We are Asaleo Care.

Annual Report 2014

CONTENTS

Asaleo Care Limited
ABN 61 154 461 300

Its registered office is:
Asaleo Care Limited
19 Ailsa Street
Box Hill VIC 3128

Its principal place of business is:
Asaleo Care Limited
19 Ailsa Street
Box Hill VIC 3128

At Asaleo Care, we make it easier for hygiene, health and wellbeing to be part of everyday life.

Our portfolio of market-leading brands – Sorbent, Handee, Purex, Libra, Treasures, TENA, Tork, Deeko, Viti and Orchid – are used in households and businesses across Australia, New Zealand, Fiji and a number of other countries in the Pacific.

Today, Asaleo Care has twelve manufacturing and distribution facilities throughout Australia, New Zealand and Fiji, and employs approximately 1,030 people.

AT A GLANCE

FY2014 Pro Forma EBITDA

A$140.8 million

FY2014 Pro Forma NPAT

A$72.3 million

Second half FY2014 Pro Forma Free Cash Flow before finance and tax

A$69.0 million

Net Debt

1.7 times EBITDA

Second half FY2014 Unfranked Dividend per share

5.4 cents

1. Chairman and CEO Letter

"Last year was a defining year for Asaleo Care as we established ourselves as a new entity and laid the foundations for our future growth."

Harry Boon

Peter Diplaris

1. Chairman and CEO Letter

The public listing of Asaleo Care on 27 June 2014 was the start of an exciting new era for our Company which already has a proud history of over 60 years. Asaleo Care is the name behind well-known and trusted brands including Libra, TENA, Treasures, Sorbent, Purex, Handee, Deeko and Tork. We are focused on responding to the needs of our customers, providing a safe and rewarding workplace for our employees, and delivering sustainable earnings growth and shareholder returns. Key to our success will be adhering to our purpose "To make it easier for hygiene, health and wellbeing to be part of everyday life".

Our performance

The Company achieved record underlying profit in 2014 and reported Pro Forma net profit after tax of A$72.3 million. The Personal Care business delivered solid growth with net sales increasing 7.4% and Pro Forma EBITDA up 10.1% against 2013. In a year when sales were impacted by production issues associated with our Tissue Capital Investment Program, Pro Forma EBITDA for our Tissue business grew 16.1% on 2013.

We have a strong balance sheet, with the Group's net debt reduced from $295.9 million at the time of listing to $239.4 million at 31 December 2014 with a net debt to EBITDA ratio of 1.7 times. The Board declared an unfranked dividend of 5.4 cents per share for the second half of 2014, and has established clear guidelines for future dividend policy.

Improvement in earnings has been driven by a three-year transformation strategy. Pro Forma EBITDA increased from A$86.0 million in 2011 to A$140.8 million in 2014 as a result of improved sales mix, new product development, cost reduction initiatives and implementation of our A$115 million Tissue Capital Investment Program. The Tissue Capital Investment Program included re-configuring our manufacturing facilities in Australia and New Zealand to increase efficiency and flexibility and to reduce the costs of production and logistics. The Program is now effectively complete and benefits are being substantially realised.

Our brands continue to demonstrate their strength and relevance to consumers. Market share gains in 2014 saw TENA become the Australasian retail market leader in Incontinence Hygiene, and Libra remains the market leader in Feminine Hygiene. The launch of the Treasures baby brand in Australia and market share gain in New Zealand contributed to our growth in this category.

Ensuring our employees and contractors return home safe and well every day underpins our licence to operate. We are pleased that in 2014 our safety management system achieved Australian Standard 4801 certification at our key manufacturing sites and a new incident management database was implemented, enabling improved reporting, transparency and analysis. Importantly, at our sites we are achieving sustained periods without serious injury. In 2015, we are further developing the capability and commitment of our leaders to continuously improve our safety performance. We remain committed to understanding and managing the impacts of our business on the environment and communities in which we operate including through sustainable sourcing initiatives with our supply chain partners and supporting and promoting responsible forestry.

The future

Our strategy is focused on product development and innovation, extending the range and availability of our products and services, entering new but adjacent market segments, innovation within our distribution channels and implementing sustainable cost reduction and efficiency initiatives.

Our business success, strong brands and dedicated employees, give us a solid platform from which to accelerate future growth. We sincerely thank our employees for their commitment and contribution throughout this year of major transition. Our thanks extend to our suppliers, customers, contractors, business partners and shareholders for their ongoing support as we continue to build on the foundations laid for Asaleo Care's growth.

Harry Boon
Chairman

Peter Diplaris
CEO and Managing Director

2. Operating and Financial Review

Asaleo Care is a leading Personal Care and Hygiene Company that operates in Australia, New Zealand and Fiji. The Company manufactures, markets, distributes and sells essential, everyday consumer products across the Feminine Hygiene, Incontinence Hygiene, Baby Hygiene, Consumer Tissue and Professional Hygiene product categories. Some of the Company's brands have been in the market for over 60 years and its products are used daily in households and businesses across Australia, New Zealand, Fiji and the Pacific.

2. Operating and Financial Review

This Operating and Financial Review is designed to assist shareholders understanding of Asaleo Care's business performance and the factors underlying its results and financial position.

2.1 Operating Review

Asaleo Care has a comprehensive range of high quality products across its Personal Care and Tissue segments. An overview of Asaleo Care's segments, product categories, brands, products, manufacturing facilities and routes to market is summarised below:

<table>
<tr><th colspan="2">Businesss and % Contribution</th><th>Product Category</th><th>Key Brand</th><th>Products</th><th>Manufacturing Facilities</th><th>Route to Market</th></tr>
<tr><td rowspan="3">Personal Care</td><td rowspan="3">50% of Pro Forma CY2014 EBITDA</td><td>Feminine Hygiene</td><td>Libra</td><td>Pads, tampons, liners and ancillary products (e.g. feminine wipes, feminine washes and heat patches)</td><td rowspan="2">Springvale, Australia</td><td rowspan="5">Retailers
ALDI
Coles
Foodstuffs
Metcash
Pharmacy
Progressive Enterprises
Woolworths

Distributors
Bunzl
OfficeMax
Staples

Healthcare
Hospital Aged care facility
Community care

(Customer list is not exhaustive)</td></tr>
<tr><td>Incontinence Hygiene</td><td>TENA</td><td>Incontinence pads, pants and liners</td></tr>
<tr><td>Baby Hygiene</td><td>Treasures</td><td>Nappies, nappy pants and wipes</td><td>Te Rapa, New Zealand</td></tr>
<tr><td rowspan="2">Tissue</td><td rowspan="2">50% of Pro Forma CY2014 EBITDA</td><td>Consumer Tissue</td><td>Sorbent
purex
Handee
Deeko
Orchid
Viti</td><td>Toilet paper, facial tissues, paper towel, serviettes and disposable tableware</td><td>Box Hill, Australia

Kawerau, New Zealand

Nakasi, Fiji</td></tr>
<tr><td>Professional Hygiene</td><td>TORK</td><td>Hand towel, toilet paper, serviettes, soap, facial tissues and other hygiene based accessories</td><td>Kawerau, New Zealand</td></tr>
</table>

2. Operating and Financial Review

2.1.1 Personal Care

The Personal Care segment comprises Feminine Hygiene, Incontinence Hygiene and Baby Hygiene product categories.

Feminine Hygiene

The Feminine Hygiene product category includes pads, tampons, liners and ancillary products (such as feminine wipes, feminine washes and heat patches) sold under the Libra brand.

Libra is the #1 brand in the Australian and New Zealand Feminine Hygiene market with a history spanning over 30 years. Libra has a reputation for high quality and innovative products which has been integral to maintaining its leading market position.

Incontinence Hygiene

The Incontinence Hygiene product category includes pads, pants and liners for males and females who suffer from bladder weakness and incontinence, sold under the TENA brand.

TENA is the #1 brand in the Australian and New Zealand Retail channel and also holds a strong position within the Healthcare channel.

TENA was launched in Australia in 1995 and has a reputation for reliable, high quality products. SCA licences the TENA trademark to Asaleo Care for use in the local market.

Baby Hygiene

Asaleo Care's Baby Hygiene product category includes nappies, nappy pants and wipes which are primarily sold under the Treasures brand.

The Treasures brand has been in New Zealand since 1976 and is the #2 brand in the New Zealand market with a reputation for quality and reliability.

In recent years, Asaleo Care has grown the Treasures brand by product category extension and innovation. Recent examples include the development of nappies with patterns, nappy pants and baby wipes. In early 2014, Asaleo Care launched Treasures in Australia.

2.1.2 Tissue

The Tissue segment comprises Consumer Tissue and Professional Hygiene product categories.

Consumer Tissue

Asaleo Care's Consumer Tissue product category includes toilet paper, facial tissues, paper towels, serviettes and disposable tableware. These products are sold under well-known brands including Sorbent, Purex, Handee and Deeko. Asaleo Care's Consumer Tissue brands, in aggregate, hold the #2 position in the Australian and New Zealand market. Asaleo Care also has a large market presence in Fiji with Consumer Tissue products sold under the Orchid and Viti brands.

Professional Hygiene

The Professional Hygiene product category includes hand towels, toilet paper, serviettes, soap, facial tissues and other hygiene-based accessories that are primarily sold under the Tork brand in Australia, New Zealand and Fiji.

Tork is a market leading brand in the Australian and New Zealand market. Tork is able to provide Business-to-Business ("B2B") customers with a comprehensive product range, built-for-purpose products and proprietary dispensing systems. These features contribute to the high levels of convenience and functionality associated with the Tork brand.

SCA licences the Tork trademark to Asaleo Care for use in the local market.

2.1.3 Major Customer and Sales Channels

Asaleo Care has established relationships with a wide range of customers across the Retail and B2B distribution channels.

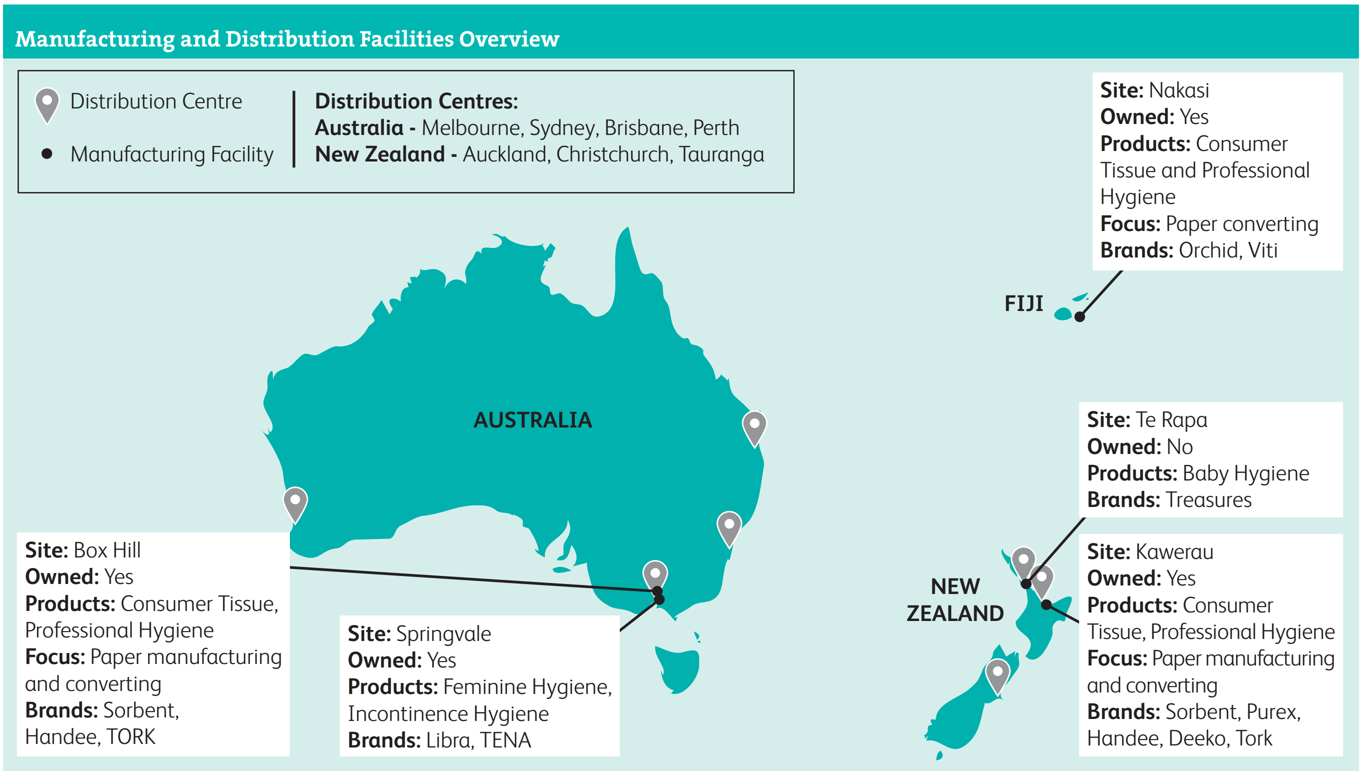
Retail customers contributed approximately 69% of FY2014 Pro Forma net sales, and include major supermarkets, independent supermarkets, pharmacies and convenience stores. Examples of Retail customers include Coles, Woolworths and Metcash in Australia, and Foodstuffs and Progressive Enterprises in New Zealand.

B2B customers contributed approximately 31% of FY2014 Pro Forma net sales, and include major distributors, hospitals, aged care facilities and large companies. Examples of B2B customers include McDonald's and major distributors such as Bunzl, OfficeMax and Staples.

2. Operating and Financial Review

2.1.4 Manufacturing and Distribution

Asaleo Care's manufacturing and distribution footprint extends across Australia, New Zealand and Fiji with five manufacturing facilities (four owned and one leased) and seven leased distribution centres, as illustrated below:



Asaleo Care's largest manufacturing site is located in Box Hill, Australia, and manufactures Consumer Tissue and Professional Hygiene products.

The Company's second-largest manufacturing site is in Kawerau, New Zealand, and manufactures Consumer Tissue and Professional Hygiene products.

The Company's Feminine Hygiene and Incontinence Hygiene products are manufactured in Springvale, Australia. Baby Hygiene products are manufactured in Te Rapa, New Zealand. Asaleo Care also imports and converts Consumer Tissue and Professional Hygiene products in Nakasi, Fiji.

2.1.5 Suppliers

Asaleo Care has a large and diversified supplier base. The Company's key procurement categories are; pulp, transport, packaging, engineering, marketing and utilities. Having a diversified supplier base reduces the Group's reliance on any one supplier. No individual supplier of product inputs accounts for more than 10% of the Group's total cost base. Asaleo Care actively screens all major suppliers on sustainability, financial viability, quality and safety performance.

2.1.6 Relationship with SCA

SCA has maintained a close relationship with Asaleo Care since 1978, when it entered into a Personal Care joint venture with a previous owner of the business. SCA currently holds approximately 32.5% of the Company's shares.

In addition to its shareholding in Asaleo Care, SCA has also entered into a number of commercial agreements relating to the supply of products, including Personal Care and Professional Hygiene products (under the TENA and Tork brands), and in relation to the licensing of certain trademarks, technology and other intellectual property as well as other commercial arrangements.

2. Operating and Financial Review

2.1.7 Our Business Strategy

In 2012 Asaleo Care started a business transformation strategy. The business transformation covered all areas of the business' operations and drove improvements in branded net sales, gross profit, operating costs and the balance sheet. A key component of the business transformation was a $114.8 million Tissue Capital Investment Program which commenced in FY2012 and included upgrades to Asaleo Care's Australian and New Zealand Tissue manufacturing facilities. This Program is effectively complete and delivering incremental benefits.

The business transformation strategy was extremely effective with the Company's Pro Forma EBITDA increasing by 18% CAGR, going from $86.0 million in FY2011 to $140.8 million in FY2014.

With the business transformation strategy effectively complete the Company's focus is now on sustainable earnings growth and shareholder returns. The key components are outlined in the table below:

Product Innovation and Differentiation

- Innovation in product features, packaging and communication to differentiate and achieve optimal pricing.
- New Product Development (NPD) approach and criteria.
- Examples include; Libra 'Slimpons', Treasures 'Slimfits', Tork 'Linen style napkin', TENA Thin Pads and Xpressnap innovations.

Range and Coverage

- Utilise opportunities to leverage all products across target channels, including emerging retailer stores and new geographies.
- Leverage brands to enter adjacent market segments.
- Examples include; expansion of Treasures into Australia, exporting of Tissue and Personal Care products into Papua New Guinea and Tork products now available through Costco.

Distribution Innovation

- B2B and B2C e-commerce initiatives.
- Continue strengthening B2B sales force.
- Examples include; TENA B2C e-commerce offering, Treasures online portal and Tork B2B sales force.

Cost Reduction and Efficiency

- Capacity enhancement through efficiency - Operations Excellence and Targeted minor capital expenditure.
- Complexity reduction - SKU and specification simplification.
- Product sourcing opportunities - Trans-Tasman manufacturing footprint; Make versus Buy; and Distribution Costs.
- Cost structure optimisation - Procurement and Logistical footprint.

2.1.8 FY2015 Outlook

Asaleo Care is forecasting low to mid-single digit EBITDA and NPAT growth in FY2015 as the Group embeds its sustainable earnings growth strategy.

With Asaleo Care's current leverage approaching the minimum target range and cash flow generation expected to remain strong in FY2015, Asaleo Care is well placed to maintain its intended dividend payout ratio of 70-80% of statutory NPAT.

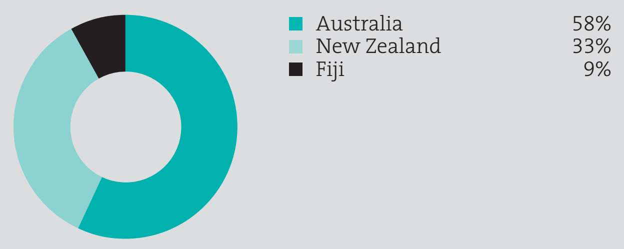
The business risks identified in Section 5.9 will continue to be relevant in FY2015 and will continue to be managed carefully, whilst noting that any material issue may affect Asaleo Care's financial performance. In addition, this outlook assumes no material change in the general economic environment in which Asaleo Care conducts business.

2.1.9 Employees

Asaleo Care relies on the contribution of all employees to drive the progress of the business. Asaleo Care is committed to being an employer of choice and recognises the importance of attracting and retaining the highest quality personnel. Asaleo Care's relationship with employee unions is open and constructive, and industrial relations across the Company are relatively conflict-free.

As at 31 December 2014, Asaleo Care employed approximately 1,030 FTE employees across Australia, New Zealand and Fiji.

FTE Employees by Geography (as at 31 December 2014)



2. Operating and Financial Review

2.1.10 Occupational Health and Safety

Asaleo Care is committed to the health and safety of its employees, contractors and visitors and to the elimination of work related illnesses and injury.

Our health and safety vision; 'safe and healthy every day, everyone, in every way' means we will not compromise on workplace safety in the pursuit of other business goals. Fundamental to achieving this vision are the following actions which are contained in our Health and Safety Policy:

- Consulting with employees and contractors to improve health and safety in their workplace.
- Provision and maintenance of a safe working environment.
- Establishing measurable objectives and targets to ensure continued improvement.
- Preventing injuries by making hazard identification and the subsequent elimination, minimisation and control of hazards part of everyday culture.
- Educating employees and contractors to ensure that standards are fully understood and integrated into work practices.
- Ensuring compliance to all relevant legislation, regulations and safe operating procedures.
- Reporting, investigating and controlling all hazards, near hits and injuries with an objective of ensuring that it can never happen again.

During the reporting period, we continued to communicate and embed our health and safety vision through the implementation of our health and safety strategy which has three objectives:

1. **Safety leadership –** further developing the existing capability and commitment of leaders to continuously improve our safety culture.
2. **Safer work environment –** improving risk management processes and focusing on high risks.
3. **Standardised Occupational Health and Safety (OHS) Management System –** a centralised system being implemented on a web based platform with core standards and tools. The Asaleo Care OHS Management System is the means by which we manage, control and reduce occupational safety risks. It incorporates a multi-layered approach to health and safety governance with Management, Executive and Board oversight. We continued to make improvements to the system during 2014.

Each Asaleo Care site has an annual plan to support this strategy.

Safety Performance

A new baseline was implemented for reportable injury statistics at Asaleo Care in 2014. For the first time contractors and restricted work injuries were included in the serious injury statistics. This is in line with best practice and will assist us to accurately identify and control injury risk.

Asaleo Care's Lost Time Injury Frequency Rate is measured by calculating the number of injuries resulting in at least one full work day lost per million hours worked. The Lost Time Injury Frequency Rate (LTIFR) for 2014 was 8.11.

Asaleo Care's Total Injury Frequency Rate is measured by calculating the number of Lost Time, Doctors Case and Restricted Work injuries per million hours worked. The Total Injury Frequency Rate (TIFR) for 2014 was 17.5.

The healthy culture of reporting hazards, injuries and near hits continues, allowing us to investigate and put controls in place to minimise potential future injuries.

To complement the reportable injury performance measurement a suite of lead indicators was implemented. These monitor activities are fundamental to a safe workplace and include evacuation, workplace inspections and OHS Committee meetings.

Safety 2014 Highlights

- Compliance to the Asaleo Care OHS Management System is confirmed through new internal audit procedures and external audits. AS4801 certification was achieved at key manufacturing sites in 2014.
- Asaleo Care Core Standards developed to include Consultation and OHS Committee processes formalised to ensure a strong and consistent process both corporately and at individual sites.
- A focus on training improvements led to critical operations and maintenance personnel/frontline leaders completing Safety Leadership Training.
- A new incident management database was implemented enabling improved reporting, transparency and analysis to enhance future injury prevention strategy.
- Sites are achieving sustained serious injury free periods as well as 100% of their lead indicators.

2. Operating and Financial Review

2.1.11 Sustainability

At Asaleo Care we are committed to understanding and managing our sustainability impacts. We support international and local sustainability reporting guidelines. We communicate our sustainability focus areas via three interconnected pillars - **business, community** and the **world**.

Asaleo Care strives to offer environmentally sound products and services, capable of continuously meeting customer and consumer needs with respect to functionality, economy, safety and environmental impact. Strong emphasis is placed on the renewability and recyclability of raw materials, as well as the sustainability of the energy sources used in the manufacture of Asaleo Care products.

Asaleo Care is committed to honesty and transparency when discussing sustainability – a copy of the Company's Sustainability Policy is available at www.asaleocare.com.

Business

Sustainability is core to Asaleo Care's products and innovations, and is often a reason behind customers choosing to partner with us.

Sound governance
Asaleo Care is committed to conducting its activities in accordance with the highest standards of corporate best practice. The Company sets clear expectations for employees through mechanisms such as the Code of Conduct. More information about Asaleo Care's Corporate Governance framework can be found at www.asaleocare.com.

Product safety
Given the nature of the products we manufacture and distribute, product safety is a key priority. We work to ensure our products meet the highest health and safety standards and we work with our customers and consumers to provide them with information about our products.

Community

Community is viewed as encompassing employees, customers, consumers and end users across Australia, New Zealand, Fiji and the Pacific. It also includes people in our supply chain, such as our suppliers and the forestry industry.

Local employment
We generate substantial employment for the local communities in which each of our businesses operate, both through direct employment as well as the purchase of local goods and services. This is particularly so in the regional areas of New Zealand and Fiji.

Contribution to local manufacturing
We support local manufacturing in Australia, New Zealand and Fiji and in 2012 commenced a significant capital investment program to upgrade Australian and New Zealand tissue manufacturing facilities.

One of the strategic outcomes of this Tissue Capital Investment Program is to locally manufacture where possible. An example of this was the 2014 launch of three ply Sorbent toilet tissue in New Zealand, made locally in Kawerau exclusively for New Zealand consumers.

In January 2014, New Zealand Prime Minister John Key officially opened Asaleo Care's expanded Kawerau manufacturing facility. In his opening address, Peter Diplaris, CEO and Managing Director, said: "Kiwis who have grown up with household names such as Purex and Handee, as well as Professional Hygiene brands such as Tork, can feel good knowing our products are made in New Zealand under the highest quality standards, while utilising the renewable forestry stocks of the Bay of Plenty and sustaining more than 200 jobs here in Kawerau".

Asaleo Care is also the only Australasian manufacturer of Personal Care products.

