Sonoco Limited

Annual Report and Financial Statements for the year ended 31 December 2018

Registered number: 00082196

Contents

Directors and advisers for the year ended 31 December 2018

Directors
T Nash
A Clayton – resigned 31/03/19
R Carroll
C Beck
A Wood
H Rees

Company secretary
H Rees

Independent auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Hardman Square
Manchester
M3 3EB

Solicitors
DWF LLP
1 Scott Place
2 Hardman Street
Manchester
M3 3AA

Bankers
Deutsche Bank AG
Global Banking Division
6 Bishopsgate
London
EC2N 4DA

Registered office
Station Road
Milnrow
Rochdale
Lancashire
OL16 4HQ

Registered number
00082196

Strategic report for the year ended 31 December 2018

The directors present their strategic report on the Company for the year ended 31 December 2018.

Principal activities

The principal activity of the Company is the conversion of materials for the packaging industry and brand management services.

Review of business and future developments

The Company consists of two rigid paper container (RPC) plants headquartered in Manchester with production facilities in Bradford and Chesterfield, and "Trident" which is a brand and data management services business headquartered in Hull with operations also in Nottingham.

Whilst gross profitability improved slightly in 2018 to 13.5% (2017: 12.8%), operating profitability declined to 2% (2017:4.7%) largely due to an increase administration costs incurred by the company's pension scheme relating to past service cost.

Principle risks and uncertainties

The management of the business is subject to a number of risks including commercial risk, price risk, currency risk, credit risk and interest rate cash flow risk. The mitigation of these risks has been outlined below.

Commercial risk

The company continues to improve its products and services in order to maintain and develop its market place penetration as evidenced by the investment in research and development of new products.

Price Risk

Material costs have the potential to increase with short notice and as such a policy is adopted to recover these costs increases as soon as practical through the use of price increases. The company will maintain its competitive position by mitigating these where possible with tight cost controls.

Foreign exchange Risk

Foreign exchange rate risk arises from transactions when goods and services are bought or sold in currencies other than Sterling. Significant group transactions in foreign currencies are managed by placing foreign exchange contracts with a fellow group company, Sonoco Europe Brussels.

Credit Risk

The effects of credit risk are controlled as the Company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed by the Board. The Board receives regular reports on amounts due and amounts significantly overdue and the relevant action taken.

Interest rate risk

As part of a larger group of companies any interest rate risk is managed by the group treasury function which targets the best rates available.

Strategic report for the year ended 31 December 2018 (continued)

Employee communication

Annually, the production facilities undergo wage negotiations at which point the financial performance and other influential factors are shared with representative employees. In addition, noticeboards are updated monthly with many KPIs which include the monthly profit or loss for the current and past years in addition to the budget for the year. Other KPIs include measures the employee can feel accountable for such as production efficiency, scrap/waste, administrative productivity and working capital measures.

By order of the Board

H Rees

Secretary

30 **Sep 2019**

Directors' report for the year ended 31 December 2018

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2018.

Business review and future development
A review of the business and an indication of the likely future development of the business is included in the Strategic Report on pages 3 and 4.

Political donations
There were no political donations during the financial year (2017: nil).

Dividends
The directors do not recommend the payment of a dividend (2017: nil).

Financial risk management
Financial risk management is described in the Strategic Report on pages 3 and 4.

Directors
The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

T Nash
A Clayton – resigned 31/03/19
R Carroll
C Beck
A Wood
H Rees
S Williams – appointed 01/04/19

Directors' indemnities
The Company maintained throughout the year and the date of approval of the financial statements, liability insurance for its directors and officers. This is a third party qualifying provision for the purposes of the Companies Act 2006.

Statement of directors' responsibilities in respect of the financial statements
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' report for the year ended 31 December 2018 (continued)

Statement of directors' responsibilities in respect of the financial statements (continued)

Equal opportunities policy
It is the Policy of Sonoco Limited to provide equal employment opportunities without regard to race, colour, marital status, religion, sex, age, national or ethnic origin or disabled status. The Company will also take positive action to employ and advance disabled individuals who are qualified. This Policy relates to all phases of employment, including but not limited to, recruitment, employment, promotion or demotion, transfer, layoff, redundancy and termination, rates of pay or other forms of compensation and selection for training and the use of all facilities.

Research and development
The Company utilises the Group dedicated Research and Development facilities in the USA.

