

**Graphic Packaging International Foodservice  
Europe Limited (previously International  
Paper Foodservice Europe Limited)**

**Annual Report and Financial Statements**

**For the year ended 31 December 2017**



**GRAPHIC PACKAGING INTERNATIONAL FOODSERVICE EUROPE LIMITED**  
**(previously INTERNATIONAL PAPER FOODSERVICE EUROPE LIMITED)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**For the year ended 31 December 2017**

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**GRAPHIC PACKAGING INTERNATIONAL FOODSERVICE LIMITED (previously  
INTERNATIONAL PAPER FOODSERVICE EUROPE LIMITED)**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

M.E. Turner	(resigned 1 <sup>st</sup> January 2018)
A. Vallance	(resigned 1 <sup>st</sup> January 2018)
P. Wilczynski	(resigned 1 <sup>st</sup> January 2018)
H Van Moeseke	(appointed 1 <sup>st</sup> January 2018)
E Van De Rovert	(appointed 1 <sup>st</sup> January 2018)
L Tashma	(appointed 1 <sup>st</sup> January 2018)
S Scherger	(appointed 1 <sup>st</sup> January 2018)

**COMPANY SECRETARY**

A. Vallance (resigned 1<sup>st</sup> January 2018)  
L Tashma (appointed 31<sup>st</sup> 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**

Deloitte LLP  
Statutory Auditor  
Manchester  
United Kingdom

# **GRAPHIC PACKAGING INTERNATIONAL FOODSERVICE EUROPE LIMITED** **(previously INTERNATIONAL PAPER 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 2017. 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 Holding Company, 1500 Riveredge Parkway N, Suite 100, Atlanta, Georgia 30328, USA for the sum of \$1,100,000

The results for the year are detailed on page 9. The performance of the company during 2017 has improved against 2016. An increased product range has increased sales by 16.4%

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

During 2018 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**

Gross loss in the year was £443,088 (2016 - £725,555) this represents a 38.9% improvement due to increased sales and maintaining cost control. EBITDA in the year was a profit of £91,326 (2016-loss £239,161). Average debtor days were 42 days (2016 - 43 days), this represents a decrease of 2.3% due to tighter credit control management undertaken in 2017. As at 31<sup>st</sup> December 2017 the company operated for over 41 months without a recordable accident. The directors believe these measures to be the key performance indicators of Graphic Packaging International Foodservice Europe Limited (previously International Paper Foodservice Europe Limited).

## **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. The directors are currently considering the impact of Brexit on the business.

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

  
H Van Moeseke  
Director

26/09/2018

# **GRAPHIC PACKAGING INTERNATIONAL FOODSERVICE EUROPE LIMITED** **(previously INTERNATIONAL PAPER 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 2017. As permitted by s414c(11) of the Companies Act 2006, details of future developments are presented in the strategic report.

International Paper Foodservice Europe Limited is a limited company incorporated in the UK.

## **PRINCIPAL ACTIVITY AND BUSINESS REVIEW**

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 2017 are set out on pages 7 to 18. The loss on ordinary activities after taxation of £443,088 (2016 - £725,555 loss) has been transferred from reserves.

The directors do not recommend payment of a dividend (2016 - £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 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. 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.

## **EVENTS AFTER THE BALANCE SHEET DATE**

Details of significant events since the balance sheet date are contained in note 17 to the financial statements. On 2<sup>nd</sup> January 2018, the company was acquired by Graphic Packaging International Ltd and hence the ultimate controlling party of the company changed on this date (see note 16 for further details). The company name changed to Graphic Packaging International Foodservice Europe Limited on 1st January 2018.

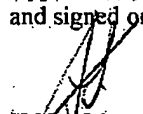
## **AUDITOR**

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.

