

Sonoco Holdings UK Limited
Annual report
for the year ended 31 December 2001

Registered Number 3739940



Sonoco Holdings UK Limited
Annual report
for the year ended 31 December 2001

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Sonoco Holdings UK Limited

Directors and Advisors

Directors

R L Harris
C J Hupfer
D A Collins

Secretary

D A Collins

Auditors

PricewaterhouseCoopers
101 Barbirolli Square
Lower Mosley Street
Manchester
M2 3PW

Solicitors

Cobbetts
Ship Canal House
King Street
Manchester
M2 4WB

Bankers

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

Registered Office

Station Road
Milnrow
Rochdale
Lancashire
OL16 4HQ

Registered Number

3739940

Sonoco Holdings UK Limited

Directors' report for the year ended 31 December 2001

The directors present their report and the audited financial statements for the year ended 31 December 2001.

Principal activities and review of business

The company acts as an intermediate holding company for the United Kingdom subsidiaries of the Sonoco Products Company group.

The group's principal activity during the year was the production and conversion of materials for the packaging industry.

The successful development of the business continued during the year and the directors believe that further progress will be made in the year to 31 December 2002.

Dividends

The directors do not recommend the payment of a dividend for the year ended 31 December 2001 (2000: £Nil).

Directors and their interests

The directors who held office during the year are given below:

R L Harris
C J Hupfer
D A Collins (appointed 15 January 2001)

None of the directors had any interest in the shares of group companies which are required to be disclosed in this report.

Charitable donations

The group made charitable donations of £7,776 (2000: £2,864) during the year.

Employees

The directors recognise the importance of good communications with their employees and inform and consult with employees' representatives on matters likely to affect employees.

It is the group's policy to employ disabled persons whenever practically possible and the training, career development and promotion of disabled employees, as far as possible, is identical to that of other employees.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and group and of the profit or loss of the company and group for that year. The directors are required to prepare financial statements on the going concern basis, unless it is inappropriate to presume that the company and group will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2001 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that 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 1985. They 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.

Sonoco Holdings UK Limited

Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution concerning their appointment will be proposed at the annual general meeting.

By order of the board



D A Collins
Company Secretary
31 October 2002

Sonoco Holdings UK Limited

Independent auditors' report to the members of Sonoco Holdings UK Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

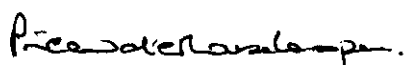
Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31 December 2001 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Manchester
31 October 2002

Sonoco Holdings UK Limited

Consolidated profit and loss account for the year ended 31 December 2001

	Notes	Acquisitions	Continuing operations	2001 Total continuing operations	Discontinued operations	Total	2000 Total
		£'000	£'000	£'000	£'000	£'000	£'000
Turnover	1	23,637	42,622	66,259	1,311	67,570	62,075
Cost of sales		(22,224)	(36,396)	(58,620)	(1,086)	(59,706)	(49,388)
Gross profit		1,413	6,226	7,639	225	7,864	12,687
Distribution costs		-	(3,183)	(3,183)	-	(3,183)	(5,384)
Administrative expenses		-	(4,457)	(4,457)	(328)	(4,785)	(9,241)
Operating profit/(loss)	2	1,413	(1,414)	(1)	(103)	(104)	(1,938)
(Loss)/profit on disposal of business	2	-	-	-	(106)	(106)	7,292
(Loss)/profit on ordinary activities before interest		1,413	(1,414)	(1)	(209)	(210)	5,354
Interest receivable						55	77
Interest payable	5					(1,062)	(1,167)
(Loss)/profit on ordinary activities before taxation	6					(1,217)	4,264
Tax credit on loss on ordinary activities	7					192	-
(Loss)/profit for the financial year						(1,025)	4,264
Accumulated losses brought forward						(12,451)	(16,715)
Accumulated losses carried forward						(13,476)	(12,451)

The group has no recognised gains and losses other than those included in the results reported above, and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the loss on ordinary activities before taxation and the loss for the year stated above, and their historical cost equivalents.

