PEPSCA Pty Ltd
and its controlled entities

ACN 154 461 300

Special Purpose Financial Report
31 December 2012

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PEPSCA Pty Ltd

Directors' Report
31 December 2012

Your directors present their report on the consolidated entity consisting of PEPSCA Pty Ltd and the entities it controlled (referred to hereafter as the Group or consolidated entity) at the end, or during, the year ended 31 December 2012.

Directors
The following persons were directors of PEPSCA Pty Ltd during the whole of the financial year and up to the date of this report:

- A.R. Crane (resigned 4 January 2012)
- P.J. Diplaris (resigned 4 January 2012)
- B.P. Riede
- J.L. Persson
- A.J. Duthie
- C.R. Blanks

Principal activities
PEPSCA Pty Ltd was incorporated on 25 November 2011. During 2011, PEPSCA acquired PEPSCANZ Pty Ltd.

During 2012 PEPSCA Pty Ltd acquired SCA Hygiene Australia Pty Limited via its 100% ownership of its subsidiary AHACS Pty Ltd. The principal activities of SCA Hygiene Australia Pty Limited and PEPSCANZ Pty Ltd are the manufacture and marketing of personal hygiene products, toilet paper, paper towel, facial tissue, napkins and other tableware products.

Dividends
The directors have not recommended the payment of a dividend for the current financial year.

Review of operations
The net result of operations before income tax was a consolidated loss of $54,176,000 compared to a consolidated loss of $390,000 for the prior year.

The net result of operations after applicable income tax was a consolidated loss of $39,979,000 compared to a consolidated loss of $281,000 for the prior year.

Significant changes in the state of affairs
Significant changes in the state of affairs of the group during the year were as follows;

Business Combination
On 4 January 2012, Svenska Cellulosa Aktiebolaget AB (SCA AB) entered into a joint venture arrangement with Pacific Equity Partners Investment Pty Ltd (PEP). Under the terms of the agreement PEP and SCA AB each holds a 50% interest in the PEPSCA group. The key elements of the transaction were as follows:

a) On 22 December 2011, PEPSCANZ Ltd acquired 100% of the issued share capital of SCA Hygiene Holding Limited and its subsidiaries. The consideration was $71,725,000 which was settled by way of a promissory note. This transaction was accounted for at book value under common control in the 2011 financial statements due to the proximity of the transaction to the year end. Subsequent to the year end, fair value adjustments have been made to the acquired assets and liabilities. At 31 December 2012, a credit was taken to Reserves of $62,500,000. However, following various acquisition accounting adjustments, the final discount on acquisition was $43,657,000 and has been considered in conjunction with the acquisition of SCAHAPL for total goodwill arising of $64,929,000.

b) On 2 January 2012, the group acquired the Australian and New Zealand Brands from its parent entity SCA GH BV in exchange for issuing 114,000,000 ordinary shares at $1 per share. The Brands were acquired at market value. The Brands are recorded as an indefinite life intangible asset at acquisition date and will be subject to annual impairment testing.

c) SCA GH BV/SCA Holland and Pacific Equity Partners (PEP) entered into a joint venture arrangement on 4 January 2012. PEP acquired 50% of the existing ordinary shares in PEPSCA Pty Ltd for $105,000,000. SCA Holland sold its 1 share to PEP and therefore, the two joint venture parties are SCA GH BV and PEP.

d) The PEP group of companies subscribed for 125,000,000 new convertible redeemable preference shares (CPRS) in PEPSCA Pty Ltd at $1 per preference share on 4 January 2012. The CPRS have a 9.5 year life and an associated coupon of 15% per annum. The CPRS is deemed a debt interest and classified as a liability on the balance sheet.

e) PEPSCA Pty Ltd acquired SCA Hygiene Australia Pty Ltd on 4 January 2012 from SCA GH BV. The consideration paid to SCA GH BV was $149,274,998 which is satisfied from the $125,000,000 raised from the CPRS and a $24,274,998 Promissory note.

f) The group drew down $275,000,000 of debt from a syndicated banking facility on 4 January 2012. These funds were used to repay outstanding SCA Finans AB and SCA GH BV loans and used for joint venture transaction costs.

PEPSCA Pty Ltd

Directors' Report
31 December 2012

g) A completion settlement occurred between SCA GH BV and PEP of $14,596,000, resulting in additional purchase consideration for SCA HAPL of $10,485,000 and SCA Hygiene Holding Limited of $3,751,000. This is a non-cash transaction for the PEPSCA group.

Although this transaction occurred over a financial year-end, in substance the business combination occurred on 4 January 2012. As a result the assets and liabilities of both PEPSCANZ Ltd and SCA Hygiene Australia Pty Ltd have been restated to fair value upon acquisition. The fair value adjustments have been recognised in these financial statements, which resulted in goodwill for the acquired group to the value of $64,929,000.

Manufacturing footprint
Following a review of the company's manufacturing footprint, restructuring plans have been put in place and as such accelerated depreciation of certain assets and redundancy provisions have been recognised in these financial statements.

Matters subsequent to the end of the financial year
There have been no material events since the end of the financial year.

Likely developments and expected results of operations
Information on likely developments in the consolidated entity's operations and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the company.

Environmental regulation
The consolidated entity's environmental and waste discharge quotas are regulated under both State and Federal Acts 2001. All environment performance obligations are monitored by the company and subjected from time to time by Government agency audits and site inspections. No environmental breaches have been notified by any Government agency during the year ended 31 December 2012.

Options and shares of other interests under option
No options or shares have been issued to any directors.

Insurance of officers
During the financial year, PEPSCA Pty Ltd paid a premium to insure the directors and secretaries of the company and its Australian-based controlled entities, and the general managers of each of the divisions of the group.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings.

