

**Graphic Packaging International Foodservice
Europe Limited**

Annual Report and Financial Statements

For the year ended 31 December 2018



GRAPHIC PACKAGING INTERNATIONAL FOODSERVICE EUROPE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2018

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GRAPHIC PACKAGING INTERNATIONAL FOODSERVICE LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

H Van Moeseke (appointed 1st January 2018)
E Van De Rovert (appointed 1st January 2018)
L Tashma (appointed 1st January 2018)
S Scherger (appointed 1st January 2018)

COMPANY SECRETARY

L Tashma (appointed 31st January 2018)

REGISTERED OFFICE

Units 10 & 11 Navigation Park
Road One
Winsford Industrial Estate
Winsford
Cheshire
CW7 3RL

BANKERS

J.P. Morgan Chase & Co

SOLICITORS

Shoosmiths

AUDITOR

Ernst & Young LLP
Statutory Auditor
Leeds
United Kingdom

GRAPHIC PACKAGING INTERNATIONAL FOODSERVICE EUROPE LIMITED

STRATEGIC REPORT

The directors present their strategic report on the affairs of the company, together with the directors' report for the year ended 31 December 2018. The directors in preparing this report, have complied with s414c of the Companies Act 2006.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The principal activity of the company continues to be that of the manufacture and sale of disposable paper products for the food industry.

On 1st January 2018, the company was acquired by Graphic Packaging International Limited (Bristol)

The results for the year are detailed on page 9. In 2018 sales marginally decreased by 1.1%, however the overall loss before taxation for the year improved by 39%.

We continuously seek to improve our operating performance with an emphasis on health and safety, asset performance and operating costs.

During 2019 the company intends focus primarily on its core markets. All industry data indicates demand for foodservice packaging throughout Europe will heavily increase over the next three years. The company intends to focus on maximising their share of this sector growth.

KEY PERFORMANCE INDICATORS

The key financial and other performance indicators during the period were as follows:

	2018	2017	Change
	£'000	£'000	%
Turnover	7,861	7,955	(1.2)%
EBITDA	221	91	142.9%
Average debtor days	44	42	(4.7)%
Average number of employees	33	34	(2.9)%

Turnover has decreased slightly but the EBITDA for the year has increased by 142.9% due to maintaining cost control over direct costs.

PRINCIPAL RISK MANAGEMENT AND UNCERTAINTIES

The process of risk management is addressed through a framework of policies, procedures and internal controls. Compliance with regulation, legal and ethical standards is a high priority for the company and management take on an important oversight role in this regard.

Cash flow risk

Due to the raw materials being sourced from overseas, the business is exposed to volatility of movements in exchange rates. We anticipate this will be an ongoing challenge for the business which we will mitigate through continued focus on manufacturing as well as close monitoring by management of foreign exchange risk.

Credit risk

The company is also exposed to credit risk, with the principal financial assets trade and other receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The credit risk is spread over a number of counterparties.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available, the company uses an intercompany cash pooling arrangements.

Brexit risk

On the 29th March 2017, the United Kingdom invoked Article 50 of the Treaty of Lisbon, beginning the process of withdrawing from the European Union. No significant price pressure is foreseen in 2019. Brexit is expected to have

GRAPHIC PACKAGING INTERNATIONAL FOODSERVICE EUROPE LIMITED

STRATEGIC REPORT

an impact due to fluctuations in the exchange rate but at this time no financial modelling has been constructed as not enough is known about the possible effects.

Approved by the Board of Directors and signed on behalf of the Board:

Director



13th September 2019

GRAPHIC PACKAGING INTERNATIONAL FOODSERVICE EUROPE LIMITED

DIRECTORS' REPORT

The directors present their annual report on the affairs of the company, together with the audited financial statements for the year ended 31 December 2018.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

Graphic Packaging International Foodservice Europe Ltd is a limited company incorporated in the UK.

The principal activity of the company is the manufacture and sale of disposable paper products for the food industry.

The directors are satisfied with the results for the year and the prospects for the coming year.

RESULTS AND DIVIDENDS

The audited financial statements for the year ended 31 December 2018 are set out on pages 7 to 18. The loss on ordinary activities after taxation of £269,777 (2017 - £443,088 loss) has been transferred from reserves.

The directors do not recommend payment of a dividend (2017 - £nil).

GOING CONCERN

After making enquiries and based on the assumptions outlined in note 1 of the financial statements the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The directors have been provided with confirmation from Graphic Packaging International that any additional funding that maybe required will be available for the foreseeable future and any outstanding loans will not be called in for repayment within 12 months from the date of approval of these financial statements. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

DIRECTORS

The directors of the company, who served during the year and thereafter, are shown on page 1.