Statement of disclosure of information to auditors
In the case of each of the persons who are directors at the time when the report is approved under section 418 of the Companies Act 2006 the following applies:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- she has taken all the steps that she ought to have taken as a director in order to make herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors
The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

On behalf of the board

H Rees
Director
30 Sep 2019
Registered number: 00082196

Independent auditors' report to the members of Sonoco Limited

Report on the audit of the financial statements

Opinion

In our opinion, Sonoco Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2018; the statement of comprehensive income, the statement of changes in equity for the year then ended; the accounting policies; and the notes to the financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information.

Independent auditors' report to the members of Sonoco Limited (continued)

Report on the audit of the financial statements (continued)

Reporting on other information (continued)

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on pages 5 and 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent auditors' report to the members of Sonoco Limited (continued)

Report on the audit of the financial statements (continued)

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Philip Storer (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
30 September 2019

Statement of comprehensive income for the year ended 31 December 2018

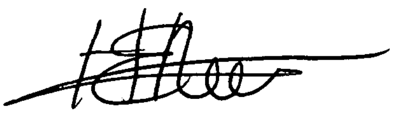
	Note	2018	2017
		£'000	£'000
Turnover	1	**53,857**	47,955
Cost of sales		**(46,609)**	(41,794)
Gross profit		**7,248**	6,161
Distribution costs		**(1,812)**	(1,789)
Administrative expenses		**(4,340)**	(2,124)
Operating profit		**1,096**	2,248
Exceptional income/(costs)	5	**(104)**	915
Net interest recievable/(payable)	4	**254**	(15)
Profit before taxation	5	**1,246**	3,148
Tax on profit/(loss)	6	**(3,304)**	4,349
Profit/(loss) for the financial year		**(2,058)**	7,497
Other comprehensive income:			
Actuarial gain/(loss) on pension scheme	14	**(2,949)**	11,204
Deferred Tax	6	**501**	(1,557)
Other comprehensive income/(expense) for the year, net of tax		**(2,448)**	**9,647**
Total comprehensive income/(expense) for the financial year		**(4,506)**	**17,144**

All activities in the years shown above relate to continuing operations.

Balance sheet as at 31 December 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Intangible assets	7	**291**	359
Tangible assets	8	**27,712**	26,182
Investments	9	**169**	169
Deferred Tax	13	**-**	2,801
Other long-term Assets		**124**	124
		28,296	29,523
Current assets			
Stocks	10	**4,528**	3,536
Debtors	11	**31,636**	32,320
Cash at bank and in hand		**402**	140
		36,566	35,996
Creditors - amounts falling due within one year	12	**(40,715)**	(39,442)
Net current liabilities		**(4,149)**	(3,446)
Total assets less current liabilities		**24,147**	26,077
Retirement benefit obligation	14	**13,518**	16,094
Net assets		**37,665**	42,171
Capital and reserves			
Called up share capital	15	**36,016**	36,016
Profit and loss account		**1,649**	6,155
Total shareholders' funds		**37,665**	42,171

The financial statements on pages 10 to 33 were approved by the Board of Directors on 30 September 2019 and were signed on its behalf by:



H Rees
Secretary
Registered number: 00082196

Statement of changes in equity for the year ended 31 December 2018

	Note	Called up share capital £'000	(Accumulated losses)/retained earnings £'000	Total shareholders' (deficit)/funds £'000
Balance as at 1 January 2017		**36,016**	**(10,989)**	**25,027**
Profit for the financial year		-	7,497	7,497
Other comprehensive income for year:				
Actuarial gain on pension scheme		-	11,204	11,204
Deferred tax		-	(1,557)	(1,557)
Total comprehensive income for year		**-**	**9,647**	**9,647**
Balance as at 31 December 2017		**36,016**	**6,155**	**42,171**
Profit for the financial year		-	(2,058)	(2,058)
Other comprehensive income for year:		-	-	-
Actuarial gain on pension scheme		-	(2,949)	(2,949)
Deferred tax		-	501	501
Total comprehensive income for year		**-**	**(4,506)**	**(4,506)**
Balance as at 31 December 2018		**36,016**	**1,649**	**37,665**

The Company's accumulated losses carried forward at 31 December 2018 include an amount of £1,923,000 which arose on the disposal of certain trade and assets to Sonoco Cores and Paper Limited during the year ended 31 December 2004 and is not available for distribution to shareholders.

