Sonoco Cores and Paper Limited

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

Registered number: 05133800

Contents

Directors and advisers for the year ended 31 December 2018

Directors
V Arthur – resigned 12/03/19
A Clayton – resigned 31/03/19
A Mutsaers
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
05133800

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 during the year was the production and selling of coreboard and the production and selling of tubes made predominantly from coreboard.

Review of Business
The business continued to experience a positive uplift on the previous year in sales value due to the rising prices of paper in the year. The net assets of the Company as at 31st December 2018 were £42,392k, a change of £2,216k from prior year.

Principal 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.

As a subsidiary of Sonoco Products Company, further details of Group policies in relation to external financial risks can be found in the Annual Report and Financial Statements of Sonoco Products Company.

Key Performance Indicators ("KPIs")
The Company's strategy is one of growth with improved profitability. The directors monitor progress against this strategy by reference to several KPIs and contribution as an integrated entity.
By order of the Board

H Rees
Secretary
30 Sep 2019

Directors' Report for the Year Ended 31 December 2018

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

Business Review, KPIs and Future Developments
An indication of the likely future developments of the business is included in the Strategic Report on page 3.

Charitable and Political Donations
Charitable donations in the year amounted to £3,225 (2017: £1,300) and no single donation was greater than £500. 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 page 3.

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

V Arthur – resigned 12/03/19
A Clayton – resigned 31/03/19
A Mutsaers
C Beck
A Wood
H Rees
S Williams – appointed 01/4/19

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 qualifying third party 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

Directors' Report for the Year Ended 31 December 2018 (continued)

Statement of Directors' Responsibilities in Respect of the Financial Statements (continued)

- 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.

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:

- as far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that he ought to have taken as a director in order to make himself 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 reappointment will be proposed at the Annual General Meeting.

On behalf of the board

H Rees
Director
30 September 2019
Registered No: 05133800

Independent auditors' report to the members of Sonoco Cores and Paper Limited

Report on the audit of the financial statements

Opinion

In our opinion, Sonoco Cores and Paper 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 profit 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 Cores and Paper 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 4 and 5, 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 Cores and Paper 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	**36,295**	34,017
Cost of sales		**(28,817)**	(28,903)
Gross profit		**7,478**	5,114
Distribution costs		**(2,360)**	(2,582)
Administrative expenses		**(2,679)**	(2,628)
Operating profit/(loss)		**2,439**	(96)
Interest receivable and similar income	4	**3**	-
Interest payable and similar expenses	4	**(20)**	-
Profit/(loss) before taxation	5	**2,422**	(96)
Tax on profit/(loss)	6	**(206)**	250
Profit for the financial year		**2,216**	154

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

The company has no other comprehensive income in either year other than the loss stated above, and therefore no separate statement of comprehensive income has been presented.

Balance sheet as at 31 December 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Intangible assets	7	**1,419**	1,676
Tangible assets	8	**11,262**	9,657
Investments	9	**8,882**	8,882
Deferred tax asset	13	**44**	250
Other Long Term Assets		**175**	349
		21,782	20,814
Current assets			
Stocks	10	**2,156**	1,873
Debtors	11	**26,844**	24,623
Cash at bank and in hand		**8**	14
		29,008	26,510
Creditors - amounts falling due within one year	12	**(7,733)**	(6,300)
Net current assets		**21,275**	20,210
Total assets less current liabilities		**43,057**	41,024
Provision for liabilities	13	**(665)**	(848)
Net assets		**42,392**	40,176
Capital and reserves			
Called up Share capital	15	**44,491**	44,491
Profit and loss account		**(2,099)**	(4,315)
Total shareholders' funds		**42,392**	40,176

The financial statements on pages 9 to 29 were approved by the Board of Directors on 30 Sep 2019 and were signed on its behalf by:

H Rees
Secretary
Registered number: 05133800

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

	Called up share capital £'000	Profit and loss account £'000	Total shareholders' funds £'000
Balance as at 1 January 2017	44,491	(4,469)	40,022
Profit for the financial year and total comprehensive expense	-	154	154
Balance as at 31 December 2017	44,491	(4,315)	40,176
Profit for the financial year and total comprehensive income	-	2,216	2,216
Balance as at 31 December 2018	**44,491**	**(2,099)**	**42,392**

Accounting policies for the year ended 31 December 2018

1. General information

Sonoco Cores and Paper 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 coreboard and the production and selling of tubes made predominantly from coreboard.

