PEPSCA Pty Ltd
and its controlled entities

ACN 154 461 300

Special Purpose Financial Report
31 December 2011

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PEPSCA Pty Ltd

Directors' Report
31 December 2011

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 period ended 31 December 2011.

Directors
The following persons were directors of PEPSCA Pty Ltd during the period from 25 November 2011 (the date of incorporation) up to the reporting date of this report:

A.R. Crane (appointed 24 November 2011 and resigned 4 January 2012)

P.J. Diplaris (appointed 24 November 2011 and resigned 4 January 2012)

B.P. Riede (appointed 15 December 2011)

J.L. Persson (appointed 19 December 2011)

A.J. Duthie (appointed 22 December 2011)

C.R. Blanks (appointed 22 December 2011)

Principal activities
PEPSCA Pty Ltd was incorporated on 25 November 2011, with the principal activity to act as the holding company of the group.

During the period PEPSCA Pty Ltd acquired PEPSCANZ Limited via its 100% ownership of its subsidiary AHACS Pty Ltd. The principal activities of PEPSCANZ Limited is the manufacture and marketing of personal hygiene products, toilet paper, paper towel, facial tissue, napkins and other tableware products for the New Zealand market.

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

Review of operations
The net result of operations for the period 25 November 2011 to 31 December 2011 before income tax was a consolidated loss of $391,000.

The net result of operations after applicable income tax for the period 25 November 2011 to 31 December 2011 was a consolidated loss of $281,000.

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

a) PEPSCA Pty Ltd was incorporated on 25 November 2011 in Melbourne, Australia. The two shareholders at the time were SCA Group Holding B.V. (SCA GH BV) and SCA Holland.

b) AHACS Pty Ltd was incorporated on 25 November 2011 in Melbourne, Australia, with PEPSCA Pty Ltd being the sole shareholder.

c) PEPSCA Pty Ltd and AHACS Pty Ltd formed a tax consolidated group for Australian income tax purposes on 25 November 2011.

d) AHACS Pty Ltd acquired Australasian Health Services Pty Ltd on 22 December 2011 for a consideration of $1.

e) SCA GH BV contributed SCA New Zealand (PEPSCANZ Limited) to PEPSCA Pty Ltd in exchange for ordinary equity of $71,724,998 on 22 December 2011.

f) PEPSCA Pty Ltd contributed PEPSCANZ Limited to AHACS Pty Ltd in exchange for ordinary equity of $71,724,998 on 22 December 2011, see note 18. The trading result of PEPSCANZ Limited for the nine day period 22 December 2011 to 31 December 2011 is presented in the statement of comprehensive income.

g) PEPSCA Pty Ltd acquired a Promissory note receivable from SCA GH BV in exchange for issuing additional ordinary equity for $24,274,998 on 23 December 2011.

PEPSCA Pty Ltd

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Matters subsequent to the end of the financial year
Subsequent to year end, 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 and the financial effect after year end were as follows:

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. The Brands are recorded as an indefinite life intangible asset at acquisition date and will be subject to annual impairment testing.

b) 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.

c) 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 5 year life and an associated coupon of 15% per annum. The balance sheet classification of the CPRS is subject to a Private Binding Ruling Application with the Australian Taxation Office.

d) 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 the $24,274,998 Promissory note.

e) 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.

Due to the close proximity of the transaction to when the year-end financial report was authorised for issue, the preliminary purchase accounting for the acquisition by PEPSCA Pty Ltd of the SCA HAPL group of companies (including SCA Fiji), including identifying the fair value of the assets acquired, has not yet been completed and therefore has not been disclosed. The financial effect of the acquisition will be disclosed in the consolidated financial report of PEPSCA Pty Ltd as at 31 December 2012.

Except for the matters discussed above, no other matter or circumstance has arisen since 31 December 2011 that has significantly affected, or may significantly affect:

(a) the group's operations in future financial years, or
(b) the results of those operations in future financial years, or
(c) the group's state of affairs in future financial years.

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 period ended 31 December 2011.

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

Indemnification and insurance of officers and auditors
During the financial period, insurance and indemnity arrangements were entered into concerning officers of the company. The company has agreed to indemnify those officers against any claim or for any expenses or costs which may arise as a result of work performed in their respective capacities, except where:

(a) the liability arises out of conduct involving a wilful breach of duty; or
(b) there has been a contravention of Section 232 (5) or (6) of the *Corporations Act 2001*.