Accounting policies for the year ended 31 December 2018

1. General information

Sonoco Limited is a private company limited by shares and is incorporated in England, United Kingdom. The address of its registered office is Station Road, Milnrow, Rochdale Lancashire, OL16 4HQ.

The principal activity of the Company is the production and selling of rigid paper cans and plastic caps and artwork management services.

2. Statement of compliance

The individual financial statements of Sonoco Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3(r).

(b) Going concern

On the basis of their assessment of the Company's financial position and resources, the directors believe that the Company is well placed to manage its business risks. Therefore the directors have a reasonable expectation that the Company has adequate resources to continue for at least 12 months from the date of signing the financial statements. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

(c) Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, if certain conditions, have been complied with, including notification of and no objection to, the use of exemptions by the Company's shareholders. A qualifying entity is defined as a member of a group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated. The Company is a qualifying entity as its results are consolidated into the financial statements of Sonoco Products Company which are publicly available.

As a qualifying entity, the Company has taken advantage of the following exemptions:

i) from the requirement to prepare a statement of cash flows as required by paragraph 3.17(d) of FRS 102;
ii) from the requirement to present certain financial instrument disclosures, as required by sections 11 and 12 of FRS 102;
iii) from the requirement to present a reconciliation of the number of shares outstanding at the beginning and end of the period as required by paragraph 4.12(a)(iv) of FRS 102; and
iv) from the requirement to disclose the key management personnel compensation in total as required by paragraph 33.7 of FRS 102.

Accounting policies for the year ended 31 December 2018 (continued)

3. Summary of significant accounting policies (continued)

(d) Group financial statements

The financial statements contain information about Sonoco Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under Section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included within the consolidated financial statements of Sonoco Products Company (incorporated in the United States of America) whose financial statements are prepared in a manner equivalent to the EU 7th Directive.

These financial statements are the Company's separate financial statements.

(e) Foreign currency

(i) *Functional and presentation currency*

The Company's functional and presentation currency is the pound sterling.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

(f) Turnover

Turnover represents the value of goods sold and services provided excluding value added tax. Turnover is recognised at the point of despatch of non-returnable goods to customers, or at the completion of the performance of services. Turnover is disclosed gross of carriage costs.

(g) Employee benefits

The Company provides a range of benefits to employees, including paid holiday arrangements and defined benefit and defined contribution pension plans.

i) Short-term benefits

Short-term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

Accounting policies for the year ended 31 December 2018 (continued)

3. Summary of significant accounting policies (continued)

(g) Employee benefits (continued)

(iii) Defined contribution pension plans

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

(iv) Defined benefit pension plan

The Company is a member of the Sonoco UK Retirement Benefits Plan which provides retirement benefits on a defined benefit basis. The Company financial statements for its pension contributions as if it were a defined contribution scheme as the Company has no further obligations to the scheme other than its contributions.

(h) Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

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.

ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

(i) Goodwill

Goodwill represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. Under the section 19 of FRS 102 (Business Combinations and Goodwill), goodwill arising on acquisitions has been capitalised and is being amortised over 20 years, being the period expected to benefit.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Accounting policies for the year ended 31 December 2018 (continued)

3. Summary of significant accounting policies (continued)

(i) Goodwill (continued)

The Company has taken transition exemption under paragraph 35.10(a) relating to business combinations on the date of transition to FRS 102 (1 January 2014) and have elected not to apply Section 19 (Business Combinations and Goodwill) to business combinations that were effected before its FRS 102 transition date.

(j) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

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

Freehold buildings	Over 40 years
Long leasehold land and buildings	Over the lease term
Plant and machinery	Over 4 to 10 years

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Subsequent additions and major components.
Subsequent costs, including major inspections, are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the Company and the cost can be measured reliably.

Repairs, maintenance and minor inspection costs are expensed as incurred. Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss and included in 'Other operating (losses)/gains'.

(k) Leases

At inception the Company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

i) Operating leased assets
Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to statement of comprehensive income on a straight-line basis over the period of the lease.

ii) Lease incentives
Incentives received to enter into an operating lease are credited to the statement of comprehensive income, to reduce the lease expense, on a straight-line basis over the period of the lease.

(l) Impairment of non-financial assets

At each reporting date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future pre-tax and interest cash flows obtainable as a result of the asset's continued use. The pre-tax and interest cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset. If the recoverable amount of the

Accounting policies for the year ended 31 December 2018 (continued)

3. Summary of significant accounting policies (continued)

l) Impairment of non-financial assets (continued)

asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit or loss, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in profit or loss.