Community support
Asaleo Care is committed to being a good corporate citizen and to supporting community initiatives within the areas in which we operate. The Company contributes through financial support, in-kind donations and through leveraging its marketing platforms such as social media.

During 2014 Asaleo Care supported organisations including:

- Aged and Community Services Australia
- Australian Primary Health Care Nurses Association
- Continence Foundation of Australia
- Continence Nurses Society Australia
- Global Hand Washing Day in Fiji
- Foodbank Australia
- Ovarian Cancer Research Foundation
- Ronald McDonald House
- Various hospitals and care homes in the Pacific Islands

World

Asaleo Care recognises the need to reduce and better manage its use of resources – air, water, fuel and forests.

Environmental impact
In general the pulp and paper manufacturing industry is a large consumer of resources such as energy and water. Asaleo Care measures and reviews its key environmental impacts including water, waste to landfill, energy consumption and CO_2 emissions. Given the proximity of our operations to waterways at some locations, stringent policies and procedures are in place to reduce the risk of spills and contamination.

For every tonne of goods produced across Asaleo Care's operations:

- Energy consumption has been reduced by 17% and CO_2 emitted from fossil fuels, purchased electricity and geothermal steam is down 12% since 2005[1].
- Water consumption is down 7% since 2010[1].

Waste to landfill is a significant issue for Asaleo Care's business and its valued customers. Work is underway to reduce the waste generated across our operations and opportunities are always being sought to reduce the impact for customers. In 2014[1], 60% of all solid waste was recycled and waste to landfill has been reduced by 40% since 2010.

1 Includes Kawerau, Te Rapa, Box Hill and Springvale sites only.

2. Operating and Financial Review

Compliance with environmental regulation is a priority. During the 2014 reporting period, Asaleo Care met all its environmental obligations. Further information is contained in Section 5 of this Report.

Asaleo Care's commitment to the environment is clearly illustrated by the work we have undertaken at our plant in Kawarau, New Zealand. In 2009 the Kawarau site began sourcing some of its energy from locally produced geothermal steam, rather than gas, as part of an on-going partnership with Ngati Tuwharetoa Geothermal Assets (NTGA). Since then, the Kawerau site's total annual CO_2 emissions have reduced by 46%.

Sourcing
Asaleo Care's Responsible Forestry and Fibre Sourcing Policy commits that pulp and paper will only be purchased from non-controversial sources. In 2014, all Asaleo Care's pulp purchases were sourced from suppliers who demonstrate best possible practices in responsible forestry.

100% of the pulp that enters Asaleo Care's Kawerau facility originates from Forest Stewardship Council® (FSC) certified sources, including a maximum of 30% FSC Controlled Wood sources. Similarly, Box Hill's pulp is purchased from a combination of FSC 100%, FSC Mix and FSC Controlled Wood sources and includes some Pan European Forest Council (PEFC) sources. All locally produced Personal Care products are derived exclusively from FSC Controlled Wood pulp.

In 2010, a FSC Multi-site Chain of Custody (COC) certification was implemented and is now maintained at all five manufacturing sites. The Box Hill site has also held additional PEFC COC certification during this time.

In 2013, Asaleo Care became a member of FSC Australia, a group who advocates for responsible forestry management in the Trans-Tasman region. In 2014, Asaleo Care was a regional gold sponsor for FSC Friday, an annual international day aimed at raising awareness of the not for profit organisation's responsible forestry principles and practices. FSC Friday provides an important opportunity to improve understanding of the FSC label as well as to build business and consumer demand for FSC certified products in the region and across the world.

FSC www.fsc.org
The mark of responsible forestry
FSC® C101950

Supply chain
In 2014, we launched a responsible sourcing program involving suppliers from across the world. The objective of the program is to gain a better understanding of the business' supply chain and inform future activities so that we work more sustainably together. Over 700 suppliers have been asked to complete a self-assessment questionnaire which addresses labour standards, health and safety, environmental management and business integrity. This process is managed on Asaleo Care's behalf by Sedex – a well-established, independent, secure and cost-effective program with over 36,000 members.

2.1.12 Toward a Deeper Understanding

Asaleo Care believes engaging with key stakeholders is vital to understanding and responding to the organisation's key sustainability issues.

In late 2014, the Company commenced a materiality assessment to increase its understanding of the key sustainability issues across the business. The assessment included reviews of industry practice, internal policy and risk registers, media coverage and peer performance[1]. A key aspect of the assessment involves talking with key internal and external stakeholders about the issues that matter the most to them.

The materiality assessment will serve two key purposes. Firstly, it will allow the development of a framework for sustainability reporting in the future that is aligned with the Global Reporting Initiative. Secondly, it will enable Asaleo Care to report in accordance with the Australian Securities Exchange Corporate Governance Council's Principles and Recommendations, specifically recommendation 7.4 which asks companies to identify and report on their material sustainability risks. More detail regarding the results of the materiality assessment will be provided in the next reporting period.

1 The assessment was based on AccountAbility's five part materiality test, which is a globally recognised framework for identifying material issues.

2. Operating and Financial Review

2.2 Financial Review

Pro Forma Information

Effective 27 June 2014, Asaleo Care Limited (the Company) and its controlled entities (collectively referred to as the Asaleo Care Group) successfully finalised its initial public offering (IPO) and began trading on the ASX.

As a result of the IPO, the statutory NPAT for FY2014 was $3.0 million which included significant non-recurring costs associated with the IPO. Pro Forma financials prepared on a consistent basis with the June 2014 Prospectus have been disclosed and form the basis of commentary in this Report. Accordingly, the Operating and Financial Review largely includes Pro Forma financial information for the years ended 31 December 2013 and 31 December 2014. This Pro Forma information is prepared on the basis that the business as it is now structured was in effect for the period 1 January 2013 to 31 December 2014. A reconciliation between the Pro Forma financial information and Asaleo Care Group's segment financial information sourced from the statutory accounts is also included in Section 2.2.6 of this Report.

Non-IFRS Financial Information

Throughout this Report, Asaleo Care has included certain non-IFRS financial information. This information is presented to assist in making appropriate comparisons with prior periods and to assess the operating performance of the business. Asaleo Care uses these measures to assess performance of the business and believes that this information is useful to investors.

The following non-IFRS measures have not been audited but have been extracted from Asaleo Care Group's audited Financial Statements:

- **EBITDA:** earnings before interest, tax and depreciation and amortisation.
- **EBIT:** earnings before interest and tax.
- **Maintenance capital expenditure:** cash flow expenditure aimed at preserving the condition of the fixed asset base.
- **Growth capital expenditure:** cash flow expenditure aimed at improving the fixed asset base in order to improve financial performance.

Pro Forma Financial Highlights – FY2014

Financial Performance – Asaleo Care's financial results for FY2014 exceeded the Prospectus forecasts with NPAT of $72.3 million and EBITDA of $140.8 million being 2.4% and 0.8% higher than the Prospectus forecast. These results have been achieved despite Revenue being (1.9%) lower than the Prospectus forecast.

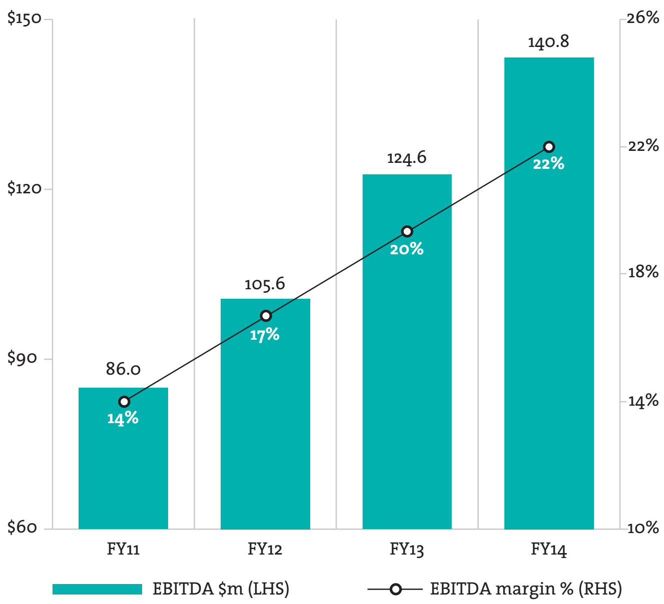
Tissue Capital Expenditure – The Tissue Capital Investment Program is on track with the program effectively complete, with incremental benefits over FY2013 of $21.8 million recognised in the FY2014 result.

Net Debt/Leverage – Strong cash flow generation in the second half of FY2014 has resulted in a 31 December 2014 closing net debt position of $239.4 million, which represents a leverage of 1.7x Pro Forma FY2014 EBITDA.

Dividend – Declaration of a 5.4 cents per share unfranked dividend for the period 1 July 2014 to 31 December 2014, which is 12% higher than the guidance provided in the Prospectus.

EBITDA Growth FY2011-FY2014 – 63.7% growth in EBITDA achieved between FY2011 to FY2014, representing a cumulative growth rate of 18%. EBITDA margin has increased from 14% in FY2011 to 22% in FY2014.

Pro Forma EBITDA Growth – FY2011 – FY2014



2. Operating and Financial Review

2.2.1 Pro Forma FY2014 Results Versus FY2013

A$ million	Pro Forma 2014[1]	Pro Forma 2013[1]	Change %
Revenue*	**629.9**	625.1	0.8%
EBITDA	**140.8**	124.6	13.0%
Depreciation	**(27.6)**	(27.3)	(1.0%)
EBIT	**113.2**	97.3	16.4%
Net Finance Costs*	**(12.8)**	(12.0)	(7.0%)
Profit Before Tax	**100.4**	85.3	17.7%
Tax Expense	**(28.1)**	(23.9)	(17.6%)
NPAT	**72.3**	61.4	17.7%

1 A reconciliation is provided between the Pro Forma result and the statutory result at Section 2.2.6.
* Revenue excludes interest income which is recognised within Net Finance Costs.

Revenue: there was strong growth across all Personal Care categories (7.4%) in FY2014, which was offset by lower Consumer Tissue sales in particular within Consumer Tissue Toilet Australia which was impacted by commissioning constraints, decision to not participate in some low margin promotions and deeper promotional pricing in the second half of FY2014 to regain market share.

EBITDA: growth of 13% with $140.8 million EBITDA in FY2014 compared with $124.6 million in FY2013. Key drivers for EBITDA growth include:

- Tissue Capital Investment Program incremental benefits of $21.8 million being realised in FY2014, offset by adverse foreign exchange impacts on raw materials/finished goods pricing, lower volume throughout and cost-base inflation.
- Cost savings through impacts of reduced logistics facilities, lower rates, improved pallet utilisation in New Zealand and lower Consumer Tissue volumes.
- Lower sales and marketing expenses in FY2014 due to reallocation of advertising and promotional expenditure into trade pricing in order to regain market share in the second half FY2014. Further, the decision was made to defer some advertising and promotional activity into FY2015 when the Company is free of commissioning constraints and is in a position to provide new and improved products. Advertising and promotional spend within the Personal Care segment was maintained to support new product launches.
- Decrease in general and administrative expenses due to lower discretionary spend and minimal incentive accrual in FY2014 as internal targets were not achieved.

EBIT: $113.2 million achieved in FY2014 compared with $97.3 million in the corresponding period. The FY2014 growth is consistent with EBITDA with the depreciation expense in line with FY2013.

NPAT: FY2014 NPAT was $72.3 million which represents growth of 17.7% compared with FY2013 of $61.4 million.

2. Operating and Financial Review

2.2.2 Financial Review – Personal Care

A$ million	Pro Forma 2014[1]	Pro Forma 2013	2014 vs. 2013 Growth %	Prospectus Forecast 2014	2014 vs. Prospectus Growth %
Revenue	**198.5**	184.9	7.4%	199.1	(0.3%)
EBITDA	**70.0**	63.6	10.1%	71.2	(1.7%)
EBITDA Margin	**35.2%**	34.4%	2.4%	35.8%	(1.5%)

1 A reconciliation is provided between the Pro Forma result and the statutory result at Section 2.2.6.

Revenue: FY2014 increase of 7.4% to $198.5 million compared with FY2013 revenue of $184.9 million. Revenue growth by category is assessed below:

- **Feminine Hygiene (FY2014 growth of 2.4%):** growth achieved in this category despite the underlying segment having 'flat' growth. During FY2014, Asaleo Care launched new Anti-fluff tampons and Libra absorption zone pads in the market with sales in these new products performing to plan.
- **Incontinence Hygiene (FY2014 growth of 8.5%):** the Retail channel had 12.7% growth in FY2014. This was driven by favourable segment demographics, increased awareness in the category and the new product launch of InstaDRY in the market. The InstaDRY launch was supported by an advertising campaign and the Australasian market share is 3.1% for the second half of FY2014. Further, strong growth of 22% was experienced in the Australian pharmacy section in FY2014.

  The Healthcare channel experienced 4.9% growth in FY2014 which was consistent with underlying market growth.
- **Baby Hygiene (FY2014 growth of 19.6%):** strong growth achieved in this sector following market share growth for Treasures in New Zealand (1.5 percentage points value share gain in FY2014), combined with additional sales in Australian retail and new business with a major childcare centre.

EBITDA: growth of 10% in FY2014 achieved resulting in a Personal Care EBITDA of $70 million in FY2014. EBITDA growth was incremental to revenue growth with key drivers for EBITDA growth in FY2014 compared with FY2013 being:

- Favourable volume/price/mix of $7.5 million in FY2014, due to volume growth in Pads, Liners and Baby diapers.
- Operating cost reductions following the execution of a restructuring plan on the Tampon product lines in FY2014.
- Improvement in other expenses in FY2014 following tight discretionary spend control.
- EBITDA growth was restricted due to adverse foreign exchange rates which increased the cost of Incontinence finished goods purchased from Europe.

Pro Forma FY2014 versus Prospectus Pro Forma:
- Revenue: slightly lower than Prospectus due to New Zealand Baby Hygiene sales being lower than forecast.
- EBITDA: adverse sales mix to Prospectus forecast has resulted in a reduced EBITDA margin.

2. Operating and Financial Review

2.2.3 Financial Review – Tissue

A$ million	Pro Forma 2014[1]	Pro Forma 2013	2014 vs. 2013 Growth %	Prospectus Forecast 2014	2014 vs. Prospectus Growth %
Revenue	**431.4**	440.2	(2.0%)	443.1	(2.6%)
EBITDA	**70.8**	61.0	16.1%	68.5	3.4%
EBITDA Margin	**16.4%**	13.9%	18.5%	15.5%	6.2%

1 A reconciliation is provided between the Pro Forma result and the statutory result at Section 2.2.6.

Revenue: FY2014 decrease of (2%) to $431.4 million compared with FY2013 revenue of $440.2 million. Revenue by category is assessed below:

- **Consumer Tissue (FY2014 decrease of 3.6%):** Consumer Tissue sales down 5% in first half of FY2014 and 2% in second half of FY2014 with sales growth in FY2014 limited by commissioning constraints, particularly in first half of FY2014. Consumer Tissue Toilet Australia was the key sub-category resulting in the lower sales in FY2014, which was due to three key drivers:
  - First half of FY2014 volumes being directly impacted by asset line commissioning constraints.
  - Decision made not to participate in lower margin promotions.
  - Some promotional pricing lower in second half of FY2014 in order to regain market share post commissioning constraints.

  Towel and Facial lines were not impacted by commissioning and Australasian growth of 2.3% and 5.2% respectively was achieved in FY2014.
- **Professional Hygiene (FY2014 growth of 0.9%):** market price increases were initiated in FY2014; this was offset by lower sales volumes in commodity product lines.

EBITDA: FY2014 EBITDA of $70.8 million which was 16.1% higher than FY2013. Key contributors to the strong growth in EBITDA are:

- Realisation of $21.8 million of incremental benefits from the Tissue Capital Investment Program.
- Reduction in logistics costs associated with exit from a facility in New Zealand, improved transport rates in FY2014, lower volumes and improvement in geographical mix and production of finished goods in country of sale (Sorbent in New Zealand and Napkins in Australia).
- Other expenses lower due to reallocation of advertising and promotional expenditure into trade pricing in order to regain market share in the second half FY2014. Further, the decision was made to defer some advertising and promotional activity into FY2015 when the Company is free of commissioning constraints and product quality is improved and tight control of discretionary expenditure in sales, marketing and administration along with no incentive payment as internal targets were not achieved.
- The impact of lower revenue on EBITDA was ($3.1) million.
- EBITDA growth was restricted due to adverse foreign exchange rates which increased the cost of raw materials purchases and imported finished goods. Further, offsetting the EBITDA growth was cost-base inflation and lower machine throughout in FY2014 when compared with FY2013 due to the commissioning of Tissue asset-lines.

Pro Forma FY2014 versus Prospectus Pro Forma:

- **Revenue:** lower than Prospectus due to the impact of minor delays in commissioning of the new asset lines and non-participation in low margin promotions.
- **EBITDA:** achieved via reduced logistics costs, deferring of promotional spend into FY2015, and improvement in discretionary spend.

2. Operating and Financial Review

2.2.4 Tissue Capital Investment Program

As part of the business transformation strategy started in FY2012 the Tissue Capital Investment Program has been a key driver of incremental EBITDA growth. A summary of the project and progression is provided below:

Project Detail	Commentary
Summary of the project	• $114.8 million capital expenditure • Reconfiguring Tissue manufacturing footprint to increase efficiency and flexibility, and reduce the costs of production • 6 new machines commissioned • 4 existing machines relocated • Exit of Te Rapa Tissue manufacturing facility (Baby to remain at Te Rapa) • Shift structure change from 7 to 5 days
Project progression	• 1Q13 - 3Q13 – Production volumes inflated by stock-building done on non-optimal cost basis • 1Q14 – Lower production volumes due to machine relocations, decommissioning's, and line start-ups • 2Q14 - 3Q14 – Commissioning and ramp up for new and relocated lines • 4Q14 – Production with the optimal cost structure – Program effectively complete following successful execution of commissioning – Delay in commissioning increased overall fixed unit costs through lower volumes than planned
Project benefits realisation	• Total benefits achieved – FY2013 $7.8 million – FY2014 $21.8 million • Run rate at end of FY2014 = 93% of planned annualised incremental benefits ($36.5 million) – Remaining benefits: fibre savings as machine optimise production performance – Meeting market demand and machines now nearing their optimal performance
Remaining capital expenditure	• Remaining capital expenditure: – Delay in release of retention payments from second half FY2014 to FY2015 – Finalisation of dispatch area – Eventual relocation of 1 converting machine • Remaining capital expenditure not linked to further benefit realisation

2. Operating and Financial Review

2.2.5 Financial Results Versus Prospectus Forecast

Commentary on the FY2014 Pro Forma result against FY2013 is included within Section 2.2.6.

FY2014 Pro Forma Results Versus Prospectus Forecast

A$ million	**Pro Forma actual 2014[1]**	Prospectus forecast 2014	Pro Forma actual vs. Prospectus forecast
Revenue*	**629.9**	642.2	(1.9%)
EBITDA	**140.8**	139.7	0.8%
EBIT	**113.2**	111.1	1.9%
NPAT	**72.3**	70.6	2.4%
Dividends**	**5.4**	4.8	12.5%

1 A reconciliation is provided between the Pro Forma result and the statutory result at Section 2.2.6.
* Revenue excludes interest income which is recognised within Net Finance Costs.
** Final unfranked dividend declared with a payment date of 26 March 2015.

Revenue: was $629.9 million against the Prospectus forecast of $642.2 million. Revenue in the Personal Care segment was on track with the Prospectus forecast. However, there was lower revenue within the Consumer Tissue Toilet Australia category as this category was impacted by commissioning constraints, decision to not participate in some low margin promotions and increased promotional discounting in the second half of FY2014 to regain market share.

EBITDA: $140.8 million was achieved which exceeded the Prospectus forecast of $139.7 million. EBITDA was achieved despite the lower FY2014 revenue due to:

- Reduced variable logistics costs due to lower sales volumes in the Tissue segment.
- There was a deferral of key promotional activities and deferral of advertising and promotion spend for Consumer Tissue into FY2015. Advertising and promotion spend within the Personal Care segment was maintained to support new product launches.
- Tight control over discretionary spend and minimal incentive accrual as internal targets were not achieved.

EBIT: FY2014 of $113.2 million exceeded Prospectus forecast with the 1.9% over-achievement being greater than the EBITDA achievement of 0.8% due to FY2014 depreciation being $27.6 million against the Prospectus of $28.6 million with the depreciation expense decrease due to slight delays in the start dates for capitalising asset lines associated with the Tissue Capital Investment Program.

NPAT: FY2014 NPAT was $72.3 million and was higher than the Prospectus forecast of $70.6 million. Key driver against Prospectus, for incremental NPAT achievement over and above EBIT improvement is lower finance costs due to relatively strong cash flow generation in second half FY2014 allowing repayments on Asaleo Care's revolving facility.

2. Operating and Financial Review

FY2014 Statutory Results Versus Prospectus Forecast

A$ million	Actual 2014	Prospectus forecast 2014	Actual vs. Prospectus forecast
Revenue*	**629.9**	642.2	(1.9%)
EBITDA	**85.4**	87.1	(2.0%)
EBIT	**60.4**	58.5	3.2%
NPAT	**3.0**	1.0	200.0%

* Revenue excludes interest income which is recognised within Net Finance Costs.

EBIT and EBITDA: FY2014 EBIT achieved of $60.4 million which was favourable to the Prospectus forecast of $58.5 million. Whilst EBITDA was slightly lower due to the write-back of a previously impaired asset line remaining in operation which was recognised within EBIT but excluded from EBITDA.

NPAT: actual FY2014 NPAT was $3.0 million and was in excess of the Prospectus forecast of $1 million.

Balance Sheet

The Balance Sheet as at 31 December 2014 reflects the restructured Asaleo Care Group post the IPO.

A$ million	Statutory Actual 2014	Pro Forma 2013	% Change
Cash and cash equivalents	**35.4**	48.9	(38.2%)
Inventories	**139.2**	133.4	4.2%
Other current assets	**42.5**	40.6	4.5%
Property, plant and equipment	**366.2**	341.8	6.7%
Intangible assets	**190.1**	183.2	3.6%
Deferred tax asset	**-**	10.9	(100.0%)
Total Assets	**773.4**	758.9	1.9%
Payables and Provisions	**102.9**	123.5	(20.0%)
Other current liabilities	**0.8**	1.2	(59.4%)
Interest bearing liabilities	**269.6**	315.0	(16.8%)
Other non-current liabilities	**1.7**	3.7	(117.6%)
Deferred tax liabilities	**10.5**	-	100%
Total Equity	**387.8**	315.5	18.7%
Total Liabilities and Equity	**773.4**	758.9	1.9%

Key balance sheet movements since December 2013 were:

- **Inventories:** increase in inventories due to higher work in progress inventories at 31 December 2014, as a result of the slight commissioning delays for the new tissue converting assets.
- **Property, plant and equipment:** execution of the Tissue Capital Investment Program and an appreciation of the NZ$ has increased the value of property, plant and equipment in excess of FY2014 depreciation.
- **Intangible assets:** represents local Brands and Goodwill from the 2012 joint venture transaction, with the increase due to the appreciation of the NZ$ in FY2014.
- **Deferred taxes:** FY2014 shift to a net DTL of ($10.5) million from the FY2013 Pro Forma DTA of $10.9 million. This shift was due to the FY2013 Pro Forma balance reflecting substantial costs associated with the IPO which have been offset by trading results in FY2014.
- **Payables and provisions:** reduction in provisions due to Tissue Capital Investment Program redundancies being settled.
- **Interest bearing liabilities:** IPO Facility A and B fully drawn at IPO, with second half FY2014 cash generation allowing $45 million to be allocated to Facility B between July to December 2014.
- **Equity:** reflects the contributed equity less transaction costs. Pro Forma 31 December 2013 equity included income statement impact of IPO related non-recurring finance costs which in FY2014 actual were offset by operating profits. Reserves within equity increased in FY2014 due to NZ$ appreciation and the management incentive scheme shares held in escrow.