PEPSCA Pty Ltd

Directors' Report
31 December 2011

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 4.

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.

A.J. Duthie
Director

C.R. Blanks
Director

Melbourne
26 April 2012

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Auditor's Independence Declaration

As lead auditor for the audit of PEPSCA Pty Ltd and its controlled entities for the period ended 31 December 2011, 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 its controlled entities.

Lisa Harker

Lisa Harker
Partner
PricewaterhouseCoopers

Melbourne
26 April 2012

PEPSCA Pty Ltd

Consolidated statement of comprehensive income
For the period from 25 November 2011 to 31 December 2011

	Notes	Consolidated $'000	Parent $'000
Revenue from continuing operations	2	2,466	-
Cost of sales		(1,860)	-
Gross profit		606	
Distribution expenses		(365)	-
Sales and marketing expenses		(164)	-
Administrative expenses		(69)	-
Other expenses	3	(398)	-
(Loss) from ordinary activities before income tax benefit		**(390)**	**-**
Income tax benefit		109	-
(Loss) from ordinary activities after income tax benefit		**(281)**	**-**
Net (loss) for the period		**(281)**	**-**
Other comprehensive income/(loss)			
Common control acquisition adjustment	18	(62,506)	-
Other comprehensive income/(loss) for the period		**(62,506)**	**-**
Total comprehensive income/loss for the period		**(62,787)**	**-**
Net Loss for the period is attributable to:			
Owners of PEPSCA Pty Ltd		(281)	-
Total comprehensive loss for the period is attributable to:			
Owners of PEPSCA Pty Ltd		(62,787)	-

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 2011

	Notes	Consolidated $'000 2011	Parent $'000 2011
Current assets			
Cash and cash equivalents	4	7,662	-
Receivables	5	36,552	24,275
Inventories	6	39,336	-
Derivative financial instruments	7	1,535	-
Other	8	648	-
Total current assets		**85,733**	**24,275**
Non-current assets			
Property, plant and equipment	9	62,488	-
Intangible assets	10	22,290	-
Other financial assets	11	-	71,725
Deferred tax assets	12	8,968	-
Total non-current assets		**93,746**	**71,725**
Total assets		**179,479**	**96,000**
Current liabilities			
Trade and other Payables	13	18,721	-
Provisions	14	2,533	-
Total current liabilities		**21,254**	**-**
Total liabilities		**21,254**	**-**
Net assets		**158,225**	**96,000**
Shareholders' equity			
Contributed equity	15	96,000	96,000
Accumulated losses	16	(281)	-
Reserves	17	62,506	-
		158,225	96,000
Total equity		**158,225**	**96,000**

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 period from 25 November 2011 to 31 December 2011

2011

	Notes	Consolidated $'000 Contributed Equity	Consolidated $'000 Retained Earnings	Consolidated $'000 Business Combination Reserve	Consolidated $'000 Total
Balance at 25 November 2011		-	-	-	-
(Loss) for the period		-	(281)	-	(281)
Issue of Share Capital	15	96,000	**-**	**-**	96,000
Common Control acquisition adjustment	17	-	-	62,506	62,506
Balance at 31 December 2011		96,000	(281)	62,506	158,225

	Notes	Parent $'000 Contributed Equity	Parent $'000 Retained Earnings	Parent $'000 Reserves	Parent $'000 Total
Balance at 25 November 2011		-	-	-	-
Issue of Share Capital	15	96,000	-	-	96,000
Balance at 31 December 2011		**96,000**	**-**	**-**	**96,000**

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 period from 25 November 2011 to 31 December 2011

	Notes	Consolidated $'000 2011	Parent $'000 2011
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		3,384	-
Payments to suppliers and employees (inclusive of GST)		(632)	-
Net cash inflow from operating activities	21	**2,752**	
Net increase in cash held		2,752	-
Cash held at 25 November 2011		-	-
Cash acquired via business combination		4,910	-
Cash at the end of the year	4	**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
As at 31 December 2011

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 period presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of PEPSCA Pty Ltd and its subsidiaries.

Ultimate controlling entity

At 31 December 2011, PEPSCA Pty Ltd is ultimately owned by Svenska Cellulosa Aktiebolaget (SCA) incorporated in Sweden.

