

Registered number
04060641

Kimberly-Clark Europe Limited

Report and Accounts

31 December 2007

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Kimberly-Clark Europe Limited
Report and accounts
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Kimberly-Clark Europe Limited
Company Information

Directors

T J Davies
R Negro
A J Moore
J Price
G M Turrell

Secretary

M N Maurice-Jones

Independent Auditors

Deloitte & Touche LLP
Global House
High Street
Crawley
West Sussex
RH10 1DL

Registered office

Douglas House
40 London Road
Reigate
Surrey
RH2 9QP

Registered number

04060641

Kimberly-Clark Europe Limited

Directors' Report

The directors present their report and accounts for the year ended 31 December 2007

Principal activities and review of the business

The company's principal activities during the year continued to be the European based manufacture and marketing of health and hygiene products for household, commercial, institutional and industrial uses

The company's products are distributed through a network of European commissionaire companies

The company saw a return to profitability during 2007, as the exceptional costs in relation to the global business plan reduced and the benefit of the restructuring project starts to be realised. The exceptional costs resulted in a credit during the year due to the disposal of assets on better terms than previously expected.

Whilst the company has suffered cost pressure due to inflation in the prices of raw materials and energy, it has managed to maintain its operating profit margins.

The Directors expect the company to continue in its current form for the foreseeable future.

The Directors consider the gross profit margin of the business to be a key performance indicator. Operating profit margin for the year was as expected at 14.4% (2006 - 14.5%).

Results and dividends

The profit for the year, after taxation, amounted to €24,312,000 (2006 Loss €85,091,000) which has been transferred to reserves. The directors do not recommend payment of a dividend (2006 £nil).

Principal risks and uncertainties

The company regularly assess whether any potential risks exist and takes appropriate mitigating action.

Currently the directors consider the principal risks and uncertainties facing the company to be as follows:

Price risks

Under contractual agreement, the company bears the price risk in relation to the purchase of inventory (both raw materials and finished goods) for all the European commissionaire companies. The company does not currently hedge against fluctuations in the price of raw materials.

The company is exposed to price risk in relation to utility costs, but also does not currently hedge this exposure.

Cash flow risks

The company purchases and sells in currencies other than the Euro and consequently is exposed to currency risks. The principal exposures are to the US dollar and sterling. The company uses foreign exchange contracts to hedge these exposures.

Interest bearing liabilities are held at a variable rate, which is linked to LIBOR. This exposure is not hedged as the directors do not consider it to be cost effective.

Liquidity risk

To ensure sufficient funds are available for ongoing operations and future developments, the company uses short term debt finance from another group company.

Kimberly-Clark Europe Limited Directors' Report

Credit risk

The company's principal financial assets are receivables from other group companies, and the company's credit risk is primarily attributable to this receivable. In addition, the company indemnifies these group companies for any third party bad debts. Consequently, the amounts presented in the balance sheet are net of allowances for doubtful debts. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

It should be noted that the company, under contractual agreement, bears the majority of the commercial risk associated with the activities of the toll manufacturers and commissionaires within Europe, including the risks associated with holding fixed assets and working capital required to service their activities.

Competitive risk

The company operates in mature markets where there is fierce competition both in terms of product innovation and retail pricing. The company, and the wider Kimberly-Clark group, is committed to significant investment in research and development in order to keep its products well positioned in the market place in terms of quality, innovation and performance.

Directors

The following directors served during the year:

A Cappellini (resigned 30 June 2007)

T J Davies (appointed 1 March 2008)

V Gaspar (appointed 1 March 2008, resigned 31 August 2008)

P Gerard (resigned 1 March 2008)

I M Jones (resigned 1 March 2008)

R Negro (appointed 1 July 2008)

S Newton (resigned 1 July 2008)

J D Price (appointed 16 September 2008)

A J Moore

G M Turrell (appointed 1 March 2008)

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons, should, as far as possible, be identical to that of other employees.

Employee consultation

The company values its employees very highly, and seeks to inform and involve them in the business. Methods of communication include newsletters, bulletins and management briefings. The company consults employees or their representatives on a regular basis, and particularly concerning decisions which are likely to affect their interests.