Sonoco Holdings UK Limited

Balance sheets as at 31 December 2001

		Group		Company	
	Notes	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Fixed assets					
Intangible assets	9	12,094	8,635	-	-
Tangible assets	10	25,473	24,985	-	-
Investments	11	-	-	47,427	47,427
		37,567	33,620	47,427	47,427
Current assets					
Stocks	12	6,049	6,486	-	-
Deferred expenditure		-	668	-	-
Debtors: amounts falling due within one year	13	12,000	24,180	2,598	11,500
Cash at bank and in hand		2,784	902	1	1
		20,833	32,236	2,599	11,501
Creditors: amounts falling due within one year	14	(38,199)	(30,496)	(2,610)	(1)
Net current (liabilities)/assets		(17,366)	1,740	(11)	11,500
Total assets less current liabilities		20,201	35,360	47,416	58,927
Creditors: amounts falling due in more than one year	14	-	(18)	-	-
Accruals and deferred income	17	(349)	(366)	-	-
Net assets		19,852	34,976	47,416	58,927
Capital and reserves					
Called up share capital	18	100	100	100	100
Share premium account	19	33,228	47,327	33,228	47,327
Profit and loss account	19	(13,476)	(12,451)	14,088	11,500
Equity shareholders' funds	20	19,852	34,976	47,416	58,927

The financial statements on pages 5 to 20 were approved by the board of directors on 31 October 2002 and were signed on its behalf by:


D A Collins
 Director

Sonoco Holdings UK Limited

Accounting policies

Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. The company has adopted FRS 18: Accounting Policies during the year with no impact on the results or balance sheet. The transitional disclosures required by FRS 17: Retirement Benefits are set out in note 16. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements have been prepared in accordance with the historical cost convention.

Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the parent company and of all its subsidiaries and exclude all transactions between group companies.

On 10 September 1999, Sonoco Holdings UK Limited acquired the whole of the issued share capital of Sonoco UK Limited Inc via a share exchange with Sonoco International Inc. This transaction has been accounted for using merger accounting principles. Accordingly, the consolidated financial statements have been presented as if Sonoco Holdings UK Limited had owned Sonoco UK Limited Inc throughout the current and comparative accounting periods.

Investments in subsidiary companies are stated at cost except where the directors consider there to have been an impairment in value. All principal subsidiaries have co-terminus year ends.

Cash flow statement

The company is exempt from the requirement of Financial Reporting Standard No.1 to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of Sonoco Products Company whose financial statements are publicly available.

Goodwill

Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. Goodwill arising on the acquisition of subsidiaries is capitalised and amortised through the profit and loss account over a period of up to 20 years, which is considered to be its useful economic life.

Tangible and intangible fixed assets

The cost of fixed assets and intangible fixed assets is their purchase cost, together with any incidental costs of acquisition. Depreciation is provided on all tangible and intangible 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
Leasehold land and buildings	over the lease term
Plant and machinery	over 4 to 10 years
Licences	17 years

Investments

Investments are held at cost less provisions for impairment in value.

Sonoco Holdings UK Limited

Operating leases

Rentals paid under operating leases are charged to profit and loss account on a straight line basis.

Deferred expenditure

Deferred expenditure comprises rebates paid in advance to customers in respect of supply contracts. The expenditure is written off over the contract periods, being the periods over which the related benefits are expected to arise.

Stocks and work in progress

Stocks are stated at the lower of cost and net realisable value. Cost is determined on a first in first out basis and includes, in the case of manufactured goods and work in progress, all direct expenditure and production overheads based on the normal level of activity. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

Government grants

Grants of a revenue nature are credited to income in the year to which they relate. Grants that relate to specific capital expenditure are treated as deferred income which is credited to the profit and loss account over the related asset's useful life.

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rates ruling at the date of the transaction. All exchange differences are taken to the profit and loss account.

Turnover

Turnover represents the invoiced amount of goods sold and services provided, excluding value added tax.

Deferred taxation

Deferred taxation is provided in respect of the tax effects arising from all timing differences of a material amount to the extent that it is probable that a liability will crystallise in the foreseeable future.

Pensions

The expected annual cost of the pension benefits is calculated on the advice of actuaries as a regular pension cost which, subject to variation, is charged to the profit and loss account. Variations from regular pension costs are spread over the expected remaining service lives of members of the scheme.