2. Operating and Financial Review

Pro Forma Operating Cash Flow

A$ million	Pro Forma 2014	Pro Forma 2013	Change %
EBITDA	**140.8**	124.6	13.0%
Changes in working capital	**(29.8)***	9.8	(404.1%)
Maintenance capital expenditure	**(13.3)**	(8.8)	51.1%
Growth capital expenditure	**(31.4)**	(76.5)	(59.0%)
Net cash flow before financing and taxation	**66.3**	49.1	35.0%

* Working capital excludes the fair value of Asaleo Care's FX hedge positions.

Underlying operating cash flow increased by $17.2 million compared with the prior year.

Key drivers of the movement are:

- **EBITDA:** 13% improvement in FY2014 driven by strong growth in Personal Care categories, delivery of Tissue Capital Investment Program benefits and lower overhead costs.
- **Changes in working capital:** FY2014 adverse working capital movement of ($29.8) million which is due to the FY2013 closing working capital being abnormally low which reflected the inclusion of significant Tissue Capital Investment Program redundancies, capital expenditure provisions and stock build. The 31 December 2014 working capital balance is $76.3 million which represents 12.1% of sales which is in line with historical averages.
- **Maintenance capital expenditure:** increase in maintenance capital expenditure as growth expenditure on the Tissue Capital Investment Program neared completion, more resources could be directed towards maintenance projects.
- **Growth capital expenditure:** primarily represents spend on the Tissue Capital Investment Program which is substantially completed at 31 December 2014.
- **Strong Operating cash flow since IPO:** strong cash flow was generated in the July to December 2014 period with operating cash flow amounting to $69.0 million. This is a significant increase versus the first half FY2014 outflow of ($2.7) million.

Financial Indebtedness

Asaleo Care has demonstrated strong cash flow generation capability as evidenced by the reduction in Pro Forma net debt since IPO from $295.9 million to $239.4 million at 31 December 2014.

A$ million	Actual 2014	Pro Forma 30 June 2014
Interest payable	**4.8**	-
Non-current interest bearing liabilities**	**270.0**	315.0
Total debt	**274.8**	315.0
Cash and cash equivalents	**35.4**	19.1
Net debt	**239.4**	295.9
Net debt/FY2014 Pro Forma EBITDA	**1.7***	2.4

* Leverage ratio: closing 31 December 2014 net debt = $239.4 million / FY2014 Pro Forma EBITDA = $140.8 million.
** Excludes capitalised borrowing costs of ($0.4) million.

Leverage: Pro Forma leverage at 31 December 2014 is 1.7x, which is a significant reduction from the Pro Forma 2.4x. A closing leverage of 1.7x is within Asaleo Care's target range of 1.5x to 2.5x.

Total debt: Asaleo Care has available financing facilities of $350 million of which $271.3 million was drawn/utilised at 31 December 2014, leaving available funds of $78.7 million. The current interest bearing liability of $4.8 million represents accrued interest on the drawn funds which is due for payment in early FY2015.

Cost of debt: Asaleo Care negotiated its financing facility as part of the IPO, with the current 'all-up' cost of debt of 4.4% and reflective of a corporate style financing facility.

Cash generation: significant capital invested in recent years has provided the platform for strong cash flows in the FY2014 period since the IPO and a solid platform for the future. In the short to medium-term operating cash flows generated are to be utilised to pay down the Group's revolving financing facilities.

2. Operating and Financial Review

2.2.6 Reconciliation Between Statutory and Pro Forma Financial Information

Consolidated income statements for the years ended 31 December 2014 and 31 December 2013

A$ million	Statutory		Pro Forma adjustments		Pro Forma	
	2014	2013	**2014**	2013	**2014**	2013
Revenue*	629.9	624.3	-	0.8	**629.9**	625.1
EBITDA	85.4	99.9	55.4	24.7	**140.8**	124.6
Depreciation	24.9	24.2	2.7	3.1	**27.6**	27.3
EBIT	60.4	75.7	52.8	21.6	**113.2**	97.3
Net Finance Costs*	(58.3)	(43.8)*	45.5	31.8	**(12.8)**	(12.0)
Profit Before Tax	2.2	31.9	98.2	53.3	**100.4**	85.3
Tax (Expense)/Benefit	0.8	(8.9)	(28.9)	(15.0)	**(28.1)**	(23.9)
Net Profit After Tax	3.0	23.1	69.3	38.3	**72.3**	61.4

* Interest income has been disclosed within 'Net Finance Costs'.

Pro Forma adjustments for the year ended 31 December 2014
EBITDA: Pro Forma adjustments to EBITDA include:

- Share based payment expense of $28.2 million which reflects a one-off expense for a pre-existing management incentive scheme that was aligned to the pre-IPO performance of the business.
- IPO expenses and adjustments amount to $22.8 million which primarily relates to transaction costs associated with Asaleo Care becoming a listed entity.
- Restructuring costs of $7.7 million include employee redundancy costs, outside storage costs and machine commissioning costs including incremental labour and training.
- Profit on sale of the Te Rapa site recognised was $2.7 million.
- Pre IPO management fee of $2 million which was paid to the previous shareholders and ceased when Asaleo Care became a listed entity.
- Related party rebate income of $1.5 million which ceased at 30 June 2014 and other expense amounting to $0.3 million.

Depreciation: a previously impaired asset line remains in operation following continuous review of the Tissue Capital Investment Program and it is intended that this asset will remain in use for the foreseeable future and therefore the impairment has been written-back in FY2014.

Net Finance Costs: the Pro Forma adjustment assumes that the capital structure in place since 30 June 2014 was in place for the entire FY2014. Therefore, pre-IPO costs incurred include the write-off of pre-IPO facility establishment costs ($27.1) million, settlement of the pre-IPO interest rate swap book ($5.4) million, preference share interest expense ($4.3) million (note: preference shares were cancelled as part of the IPO restructure) and interest expense differential ($8.7) million.

Tax Expense: assumes an effective tax rate of 28%.

2. Operating and Financial Review

Pro Forma adjustments for the year ended 31 December 2013
EBITDA: Pro Forma adjustments to EBITDA include:

- Share based payment expense of $17.9 million which reflects a one-off expense for a pre-existing management incentive scheme that was aligned to the pre-IPO performance of the business.
- Restructuring costs of $15.8 million primarily relates to employee redundancy provisions, employee training and outside storage costs associated with the inventory stock build to support the restructuring.
- Foreign exchange gain of $12.5 million recognised on the pre-IPO denominated loan held in the New Zealand entity. This foreign exchange exposure was extinguished at the time of the IPO.
- Pre IPO management fee of $4.1 million which was paid to the previous shareholders and ceased when Asaleo Care became a listed entity.
- Related party rebate income of $2.9 million which ceased at 30 June 2014 and other expenses amounting to $2.3 million.

Depreciation: was impacted by acceleration depreciation associated with the Tissue converting facilities upgrade.

Net Finance Costs: the Pro Forma adjustment assumes that the capital structure in place since 30 June 2014 was in place for the entire FY2013. Therefore, adjustment includes ($21.5) million of preference share interest, amortisation of pre-IPO facility establishment costs ($4.1) million, pre-IPO facility fees of ($4.5) million and interest expense differential ($3.1) million. This is offset by interest income of $1.4 million.

Tax Expense: assumes an effective tax rate of 28%.

2. Operating and Financial Review

2.2.7 Personal Care Business Segment

	Statutory		Pro Forma Adjustments*		Pro Forma	
A$ million	**2014**	2013	**2014**	2013	**2014**	2013
Revenue	198.5	185.7	-	(0.8)	**198.5**	184.9
EBITDA	59.7	60.2	10.3	3.4	**70.0**	63.6

* Segment commentary should be read in conjunction with the commentary provided in Section 2.2.6.

Pro Forma adjustments for the year ended 31 December 2014
EBITDA: the Pro Forma adjustments represent Personal Care's allocation of non-recurring costs including; share based payment expense, IPO transaction costs and costs associated with Asaleo Care becoming a listed entity.

Pro Forma adjustments for the year ended 31 December 2013
Revenue: represents adjustments for timing of customer claims.

EBITDA: the Pro Forma adjustments represent Personal Care's allocation of non-recurring costs including; share based payment expense, foreign exchange gain on pre-IPO denominated loan held in the New Zealand entity and costs associated with Asaleo Care becoming a listed entity.

2.2.8 Tissue Business Segment

	Statutory		Pro Forma Adjustments*		Pro Forma	
A$ million	**2014**	2013	**2014**	2013	**2014**	2013
Revenue	431.4	440.1	-	0.1	**431.4**	440.2
EBITDA	25.7	41.2	45.1	19.8	**70.8**	61.0

* Segment commentary should be read in conjunction with the commentary provided in Section 2.2.6.

Pro Forma adjustments for the year ended 31 December 2014
EBITDA: the Pro Forma adjustments represent Tissue's allocation of non-recurring costs including; share based payment expense, IPO transaction costs and costs associated with Asaleo Care becoming a listed entity. Also includes Tissue segment restructuring costs of $7.7 million associated with the Tissue Capital Investment Program.

Pro Forma adjustments for the year ended 31 December 2013
Revenue: represents earnings from discontinued Tissue product lines in FY2013.

EBITDA: the Pro Forma adjustments represent Tissue's allocation of non-recurring costs including; share based payment expense, foreign exchange gain on pre-IPO denominated loan held in the New Zealand entity and costs associated with Asaleo Care becoming a listed entity. Also includes Tissue segment restructuring costs of $15.8 million which represent costs associated with the Tissue Capital Investment Program.

2. Operating and Financial Review

2.2.9 Consolidated Balance Sheet as at 31 December 2013

The Consolidated Balance Sheet has been extracted from the Prospectus and reflects the impact of the IPO.

A$ million	Statutory 2013	Refinancing and Capital Return[1]	Impact of the Offer and IPO Banking Facility	Pro Forma 2013
Cash and cash equivalents	54.5	(12.5)	6.9	**48.9**
Inventories	133.4	-	-	**133.4**
Other current assets	40.0	0.7	-	**40.7**
Property, plant and equipment	341.8	-	-	**341.8**
Intangible assets	183.2	-	-	**183.2**
Deferred tax asset*	37.3	5.3	26.2	**68.8**
Total Assets	790.2	(6.5)	33.1	**816.8**
Payables and Provisions	123.5	-	-	**123.5**
Other current liabilities	3.1	-	(2.0)	**1.2**
Interest bearing liabilities	415.5	131.2	(231.7)	**315.0**
Other non-current liabilities	24.8	-	(21.1)	**3.7**
Deferred tax liabilities*	57.9	-	-	**57.9**
Total Equity	165.4	(137.7)	287.8	**315.5**
Total Liabilities and Equity	790.2	(6.5)	33.1	**816.8**

1 In February 2014, Asaleo Care undertook a refinancing in order to fund a capital return to SCA and PEP shareholders amounting to $250.8 million.

* Deferred tax balances have been netted off in the FY2014 Consolidated Balance Sheet.

Cash and cash equivalents: the $12.5 million outflow is the cash component of the capital return ($22.5 million) net of a draw down ($10.0 million) on the syndicated facility in existence before the February 2014 refinancing. The $6.9 million inflow is the cash impact of increasing the Pro Forma 31 December 2013 borrowing to $315.0 million following Completion of the IPO.

Deferred tax asset: the $5.3 million adjustment reflects the deferred tax impact of the write-off of existing debt establishment and the transaction costs associated with the capital return. The $26.2 million adjustment consists of the deferred tax impact of the following items: $8.9 million one-off expense associated with the MIP, $4.5 million in connection with the write-off of existing debt establishment costs and $12.7 million relating to transaction costs.

Other current liabilities: fair value of interest rate swaps which were closed out at the time of entering into the IPO Banking Facilities.

Interest bearing liabilities: as at 31 December 2013, $415.5 million non-current interest bearing liabilities comprised $250.4 million secured borrowings and $165.1 million unsecured borrowings. The $131.2 million adjustment consists of: $235.3 million capital return to Existing Shareholders (refer to Note 7.5.2), total $250.8 million, net of tax and transaction costs, write off of existing debt establishment costs $10.9 million and a facility drawdown of $10.0 million. Offset by $125.0 million Preference Share liability extinguishment. The $231.7 million represents a repayment of senior debt of $208.9 million, a selective capital return of $44.4 million on the Preference Shares, offset by debt establishment costs of $15.2 million and Cash obtained from the offering required to target expected cash balance of $20 million post IPO.

Other non-current liabilities: $17.9 million of the adjustment relates to settlement of the management incentive at IPO, two-thirds of the post-tax amount was invested in Shares of Asaleo Care, which are held in escrow and subject to forfeiture conditions.

Equity: Asaleo Care will issue new equity of $333.1 million, made up of $332.5 million issued in connection with the IPO net of transaction costs associated with the primary Offer of $14.9 million (net of tax) and Shares valued at $15.5 million issued under the management incentive plan.

3. Board of Directors

Director		Skills and Experience
	**Harry Boon** Independent Non-Executive Chairman	• Harry is Chairman of the Board and the Nomination and Governance Committee and is also a member of the Audit and Risk Committee and the Remuneration and Human Resources Committee. • He was appointed on 30 May 2014. • Harry has over 38 years of industry experience and is also Chairman of ASX listed Tatts Group Limited and a Non-Executive Director of Toll Holdings Limited. • Within the past three years he was Chairman of PaperlinX Limited and a Non-Executive Director of Hastie Group Limited. • Previously, he was Chief Executive Officer and Managing Director of Ansell Limited, Chairman of Gale Pacific Limited, and was a Director of Funtastic Limited. • Harry holds a Bachelor of Laws (Honours) and a Bachelor of Commerce from The University of Melbourne.
	**Peter Diplaris** CEO and Managing Director	• Peter joined the Company as Chief Executive Officer in May 2011 and has over 25 years of industry experience. • He was appointed as a Director on 30 May 2014. • Previously, he was the Group General Manager of Nippon Paper Group's Australian office division (2004-2011) and held a number of senior sales roles within National Foods (1996-2004) including the role of General Manager of Sales for Australia and New Zealand. He has also held marketing and sales management roles with AC Nielsen, Nestlé Dairy and Yellow Pages Group (1987-1996). • Peter holds a Bachelor of Business and Bachelor of Arts from Monash University.
	**Mats Berencreutz** Non-Executive Director (nominee of SCA)	• Mats is a member of the Remuneration and Human Resources Committee and Nomination and Governance Committee. • He was appointed as a Director on 14 March 2014. • Mats is a former Executive Vice President of SCA and Chairman of the Board for SCA Hygiene Products AB, as well as a former member of the board of Uni-Charm Mölnlycke BV. • He has over 30 years industry experience having joined SCA in 1981 and has worked in various positions including Head of R&D Baby, Feminine and Incontinence Care; Technology and Quality Director (based in USA); President Incontinence Care North America; Chief Technology Officer Personal Care Europe; and President Tissue Europe. • Mats holds a Master of Science in Mechanical Engineering from Luleå University of Technology.

3. Board of Directors

Director		Skills and Experience
	**Nils Lindholm** Non-Executive Director (nominee of SCA)	• Nils is a member of the Audit and Risk Committee and Nomination and Governance Committee. • He was appointed as a Director on 30 May 2014. • Nils is also currently the Head of Global Business Services for SCA, as well as a Director of SCA UK Holdings Limited, SCA GmbH, SCA Hygiene Products Nederland BV and SCA Tissue Finland Oy. • He has over 20 years of industry experience having previously been Financial Manager for AGA in Sweden, Chile and France and CFO for Billerud and SCA's hygiene business, located in Sweden and Germany. He is also a former Director of Productos Familia SA, Colombia and SCA Hygiene Products SE, Germany and a former board member of The Institute of Internal Auditors, Sweden. • Nils holds a Bachelor of Science, majoring in Business Administration from The Stockholm School of Economics.
	**Sue Morphet** Independent Non-Executive Director	• Sue is Chairperson of the Remuneration and Human Resources Committee and is a member of the Audit and Risk Committee and Nomination and Governance Committee. • She was appointed as a Director on 30 May 2014. • Sue has over 28 years of industry experience and is currently Non-Executive Director of Fisher & Paykel Appliances Holdings Limited, Godfreys Group Limited and Noni B Limited. She is also Chairman of Manufacturing Australia. • Previously, she was an Executive Director and Chief Executive Officer of Pacific Brands Limited, following a number of senior roles with the company including Group General Manager of Underwear and Group General Manager of Bonds. Sue also held roles in manufacturing and sales and marketing with Pacific Dunlop and Sheridan Australia. • Sue holds a Bachelor of Science and Education from The University of Melbourne.
	**JoAnne Stephenson** Independent Non-Executive Director	• JoAnne is Chairperson of Audit and Risk Committee and a member of the Remuneration and Human Resources Committee and the Nomination and Governance Committee. • She was appointed as a Director on 30 May 2014. • JoAnne has over 25 years' experience and is currently Non-Executive Director of Challenger Limited. She is also Chairman of the Melbourne Chamber Orchestra and a Non-Executive Director of the Peter MacCallum Cancer Institute. • Previously, she was a Non-Executive Director of Yarra Valley Water and YWCA Australia and a member of the Victorian Government TAFE Reform Expert Panel. She also worked at KPMG International as Senior Client Partner in the Advisory division. • JoAnne holds a Bachelor of Commerce and Bachelor of Laws (Honours) from The University of Queensland. She is a member of both the Australian Institute of Company Directors and The Institute of Chartered Accountants in Australia.

4. Executive Team

Peter Diplaris
Chief Executive Officer and Managing Director

- Peter's skills and experience are detailed in Section 3.

Paul Townsend
Chief Financial Officer

- Paul joined the Company as Chief Financial Officer (CFO) in July 2012 and has over 25 years of industry experience.
- Previously, he was CFO of Pacific Hydro (2010-2012), Futuris Automotive Group (2004-2010) and Melbourne Stadiums (2003-2004). He was also the Group Treasurer at Pasminco (2000-2003).
- Paul holds a Bachelor of Business (Accounting) from Swinburne University of Technology and is a Fellow of The Institute of Chartered Accountants in Australia.

Andrew Phillips
Executive General Manager Personal Care

- Andrew joined the Company as Executive General Manager Personal Care in June 2012 and has 26 years of industry experience.
- Previously, Andrew was Operating Unit Head of Novartis Consumer Health for Australia and New Zealand, South East Asia and South Africa (2006-2012) and President of Greater China at Kraft Foods (2004-2006). Andrew has also held senior marketing roles at Cadbury Schweppes, having commenced his fast moving consumer goods career at Unilever.
- Andrew holds a Bachelor of Commerce (Economics and Commercial Law) from the University of Melbourne.

Scott Pannell
Executive General Manager Consumer Tissue

- Scott joined the Company as Sales Director Consumer in September 2011 and was appointed as Executive General Manager Consumer Tissue in May 2012.
- He has over 20 years of industry experience having previously been CEO of A2 Corporation (2009-2010), General Manager of Vitasoy (2005-2009) and General Manager of International Fine Foods at National Foods New Zealand (2004-2005).
- Scott holds a Bachelor of Business (Economics and Marketing) from Swinburne University of Technology and a MBA from Melbourne Business School.

Sid Takla
Executive General Manager Tork Professional Hygiene and Pacific Islands

- Sid was appointed Executive General Manager Tork Professional Hygiene and Pacific Islands in May 2012 and has 18 years of industry experience.
- Previously, he held senior operational and finance roles within Carter Holt Harvey Packaging (2000-2007) and Amcor Flexible Packaging (1995-2000).
- Sid holds a Bachelor of Commerce (Accounting and Commercial Law) from the University of Western Sydney, and has also achieved a CPA designation.

4. Executive Team

Willem Wiese
Chief Operations Officer

- Willie joined the Company as Chief Operations Officer in October 2012 and has over 25 years of industry experience.
- Previously, he was Group General Manager of B9 Paper & Recycling at Amcor (2009-2012) and was the Group Executive of Corrugated and Tissue Products at Nampak (2001-2009). Willie has also held various roles as Chairman of listed companies in Africa as well as senior supply chain, operational and technical positions with Premier Foods and BOC Gases.
- Willie holds a MBA, a Masters in Industrial Engineering and a Masters in Electrical Engineering from University of the Witwatersrand.

Andrea Bell
Chief Information Officer

- Andrea was appointed as Chief Information Officer in 2012 and has 25 years of industry experience.
- Previously, she was IT Director Asia Pacific for SCA (2008-2011), and held various IT roles at South Pacific Tyres (1990-2002) and Arthur Andersen & Co (1988-1990).
- Andrea holds a Bachelor of Business (Accounting and Computing), Graduate Diploma in Management Systems and a Masters of Information Systems Management from Swinburne University of Technology.

David Griss
Executive General Manager Human Resources

- David joined the Company as Executive General Manager Human Resources (HR) in March 2012 and has 19 years of industry experience.
- Previously, he has held various HR director and senior HR roles within the pharmaceutical and healthcare sectors for Hospira (2006-2012), Mayne Group (2001-2006) and F H Faulding & Co (2000-2001).
- David holds a Bachelor of Business and a Graduate Diploma in Risk Management from RMIT University.

James Orr
General Counsel and Company Secretary

- James joined the Company in August 2014 as General Counsel and Company Secretary.
- He has extensive industry experience having held senior legal and secretarial positions in public and large private companies in the resources, energy, pharmaceuticals and paper industries for over 25 years.
- James holds a Bachelor of Laws and a Bachelor of Commerce from the University of Melbourne.

5. Directors' Report

The Directors present their report together with the financial report of Asaleo Care Limited ('the Company') and the consolidated financial report of the consolidated entity, being the Company and its controlled entities ('the Group'), for the year ended 31 December 2014 and the Auditors' Report thereon.

Section 1 Chairman and CEO Letter, Section 2 Operating and Financial Review, Section 3 Board of Directors, Section 4 Executive Team, Section 6 Remuneration Report, Section 7 Financial Statements and Section 8 Shareholder Information of this Annual Report are each incorporated into, and form part of, this Directors' Report.

The report contains the following sections:

5. Directors' Report

5.1 Directors

The Directors of Asaleo Care Limited are:

- **Harry Boon –** Independent Non-Executive Director
- **Peter Diplaris –** Chief Executive Officer and Managing Director
- **Mats Berencreutz –** Non-Executive Director
- **Nils Lindholm –** Non-Executive Director
- **Sue Morphet –** Independent Non-Executive Director
- **JoAnne Stephenson –** Independent Non-Executive Director

Further information about the Directors of Asaleo Care Limited is set out in Section 3 of this Annual Report.

Prior to the Company being admitted to the ASX on 27 June 2014, the following were Directors of the Company from the beginning of the financial year:

- **Jan Persson** (retired 30 May 2014)
- **Antony Duthie** (retired 30 May 2014)
- **Mikael Schmidt** (retired 30 May 2014)
- **Cameron Blanks** (retired 30 May 2014)
- **Bernhard Riede** (retired 14 March 2014)

5.2 Company Secretary

James Orr is the Company's General Counsel and Company Secretary. The Company's Chief Financial Officer, Paul Townsend, is also a Company Secretary and is able to act in that capacity in James' absence. James' and Paul's experience and skills are detailed in Section 4.

5.3 Directors' Meetings

The following table sets out Board and Board Committee meetings since 27 June 2014 (being the date the Company was listed on the ASX) and Directors' attendance:

Attendees	Board Meeting		Audit and Risk Committee		Nomination and Governance Committee		Remuneration and HR Committee	
	No of Meetings		No of Meetings		No of Meetings		No of Meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Harry Boon	4	4	3	3	1	1	3	3
Matts Berencreutz	4	4	–	–	1	1	3	3
Peter Diplaris	4	4	–	–	1	1	–	–
Nils Lindholm	4	4	3	3	1	1	–	–
Sue Morphet	4	4	3	3	1	1	3	3
JoAnne Stephenson	4	4	3	3	1	1	3	3

5. Directors' Report

5.4 Directors' Skills and Experience

The following table sets out the relevant skills and experience of the current Directors of the Company:

Skills/Experience	No of Directors
Personal care and hygiene	3
Industrial/manufacturing	5
Paper industry	4
Distribution and logistics	3
FMCG and retail	4
B2B	3
Sales and marketing	3
Health, safety and environment	4
Business development	4
Accounting and finance	2
Governance/risk management	6
Human resources	4
Executive management and leadership	5

5.5 Operating and Financial Overview

An Operating and Financial Review of the Group is set out in Section 2 of the Annual Report.