If an impairment loss is subsequently reverse, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in profit or loss.

(m) Investments

Investment in subsidiary company is held at historical cost less accumulated impairment losses.

(n) Stocks and work in progress

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Inventories are recognised as an expense in the period in which the related revenue is recognised. Estimated selling price is based on estimated selling price less further cost expected to be incurred to completion and disposal.

Cost is determined on the first-in, first-out (FIFO) method and includes in the case of manufactured goods and work in progress, all direct expenditure and production overhead is based on the normal level of activity.

At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the statement of comprehensive income. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the statement of comprehensive income.

(o) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

(p) Financial instruments

The Company has chosen to adopt the sections 11 and 12 of FRS 102 in respect of financial instruments.

i) Financial assets

Basic financial assets, including debtors and cash and bank balances, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss. If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the profit or loss.

Financial assets are derecognised when (i) the contractual rights to the cash flows from the asset expire or are settled, or (ii) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (iii) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Accounting policies for the year ended 31 December 2018 (continued)

3. Summary of significant accounting policies (continued)

(p) Financial instruments (continued)

ii) Financial Liabilities
Basic financial liabilities, including creditors and loans from fellow group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate.

The Company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

iii) Offsetting
Financial assets and liabilities are offset and the net amount presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

(q) Related party transactions
As the Company is a wholly owned subsidiary of Sonoco Products Company, it has taken advantage of the exemption contained in 33.1A of FRS 102 and has therefore not disclosed details of transactions and balances with entities which form part of the Sonoco Products Company group.

(r) Critical accounting judgement and key source of estimation uncertainty
The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

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 addressed below.

(i) Carrying value of goodwill
Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Accounting policies for the year ended 31 December 2018 (continued)

3. Summary of significant accounting policies (continued)

(r) Critical accounting judgement and key source of estimation uncertainty (continued)

(ii) Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 11 for the net carrying amount of the debtors and associated impairment provision.

(iii) Impairment of stocks

The company makes an estimate of the recoverable value of stocks. When assessing impairment of stocks, management considers factors including the current ageing of the stocks held and the budgeted sales volumes in the next 12 months of certain products. See note 10 for the net carrying amount of the stocks and associated impairment provision.

Notes to the financial statements for the year ended 31 December 2018

1. Turnover

The Company has only two significant classes of business, RRP, which is involved in the conversion of materials, and Trident, providing branding management services.

	2018 £'000	2017 £'000
United Kingdom	**41,849**	37,805
Rest of Europe	**10,185**	8,740
USA	**944**	640
Middle East	**239**	80
Australia & New Zealand	**640**	690
Total	**53,857**	47,955

2. Directors' emoluments

	2018 £'000	2017 £'000
Aggregate emoluments	**423**	375
Company contributions to money purchase schemes	**21**	20

	2018 £'000	2017 £'000
Highest-paid Director		
Aggregate remuneration	**178**	168
Company contributions to money purchase schemes	**-**	-

At 31 December 2018 there were retirement benefits accruing to 2 (2017: 2) Directors under the Sonoco UK Group's defined benefit pension scheme.

3. Employee information

The average monthly number of persons (including Executive Directors) employed by the Company during the year was:

	2018 Number	2017 Number
By activity		
Office and management	**392**	358
Manufacturing	**176**	169
	568	527

Notes to the financial statements for the year ended 31 December 2018 (continued)

3. Employee information (continued)

	2018 £'000	2017 £'000
Staff costs (for the above persons)		
Wages and salaries	**15,230**	13,540
Social security costs	**1,490**	1,370
Other pension costs – defined benefit scheme (note 14)	**867**	785
Other pension costs – defined contribution scheme (note 14)	**870**	790
	18,457	16,485

4. Net interest receivable/(payable) and similar expenses

	2018 £'000	2017 £'000
Interest receivable and similar income	**453**	88
Interest payable and similar expenses	**(199)**	(103)
Net interest receivable/(payable) and similar expenses	**254**	(15)

Notes to the financial statements for the year ended 31 December 2018 (continued)