Disclosure of information to auditors

So far as each director at the date of approval of this report is aware:

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

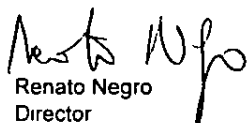
This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Kimberly-Clark Europe Limited
Directors' Report

Auditors

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors of the company and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

This report was approved by the board on 16 October 2008


Renato Negro
Director

Kimberly-Clark Europe Limited

Statement of Directors' Responsibilities

The directors are responsible for preparing the report and accounts in accordance with applicable law and regulations

Company law requires the directors to prepare accounts for each financial year. Under that law the directors have elected to prepare the accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The accounts 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 these accounts, 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 accounts,
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business

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 accounts 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.

Kimberly-Clark Europe Limited
Independent auditors' report
to the shareholder of Kimberly-Clark Europe Limited

We have audited the financial statements of Kimberly-Clark Europe Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and 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).

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 considered the implications for our report if we became aware of any apparent misstatements contained 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 circumstances of the company, 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.

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 2007 and of its profit 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.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Crawley
United Kingdom

Date *21 October 2008*

Kimberly-Clark Europe Limited
Profit and Loss Account
for the year ended 31 December 2007

	Notes	2007 €'000	2006 €'000
Turnover		2,017,234	1,998,128
Cost of sales		(1,726,834)	(1,709,362)
Gross profit		<u>290,400</u>	<u>288,766</u>
Distribution costs		(143,464)	(145,471)
Administrative expenses		(127,880)	(126,533)
Operating profit	2	<u>19,056</u>	<u>16,762</u>
Exceptional items			
Costs of a fundamental restructuring	3	2,766	(116,395)
Operating profit after exceptional items		21,822	(99,633)
Net finance charges	6	(4,075)	(4,209)
Profit/(loss) on ordinary activities before taxation		<u>17,747</u>	<u>(103,842)</u>
Tax on profit/(loss) on ordinary activities	8	6,565	18,751
Profit/(loss) for the financial year	18	<u>24,312</u>	<u>(85,091)</u>

Continuing operations

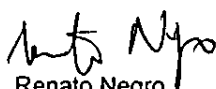
None of the company's activities were acquired or discontinued during the above two financial years

Statement of total recognised gains and losses

The company has no recognised gains or losses other than the profit/(loss) for the above two financial years

Kimberly-Clark Europe Limited
Balance Sheet
as at 31 December 2007

	Notes	2007 €'000	2006 €'000
Fixed assets			
Tangible assets	9	3,162	2,125
Current assets			
Stocks	10	306,125	303,712
Debtors	11	413,508	530,273
Cash at bank and in hand		-	1,481
		<u>719,633</u>	<u>835,466</u>
Creditors: amounts falling due within one year	12	(651,275)	(686,383)
Net current assets		<u>68,358</u>	<u>149,083</u>
Total assets less current liabilities		<u>71,520</u>	<u>151,208</u>
Creditors: amounts falling due after more than one year	13	-	(104,000)
Net assets		<u>71,520</u>	<u>47,208</u>
Capital and reserves			
Called up share capital	15	11,100	11,100
Share premium	16	280,000	280,000
Revaluation reserve	17	4,055	4,055
Profit and loss account	18	(223,635)	(247,947)
Shareholder's funds	19	<u>71,520</u>	<u>47,208</u>



Renato Negro
Director

Approved by the board on 16 October 2008

Kimberly-Clark Europe Limited
Notes to the Accounts
for the year ended 31 December 2007

1 Accounting policies

Accounting convention

The accounts have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards. The principal accounting policies are described below and have all been applied consistently throughout the current and preceding year.

Turnover

Turnover represents amounts receivable for goods and services provided in the UK net of trade discounts, VAT and other related taxes. The company only has one class of business. In the opinion of the Directors the disclosure of turnover, profit before tax and net assets by geographical area would be seriously prejudicial to the interests of the company and has therefore been excluded.

Research and development

Research and development expenditure is written off to the profit and loss account in the year in which it is incurred.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation.

Depreciation is provided on all tangible fixed assets, other than freehold land and assets under construction, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Leasehold land and buildings	over the lease term
Plant and machinery	over 3 to 20 years

Stocks

Stock is valued at the lower of cost and net realisable value.

Taxation

Corporation tax payable is provided on taxable profits at the current rate. Deferred taxation is provided in full on all timing differences that result in an obligation to pay more tax, or a right to pay less tax, in the future at rates expected to apply when they crystallise. Timing differences arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised in respect of 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.

A net deferred tax asset is regarded 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 from which the future reversal of the 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 balance sheet date. Deferred tax is measured on a non-discounted basis.

Kimberly-Clark Europe Limited
Notes to the Accounts
for the year ended 31 December 2007

1 Accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date or contracted amounts. All differences are taken to the profit and loss account.