5.6 Principal Activities

The principal activities of the Group are Manufacturing, Marketing, Distribution and Sale of Professional Hygiene, Personal Care and Consumer Tissue products in Australia, New Zealand, Fiji and a number of countries in the Pacific. In addition to presenting statutory financial information for the Group for the year ended 31 December 2014, Pro Forma accounts have been prepared to assist shareholders reviewing the Company's performance against the forecast included in the Prospectus.

5.7 Significant Changes in State of Affairs

The Company was admitted to the official list of the ASX on 27 June 2014 following an IPO in which Pacific Equity Partners sold its entire 50% stake in the Company and SCA's shareholding was diluted to aproximately 32.5% following the issue of new shares as part of the IPO. There are a number of ongoing commercial agreements between the Company and SCA, pursuant to which Products, Intellectual Property, Technology and Services are provided, or licenced, to the Company for varying periods.

On 27 October 2014, relevant Australian Group Companies entered into a Deed of Revocation pursuant to which a Deed of Cross Guarantee dated 18 December 2013, (with AHACS Pty Ltd as Holding Company), was revoked and parties released from liabilities. On 27 October 2014, a new Deed of Cross Guarantee was entered into, in accordance with Class Order 98/1418, by Australian Group Companies with Asaleo Care Limited as Holding Company and Trustee. This Deed in effect replaced the earlier Deed and provides relief to Group Companies from specific financial and other reporting obligations. Further detail is provided in Note 7.5.29 of the Financial Statements.

A significant Tissue Capital Investment Program commenced in FY2012, which was designed to reconfigure the Company's tissue manufacturing footprint to increase efficiency and flexibility, and reduce the costs of production. This program is effectively complete and 93% of planned annualised incremental benefits have been achieved. Remaining capital expenditure relates to release of retention payments, finalisation of despatch area and eventual relocation of one converting machine. None of these activities are linked to further benefit realisation.

The Company used the cash and assets, in a form readily convertible to cash, that it had at the time of listing on the ASX in a way consistent with its business objectives for the period between its admission and 31 December 2014.

5.8 Environmental Regulation and Performance

The Company met all requirements in relation to relevant and significant Australian environmental regulations. Specifically, the Company undertook the following activity:

- Reported energy consumption and greenhouse gas emissions from its operations according to the *National Greenhouse and Energy Reporting (NGER) Act 2007*.
- Surrendered eligible emissions units to satisfy the Company's liability under the *Clean Energy Act 2011* and the *Clean Energy Legislation (Carbon Tax Repeal) Act 2014*.
- Monitored energy efficiency assessment plans and progress under the *Energy Efficiency Opportunities Act 2006*, which was subsequently repealed during the reporting period.
- Reported National Pollution Inventory (NPI) substances to air as obligated by the *National Environment Protection Measures (Implementation) Act 1998*.
- Performed source of origin and traceability due diligence on regulated timber-based products imported into Australia according to the requirements of the *Illegal Logging Prohibition Act 2012*.

The Company's tissue paper manufacturing facility in Australia meets the test for an emission intensive trade exposed (EITE) activity and was therefore eligible to participate in two key industry assistance schemes. In 2014, the Company's application for issuance for a Partial Exemption Certificate (PEC) under the *Renewable Energy (Electricity) Act 2000* was approved. The Company also submitted a true-up report relating to assistance received previously through the Jobs and Competiveness Program, which was previously enacted through the *Clean Energy Act 2011* and is now superseded by the *Clean Energy Legislation (Carbon Tax Repeal) Act 2014*.

5. Directors' Report

5.9 Principal Risks

The following are material risks that could adversely affect the Company's prospects in future years. More generic risks which affect most companies have not been included. Additional risks not currently known or detailed below may adversely affect future performance.

Risk	Risk Description	Management of Risk
Key retail customers have significant market power	Asaleo Care generates a significant portion of its revenue from major supermarkets. Key retail customers could use their commercial leverage to push for lower prices and demand higher trade discounts as well as impose additional commercial and operational conditions relating to safety, environment, social and other sustainability issues.	The Company has a diversified product range and customer channels to mitigate the consequence of a single customer being disruptive. The Company actively and continuously engages with customers to retain competitive margins that satisfy Asaleo Care and the customer. The Company is maximising brand loyalty to ensure high demand for Asaleo Care products to minimise risk of retail customer disruption.
Competition may increase	Asaleo Care's market share may decline due to competitor activity, new competitors entering the market, or if competitors release more advanced products that result in reduced market share.	The Company is well placed to leverage its local manufacturing footprint, regional experience and partnership with our cornerstone shareholder SCA to ensure a competitive advantage. Further, Asaleo Care's innovation program is active and provides market leading products.
Brand names may diminish in reputation or value	Asaleo Care is reliant on the reputation of its key brands. Any factors or events that diminish the reputation of the Company, its key brands or related trademarks or intellectual property may adversely affect the operating and financial performance of the Company.	Brand health is actively monitored by reviewing market performance data, investing in consumer and market research to identify issues and trends and internal quality control procedures. These findings form the Company's monitoring activity, drive the marketing strategy and areas of brand investment.
Increases in prices for raw materials, supplies and services	Asaleo Care relies on various procurement relationships for the supply of pulp, transport and logistics, packaging, engineering, marketing, energy and utilities services. The Company is exposed to risks associated with the availability/price of raw materials and inputs, some of which have been subject to price volatility in the past.	Asaleo Care has a dedicated procurement team who are responsible for fostering strong supply relationships, negotiating to minimise costs with suppliers without impacting quality and identifying and performing due diligence over alternate sources of supply.

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5. Directors' Report

Risk	Risk Description	Management of Risk
Adverse movements in exchange rates may occur	Asaleo Care's financial reports are prepared in Australian dollars. However, a portion of the Company's sales revenue, expenditures and cash flows are generated in, and assets and liabilities are denominated in New Zealand and Fijian dollars. Asaleo Care also sources raw materials and finished goods in Euros and US dollars.	The Company's Treasury function implements a hedging policy for our foreign exchange purchases exposure which operates on a 12 month rolling basis. The hedging of future foreign exchange cash flows protects Asaleo Care from sudden impacts on its cost base. Asaleo Care does not hedge its international earnings (primarily NZ$) as the transactions and translation of results between the countries within the Group essentially derives a minimal financial impact at an NPAT level.
Disruptions to the Company's manufacturing capacity	Asaleo Care manufactures its products at five plants across Australia, New Zealand and Fiji. A disruption at any of these facilities could adversely affect production capacity and earnings. Approximately 50% of Asaleo Care's employees are covered by enterprise bargaining agreements and other workplace agreements, which periodically require renegotiation and renewal. Disputes may emerge out of the renegotiation and renewal process.	The Company has a robust maintenance program for all manufacturing sites. The Company identifies and tests alternate suppliers to manufacture products. The Company actively manages stock levels to ensure adequate cover. Asaleo Care implements an employee relations strategy which includes management of relationships with employees and unions and workforce and agreement renewal planning in order to minimise risk of disputes.
Product recalls and liability	Poor product quality, contamination or an extortion threat on the basis of alleged or actual contamination of one or more of the Company's products may lead to product recalls or liabilities to consumers.	Asaleo Care has procedures and policies in place to ensure compliance with quality standards and to ensure its products are free from contamination. Asaleo Care's quality specifications are documented and regularly tested. Employees are trained in their roles and responsibilities for product quality. Further, Asaleo Care monitors customer feedback and investigates and addresses quality issues where appropriate.
SCA may not renew its Licensing Agreement or Supply Agreement with Asaleo Care	Asaleo Care has a number of commercial agreements with SCA, including a Trade Mark and Technology Licence Agreement (TMTLA) and a Supply Agreement. Under the TMTLA, Asaleo Care pays SCA a royalty for the exclusive licence to use certain brands (including Tork and TENA) and technology in Australia, New Zealand and specified countries in the Pacific region. This agreement has an expiry date of 2022; however there is an option to extend it to 2027 by mutual agreement. The Supply agreement captures the supply of key products from SCA. The Supply agreement terminates if the TMTLA expires or is terminated.	The Company maintains a strong connection and relationship with SCA and strives to maximise local sales of Tork and TENA products. There are regular meetings between the companies covering a range of subject matters. The Company continues to explore opportunities to maximise its 'in-house' capability.

5. Directors' Report

5.10 Likely Developments

The Operating and Financial Review sets out the business activities and strategies for the Group including likely developments and prospects for future financial years. Information has not been included, to the extent that it would be materially prejudicial to the Group to disclose such information, for example if matters are commercially sensitive.

5.11 Subsequent Events

Directors are not aware of any matter or circumstance which has arisen since the end of the year which has significantly affected or is likely to significantly affect the operations of the Group, or the results of the Group in subsequent financial years.

5.12 Proceedings on Behalf of Company

No proceedings have been brought or intervened in on behalf of the Company under *Section 237 of the Corporations Act.*

5.13 Dividends

No dividends were paid or declared during the financial year. Depending on available profits and the financial position of the Company, Directors intend to target a dividend payout ratio of between 70% and 80% of the Company's statutory NPAT from FY2015. The intention is that the final dividend in each calendar year will be greater than 50% of the total dividend paid during the year.

Subsequent to the end of the financial year, Directors declared a final unfranked, ordinary dividend of $32,587,000 (5.4 cents per ordinary share) to be paid on 26 March 2015 out of the Asaleo Care Limited dividend appropriation reserve from the year ended 31 December, 2014.

5.14 Share Options

There are no unissued ordinary shares under options as at the reporting date.

5.15 Indemnification and Insurance of Officers

During the financial year the Company paid a premium in respect of a contract insuring Directors and officers of the Company against liabilities that are permitted to be insured under the *Corporations Act*. It is a condition of the contract that the premium, nature of liability and indemnity levels not be disclosed.

The Company has indemnified Directors and officers against all liabilities incurred in or arising out of the discharge of their duties, and any and all reasonable legal costs relating to such liability, to the maximum extent permitted by law, (including certain statutory restrictions), the Company's constitution and excluding any liabilities that are subject to a third party indemnity or insurance policy.

5.16 Loans to Executives and Directors

No loans were made to Non-Executive Directors during the financial year. Prior to listing, Key Management Personnel, (including the Managing Director), participated in an Employee Unit Plan pursuant to which they subscribed for ordinary and preference shares. As the preference shares are deemed a debt interest and classified as a liability on the balance sheet the Plan gives rise to loans from the Key Management Personnel. This loan was extinguished shortly after listing on 30 June 2014. Details are included within Note 7.5.23 of the Financial Statements.

5.17 Corporate Governance Statement

The Company's Corporate Governance Statement discloses how the Company complies with the recommendation of the ASX Corporate Governance Council (3rd edition) and sets out the Company's main corporate governance practices. This Statement has been approved by the Board and is current as at 23 February 2015.

The Statement is available on the Company's website at www.asaleocare.com.

5.18 Indemnification of Auditors

The Company's auditor is PricewaterhouseCoopers (PwC). No payment has been made to indemnify PwC during or since the Financial Year. No premium has been paid by the Company in respect of any insurance for PwC. No officers of the Company were partners or Directors of PwC whilst PwC undertook an audit of the Company.

5. Directors' Report

5.19 Non- Audit Services

The following non-audit services were provided by the Company's auditor PwC during the financial year:

(a) PricewaterhouseCoopers Australia

	Consolidated entity Year ended	
	2014 $	2013 $
Other assurance services		
Due diligence and other assurance services for the IPO	**1,145,963**	39,000
Taxation services		
Tax compliance services and review of company income tax returns	**68,289**	153,600
Tax consulting services and advice	**1,434,226**	681,784
Total remuneration for taxation services	**1,502,515**	835,384
Other services		
Consulting services	**46,275**	384,600

(b) Network firms of PricewaterhouseCoopers Australia

	Consolidated entity Year ended	
	2014 $	2013 $
Other assurance services		
Audit of regulatory returns	**4,066**	641
Taxation services		
Tax compliance services and review of company income tax returns	**34,935**	12,425
Tax consulting services and advice	**1,932**	-
Total remuneration for other services	**36,867**	12,425

Directors are satisfied that the provision of these services is compatible with the general standard of independence of auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

5.20 Rounding

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' Report and Financial Report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

The Directors' Report is made in accordance with a resolution of Directors

Harry Boon

Chairman

Dated this 23rd day of February 2015

5. Directors' Report

Auditor's Independence Declaration

Auditor's Independence Declaration

As lead auditor for the audit of Asaleo Care Limited for the year ended 31 December 2014, 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 Asaleo Care Limited and the entities it controlled during the period.

Lisa Harker
Partner
PricewaterhouseCoopers

Melbourne
23 February 2015

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

6. Remuneration Report

The Remuneration Report forms part of the Asaleo Care Limited ("Company") Directors' Report and is prepared in accordance with *Section 300A of the Corporations Act*.

This report covers the remuneration and benefits of the Company's Key Management Personnel (KMP) for the year ended 31 December 2014.

The report contains the following sections:

6. Remuneration Report

The Company's Remuneration Report sets out its executive remuneration strategy and policy which are driven by the following principles:

- Motivating Directors and management to pursue the Company's long-term growth and success.
- Demonstrating a clear relationship between the Company's overall performance and the remuneration of individuals.
- Alignment of the interests of the Executives with the creation of value for shareholders. Complying with all relevant legal and regulatory provisions.

Responsibility for the Company's executive remuneration strategy and policy rests with the Board of Directors (the Board), supported by the Remuneration and Human Resources Committee (the Committee).

Following listing of the Company on 27 June 2014 there was a review of each Executive's remuneration. That review resulted in changes to executive remuneration which is set out for KMPs in Section 6.4 of this Report. In addition, the Committee has completed a review of executive remuneration structure and arrangements for 2015.

6.1 KMP Disclosed in this Report

KMP are defined as those who have authority and responsibility for planning, directing and controlling the major activities of the Company directly or indirectly.

KMP for Asaleo Care Limited since listing include Non-Executive Directors (NED), the Chief Executive Officer and Managing Director (CEO) and KMP Executives.

Name	Date of Appointment as Director
NED	
Harry Boon	30 May 2014
Sue Morphet	30 May 2014
JoAnne Stephenson	30 May 2014
Mats Berencreutz[1]	14 March 2014
Nils Lindholm[1]	30 May 2014
CEO	
Peter Diplaris	N/A

1 M Berencreutz and N Lindholm are employees of an SCA Group Company and representatives of SCA Group Holdings BV on the Asaleo Care Limited Board. They are remunerated by an SCA Group Company pursuant to their employment arrangements with that entity. They receive no remuneration from any Asaleo Care Group Company for their directorship of Asaleo Care Limited.

Name	Job Title
KMP Executives	
Paul Townsend	Chief Financial Officer (CFO)
Andrew Phillips	Executive General Manager (EGM) Personal Care
Scott Pannell	Executive General Manager (EGM) Consumer Tissue
Sid Takla	Executive General Manager (EGM) Professional Hygiene
Willie Wiese*	Chief Operations Officer (COO)

* Willie Wiese has been assessed as a KMP in 2014. This assessment is a change from FY2013. Given that Asaleo Care is now listed, it is now deemed that Willie's role and responsibility is at a level consistent with other KMP.

Each of the following were Directors of the Company from the beginning of the financial year, until the dates noted below, all of which are prior to the date of listing:

Name	Date of Retirement as Director
Jan Persson	30 May 2014
Cameron Blanks	30 May 2014
Antony Duthie	30 May 2014
Bernhard Riede	14 March 2014
Mikael Schmidt	30 May 2014

6. Remuneration Report

6.2 Remuneration Strategy

Asaleo Care's reward philosophy is to drive achievement of outstanding results through a market competitive remuneration framework that incentivises exceptional performance. It has clearly defined objectives that balance the achievement of short term results and long term value creation for shareholders.

Reward structure and programs within the framework are performance based and linked to business results. The Committee has implemented an executive remuneration strategy which focuses on:

- Value creation and sustainable returns to shareholders.
- Remuneration policies and practices to attract, motivate and retain Executives who will create value for shareholders.
- Responsibly and fairly rewarding Executives having regard to the Company's performance, individual performance and the general external pay environment.

Executive's total remuneration is targeted at the market median with a strong focus on pay for performance.

6.3 Remuneration Governance Framework

Remuneration arrangements in respect of Directors and Executives of the Company (executive remuneration) are overseen by the Committee and the Board.

The Committee is responsible for reviewing and making recommendations to the Board on executive remuneration structure and arrangements. The Committee is also responsible for governance relating to executive remuneration. The aim of the Committee is to help the Board achieve its objectives by ensuring that the Company:

- Has remuneration policies and practices to attract and retain Executives and Directors who will create value for shareholders.
- Observes those remuneration policies and practices.
- Fairly and responsibly rewards Executives having regard to the performance of the Group, the performance of the Executives and the general external pay environment.
- Has a human resource strategy, policies and practices which will assist the Company to achieve its overall business objectives.

The Committee consists of a majority of independent NED and met three times since the Company listed during 2014.

In relation to performance, the Committee recommends to the Board individual and company measures for the CEO and Executives for the purpose of incentive payments. The Nomination and Governance Committee for the CEO and the Committee for the KMP Executives will review and recommend to the Board performance assessment against the individual and company measures. All Executives' performance is reviewed annually.

6.4 Remuneration Structure

The Company regularly reviews its broader remuneration strategy to ensure its practices support the delivery of business objectives and demonstrate a contemporary approach to the management of remuneration.

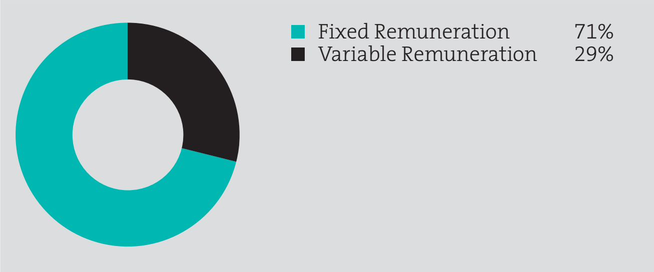
Executive remuneration is comprised of fixed and variable components focused on short and long-term company performance. Fixed remuneration is designed to provide a market-competitive base level of remuneration. The variable remuneration is based on pre-determined performance measures at different stretch levels which are important for business growth and value creation for shareholders.

Post listing, there was a comprehensive market based benchmarking analysis of executive fixed and variable remuneration. The analysis took into consideration listed companies with comparable gross revenues, total assets and the market capitalisation of the Company. The analysis also considered companies from broadly similar industry sectors and with similar complexity. The analysis drew information from the listed market and a more narrowly based segmentation including only companies in the Consumer Staples and Industrials sectors. The outcome of the review resulted in some changes to Executives' fixed remuneration and incentive plan design for 2015 as outlined in the sections below.

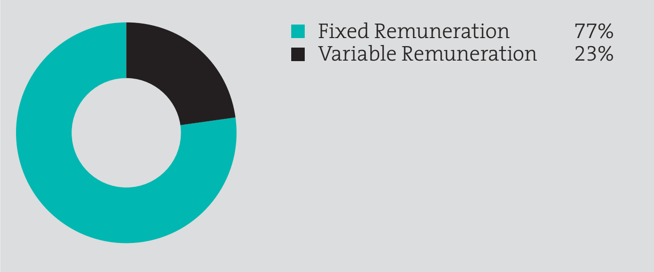
Remuneration Mix

Below is the remuneration mix between fixed and variable remuneration at target for the CEO and KMP Executives for 2014:

2014 CEO Remuneration Mix



2014 KMP Executive Remuneration Mix



Fixed Remuneration

Fixed remuneration is determined on an individual basis taking into consideration the size of Company, the scope of the Executive's position, the importance of the role to the Company, the demand for the role in the market and the individual performance and competency levels.

Fixed remuneration comprises base salary and superannuation. It is reviewed on an annual basis through a salary review process which takes into account performance and contribution to the Company's success whilst ensuring it remains competitive in the market.

6. Remuneration Report

Variable Remuneration

Variable remuneration is an integral part of the Company's executive remuneration structure to provide Executives with competitive performance based remuneration.

In 2014, variable remuneration comprised a Short Term Executive Incentive Program (STEIP) which:

- Takes into account individual, business unit and company performance.
- Links to clearly specified performance targets, which should be aligned to the business' short and long-term performance objectives.

CEO and KMP Executives were entitled to participate in the STEIP for the year ending 31 December 2014, and were eligible under the STEIP plan to receive an incentive award equal in value to a certain percentage of their pre-IPO base salary if certain company financial and personal targets were achieved or exceeded.

90% of the incentive award is payable in cash (less applicable taxes and deductions) and 10% of the incentive award is payable as a superannuation contribution into the relevant Executive's superannuation fund account (unless that Executive has reached the statutory maximum superannuation contribution base, in which case the Executive may elect to receive the 10% in cash). This would be paid after the results of the Company are finalised and announced following the end of the relevant performance year.

Subject to the rules of the 2014 STEIP, CEO and KMP Executives are eligible to receive STEIP as a percentage of pre-IPO base salary in accordance with the following allocation:

Percentage of Base Salary			
	@ Target[1]	@ Stretch 1[2]	@ Stretch 2[2]
CEO	40%	68%	123%
KMP Executives	30%	37%	50%

1 100% of each of the company financial and personal key accountabilities set against the Target.
2 Stretch is set at each of the second and third levels of key accountabilities against the Target. Calculations between Target to Stretch 1 and Stretch 1 to Stretch 2 are by linear formulas.

The following table outlines key performance measures of 2014 STEIP for the CEO and KMP Executives and the weighting for each measure:

Name	Asaleo Care EBITDA[1]	Asaleo Care Operating Cash Flow[2]	Asaleo Care Revenue Growth[3]	Business Unit EBITDA and NSV[4]	Individual Performance[5]	Safety[6]	Total Weightings %
Peter Diplaris CEO	50	10	25			15	100
Paul Townsend CFO	43	7			33	17	100
Andrew Phillips EGM, Personal Care	40	10		33		17	100
Scott Pannell EGM, Consumer Tissue	40	10		33		17	100
Sid Takla EGM, Professional Hygiene	40	10		33		17	100
Willie Wiese COO	40	10			33	17	100

1 Earnings Before Interest, Tax, Depreciation and Amortisation.
2 Operating Cash Flow excluding strategic capital expenditure projects and redundancy costs.
3 Growth of 4% versus 2013.
4 Individual Business Unit's EBITDA and Revenue. This may include key strategic, growth and market share initiatives.
5 Key focus was the IPO process for the CFO and Operations KPIs for the COO.
6 Corporate measures (including targets with respect to injury rates) to provide a safe workplace for all employees, contractors and visitors.

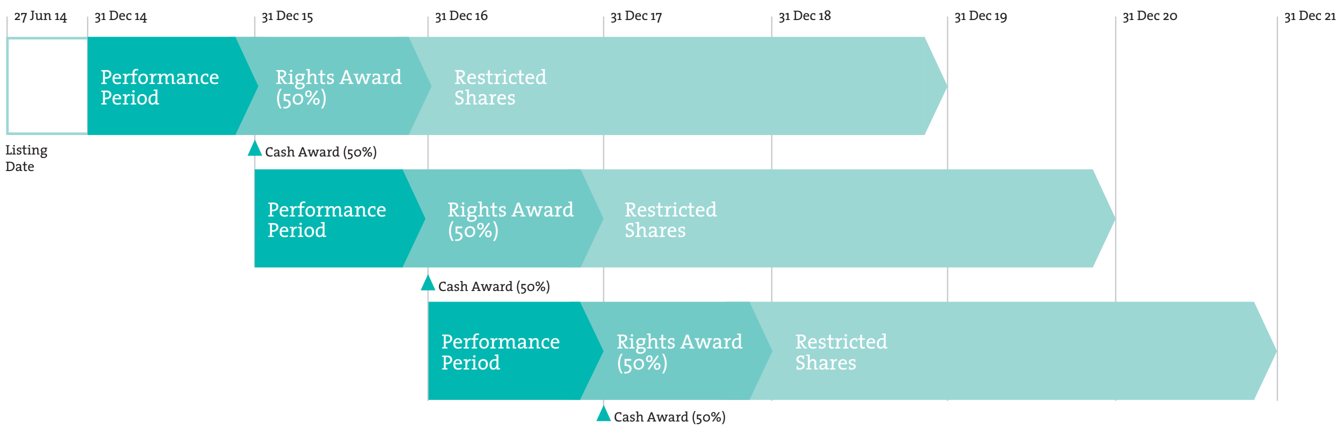
Before listing, in addition to the STEIP, the CEO and KMP Executives also participated in the Long Term Incentive Plans. These plans were the Employee Unit Plan (EUP) and the Management Incentive Plan (MIP) which are summarised in Section 6.6 of this Remuneration Report.

