the carrying amount of the asset and is credited or charged to the income statement.

##### ***Impairment of fixed assets***

For fixed assets with finite useful lives a review is carried out at each reporting date to determine whether there has been an indication during the year that an impairment loss may exist. Where an indication of impairment exists, impairment testing is carried out.

For the purposes of impairment testing, the carrying amounts of the tangible assets are reviewed and an impairment loss is recognised where the carrying amount exceeds the asset's recoverable amount.

The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Value in use is determined by discounting an asset's estimated future cash flows to its present value using a discount rate which reflects current market assessments of the time value of money and asset specific risks.

Any impairment loss arising is recognised immediately in profit or loss. Where the asset is carried at a re-valued amount, the impairment loss is recognised as a decrease to the revaluation reserve, subject to the re-valuation surplus that has been recognised in equity.

## **SCA Products (UK) Limited**

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### **Notes to the financial statements for the year ended 31 December 2022**

#### **1 Accounting policies for the year ended 31 December 2022 (continued)**

##### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method and includes expenditure incurred in acquiring the inventory and other costs in bringing it to its existing location and condition, including transport and handling costs. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale. As of the balance sheet date, inventories are carried at cost net of obsolescence provision.

In determining the net realisable value of inventories, management takes into account the most reliable evidence available at the dates the estimates are made.

##### **Financial assets**

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument. Financial assets are classified into specified categories, depending on the nature and purpose of the financial assets.

The company's financial assets, which include trade receivables, amounts due from group undertakings and cash and bank balances, are initially measured at transaction price including transaction costs unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

##### ***Impairment of financial assets (including trade and other receivables)***

Financial assets are assessed for indicators of impairment at each reporting end date.

Trade receivables belong in the category of financial assets measured at amortised cost, since the purpose is to obtain contractual cash flows. The company has chosen to apply a simplified impairment model of financial assets based on expected losses. For the simplified model developed for trade receivables, anticipated losses are recognised for the estimated remaining lifetime of the receivable.

##### ***Derecognition of financial assets***

Financial assets are de-recognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

##### **Financial liabilities**

The company recognises financial debt when it becomes a party to the contractual provisions of the instruments.

# **SCA Products (UK) Limited**

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## **Notes to the financial statements for the year ended 31 December 2022**

### **1 Accounting policies for the year ended 31 December 2022 (continued)**

#### ***Classification of financial liabilities***

The company's financial liabilities, including trade and other payables and amounts due to group undertakings that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest unless repayable within one year.

#### ***Derecognition of financial liabilities***

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

#### **Taxation**

##### ***Current tax***

The tax currently payable or recoverable is based on taxable profit or loss in the year. Taxable profit or loss differs from net profit or loss as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never repayable or deductible. UK Corporation Tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the financial reporting date.

##### ***Deferred taxation***

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the financial reporting 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 financial reporting date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates 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 substantively enacted by the financial reporting date. Deferred tax is measured on an undiscounted basis.

## Notes to the financial statements for the year ended 31 December 2022

### 1 Accounting policies for the year ended 31 December 2022 (continued)

#### Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense. The cost of any unused holiday entitlement is recognised in the period in which the employee's salaries are received. Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

#### Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

#### Leases

The company leases various warehouses, office premises and equipment. At inception the company assesses whether a contract is, or contains, a lease within the scope of IFRS16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Where a tangible asset is acquired through a lease, the company recognises a right-of-use asset and a lease liability at the lease commencement date.

A contract can include components that are not to be classified as lease components, such as services and administration. SCA has chosen to exclude non-lease components for all leases.

All leases are recognised in accordance with IFRS 16 Leases, which means that a lessee must recognise a right-of-use asset and a lease liability in the balance sheet at the date at which the leased asset is available for use by the company. The standard includes exemptions for short-term leases (leases with a lease term of 12 months or less) and leases where the underlying asset has a low value. SCA uses the available exemption, which means that payments for such leases are recognised in the income statement on a straight-line basis over the lease term. Leases covered by the exemption comprise of photocopiers and other small items of office equipment.

On the date of initial application for the lease, the lease liability is measured at the present value of outstanding lease payments. This encompasses fixed fees after deductions for any benefits, variable lease payments linked to index or price and amounts expected to be paid by the lessee in accordance with residual value guarantees. Lease payments include the exercise price for a purchase option if the lessee is reasonably certain of exercising the option and financial penalties to be paid on termination of the lease if the lease term reflects that the lessee will utilise this option. Variable lease payments not linked to price or interest are expensed.

