

**Graphic Packaging International Foodservice
Europe Limited**

Annual Report and Financial Statements

For the year ended 31 December 2019



GRAPHIC PACKAGING INTERNATIONAL FOODSERVICE EUROPE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2019

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GRAPHIC PACKAGING INTERNATIONAL FOODSERVICE LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

H Van Moeseke (resigned 20th April 2020)
J F Roche (appointed 21st April 2020)
E Van De Rovaart (appointed 1st January 2018)
L Tashma (appointed 1st January 2018)
S Scherger (appointed 1st January 2018)

REGISTERED OFFICE

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

BANKERS

J.P. Morgan Chase & Co
25 Bank Street
London
E14 5JP

Bank of America
2 King Street
London
EC1A 1HQ

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 2019. 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.

The results for the year are detailed on page 9. In 2019 sales increased by 19%, and the overall loss before taxation for the year reduced by 28.8%. The increase in sales has been driven by acquiring several new customers and also the organic growth of our existing customer base.

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

During 2020 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:

	2019	2018	Change
	£'000	£'000	%
Turnover	9,357	7,861	19%
EBITDA	308	221	39.4%
Average debtor days	41	44	(6.8)%
Average number of employees	31	33	(6.1)%

Turnover has increased and the EBITDA for the year has increased by 39.4% 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.

While COVID 19 has impacted operations in 2020, the health & safety of our workforce and continuation of supply to the to our customers has been our focus. Graphic Packaging has been able to adapt its procedures to ensure production continues whilst adhering to government guidelines. During the first UK lock down our main foodservice customer decided to close it restuarants and as a result we suspended manufacture and made use of the government furlough schemes. We recommenced manufacture on 23rd April 2020 and additional costs have occurred due to increased employee absence, cleaning routines, additional PPE and IT equipment to allow employees that can, to work from home. Debtors have been managed tightly to ensure bad debts are highly unlikely, however we continue to monitor all customers more closely by understanding the industry sector they supply. Some disruption has occurred to operational installations which were delayed to protect the manufacturing facility and our employees.

Due to the ongoing developments around COVID 19 it is hard to know if there will be any significant ongoing implications to the business other than some degree of variation to the inflationary impact driven by the general downturn in the UK and European economy. We have been able to continue manufacturing and shipping product to customer throughout the second English lockdown.

GRAPHIC PACKAGING INTERNATIONAL FOODSERVICE EUROPE LIMITED

STRATEGIC REPORT (Continued)

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

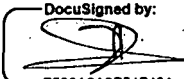
The company is also exposed to credit risk, with the principal financial assets trade and other receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous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

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

Brexit risk

The impact of BREXIT has been considered and a full review of customer and supplier inco terms has been performed, the impact on GPI Foodservice is not deemed material.

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

DocuSigned by:

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Jean Francois Roche

Director

8 December 2020

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 2019.

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 2019 are set out on pages 9 to 20. The loss on ordinary activities after taxation of £192,260 (2018 - £269,777 loss) has been transferred from reserves.

The directors do not recommend payment of a dividend (2018 - £nil).

GOING CONCERN

The company has historically made an operating loss but the levels of EBITDA mean that the business generates cash before investing activities. Despite the challenges of COVID 19 the business whose products are principally used by the food service sector, have traded reasonably well since manufacturing recommenced on 23rd April 2020 although we now expect annual sales for the year to 31 December 2021 to be some 15% to 20% down on the original budgets but broadly comparable with 2019. At 31 December 2019 the company had its own separate banking arrangements but since 1 September 2020 sterling amounts held and generated by the company will be deposited in the group's European cash pool. These amounts and a further funding facility if required are available for the company to draw down on demand. The company has no external debt. The directors have considered the profit projections and cash flow forecasts for the period to 31 December 2021. The expectation is that the company will continue to contribute to the European cash pool over that time frame but due to the fluctuations of its working capital cycle and investments in new plant there may be periods where the company needs access to the amounts deposited in the European cash pool.

The formal cash pooling agreement gives the company the right to borrow sums from the European cash pool instead of arranging an external bank overdraft. The company has also obtained a letter of support from its ultimate parent which would give access to additional funds in the unlikely event that the funds in the European pool can not be accessed as expected or are not sufficient to enable amounts to be borrowed.

In assessing the ability of the ultimate parent to support the company if needed the directors have received and reviewed a copy of the group managements going concern assessments which are produced as each set of quarterly results are released to the US market in accordance with ASC 205-40-50. The directors note that the US parent has considerable net current assets and very high levels of liquidity due to a combination of cash reserves and access to undrawn but committed facilities.

