

Edgar Filing: SONOCO PRODUCTS CO - Form NT 10-Q

The reason described in reasonable detail in Part III of this form could not be eliminated without unreasonable effort or expense

- o (b) The subject annual report, semi-annual report, transition report on Form 10-K, Form 20-F, Form 11-K, Form N-SAR or Form N-CSR, or portion thereof, will be filed on or before the fifteenth calendar day following the prescribed due date; or the subject quarterly report or transition report on Form 10-Q or subject distribution report on Form 10-D, or portion thereof, will be filed on or before the fifth calendar day following the prescribed due date; and
 - (c) The accountant's statement or other exhibit required by Rule 12b-25(c) has been attached if applicable.
(Not applicable).
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PART III — NARRATIVE

State below in reasonable detail why Forms 10-K, 20-F, 11-K, 10-Q, 10-D, N-SAR, N-CSR, or the transition report or portion thereof, could not be filed within the prescribed time period.

Sonoco Products Company (the “Company”) is unable to timely file its Quarterly Report on Form 10-Q for the period ended June 28, 2015 (the “Quarterly Report”) because of an ongoing internal investigation into the magnitude and timing of misstatements in the historical operating results and balance sheets of a contract packaging center in Irapuato, Mexico.

The Company disclosed on July 16, 2015 that in the course of closing its books for the second quarter of 2015, the Company discovered certain accounting irregularities at the contract packaging center in Irapuato, Mexico. These irregularities involved the Irapuato finance manager; the full extent of involvement of other employees in the accounting irregularities has yet to be determined. These irregularities consisted of a pattern of unsupported journal entries and other actions which misstated revenue, costs of sales, trade accounts receivable, other receivables, accrued expenses and other, and trade accounts payable for reporting periods dating back to 2011. The Company currently does not believe that the impact of the identified accounting irregularities to any reporting period prior to 2012 is material. The Irapuato packaging center commenced operations early in 2010 and those operations were not fully to scale until 2012.

Preliminary results of the Company's investigation indicate that neither cash nor previously reported cash flows from operations were affected. The Company's ongoing investigation has led to the preliminary conclusion that these misstatements were made to conceal shortfalls in operating profits at the Irapuato packaging center.

Promptly upon discovery, the Company reported these accounting irregularities to the Audit Committee of the Board of Directors and self-reported the matter to the Securities and Exchange Commission. The Company's Audit Committee initiated a formal investigation into the matter to determine whether any adjustments will be required with respect to the Company's previously issued financial statements, and management's report on internal control over financial reporting. The Audit Committee retained independent third party experts to assist with this investigation. Reported consolidated revenues and cost of sales from 2012 through the first quarter of 2015 are believed to have been cumulatively understated by approximately \$45.6 million and \$78.0 million, respectively, resulting in cumulative overstatements of reported gross profit and net income of approximately \$32.4 million and \$23.5 million, respectively. A breakdown of the impact by year of the preliminarily identified misstatements on previously reported consolidated operating results is provided below:

(Unaudited)	Net Sales	Overstated/(Understated) - \$ in Millions			
		Cost of Sales	Gross Profit	Income Taxes	Net Income
2015 - First Quarter	\$(2.7)	\$(5.8)	\$3.1	\$(0.9)	\$2.2
2014 - Full Year	\$(2.0)	\$(16.6)	\$14.6	\$(4.3)	\$10.3
2013 - Full Year	\$(13.4)	\$(25.0)	\$11.6	\$(3.5)	\$8.1
2012 - Full Year	\$(27.5)	\$(30.6)	\$3.1	\$(0.2)	\$2.9
Cumulative Impact	\$(45.6)	\$(78.0)	\$32.4	\$(8.9)	\$23.5

Based on the findings to date, the investigation has indicated that prior to their discovery in early July 2015, the existence of the accounting irregularities at Irapuato had been concealed from senior management, Corporate finance, and our independent auditors.

Due to the ongoing investigation described above, the Company was unable to complete its Quarterly Report on Form 10-Q for the quarter ended June 28, 2015 by the prescribed August 7, 2015 due date without undue effort and expense. The Company is working towards filing its Quarterly Report by the end of August 2015.

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