### **Notes to the financial statements for the year ended 31 December 2022**

#### **1 Accounting policies for the year ended 31 December 2022 (continued)**

##### **Leases (continued)**

Lease payments are to be discounted using the interest rate implicit in the contract. If that rate cannot be readily determined, lease payments are discounted using SCA's incremental borrowing rate, being the rate that a lessee would have to pay for financing through loans for the equivalent period with similar collateral, for the right-of-use of an asset in a similar economic environment. The SCA group has prepared a method for determining the incremental borrowing rate, which includes the credit rating of individual subsidiaries, the economic environment, contract duration of the lease and class of asset.

Updating the incremental borrowing rate is performed on a regular basis of new and modified contracts. After the date of the initial application, the lease liability increases by the interest on the lease liability but decreases as the lease payments are made.

The lease liability is remeasured using a modified discount rate in cases where the lease term changes or if the assessment of an option to purchase the underlying asset changes. The lease liability is remeasured using an unchanged discount rate if the amount expected to be paid in accordance with the residual value guarantees is changed, or future lease payments are changed due to changes in price or index.

On the date of initial application for the lease, the date on which the underlying asset becomes available for use, a right-of-use asset is recognised. Right-of-use assets are measured at cost which includes the sum of the original lease liability, any initial direct fees and an estimate of any recovery expenses. Furthermore, cost includes all lease payments made on or before the date of initial application, after deductions for any benefits received in conjunction with signing the lease. After the date of initial application, the right-of-use asset is measured at cost less accumulated depreciation and any accumulated impairment, taking into account adjustments for any revaluation of the lease liability.

Right-of-use assets are depreciated over their useful life, if there is reasonable certainty that a purchase option will be exercised. Otherwise, the lessee must depreciate the right-of-use asset from the date of initial application until whichever occurs first of the end of the useful life or the end of the lease term. If, at accounting year end, there is any indication that right-of-use assets have declined in value, impairment testing is carried out.

##### **Lessor**

When SCA is lessor, each contract is classified as either an operating or finance lease. Lease payments are recognised as income on a straight-line basis over the contract term.

At the end of 2020 the company signed an agreement concerning the subletting of a property. The right-of-use under the sublet is classified as a finance lease. The classification is primarily based on the transfer of risks and rewards relating to the premises to the ultimate lessee, and the length of sub-lease period being equal to the length of right-of-use duration.

## SCA Products (UK) Limited

### Notes to the financial statements for the year ended 31 December 2022

#### 2 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. There were no key sources of estimation uncertainty or critical accounting judgements made by the directors that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial statements.

#### 3 Turnover

Turnover results from the principal activities of the company in the United Kingdom.

Analysis of revenue by category:

	2022 £000	2021 £000
Sale of goods	13,159	14,134
Sale of services	887	914
Total	14,046	15,048

#### 4 Operating profit

Operating profit is stated after (crediting)/charging:

	2022 £000	2021 £000
Included within other income		
Rental income	(430)	(420)
Recharge of group expenses	(2,236)	(2,162)
Depreciation of plant and equipment – owned	3	6
Loss on disposal of plant and equipment	5	9
Depreciation of right-of-use assets	403	409
Inventory recognised as an expense	12,630	11,724
Impairment of inventory (included in cost of sales)	117	268
Audit fees payable to company's auditor	58	58

## SCA Products (UK) Limited

### Notes to the financial statements for the year ended 31 December 2022

#### 5 Directors' emoluments

The directors' emoluments were as follows:

	2022	2021
	£000	£000
Aggregate emoluments	145	158
Company pension contributions to defined contribution schemes	4	34
	149	192

Emoluments paid by the company were in respect of one director (2021: two directors). Remuneration of the highest paid director was £149,322 (2021: £134,901). The other directors, who served during the year, are remunerated for their services by other group companies and it is not possible to accurately apportion the time spent in services to the company. Retirement benefits are accruing to one director (2021: two) under a defined contribution scheme.