6. Remuneration Report

2015 Changes in Remuneration Structure

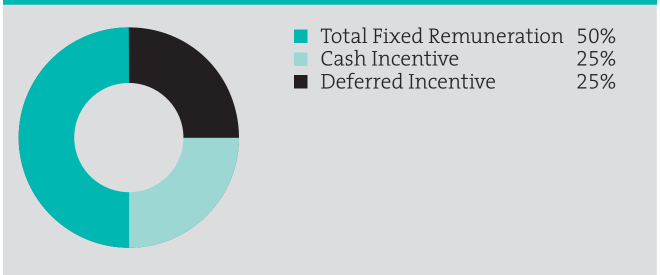
From 2015, the Company will introduce a new executive incentive plan that includes a deferral component of four years. The 2015 incentive plan is designed to strengthen the alignment between the Executives' interests and shareholders. In particular, 50% of any incentive award will be deferred into share rights. These share rights are unlisted rights over the ordinary shares in the Company and become exercisable into restricted shares 12 months after grant. Once the restricted shares are issued or transferred to the Executive, they are subject to disposal restrictions (trading lock) for a further three years. Any termination for cause (being misconduct, serious misconduct or poor performance) will result in forfeiture of share rights and restricted ordinary shares subject to the holding lock period.

The proposed structure for the deferred component can be illustrated as follows:

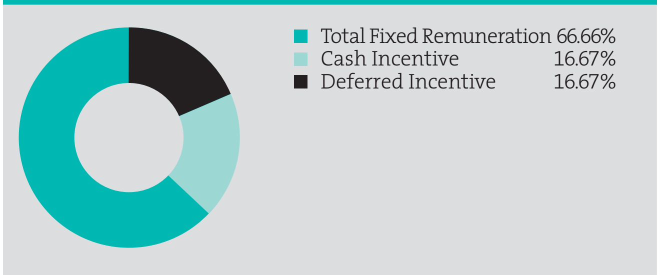


The remuneration mix between fixed and variable remuneration at target for the CEO, CFO and KMP Executives for 2015 will be:

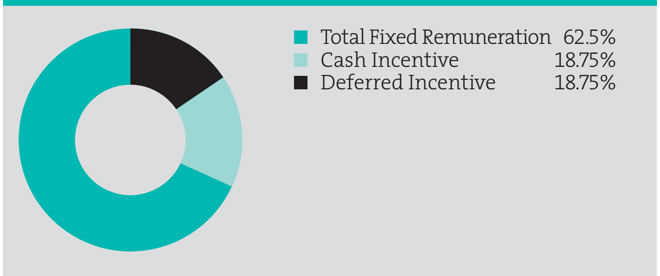
2015 CEO Remuneration Mix



2015 Other KMP Executive Remuneration Mix



2015 CFO Remuneration Mix



6.5 External Remuneration Consultants

The Committee, independent of management, directly engaged Egan Associates Pty Ltd (Egan) to provide market information, benchmarking data and advice on executive remuneration market practice, design and quantum. This advice was reflected in the revised executive remuneration arrangements and incentive scheme for 2015. Egan did not review executive employment agreements.

Under the terms of engagement, Egan provided remuneration advice to the Committee as defined under *Section 9B of the Corporations Act 2001* and was paid a fee of $63,500 excluding GST for 2014.

Egan has confirmed to the Committee in writing that all correspondence of a confidential nature was provided to the Committee without consultation or reference to management other than to the extent that in preparing their recommendations on matters under consideration by the Committee, they from time to time needed to seek information or clarification of existing practices from management. They have confirmed that all recommendations provided to the Committee were made free from undue influence of the KMP to whom the recommendations relate.

As a consequence of the above, the Board and the Committee are satisfied that the remuneration recommendations made by Egan were free from any undue influence from any member of KMP.

6. Remuneration Report

6.6 KMP Remuneration Disclosure

The following table has been prepared in accordance with *Section 300A of the Corporations Act 2001* to detail the CEO's and KMP Executives' remuneration for the year ended 31 December 2014. For the purpose of comparison, their remuneration for the year ended 31 December 2013 is also provided.

Name Position	Year	Fixed Remuneration[4]			Variable Remuneration			Total Remuneration
CEO and KMP Executives		Cash salary or fees $	Car Allowance $	Super-annuation $	STEIP[5] $	EUP[6] Fair Value $	MIP[6] $	$
Peter Diplaris	2014	647,500	17,500	30,000	–	–	9,996,558	10,691,558
CEO	2013	580,000	35,000	24,999	724,500	162,043	6,308,985	7,835,529
Paul Townsend	2014	397,421	–	24,351	–	–	3,332,186	3,753,958
CFO	2013	387,653	–	23,883	211,975	121,533	2,102,995	2,848,040
Andrew Phillips	2014	359,193	–	27,753	–	–	2,332,530	2,719,475
EGM, Personal Care	2013	350,827	–	23,247	80,857	60,766	1,472,096	1,987,795
Scott Pannell	2014	353,270	–	25,510	–	–	3,332,186	3,710,966
EGM, Consumer Tissue	2013	337,310	–	23,490	124,282	40,511	2,102,995	2,628,588
Sid Takla	2014	328,925	–	26,025	–	–	3,332,186	3,687,136
EGM, Professional Hygiene	2013	314,275	–	23,975	97,172	60,766	2,102,995	2,599,183
Willie Wiese	2014	423,750	–	26,250	–	–	3,332,186	3,782,186
COO	2013	415,515	–	24,485	224,000	121,533	2,102,995	2,888,528
Subtotal	**2014**	**2,510,059**	**17,500**	**159,889**	**–**	**–**	**25,657,831**	**28,345,279**
	2013	**2,385,582**	**35,000**	**144,081**	**1,462,786**	**567,152**	**16,193,062**	**20,787,663**
NED								
Harry Boon[1]	2014	236,165		13,835				250,000
	2013	–		–				–
Sue Morphet[1]	2014	83,665		13,835				97,500
	2013	–		–				–
JoAnne Stephenson[1]	2014	83,665		13,835				97,500
	2013	–		–				–
Mats Berencreutz[2]	2014	–		–				–
	2013	–		–				–
Nils Lindholm[3]	2014	–		–				–
	2013	–		–				–
Subtotal	**2014**	**403,494**		**41,506**				**445,000**
	2013	**–**		**–**				**–**

1 Appointed on 30 May 2014.
2 Appointed on 14 March 2014. No Director fees are paid as per the letter of appointment.
3 Appointed on 30 May 2014. No Director fees are paid as per the letter of appointment.
4 Executives did not receive any fixed remuneration increase at the annual salary review cycle in March 2014. Following Egan's review, Executives' fixed remuneration was revised and the increases took effect from 1 July 2014.
5 STEIP accrued amounts for the relevant performance year. Actual payments were made in the year following the performance year. For the 2014 performance year, Company EBITDA for STEIP purposes at target was set at a higher number than the forecast disclosed in the Prospectus. As this higher number was not achieved, no STEIP amount was accrued or made.
6 Employee Unit Plan (EUP) and Management Incentive Plan (MIP) are Pre-listing Long Term Incentive Plans which are explained in detail in the section below.

6. Remuneration Report

Pre-Listing Long Term Incentive Plans

Before listing, the CEO and KMP Executives participated in a long term incentive arrangement which took the form of an Employee Unit Plan (EUP) and a Management Incentive Plan (MIP). The objective of these plans was to align the interests of senior management with shareholders at that time being Pacific Equity Partners (PEP) and SCA. Upon listing, both of the plans were terminated and their benefits were either paid out or crystallised as detailed in the sections below.

Post listing for the 2014 financial year, no other Long Term Incentive (LTI) plan was in place.

Employee Unit Plan

CEO and KMP Executives whose present and potential contributions were important to the success of the Company were invited to subscribe for units in the EUP which held shares in trust on their behalf.

The PEP shareholders transferred the relevant ordinary and preference shares to the EUP Trustee in return for a purchase price equivalent to the application price payable of $1.07 per ordinary share and $1.00 per preference share. The application price was received from the eligible Executives by the Trustee. The Trustee is a related party of the PEP entities.

The EUP was an equity-settled plan with no service period requirement. The fair value of the shares was calculated using the following assumptions:

1. Units were granted at the application price
2. Grant date: 31 March 2013
3. Share price at grant date: $1.07
4. Preference share price at grant date: $1.00
5. Risk free interest rate: 4.2%
6. Exit multiple: consistent with selected peers EBITDA multiple

The number of shares transferred during 2013 under the EUP was as follows:

	Number of Shares
Ordinary shares	685,527
Preference shares	816,485

The share based payment was generated from the difference between the application price and the fair value of the ordinary shares.

As the preference shares were deemed a debt interest and classified as a liability on the Balance Sheet, the EUP gave rise to loans from the CEO and KMP Executives. Details of each KMP related party loan as at 31 December 2013 are disclosed in the table below. As the loan related to the Trust unit holders' holding of preference shares, this loan was extinguished on 30 June 2014.

Name Position	Balance at start of the year $	Capital Return[1] $	Sale of Preference Shares[2] $	Interest paid $	Balance at end of the year $
Peter Diplaris CEO	278,328	–105,353	–135,562	–37,413	–
Paul Townsend CFO	208,745	–79,015	–101,672	–28,060	–
Andrew Phillips EGM, Personal Care	104,373	–39,508	–50,836	–14,030	–
Scott Pannell EGM, Consumer Tissue	69,581	–26,338	–33,890	–9,353	–
Sid Takla EGM, Professional Hygiene	104,373	–39,508	– 50,836	–14,030	–
Willie Wiese COO	208,745	–79,015	–101,672	–28,060	–
Total	**974,146**	**–368,735**	**–474,466**	**–130,945**	**–**

1 The PEPSCA Unit Trust participated in a Capital Return from Asaleo Care to shareholders as part of a recapitalisation of the Company on 26 February 2014.
2 The CEO and KMP Executives sold 50% of their preference share holding to SCA on 26 February 2014 for $1.20 which included the accrued coupon.

6. Remuneration Report

Management Incentive Plan

The CEO and KMP Executives were beneficiaries of the MIP established on 31 January 2013, which was driven by Internal Rate of Return and Multiple of Money performance hurdles. Under the MIP, participants were issued units in a private-equity-styled long term incentive plan.

Upon listing, the MIP entitlements were crystallised and MIP payments were paid net of applicable income tax. The amount of those cash payments was calculated by reference to the Final Price of $1.65 per share and to returns generated by the PEP Shareholders from their investment in the Company.

During the period, in order to create closer alignment between senior management's interest and the new and continuing shareholders' interest and to ensure the Company can retain senior management post IPO, MIP participants agreed to use a portion of their proceeds from the MIP to subscribe for shares in the listed Company. Details of this arrangement are as below:

- A third of this aggregate post-tax payment was paid in cash to participants at the time of listing.
- A third of this aggregate post-tax payment was invested in Asaleo Care Limited ordinary shares at the IPO price for retail investors. The shares acquired are held in escrow for a period of one year after the listing of the Company.
- A third of this aggregate post-tax payment was invested in Asaleo Care Limited ordinary shares at the IPO price for retail investors. The shares acquired are held in escrow for a period of two years after the listing of the Company.

Other than holding restrictions, participants have the same rights of holders of ordinary shares including receiving dividends and voting.

Number of escrowed shares for participants is listed in the table below:

Name Position	Number of Escrowed Shares for 1 year	Number of Escrowed Shares for 2 years
Peter Diplaris CEO	1,689,401	1,689,401
Paul Townsend CFO	563,133	563,134
Andrew Phillips EGM, Personal Care	394,194	394,193
Scott Pannell EGM Consumer Tissue	563,133	563,134
Sid Takla EGM Professional Hygiene	563,133	563,134
Willie Wiese COO	563,133	563,134

These escrow arrangements prevent CEO and KMP Executives from dealing with:

- Any of their escrowed shares from the date of admission of the Company to the Official List of the ASX until after the one year anniversary of the date the Company is admitted to the Official List of the ASX being 27 June 2015.
- 50% of their escrowed shares from the date of admission of the Company to the Official List until after the two year anniversary of the date the Company is admitted to the Official List of the ASX being 27 June 2016.

For the relevant shares to be released following the end of each escrow period, the participants must remain employed by the Company. In certain prescribed circumstances, the relevant shares may also be released if the participants cease to be employed by the Company.

6. Remuneration Report

6.7 Company Performance Over the Last 4 Years

The following table shows key performance indicators for the Company over the last four years:

Item	2014 $m	2013 $m	2012 $m	2011 $m
Pro Forma Revenue[1]	629.9	625.1	615.3	617.3
Pro Forma EBITDA[1]	140.8	124.6	105.6	86.0
Pro Forma Operating Cash Flow (excluding performance improvement capital expenditure)[1]	92.6	125.6	123.6	49.1
Health and Safety (TIFR)[2]	≤11.50	≤7.82	≤12.13	≤12.73
Total CEO and KMP Executives incentives as percentage of Pro Forma EBITDA for the year[3]	0.0%	1.2%	1.3%	0.6%

1 Pro Forma amounts are included as the Board is of the opinion that these most appropriately represent the Company's underlying current and historical performance. They include statutory financial information with adjustments to eliminate non-recurring items and reflect the IPO capital and operating structure.
2 Corporate measures (including targets with respect to injury rates) aim to provide a safe workplace for all employees.
3 Excluding EUP and MIP as these incentive plan awards do not have an impact on the underlying profit.

6.8 Executive Employment Agreements

The key terms and conditions of the employment contracts for the CEO and KMP Executives are summarised in the table below:

Name Position	Employment Start Date	Employment Term	Notice Period (employer-initiated termination[1])	Notice Period (employee-initiated termination)	Redundancy Payment
Peter Diplaris CEO	16 May 2011	Permanent full time	9 months	3 months	Notice period plus redundancy payment under the *Fair Work Act 2009*
Paul Townsend CFO	23 July 2012	Permanent full time	9 months	3 months	Notice period plus redundancy payment under the *Fair Work Act 2009*
Andrew Phillips EGM Personal Care	4 June 2012	Permanent full time	9 months	3 months	Notice period plus redundancy payment under the *Fair Work Act 2009*
Scott Pannell EGM Consumer Tissue	5 September 2011	Permanent full time	9 months	3 months	Notice period plus redundancy payment under the *Fair Work Act 2009*
Sid Takla EGM Professional Hygiene	12 February 2007	Permanent full time	9 months	3 months	Notice period plus redundancy payment under the *Fair Work Act 2009*
Willie Wiese COO	29 October 2012	Permanent full time	9 months	3 months	Notice period plus redundancy payment under the *Fair Work Act 2009*

1 Employer-initiated termination excludes misconduct and serious breach of employment contract.

Peter Diplaris commenced his employment with the Company on 16 May 2011 and has held the position of President of SCA Hygiene Australasia Pty Ltd pre listing and Chief Executive Officer of Asaleo Care Limited post listing. The KMP Executives' positions have not changed during 2014.

The Company may terminate the employment of the CEO and/or KMP Executives by providing nine months' notice or payment in lieu of notice, or the Executive may terminate their employment by providing the Company three months' notice. The Company may dismiss the KMP immediately without notice or payment in lieu of notice in the event of serious misconduct, serious breach or non-observance of any terms or conditions of the employment contract or serious neglect of duties.

Throughout and at all times after the termination of their employment, the CEO and KMP Executives are prohibited from engaging in any specific project or research (whether in the course of any business, employment, consultancy or otherwise) in relation to which use of the Company's confidential information could reasonably be expected to put the relevant member of KMP or any third party at an unfair advantage. The employment contract of each member of KMP also contains confidentiality provisions (which continue after termination of the relevant KMP's employment) preventing that Executive from disclosing the confidential information of the Company or using it for his or her own use or benefit or that of a third party.

No shares were issued to KMP during 2014 other than those under EUP and MIP plans which were disclosed in Section 6.6 of this Remuneration Report.

6. Remuneration Report

6.9 Non-Executive Director Remuneration

The remuneration of Non-Executive Directors reflects the level of leadership and their accountability to the Company. It also takes into account the size of the Company as well as the complexity of the business. On appointment to the Board, NED entered into a service agreement with the Company in the form of a letter of appointment. The letter summarises the engagement terms including remuneration and termination provisions relevant to the office of the Director.

NED annual fees in 2014 are set out in the table below. All NED's fees are inclusive of statutory superannuation and paid on a monthly basis. They are not paid a commission on, or a percentage of profits or operating revenue.

Name	Position	Annual Board Fee $	Annual Committee Fee $
Harry Boon	Board Chairman	$300,000	–
	Chair of Nomination and Governance Committee	–	–
Sue Morphet	Board Member	$110,000	–
	Chair of Remuneration and Human Resources Committee	–	$20,000
JoAnne Stephenson	Board Member	$110,000	–
	Chair of Audit and Risk Committee	–	$20,000
Mats Berencreutz	Board Member	–	–
Nils Lindholm	Board Member	–	–

Fees will be reviewed annually by the Committee taking into account comparable roles and market data provided by the Board's independent remuneration consultants.

6. Remuneration Report

6.10 Additional Information

KMP shareholdings

The Company does not have a Minimum Shareholding Policy which requires Directors and Executives to hold Asaleo Care shares; however, the Directors and Executives are encouraged to hold the Company shares to further align their interests with those of shareholders.

The Directors agreed that independent NED would invest 1 year after tax fees in Company shares on a progressive basis over 3 years from listing.

The following table details the number of Asaleo Care ordinary shares held by KMP, either directly, indirectly or beneficially, and movements during the year ended 31 December 2014:

Name	Registered Holding	Balance at 27/6/2014 (listing date)	Purchased/ Allotted	Sold	Balance at 31/12/2014
Peter Diplaris CEO	NETHERLEE INVESTMENTS PTY LTD (THE DIPLARIS FAMILY TRUST)	-	3,378,802	–	3,378,802[1]
Paul Townsend CFO	PW INVESTMENTS PTY LTD AS TRUSTEE FOR THE TOWNSEND FAMILY TRUST	-	1,126,267	–	1,126,267[1]
Andrew Phillips EGM, Personal Care	ANDREW PHILLIPS AND MELINDA PHILLIPS AS TRUSTEES FOR THE PHILLIPS FAMILY TRUST	-	788,387	–	788,387[1]
Scott Pannell EGM, Consumer Tissue	PANNELL HOLDINGS PTY LTD AS TRUSTEE FOR THE PANNELL HOLDINGS TRUST	-	1,126,267	–	1,126,267[1]
Sid Takla EGM, Professional Hygiene	NIDO D'ORO PTY LTD AS TRUSTEE FOR THE NIDO D'ORO TRUST	-	1,126,267	–	1,126,267[1]
Willie Wiese COO	WIESENHAUS PTY LTD FOR THE WIESE FAMILY TRUST	-	1,126,267	–	1,126,267[1]
Harry Boon NED	TORRESDALE SUPER NOMINEES PTY LTD (V & H BOON SUPER FUND A/C)	-	121,212	–	121,212
Sue Morphet NED	MORPHET SUPERANNUATION PTY LTD	-	33,333	–	33,333
Mats Berencreutz NED		-	-	-	-
Nils Lindholm NED		-	-	-	-

1 Shares are held in escrow as per MIP arrangement.

Policy on Trading in Asaleo Care's shares

The Company's Securities Trading Policy applies to all Directors and Executives. Directors and Executives or their Associates must not, in any circumstances, deal or procure another person to deal in Company securities if they have inside information in relation to Company securities. The policy imposes blackout periods for trading and sets out an approval process for Executives and other specified employees. The Company would consider an intentional breach of the Company's Securities Trading Policy as gross misconduct which may lead to disciplinary action and potentially dismissal.

Other transactions with KMP

There are no other transactions between any of the KMP with any of the companies which are related to or provide services to Asaleo Care unless disclosed in this report.

7. Financial Statements

These Financial Statements are the consolidated Financial Statements of the consolidated entity consisting of Asaleo Care Limited and its subsidiaries. The Financial Statements are presented in the Australian currency.

Asaleo Care Limited is a company limited by shares, incorporated and domiciled in Australia.

A description of the nature of the consolidated entity's operations and its principal activities is included in the Directors' Report in Section 5, which is not part of these financial statements.

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7. Financial Statements

7.1 Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2014

	Notes	Consolidated entity 31 December 2014 $'000	31 December 2013 $'000
Revenue from operations			
Sale of goods		**629,886**	624,319
Other revenue from ordinary activities		**436**	1,444
	7.5.5	**630,322**	625,763
Other income	7.5.6	**3,040**	11,402
Expenses			
Cost of sales of goods		**(366,261)**	(370,168)
Other expenses from ordinary activities			
Distribution		**(72,736)**	(75,569)
Sales and marketing		**(43,184)**	(50,898)
Administration		**(27,581)**	(24,133)
Other	7.5.7	**(62,757)**	(39,213)
Finance costs	7.5.7	**(58,700)**	(45,215)
Profit before income tax		**2,143**	31,969
Income tax benefit/(expense)	7.5.8	**843**	(8,913)
Profit for the period		**2,986**	23,056
Item that may be reclassified to profit or loss			
Changes in the fair value of cash flow hedges	7.5.21(a)	**7,725**	5,935
Exchange differences on translation of foreign operations	7.5.21(a)	**12,581**	8,328
Income tax relating to these items		**(3,182)**	(1,790)
Other comprehensive income for the period, net of tax		**17,124**	12,473
Total comprehensive income for the period		**20,110**	35,529
Total comprehensive income for the period is attributable to:			
Owners of Asaleo Care Limited		**20,110**	35,529

		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share	7.5.33	**0.6**	5.9

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

7. Financial Statements

7.2 Consolidated Balance Sheet as at 31 December 2014

	Notes	Consolidated entity Year ended 31 December 2014 $'000	31 December 2013 $'000
ASSETS			
Current assets			
Cash and cash equivalents		**35,379**	54,537
Trade and other receivables	7.5.9	**35,484**	30,025
Inventories	7.5.10	**139,236**	133,387
Derivative financial instruments	7.5.11	**7,009**	5,135
Assets classified as held for sale	7.5.12	**-**	4,842
Total current assets		**217,108**	227,926
Non-current assets			
Property, plant and equipment	7.5.13	**366,228**	341,845
Intangible assets	7.5.14	**190,085**	183,212
Total non-current assets		**556,313**	525,057
Total assets		**773,421**	752,983
LIABILITIES			
Current liabilities			
Trade and other payables	7.5.15	**79,379**	87,567
Derivative financial instruments	7.5.11	**753**	3,126
Current tax liabilities		**1,500**	37
Provisions	7.5.16	**22,047**	35,886
Total current liabilities		**103,679**	126,616
Non-current liabilities			
Borrowings	7.5.17	**269,646**	415,493
Derivative financial instruments	7.5.11	**-**	3,908
Deferred tax liabilities	7.5.18	**10,526**	20,600
Provisions	7.5.19	**1,737**	3,748
Cash-settled share based payments		**-**	17,245
Total non-current liabilities		**281,909**	460,994
Total liabilities		**385,588**	587,610
Net assets		**387,833**	165,373
EQUITY			
Contributed equity	7.5.20	**360,405**	173,292
Other reserves	7.5.21(a)	**41,646**	9,285
Accumulated loses	7.5.21(b)	**(14,218)**	(17,204)
Total equity		**387,833**	165,373

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

7. Financial Statements

7.3 Consolidated Statement of Changes in Equity For the Year Ended 31 December 2014

Consolidated entity	Notes	Attributable to owners of Asaleo Care Limited Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 January 2013		224,596	(3,812)	(40,260)	180,524
Profit for the period		-	-	23,056	23,056
Other comprehensive income		-	12,473	-	12,473
Total comprehensive income for the period		**-**	**12,473**	**23,056**	**35,529**
Transactions with owners in their capacity as owners:					
Return of capital, net of transaction costs and tax		(51,304)	-	-	(51,304)
Share-based payments		-	624	-	624
Balance at 31 December 2013		**173,292**	**9,285**	**(17,204)**	**165,373**
Balance at 1 January 2014		173,292	9,285	(17,204)	165,373
Profit for the period		-	-	2,986	2,986
Other comprehensive income		-	17,124	-	17,124
Total comprehensive income for the period		**-**	**17,124**	**2,986**	**20,110**
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs and tax	7.5.20	316,599	-	-	316,599
Return of capital, net of transaction costs and tax		(129,486)	-	-	(129,486)
Share-based payments		-	15,237	-	15,237
		187,113	15,237	-	202,350
Balance at 31 December 2014		**360,405**	**41,646**	**(14,218)**	**387,833**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

7. Financial Statements

7.4 Consolidated Statement of Cash Flows For the Year Ended 31 December 2014

		Consolidated entity	
	Notes	**31 December 2014 $'000**	31 December 2013 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**689,404**	687,210
Payments to suppliers and employees (inclusive of goods and services tax)		**(626,445)**	(562,685)
		62,959	124,525
Income taxes paid		**(2,963)**	(290)
Interest received		**436**	1,444
Borrowing costs		**(22,776)**	(22,551)
Net cash inflow from operating activities	7.5.31	**37,656**	103,128
Cash flows from investing activities			
Payments for property, plant and equipment	7.5.13	**(44,724)**	(85,333)
Proceeds from sale of property, plant and equipment		**7,529**	-
Net cash (outflow) from investing activities		**(37,195)**	(85,333)
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities	7.5.20	**331,702**	-
Proceeds from borrowings	7.5.17	**610,901**	65,000
Repayment of borrowings	7.5.17	**(603,201)**	(45,000)
Transaction costs for issue of new shares	7.5.7, 7.5.20	**(44,016)**	-
Debt raising costs	7.5.17	**(15,285)**	(700)
Payment for return of capital	7.5.20	**(125,751)**	(50,000)
Transaction costs for return of capital	7.5.20	**(5,336)**	(1,862)
Repayment of convertible redeemable preference shares	7.5.7, 7.5.17	**(169,390)**	(4,000)
Net cash (outflow) from financing activities		**(20,376)**	(36,562)
Net (decrease) in cash and cash equivalents		**(19,915)**	(18,767)
Cash and cash equivalents at the beginning of the financial year		**54,537**	70,794
Effects of exchange rate changes on cash and cash equivalents		**757**	2,510
Cash and cash equivalents at end of period		**35,379**	54,537

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

7. Financial Statements

7.5 Notes to the Consolidated Financial Statements 31 December 2014

Contents of the Notes to the Consolidated Financial Statements

7. Financial Statements

7.5.1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Asaleo Care Limited and its subsidiaries.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Asaleo Care Limited is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with IFRS
The consolidated financial statements of the Asaleo Care Limited Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) Historical cost convention
These financial statements have been prepared under the historical cost convention except for, financial instruments measured at fair value through profit or loss.