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 22), the controlling entities of the PEPSCA Pty Ltd group are;

Controlling entity	***% owned***
SCA GH BV	50
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

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 138 :	*Intangible Assets*
AASB 139 :	*Financial Instruments: Recognition and Measurement*

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 2011 and the results of all subsidiaries for the period 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.

(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.

PEPSCA Pty Ltd

Notes to financial statements
As at 31 December 2011

1 Summary of significant accounting policies (continued)

(e) Income tax

The income tax expense or revenue for the period is the tax payable on the current period'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.

As at 31 December 2011, PEPSCA Pty Ltd and its subsidiary AHACS Pty Ltd have implemented a tax consolidation group. As a result of the newly formed joint venture between SCA GH BV and PEP on 4 January 2012 (refer to note 22) no decision has yet been made on including additional Australian entities within this tax consolidated group. A decision will be made prior to the lodgement of the PEPSCA Group's initial tax returns.

PEPSCANZ Limited 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, 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.

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 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.

In relation to business combinations involving entities under common control, the group's policy is to use predecessor accounting. This means that acquired assets and liabilities are not restated to fair value but instead are incorporated at predecessor carrying value, being the carrying values relating to the acquired entity. No goodwill arises beyond that recorded by the controlling party. The difference between the cost of the investment and the carrying value of the net assets is recorded in equity. The acquired entity's results are incorporated from the date on which the business combination occurred.

(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.

PEPSCA Pty Ltd

Notes to financial statements
As at 31 December 2011

1 Summary of significant accounting policies (continued)

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.

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

PEPSCA Pty Ltd

Notes to financial statements
As at 31 December 2011

1 Summary of significant accounting policies (continued)

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.

(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

(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.

PEPSCA Pty Ltd

Notes to financial statements
As at 31 December 2011

1 Summary of significant accounting policies (continued)

(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.

PEPSCA Pty Ltd

Notes to financial statements
As at 31 December 2011

1 Summary of significant accounting policies (continued)

(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;

- 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 2011 reporting periods. The Group expects no impact from these new standards and interpretations when they become mandatory.

(x) Promissory notes

Promissory notes are recognised at the value equivalent to the consideration given by the issuer and are non-interest bearing.

PEPSCA Pty Ltd

Notes to financial statements
As at 31 December 2011

1 Summary of significant accounting policies (continued)

(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, growth rates and the remaining useful life of assets.

PEPSCANZ Limited's acquisition of the existing SCA New Zealand group on 22 December 2011 resulted in an impairment of goodwill for the New Zealand businesses. This goodwill impairment was determined based on the amount by which the goodwill exceeded its recoverable amount. The recoverable amount was based on the purchase consideration when PEP acquired its 50% interest in the PEPSCA Pty Ltd group.

(z) Parent entity financial information

The financial information for the parent entity, PEPSCA Pty Ltd 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. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

(ii) Tax consolidation legislation
As at 31 December 2011, PEPSCA Pty Ltd and its subsidiary AHACS Pty Ltd have implemented a tax consolidation group. As a result of the newly formed joint venture between SCA GH BV and PEP on 4 January 2012 (refer to note 22) no decision has yet been made on including additional Australian entities within this tax consolidated group. A decision will be made prior to the lodgement of the PEPSCA Group's initial tax returns.

(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.

(iv) PEPSCA Pty Ltd has applied ASIC Class Order 10/654 (inclusion of parent entity financial statements in financial reports) and hence disclosed parent entity information alongside consolidated within this report.

PEPSCA Pty Ltd

Notes to the financial statements
As at 31 December 2011

	Consolidated $'000 2011	Parent $'000 2011
2. Revenue		
Revenue from continuing operations		
Sales revenue:		
- Product sales	2,466	-

	Consolidated $'000 2011	Parent $'000 2011
3. Profit from ordinary activities before income tax is after charging the following:		
Depreciation and amortisation		
Depreciation of property, plant and equipment	172	-
Employee benefit expense	481	-

	Consolidated $'000 2011	Parent $'000 2011
4. Current assets – Cash and cash equivalents		
Cash at bank	7,662	-

PEPSCA Pty Ltd

Notes to the financial statements
As at 31 December 2011

		Consolidated $’000 2011	Parent $’000 2011
5.	**Current assets – receivables**		
	Trade debtors	3,631	-
	Less: provision for impairment of receivables	-	-
	Amount owed from related entities unsecured	32,920	24,275
	Total receivables	**36,552**	**24,275**