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Notes to the financial statements for the year ended 31 December 2001

1 Analysis of turnover by geographical area

	Continuing Operations £'000	Discontinued Operations £'000	2001 Total £'000	Continuing Operations £'000	Discontinued Operations £'000	Total £'000
United Kingdom	58,788	628	59,416	38,700	10,202	48,902
Rest of Europe	7,328	109	7,437	4,449	3,581	8,030
Africa	4	-	4	27	297	324
America	-	574	574	306	2,528	2,834
Middle East	126	-	126	15	326	341
Australia and Far East	13	-	13	25	1,619	1,644
	66,259	1,311	67,570	43,522	18,553	62,075

United Kingdom turnover for continuing operations includes £23,637,000 in respect of acquisitions.

2 Operating profit

For 2000, the total results are split between continuing and discontinued operations as follows:

	Continuing operations £'000	Discontinued operations £'000	Total £'000
Turnover	43,522	18,553	62,075
Cost of sales	(35,387)	(14,001)	(49,388)
Gross profit	8,135	4,552	12,687
Distribution costs	(3,156)	(2,228)	(5,384)
Administrative expenses	(6,939)	(2,302)	(9,241)
Operating (loss)/profit	(1,960)	22	(1,938)

The results of discontinued operations relate to the Capseals division (sold in December 2000) and the Harland Machine Systems division (sold in March 2001).

Sonoco Holdings UK Limited

3 Directors' emoluments

	2001 £'000	2000 £'000
Aggregate emoluments	30	100

No retirement benefits were accruing to any director under the group's defined benefit pension scheme at 31 December 2001 (2000: None).

4 Employee information

The average weekly number of persons (including executive directors) employed by the group during the year was:

By activity	2001 Number	2000 Number
Office and management	153	367
Manufacturing	657	400
	810	767
	£'000	£'000
Staff costs (for the above persons)		
Wages and salaries	17,729	16,499
Social security costs	1,581	1,525
Other pension costs (note 16)	655	482
	19,965	18,506

5 Interest payable and similar charges

	2001 £'000	2000 £'000
On bank overdrafts and other loans	125	827
On amounts payable to group companies	900	331
On finance leases	37	9
	1,062	1,167

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6 (Loss)/Profit on ordinary activities before taxation

	2001 £'000	2000 £'000
(Loss)/Profit on ordinary activities before taxation is stated after charging/(crediting):		
Loss on disposal of tangible fixed assets	142	108
Auditors' remuneration for:		
Audit services (Company £13,000;2000: £13,000)	64	63
Non-audit services	149	170
Amortisation of intangible fixed assets	573	823
Impairment write-downs	-	2,110
Depreciation of:		
Tangible owned fixed assets	2,357	4,027
Tangible fixed assets held under finance leases	-	38
Hire of plant and machinery - operating leases	504	1,047
Hire of other assets - operating leases	337	486
Release of government grants	(17)	(22)
Exceptional item included within administrative expenses:		
Impairment write-down of the "Eco-can" licence	-	1,650

7 Tax on profit on ordinary activities

	2001 £'000	2000 £'000
United Kingdom corporation tax at 30% (1999: 30%):		
Current tax credit	192	-

8 Profit for the financial year

As permitted by Section 230 of the Companies Act 1985, the parent company's profit and loss account has not been included in these financial statements. The parent company's profit for the year was £2,588,000 (2000: £11,500,000).

Sonoco Holdings UK Limited

9 Intangible fixed assets

Group	Licences £'000	Goodwill £'000	Total £'000
Cost			
At 1 January 2001	1,843	13,394	15,237
Additions	-	4,333	4,333
Disposals	-	(813)	(813)
At 31 December 2001	1,843	16,914	18,757
Amortisation			
At 1 January 2001	1,843	4,759	6,602
Provided during the year	-	573	573
Disposals	-	(512)	(512)
At 31 December 2001	1,843	4,820	6,663
Net book value			
At 31 December 2001	-	12,094	12,094
At 31 December 2000	-	8,635	8,635

Licences represent the rights of group companies to sell certain paper based products across mainland Europe. Royalty income is paid to the UK group by fellow group companies in respect of sales made. Due to the low level of royalty income receivable, the asset value is impaired and has been written down accordingly.

Acquisitions

(a) On 1 January 2001, Sonoco Limited acquired the trade and assets of Bonar Pack Centre Limited for cash consideration of £1,758,000.