This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Rounding of amounts
The company is of the kind specified in Australian Securities and Investments Commission class order 98/0100. In accordance with that class order, amounts in the financial statements and the Directors' Report have been rounded to the nearest thousand dollars unless specifically stated to be otherwise.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under Section 307C the *Corporations Act 2001* is set out on page 3.

Auditor
PricewaterhouseCoopers continues in office in accordance with Section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of the directors.

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A.J. Duthie
Director

C.R. Blanks
Director

Melbourne
8 March 2013

Auditor's Independence Declaration

As lead auditor for the audit of PEPSCA Pty Ltd and its controlled entities for the year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of PEPSCA Pty Ltd and the entities it controlled during the period.

Lisa Harker

Lisa Harker
Partner
PricewaterhouseCoopers

Melbourne
8 March 2013

PEPSCA Pty Ltd

Consolidated statement of comprehensive income
For the year ended 31 December 2012

	Notes	2012 $'000	2011 $'000
Revenue from continuing operations	2	621,974	2,466
Cost of sales		(399,676)	(1,860)
Gross profit		**222,298**	**606**
Other income	3	232	-
Distribution expenses		(73,732)	(365)
Sales and marketing expenses		(53,483)	(164)
Administrative expenses		(28,809)	(69)
Finance costs	4	(49,351)	-
Other expenses	4	(71,331)	(398)
(Loss) from ordinary activities before income tax expense		**(54,176)**	**(390)**
Income tax benefit	5	14,197	109
(Loss) from ordinary activities after income tax expense		**(39,979)**	**(281)**
Net (loss) for the year	20	**(39,979)**	**(281)**
Other comprehensive income			
Common control acquisition adjustment	21	(62,506)	62,506
Changes in the fair value of cash flow hedges	21	(8,364)	-
Exchange differences in translation of foreign operations	21	2,043	-
Income tax relating to components of other comprehensive income	21	2,509	-
Other comprehensive income / (loss) for the year, net of tax		**(66,318)**	**62,506**
Total comprehensive income / (loss) for the year		**(106,297)**	**62,225**
Total comprehensive income / (loss) for the year is attributable to:			
Owners of PEPSCA Pty Ltd		**(106,297)**	**62,225**

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

PEPSCA Pty Ltd

Consolidated statement of financial position
As at 31 December 2012

	Notes	2012 $'000	2011 $'000
Current assets			
Cash and cash equivalents	6	70,793	7,662
Receivables	7	29,074	36,552
Inventories	8	123,507	39,336
Derivative financial instruments	9	62	1,535
Other	10	2,043	648
Total current assets		**225,479**	**85,733**
Non-current assets			
Property, plant and equipment	11	272,541	62,488
Intangible assets	12	179,759	22,290
Deferred tax assets	27	34,619	10,833
Total non-current assets		**486,919**	**95,611**
Total assets		**712,398**	**181,344**
Current liabilities			
Payables	13	64,375	18,721
Interest bearing liabilities	14	2,231	-
Provisions	15	33,698	2,533
Derivative financial liabilities	16	2,627	-
Total current liabilities		**102,931**	**21,254**
Non-current liabilities			
Provisions	17	9,584	-
Deferred tax liabilities	28	44,397	1,865
Interest bearing liabilities	18	368,357	-
Derivative financial liabilities	16	6,605	-
Total non-current liabilities		**428,943**	**1,865**
Total liabilities		**531,874**	**23,119**
Net assets		**180,524**	**158,225**
Shareholders' equity			
Contributed equity	19	224,596	96,000
Retained earnings	20	(40,260)	(281)
Reserves	21	(3,812)	62,506
Total parent entity interest		180,524	158,225
Total equity		**180,524**	**158,225**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

PEPSCA Pty Ltd

Consolidated statement of changes in equity
For the year ended 31 December 2012

2012	Notes	$'000 Contributed Equity	$'000 Retained Earnings	$'000 Reserves	$'000 Total
Balance at 1 January 2012		**96,000**	**(281)**	**62,506**	**158,225**
(Loss) for the year	20	-	(39,979)	-	(39,979)
Other comprehensive income		-	-	(3,812)	(3,812)
Transactions with owners in their capacity as owners					
Contributions of equity net of transaction costs	19	128,596	-	-	128,596
Acquisition of subsidiary	21	-	-	(62,506)	(62,506)
Balance at 31 December 2012		**224,596**	**(40,260)**	**(3,812)**	**180,524**

2011	Notes	$'000 Contributed Equity	$'000 Retained Earnings	$'000 Reserves	$'000 Total
Balance at 25 November 2011		-	-	-	-
(Loss) for the period		-	(281)	-	(281)
Issue of Share Capital	19	96,000	-	-	96,000
Common Control acquisition adjustment	21	-	-	62,506	62,506
Balance at 31 December 2011		**96,000**	**(281)**	**62,506**	**158,225**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

PEPSCA Pty Ltd

Consolidated statement of cash flows
For the year ended 31 December 2012

	Notes	2012 $'000	2011 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		691,630	-
Payments to suppliers and employees (inclusive of GST)		(567,124)	-
		124,506	-
Interest received		1,424	-
Borrowing costs		(25,571)	-
Net cash inflow / (outflow) from operating activities	26	**100,359**	**-**
Cash flows from investing activities			
Payments for property, plant and equipment		(23,383)	-
Proceeds from sale of property, plant and equipment		72	
Cash acquired via business combination	24	11,700	7,662
Payments of acquisition related transaction costs		(13,727)	-
Payment for acquisition of subsidiary	24	(125,000)	-
Net cash (outflow) from investing activities		**(150,338)**	**7,662**
Cash flows from financing activities			
Proceeds from preference shares		125,000	-
Proceeds from borrowings		275,000	-
Debt raising costs		(19,502)	-
Repayment of related party borrowings		(235,000)	-
Repayment of borrowings		(32,700)	-
Net cash inflow from financing activities		**112,798**	**-**
Net increase in cash held		62,819	7,662
Cash at the beginning of the year		7,662	-
Effects of exchange rate changes on cash & cash equivalents		312	-
Cash at the end of the year	6	**70,793**	**7,662**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

PEPSCA Pty Ltd

Notes to financial statements
31 December 2012

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to the financial year presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of PEPSCA Pty Ltd and its subsidiaries.