		Consolidated $’000 2011	Parent $’000 2011
6.	**Current assets – Inventories**		
	Raw materials – at cost	13,933	-
	Less: provision for obsolescence	-	-
		13,933	-
	Work in progress – at cost	6,539	-
	Finished goods – at cost	18,864	-
	Less: provision for obsolescence	-	-
	Total inventories	**39,336**	**-**

		Consolidated $’000 2011	Parent $’000 2011
7.	**Current assets – Derivative financial instruments**		
	Fixed electricity price contract	1,484	-
	Forward exchange contracts	50	-
	Total derivative financial instruments	**1,535**	**-**

		Consolidated $’000 2011	Parent $’000 2011
8.	**Current assets – Other**		
	Prepayments	648	-

PEPSCA Pty Ltd

Notes to the financial statements
As at 31 December 2011

	Consolidated $'000 2011	Parent $'000 2011
9. Non-current assets – Property, plant and equipment		
Land and buildings		
Freehold land		
At cost	2,792	-
Buildings		
At cost	20,454	-
Less: Accumulated depreciation	(9,057)	-
Total buildings	11,397	-
Plant and equipment		
At cost	100,288	-
Less: Accumulated depreciation	(55,930)	-
Total plant and equipment	44,358	-
		-
Capital development		-
At cost	3,941	
Less: Accumulated depreciation	-	-
Total capital development	3,941	-
Total property, plant and equipment	**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.

Group
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	11,417	44,511	3,941	62,661
Depreciation charge for the period	-	(20)	(152)	-	(172)
Carrying amount at 31 December 2011	2,792	11,397	44,358	3,941	62,488

PEPSCA Pty Ltd

Notes to the financial statements
As at 31 December 2011

		Consolidated $'000 2011	Parent $'000 2011
10.	**Non-current assets – Intangible assets**		
	Goodwill (Cost)	22,290	-

		Consolidated $'000 2011	Parent $'000 2011
11.	**Non-Current assets – Other financial assets**		
	Investments in Group companies	-	71,725

Significant investments in subsidiaries

Name of entity	Country of incorporation	Class of shares	Equity holding 2011 %
AHACS Pty Ltd	Australia	Ordinary Shares	100
PEPSCANZ Limited	New Zealand	Ordinary Shares	100
SCA Hygiene Holding Limited	New Zealand	Ordinary Shares	100
SCA Hygiene Australasia Limited	New Zealand	Ordinary Shares	100

		Consolidated $'000 2011	Parent $'000 2011
12.	**Deferred tax asset**		
	Deferred tax asset	8,968	-

		Consolidated $'000 2011	Parent $'000 2011
13.	**Current liabilities – Payables**		
	Trade creditors	3,806	-
	Accruals and other creditors	11,574	-
	Amount owed to related entities – unsecured	3,341	-
	Total Payables	**18,721**	**-**

		Consolidated $'000 2011	Parent $'000 2011
14.	**Current liabilities – Provisions**		
	Employee entitlements	2,533	-
	Total Provisions	**2,533**	**-**

PEPSCA Pty Ltd

Notes to the financial statements
As at 31 December 2011

		Consolidated $'000 2011	Parent $'000 2011
15.	**Contributed equity**		
	Ordinary shares	96,000	96,000

	Number of shares 2011	Issue price $ 2011	Amount $ 2011
Balance on 25 November 2011 (a)	2	1.00	2
Shares issued on 22 December 2011 (b)	71,725,000	1.00	71,725,000
Shares issued on 23 December 2011 (c)	24,274,998	1.00	24,274,998
Closing balance on 31 December 2011	**96,000,000**		**96,000,000**

a) PEPSCA Pty Ltd was incorporated on 25 November 2011, with SCA GH BV and SCA Holland contributing $1 each.
b) SCA GH BV contributed PEPSCANZ Limited to PEPSCA Pty Ltd in exchange for ordinary equity of $71,725,000.
c) PEPSCA Pty Ltd acquired a Promissory note receivable from SCA GH BV in exchange for issuing additional ordinary equity for $24,274,998.