DIRECTORS INDEMNITIES

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

FUTURE DEVELOPMENTS

Details of future developments can be found in the Strategic Report on page 2 and form part of this report by cross-reference.

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who is a director of the company at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

APPOINTMENT OF AUDITORS

Further to the acquisition of International Paper Foodservice Europe Ltd on 1st January 2018, the decision was taken by directors to appoint the auditor of Graphic Packaging International as auditor of Graphic Packaging International Foodservice Europe Ltd.

Approved by the Board of Directors
and signed on behalf of the Board

Director

13th September 2019

GRAPHIC PACKAGING INTERNATIONAL FOODSERVICE EUROPE LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 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. 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.

GRAPHIC PACKAGING INTERNATIONAL FOODSERVICE EUROPE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GRAPHIC PACKAGING INTERNATIONAL FOODSERVICE EUROPE LTD

Opinion

We have audited the financial statements of Graphic Packaging International Foodservice Europe Ltd for the year ended 31 December 2018 which comprise of the Profit and Loss Account, the Balance Sheet, the Statement of comprehensive income, the Statement of changes in equity and the related notes 1 to 16, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion, the financial statements:

- give a true and fair view 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; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- 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.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we

GRAPHIC PACKAGING INTERNATIONAL FOODSERVICE EUROPE LIMITED

have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

Auditor's 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 auditor's 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 Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent

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permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Ernst & Young LLP

Peter Buckler (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Leeds, UK

Date: 13th September 2019

GRAPHIC PACKAGING INTERNATIONAL FOODSERVICE EUROPE LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2018

	Note	2018 £	2017 £
TURNOVER			
Cost of sales	3	7,861,001 (6,441,611)	7,954,706 (6,801,536)
GROSS PROFIT		1,419,390	1,153,170
Other operating expenses		(1,691,437)	(1,570,708)
OPERATING LOSS		(272,047)	(417,538)
Finance Income/(Costs)	6	2,270	(25,550)
LOSS BEFORE TAXATION	4	(269,777)	(443,088)
Taxation on loss	7	-	-
LOSSES RETAINED FOR THE FINANCIAL YEAR		<u>(269,777)</u>	<u>(443,088)</u>

All activity has arisen from continuing operations. The company has no recognised gains or losses in either year other than the loss for that year as shown above. Accordingly a separate statement of comprehensive income not been presented.

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BALANCE SHEET

For the year ended 31 December 2018

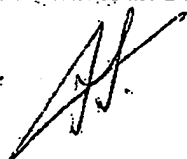
	Note	2018 £	2017 £
FIXED ASSETS			
Tangible fixed assets	8	3,487,899	3,926,079
CURRENT ASSETS			
Stocks	9	1,666,042	1,341,580
Debtors	10	1,144,047	1,205,577
Cash on hand		2,593,696	14,958
		5,403,785	2,562,115
CREDITORS: amounts falling due within one year	11	(3,499,436)	(826,169)
NET CURRENT ASSETS		1,904,349	1,735,946
TOTAL ASSETS LESS CURRENT LIABILITIES BEING NET ASSETS		5,392,248	5,662,025
CAPITAL AND RESERVES			
Called-up share capital	13	3,439,399	3,439,399
Profit and loss account		1,952,849	2,222,626
SHAREHOLDER'S FUNDS		5,392,248	5,662,025

The accompanying notes on pages 10 to 18 form an integral part of the financial statements.

The financial statements of Graphic Packaging International Foodservice Europe Limited, were approved by the Board of Directors and authorised for issue on 13th September 2019

Signed on behalf of the Board of Directors

Director



GRAPHIC PACKAGING INTERNATIONAL FOODSERVICE EUROPE LIMITED

STATEMENT OF CHANGES IN EQUITY For the year ended 31 December 2018

	Called up Share capital £	Profit and loss account £	Total £
At 1 January 2017	852,550	2,665,714	3,518,264
Loss for the financial year and total comprehensive expense	-	(443,088)	(443,088)
Share Allotment	2,586,849	-	2,586,849
At 31 December 2017	<u>3,439,399</u>	<u>2,222,626</u>	<u>5,662,025</u>
Loss for the financial year and total comprehensive expense		<u>(269,777)</u>	<u>(269,777)</u>
At 31 December 2018	<u>3,439,399</u>	<u>1,952,849</u>	<u>5,392,248</u>

GRAPHIC PACKAGING INTERNATIONAL FOODSERVICE EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

GENERAL INFORMATION AND BASIS OF ACCOUNTING

Graphic Packaging International Foodservice Europe Limited (previously International Paper Foodservice Europe Limited) (the Company) is a private Company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales (or Wales). The address of the Company's registered office is shown on page 1.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

The Company meet the definition of a qualifying entity under FRS102 and has therefore taken advantage of this disclosure exemptions available to it (under sections 7 and 28), in respect of presentation of a cash flow statement, financial instruments and key management personnel disclosure.