Ultimate controlling entity

The joint venture business combination occurred on 4 January 2012. As a result of SCA disposing of 50% of their interest in PEPSCA Pty Ltd on 4 January 2012 (refer to note 24), the controlling entities of the PEPSCA Pty Ltd group are;

Controlling entity	*% owned*
SCA GH BV	50.0
Pacific Equity Partners (Group)	
- Pacific Equity Partners Fund IV GP (Jersey) Limited	42.5
- Pacific Equity Partners Fund IV (Australasia) Pty Limited	6.5
- Eagle Co-Investment Pty Ltd	0.5
- PEP Investment Pty Limited	0.5

Registered office

The company is incorporated and domiciled in Australia with its registered office at:

Ailsa Street
Box Hill
Victoria 3128

(a) Basis of preparation

PEPSCA Pty Ltd was incorporated on 25 November 2011. The comparative period was from 25 November 2011 until 31 December 2011. PEPSCA Pty Ltd acquired PEPSCANZ Ltd on 22 December 2011 and therefore the financial results of PEPSCANZ Pty Ltd were consolidated from 22 December 2011 until 31 December 2011. SCA Hygiene Australia Pty Ltd was acquired on 4 January 2012 and therefore the financial results of SCA Hygiene Australia Pty Ltd were consolidated in the 2012 financial year from 4 January 2012 until 31 December 2012.

In the directors' opinion, the company is not a reporting entity because there are no users dependent on general purpose financial reports.

This is a special purpose financial report that has been prepared for the sole purpose of complying with the *Corporations Act 2001* requirements to prepare and distribute a financial report to the members and must not be used for any other purpose. The directors have determined that the accounting policies adopted are appropriate to meet the needs of the members.

The financial report has been prepared in accordance with AASB 101 Presentation of Financial Statements, AASB 107 Cash Flow Statements, AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors, AASB 1031 Materiality and AASB 1048 Interpretation and Application of Standards which apply to all entities required to prepare financial reports under the *Corporations Act 2001* and other applicable Accounting Standards and Urgent Issues Group Consensus Views with the exception of the disclosure requirements in the following:

AASB 2 : *Share-Based Payments*
AASB 3 : *Business Combinations*
AASB 5 : *Non-Current Assets Held for Sale and Discontinued Operations*
AASB 7 : *Financial Instruments: Disclosures*
AASB 8 : *Operating Segments*
AASB 112 : *Income Taxes*
AASB 119 : *Employee Benefits*
AASB 124 : *Related Party Disclosures*
AASB 132: *Financial Instruments: Presentation*
AASB 136 : *Impairment of Assets*
AASB 137 : *Provisions, Contingent Liabilities and Contingent Assets*
AASB 138 : *Intangible Assets*
AASB 139 : *Financial Instruments: Recognition and Measurement*

1 Summary of significant accounting policies (continued)

Historical cost convention

These financial statements have been prepared under the historical cost convention.

Critical accounting estimates
The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group'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 1(y).

(b) Principles of consolidation

(i) Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of PEPSCA Pty Ltd ("company" or "parent entity") as at 31 December 2012 and the results of all subsidiaries for the year then ended. PEPSCA Pty Ltd and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(g)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost in the individual financial statements of PEPSCA Pty Ltd.

(c) Foreign currency translation

(i) Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is PEPSCA Pty Ltd's functional and presentation currency.

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

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1 Summary of significant accounting policies (continued)

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. With regards to the sale of goods, a sale is recorded when goods have been despatched to a customer pursuant to a sales order and the associated risks have passed to the carrier or customer.

(i) Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(ii) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

(e) Income tax

The income tax expense or revenue for the year is the tax payable on the current year's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

The Australian domiciled entities of the PEPSCA consolidated group form the PEPSCA tax consolidated group.

PEPSCANZ Ltd and its New Zealand subsidiaries are not parties to a New Zealand tax consolidated group.

(f) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(g) Business combinations

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Transaction costs arising on the issue of equity instruments are recognised directly in equity. Transaction costs arising in a business combination are recognised in the statement of comprehensive income in the period in which they were incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of

1 Summary of significant accounting policies (continued)

the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer to note 1(m)). If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(h) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired.

Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

(i) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(j) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables and other debtors are due for settlement no more than 30 days from the date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

Product is often sold with volume discounts. Sales are recorded based on the price specified in the sale contract, net of the estimated volume discounts and returns at the time of sale. Accumulated experience is used to estimate and provide for the discounts and any returns from customers.

The volume discounts are assessed based on anticipated annual purchases.

No element of financing is deemed present as the sales are made with a credit term of 30 days which is consistent with market practise.

(k) Inventories

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on a first-in-first-out basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(l) Property, plant and equipment

Land and buildings and other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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1 Summary of significant accounting policies (continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

- Buildings	10-40 years
- Plant and Equipment	5-25 years
- Office Equipment	3-7 years
- Motor Vehicles	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(h)).

(m) Intangible assets

(i) Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Brands
On 2 January 2012, the group acquired the Australian and New Zealand Brands from its parent entity SCA GH BV in exchange for issuing 114,000,000 ordinary shares at $1 per share. The Brands were acquired at market value. The Brands have an indefinite useful life and are not amortised. Instead they are tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

(n) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid and are unsecured.