(iii) 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 7.5.3.

(b) Principles of consolidation

(i) Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Asaleo Care Limited ('Company' or 'parent entity') as at 31 December 2014 and the results of all subsidiaries for the year then ended. Asaleo Care Limited and its subsidiaries together are referred to in this financial report as the Group or consolidated entity.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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 transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers, being the Chief Executive Officer, Chief Financial Officer and other Executives. The chief operating decision makers provide strategic direction and management oversight of the entity in terms of monitoring results and approving strategic planning for the business.

(d) 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 Asaleo Care Limited's functional and presentation currency.

(ii) Transactions and balances
Foreign currency transactions are translated into the respective 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 of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as a qualifying cash flow hedge.

(iii) Group companies
The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each consolidated income statement and consolidated statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

7. Financial Statements

(e) 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, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

(i) Sale of goods

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, allowances and discounts. Revenue is recognised when the risks and rewards of ownership have transferred to the customer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably, there is risk of return of goods, or there is continuing management involvement with the goods.

(ii) 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.

(iii) Dividends

Dividends are recognised as revenue when the right to receive payment is established.

(f) Income tax

Income tax expense comprises current and deferred tax. Income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The carrying amount of deferred tax assets is reviewed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Asaleo Care Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities are set off in the consolidated financial statements.

Amounts receivable of $6.0 million (2013: $8.3 million) to Asaleo Care Limited under the tax funding arrangements are due in the next financial year upon final settlement of the current payable for the consolidated Group.

7. Financial Statements

(g) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

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 tested 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). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(i) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, 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.

(j) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off to the provision for impairment are credited against 'other expenses' in the consolidated income statement.

7. Financial Statements

(k) Inventories

(i) Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on a first-in-first-out basis. In respect of manufactured inventories, 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 of purchased inventory are determined after deducting rebates and discounts. Cost may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of inventories.

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) Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits and financial assets that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the consolidated balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated balance sheet.

(m) 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 shareholder's equity are shown in Note 7.5.21. The 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. Trading derivatives are classified as a current asset or liability.

(i) 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 interest rate swaps hedging variable rate borrowings is recognised in profit or loss within 'finance costs'. 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.

7. Financial Statements

(n) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item including borrowing costs that are related to the acquisition, construction or production of the qualifying asset. Cost also may include transfers from equity of any gains and losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Property, plant and equipment, excluding freehold land, are depreciated at rates based upon their expected useful lives. Land is not depreciated. Depreciation rates used for each class of asset for the current and comparative periods are as follows:

– Buildings	25 - 50 years
– Machinery	10 - 20 years
– Vehicles	3 - 8 years
– Furniture, fittings and equipment	3 - 8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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 7.5.1(h)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

(o) Intangible assets

(i) Goodwill

Goodwill is measured as described in Note 7.5.1(h). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it 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.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units (CGUs) or Groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(ii) Brands

Brands are not amortised and are tested for impairment annually, or more frequently if events or changes in circumstances indicate that they might be impaired and are carried at cost less accumulated impairment losses.

(p) 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. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(q) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (Note 7.5.26). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

7. Financial Statements

(r) 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 profit or loss 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 reporting period.

(s) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(t) Provisions

Provisions for legal claims and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required on settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that 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.

(u) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employee's services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Long-term obligations

The liability for long service leave and annual leave which are not expected to be settled within 12 months after the end of the period in which the employees render the related service 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 end of the reporting period using the projected unit credit method. 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 end of the reporting period on national government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

(iii) Superannuation

The consolidated entity contributes to an accumulation fund on behalf of qualifying employees.

(iv) Share-based payments

Share-based compensation benefits are provided to employees via the Long Term Management Incentive Plan (MIP) and the Employee Award Offer.

Non-market vesting conditions are included in assumptions about the number of MIP entitlements that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of MIP entitlements that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to the liability. The MIP is in part a cash settled plan which is fair valued at each reporting date with a corresponding adjustment to the liability and in part an equity settled plan which is fair valued at grant date.

Under the Employee Award Offer as described in Note 7.5.32, shares are issued for no cash consideration which vest immediately on grant date. On this date, the market value of the shares issued is recognised as an employee benefit is expense with a corresponding increase in equity.

(v) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of AASB 137 and involves the payment of termination benefits. In the case an offer is made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

7. Financial Statements

(v) Contributed equity

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

(w) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

(x) Earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.
- The comparative period has been adjusted to take into consideration the share split that occurred in 2014. Refer to Note 7.5.20 and Note 7.5.33.

Diluted earnings per share is not disclosed as there is no dilution impact.

(y) 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 consolidated 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 flows. Commitments are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(z) Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(aa) New accounting standards and interpretations

New and amended Accounting Standards and Interpretations issued and effective

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 January 2014:

• AASB *132 Financial Instruments. Amendments to Australia Accounting Standard - Offsetting Financial Assets and Liabilities* adds application guidance.

There are no other standards issued that have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Accounting standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2014 reporting periods and have not yet been applied in the financial statements. The Group's assessment of the impact of these new standards and interpretations is set out below.

AASB 9 *Financial Instruments, AASB 2010-7 Amendments to Australian Accounting Standards arising from* AASB 9 (December 2010) and AASB 2012-6 *Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures* address the classification, measurement and derecognition of financial assets and liabilities and may affect the Group's accounting for its financial instruments. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed.

The new accounting standard and amendments are mandatory for the Group's 31 December 2018 consolidated financial statements, as amended by AASB 2013-9 (refer above). The potential effect of the new and amending standards on the financial results of the consolidated entity upon adoption has yet to be fully determined.

AASB 15 Revenue from Contracts with Customers The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach the Group will recognise transitional adjustments in retained earnings on the date of initial application (e.g. 1 July 2017), i.e. without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application.

The new accounting standard is mandatory for the Group's 31 December 2017 consolidated financial statements. Management is currently assessing the impact of the new rules and is not able to estimate the impact on the Group's financial statements.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

7. Financial Statements

(ab) Parent entity financial information

The financial information for the parent entity, Asaleo Care Limited, disclosed in Note 7.5.34 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, associates and joint venture entities are accounted for at cost in the financial statements of Asaleo Care Limited. Dividends received from associates are recognised in the parent entity's profit or loss when its right to receive the dividend is established.

(ii) Tax consolidation legislation

Asaleo Care Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Asaleo Care Limited, 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, Asaleo Care Limited 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 tax funding and sharing agreements under which the wholly-owned entities fully compensate Asaleo Care Limited for any current tax payable assumed and are compensated by Asaleo Care Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Asaleo Care Limited 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 installments.

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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7.5.2 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures.

Risk management is carried out in accordance with policies approved by the Board of Directors.

The Group holds the following financial instruments:

	Consolidated entity Year ended	
	31 December 2014 $'000	31 December 2013 $'000
Financial assets		
Cash and cash equivalents	**35,379**	54,537
Trade and other receivables	**35,484**	30,025
Derivative financial instruments	**7,009**	5,135
	77,872	89,697
Financial liabilities		
Trade and other payables	**79,379**	87,567
Borrowings	**269,646**	415,493
Derivative financial instruments	**753**	3,126
Derivative financial instruments - non-current	**-**	3,908
	349,778	510,094

(a) Market risk

(i) Foreign exchange risk
The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily the US Dollar (US$), Euro (EUR), New Zealand Dollar (NZ$), Fijian Dollar (FJ$) and Canadian Dollar (CA$).

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency.

The Group's foreign exchange risk management policy is to hedge 100% of the anticipated cash flows of the above mentioned foreign currencies, both in terms of size and term related to:

- Approved investment projects; and
- Inventory purchases denominated in foreign currencies.

Forward contracts are used to manage foreign currency exchange risk and are regularly reassessed to ensure they comply with the limits under the policy. The derivative instruments used for hedging foreign currency exchange exposures are external foreign currency forward contracts.

The Group has exposure to foreign currency translation risk at the end of the reporting period with consolidated operations in New Zealand and Fijian entities. The Group holds investments in these entities, which have functional currencies of NZ$ and FJ$.

There are no other significant exposures to the Group's foreign currency risk at the end of the reporting period, with forward exchange contracts used to manage the exposure to the US$, CA$ and EUR.

(ii) Price risk
The Group is not exposed to significant equities price risk.

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(iii) Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

As part of its financial risk management policy, the Group protects part of its borrowings from exposure to fluctuations in interest rates. The Group has entered into interest rate swap contracts under which it receives interest at variable rates and pays interest at fixed rates, effective from February 2015.

As at the end of the reporting period, the Group had the following variable rate borrowings and interest rate swap contracts outstanding:

	Consolidated entity Year ended			
	31 December 2014		31 December 2013	
	Weighted average interest rate %	**Balance $'000**	Weighted average interest rate %	Balance $'000
Bank overdrafts and bank loans	**5.1%**	**270,000**	5.9%	262,299
Less amounts covered by interest rate swaps		-	7.3%	(201,300)
Net exposure to cash flow interest rate risk		**270,000**		60,999
Convertible redeemable preference shares		-	15.0%	165,116
		270,000		226,115

The interest rate and term is determined at the date of each drawdown. The weighted average interest rate for the year ended 31 December 2014 was 5.1% (2013: 5.9%). At 31 December 2014, if the weighted average interest rate of the facility had been 10% higher or 10% lower, interest expense would increase / decrease by $1.9 million (2013: $1.5 million). There would be an associated impact to equity of $1.3 million (2013: $1.1 million).

Policy on interest rate swap contracts disclosed within Note 7.5.11.

(b) Credit risk

Credit risk arises from cash and cash equivalents, favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum of investment grade rating are accepted. If wholesale or retail customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, accounts receivable assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with the limits set by management. The compliance with credit limits by wholesale customers is regularly monitored by accounts receivable. Sales to retail customers are required to be settled in cash or using major credit cards, mitigating credit risk. There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

The Group's credit risk arises from the potential default of the Group's trade and other receivables as well as the institutions in which the Group's cash and cash equivalents are deposited, and derivative instruments traded. Further details on the Group's trade receivables are included in Note 7.5.9.

For trade and other receivables, the Group does not hold any credit derivatives or collateral to offset its credit exposure. Due to the short term nature of these receivables, their carrying amount is assumed to approximate their fair value.

Credit risk is managed in the following ways:

- The provision of credit is covered by a risk assessment process for all customers (e.g appropriate credit history, credit limits, past experience);
- Regular monitoring of exposures against such credit limits and assessing the overall financial stability and competitive strength of the counterparty on an ongoing basis; and
- Utilisation of systems of approval.

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(c) Liquidity risk

In June 2014, the Group refinanced its consolidated borrowing facilities to enable the Group to borrow funds when necessary to manage liquidity risk with amounts repayable on 30 June 2017 and 30 June 2019.

(i) Financing arrangements
The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

	Consolidated entity Year ended	
	31 December 2014 $'000	31 December 2013 $'000
Floating rate		
- Expiring beyond one year (core facility)	**45,000**	-
- Expiring beyond one year (capital expenditure facility)	**-**	20,000
- Expiring beyond one year (working capital facility)	**33,725**	29,189
	78,725	49,189

Subject to continuance of meeting certain financial covenants, the bank loan facilities may be drawn down at any time. Refer to Note 7.5.17 for further details on the borrowings.

(ii) Maturities of financial liabilities
The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for:

(a) all non-derivative financial liabilities, and

(b) net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. For interest rate swaps the cash flows have been estimated using forward interest rates applicable at the end of the reporting period.

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Contractual maturities of financial liabilities	Less than 6 months $'000	6 - 12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000	Carrying amount (assets)/ liabilities $'000
Consolidated entity Year ended 31 December 2014							
Non-derivatives							
Trade and other payables	**79,379**	**-**	**-**	**-**	**-**	**79,379**	**79,379**
Borrowings	**5,637**	**5,730**	**11,367**	**285,372**	**-**	**308,106**	**270,000**
Capitalised borrowing costs	**(39)**	**(40)**	**(79)**	**(196)**	**-**	**(354)**	**(354)**
Total non-derivatives	**84,977**	**5,690**	**11,288**	**285,176**	**-**	**387,131**	**349,025**
Derivatives							
Gross settled (forward foreign exchange contracts - cash flow hedges)							
- outflow	**604**	**149**	**-**	**-**	**-**	**753**	**753**
- (inflow)	**(5,089)**	**(1,920)**	**-**	**-**	**-**	**(7,009)**	**(7,009)**
	(4,485)	**(1,771)**	**-**	**-**	**-**	**(6,256)**	**(6,256)**
Consolidated entity Year ended 31 December 2013							
Non-derivatives							
Trade and other payables	87,567	-	-	-	-	87,567	87,567
Borrowings	7,718	7,718	38,973	253,785	-	308,194	262,299
Capitalised borrowing costs	(1,983)	(1,972)	(4,457)	(3,510)	-	(11,922)	(11,922)
Convertible redeemable preference shares	-	-	-	-	471,003	471,003	165,116
Total non-derivatives	93,302	5,746	34,516	250,275	471,003	854,842	503,060
Derivatives							
Net settled (interest rate swaps)	977	977	1,954	1,954	-	5,862	5,862
Gross settled (forward foreign exchange contracts - cash flow hedges)							
- outflow	1,058	114	-	-	-	1,172	1,172
- (inflow)	(4,080)	(1,055)	-	-	-	(5,135)	(5,135)
	(3,022)	(941)	-	-	-	(3,963)	(3,963)

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(d) Fair value measurements

Asaleo Care Limited discloses fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The fair value of level 2 financial derivatives is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

At 31 December 2014, the Group held at fair value the following level 2 financial derivative instruments:

- Derivative financial assets $7,009,488 (2013: $5,135,415)
- Derivative financial liabilities $752,962 (2013: $3,126,352)

7.5.3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes 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 amounts of assets and liabilities within the next financial year are discussed below.

(i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with accounting policy stated in Note 7.5.1(h). The recoverable amounts of cash-generating units (CGUs) have been determined based on value-in-use calculations. These calculations require the use of assumptions for each CGU. Refer to Note 7.5.14 for details of these assumptions and the potential impact of changes to the assumptions.

(ii) Indefinite useful lives of brands

Management have determined that all of the intangible assets (brands) have indefinite useful lives. These assets have no legal or contractual expiry date and are integral to the future of revenue generation. Management intends to continue to promote, maintain and defend the brands to the extent necessary to maintain their value for the foreseeable future.

The Group tests annually whether brands have suffered any impairment, in accordance with accounting policy stated in Note 7.5.1(h). The recoverable amounts of cash-generating units (CGUs) have been determined based on value-in-use calculations. These calculations require the use of assumptions for each CGU. Refer to Note 7.5.14 for details of these assumptions and the potential impact of changes to the assumptions.

Management assess the useful lives of the Group's intangible assets at the end of each reporting period. No factors have been identified in the period which would alter the Group's assumption of indefinite useful life for brands. Refer to Note 7.5.14 for details of these assumptions and the potential impact of changes to the assumptions.

(iii) Income taxes

The Group is subject to income taxes (and other similar taxes) in Australia and in a number of overseas jurisdictions. Judgement is required in determining the Group provision for income taxes.

There are certain transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group estimates its tax liabilities based on the Group's understanding of the tax law. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

In addition, the Group has recognised deferred tax assets relating to carried forward tax losses to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority, the same subsidiary against which the unused tax losses can be utilised and sufficient forecasted taxable income for the losses to be utilised.

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(iv) Estimated restructuring and rationalisation costs
The Group makes provisions for restructuring and rationalisation within the business, in accordance with accounting policy stated in Note 7.5.1(t). The provisions for restructuring and rationalisation have been recognised in line with the Group's detailed formal restructuring plan and the restructuring has either commenced or has been publicly announced. Future operating costs in relation to the restructuring have not been provided for.

With respect to termination of employees, where the restructuring plan includes termination before retirement date, the Group recognises a provision for redundancy when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without the possibility of withdrawal. Payments falling due greater than 12 months after reporting date are discounted to present value.

(v) Valuation of share based payments
An expected returns approach was used to value the share-based payments made in relation to the MIP during the prior period. The assumptions used in this valuation are set out in Note 7.5.32.

7.5.4 Segment information

An operating segment is a component of the consolidated entity that engages in business activities from which it may earn revenue and incur expenses that relate to transactions with the consolidated entity's other components.

The operating segment results are regularly reviewed by the Chief Executive Officer, Chief Financial Officer and other Executives (senior management) of the consolidated entity, who provide strategic decision and management oversight of the day to day activities in terms of monitoring results, providing approval for capital expenditure and approving strategic planning for the business.

(a) Description of segments

The consolidated entity is organised on an international basis into the following reporting segments:

Tissue
This segment manufactures and markets personal toilet paper, paper towel, facial tissue, napkins and other tableware products within Australia, New Zealand and Fiji.

Personal Care
This segment manufactures and markets personal hygiene products and diapers within Australia, New Zealand and Fiji.

(b) Segment information provided to senior management

The segment information provided to senior management for the reportable segments for the year ended 31 December 2014 is as follows:

Consolidated entity Year ended 31 December 2014	Tissue $'000	Personal Care $'000	Total $'000
Pro Forma revenue from external customers	**431,337**	**198,549**	**629,886**
Pro Forma EBITDA	**70,822**	**69,992**	**140,814**
Total segment assets	**552,710**	**220,711**	**773,421**
Total segment liabilities	**69,586**	**25,573**	**95,159**

The segment information provided to senior management for the reportable segments for the year ended 31 December 2013 is as follows:

Consolidated entity Year ended 31 December 2013	Tissue $'000	Personal Care $'000	Total $'000
Pro Forma revenue from external customers	440,200	184,900	625,100
Pro Forma EBITDA	61,000	63,600	124,600
Total segment assets	537,873	215,110	752,983
Total segment liabilities	104,450	24,030	128,480

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(c) Other segment information

(i) Segment revenue
Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties reported to senior management is measured in a manner consistent with that in the consolidated income statement.

Segment revenue reconciles to total revenue from continuing operations as follows:

	Consolidated entity	
	31 December 2014 $'000	31 December 2013 $'000
Pro Forma segment revenue	**629,886**	625,100
Interest Revenue	**436**	1,444
Other revenue	**-**	(781)
Total revenue from continuing operations (Note 7.5.5)	**630,322**	625,763

The entity is domiciled in Australia. The amount of its revenue from external customers in Australia is $450.2 million, (2013: $459 million), in New Zealand $162.8 million (2013:$151.5 million) and in other countries is $16.9 million (2013: $14.6 million). Segment revenues are allocated based on the country in which the customer is located.

Revenues of $270.2 million (2013: $284.6 million) are derived from the Group's three most significant external customers. These revenues are attributable to the Tissue and Personal Care segments.

(ii) Pro Forma EBITDA
The senior management assesses the performance of the operating segments based on a measure of Pro Forma EBITDA. This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs, IPO expenses and adjustments, finance charges, cash and equity-settled share-based payments, and realised gains/(losses) on financial instruments. Interest income and expenditure are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group.

A reconciliation of Pro Forma EBITDA to operating profit before income tax is provided as follows:

	Consolidated entity	
	31 December 2014 $'000	31 December 2013 $'000
Pro Forma EBITDA	**140,814**	124,600
Finance costs	**(58,700)**	(45,215)
Interest received	**436**	1,444
Depreciation	**(24,926)**	(24,234)
Share based payment expense including employment on-costs	**(28,170)**	(17,894)
IPO expenses and adjustments	**(22,794)**	-
Restructuring costs	**(7,716)**	(15,813)
Net gain on disposal of property, plant and equipment	**2,710**	-
Foreign exchange impact on pre IPO New Zealand entity debt	**620**	12,513
Other	**461**	(2,244)
Joint venture management fee	**(2,044)**	(4,088)
Intercompany rebates*	**1,451**	2,900
Profit before income tax from continuing operations	**2,142**	31,969

* Intercompany rebates are included in cost of sales on the face of the income statement.

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(iii) Segment assets
The amounts provided to senior management with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

Reportable segments' assets are reconciled to total assets as follows:

Segment assets

The total of non-current assets other than financial instruments and deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts) located in Australia is $419.3 million (2013: $397.7 million), in New Zealand $133.2 million (2013: $124.0 million) and located in other countries is $3.8 million (2013: $3.4 million). Segment assets are allocated to countries based on where the assets are located.