2. Statement of compliance

The individual financial statements of Sonoco Cores and Paper 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.

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

3. Summary of significant accounting policies (continued)

(c) Exemptions for qualifying entities under FRS 102 (continued)

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.

(d) Group financial statements

The financial statements contain information about Sonoco Cores and Paper 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.

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

3. Summary of significant accounting policies (continued)

(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.

ii) 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.

iii) 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.

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

3. Summary of significant accounting policies (continued)

h) Taxation (continued)

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.

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.

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

3. Summary of significant accounting policies (continued)

j) Tangible fixed assets (continued)

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 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.

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

3. Summary of significant accounting policies (continued)

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.

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
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.

(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 one significant class of business, being the production and conversion of materials (predominantly coreboard) for the packaging industry.

	2018 £'000	2017 £'000
United Kingdom	**27,463**	23,600
Rest of Europe	**8,397**	10,417
USA	**435**	-
Total	**36,295**	34,017

2. Directors' emoluments

	2018 £'000	2017 £'000
Aggregate emoluments	**608**	584
Company contributions to money purchase schemes	**11**	27

	2018 £'000	2017 £'000
Highest-paid Director		
Aggregate remuneration	**487**	439
Company contributions to money purchase schemes	**-**	16

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	**49**	47
Manufacturing	**152**	151
	201	198

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	**7,111**	6,594
Social security costs	**680**	594
Other pension costs – defined benefit scheme (note 14)	**877**	1,552
Other pension costs – defined contribution scheme (note 14)	**458**	400
	9,126	9,140

4. Net interest payable and similar income

	2018 £'000	2017 £'000
Net receivable and similar income	**3**	-
Interest payable and similar expenses	**(20)**	-
Net interest payable and similar expenses	**(17)**	-

5. Profit/(loss) before taxation

	2018 £'000	2017 £'000
Loss before taxation is stated after charging:		
Services provided by the Company's auditors:		
Fees payable for the audit	**65**	65
Fees payable for other services - tax compliance	**17**	19
Amortisation of goodwill	**257**	257
Depreciation charge for the year:		
Tangible owned fixed assets	**1,612**	1,537
Operating lease charges	**213**	213
Stock recognised as an expense	**8,768**	10,482

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

6. Tax on profit/(loss)

(a) Tax expense included in profit or loss	2018 £'000	2017 £'000
Current tax:		
UK corporation tax on loss for the year	-	-
Total current tax	-	-
Deferred tax:		
Origination and reversal of timing differences	229	(283)
Adjustment in respect of prior periods	1	-
Impact of changes in tax rates	(24)	33
Total deferred tax	206	(250)
Tax on profit/(loss)	206	(250)

(b) Reconciliation of tax charge

The tax assessed for the year is lower (2017: 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	2,422	(96)
Profit/(loss) multiplied by the standard rate of corporation tax in the UK of 19.00 % (2017: 19.25%)	460	(19)
Effects of:		
Expenses not deductible for tax purposes	67	(260)
Income not taxable	-	(4)
Utilisation of tax losses	(298)	-
Adjustment from prior periods	1	-
Tax rate changes	(24)	33
Total tax charge/(credit)	206	(250)

(c) Tax rate changes

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	5,146
Additions	-
At 31 December 2018	**5,146**
Accumulated amortisation	
At 1 January 2018	3,470
Amortisation charge	257
At 31 December 2018	**3,727**
Net book value	
At 31 December 2018	**1,419**
At 31 December 2017	1,676

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	6,933	30,624	822	38,379
Additions	353	1,563	3,189	5,105
Disposals	(274)	(481)	-	(755)
Transfers	1,218	(1,074)	(1,883)	(1,739)
As at 31 December 2018	**8,230**	**30,632**	**2,128**	**40,990**
Accumulated depreciation				
At 1 January 2018	4,190	24,532	-	28,722
Charge for the year	259	1,353	-	1,612
Disposals	(274)	(481)	-	(755)
Transfers	1,014	(865)	-	149
At 31 December 2018	**5,189**	**24,539**	**-**	**29,728**
Net book value				
At 31 December 2018	**3,041**	**6,093**	**2,128**	**11,262**
At 31 December 2017	2,743	6,092	822	9,657