GOING CONCERN

The directors have been provided with confirmation from Graphic Packaging International Limited that any additional funding that maybe required will be available for the foreseeable future and any outstanding loans will not be called in for repayment within 12 months from the date of approval of these financial statements. Taking into account this support from the parent company the directors believe the company is well placed and has considerable cash resource to manage its business risks successfully despite the current uncertain economic outlook. The company participates in the group's centralised treasury arrangements and shares banking arrangements with its parent and fellow subsidiaries. The directors have therefore assessed the ability of the group companies to continue with the group banking arrangements. After making enquiries and after having reviewed the company's forecasts and projections, taking into account reasonably possible changes in trading performance, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, in equal annual instalments, over the estimated useful life of the assets. The depreciation charge is included in the cost of sales figure in the profit and loss account. Specific depreciation rates are as follows:

Plant and machinery - 5-12 years straight line

Fixtures and fittings - 3-10 years straight line

Assets in the course of construction are not depreciated.

STOCKS

Stocks are stated at the lower of cost or estimated selling price less costs to sell, which is equivalent to the net realisable value.

Cost incurred in bringing each product to its present location and condition is based on:

Raw materials - Purchase cost on a FIFO basis including transport.

Work-in-progress - Cost of direct materials and labour, plus a reasonable proportion of manufacturing overheads based on normal levels of activity.

Finished goods - Net realisable value is based on estimated normal selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2018

1. ACCOUNTING POLICIES (continued)

TAXATION

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences, are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing differences.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

FOREIGN CURRENCY

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

TURNOVER

Turnover comprises the value of sales (excluding VAT and similar taxes and trade discounts) of goods and services provided in the normal course of business. Revenue is recognised when, in the opinion of the directors, the company has fulfilled its obligations under the terms of sale and when the significant risks and rewards have been transferred to the buyer.

OPERATING LEASES

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight line basis over the lease term.

RETIREMENT BENEFITS

Amounts paid by the company into a defined contribution pension scheme are charged to the profit and loss account in the period in which the contributions fall due for payment.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

GRAPHIC PACKAGING INTERNATIONAL FOODSERVICE EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2018

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the group's accounting policies

There are no critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the company's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

3. TURNOVER

	2018 £	2017 £
Geographical analysis of turnover by destination:		
United Kingdom	3,537,818	3,429,473
Rest of Europe	3,502,800	3,713,823
Rest of World	820,383	811,410
	<u>7,861,001</u>	<u>7,954,706</u>

All turnover originated in the UK.

GRAPHIC PACKAGING INTERNATIONAL FOODSERVICE EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2018

4. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Loss on ordinary activities before taxation is stated after charging:

	2018 £	2017 £
Depreciation		
- tangible fixed assets	493,260	508,864
Operating lease rentals		
- property	-	250,039
- equipment	15,824	11,176
Foreign exchange	96,771	26,419
Auditor's remuneration		
- audit of the company's annual financial statements	20,000	16,830
Cost of stock recognised as an expense	<u>6,441,611</u>	<u>6,801,536</u>

There were no non-audit fees payable to the auditor (2017 - nil).

GRAPHIC PACKAGING INTERNATIONAL FOODSERVICE EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2018

5. STAFF COSTS

The average monthly number of employees (including executive directors) was:

	2018 Number	2017 Number
Production	23	24
Administration	10	10
	<u>33</u>	<u>34</u>

Their aggregate remuneration comprised:

	2018 £	2017 £
Wages and salaries	1,149,180	1,143,317
Social security costs	66,089	68,696
Employer's pension contributions and other staff costs	83,336	82,110
	<u>1,298,605</u>	<u>1,294,123</u>

Directors' remuneration

	2018 £	2017 £
Directors' emoluments	-	113,513
Pension contributions	-	9,937
	<u>-</u>	<u>123,450</u>

During 2018 nil (2017: 2) director was a member of a money purchase pension scheme. All the directors serving in 2018 are also directors of other group companies. Their emoluments are paid by other group companies. The qualifying services provided by the directors to the Company during the year were negligible compared to their group wide responsibilities and so no value has been apportioned to those services.