The net assets acquired were as follows:

	Book and fair values £'000
Fixed assets	478
Stock	1,260
Debtors	28
Creditors	(8)
Consideration	1,758

The results of the Pack Centre are shown as relating to acquisitions on the face of the profit and loss account.

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(b) In December 2001, Sonoco Limited acquired the trade and assets of Smurfit Tubes for consideration of £7,700,000 cash. The net assets acquired were as follows:

	Book and fair values £'000
Fixed assets	2,305
Stock	600
Debtors	2,531
Creditors	(2,069)
	3,367
Consideration	7,700
Goodwill	4,333

The results of Smurfit Tubes since the date of acquisition have not been disclosed as relating to acquisitions as they are not material.

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10 Tangible fixed assets

	Land and buildings £'000	Plant and machinery £'000	Construction in progress £'000	Total £'000
Cost				
At 1 January 2001	10,031	44,141	1,674	55,846
Additions	157	449	925	1,531
Acquisition of businesses	868	2,557	-	3,425
Transfers	293	1,747	(2,105)	(65)
Disposals	(569)	(1,222)	-	(1,791)
At 31 December 2001	10,780	47,672	494	58,946
Depreciation				
At 1 January 2001	3,369	27,492	-	30,861
Provided during the year	315	2,042	-	2,357
Acquisition of businesses	266	864	-	1,130
Disposals	(60)	(815)	-	(875)
At 31 December 2001	3,890	29,583	-	33,473
Net book value				
At 31 December 2001	6,890	18,089	494	25,473
At 31 December 2000	6,662	16,650	1,673	24,985
The net book value of land and buildings comprises:				
			2001 £'000	2000 £'000
Freehold			6,731	5,980
Long leasehold			159	682
			6,890	6,662

Sonoco Holdings UK Limited

11 Investments

Company
Subsidiary
undertakings
£'000

Cost

At 31 December 2001 and 31 December 2000

47,427

Interests in group undertakings

The group's investments in non-dormant subsidiaries as at 31 December 2001, all of which are wholly owned, are as follows:

Name of undertaking	Country of Registration	Description of shares held	Principal activities
Sonoco Milnrow	England and Wales	Ordinary £1 shares	Intermediate holding company
Sonoco Products Company UK *	England and Wales	Ordinary £1 shares	Intermediate holding company
Sonoco Limited **	England and Wales	Ordinary £1 shares	Production and conversion of packaging materials

* Shares held by Sonoco Milnrow

** Shares held by Sonoco Products Company UK.

12 Stocks

	Group	
	2001 £'000	2000 £'000
Raw materials and consumables	1,821	2,810
Work in progress	3,953	2,693
Finished goods and goods for resale	275	983
	6,049	6,486

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13 Debtors

	Group		Company	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Amounts falling due within one year				
Trade debtors	7,970	7,992	-	-
Other debtors	2,167	1,379	-	-
Amounts due from group undertakings	1,130	14,403	2,598	11,500
Prepayments and accrued income	733	406	-	-
	12,000	24,180	2,598	11,500

Other debtors includes a pensions prepayment as shown below:

	Pensions and similar obligations £'000
At 1 January 2001	985
Profit and loss account	(67)
Paid in the year	567
At 31 December 2001	1,485

14 Creditors

	Group		Company	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Amounts falling due within one year				
Bank overdraft	3,088	2,400	-	-
Obligations under finance leases	9	79	-	-
Trade creditors	8,921	5,472	-	-
Amounts due to group undertakings	20,773	18,519	2,610	1
Other taxes and social security	2,497	1,039	-	-
Corporation tax payable	200	342	-	-
Other creditors	330	1,448	-	-
Accruals	2,381	1,197	-	-
	38,199	30,496	2,610	1

Sonoco Holdings UK Limited

Creditors (continued)

	Group	
	2001 £'000	2000 £'000
Amounts falling due in more than one year		
Obligations under finance leases	-	18

The ultimate parent company, Sonoco Products Company, has provided certain guarantees in respect of bank borrowings and similar facilities.