5. Profit before taxation

	2018 **£'000**	2017 £'000
Profit before taxation is stated after charging/(crediting)		
Services provided by the Company's auditors:		
Fees payable for the audit	**60**	70
Fees payable for other services - tax compliance	**20**	20
Amortisation of goodwill	**68**	74
Depreciation charge for the year:		
Tangible owned fixed assets	**4,095**	4,293
Operating lease charges	**440**	400
Stock recognised as an expense	**19,198**	17,593
Exceptional (income)/costs:		
Redundancies	**(88)**	(210)
Fixed asset write off	**-**	568
Demolition	**-**	149
Profit on sale of Land	**-**	(2,100)
Stock write off	**-**	77
Re-installation costs	**433**	-
Ongoing expenses of closed site	**1**	83
Legal & consulting	**-**	55
Specific debtor provision	**(242)**	463
Total exceptional (income)	**104**	(915)

Exceptional expenses in 2018 relate to the transfer of equipment from other Sonoco plants in Europe which enable to the UK to make a full range of products to serve the current market and reduction of one management position. The exceptional (income)/costs in the prior year relate to restructuring activities, mainly, redundancies and impairment of certain assets held as part of the closure of the Manchester factory in 2015 due to the acquisition of the trade and assets of Weidenhammer UK Ltd.

Notes to the financial statements for the year ended 31 December 2018 (continued)

6. Tax on profit/(loss)

(a) Tax expense/(income) included in profit or loss	**2018 £'000**	**2017 £'000**
Current tax:		
UK corporation tax on loss for the year	-	-
Foreign tax suffered	-	9
Total current tax	-	9
Deferred tax:		
Origination and reversal of timing differences	**3,952**	(5,327)
Impact of changes in tax rates	**(415)**	622
Adjustment in respect of prior years	**(233)**	347
Total deferred tax	**3,304**	(4,358)
Tax on profit	**3,304**	(4,349)

(b) Tax expense/(income) included in other comprehensive income

	2018 £'000	2017 £'000
Current tax:	-	-
Deferred tax:		
- Deferred tax current year charge/(credit)	**(501)**	1,901
- Deferred tax – prior year	-	(347)
Total tax expense included in other comprehensive income	**(501)**	1,557

Notes to the financial statements for the year ended 31 December 2018 (continued)

6. Tax on profit/(loss) (continued)

(c) Reconciliation of tax charge/(credit)

The tax assessed for the year is lower (2016: lower) than the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%). The differences are explained below:

	2018 £'000	2017 £'000
Profit/(loss) before taxation	**1,246**	3,148
Profit/(loss) multiplied by the standard rate of corporation tax in the UK of 19.00 % (2017: 19.25%)	**237**	606
Effects of:		
Expenses not deductible for tax purposes	**46**	515
Income tax not taxable	**(50)**	(259)
Amounts unrecognised for deferred tax	**3,421**	(6,304)
Gains/rollover relief etc	**298**	115
Tax rate change	**(415)**	622
Adjustment from previous periods	**(233)**	347
Effects of overseas tax rates	**-**	9
Total tax charge	**3,304**	(4,349)

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

Notes to the financial statements for the year ended 31 December 2018 (continued)

7. Intangible assets

	Goodwill £'000
Cost	
At 1 January 2018	1,692
Additions	-
At 31 December 2018	**1,692**
Accumulated amortisation	
At 1 January 2018	1,333
Amortisation charge	68
At 31 December 2018	**1,401**
Net book value	
At 31 December 2018	**291**
At 31 December 2017	359

Notes to the financial statements for the year ended 31 December 2018 (continued)

8. Tangible assets

	Freehold land and buildings	Plant and machinery	Construction in progress	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2018	12,258	31,317	3,528	47,103
Additions	-	5,627	4,478	10,105
Disposals	-	(16)	-	(16)
Transfers	(854)	3,189	(5,627)	(3,292)
As at 31 December 2018	**11,404**	**40,117**	**2,379**	**53,900**
Accumulated depreciation				
At 1 January 2018	2,818	18,103	-	20,921
Charge for the year	386	3,709	-	4,095
Disposals	-	(10)	-	(10)
Transfers	(854)	2,036	-	1,182
At 31 December 2018	**2,350**	**23,838**	**-**	**26,188**
Net book value				
At 31 December 2018	**9,054**	**16,279**	**2,379**	**27,712**
At 31 December 2017	9,440	13,214	3,528	26,182

The net book value of land and buildings comprises:

	2018	2017
	£'000	£'000
Freehold	**9,054**	9,440
	9,054	9,440

There is no material difference between the market value and book value of land, buildings, plant and machinery.