(iv) Segment liabilities
Reportable segments' liabilities are reconciled to total liabilities as follows:

	Consolidated entity Year ended	
	31 December 2014 $'000	31 December 2013 $'000
Segment liabilities	**95,159**	128,480
Unallocated:		
Current tax liabilities	**1,500**	37
Accrued interest on borrowings - current	**4,796**	-
GST payable - current	**3,961**	5,755
Deferred tax liabilities	**10,526**	20,600
Borrowings - non current	**269,646**	250,377
Convertible redeemable preference shares - non current	**-**	165,116
Cash-settled share based payments - non current	**-**	17,245
Total liabilities as per the consolidated balance sheet	**385,588**	587,610

7.5.5 Revenue

	Consolidated entity	
	31 December 2014 $'000	31 December 2013 $'000
From continuing operations		
Sales revenue		
Sale of goods	**629,886**	624,319
Other Revenue		
Interest received	**436**	1,444
	630,322	625,763

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7.5.6 Other income

		Consolidated entity	
	Note	**31 December 2014 $'000**	31 December 2013 $'000
Net gain on disposal of property, plant and equipment	7.5.4	**2,710**	-
Foreign exchange impact on pre IPO New Zealand entity debt	7.5.4	**620**	12,513
Other foreign exchange loss		**(864)**	(1,111)
Government grants		**410**	-
Other		**164**	-
		3,040	11,402

7.5.7 Expenses

	Consolidated entity	
	31 December 2014 $'000	31 December 2013 $'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Depreciation of property, plant and equipment	**24,926**	24,234
Finance costs		
Interest and finance charges paid/payable for financial liabilities not at fair value through profit or loss	**20,589**	15,120
Interest on convertible redeemable preference shares	**4,274**	21,537
Debt establishment cost amortisation	**26,852**	4,070
Close out of interest rate swaps	**5,391**	-
Facility fees	**1,594**	4,488
Total finance costs	**58,700**	45,215
Significant operating expenses		
Operating lease rental	**16,273**	14,204
Superannuation expense	**7,239**	7,479
Significant other expenses		
Share based payments including employment on-costs	**28,170**	17,864
IPO Expenses	**21,752**	-
Restructure costs	**7,716**	15,813
Joint venture management fee	**2,044**	4,088

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7.5.8 Income tax expense

(a) Income tax expense/(benefit)

	Note	Consolidated entity 31 December 2014 $'000	31 December 2013 $'000
Current tax		**4,413**	(3,720)
Deferred tax		**(5,270)**	13,171
Adjustments for current tax of prior periods		**14**	(538)
Income tax expense / (benefit)		**(843)**	8,913

(b) Numerical reconciliation of income tax expense to prima facie tax payable

Profit from continuing operations before income tax expense		**2,143**	31,969
Tax at the Australian tax rate of 30.0% (2013 - 30.0%)		**643**	9,591
Tax effect of amounts which are not deductible (taxable)			
in calculating taxable income:			
Research and development tax concession		**-**	(454)
Non-taxable capital profit on sale of fixed assets		**(813)**	-
Sundry items		**53**	1,090
		(117)	10,227
Difference in overseas tax rates		**(740)**	(776)
Adjustments for current tax of prior periods		**14**	(538)
Income tax expense / (benefit)		**(843)**	8,913

(c) Amounts recognised directly in equity

Aggregate deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited to equity:			
Net deferred tax – debited directly to equity	7.5.18, 7.5.20(b)	**7,986**	559

(d) Tax expense (income) relating to items of other comprehensive income

Cash flow hedges	7.5.21(a)	**2,288**	1,790
Foreign currency translation	7.5.21(a)	**894**	-
		3,182	1,790

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7.5.9 Current assets - Trade and other receivables

	Consolidated entity Year ended	
	31 December 2014 $'000	31 December 2013 $'000
Trade receivables	**32,946**	25,782
Provision for impairment of receivables (a)	**(6)**	(3)
	32,940	25,779
Related party receivable	**-**	2,900
Other receivables (c)	**491**	9
Prepayments	**2,053**	1,337
	35,484	30,025

(a) Impaired trade receivables

At 31 December 2014, the amount of provision for doubtful debts was $6,100 (2013: $2,689) relating to debts overdue and in dispute within Asaleo Care Fiji Limited.

The creation and release of the provision for impaired receivables has been included in 'other expenses' in profit or loss. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

(b) Past due but not impaired

As at 31 December 2014, trade receivables of $8.7 million were past due but not impaired (2013: $6.5 million). These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Consolidated entity Year ended	
	31 December 2014 $'000	31 December 2013 $'000
30 days	**6,903**	5,364
60 days	**879**	581
90 days	**384**	173
Greater than 90 days	**526**	345
	8,692	6,463

(c) Other receivables

These amounts generally arise from transactions outside the usual operating activities of the Group. Interest may be charged at commercial rates where the terms of repayment exceed six months. Collateral is not normally obtained.

(d) Foreign exchange and interest rate risk

Information about the Group's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in Note 7.5.2.

(e) Fair value of trade and other receivables

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

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7.5.10 Current assets - Inventories

	Consolidated entity Year ended	
	31 December 2014 $'000	31 December 2013 $'000
Raw materials and stores	**39,829**	33,471
Work in progress	**19,792**	12,833
Finished goods	**79,615**	87,083
	139,236	133,387

Inventories for the current and comparative period are stated net of provision for obsolescence.

(a) Inventory expense

Inventories recognised as expense during the year ended 31 December 2014 amounted to $360.4 million (2013: $360.0 million). These were included in cost of sales.

Write-downs of inventories to net-realisable value amounted to $1.6 million (2013: $4.3 million). These were recognised as an expense during the year ended 31 December 2014 and included in 'cost of sales' in profit or loss.

7.5.11 Derivative financial instruments

	Consolidated entity Year ended	
	31 December 2014 $'000	31 December 2013 $'000
Current assets		
Forward foreign exchange contracts - cash flow hedges	**7,009**	5,135
Total current derivative financial instrument assets	**7,009**	5,135
Current liabilities		
Interest rate swap contracts - cash flow hedges	**-**	1,954
Forward foreign exchange contracts - cash flow hedges	**753**	1,172
Total current derivative financial instrument liabilities	**753**	3,126
Non-current liabilities		
Interest rate swap contracts - cash flow hedges	**-**	3,908
Total non-current derivative financial instrument liabilities	**-**	3,908
	6,256	(1,899)
Movements:		
Opening balance	**(1,899)**	(9,168)
Charged/credited:		
- profit or loss	**430**	1,334
- to other comprehensive income	**7,725**	5,935
	6,256	(1,899)

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(a) Instruments used by the Group

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates in accordance with the Group financial risk management policies (refer to Note 7.5.2).

(i) Interest rate swap contracts - cash flow hedges

On refinancing of the Group on 30 June 2014 existing interest rate swaps were closed out.

Bank loans of the Group currently bear an average variable interest rate of 4.4% (2013: 5.9%). It is policy to protect between 50% and 75% of the loans from exposure to fluctuations in interest rates (2013: policy was to protect a minimum 75% of the loans). Accordingly, the Group has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates from February 2015.

Swaps currently in place from February 2015 will cover approximately 75% (2013: 77%) of the variable loan principal outstanding and have a tenure of no longer than 12 months in accordance with Group policy. The fixed interest rates for 2014 prior to close out of swaps ranged between 7.14% and 7.13% (2013: 7.13% and 7.92%) and the variable rates are between 1.35% and 3.43% above the 90 day bank bill rate which at the end of the reporting period was 2.77% (2013: 2.65%).

The contracts require settlement of net interest receivable or payable monthly. The settlement dates coincide with the dates on which interest is payable on the underlying debt. The contracts are settled on a net basis.

The gain or loss from remeasuring the hedging instruments at fair value is recognised in other comprehensive income and deferred in equity in the hedging reserve, to the extent that the hedge is effective. It is reclassified into profit or loss when the hedged interest expense is recognised. In the year ended 31 December 2014 a loss of $7.1 million was reclassified into profit or loss (2013: loss of $3.1 million) and included in finance costs.

(ii) Forward exchange contracts - cash flow hedges

The Group use materials purchased from the United States, Canada, Chile, New Zealand and Europe. In order to protect against exchange rate movements, the Group has entered into forward exchange contracts to purchase US dollars, Euros and Canadian dollars.

These contracts are hedging highly probable forecasted purchases for the ensuing financial year. The contracts are timed to mature when payments for major shipments of component parts are scheduled to be made.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income. It is reclassified into profit or loss when the hedged item is recognised.

During the year ended 31 December 2014, a net loss of $1.2 million (2013: net gain of $1.7 million) was recognised in the profit or loss.

7.5.12 Non-current assets - Held for sale

There were no assets held for sale at 31 December 2014. At 31 December 2013, assets held for sale comprise of Asaleo Care New Zealand Limited's land and buildings at the Hamilton site, Asaleo Care New Zealand Limited completed the sale of the Hamilton site to Proform Plastics Limited on 1 April 2014. The carrying value of the asset disposed of was $4.8 million.

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7.5.13 Non-current assets - Property, plant and equipment

	Consolidated entity Year ended 31 December 2014 $'000	Consolidated entity Year ended 31 December 2013 $'000
Freehold land		
Gross value	**34,739**	34,649
Accumulated depreciation	**-**	-
	34,739	34,649
Freehold buildings		
Gross value	**113,842**	119,117
Accumulated depreciation	**(61,231)**	(58,516)
	52,611	60,601
Plant and equipment		
Gross value	**370,228**	296,352
Accumulated depreciation	**(176,878)**	(160,796)
	193,350	135,556
Capital work in progress		
Gross value	**87,223**	111,990
Accumulated depreciation	**(1,695)**	(951)
	85,528	111,039
	366,228	341,845

Consolidated entity Year ended 31 December 2014	**Freehold land $'000**	**Buildings $'000**	**Plant and equipment $'000**	**Capital development $'000**	**Total $'000**
Opening net book amount	34,649	60,601	135,556	111,039	341,845
Exchange differences	83	493	3,840	169	4,585
Reclassification of asset class	-	(3,422)	60,980	(57,558)	-
Additions	7	368	10,927	33,422	44,724
Depreciation charge	-	(5,429)	(17,953)	(1,544)	(24,926)
Closing net book amount	34,739	52,611	193,350	85,528	366,228

Consolidated entity Year ended 31 December 2013	**Freehold land $'000**	**Buildings $'000**	**Plant and equipment $'000**	**Capital development $'000**	**Total $'000**
Opening net book amount	36,997	65,978	128,898	41,037	272,910
Exchange differences	704	2,614	4,326	5,034	12,678
Reclassification of asset class	-	(117)	18,473	(18,356)	-
Additions	-	65	1,141	84,127	85,333
Assets included in a disposal group classified as held for sale and other disposals	(3,052)	(1,790)	-	-	(4,842)
Depreciation charge	-	(6,149)	(17,282)	(803)	(24,234)
Closing net book amount	34,649	60,601	135,556	111,039	341,845

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7.5.14 Non-current assets - Intangible assets

Consolidated entity At 1 January 2013	Goodwill $'000	Patents, trademarks and other rights $'000	Total $'000
Cost	64,928	114,829	179,757
Year ended 31 December 2013			
Opening net book amount	64,928	114,829	179,757
Exchange differences	-	3,455	3,455
Closing net book amount	64,928	118,284	183,212
Cost	64,928	118,284	183,212

Consolidated entity Year ended 31 December 2014			
Opening net book amount	64,928	118,284	183,212
Exchange differences	5,856	1,017	6,873
Closing net book amount	70,784	119,301	190,085
At 31 December 2014			
Cost	70,784	119,301	190,085

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(a) Impairment tests for indefinite lived assets

For the purposes of impairment testing, goodwill acquired in a business combination is allocated to cash-generating units or groups of cash-generating units (CGUs) according to the level at which management monitors goodwill.

The Group tests whether goodwill and other intangible assets have suffered any impairment in accordance with the accounting policy stated in Note 7.5.1(h). The recoverable amount of CGUs is determined based on value-in-use calculations. These calculations require use of cash flow projections based on the 2015 financial budget approved by the board and extrapolated over a five year period. Cash flows beyond the five year period are extrapolated using the terminal growth rates stated below. These rates do not exceed the long-term average growth rates for the industry.

A CGU-level summary of the goodwill and brands allocation is presented below:

2014	Tissue Australia $'000	Personal Care Australia $'000	Tissue New Zealand $'000	Personal Care New Zealand $'000	Total $'000
Goodwill	18,991	23,212	12,862	15,719	70,784
Brands	22,800	70,800	7,433	18,268	119,301
					190,085
2013					
Goodwill	18,991	23,212	10,226	12,499	64,928
Brands	22,800	70,800	7,146	17,538	118,284
					183,212

The impairment test calculations included assumptions pertaining to growth rates from 2016 to 2019, the terminal growth rate and the pre-tax discount rates. In 2014 the intervening period growth rates for Personal Care and Tissue were 2.5% and 3% respectively (2013: 2.5% and 3% respectively), a terminal growth rate of 2.5% was assumed across all CGU's (2013: 3%). In 2014 a pre-tax discount rate of 13.2% was used (2013: a midpoint of 15.75% was used). The movement in the termination growth rate is due to management's assessment of current economic conditions. The movement in the pre-tax discount rate is due to a reduction in gearing and a reduction in the beta post IPO.

In preparing the cash flow projections, the Group has applied post-tax discount rates to discount the forecast future attributable post-tax cash flows. The equivalent pre-tax discount rates are disclosed above.

7.5.15 Current liabilities - Trade and other payables

	Consolidated entity Year ended	
	31 December 2014 $'000	31 December 2013 $'000
Trade payables	**42,653**	46,905
Accrued interest on borrowings	**4,796**	434
Amounts due to related parties	**13,028**	13,853
Accrued expenses	**13,725**	19,549
Payroll tax and other statutory liabilities	**5,066**	6,826
Other payables	**111**	-
	79,379	87,567

The carrying amounts of trade and other payables are the same as their fair values, due to their short-term nature.

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7.5.16 Current liabilities – Provisions

	Consolidated entity Year ended 31 December 2014 $'000	31 December 2013 $'000
Employee benefits	**19,719**	21,565
Restructuring costs	**700**	11,388
Other provisions	**1,628**	2,933
	22,047	35,886

(a) Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

Consolidated entity Year ended 2014	Restructuring costs $'000	Other $'000	Total $'000
Carrying amount at the start of the year	11,388	2,933	14,321
Additional provisions recognised	-	247	247
Amounts used during the year	(8,892)	(982)	(9,874)
Unused amounts reversed	(1,806)	(580)	(2,386)
Foreign exchange differences	10	10	20
Carrying amount at end of period	700	1,628	2,328

Consolidated entity Year ended 2013	Restructuring costs $'000	Other $'000	Total $'000
Carrying amount at the start of the year	3,175	2,015	5,190
Additional provisions recognised	5,562	1,186	6,748
Amounts used during the year	(8,424)	(268)	(8,692)
Transfer from non-current provisions	11,014	-	11,014
Foreign exchange differences	61	-	61
Carrying amount at end of period	11,388	2,933	14,321

(b) Amounts not expected to be settled within 12 months

The current provision for employee benefits includes annual leave, vesting sick leave and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the provision of $19.7 million (2013: $21.6 million) is presented as current, since the Group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The following amounts reflect leave that is not to be expected to be taken or paid within the next 12 months:

	Consolidated entity Year ended 31 December 2014 $'000	31 December 2013 $'000
Leave obligations expected to be settled after 12 months	**9,309**	10,177

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7.5.17 Non-current liabilities - Borrowings

	Consolidated entity Year ended	
	31 December 2014 $'000	31 December 2013 $'000
Secured		
Bank loans	-	262,299
Capitalised borrowing costs	-	(11,922)
Total secured non-current borrowings	-	250,377
Unsecured		
Bank loans	270,000	-
Capitalised borrowing costs	(354)	-
Convertible redeemable preference shares	-	125,000
Accrued interest on convertible redeemable preference shares	-	40,116
Total unsecured non-current borrowings	269,646	165,116
Total non-current borrowings	269,646	415,493

(a) Borrowings and assets pledged as security

Group members have provided an unsecured guarantee for the borrowings of the Group.

(b) Convertible redeemable preference shares

The convertible redeemable preference shares (CRPS) had a 9.5 year useful life and an associated coupon of 15% per annum. The CRPS was deemed a debt instrument and thus classified as a liability on the balance sheet. The liability for the convertible redeemable preference shares and the accrued coupon outstanding were extinguished during the year as part of the refinancing of the Group.

(c) Financial undertakings and refinancing

As at 31 December 2014, the Group was compliant with all financial undertakings of the syndicated facility agreement.

On 26 February 2014, the Company entered into a leveraged finance facility and subsequent return of capital to shareholders. Additional senior debt of $250.4 million was taken up as long-term borrowings. Consequently, borrowing costs of $11.2 million which had previously been capitalised and amortised over the life of the finance facility were written off as they related to the debt facility which was no longer in existence. A $250.8 million return of capital was paid to shareholders on the same date, split between ordinary and preference share holdings in proportion to their relevant shareholding. Upon the Capital Return the $125 million Preference Share liability was extinguished, with the accrued coupon outstanding.

On 23 April 2014, the Company and other members of the Group executed a new facility agreement for the provision of three and five year revolving facilities. Consequently, borrowing costs of $15.3 million which had previously been capitalised and amortised since February 2014 were written off as they related to the debt facility which was no longer in existence. On 30 June 2014, funding provided under the facility agreement for the New Banking facilities for $315 million (together with certain proceeds from the issue of new shares under the offer) were utilised to fully repay existing debt and certain other obligations. Upon repayment of the existing financing, the associated guarantees and security were discharged. Borrowing costs which had previously been capitalised and amortised over the life of the finance facility relating to the 26 February 2014 refinancing were written off as they related to the debt facility which was no longer in existence.

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7.5.18 Non-current liabilities - Deferred tax liabilities

	Consolidated entity Year ended 31 December 2014 $'000	31 December 2013 $'000
The balance comprises temporary differences attributable to:		
Property, plant and equipment	**12,818**	11,920
Employee benefits	**(6,231)**	(6,871)
Redundancy provision	**(349)**	(2,332)
Black hole expenditure	**(12,355)**	(3,490)
Tax losses	**(9,273)**	(1,672)
Research and development expenditure	**(8,995)**	(3,268)
	(24,385)	(5,713)
Other		
Intangible assets	**35,276**	34,991
Inventories	**(1,735)**	1,121
Cash flow hedges	**1,170**	(718)
Other	**200**	(9,081)
Net deferred tax liabilities	**10,526**	20,600
Deferred tax liabilities expected to be settled within 12 months	**(27,061)**	(19,447)
Deferred tax liabilities expected to be settled after more than 12 months	**37,587**	40,047
	10,526	20,600
Movements:		
Opening balance	**20,600**	9,778
Charged/credited:		
- profit or loss	**(5,270)**	13,171
- to other comprehensive income	**3,182**	(1,790)
- directly to equity	**(7,986)**	(559)
	10,526	20,600

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7.5.19 Non-current liabilities - Provisions

	Consolidated entity Year ended	
	31 December 2014 $'000	31 December 2013 $'000
Employee benefits	**904**	832
Other provisions	**833**	2,916
	1,737	3,748

(a) Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

Consolidated entity Year ended 31 December 2014	**Other $'000**	**Total $'000**
Carrying amount at start of year	2,916	2,916
Foreign exchange difference	32	32
Unused amounts reversed	(2,115)	(2,115)
Carrying amount at end of period	833	833

Consolidated entity Year ended 31 December 2013	**Restructuring obligations $'000**	**Other $'000**	**Total $'000**
Carrying amount at start of year	11,014	-	11,014
Additional provisions recognised	-	2,916	2,916
Transfer to current provisions	(11,014)	-	(11,014)
Carrying amount at end of period	-	2,916	2,916

During 2014 management re-estimated the onerous lease provision on two of its distribution warehouses. The re-estimation was based on the ability and probability of the company to sublet the facility to third parties. The partial release of the provision had the effect of $2.7 million being booked to the consolidated statement of comprehensive income.

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7.5.20 Contributed equity

(a) Share capital

	Notes	31 December 2014 Shares	31 December 2013 Shares	31 December 2014 $'000	31 December 2013 $'000
		Consolidated entity Year ended			
Ordinary shares					
Ordinary shares - fully paid	7.5.20(b)	**603,469,434**	210,000,000	**360,405**	173,292

(b) Movements in ordinary share capital

Date	Details	Number of shares	Issue price	$'000
1 January 2013	Opening balance	210,000,000	–	224,596
30 July 2013	Return of Capital	–		(50,000)
	Transaction costs on share issue	–	–	–
	Transaction costs on return of capital	–	–	(1,862)
	Deferred tax credit directly in equity	–	–	558
	Closing balance	**210,000,000**	**-**	**173,292**
1 January 2014	Opening balance	210,000,000	–	173,292
26 February 2014	Return of capital[1]	–	–	(142,417)
	Return of capital preference shares[1]	–	–	16,667
27 June 2014	Share split[2]	182,792,055	–	–
30 June 2014	Shares issued[3]	201,031,624	$1.65	331,702
30 June 2014	New shares issues MIP[4]	9,235,391	–	–
20 August 2014	Australian employee award issue[5]	262,314	$1.88	494
25 August 2014	New Zealand employee award issue[6]	148,050	$1.90	281
		603,469,434		380,019
	Transaction costs on share issue	–	–	(22,264)
	Transaction costs on return of capital	–	–	(5,336)
	Deferred tax credit directly in equity	–	–	7,986
	Closing balance	**603,469,434**	**-**	**360,405**

1 On 26th of February 2014, the company undertook a selective capital reduction under the *Corporations Act 2001*. A $250.8 million return of capital was paid to shareholders on the same date, split between ordinary and preference share holdings in proportion to their relevant shareholding. Upon the Capital Return the $142.4 million was returned to ordinary shareholders with the balance of $108.4 million returned to preference shareholders. In conjunction with the capital return the terms of the preference shares were changed with the agreement of the shareholders to allow the $16.6 million previously returned to be debited to the preference share liability thus extinguishing the total liability of $125 million for the preference share, while leaving the accrued coupon outstanding.
2 On 27th of June 2014, all existing shares were split. This did not change the ownership percentage for the existing shareholders.
3 On 30th of June 2014, the company completed an initial public offering of its shares. Under the offering an amount of $331.7million was raised. Funds raised were used to pay down existing debt and pay for transaction costs.
4 On 30th of June 2014, shares were issued to participants of the management incentive plan (MIP). Under the MIP participants were entitled to receive shares in the company on crystallization of the initial public offering.
5 On 20th of August 2014, the company issued shares to all eligible Australian employees who were entitled to participate in the employee award offer as detailed in the Asaleo Care Limited Prospectus.
6 On 25th of August 2014, the company issued shares to all eligible New Zealand employees who were entitled to participate in the employee award offer as detailed in the Asaleo Care Limited Prospectus.

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7.5.21 Other reserves and accumulated losses

(a) Other reserves

	Consolidated entity Year ended 31 December 2014 $'000	Consolidated entity Year ended 31 December 2013 $'000
Cash flow hedges	**3,727**	(1,710)
Share-based payments	**15,861**	624
Foreign currency translation	**22,058**	10,371
	41,646	9,285

	Notes	Consolidated entity Year ended 31 December 2014 $'000	Consolidated entity Year ended 31 December 2013 $'000
Movements:			
Cash flow hedges			
Opening balance		**(1,710)**	(5,855)
Revaluation - gross	7.5.11	**7,725**	5,935
Deferred tax	7.5.18	**(2,288)**	(1,790)
Balance 31 December		**3,727**	(1,710)

	Notes	Consolidated entity Year ended 31 December 2014 $'000	Consolidated entity Year ended 31 December 2013 $'000
Share-based payments			
Opening balance		**624**	-
Share plan expense	7.5.32	**15,237**	624
Balance 31 December		**15,861**	624
Foreign currency translation			
Opening balance		**10,371**	2,043
Currency translation differences arising during the year		**12,581**	8,328
Deferred tax	7.5.18	**(894)**	-
Balance 31 December		**22,058**	10,371

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(b) Accumulated losses

Movements in accumulated losses were as follows:

	Consolidated entity Year ended	
	31 December 2014 $'000	31 December 2013 $'000
Balance 1 January	**(17,204)**	(40,260)
Net profit for the period	**2,986**	23,056
Balance 31 December	**(14,218)**	(17,204)

(c) Nature and purpose of other reserves

(i) Cash flow hedges
The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised in other comprehensive income, as described in Note 7.5.1(m). Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or loss.

(ii) Foreign currency translation
Exchange differences arising on translation of the foreign controlled entities are recognised in other comprehensive income as described in Note 7.5.1(d) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

7.5.22 Dividends

Dividends not recognised at the end of the reporting period

Since period end the Directors have recommended the payment of a final dividend of 5.4 cents per fully paid ordinary share, the dividend will be unfranked as the Group does not currently have any Australian franking credits available to frank the distribution. The aggregate amount of the proposed dividend expected to be paid on 26 March 2015 out of the dividend appropriation reserve at 31 December 2014, but not recognised as a liability at period end, is $32.587 million.