Pensions

The UK group of Kimberly-Clark operates one main pension scheme with both defined benefit and a defined contribution sections.

For the defined contribution section, contributions payable are charged to the profit and loss account as incurred.

For the defined benefit section the company cannot identify its share of the underlying assets and liabilities, and it therefore accounts for this section as if it were also a defined contribution scheme.

Full disclosures regarding the defined benefit section of the pension scheme can be found in the report and accounts of Kimberly-Clark Limited.

Share-based payments

The company has applied the requirements of FRS 20 "Share-based Payments". In accordance with the transitional provisions, FRS 20 has been applied to all grants of equity instruments after 7 November 2002, that had not vested as at 1 January 2005.

The company issues equity-settled share-based payments to certain employees. Share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant using the Black Scholes Merton Model. The fair value determined at the grant date of the share-based payments is expensed on a straight-line basis over the vesting period, based on the company's estimate of the number of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured by use of the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

2 Operating profit	2007	2006
	€'000	€'000
This is stated after charging / (crediting)		
Research and development expenditure	11,383	7,317
Depreciation of owned fixed assets	478	957
Loss on disposal of fixed assets	307	6
Operating lease rentals - plant and machinery	1,599	1,239
Operating lease rentals - land buildings	1,611	2,174
Foreign exchange gain	<u>(4,657)</u>	<u>(5,787)</u>

Audit fees of €175,000 (2006: €175,000) for the company are borne by another group undertaking, Kimberly-Clark European Services Limited, and recharged to the company as part of a overall administrative services charge.

Kimberly-Clark Europe Limited
Notes to the Accounts
for the year ended 31 December 2007

3 Exceptional items	2007 €'000	2006 €'000
Costs of a fundamental restructuring	<u>2,766</u>	<u>(116,395)</u>

The costs of a fundamental restructuring of continuing operations arose in respect of the Kimberly-Clark global business plan to assess growth opportunities and allocate resources. For Kimberly-Clark Europe Limited this resulted in activities to improve manufacturing efficiency, the rationalisation of the companies selling and marketing functions, and the outsourcing of certain functions previously performed in house. The restructuring activity has had a material effect on the company's operations.

There is a credit of €2,766,000 in the current year (2006 cost of €16,395,000) as a result of the release of a surplus accrual in relation to costs expected in relation to the divestment of the Belgium mill.

4 Directors' emoluments	2007 €'000	2006 €'000
Emoluments	348	299
Gains made under long term incentive schemes	<u>194</u>	<u>28</u>
	<u>542</u>	<u>327</u>

The emoluments above refer to one of the company's Directors. The other directors' emoluments for the current and previous year were paid by Kimberly-Clark Limited, and disclosure in respect of this can be found in that company's statutory accounts.

Number of directors in company pension schemes	2007 Number	2006 Number
Defined benefit schemes	<u>2</u>	<u>3</u>

5 Staff costs	2007 €'000	2006 €'000
Wages and salaries	40,544	39,372
Social security costs	4,839	4,714
Other pension costs	<u>4,885</u>	<u>5,266</u>
	<u>50,268</u>	<u>49,352</u>

Average number of employees during the year	Number	Number
Administration	<u>401</u>	<u>395</u>

Kimberly-Clark Europe Limited
Notes to the Accounts
for the year ended 31 December 2007

6 Net finance charges	2007 €'000	2006 €'000
Interest payable to group undertakings	<u>4,075</u>	<u>4,209</u>

7 Share based payments

Equity-settled share option scheme

The company issued share options to certain employees. There are three types of equity settled share option schemes as follows

Approved Share Option Scheme

These share options vest on the third anniversary of the grant. The option must be exercised by the tenth anniversary of the grant. All outstanding options vest upon retirement which can take place no earlier than age 50. In the case of death or incapacity due to ill health outstanding shares automatically vest and must be exercised within three years. All shares that have not vested are forfeited if the employee leaves the company.

Unapproved Share Option Scheme

These share options vest over three years: 30% by the first anniversary of the grant, 60% by the second and 100% by the third. The option must be exercised by the tenth anniversary of the grant. All outstanding options vest upon retirement which can take place no earlier than age 55. In the case of death or incapacity due to ill health outstanding shares automatically vest and must be exercised within three years. All shares that have not vested are forfeited if the employee leaves the company.