Notes to the financial statements for the year ended 31 December 2018 (continued)

9. Investments

Cost	Investment in subsidiary
At January 2018	169
Additions	-
At 31 December 2018	169

Details of subsidiary undertakings as at 31 December 2018, all of which are wholly owned, are as follows:

Name of company	Country	% Holding	Principal activity
Friarsgate Studios Limited	UK	100.00%	Dormant
Corepak Limited	UK	100.00%	Dormant

All subsidiaries are registered in England (Station road, Milnrow, Rochdale, OL16 4HQ)

The directors believe the carrying value of the investment is supportable by the underlying net assets of the related companies.

10. Stocks

	2018 £'000	2017 £'000
Raw materials and consumables	**3,561**	2,837
Finished goods and goods for resale	**967**	699
	4,528	3,536

The amount of stock recognised as an expense during the year was £19,198k (2017: £17,593k).

There is no material difference between the carrying amount of stock and the replacement cost.

The stocks balance above is shown after a provision of £70k (2017: £69k).

Notes to the financial statements for the year ended 31 December 2018 (continued)

11. Debtors

	2018 £'000	2017 £'000
Trade debtors	**12,550**	15,767
Amounts owed by group undertakings	**18,218**	15,060
Prepayments and accrued income	**868**	1,493
	31,636	32,320

At 31 December 2018 £nil (2017: £7,529,000) of the amounts owed by group undertakings are unsecured, interest bearing and repayable on demand.

The trade debtors balance above is shown after a provision of £296k (2017: £467k).

12. Creditors – amounts falling due within one year

	2018 £'000	2017 £'000
Trade creditors	**2,906**	4,391
Amounts owed to group undertakings	**35,780**	32,861
Other taxation and social security	**1,041**	1,023
Accruals and deferred income	**988**	1,167
	40,715	39,442

At 31 December 2018 £23,464,000 (2017: £27,816,000) of the amounts owed to group undertakings are interest bearing and repayable on demand.

Notes to the financial statements for the year ended 31 December 2018 (continued)

13. Deferred Taxation

	2018 £'000	2017 £'000
At 1 January	**(2,801)**	-
Amounts credited to statement of comprehensive income (note 6)	**2,801**	(2,801)
At 31 December	**-**	(2,801)

	Total recognised asset		Total unrecognised asset/(liability)	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Tax effect of timing differences because of:				
Deferred tax charge to income statement for the period	**-**	-		
Deferred charge to OCI for the period	**-**	-		
Capital allowances in excess of depreciation	**1,168**	1,734	**-**	-
Tax losses	**1,003**	3,757	**-**	-
Short-term timing differences	**(2,171)**	(2,690)	**-**	-
	-	2,801	**-**	-

14. Retirement benefit obligations

Up to 31 December 2014, the United Kingdom group of companies operated a funded, defined benefit pension scheme (the Sonoco UK Retirement Benefits Plan (the 'Plan')). Most members contributed a proportion of salary to the Plan and all members are provided with benefits based on final pensionable salary. The plan was closed to future accrual as at 31 December 2014 and active members of the DB plan transferred to the company's Defined Contribution Plan whilst preserving their benefits and link to final salary in the DB plan. The assets of the Plan are held independently from the Company and are administered by the trustees. The Plan is subject to an actuarial valuation at regular intervals.

Sonoco Cores and Paper Limited, a related party, is a participant in the Plan. During the year, Sonoco Cores and Paper Limited's contribution amounted to £877,000 (2017: £1,552,000). This contribution has been credited to the statement of comprehensive income within operating profit.

Notes to the financial statements for the year ended 31 December 2018 (continued)

14. Pension obligations (continued)

The latest actuarial valuation using the projected unit basis was carried out at 31 December 2017 by a qualified independent actuary. The major assumptions used by the actuary were:

	2018	2017
Discount rate	**2.85%**	2.50%
Rate of increase in pensionable salaries	**3.80%**	3.75%
Inflation assumption	**3.30%**	3.25%

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member who retires in 2017 at age 65 will live on average for a further 21.3 years (2017: 21.4 years) after retirement if they are male and for a further 22.3 years (2017: 22.1 years) after retirement if they are male currently aged 45.