15 Provisions for liabilities and charges

Deferred taxation

	Amount provided		Amount unprovided	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Tax effect of timing differences because of:				
Excess of capital allowances over depreciation		-	2,036	1,511
Losses carried forward		-	(30)	(131)
Other differences		-	(470)	(77)
		-	1,536	1,303

16 Pension obligations

Throughout the year, the United Kingdom group of companies operated a funded, defined benefit pension scheme (the Sonoco UK Retirement Benefits Plan (the 'Plan')). Most members contribute a proportion of salary to the Plan and all members are provided with benefits based on final pensionable salary. 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 last valuation of the Plan was at 1 January 2000 and was undertaken by a professionally qualified actuary using the projected unit method. The principal actuarial assumptions made were that, over the long term, the investment return would exceed:

- The increase in remuneration by 1.4% per annum;
- The increase in pensions in payment accrued before 6 April 1997 by 3.7% per annum for two sections, and by 3.2% per annum for another section and by 3.4% for the other section; and
- The increase in pensions in payment accrued after 5 April 1997 by 3.2% per annum for all sections

At 1 January 2000 the market value of the assets of the Plan was £81.5 million and the funding level was 119%, including allowance in the calculation of liabilities for expected increases in earnings and future expected pension increases.

The pension cost for the year was £655,000 (2000: £482,000). Pension balances are recorded and disclosed in the financial statements of the immediate parent company.

The pension cost has been assessed in accordance with the advice of an independent professionally qualified actuary using the projected unit method and the actuarial assumptions for the last valuation of the plan.

Sonoco Holdings UK Limited

FRS 17

The FRS 17 calculations for disclosure purposes have been prepared by a qualified independent actuary. The major assumptions used by the actuary were:

Discount rate	6.0%
Rate of increase in salaries	4.7%
Rate of increase in pensions in payment	2.5%
Inflation assumption	2.7%

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

	Market value £'000	Long-term expected rate of return
Equities and property	54,350	8.0%
Cash	460	4.0%
Bonds	15,249	5.5%
Total	70,059	

The following amounts at 31 December 2001 were measured in accordance with the requirements of FRS 17:

	£'000
Total market value of assets	70,059
Present value of Plan liabilities	(75,964)
Plan deficit	(5,905)
Related deferred tax asset	1,772
Net pension liability	(4,133)

Had the above amounts been recognised in the financial statements, the group's net assets and profit and loss reserves at 31 December 2001 would be as follows:

	£'000
Net assets excluding net pension liability	19,852
Net pension liability	(4,133)
Net assets including pension liability	15,719
Profit and loss reserve excluding net pension liability	(13,476)
Net pension liability	(4,133)
Profit and loss reserve including net pension liability	(17,609)

17 Accruals and deferred income

Group	£'000
Government grants	
At 1 January 2001	366
Released to profit and loss account	(17)
At 31 December 2001	349

Sonoco Holdings UK Limited

18 Called up share capital

	2001 £'000	2000 £'000
Authorised		
1,000,000 ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid		
100,000 ordinary shares of £1 each	100	100

19 Share premium account and reserves

Group

	Share premium account £'000	Profit and loss account £'000
At 1 January 2001	47,327	(12,451)
Loss for the financial year	-	(1,025)
Reduction in share premium account	(14,099)	-
At 31 December 2001	33,228	(13,476)

Company

At 1 January 2001	47,327	11,500
Profit for the year	-	2,588
Reduction in share premium account	(14,099)	-
At 31 December 2001	33,228	14,088

On 5 September 2001 the reduction of the share premium account was approved by the courts and £14,099,000 was returned to the parent company.

20 Reconciliation of movements in equity shareholders' funds

	2001 £'000	2000 £'000
Loss/(profit) for the financial year	(1,025)	4,264
Reduction in share premium account	(14,099)	-
Opening shareholders' funds	34,976	30,712
Closing shareholders' funds	19,852	34,976

Sonoco Holdings UK Limited

21 Capital commitments

	2001 £'000	2000 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	335	402

22 Financial commitments

At 31 December 2001 the group had annual commitments under non-cancellable operating leases as follows:

	2001		2000	
	Land and buildings £'000	Other £'000	Land and Buildings £'000	Other £'000
Expiring within one year	-	182	211	89
Expiring between two and five years	48	434	74	524
Expiring in over five years	335	168	138	9
	383	784	423	622

23 Related party transactions

As a wholly owned subsidiary, the company has taken advantage of the exemption under FRS 8 not to disclose intra-group transactions. There have been no other related party transactions.

24 Ultimate parent company and controlling party

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 may be obtained from The Secretary, Sonoco Products Company, Hartsville, South Carolina 29550, USA.