		Consolidated $'000 2011	Parent $'000 2011
16.	**Accumulated losses**		
	Net (loss) for the period	(281)	-
	Total accumulated losses at the end of the financial year	(281)	-

		Consolidated $'000 2011	Parent $'000 2011
17.	**Reserves**		
	Business combination reserve		
	Balance as at 25 November 2011	-	-
	Acquisition of PEPSCANZ Limited	62,506	-
	Balance as at 31 December 2011	62,506	-

Business combination reserve represents the difference between the cost of the investment and the carrying value of the net assets from acquisition of PEPSCANZ Limited.

PEPSCA Pty Ltd

Notes to the financial statements
As at 31 December 2011

18. Business combinations

Acquisition of PEPSCNZ Limited and subsidiaries

On 22 December 2011, PEPSCA Pty Ltd acquired 100% of the issued share capital of PEPSCANZ Ltd and its subsidiaries. This was a transaction under common control and there was no change to the shareholding of the ultimate parent, being SCA. This transaction was part of a wider series of transactions to effect the change of ownership of the SCA Australasian operations, with the formation of a joint venture between SCA and PEP.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	Group 2011 $'000
Consideration	
Fair value of shares issued	71,725
Total purchase consideration	**71,725**
Cash	4,910
Trade and other receivables	16,309
Derivatives financial instruments	1,535
Inventories	39,554
Plant and equipment	62,661
Intangible assets: goodwill	22,290
Deferred tax asset	8,859
Trade and other payables	(21,890)
Net identifiable net assets acquired	**134,228**
Business combination reserve	**62,506**
Net assets acquired	**71,725**

The acquired assets and liabilities were not restated to face value because the business combination involved entities under common control. The acquired entities results were incorporated from the date on which the business combination occurred. No discount on acquisition has been recorded and the difference between the cost of the investment and the carrying value of the net assets is recorded in reserves which is the business combination reserve.

PEPSCA Pty Ltd

Notes to the financial statements
As at 31 December 2011

18. Business combinations (continued)

The amount of revenue and (loss)/profit of the acquired PEPSCANZ Limited group, since the acquisition date are presented as the Group financial statements.

Income statement showing the Group result had business combination occurred on 1 January 2011.

	Group 2011 $'000
Revenue	209,166
Cost of sales	(157,763)
Gross profit	51,403
Other expenses	(40,463)
Impairment of intangible assets	(26,992)
Finance costs - net	(3,036)
Profit before income tax	**(19,088)**
Income tax expense	(2,200)
(Loss) for the year	**(21,288)**

19. Contingent Liabilities

The Group had no contingent liabilities at 31 December 2011.

20. Remuneration of auditors

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

21. Reconciliation of loss from ordinary activities after income tax to net operating cash flows

	Consolidated $'000 2011	Parent $'000 2011
(Loss) from ordinary activities after income tax	(281)	-
Depreciation of property, plant and equipment	172	-
Change in operating assets and liabilities		-
Decrease in tax balances	109	-
Decrease in trade and other receivables	3,384	-
(Decrease) in creditors and other provisions	(632)	-
Net cash inflow from operating activities	2,752	-

PEPSCA Pty Ltd

Notes to the financial statements
As at 31 December 2011

22. Events occurring after the reporting period
Subsequent to year end, 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 and the financial effect after year end were as follows:

d) 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.

e) 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.

f) 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 5 year life and an associated coupon of 15% per annum. The balance sheet classification of the CPRS is subject to a Private Binding Ruling Application with the Australian Taxation Office.

g) 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 the $24,274,998 Promissory note.

h) 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.

Due to the close proximity of the transaction to when the year-end financial report was authorised for issue, the preliminary purchase accounting for the acquisition by PEPSCA Pty Ltd of the SCA HAPL group of companies (including SCA Fiji), including identifying the fair value of the assets acquired, has not yet been completed and therefore has not been disclosed. The financial effect of the acquisition will be disclosed in the consolidated financial report of PEPSCA Pty Ltd as at 31 December 2012.

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 5 to 24 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 2011 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.

....
A.J. Duthie
Director

....
C.R. Blanks
Director

Melbourne
26 April 2012

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

Report on the financial report

We have audited the accompanying financial report, a special purpose financial report, of PEPSCA Pty Ltd (the company), which comprises the consolidated statement of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period ended on that date, 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 period's end or from time to time during the financial period.

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 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.

Independence

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

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

Liability limited by a scheme approved under Professional Standards Legislation

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 2011 and of its performance for the period 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
26 April 2012