Given the above the directors have a reasonable expectation that the company has adequate resources and if needed support to continue in operational existence for the foreseeable future. Thus, the financial statements have therefore been prepared on a going concern basis.

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

GRAPHIC PACKAGING INTERNATIONAL FOODSERVICE EUROPE LIMITED

DIRECTORS' REPORT

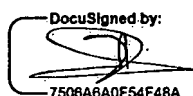
- the director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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

AUDITORS

The auditors, Ernst & Young LLP, are not standing for re-appointment. PricewaterhouseCoopers LLP will be appointed as auditors from 2020 in accordance with section 489 of the Companies Act 2006.

This report was approved by the board on 8 December 2020 and signed on its behalf.

DocuSigned by:

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Jean Francois Roche
Director

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 for the year ended 31 December 2019 which comprise of the Profit and Loss Account, the Balance Sheet, Statement of cash flows, 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" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2019 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.

Emphasis of matter – Effect of COVID 19

We draw attention to Note 17 of the financial statements, which describe the economic and social consequences the company is facing as a result of COVID-19. Our opinion is not modified in respect of this matter.

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 6], 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

GRAPHIC PACKAGING INTERNATIONAL FOODSERVICE EUROPE LIMITED

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, United Kingdom
Date: 8 December 2020

GRAPHIC PACKAGING INTERNATIONAL FOODSERVICE EUROPE LIMITED**PROFIT AND LOSS ACCOUNT****For the year ended 31 December 2019**

	Note	2019 £	2018 £
TURNOVER	3	9,356,926	7,861,001
Cost of sales		<u>(7,707,863)</u>	<u>(6,441,611)</u>
GROSS PROFIT		1,649,063	1,419,390
Other operating expenses		<u>(1,848,360)</u>	<u>(1,691,437)</u>
OPERATING LOSS		(199,297)	(272,047)
Finance Income	6	<u>7,037</u>	<u>2,270</u>
LOSS BEFORE TAXATION	4	(192,260)	(269,777)
Taxation on loss	7	<u>-</u>	<u>-</u>
LOSSES RETAINED FOR THE FINANCIAL YEAR		<u><u>(192,260)</u></u>	<u><u>(269,777)</u></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.

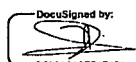
GRAPHIC PACKAGING INTERNATIONAL FOODSERVICE EUROPE LIMITED**BALANCE SHEET****For the year ended 31 December 2019**

	Note	2019 £	2018 £
FIXED ASSETS			
Tangible fixed assets	8	3,144,239	3,487,899
CURRENT ASSETS			
Stocks	9	1,550,848	1,666,042
Debtors	10	1,206,778	1,144,047
Cash on hand		1,649,419	2,593,696
		4,407,045	5,403,785
CREDITORS: amounts falling due within one year	11	(2,351,296)	(3,499,436)
NET CURRENT ASSETS		2,055,749	1,904,349
TOTAL ASSETS LESS CURRENT LIABILITIES BEING NET ASSETS		5,199,988	5,392,248
CAPITAL AND RESERVES			
Called-up share capital	13	3,439,399	3,439,399
Profit and loss account		1,760,589	1,952,849
SHAREHOLDER'S FUNDS		5,199,988	5,392,248

The accompanying notes on pages 13 to 21 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 8 December 2020.

Signed on behalf of the Board of Directors

DocuSigned by:


Jean François Roche

Director

GRAPHIC PACKAGING INTERNATIONAL FOODSERVICE EUROPE LIMITED**STATEMENT OF CHANGES IN EQUITY****For the year ended 31 December 2019**

	Called up Share capital £	Profit and loss account £	Total £
At 1 January 2018	3,439,399	2,222,626	5,662,025
Loss for the financial year and total comprehensive expense	-	(269,777)	(269,777)
At 31 December 2018	<u>3,439,399</u>	<u>1,952,849</u>	<u>5,392,248</u>
Loss for the financial year and total comprehensive expense	-	(192,260)	(192,260)
At 31 December 2019	<u>3,439,399</u>	<u>1,760,589</u>	<u>5,199,988</u>

GRAPHIC PACKAGING INTERNATIONAL FOODSERVICE EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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 company has historically made an operating loss but the levels of EBITDA mean that the business generates cash before investing activities. Despite the challenges of COVID 19 the business whose products are principally used by the food service sector, have traded reasonably well since manufacturing recommenced on 23rd April 2020 although we now expect annual sales for the year to 31 December 2021 to be some 15% to 20% down on the original budgets but broadly comparable with 2019. At 31 December 2019 the company had its own separate banking arrangements but since 1 September 2020 sterling amounts held and generated by the company will be deposited in the group's European cash pool. These amounts and a further funding facility if required are available for the company to draw down on demand. The company has no external debt. The directors have considered the profit projections and cash flow forecasts for the period to 31 December 2021. The expectation is that the company will continue to contribute to the European cash pool over that time frame but due to the fluctuations of its working capital cycle and investments in new plant there may be periods where the company needs access to the amounts deposited in the European cash pool.