The assets are invested with Barclays Global Investors Limited and Schroder Investment Management Limited. The assets in the Plan (excluding AVCs) and the expected rates of return were:

	2018 Market value £'000	2017 Market value £'000
Equities	**70,364**	85,387
Index Linked Gilts	**109,327**	104,579
Other	**1,120**	1,114
Total	**180,811**	191,080

The following amounts were measured in accordance with the requirements of section 28 of FRS 102:

	2018 **£'000**	2017 £'000
Total market value of assets	**180,811**	191,080
Present value of plan liabilities	**(167,293)**	(174,986)
Net pension asset	**13,518**	16,094

The entire surplus in the Plan relates to the obligations of Sonoco Limited. The above amounts have been recognised in these financial statements.

Notes to the financial statements for the year ended 31 December 2018 (continued)

14. Pension obligations (continued)

Reconciliation of present value of scheme liabilities

	2018 £'000	2017 £'000
At the beginning of the year	**174,985**	178,534
Current service cost	**-**	-
Interest cost	**4,288**	4,713
Contributions paid by plan participants	**-**	-
Benefits paid	**(6,967)**	(8,024)
Past service cost	**2,147**	-
Actuarial loss/(gain)	**(7,160)**	(237)
At the end of the year	**167,293**	174,986

Reconciliation of fair value of plan assets

	2018 £'000	2017 £'000
At the beginning of the year	**191,080**	179,521
Expected return on pension scheme assets	**4,741**	4,801
Actuarial gain/(loss) on plan assets	**(10,109)**	10,967
Contributions paid by employer	**2,933**	4,600
Administration costs incurred	**(867)**	(785)
Benefits paid	**(6,967)**	(8,024)
At the end of the year	**180,811**	191,080

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was a loss of £5,368,000 (2017: £15,768,000).

The liabilities recognised in 2018's accounts include an allowance for the potential costs of equalising Guaranteed Minimum Pension (GMP) between males and females. GMP is a portion of pension accrued by individuals who were contracted out of State Second Pension prior to 6 April 1997. Historically, there was an inequality of benefits between male and female members who have GMP. A high court case concluded on 26 October 2018 confirmed GMP's need to be equalised. "Method C2" was used to calculate Sonoco's liabilities which is believed to be the best estimate of the cost.

Notes to the financial statements for the year ended 31 December 2018 (continued)

14. Pension obligations (continued)

Analysis of the amounts included in the statement of comprehensive income

	2017	2017
	£'000	£'000
Contribution received from Sonoco Cores & Paper Limited	**(877)**	(1,522)
Expected return on pension scheme assets	**(4,741)**	(4,801)
Interest on pension scheme liabilities	**4,288**	4,713
Admin costs incurred	**867**	785
Actuarial loss/(gain) on pension scheme	**2,949**	(11,204)
Total debit/(credit)	**2,486**	(12,029)

As the scheme has been shut to further entrants which is the reason for no current service costs in the year.

The Sonoco Group has agreed to make contributions to the scheme of £600k during 2019.

The Company operates a funded defined contribution stakeholder pension scheme. The pension cost charge for the year represents contributions paid by the Company to the fund and amounted to £870k (2017: £790k).

15. Called up share capital

	2018	2017
	£'000	£'000
Allotted, issued and fully paid		
36,015,849 (2017: 36,015,849) ordinary shares of £1 each	**36,016**	36,016

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital. In 2016 Sonoco Limited issued 36,000,000 ordinary shares of £1 each par value. These were acquired by Sonoco Deutschland GmbH.

16. Capital commitments

	2018	2017
	£'000	£'000
Capital expenditure that has been contracted for, but has not been provided for in the financial statements	**-**	447

Notes to the financial statements for the year ended 31 December 2018 (continued)

17. Financial commitments

At 31 December 2018 the company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2018		2017	
	Land and Buildings £'000	**Other £'000**	Land and Buildings £'000	Other £'000
Payments due:				
Not later than one year	**35**	**37**	35	37
Later than one year and not later than five years	**98**	**27**	98	27
Later than five years	**-**	**-**	-	-
	133	**64**	133	64

18. Ultimate parent company and controlling party

The Company's immediate holding company is Sonoco Holdings Deutschland GmbH, which is registered in Germany.

The Company's ultimate holding company and controlling party is Sonoco Products Company, which is incorporated in the United States of America. Copies of the ultimate parent's consolidated financial statements which is the smallest and largest company to consolidate these financial statements may be obtained from: The Secretary, Sonoco Products Company, Hartsville, South Carolina 29550, USA.