6. FINANCE COSTS

	2018 £	2017 £
Interest receivable	2,270	-
Interest payable	-	(25,550)
	<u>2,270</u>	<u>(25,550)</u>

GRAPHIC PACKAGING INTERNATIONAL FOODSERVICE EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2018

7. TAX ON LOSS ON ORDINARY ACTIVITIES

	2018 £	2017 £
Current tax on []		
UK current tax [] for the year	-	-
Adjustment in respect of prior years	-	-
Total current tax [] for the year	<u>-</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	-	-
Rate change	-	-
Total deferred tax []	<u>-</u>	<u>-</u>
Total tax [] on [] on ordinary activities	<u>-</u>	<u>-</u>

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	2018 £	2017 £
(Loss) on ordinary activities before tax	<u>(269,777)</u>	<u>(443,088)</u>
Tax on loss on ordinary activities at standard UK corporation tax rate of 19 % (2017 – 19.25%)	(51,258)	(85,294)
Effects of:		
Expenses not deductible for tax purposes	2,616	93,377
Other permanent differences	(4,053)	-
Group relief surrendered	157,599	-
Deferred tax not recognised	(93,862)	-
Group relief for nil consideration	-	(8,083)
Effects of rate changes	<u>(11,042)</u>	<u>-</u>
Total tax for the year	<u>-</u>	<u>-</u>

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. An addition reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. Recognised and unrecognised deferred tax assets and liabilities as at 31 December 2018 have been calculated based on these rates (see note 12).

GRAPHIC PACKAGING INTERNATIONAL FOODSERVICE EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2018

8. TANGIBLE FIXED ASSETS

	Plant and machinery £	Fixtures and fittings £	Total £
Cost			
As at 1 January 2018	6,803,784	37,759	6,841,543
Additions	15,500	39,580	55,080
	<u>6,819,284</u>	<u>77,339</u>	<u>6,896,623</u>
Depreciation			
As at 1 January 2018	2,887,002	28,462	2,915,464
Charge for the year	489,940	3,320	493,260
	<u>3,376,942</u>	<u>31,782</u>	<u>3,408,724</u>
Net book value			
As at 31 December 2018	<u>3,442,342</u>	<u>45,557</u>	<u>3,487,899</u>
As at 31 December 2017	<u>3,916,782</u>	<u>9,297</u>	<u>3,926,079</u>

9. STOCKS

	2018 £	2017 £
Raw materials and consumables	671,105	784,980
Work-in-progress and finished goods	994,937	556,600
	<u>1,666,042</u>	<u>1,341,580</u>

The replacement cost of stock is not materially different to its balance sheet value.

10. DEBTORS

	2018 £	2017 £
Trade debtors	767,468	906,311
Deferred tax asset (see note 12)	250,583	250,583
VAT recoverable	19,592	-
Prepayments and accrued income	106,404	48,683
	<u>1,144,047</u>	<u>1,205,577</u>

GRAPHIC PACKAGING INTERNATIONAL FOODSERVICE EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2018

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £	2017 £
Trade creditors	180,305	216,886
Amounts owed to group undertakings	3,072,110	337,737
Other taxes and social security	24,612	40,442
Accruals and deferred income	222,409	231,104
	<u>3,499,436</u>	<u>826,169</u>

Amounts owed to group undertakings are repayable on demand.

12. DEFERRED TAXATION ASSET

	Deferred taxation £
As at 1 January 2018	250,583
To profit and loss account	-
As at 31 December 2018	<u>250,583</u>

Deferred taxation provided is as follows:

	Provided 2018 £	Provided 2017 £
Depreciation in excess of capital allowances	198,463	198,463
Tax losses	52,120	52,120
	<u>250,583</u>	<u>250,583</u>

As at 31 December 2018 there was £228,132 of unprovided deferred tax (2017 - £228,132).

13. CALLED-UP SHARE CAPITAL

	2018 £	2017 £
Allotted, called-up and fully-paid 3,439,399 ordinary shares at £1 each	<u>3,439,399</u>	<u>3,439,399</u>

On the 29th December 2017, 2,586,849 ordinary shares of £1 each were issued.

GRAPHIC PACKAGING INTERNATIONAL FOODSERVICE EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2018

14. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

Lease commitments

The company has the following total future minimum lease payments in respect of non-cancellable operating leases:

	Plant and machinery		Land and buildings	
	2018	2017	2018	2017
	£	£	£	£
Within one year	15,284	15,284	-	-
Between two and five years	19,001	-	-	-
After five years	-	-	-	-
	<u>34,285</u>	<u>50,189</u>	<u>-</u>	<u>-</u>

15. EMPLOYEE BENEFITS

Defined Contribution Scheme

The company operates defined contribution retirement benefit schemes for qualifying employees. The total expense charged to profit or loss in the year ended 31 December 2018 was £83,336 (2017 - £82,110).

16. ULTIMATE CONTROLLING PARTY

The directors regard Graphic Packaging Holding Company, a company whose principal place of business is at 1500 Riveredge Parkway N, Suite 100, Atlanta, Georgia 30328, USA, as the ultimate parent company and ultimate controlling party.

As a wholly owned subsidiary of Graphic Packaging Holding Company the company has taken the exemption given under FRS 102 section 33 "Related party disclosures" for wholly owned subsidiaries not to disclose related party transactions with other group companies.