Restricted Stock Unit Plan

The company issues restricted stock unit options to certain employees, some of which have performance criteria. These vest over a five year period. There is no exercise price. All outstanding shares automatically vest at the date of retirement, which can take place no earlier than age 55. Upon death or incapacity due to ill health the shares vest automatically. All non vested shares are forfeited if the employee leaves the company before the shares vest.

Details of the share options outstanding during the year are as follows

	2007 Number	2006 Number
Outstanding at the beginning of the year	1,046,434	959,083
Granted during the year	218,959	268,306
Exercised during the year	(224,056)	(180,955)
Outstanding at the end of the year	<u>1,041,337</u>	<u>1,046,434</u>

The weighted average share price at the date of exercise for options exercised during the year ended 31 December 2007 was €48.30. The options outstanding at 31 December 2007 had a weighted average exercise price of €40.16 and a weighted average remaining contractual life of 6.73 years. In 2007 options were granted on dates ranging between the 25 April 2007 and 10 October 2007. The aggregate of the estimated fair value of the options granted on these dates is €3,275,999 (2006: €2,390,671).

Kimberly-Clark Europe Limited
Notes to the Accounts
for the year ended 31 December 2007

7 Share based payments (continued)

The inputs into the Black-Scholes pricing model were as follows

	2007	2006
Weighted average share price	€ 47.69	€ 43.58
Weighted average exercise price	€ 43.37	€ 43.58
Expected volatility	15.19%	17.84%
Expected life	6 years	6 years
Risk free rate	4.43%	5.04%
Expected dividends	3.07%	3.50%

Expected volatility was based upon traded long term equity participation schemes, in particular options with the longest term and a exercise price close to Kimberly-Clark Corporation Inc's current price. The volatility used is the average of the expected volatilities for the bid and ask quote.

The expected life of 6 years was determined based upon analysis of 10 years of actual history of stock option exercises and cancellations.

The expected dividend yield of 3.07% was calculated using the latest annualised dividend rate on Kimberly Clark Corporation Inc common stock on the grant date and projecting the growth of that yield at 8% over the next 5 years.

The risk free rate was calculated using the 6 year US Treasury rate as at the beginning of the month of the grant.

The company recognised total expenses of €2,038,549 during the year (2006: €2,482,136) in relation to equity settled share-based payments.

8 Taxation

	2007 €'000	2006 €'000
Analysis of credit in period		
Current tax		
UK corporation tax on profits of the period	-	(18,126)
Adjustments in respect of previous periods	1,849	(625)
	<u>1,849</u>	<u>(18,751)</u>
Deferred tax		
Origination and reversal of timing differences	(8,414)	-
	<u>(6,565)</u>	<u>(18,751)</u>
Tax on profit/(loss) on ordinary activities		
	<u>(6,565)</u>	<u>(18,751)</u>

Kimberly-Clark Europe Limited
Notes to the Accounts
for the year ended 31 December 2007

8 Taxation (continued)

Factors affecting tax charge / (credit) for period

The differences between the tax assessed for the period and the standard rate of corporation tax are explained as follows

	2007 €'000	2006 €'000
Profit/(loss) on ordinary activities before tax	<u>17,747</u>	<u>(103,842)</u>
Standard rate of corporation tax in the UK	30%	30%
	€'000	€'000
Profit on ordinary activities multiplied by the standard rate of corporation tax	5,324	(31,153)
Effects of		
Expenses not deductible for tax purposes	1,929	(82)
Other tax deductible expenditure	(1,775)	-
Capital allowances for period in excess of depreciation	(156)	-
Losses in respect of which no deferred asset is recognised	-	13,109
Utilisation of tax losses	(5,322)	-
Adjustments to tax charge in respect of previous periods	1,849	(625)
Current tax charge / (credit) for period	<u>1,849</u>	<u>(18,751)</u>

Factors that may affect future tax charges

In the 2007 finance act, the UK government announced that the standard rate of corporation tax from the 1 April 2008 will be reduced to 28%. This will lead to a reduction in the company's corporation tax charge for the year ended 31 December 2008 onwards, and has resulted in a decrease of the company's deferred tax asset recognised as at 31 December 2007

Kimberly-Clark Europe Limited
Notes to the Accounts
for the year ended 31 December 2007