(o) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(p) Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred, except where they are included in the costs of qualifying assets.

Borrowing costs include:

- interest on bank overdrafts and borrowings; and
- finance lease charges

PEPSCA Pty Ltd

Notes to financial statements
31 December 2012

1 Summary of significant accounting policies (continued)

(q) Provisions

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(r) Employee benefits

(i) Wages and salaries, annual leave and sick leave
Liabilities for wages and salaries, including non-monetary benefits, annual leave and sick leave expected to be settled within 12 months of the reporting date are recognised in provision for employee entitlements in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Annual leave expected to be settled after 12 months of reporting date is recognised using expected future wage and salary levels. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

(ii) Long service leave
The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

(iii) Superannuation
The Consolidated entity contributes to an accumulation fund on behalf of qualifying employees.

(s) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(t) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(u) Rounding of amounts

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(v) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates certain derivatives as:

PEPSCA Pty Ltd

Notes to financial statements
31 December 2012

1 Summary of significant accounting policies (continued)

- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

The group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

Movements in the hedging reserve in shareholders' equity are shown in note 19. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expenses.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in profit or loss within 'sales'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets) the gains and losses previously deferred in equity are reclassified from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in profit or loss as cost of goods sold in the case of inventory, or as depreciation or impairment in the case of fixed assets.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

(w) New accounting standards and UIG interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 31 December 2012 reporting periods. The Group expects no impact from these new standards and interpretations when they become mandatory.

(x) Convertible redeemable preference shares

Convertible redeemable preference shares of $125,000,000 which are mandatorily redeemable 9½ years from issue date are classified as liabilities (note 18). The dividends on these preference shares are recognised in the statement of comprehensive income as finance costs.

(y) Critical accounting estimates and judgements

The Group makes accounting estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year are discussed below.

(i) Impairment of goodwill
The Group tests annually whether goodwill has suffered any impairment in accordance with accounting note 1(m). Recoverable amounts for cash generating units are based on value in use, which is calculated from cash flow projections based on financial budgets approved by senior management covering a five year period. The key assumptions for the value in use calculations are those regarding discount rates and growth rates.

1 Summary of significant accounting policies (continued)

(ii) Impairment of brands
The Group tests annually whether the brands have suffered any impairment in accordance with accounting note 1(m). Brands are allocated to the cash generating units and recoverable amounts for cash generating units are based on value in use, which is calculated from cash flow projections based on financial budgets approved by senior management covering a five year period. The key assumptions for the value in use calculations are those regarding discount rates and growth rates.

(z) Parent entity financial information

The financial information for the parent entity, PEPSCA Pty Ltd, disclosed in note 30 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities
Investments in subsidiaries are accounted for at cost in the financial statements of PEPSCA Pty Ltd.

(ii) Tax consolidation legislation
PEPSCA Pty Ltd and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, PEPSCA Pty Ltd, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, PEPSCA Pty Ltd also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate PEPSCA Pty Ltd for any current tax payable assumed and are compensated by PEPSCA Pty Ltd for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to PEPSCA Pty Ltd under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(iii) Financial guarantees
Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

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Notes to the financial statements
For the year ended 31 December 2012

2. Revenue

Revenue from continuing operations

	$'000 2012	$'000 2011
Sales revenue:		
- Product sales	620,375	2,466
	620,375	2,466
Other revenues:		
- Interest received	1,599	-
	1,599	-
Total Revenue	621,974	2,466

3. Other income

	$'000 2012	$'000 2011
Foreign exchange gain	232	-
	232	-

4. Loss from ordinary activities before income tax is after charging the following:

	$'000 2012	$'000 2011
Depreciation expense		
Depreciation of property, plant and equipment	29,434	172
Net loss on the disposal of property, plant and equipment	137	-
Finance costs		
Interest expense	42,278	-
Debt establishment cost amortisation	4,211	-
Facility fees	2,862	-
Significant operating expenses		
Bad and doubtful debts	14	-
Operating lease rental	10,603	-
Accelerated depreciation*	29,019	-
Provision for inventories obsolescence	1,471	-
Superannuation expense	5,958	-
Restructuring expenses*	18,574	-
Business combination advisor costs	11,969	-

* Accelerated depreciation and restructuring expenses have been disclosed in "other expenses" in the income statement.

PEPSCA Pty Ltd

Notes to the financial statements
For the year ended 31 December 2012

		$'000	
		2012	2011
5.	**Income tax expense**		
(a)	Current tax	(1,991)	(109)
	Deferred tax	(12,249)	-
	Under/(over) provided in prior years	43	-
		(14,197)	(109)
	Deferred income tax (benefit) included in income tax (benefit) comprises:		
	Decrease (Increase) in deferred tax assets	(13,369)	-
	Increase (Decrease) in deferred tax liabilities	1,120	-
		(12,249)	-
(b)	The income tax expense/(benefit) for the financial year differs from the amount calculated on the loss. The differences are reconciled as follows:		
	(Loss) from ordinary activities before income tax (benefit)	(54,176)	(390)
	Income tax calculated at 30%	(16,253)	(117)
	Tax effect of permanent and other differences:		
	Research and development tax concession	(575)	-
	Other	2,391	-
	Income tax adjusted for permanent differences	(14,437)	(117)
	Under/(over) provision in prior year	43	-
	Difference in overseas tax rates	197	8
	Income tax (benefit)	(14,197)	(109)

		$'000	
		2012	2011
6.	**Current assets – Cash and cash equivalents**		
	Cash at bank	50,793	7,662
	Term Deposit	20,000	-
		70,793	7,662

Cash at bank and bank balances

These balances are bearing an average floating interest rate of 3.5% (2011: 4.1%).