The formal cash pooling agreement gives the company the right to borrow sums from the European cash pool instead of arranging an external bank overdraft. The company has also obtained a letter of support from its ultimate parent which would give access to additional funds in the unlikely event that the funds in the European pool can not be accessed as expected or are not sufficient to enable amounts to be borrowed.

In assessing the ability of the ultimate parent to support the company if needed the directors have received and reviewed a copy of the group managements going concern assessments which are produced as each set of quarterly results are released to the US market in accordance with ASC 205-40-50. The directors note that the US parent has considerable net current assets and very high levels of liquidity due to a combination of cash reserves and access to undrawn but committed facilities.

Given the above the directors have a reasonable expectation that the company has adequate resources and if needed support to continue in operational existence for the foreseeable future. Thus, the financial statements have therefore been prepared on a going concern.

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

GRAPHIC PACKAGING INTERNATIONAL FOODSERVICE EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

Assets in the course of construction contains capital projects which have been approved but are currently in progress. These assets will transfer to the Fixed Asset Register once the asset is confirmed operational. The depreciation starts in the following month of the asset being capitalised in the Fixed Asset Register.

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. |

GRAPHIC PACKAGING INTERNATIONAL FOODSERVICE EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

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

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably

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.

GRAPHIC PACKAGING INTERNATIONAL FOODSERVICE EUROPE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 31 December 2019****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.

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

	2019 £	2018 £
Geographical analysis of turnover by destination:		
United Kingdom	3,790,235	3,537,818
Rest of Europe	2,435,676	3,502,800
Rest of World	3,131,015	820,383
	<u>9,356,926</u>	<u>7,861,001</u>

4. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Loss on ordinary activities before taxation is stated after charging:

	2019 £	2018 £
Depreciation		
- tangible fixed assets	500,035	493,260
Operating lease rentals		
- property	243,221	-
- equipment	15,824	15,824
Foreign exchange	202,122	96,771
Auditor's remuneration		
- audit of the company's annual financial statements	20,000	20,000
Cost of stock recognised as an expense	<u>7,636,546</u>	<u>6,441,611</u>

There were no non-audit fees payable to the auditor (2018 - nil).

GRAPHIC PACKAGING INTERNATIONAL FOODSERVICE EUROPE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)**
For the year ended 31 December 2019**5. STAFF COSTS**

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

	2019 Number	2018 Number
Production	22	23
Administration	9	10
	<u>31</u>	<u>33</u>

Their aggregate remuneration comprised:

	2019 £	2018 £
Wages and salaries	1,285,498	1,149,180
Social security costs	83,277	66,089
Employer's pension contributions and other staff costs	77,117	83,336
	<u>1,445,892</u>	<u>1,298,605</u>

During 2019 nil (2018: nil) director was a member of a money purchase pension scheme. All the directors serving in 2019 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

	2019 £	2018 £
Interest receivable	<u>7,037</u>	<u>2,270</u>

GRAPHIC PACKAGING INTERNATIONAL FOODSERVICE EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2019

7. TAX ON LOSS ON ORDINARY ACTIVITIES

	2019 £	2018 £
Current tax on loss		
UK current tax charge for the year	-	-
Adjustment in respect of prior years	-	-
	<u>-</u>	<u>-</u>
Total current tax charge for the year	<u>-</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	-	-
Rate change	-	-
	<u>-</u>	<u>-</u>
Total deferred tax charge	<u>-</u>	<u>-</u>
Total tax charge on loss 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:

	2019 £	2018 £
(Loss) on ordinary activities before tax	(192,260)	(269,777)
	<u>(192,260)</u>	<u>(269,777)</u>
Tax on loss on ordinary activities at standard UK corporation tax rate of 19 % (2018 – 19%)	(36,529)	(51,258)
Effects of:		
Expenses not deductible for tax purposes	1,533	2,616
Other permanent differences	(2,235)	(4,053)
Group relief surrendered	111,989	157,599
Deferred tax not recognised	(66,888)	(93,862)
Group relief for nil consideration	-	-
Effects of rate changes	(7,870)	(11,042)
	<u>-</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 2019 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 2019****8. TANGIBLE FIXED ASSETS**