7. Financial Statements

7.5.23 Key Management Personnel disclosures

Key Management Personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity. The following Directors, and other Key Management Personnel were considered KMP for the entire period unless otherwise stated:

Non-Executive Directors

Harry Boon	Appointed on 30 May 2014
Sue Morphett	Appointed on 30 May 2014
JoAnne Stephenson	Appointed on 30 May 2014
Mats Berencreutz	Appointed on 14 March 2014
Nils Lindholm	Appointed as alternate Director for Jan Persson on 14 March 2014 and became a Director on 30 May 2014
Mikael Schmidt	Appointed as alternate Director for Mats Berencreutz on 14 March 2014 and ceased on 30 May 2014
Bernhard Riede	Ceased as Director on 14 March 2014
Cameron Blanks	Ceased as Director on 30 May 2014
Antony Duthie	Ceased as Director on 30 May 2014
Jan Persson	Ceased as Director on 30 May 2014

Executive Directors

Peter Diplaris	Chief Executive Officer

Other Key Management Personnel

Paul Townsend	Chief Financial Officer
Scott Pannell	Executive General Manager Consumer Tissue
Andrew Phillips	Executive General Manager Personal Care
Sid Takla	Executive General Manager Professional Hygiene
Willie Wiese	Chief Operations Officer (KMP from 1 January 2014)

Willie Wiese has been assessed as a KMP in 2014. This assessment is a change from FY2013. Given that Asaleo Care is now listed, it is now deemed that Willie's role and responsibility is at a level consistent with other KMP.

(a) Key Management Personnel compensation

	Consolidated entity	
	31 December 2014 $	31 December 2013 $
Short-term employee benefits	**2,527,559**	3,243,853
Post-employment benefits	**201,394**	119,596
Share-based payments	**25,657,831**	14,535,686
	28,386,784	17,899,135

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(b) Loans from Key Management Personnel

Details of loans made from Directors and other Key Management Personnel of the Group are set out below:

	Consolidated entity Year ended	
	31 December 2014 $	31 December 2013 $
Loans from key Management Personnel		
Beginning of the year	**876**	876
Loan repayments received	**(876)**	–
End of year	**-**	876

All loans represent convertible redeemable preference shares (CRPS) and have a 9.5 year useful life and an associated coupon of 15% per annum. All convertible redeemable preference shares are repayable or redeemable at the earlier of a shareholder exit event or 9.5 years from 4 January 2012.

7.5.24 Remuneration of auditors

(a) PricewaterhouseCoopers Australia

	Consolidated entity	
	2014 $	2013 $
Audit and other assurance services		
Audit and review of financial statements	**577,130**	398,525
Other assurance services*	**1,145,963**	39,000
Total remuneration for audit and other assurance services	**1,723,093**	437,525
Taxation services		
Tax compliance services and review of company income tax returns	**68,289**	153,600
Tax consulting services and advice*	**1,434,226**	681,784
Total remuneration for taxation services	**1,502,515**	835,384
Other services		
Consulting services	**46,275**	384,600
Total remuneration for other services	**46,275**	384,600
Total remuneration of PricewaterhouseCoopers Australia	**3,271,883**	1,657,509

* 2014 contains IPO related expenses.

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(b) Network firms of PricewaterhouseCoopers Australia

	Consolidated entity	
	2014	2013
	$	$
Audit and other assurance services		
Audit and review of financial statements	**10,682**	10,436
Other assurance services		
Audit of regulatory returns	**4,066**	641
Total remuneration for audit and other assurance services	**14,748**	11,077
Taxation services		
Tax compliance services and review of company income tax returns	**34,935**	12,425
Tax consulting services and advice	**1,932**	–
Total remuneration for other services	**36,867**	12,425
Total remuneration of network firms of PricewaterhouseCoopers Australia	**51,615**	23,502
Total auditors' remuneration	**3,323,498**	1,681,011

7.5.25 Contingencies

The Group had no contingent liabilities at 31 December 2014 (2013: nil).

7.5.26 Commitments

(a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	Consolidated entity Year ended	
	31 December 2014 $'000	31 December 2013 $'000
Property, plant and equipment	**5,150**	14,532

(b) Lease commitments: group as lessee

(i) Non-cancellable operating leases

	Consolidated entity Year ended	
	31 December 2014 $'000	31 December 2013 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**15,351**	13,058
Later than one year but not later than five years	**35,169**	34,305
Later than five years	**5,540**	8,064
	56,060	55,427

7. Financial Statements

7.5.27 Related party transactions

(a) Parent entities

The parent entity of the Group is Asaleo Care Limited. On 27th June 2014 the company listed on the Australian Stock Exchange. Up until this point the Company was, jointly owned by SCA Group Holding BV (50%) and PEP* (50%). After the listing, PEP* owned (0%) while SCA Group Holding BV owns (33%).

***The entities collectively referred to as PEP are as follows:**

- Pacific Equity partners Fund IV GP (Jersey) Limited
- Pacific Equity Partners Fund IV (Australasia) Pty Ltd
- Eagle Co-Investment Pty Ltd
- PEPSCA Employee Pty Ltd, as trustee for the PEPSCA Employee Unit Trust (Trustee)
- PEP Investment Pty Ltd

(b) Subsidiaries

Interests in subsidiaries are set out in Note 7.5.28.

(c) Key Management Personnel

Disclosures relating to Key Management Personnel are set out in Note 7.5.23.

(d) Key Management Personnel

Transactions with other related parties:

	Consolidated entity	
	31 December 2014 $'000	31 December 2013 $'000
Purchases of goods		
Purchases of materials and goods from other related parties	**51,506**	35,104
Sale of goods		
Sale of materials and goods to other related parties	**2,465**	2,346
Other transactions		
Intercompany rebate income - Svenska Cellulosa Aktiebolaget AB	**1,451**	2,900
Management Fees - PEP Advisory IV Pty Ltd	**1,022**	2,044
Management Fees - Svenska Cellulosa Aktiebolaget AB	**1,022**	2,044
Royalties - SCA Hygiene Products AB	**5,900**	5,750
Other services - PEP Advisory IV Pty Ltd	**9,333**	170
Other services - Pacific Equity Partners Pty Ltd	**55**	139
Other services - Svenska Cullulosa Aktiebolaget AB	**9,357**	-

During 2014 and 2013 the company undertook two selective capital reductions under the *Corporations Act 2001* which resulted in payments to related parties for further details on the capital reductions see Note 7.5.20.

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(e) Outstanding balances

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	Consolidated entity Year ended	
	31 December 2014 $'000	31 December 2013 $'000
Current receivables and payables (sales / purchases of goods)		
Payable to related parties	**13,028**	13,853
Receivable from related parties	-	2,900

(f) Loans from related parties

	Consolidated entity Year ended	
	31 December 2014 $'000	31 December 2013 $'000
Loans from associates		
Beginning of the year	**–**	4,000,000
Loans repayments made	**–**	(4,000,000)
End of period	**–**	–

(g) Terms and conditions

Transactions relating to the issue of 125.0 million convertible redeemable preference shares (CRPS) in Asaleo Care Limited at $1, to the PEP group of companies, had a 9.5 year life and an associated coupon of 15% per annum. The CRPS was deemed a debt interest and classified as a liability on the balance sheet. All convertible redeemable preference shares were repayable or redeemable at the earlier of a shareholder exit event or 9.5 years from 4 January 2012. On 26 February 2014 a selective capital reduction was made which included repayment of preference shares on issue. On 27th of June a shareholder exit event occurred which triggered repayment of all outstanding interest and cancellation of the preference shares.

All other transactions were made at normal commercial terms and conditions and at market rates.

7. Financial Statements

7.5.28 Subsidiaries and transactions with non-controlling interests

(a) Significant investments in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following principal subsidiaries in accordance with the accounting policy described in Note 7.5.1(b):

		Asaleo Care's interest	
Name of entity	**Country of incorporation**	**2014 %**	2013 %
*AHACS Pty Ltd**	Australia	**100**	100
Asaleo Holdings Australia Pty Ltd*	Australia	**100**	100
Australasia Health Services Pty Ltd	Australia	**100**	100
Asaleo Tissue Australia Pty Ltd*	Australia	**100**	100
Asaleo Care Australia Pty Ltd*	Australia	**100**	100
Asaleo Personal Care Holdings Pty Ltd*	Australia	**100**	100
Asaleo Personal Care Pty Ltd*	Australia	**100**	100
Asaleo Holdings Fiji Limited	Fiji	**100**	100
Asaleo Care Fiji Limited	Fiji	**100**	100
Asaleo Care Limited (NZ)	New Zealand	**100**	100
Asaleo Holdings New Zealand Limited	New Zealand	**100**	100
Asaleo Care New Zealand Limited	New Zealand	**100**	100

* These subsidiaries have entered into an approved deed for the cross guarantee of debts, refer Note 7.5.29.

7.5.29 Deed of cross guarantee

Asaleo Care Limited, AHACS Pty Ltd, Asaleo Holdings Australia Pty Ltd, Australasian Health Services Pty Ltd, Asaleo Tissue Australia Pty Ltd, Asaleo Care Australia Pty Ltd, Asaleo Personal Care (Holdings) Pty Ltd and Asaleo Personal Care 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.

7. Financial Statements

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

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 Asaleo Care Limited they also represent the 'extended closed group'.

On 27th October 2014 Asaleo Care Limited, AHACS Pty Ltd, Asaleo Holdings Australia Pty Ltd, Australasian Health Services Pty Ltd, Asaleo Tissue Australia Pty Ltd, Asaleo Care Australia Pty Ltd, Asaleo Personal Care (Holdings) Pty Ltd and Asaleo Personal Care Pty Ltd entered into a deed of cross guarantee and the previous deed of cross guarantee between AHACS Pty Ltd, SCA Hygiene Australia Pty Ltd, SCA Tissue Pty Ltd, SCA Hygiene Australasia Pty Ltd, Sancella (Holdings) Pty Ltd and Sancella Pty Ltd was revoked and therefore no comparative disclosures required.

Set out below is a consolidated income statement, a consolidated statement of comprehensive income and a summary of movements in consolidated retained earnings for the year ended 31 December 2014 of the closed Group consisting of Asaleo Care Limited, AHACS Pty Ltd, Asaleo Holdings Australia Pty Ltd, Australasian Health Services Pty Ltd, Asaleo Tissue Australia Pty Ltd, Asaleo Care Australia Pty Ltd, Asaleo Personal Care (Holdings) Pty Ltd and Asaleo Personal Care Pty Ltd.:

	31 December 2014 $'000	31 December 2013 $'000
Consolidated income statement		
Revenue from operations	**469,628**	–
Other revenue from ordinary activities	**10,754**	–
Other income	**8,483**	–
Cost of sales of goods	**(281,847)**	–
Distribution	**(55,592)**	–
Sales and marketing	**(32,242)**	–
Administration	**(23,422)**	–
Other	**(56,109)**	–
Finance costs	**(52,899)**	–
Loss before income tax	**(13,246)**	–
Income tax benefit	**7,195**	–
Loss for the period	**(6,051)**	–
Other comprehensive loss		
Loss for the period	**(6,051)**	–
Items that may be reclassified to profit or loss		
Changes in the fair value of cash flow hedges	**5,461**	–
Items that will not be reclassified to profit or loss		
Income tax relating to these items	**(1,638)**	–
Other comprehensive income for the period, net of tax	**3,823**	–
Total comprehensive loss for the period	**(2,228)**	–

	31 December 2014 $'000	31 December 2013 $'000
Summary of movements in consolidated accumulated loses		
Accumulated losses at the beginning of the financial year	**(32,328)**	–
Loss for the year	**(6,051)**	–
Accumulated losses at the end of the financial year	**(38,379)**	–

7. Financial Statements

(b) Consolidated balance sheet

Set out below is a consolidated balance sheet as at 31 December 2014 of the closed Group consisting of Asaleo Care Limited:

	31 December 2014 $'000	31 December 2013 $'000
Current assets		
Cash and cash equivalents	**11,179**	–
Trade and other receivables	**128,703**	–
Inventories	**88,495**	–
Derivatives financial instruments	**5,432**	–
Total current assets	**233,809**	–
Non-current assets		
Other financial assets	**10,126**	–
Property, plant and equipment	**254,886**	–
Intangible assets	**200,656**	–
Total non-current assets	**465,668**	–
Total assets	**699,477**	–
Current liabilities		
Trade and other payables	**62,778**	–
Borrowings	**6,368**	–
Derivative financial instruments	**403**	–
Provisions	**16,427**	–
Total current liabilities	**85,976**	–
Non-current liabilities		
Borrowings	**269,646**	–
Deferred tax liabilities	**2,097**	–
Provisions	**837**	–
Total non-current liabilities	**272,580**	–
Total liabilities	**358,556**	–
Net assets	**340,921**	–
Equity		
Contributed equity	**360,405**	–
Other reserves	**18,895**	–
Accumulated loses	**(38,379)**	–
Total equity	**340,921**	–

7. Financial Statements

7.5.30 Events occurring after the reporting period

There were no subsequent events after the reporting period occurred.

7.5.31 Reconciliation of profit after income tax to net cash inflow from operating activities

	31 December 2014 $'000	31 December 2013 $'000
Profit for the period	**2,986**	23,056
Depreciation and amortisation	**24,926**	24,234
Change in operating assets and liabilities:		
(Increase) / decrease in tax balances	**(8,611)**	10,853
(Increase) in trade debtors and other receivables	**(4,775)**	(541)
(Increase) in inventories	**(5,850)**	(10,120)
Increase in trade creditors and other provisions	**28,980**	55,646
Net cash inflow from operating activities	**37,656**	103,128

7.5.32 Share-based payments

(a) Long Term Management Incentive Plan (MIP)

Participating Executives were issued units in a private-equity-styled long term incentive plan. The MIP Plan was implemented 12 months following the establishment of Asaleo Care Limited and is driven by the price obtained on exit, and Internal Rate of Return and Multiple of money performance hurdles.

The MIP was established to provide incentives to attract, retain and motivate eligible staff whose present and potential contributions are considered important to the success of the Company by offering them an opportunity to participate in the Company's future performance through cash bonuses awarded under the MIP upon an Exit Event by the PEP investors.

2014
On 27th of June 2014 the PEP investors disposed of all of their shareholdings in the Company through an IPO, hence triggering an exit event. The exit event crystalized the requirements under the MIP with payments being made to MIP participants. The amount of the cash payments was calculated with reference to the final price generated from the IPO being $1.65.

During the period, participants in the (MIP) agreed with Asaleo Care Limited to deal with the cash payments made on an exit event as follows: a third of the aggregate post-tax cash payment will be paid to participants at the time of exit event without restriction, the remaining two-thirds of the aggregate post-tax cash payment will be applied to acquire shares in the Company. 50% of the shares acquired will be held in escrow for a period of 12 months and the remaining 50% held in escrow for 24 months. The participants have agreed to the buy-back or directed transfer of the shares subject to the escrow period for nil consideration if they resign or their employment is terminated for serious misconduct unless otherwise determined by the Board in specific circumstances.

2013
The assessed fair value of the MIP entitlements granted during the year ended 31 December 2013 was $1.21 per entitlement. The fair value at grant date is independently determined using an expected returns approach that takes into account the exercise price, the expected term of the right, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the right. Under the plan, the rights will vest upon an exit event and participants must maintain their service period until such time as an exit event occurs. The Board retains sole discretion to determine if a MIP participant is entitled to the rights under extenuating circumstances relating to a shorter service period.

The MIP is a cash-settled plan which is fair valued at each reporting date with a corresponding adjustment to the liability. The following are the inputs to the model for MIP entitlements granted during the year ended 31 December 2014. In addition, participants earn additional qualifying MIP Entitlements on a progressive scale based on the ultimate multiple of money and investor rate of return generated on an exit event. The model is sensitive to movements in the inputs.

(i) Rights are granted for no consideration and vest upon an exit event

(ii) Grant date: 31 January 2013

(iii) Share price at grant date: $1.07

(iv) Risk free interest rate: 4.2%

(v) Exit multiple: consistent with selected peers EBITDA multiple

The share based payment is generated from the difference between the application price and the fair value of the ordinary shares.

7. Financial Statements

(b) Employee Award Offer

As part of the IPO offering all eligible employees were entitled to participate in the Employee Award Offer. The Employee Award Offer gave employees the opportunity to apply for $1,000 worth of shares. No consideration was payable by Australian employees to the Company. New Zealand employees were required to pay NZ$1 in consideration for the shares. The Employee Award Offer was funded by the company.

On 25th August 2014 a total of 262,314 shares were issued at a weighted average price of $1.88 to all eligible Australian employees. On 22nd August 2014 a total of 148,050 shares were issued at a weighted average price of $1.90 to all eligible New Zealand employees.

(c) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period was $26,255,274. $775,349 of this amount relates to the employee award offer and $25,479,925 to the management incentive plan.

7.5.33 Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. The calculation of earnings per share was based on the information as follows:

(a) Basic earnings per share

	Consolidated entity	
	31 December 2014 Cents	31 December 2013 Cents
From continuing operations attributable to the ordinary equity holders of the company	**0.6**	5.9

(b) Weighted average number of shares used as denominator

	Consolidated entity	
	2014 Number	2013 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**500,667,426**	392,792,055

The cumulative redeemable preference shares are not ordinary or potential ordinary shares and have not been included in the determination of basic and diluted earnings per share. These shares are classified as liabilities, see Note 7.5.17.

The diluted share impact has not been disclosed as there is no dilution impact. The 2013 comparative has been restated to take into consideration the share split that occurred during 2014.

7. Financial Statements

7.5.34 Parent entity financial information

(a) Summary financial information

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

	31 December 2014 $'000	31 December 2013 $'000
Balance sheet		
Current assets	**204,186**	5,431
Non-current assets	**170,680**	371,608
Total assets	**374,866**	377,039
Current liabilities	**1,444**	7,972
Non-current liabilities	**-**	182,361
Total liabilities	**1,444**	190,333
Net assets	**373,422**	186,706
Shareholders' equity		
Issued capital	**360,405**	173,292
Share-based payments reserve	**15,863**	624
Dividend appropriation reserve	**32,780**	32,780
Accumulated losses	**(35,626)**	(19,990)
	373,422	186,706
Profit or (loss) for the period	**(15,637)**	32,780
Total comprehensive income/(loss)	**(15,637)**	32,780

(b) Guarantees entered into by the parent entity

The parent entity has not provided financial guarantees as at 31 December 2014 or 31 December 2013.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 31 December 2014 or 31 December 2013. 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 2014 the parent entity had no contractual commitments for the acquisition of property, plant or equipment (31 December 2013: nil).

(e) Investments

Asaleo Care Limited holds an investment in AHACS Pty Ltd and it subsidiaries of $141,569,252 (2013: $366,840,557).

7. Financial Statements

7.6 Directors' Declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 47 to 94 are in accordance with *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 2014 and of its performance for the financial year ended on that date, and

(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, and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed Group identified in Note 7.5.28 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 7.5.29.

Note 7.5.1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standard Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by *Section 295A of the Corporations Act 2001.*

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

Harry Boon
Chairman

Dated this 23rd day of February 2015

7. Financial Statements

7.7 Auditor's Report

pwc

Independent auditor's report to the members of Asaleo Care Limited

Report on the financial report
We have audited the accompanying financial report of Asaleo Care Limited (the company), which comprises the consolidated balance sheet as at 31 December 2014, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Asaleo Care Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at 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 that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 7.5.1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

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 appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of 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

7. Financial Statements

Auditor's opinion

In our opinion:
(a) the financial report of Asaleo Care Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 7.5.1.

Report on the Remuneration Report
We have audited the remuneration report included in pages 36 to 46 of the directors' report for the year ended 31 December 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion
In our opinion, the remuneration report of Asaleo Care Limited for the year ended 31 December 2014 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Lisa Harker

Lisa Harker
Partner

Melbourne
23 February 2015

8. Shareholder Information

Additional information required by the Australian Securities Exchange Listing Rules not elsewhere disclosed in this Report. The Shareholder Information set out below was applicable as at 6 February 2015.

8.1 Distribution of Shareholders

Range	Total holders	Total Ordinary Shares	% of Issued capital
100,001 and Over	72	578,952,328	95.94
10,001 to 100,000	784	19,954,239	3.31
5,001 to 10,000	409	2,997,368	0.50
1,001 to 5,000	387	1,100,759	0.18
1 to 1,000	872	464,740	0.08
Total	**2524**	**603,469,434**	**100**

There were 19 holders with less than a marketable parcel of ordinary shares. Each ordinary share is entitled to one vote per share.

8.2 Substantial Shareholders

The following are shareholders which have a greater than 5% beneficial interest in the Company:

Name	Number of Ordinary Shares	% of issued shares
SCA GROUP HOLDING BV	196,396,028	32.54
AMP Limited	42,611,810	7.06
Westpac Banking Corporation	30,480,250	5.05

8.3 Securities Subject to Voluntary Escrow

The following number of ordinary shares on issue are subject to voluntary escrow:

Number of Ordinary Shares	End Date of Escrow Period
196,396,028	12 March 2015
4,617,695	27 June 2015
4,617,695	27 June 2016

8. Shareholder Information

8.4 Twenty Largest Registered Shareholders

The names of the twenty largest registered shareholders are listed below:

Name	Ordinary Shares	% of units
SCA GROUP HOLDING BV	196,396,028	32.54
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	99,991,646	16.57
J P MORGAN NOMINEES AUSTRALIA LIMITED	81,761,815	13.55
NATIONAL NOMINEES LIMITED	76,705,604	12.71
CITICORP NOMINEES PTY LTD	37,083,255	6.15
BNP PARIBAS NOMS PTY LTD	19,128,760	3.17
AMP LIFE LIMITED	17,297,182	2.87
ARGO INVESTMENTS LIMITED	8,206,920	1.36
UBS NOMINEES PTY LTD	7,038,278	1.17
BRISPOT NOMINEES PTY LTD	4,016,614	0.67
CITICORP NOMINEES PTY LTD	3,465,481	0.57
NETHERLEE INVESTMENTS PTY LTD AS TRUSTEE FOR THE DIPLARIS FAMILY TRUST	3,378,802	0.56
BNP PARIBAS NOMS (NZ) LIMITED	1,898,595	0.31
NAVIGATOR AUSTRALIA LIMITED	1,342,860	0.22
WIESENHAUS PTY LTD FOR THE WIESE FAMILY TRUST	1,126,267	0.19
PW INVESTMENTS PTY LTD AS TRUSTEE FOR THE TOWNSEND FAMILY TRUST	1,126,267	0.19
PANNELL HOLDINGS PTY LTD AS TRUSTEE FOR THE PANNELL HOLDINGS TRUST	1,126,267	0.19
NIDO D'ORO PTY LTD AS TRUSTEE FOR THE NIDO D'ORO TRUST	1,126,267	0.19
NATIONAL NOMINEES LIMITED	1,030,000	0.17
UBS NOMINEES PTY LTD	1,000,000	0.17
Total	**564,246,908**	**93.50**
Balance of register	**39,222,526**	**6.50**
Grand total	**603,469,434**	**100.00**

Corporate Directory

Company's Registered Office

Asaleo Care Limited
ABN 61 154 461 300
Ailsa Street, PO Box 177
Box Hill, VIC 3128, Australia
Phone: 1800 643 634 (within Australia)
Fax: + 61 3 9258 0785

Share Registry

Link Market Services Limited
Level 12, 680 George Street
Sydney, NSW 2000, Australia
Postal Address: Locked Bag A14, Sydney South NSW 1235
Phone: + 61 1300 554 474 (Toll Free within Australia)
Fax: + 61 2 9287 0303
Website: www.linkmarketservices.com.au
Email: registrars@linkmarketservices.com.au

Shareholder Information

All up-to-date shareholder information is available online at www.asaeleocare.com

You can view this Report as well as latest news, presentations and Company policies (including corporate governance policies).

Asaleo Care produces a range of publications which are available in formats that allow shareholders to receive information in their preferred manner. View online, download or receive a paper copy by calling the relevant Share Registrar. Shareholder queries can also be made to investors@asaleocare.com

Online Shareholder Services

The Asaleo Care Registry and all shareholder services are managed by Link Market Services. Investors can manage their shareholding online via the Investor Centre at www.investorcentre.linkmarketservices.com.au including:

- reviewing holding balances
- updating your personal details (such as change of address, email address or other contact information)
- lodgement of tax file number
- advise banking instructions for direct crediting of the payments
- updating communication preferences
- access forms

Please note that you will require your Holder Identification Number (HIN) or Securityholder Reference Number (SRN) to login to Investor Centre. You can find this number on your most recent Holding Statement.

Key Dates for Shareholders

The following table sets out future dates in the 2015 financial and calendar year of interest to our shareholders. If there are any changes to these dates, the Australian Stock Exchange will be notified.

Date	Event
22 April 2015	Annual General Meeting
26 August 2015	Half Year Results

Auditor

PricewaterhouseCoopers Limited
Freshwater Place, 2 Southbank Boulevard
Southbank, VIC 3006, Australia

www.asaleocare.com
Asaleo Care Annual Report 2014