The net book value of land and buildings comprises:

	2018	2017
	£'000	£'000
Freehold	**3,041**	2,743
Long leasehold	**-**	-
	3,041	2,743

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 £'000
At January 2018	8,882
Additions	-
At 31 December 2018	8,882

Principal Subsidiaries

Company Name	Country	Percentage Shareholding	Nature of business
Laminar Medica Limited	UK	100%	Trading

The registered address of Laminar Medica Limited is Station Road, Milnrow, Rochdale, OL16 4HQ UK. The director's believe the carrying value of the investment is supportable by the underlying net assets of the entity.

10. Stocks

	2018 £'000	2017 £'000
Raw materials and consumables	**1,296**	1,117
Work in progress	**12**	9
Finished goods and goods for resale	**848**	747
	2,156	1,873

The amount of stock recognised as an expense during the year was £8,768k (2017: £10,482k).

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 £128k (2017: £153k).

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

11. Debtors

	2018 £'000	2017 £'000
Trade debtors	**4,827**	4,520
Amounts owed by group undertakings	**21,604**	19,616
Prepayments and accrued income	**413**	487
	26,844	24,623

At 31 December 2018 £20,702,920 (2017: £18,494,381) 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 £5k (2017: £42k).

12. Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Trade creditors	**3,987**	3,876
Amounts owed to group undertakings	**1,654**	246
Taxation and social security	**378**	764
Accruals and deferred income	**1,714**	1,414
	7,733	6,300

At 31 December 2018 £1,414,757 (2017: £nil) 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. Provisions for liabilities

Embedded Lease

	2018 £'000	2017 £'000
Long-term Liability – Embedded Lease	**665**	848

The used beverage carton (UBC) recycling facility was installed at the company's site in Stainland in 2013. For the most part, this facility was funded by and therefore owned by, Recarton UK. However, the facility will be operating solely by Sonoco for a period of 10 years after which ownership passes to Sonoco. The investment by Recarton of £1.85m has been split between short and long-term liabilities taking into account the agreement in place.

Deferred taxation

	2018 £'000	2017 £'000
At 1 January	(250)	-
Profit and loss account (note 6)	206	(250)
At 31 December	**(44)**	(250)

	Total recognised asset		Total unrecognised asset	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Capital allowances in excess of depreciation	**(34)**	319	-	-
Tax losses	-	(494)	-	-
Short-term timing differences	**(10)**	(75)	-	-
	(44)	(250)	-	-

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

14. Pension obligations

The Company participates in the defined benefit section of the Sonoco UK Retirement Benefits Plan (the 'Plan'). 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.

The contributions paid by the Company are accounted for in full by the principal sponsoring entity, Sonoco Limited, as the company is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis. Contributions made by Sonoco Core and Papers Limited during the year were £877,000 (2017: £1,552,000). Further details of the scheme calculated under FRS 102 are given in the financial statements of Sonoco Limited, the principal employer of the Plan.

Contributions to the defined contribution plan in the year were £458,206 (2017: £399,539).

15. Called up share capital

	2018 **£'000**	2017 £'000
Allotted, issued and fully paid		
44,491,000 (2017: 44,491,000) ordinary shares of £1 each	**44,491**	44,491

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

16. Capital commitments

	2018 **£'000**	2017 £'000
Capital expenditure that has been contracted for, but has not been provided for in the financial statements	**-**	719

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	**165**	**43**	153	24
Later than one year and not later than five years	**675**	**104**	610	14
Later than five years	**42**	**-**	343	-
	882	**147**	1,106	38

18. Related party transactions

See note 2 for disclosure of the directors' remuneration. No other transactions require disclosure due to the company taking the related parties disclosure exemption.

19. Ultimate parent company and controlling party

The Company's immediate holding company is Sonoco Venture International Holdings GmbH, which is registered in Switzerland. Copies of the immediate parent's financial statements may be obtained from The Secretary, Sonoco Venture International Holdings GmbH, Steinackerstrasse 9, CH-8700, Kusnacht, Switzerland.

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.