#### 6 Employee information

The average monthly number of persons employed by the company, including executive directors, during the year is analysed below:

	2022	2021
By activity:	Number	Number
Selling and distribution	8	9
Administration	1	1
	9	10

Employment costs in respect of the above employees:

	2022	2021
	£000	£000
Wages and salaries	495	650
Social security costs	62	77
Other pension costs	94	112
	651	839



## SCA Products (UK) Limited

### Notes to the financial statements for the year ended 31 December 2022

#### 7 Finance costs

	2022	2021
	£000	£000
<b>Finance income</b>		
Interest receivable on net interest in finance lease	147	183
<b>Total finance income</b>	<b>147</b>	<b>183</b>
<b>Finance expense</b>		
Other loans	(8)	-
Interest on late payment of tax	(8)	-
Lease liabilities	(262)	(326)
<b>Interest expense</b>	<b>(278)</b>	<b>(326)</b>
<b>Net finance cost</b>	<b>(131)</b>	<b>(143)</b>

#### (a) Tax (credit)/charge included in statement of comprehensive income

	2022	2021
	£000	£000
<b>Current tax:</b>		
Current corporation tax charge	-	325
Adjustments in respect of prior years	-	-
<b>Total current tax</b>	<b>-</b>	<b>325</b>
<b>Deferred taxation:</b>		
Origination and reversal of temporary differences (note 18)	(26)	1
<b>Total deferred tax</b>	<b>(26)</b>	<b>1</b>
<b>Tax on profit on ordinary activities</b>	<b>(26)</b>	<b>326</b>

## SCA Products (UK) Limited

### Notes to the financial statements for the year ended 31 December 2022

#### 8 Tax on profit on ordinary activities (continued)

##### (b) Reconciliation of tax (credit)/charge in the income statement

The tax (credit)/charge for the year is higher than the standard rate of corporation tax in the UK as follows:

	2022 £000	2021 £000
<b>(Loss)/profit on ordinary activities before taxation</b>	<b>(125)</b>	<b>1,695</b>
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2020: 19%)	(24)	322
<b>Effects of:</b>		
Expenses not deductible for tax purposes	4	5
Tax rate change in respect of deferred tax balances	(6)	(1)
<b>Total tax (credit)/charge in the income statement</b>	<b>(26)</b>	<b>326</b>

##### (c) Factors affecting future tax charges

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the main rate of corporation tax would increase from 19% to 25%. This new law was substantively enacted on 24 May 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

## SCA Products (UK) Limited

### Notes to the financial statements for the year ended 31 December 2022

#### 9 Dividends

No dividend was paid during the year ended 31 December 2022 (2021: £NIL).

#### 10 Tangible fixed assets

	Office equipment	Fixtures and fittings	Total
	£000	£000	£000
<b>Cost</b>			
At 1 January 2022	38	1	39
Additions	6	-	6
Disposals	(32)	(1)	(33)
<b>At 31 December 2022</b>	<b>12</b>	<b>-</b>	<b>12</b>
<b>Accumulated depreciation</b>			
At 1 January 2022	30	1	31
Charge for the financial year	3	-	3
On disposals	(27)	(1)	(28)
<b>At 31 December 2022</b>	<b>6</b>	<b>-</b>	<b>6</b>
<b>Net book amount at 31 December 2022</b>	<b>6</b>	<b>-</b>	<b>6</b>
<b>Net book amount at 31 December 2021</b>	<b>8</b>	<b>-</b>	<b>8</b>

## SCA Products (UK) Limited

### Notes to the financial statements for the year ended 31 December 2022

#### 11 Leases

The company has lease contracts for its office premises used in operations. The amounts recognised in the financial statements in relation to the leases are as follows:

**(i) Amounts recognised in the statement of financial position**

The balance sheet shows the following amounts relating to leases:

**Right-of-use assets**

	<b>Buildings</b>
	<b>£000</b>
<b>Cost</b>	
At 1 January 2022	2,014
Additions	-
Disposal	-
<b>At 31 December 2022</b>	<b>2,014</b>
<b>Accumulated depreciation</b>	
At 1 January 2022	403
Charge for the financial year	403
On disposal	-
<b>At 31 December 2022</b>	<b>806</b>
<b>Net book amount at 31 December 2022</b>	<b>1,208</b>
<b>Net book amount at 31 December 2021</b>	<b>1,611</b>

**Lease liabilities**

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Current	919	849
Non-current	2,068	2,987
	<u>2,987</u>	<u>3,836</u>

## SCA Products (UK) Limited

### Notes to the financial statements for the year ended 31 December 2022

#### 11 Leases (continued)

##### (ii) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	Note	2022 £000	2021 £000
<b>Depreciation charge of right-of-use assets</b>			
Buildings		(403)	(409)
		<u>(403)</u>	<u>(409)</u>
Interest expense (included in finance cost)	7	(262)	(326)
Expenses relating to leases of low-value assets (included in administrative expenses)		43	-

#### 12 Net investment in finance leases

As at the 31 December 2020, the business entered into a back to back sub-lease for the premises of £2,597,041. This lease is expected to continue until 31 December 2025 and is offset against the right of use liability recognised in note 11.