Term Deposit is on 90 day terms maturing on 29 January 2012.

PEPSCA Pty Ltd

Notes to the financial statements
For the year ended 31 December 2012

		$'000	
		2012	2011
7.	**Current assets – receivables**		
	Trade debtors	26,147	3,631
	Less: provision for impairment of receivables	(160)	-
		25,987	3,631
	Amount owed from related entities unsecured	3,087	32,921
		29,074	36,552

		$'000	
		2012	2011
8.	**Current assets – Inventories**		
	Raw materials – at cost	40,261	13,933
	Less: provision for obsolescence	(2,828)	-
		37,433	13,933
	Work in progress – at cost	8,645	6,539
	Finished goods – at cost	78,223	18,864
	Less: provision for obsolescence	(794)	-
		77,429	18,864
		123,507	39,336

		$'000	
		2012	2011
9.	**Current assets – Derivative financial instruments**		
	Fixed electricity price contract*	-	1,485
	Forward exchange contracts	62	50
		62	1,535

The Group enters into derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in foreign exchange rates on foreign currency denominated purchases.

* Hedge accounting is not applied to the fixed electricity price contract

		$'000	
		2012	2011
10.	**Current assets – Other**		
	Prepayments	2,043	648

PEPSCA Pty Ltd

Notes to the financial statements
For the year ended 31 December 2012

	$'000 2012	$'000 2011
11. Non-current assets – Property, plant and equipment		
Land and buildings		
Freehold land		
At cost	35,880	2,792
Buildings		
At cost	111,496	20,454
Less: Accumulated depreciation	(50,408)	(9,057)
Total buildings	61,088	11,397
Plant and equipment		
At cost	323,838	100,288
Less: Accumulated depreciation	(179,666)	(55,930)
Total plant and equipment	144,172	44,358
Capital development		
At cost	31,401	3,941
Total property, plant and equipment	**272,541**	**62,488**

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial period are set out below.

2012	Freehold land $'000	Buildings $'000	Plant and equipment $'000	Capital development $'000	Total $'000
Carrying amount at 1 January 2012	2,792	11,397	44,358	3,941	62,488
Acquisition of subsidiary	33,088	54,912	109,149	45,743	242,892
Reclassification of asset class	-	77	29,968	(30,045)	-
Additions during the year	-	263	11,632	11,488	23,383
Disposals	-	-	(209)	-	(209)
Exchange differences	-	611	1,555	274	2,440
Depreciation charge for the year	-	(6,172)	(23,262)	-	(29,434)
Accelerated depreciation	-	-	(29,019)	-	(29,019)
Carrying amount at 31 December 2012	**35,880**	**61,088**	**144,172**	**31,401**	**272,541**

2011	Freehold land $'000	Buildings $'000	Plant and equipment $'000	Capital development $'000	Total $'000
Carrying amount at 25 November 2011	-	-	-	-	-
Acquisition of subsidiary	2,792	11,397	44,358	3,941	62,488
Carrying amount at 31 December 2011	**2,792**	**11,397**	**44,358**	**3,941**	**62,488**

PEPSCA Pty Ltd

Notes to the financial statements
For the year ended 31 December 2012

		$'000 2012	2011
12.	**Non-current assets – Intangible assets**		
	Goodwill		
	Opening balance	22,290	22,290
	Removal of historical goodwill	(22,290)	-
	Acquisition of subsidiary	64,929	-
	Closing Balance	64,929	22,290
	Brands		
	Opening balance	-	-
	Acquisition (i)	114,000	-
	Exchange differences	830	-
	Closing Balance	114,830	-
	Total Intangible assets	**179,759**	**22,290**

(i) On 2 January 2012, the Group acquired the Australian and New Zealand Brands from its parent entity SCA GH BV in exchange for issuing 114,000,000 ordinary shares at $1 per share. $20,400,000 was acquired by the New Zealand subsidiary, PEPSCANZ Ltd; and $93,600,000 was acquired by the Australian subsidiary SCA Hygiene Australia Pty Ltd. The Brands were acquired at market value. The Brands are recorded as an indefinite life intangible asset at acquisition date and will be subject to annual impairment testing.

		$'000 2012	2011
13.	**Current liabilities – Payables**		
	Trade creditors	26,128	3,806
	Accruals and other creditors	21,769	11,574
	Accrued interest on bank loans	699	-
	Amount owed to related entities – unsecured	15,779	3,341
		64,375	**18,721**

		$'000 2012	2011
14.	**Current liabilities – Interest bearing liabilities**		
	Bank Loans	6,300	-
	Capitalised borrowing costs	(4,069)	-
		2,231	-

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Notes to the financial statements
For the year ended 31 December 2012

15. Current liabilities – Provisions

	$'000 2012	2011
Employee entitlements	21,057	2,533
Provision for restructuring	7,919	-
Other	4,722	-
	33,698	**2,533**

16. Derivative Financial Liabilities

	$'000 2012	2011
Current		
Fixed electricity price contract*	427	-
Interest rate swaps	2,200	-
	2,627	**-**
Non-current		
Interest rate swaps	**6,605**	**-**

* Hedge accounting is not applied to the fixed electricity price contract

17. Non-current liabilities – Provisions

	$'000 2012	2011
Employee entitlements	3,314	-
Provision for restructuring	6,270	-
	9,584	**-**

18. Non - current liabilities – Interest bearing liabilities

	$'000 2012	2011
Convertible redeemable preference shares (a)	125,000	-
Accrued interest for convertible redeemable preference shares	18,759	-
Bank Loans	236,000	-
Capitalised borrowing costs	(11,222)	-
	368,537	**-**

(a) The convertible redeemable preference shares are mandatorily redeemable 9½ years from issue date.