	Assets Under Construction	Plant and machinery £	Fixtures and fittings £	Total £
Cost				
As at 1 January 2019	-	6,819,284	77,339	6,896,623
Additions	156,374	-	-	156,374
	<u>156,374</u>	<u>6,819,284</u>	<u>77,339</u>	<u>7,052,997</u>
As at 31 December 2019	<u>156,374</u>	<u>6,819,284</u>	<u>77,339</u>	<u>7,052,997</u>
Depreciation				
As at 1 January 2019	-	3,376,942	31,782	3,408,724
Charge for the year	-	492,692	7,342	500,034
As at 31 December 2019	<u>-</u>	<u>3,869,634</u>	<u>39,124</u>	<u>3,908,758</u>
Net book value				
As at 31 December 2019	<u>156,374</u>	<u>2,949,650</u>	<u>38,215</u>	<u>3,144,239</u>
As at 31 December 2018	<u>-</u>	<u>3,442,342</u>	<u>45,557</u>	<u>3,487,899</u>

9. STOCKS

	2019 £	2018 £
Raw materials and consumables	590,955	671,105
Work-in-progress and finished goods	959,893	994,937
	<u>1,550,848</u>	<u>1,666,042</u>

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

10. DEBTORS

	2019 £	2018 £
Trade debtors	855,802	767,468
Deferred tax asset (see note 12)	250,583	250,583
VAT recoverable	-	19,592
Prepayments and accrued income	100,393	106,404
	<u>1,206,778</u>	<u>1,144,047</u>

GRAPHIC PACKAGING INTERNATIONAL FOODSERVICE EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £	2018 £
Trade creditors	291,958	180,305
Amount owed to parent undertakings	1,654,561	3,072,110
Amounts owed to associated group undertakings	54,077	-
Other taxes and social security	22,815	24,612
VAT Payable	11,104	-
Accruals and deferred income	316,781	222,409
	<u>2,351,296</u>	<u>3,499,436</u>

Amounts owed to group undertakings are repayable on demand and non interest bearing.

12. DEFERRED TAXATION ASSET

	Deferred taxation £
As at 1 January 2019	250,583
To profit and loss account	-
As at 31 December 2019	<u>250,583</u>

Deferred taxation provided is as follows:

	Provided 2019 £	Provided 2018 £
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 2019 there was £228,132 of unprovided deferred tax (2018 - £228,132).

13. CALLED-UP SHARE CAPITAL

	2019 £	2018 £
Allotted, called-up and fully-paid 3,439,399 ordinary shares at £1 each	<u>3,439,399</u>	<u>3,439,399</u>

GRAPHIC PACKAGING INTERNATIONAL FOODSERVICE EUROPE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 31 December 2019****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	
	2019	2018	2019	2018
	£	£	£	£
Within one year	15,284	15,284	324,294	-
Between two and five years	18,461	19,001	1,053,956	-
After five years	-	-	-	-
	<u>33,745</u>	<u>34,285</u>	<u>1,378,250</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 2019 was £77,117 (2018 - £83,336).

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.

The Company's immediate parent undertaking is Graphic Packaging International Ltd, a company incorporated in the United Kingdom.

The smallest and largest group of which the company is a member and for which group financial statements are prepared is Graphic Packaging Holding Company

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.

17. POST BALANCE SHEET EVENTS

The COVID-19 outbreak subsequent to the year end, whilst a non-adjusting event for these financial statements, may have an impact on the results for future years. Because of restrictions implemented by various Governments to mitigate the spread of COVID-19, the company decided to close its production facility for a period of time and furlough its staff. Since recommencing production, the company has had to adapt certain working practices and keep supply chain under constant review. The company have implemented a comprehensive set of actions to respond to the challenges impacting the supply chain and distribution channels during this period. The full impact of the pandemic remains uncertain as the situation is still unfolding around the world and there still may be further effects for the geographies the company obtains product or sells product. Considerations relating to the continued use of the going concern basis of preparation are set out in note 1 above. With the exception of deferred tax recoverable, there is currently no expectation of any impairments to assets held by the company at 31 December 2019 as a result of COVID 19. However, as COVID-19 is a non adjusting event any impairment would be booked in future years