	2022 £000	2021 £000
Current portion of finance lease	517	478
Non-current portion of finance lease	<u>1,161</u>	<u>1,677</u>
	<u>1,678</u>	<u>2,155</u>

#### 13 Inventories

	2022 £000	2021 £000
Finished goods and good for resale	<u>1,853</u>	<u>4,248</u>

Inventories are stated after provisions for impairment of £421,794 (2021: £304,395).

## SCA Products (UK) Limited

### Notes to the financial statements for the year ended 31 December 2022

#### 14 Trade and other receivables

	2022	2021
	£000	£000
<b>Amounts falling due within one year:</b>		
Trade receivables	1,477	2,018
Amounts owed by fellow group undertakings	796	952
Other receivables	204	680
Deferred taxation	30	4
Prepayments and accrued income	38	27
	<b>2,545</b>	<b>3,681</b>

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

In 2022, the ECL provision on debtor balances amounts to £122,625 (2021: £27,441).

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

	2022	2021
	£000	£000
Trade creditors	338	847
Amounts owed to parent undertakings	1,777	274
Amounts owed to fellow group undertakings	1,573	5,092
Financial liabilities – leases (note 11)	919	849
Corporation tax	-	318
Other taxation and social security	154	510
Other creditors	199	244
Accruals and deferred income	162	222
	<b>5,122</b>	<b>8,356</b>

Included within amounts owed to parent undertakings is a loan from SCA Treasury totalling £1,500,000 which is subject to interest at a rate of 4.57%. The remaining balance, along with the amounts owed to fellow group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

## SCA Products (UK) Limited

### Notes to the financial statements for the year ended 31 December 2022

#### 16 Creditors: amounts falling due after more than one year

	2022	2021
	£000	£000
Financial liabilities - leases (note 11)	2,068	2,987

#### 17 Deferred tax

The amount provided for deferred taxation and the movements during the year were as follows:-

##### *Accelerated capital allowances*

	2022	2021
	£000	£000
At 1 January	4	2
Deferred tax (debit) in profit and loss account (note 8a)	(3)	2
At 31 December	1	4

##### *Other timing differences*

	2022	2021
	£000	£000
At 1 January	-	3
Deferred tax (debit) in profit and loss account (note 8a)	-	(3)
At 31 December	-	-

##### *Tax losses*

	2022	2021
	£000	£000
At 1 January	-	-
Deferred tax credit in profit and loss account (note 8a)	29	-
At 31 December	29	-
Total at 31 December	30	4

The deferred tax asset has been shown in debtors due within one year (note 14).

## SCA Products (UK) Limited

### Notes to the financial statements for the year ended 31 December 2022

#### 18 Called up share capital and other reserves

Share capital	2022 £000	2021 £000
<b>Authorised</b>		
200,000 (2020: 200,000) ordinary shares of £1 each	200	200
<b>Allotted, called-up and fully paid</b>		
200,000 (2020: 200,000) ordinary shares of £1 each	200	200

#### Other reserves

This represents an unconditional shareholders' contribution received during the year ended 31 December 2017 from SCA Forest Products AB.

#### 19 Post-employment benefits

##### Defined contribution schemes

The company's defined contribution schemes are funded by the payment of contributions to independently administered funds and the assets of the schemes are held separately from those of the company. The pension cost charge for the year amounted to £93,890 (2021: £112,400). Contributions totalling £nil (2021: £nil) were payable to the funds at the year end.

#### 20 Ultimate parent company and controlling party

The company is a wholly owned subsidiary of SCA Forest Products AB, a company registered in Sweden.

Svenska Cellulosa Aktiebolaget SCA (Publ), a company incorporated in Sweden, is the ultimate parent company of the largest and smallest group to prepare consolidated financial statements and is also considered as the controlling party. Copies of the financial statements may be obtained from the Secretary, Box 7827, SE-103 97 Stockholm, Sweden.