19. Contributed equity

	$'000 2012	2011
Ordinary shares fully paid	**224,596**	**96,000**

	Number of shares 2012	Number of shares 2011	$'000 2012	$'000 2011
Balance as on 1 January	96,000,000	-	96,000	-
Shares Issued (a)	114,000,000	96,000,000	128,596	96,000
Closing balance on 31 December	210,000,000	96,000,000	224,596	96,000

a) On 2 January 2012, the group acquired the Australian and New Zealand Brands from its parent entity SCA GH BV in exchange for issuing 114,000,000 ordinary shares at $1 per share. The Brands were acquired at market value.

b) An adjustment to shares issued as a result of the shareholder settlement between SCA GH BV and Pacific Equity Partners Pty Ltd in accordance with the share sale and subscription agreement occurred totalling $14,596,020.

PEPSCA Pty Ltd

Notes to the financial statements
For the year ended 31 December 2012

		$'000 2012	2011
20.	**Accumulated losses**		
	Total accumulated losses at the beginning of the financial year	(281)	-
	Loss for the period	(39,979)	(281)
	Total accumulated losses at the end of the financial year	**(40,260)**	**(281)**

21. Reserves

2012	**Cash flow hedge reserve**	**Foreign currency translation reserve**	**General reserve**	**Total reserves**
	$'000	**$'000**	**$'000**	**$'000**
Balance as at 1 January 2012	-	-	62,506	62,506
Exchange difference on translation of foreign operations	-	2,043	-	2,043
Change in fair value of the cash flow hedge during year	(8,364)	-	-	(8,364)
Finalisation impact of business combination (refer to note 24)	-	-	(62,506)	(62,506)
Deferred tax relating to cash flow hedge	2,509	-	-	2,509
Carrying amount at 31 December 2012	**(5,855)**	**2,043**	**-**	**(3,812)**

2011	**Cash flow hedge reserve**	**Foreign currency translation reserve**	**General reserve**	**Total reserves**
	$'000	**$'000**	**$'000**	**$'000**
Balance as at 25 November 2011	-	-	-	-
Exchange difference on translation of foreign operations	-	-	-	-
Change in fair value of the cash flow hedge during year	-	-	-	-
Intermediate gain on business combination	-	-	62,506	62,506
Income tax relating to fair value of cash flow hedge	-	-	-	-
Carrying amount at 31 December 2011	**-**	**-**	**62,506**	**62,506**

General reserve represents the difference between the cost of the investment and the carrying value of the net assets from acquisition of PEPSCANZ Ltd.

		$'000 2012	2011
22.	**Commitments for expenditure**		
(a)	Capital commitments Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows: *Property, plant and equipment*		
	Payable within one year	1,195	185
(b)	Lease commitments *Operating lease* Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities, payable:		
	Not later than one year	11,193	4,159
	Later than one year but not later than five years	28,227	4,572
	Later than five years	2,351	852
		41,771	9,583

PEPSCA Pty Ltd

Notes to the financial statements
For the year ended 31 December 2012

23. Contingent Liabilities

The Group had no contingent liabilities at 31 December 2012 (31 December 2011: $nil).

24. Business combinations

Acquisition of SCA Hygiene Australia Pty Ltd and subsidiaries (SCAHAPL) and SCA Hygiene Holding Limited (SCAHH)

On 4 January 2012, Svenska Cellulosa Aktiebolaget AB (SCA AB) entered into a joint venture arrangement with Pacific Equity Partners Investment Pty Ltd (PEP). Under the terms of the agreement PEP and SCA AB each holds a 50% interest in the PEPSCA group. The key elements of the transaction are detailed below.

Details of the purchase consideration and the provisional fair values of the net identifiable assets acquired are as follows:

	SCAHH 22 Dec 11*	SCAHAPL 4 Jan 12	Total
	$'000	$'000	$'000
Purchase consideration	**95,876**	**253,720**	**349,596**
Cash	7,662	11,700	19,362
Receivables	14,461	28,034	42,495
Inventories	43,094	107,849	150,943
Property, Plant & Equipment	71,918	233,462	305,380
Brands	20,400	93,600	114,000
Deferred Tax Assets	8,968	5,218	14,186
Payables	(18,721)	(44,927)	(63,648)
Interest Bearing Liabilities	-	(235,000)	(235,000)
Derivative financial liabilities	-	(205)	(205)
Provisions	(2,537)	(19,453)	(21,990)
Deferred Tax Liabilities	(5,712)	(35,144)	(40,856)
Net identifiable assets acquired	**139,533**	**145,134**	**284,667**
Goodwill / (discount on acquisition)	(43,657)	108,586	64,929
Net assets acquired	**95,876**	**253,720**	**349,596**

* Acquisition date was 22 December 2011 but balances shown include fair value adjustments made during 2012.

The series of transactions giving effect to the business combination were as follows:

a) On 22 December 2011, PEPSCANZ Ltd acquired 100% of the issued share capital of SCAHH Limited and its subsidiaries. The consideration was $71,725,000 which was settled by way of a promissory note. This transaction was accounted for at book value under common control in the 2011 financial statements due to the proximity of the transaction to the year end. Subsequent to the year end, fair value adjustments have been made to the acquired assets and liabilities. At 31 December 2012, a credit was taken to Reserves of $62,500,000. However, following various acquisition accounting adjustments, the final discount on acquisition was $43,657,000 and has been considered in conjunction with the acquisition of SCAHAPL for total goodwill arising of $64,929,000.

b) On 2 January 2012, the group acquired the Australian and New Zealand Brands from its parent entity SCA GH BV in exchange for issuing 114,000,000 ordinary shares at $1 per share. The Brands were acquired at market value. The Brands are recorded as an indefinite life intangible asset at acquisition date and will be subject to annual impairment testing.

c) SCA GH BV/SCA Holland and PEP entered into a joint venture arrangement on 4 January 2012. PEP acquired 50% of the existing ordinary shares in PEPSCA Pty Ltd for $105,000,000. SCA Holland sold its 1 share to PEP and therefore, the two joint venture parties are SCA GH BV and PEP.