9 Tangible fixed assets

	Short leasehold land and buildings €'000	Plant and machinery €'000	Construction in progress €'000	Total €'000
Cost				
At 1 January 2007	702	14,151	1,008	15,861
Additions	-	-	1,822	1,822
Disposals	(698)	(4,723)	-	(5,421)
At 31 December 2007	<u>4</u>	<u>9,428</u>	<u>2,830</u>	<u>12,262</u>
Depreciation				
At 1 January 2007	700	13,036	-	13,736
Charge for the year	2	476	-	478
On disposals	(698)	(4,416)	-	(5,114)
At 31 December 2007	<u>4</u>	<u>9,096</u>	<u>-</u>	<u>9,100</u>
Net book value				
At 31 December 2007	<u>-</u>	<u>332</u>	<u>2,830</u>	<u>3,162</u>
At 31 December 2006	<u>2</u>	<u>1,115</u>	<u>1,008</u>	<u>2,125</u>

10 Stocks

	2007 €'000	2006 €'000
Raw materials, consumables and work in progress	89,764	92,711
Finished goods and goods for resale	<u>216,361</u>	<u>211,001</u>
	<u>306,125</u>	<u>303,712</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material

11 Debtors

	2007 €'000	2006 €'000
Amounts owed from group undertakings	378,468	507,539
Other debtors	23,136	19,139
Prepayments and accrued income	3,490	3,595
Deferred tax (see note 14)	<u>8,414</u>	<u>-</u>
	<u>413,508</u>	<u>530,273</u>

Kimberly-Clark Europe Limited
Notes to the Accounts
for the year ended 31 December 2007

12 Creditors amounts falling due within one year	2007	2006
	€'000	€'000
Bank loans and overdrafts	633	-
Trade creditors	211,355	164,408
Amounts owed to group undertakings	405,290	463,293
Corporation tax	34	-
Other taxes and social security costs	4,039	7,138
Accruals and deferred income	29,924	51,544
	<u>651,275</u>	<u>686,383</u>

13 Creditors amounts falling due after one year	2007	2006
	€'000	€'000
Amounts owed to group undertakings	<u>-</u>	<u>104,000</u>

There are no repayment terms in respect of the amounts owed to group undertakings. The interest rate charged on this loan is LIBOR plus 12.5 basis points.

14 Deferred taxation	2007	2006
	€'000	€'000
Tax losses carried forward	<u>8,414</u>	<u>-</u>
	2007	2006
	€'000	€'000
At 1 January	-	-
Deferred tax credit in profit and loss account	<u>8,414</u>	<u>-</u>
At 31 December (see note 11)	<u>8,414</u>	<u>-</u>

The unrecognised deferred tax asset in respect of surplus trading losses is €20,146,000 (2006 €24,910,000) as there is insufficient certainty that there will be sufficient taxable profits in the foreseeable future against which this asset may be utilised.

15 Share capital	2007	2006	2007	2006
	No	No	€'000	€'000
Authorised				
Ordinary shares of €1 each	<u>111,000</u>	<u>111,000</u>	<u>111,000</u>	<u>111,000</u>
	2007	2006	2007	2006
	No	No	€'000	€'000
Allotted, called up and fully paid				
Ordinary shares of €1 each	<u>11,100</u>	<u>11,100</u>	<u>11,100</u>	<u>11,100</u>

Kimberly-Clark Europe Limited
Notes to the Accounts
for the year ended 31 December 2007

16 Share premium	2007	2006
	€'000	€'000
At 1 January and at 31 December	<u>280,000</u>	<u>280,000</u>
17 Equity reserve	2007	2006
	€'000	€'000
At 1 January	4,055	3,492
Expense for share based payments not recharged by parent	<u>-</u>	<u>563</u>
At 31 December	<u>4,055</u>	<u>4,055</u>
18 Profit and loss account	2007	2006
	€'000	€'000
At 1 January	(247,947)	(162,856)
Profit/(loss) for the financial year	<u>24,312</u>	<u>(85,091)</u>
At 31 December	<u>(223,635)</u>	<u>(247,947)</u>
19 Reconciliation of movement in shareholder's funds	2007	2006
	€'000	€'000
At 1 January	47,208	131,736
Profit/(loss) for the financial year	24,312	(85,091)
Expense for share based payments not recharged by parent	<u>-</u>	<u>563</u>
At 31 December	<u>71,520</u>	<u>47,208</u>

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20 Pension commitments

The company has employees that are members of the Kimberly-Clark defined benefit pension scheme. As explained under the accounting policies note (note 1), the company accounts for the membership of employees in this scheme as if it were a defined contribution scheme.

At the balance sheet date, the Kimberly-Clark pension scheme showed a net deficit position. All entries in respect of the pension scheme are recorded in the accounts of the Kimberly-Clark Limited and these accounts should be consulted for full details. A summary of the scheme assets and liabilities, together with the financial and actuarial assumptions used to arrive at these numbers, is given below.