PEPSCA Pty Ltd

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d) The PEP group of companies subscribed for 125,000,000 new convertible redeemable preference shares (CPRS) in PEPSCA Pty Ltd at $1 per preference share on 4 January 2012. The CPRS have a 9.5 year life and an associated coupon of 15% per annum. The CPRS is deemed a debt interest and classified as a liability on the balance sheet.

e) PEPSCA Pty Ltd acquired SCAHAPL on 4 January 2012 from SCA GH BV. The consideration paid to SCA GH BV was $149,274,998 which is satisfied from the $125,000,000 raised from the CPRS and a $24,274,998 Promissory note.

f) The group drew down $275,000,000 of debt from a syndicated banking facility on 4 January 2012. These funds were used to repay outstanding SCA Finans AB and SCA GH BV loans and used for joint venture transaction costs.

g) A completion settlement occurred between SCA GH BV and PEP of $14,596,000, resulting in additional purchase consideration for SCA HAPL of $10,485,000 and SCA Hygiene Holding Limited of $3,751,000. This is a non-cash transaction for the PEPSCA group.

Although this transaction occurred over a financial year-end, in substance the business combination occurred on 4 January 2012. As a result the assets and liabilities of both PEPSCANZ Ltd and SCAHAPL have been restated to fair value upon acquisition. The fair value adjustments have been recognised in these financial statements, which resulted in goodwill for the acquired group to the value of $64,929,000.

Purchase consideration – cash outflow

	2012 $'000	2011 $'000
Outflow of cash to acquire subsidiary, net of cash acquired		
Cash consideration (SCAHAPL)	125,000	-
Less: balances acquired		
Cash (SCAHAPL)	(11,700)	-
Cash (SCAHH)	-	(7,662)
Outflow / (inflow) of cash – investing activities	**113,300**	**(7,622)**

Acquisition related costs
Acquisition costs of $11,969,000 are recognised in the income statement. Further transaction costs have been recognised in prior periods.

PEPSCA Pty Ltd

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		2012	2011
25.	**Remuneration of auditors**	$	$
	During the year the following fees were paid for services provided by the auditor of the parent entity, its related practices and non-related audit firms:		
	PricewaterhouseCoopers Australian firm:		
	(a) **Assurance services**		
	Audit of financial statements	367,500	-
	Other assurance services	91,269	-
	Total remuneration for assurance services	458,769	-
	(b) **Taxation services**		
	Tax compliance services and review of company income tax returns	85,485	-
	Tax consulting services and advice	168,985	-
	Total remuneration for taxation services	254,470	-
	(b) **Other services**		
	Consulting services	463,169	-
	Total remuneration of PricewaterhouseCoopers Australian firm	1,176,408	-

No remuneration was paid to PricewaterhouseCoopers (auditor) for audit or other services provided to PEPSCA Pty Ltd in 2011. Remuneration paid to the auditors for 2011 was disclosed within the separate SCA Hygiene Australia Pty Ltd and PEPSCANZ Ltd financial statements.

		$'000	
		2012	2011
26.	**Reconciliation of (loss) from ordinary activities after income tax to net operating cash flows**		
	Loss from ordinary activities after income tax	(39,979)	(281)
	Adjustments for non-cash income and expense items		
	Depreciation of property, plant and equipment	29,434	172
	Accelerated depreciation of property plant and equipment	29,019	-
	Loss on disposal of property, plant and equipment	137	-
	Change in operating assets and liabilities		
	(Increase) / Decrease in tax balances	18,746	109
	(Increase) / Decrease in trade and other receivables	6,083	-
	(Increase) / Decrease in inventory	(84,171)	-
	Increase / (Decrease) in creditors and other provisions	141,090	-
	Net cash inflow from operating activities	100,359	-

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27. Non-current assets – Deferred tax assets

	$'000	
	2012	**2011**
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
Employee provisions	7,064	1,557
Inventory provisions	458	-
Redundancy provision	4,241	-
Blackhole expenditure	4,202	-
Depreciation	1,970	9,276
Capitalised tax losses	12,017	-
Other provisions	1,816	-
	31,768	10,833
Amounts recognised in other comprehensive income		
Cash flow hedge	2,851	-
	34,619	10,833
Movements:		
Opening balance at 1 January	10,833	-
Credited to profit or loss excluding capitalised tax losses	13,369	-
Credited to other comprehensive income	2,851	-
Capitalised tax losses utilised during the period	(3,063)	-
Tax losses recognised during the period	5,411	-
Acquisition of subsidiary	5,218	10,833
Closing balance at 31 December	34,619	10,833

28. Non-current liabilities - Deferred tax liabilities

	$'000	
	2012	**2011**
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
Intangible assets	34,024	-
Consumables	3,567	-
Depreciation	6,452	1,865
Other	12	-
	44,055	1,865
Amounts recognised in other comprehensive income		
Cash flow hedge	342	-
	44,397	1,865
Movements:		
Opening balance at 1 January	1,865	-
Charged to profit or loss	1,120	-
Charged to other comprehensive income	342	-
Acquisition of subsidiary	41,070	1,865
Closing balance at 31 December	44,397	1,865

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29. Deed of cross guarantee

SCA Hygiene Australasia Pty Ltd, Sancella (Holdings) Pty Ltd and Sancella Pty Ltd are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

(a) Consolidated statement of comprehensive income statement and a summary of movements in consolidated retained profits

The above companies represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by SCA Hygiene Australasia Pty Ltd, they also represent the 'Extended Closed Group'.

PEPSCA Pty Ltd acquired SCA Hygiene Australia Pty Ltd and its subsidiary companies, SCA Hygiene Australasia Pty Ltd, Sancella (Holdings) Pty Ltd and Sancella Pty Ltd on 4 January 2012 and therefore the disclosures are presented for the 2012 financial year only.

Set out below is a consolidated income statement and a summary of movements in consolidated retained profits for the year ended 31 December 2012 of the Closed Group consisting of SCA Hygiene Australasia Pty Ltd, Sancella (Holdings) Pty Ltd and Sancella Pty Ltd.

	Consolidated $'000	
	2012	**2011**
Revenue from continuing operations	490,079	-
Cost of sales	(305,022)	-
Gross profit	**185,057**	-
Other income	65	-
Distribution expenses	(58,635)	-
Sales and marketing expenses	(43,186)	-
Administrative expenses	(16,005)	-
Impairment of goodwill	-	-
Other expenses	34,975	-
Profit before income tax	**102,271**	-
Income tax (expense)	(12,705)	-
Profit for the year	**89,566**	-
Other comprehensive income		
Changes in the fair value of cash flow hedges	(1,123)	-
Income tax relating to components of other comprehensive income	337	-
Other comprehensive (loss) for the year	**(786)**	-

Summary of movements in consolidated retained profits

Retained profits at the beginning of the financial year	102,140	-
Profit for the year	89,566	-
Retained profits at the end of the financial year	**191,706**	-

PEPSCA Pty Ltd

Notes to the financial statements
For the year ended 31 December 2012

(b) Statement of Financial Position

Set out below is a consolidated statement of financial position as at 31 December 2012 of the Closed Group consisting of SCA Hygiene Australasia Pty Ltd, Sancella (Holdings) Pty Ltd and Sancella Pty Ltd.

	Consolidated $'000 2012	2011
Current assets		
Cash and cash equivalents	54,647	-
Receivables	351,684	-
Inventories	86,266	-
Derivative financial instruments	349	-
Other	1,323	-
Total current assets	**494,269**	-
Non-current assets		
Property, plant and equipment	164,922	-
Intangible assets	83,821	-
Deferred tax assets	14,525	-
Total non-current assets	**263,268**	-
Total assets	**757,537**	-
Current liabilities		
Payables	78,437	-
Provisions	23,058	-
Total current liabilities	**101,495**	-
Non-current liabilities		
Deferred tax liabilities	9,611	-
Provisions	7,070	-
Total non-current liabilities	**16,681**	-
Total liabilities	**118,176**	-
Net assets	**639,361**	-
Shareholders' equity		
Contributed equity	306,277	-
Reserves	141,378	-
Retained profits	191,706	-
Total equity	**639,361**	-

Notes to the financial statements
For the year ended 31 December 2012

30. Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	$'000	
	2012	**2011**
Balance sheet		
Current assets	9,557	24,275
Total assets	365,975	96,000
Current liabilities	17,789	-
Total liabilities	161,368	-
Shareholders' equity		
Contributed equity	224,596	96,000
Accumulated (losses)	(19,989)	-
	204,607	**96,000**
(Loss) for the year	**(19,989)**	-
Total comprehensive income	**(19,989)**	-

(b) Guarantees entered into by the parent entity

The parent entity has not provided financial guarantees as at 31 December 2012 or 31 December 2011.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 31 December 2012 or 31 December 2011. For information about guarantees given by the parent entity, please see above.

(d) Contractual commitments for the acquisition of property, plant or equipment

As at 31 December 2012 the parent entity had no contractual commitments for the acquisition of property, plant or equipment (31 December 2011: nil).

(e) Investments

PEPSCA Pty Ltd holds an investment in AHACS Pty Ltd and its subsidiaries to the value of $349,596,000 (31 December 2011: 71,725,000).

31. Events occurring after the reporting period

There have been no material events since the end of the financial year.

PEPSCA Pty Ltd

Directors' Declaration

As stated in Note 1(a) to the financial statements, in the directors' opinion, the company and the consolidated entity are not a reporting entity because there are no users dependent on general purpose financial reports. This is a special purpose financial report that has been prepared to meet *Corporations Act 2001* requirements.

The financial report has been prepared in accordance with Accounting Standards and mandatory professional reporting requirements to the extent described in Note 1.

In the directors' opinion:

(a) the financial statements and notes set out on pages 4 to 29 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

(ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of their performance for the financial period ended on that date.

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

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A.J. Duthie
Director

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C.R. Blanks
Director

Melbourne
8 March 2013

Independent auditor's report to the members of PEPSCA Pty Ltd

Report on the financial report

We have audited the accompanying financial report, being a special purpose financial report, of PEPSCA Pty Ltd (the company), which comprises the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the PEPSCA Pty Ltd Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members.

The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information attached to the financial report to determine whether it contains any material inconsistencies with the financial report.

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

PricewaterhouseCoopers, ABN 52 780 433 757
Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion, the financial report of PEPSCA Pty Ltd is in accordance with the *Corporations Act 2001,* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the year ended on that date, and

(b) complying with Australian Accounting Standards to the extent described in Note 1 and complying with the *Corporations Regulations 2001*.

Basis of accounting and restriction on distribution and use

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for the members of PEPSCA Pty Ltd.

PricewaterhouseCoopers

PricewaterhouseCoopers

Lisa Harker

Lisa Harker
Partner

Melbourne
8 March 2013