Please note that the financial information in Note 20 is presented in British pounds as this is the functional currency of Kimberly-Clark Limited.

	2007	2006
	£'000	£'000
Fair value of scheme assets	529,392	490,082
Actuarial value of scheme liabilities	(645,447)	(684,896)
Deficit in the scheme	(116,055)	(194,814)
Restriction on asset recognition	(380)	-
Deficit in the scheme	(116,435)	(194,814)
Related deferred tax assets	32,602	58,444
Net pension liability	(83,833)	(136,370)

The main financial assumptions used at the balance sheet date were as follows:

	2007	2006
	%	%
Price inflation	3.10	2.75
Rate of increase in salaries	4.10	3.75
Rate of increase of pensions in payment	3.00 / 3.70	3.00 / 3.40
Rate of increase for deferred pensioners	3.10	2.75
Discount rate	5.76	5.10

The main actuarial assumptions used at the balance sheet date were as follows:

Mortality rates

The mortality table for the Kimberly-Clark Pension Scheme is PMA92 for males and PFA92 for females with a 115% multiplier.

The mortality table for the Scott Executive Pension Plan is PNMA00 for males and PNFA00 for females, with a 75% multiplier and medium cohort improvements.

Both use birth year tables.

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20 Pension commitments (continued)

Expected lifetime

The expected lifetime of a participant who is age 65 and the expected lifetime (from age 65) of a participant who will be age 65 in 15 years are shown in years below based on the above mortality

Kimberly-Clark Pension Scheme

	Age	Males	Females
	65	18.6	21.5
	65 in 15 years	19.7	22.6

Scott Executive Pension Plan

	Age	Males	Females
	65	23.9	26.2
	65 in 15 years	24.8	26.9

The expected long-term rates of return as at the balance sheet date were as follows

(Expressed as a % per annum)

	2007 %	2006 %
Total assets	6.8	7.1

21 Other financial commitments

At the year end the company had annual commitments under non-cancellable operating leases as set out below

	Land and buildings 2007 €'000	Land and buildings 2006 €'000	Other 2007 €'000	Other 2006 €'000
Operating leases which expire				
within one year	431	207	203	375
within two to five years	1,327	874	332	647
in over five years	571	1,447	119	-
	<u>2,329</u>	<u>2,528</u>	<u>654</u>	<u>1,022</u>

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21 Other financial commitments (continued)

The company has the following financial commitments in relation to foreign currency contracts

1 The company enters into forward foreign currency contracts to manage foreign currency risk that arises on purchases of inventory denominated in US\$

At 31 December 2007 the company was contracted to buy US\$265,347,000 (2006 US\$232,575,000) at rates that have been contracted between 1.311221 and 1.475060 and sell €188,053,578 (2006 €180,862,000). The forward contracts mature at various dates between 24 January 2008 and 22 December 2008.

2 The company enters into forward foreign currency contracts to manage foreign currency risk that arises on the intercompany sales that are denominated in Russian Roubles

At 31 December 2007 the company was contracted to sell RR 1,054,600,000 (2006 RR 1,045,300,000) at rates that have been contracted between 34.88 and 36.64 and buy €29,711,412 (2006 €39,069,298). The forward contracts mature at various dates between 24 January 2008 and 22 December 2008.

3 The company enters into forward foreign currency contracts to manage foreign currency risk that arises on intercompany receivables that are denominated in GBP

At 31 December 2007 the company was contracted to sell £15,000,000 (2006 £nil) at a rate that have been contracted at 0.716177, and buy €20,944,543 (2006 £nil). The forward contract matures on 24 January 2008.

As at the balance sheet date the company had an unrecognised loss, based on fair values at that time, on their forward foreign currency contracts of €5,210,149 (2006 €5,136,075).

22 Related parties

The company has taken advantage of the exemption in FRS 8 to not disclose transactions with entities that are part of the group on the grounds that it is a wholly owned subsidiary of Kimberly-Clark Corporation Inc and the consolidated financial statements of the group are publicly available.

23 Controlling party

The Directors regard Kimberly-Clark Holding Limited, a company incorporated in Great Britain, as the immediate parent company, and Kimberly-Clark Corporation, a company incorporated in the USA, as the ultimate parent company and controlling entity. Copies of the consolidated accounts of Kimberly-Clark Corporation can be obtained from PO Box 619100, Dallas, Texas, 75261-9100, USA.