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

  
H. Van Moeseke  
Director

26/9/ 2018

**GRAPHIC PACKAGING INTERNATIONAL FOODSERVICE EUROPE LIMITED**  
**(previously INTERNATIONAL PAPER 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**  
**(previously INTERNATIONAL PAPER FOODSERVICE EUROPE LIMITED)**

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

**Opinion**

In our opinion the financial statements of Graphic Packaging International Foodservice Europe Limited (previously International Paper Foodservice Europe Limited):

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Graphic Packaging International Foodservice Europe Limited (previously International Paper Foodservice Europe Limited) (the 'company') which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the statement of accounting policies; and
- the related notes 1 to 17

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

**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.

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 are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

**Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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 have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

# **GRAPHIC PACKAGING INTERNATIONAL FOODSERVICE EUROPE LIMITED** **(previously INTERNATIONAL PAPER FOODSERVICE EUROPE LIMITED)**

## **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, 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: [www.frc.org.uk/auditorsresponsibilities](http://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 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.

## **Report on other legal and regulatory requirements**

### **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 the directors' report have been prepared in accordance with applicable legal requirements.

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 any material misstatements in the strategic report or the directors' report.

### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.



Elizabeth Benson BSc ACA (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Statutory Auditor, Manchester, United Kingdom  
26<sup>th</sup> September 2018



**GRAPHIC PACKAGING INTERNATIONAL FOODSERVICE EUROPE LIMITED**  
**(previously INTERNATIONAL PAPER FOODSERVICE EUROPE LIMITED)**

**PROFIT AND LOSS ACCOUNT**

**For the year ended 31 December 2017**

	Note	2017 £	2016 £
<b>TURNOVER</b>	3	7,954,706	6,835,271
Cost of sales		<u>(6,801,536)</u>	<u>(6,199,558)</u>
<b>GROSS PROFIT</b>		1,153,170	635,713
Other operating expenses		<u>(1,570,708)</u>	<u>(1,338,342)</u>
<b>OPERATING LOSS</b>		(417,538)	(702,629)
Finance costs	6	<u>(25,550)</u>	<u>(22,926)</u>
<b>LOSS BEFORE TAXATION</b>	4	(443,088)	(725,555)
Taxation on loss	7	<u>-</u>	<u>-</u>
<b>LOSS RETAINED FOR THE FINANCIAL YEAR</b>		<u><u>(443,088)</u></u>	<u><u>(725,555)</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.

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

**GRAPHIC PACKAGING INTERNATIONAL FOODSERVICE EUROPE LIMITED**  
**(previously INTERNATIONAL PAPER FOODSERVICE EUROPE LIMITED)**

**BALANCE SHEET**

**For the year ended 31 December 2017**

	Note	2017 £	2016 £
<b>FIXED ASSETS</b>			
Tangible fixed assets	8	<u>3,926,079</u>	<u>4,362,300</u>
<b>CURRENT ASSETS</b>			
Stocks	9	1,341,580	1,166,403
Debtors	10	1,205,577	1,275,921
Cash on hand		14,958	-
		<u>2,562,115</u>	<u>2,442,324</u>
<b>CREDITORS: amounts falling due within one year</b>	11	<u>(826,169)</u>	<u>(3,286,360)</u>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<u>1,735,946</u>	<u>(844,036)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
<b>BEING NET ASSETS</b>		<u>5,662,025</u>	<u>3,518,264</u>
<b>CAPITAL AND RESERVES</b>			
Called-up share capital	13	3,439,399	852,550
Profit and loss account		<u>2,222,626</u>	<u>2,665,714</u>
<b>SHAREHOLDER'S FUNDS</b>		<u>5,662,025</u>	<u>3,518,264</u>

The financial statements of International Paper Foodservice Europe Limited, registered number 00497043, were approved by the Board of Directors and authorised for issue on 26/09/ 2018.

Signed on behalf of the Board of Directors

H Van Moeseke

Director

**GRAPHIC PACKAGING INTERNATIONAL FOODSERVICE EUROPE LIMITED**  
**(previously INTERNATIONAL PAPER FOODSERVICE EUROPE LIMITED)**

**STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 December 2017**

	<b>Called up Share capital £</b>	<b>Profit and loss account £</b>	<b>Total £</b>
At 1 January 2016	852,550	3,391,269	4,243,819
Loss for the financial year and total comprehensive expense	-	(725,555)	(725,555)
At 31 December 2016	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	3,439,399	2,222,626	5,662,025

**GRAPHIC PACKAGING INTERNATIONAL FOODSERVICE EUROPE LIMITED**  
**(previously INTERNATIONAL PAPER FOODSERVICE EUROPE LIMITED)**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2017**

**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 meets 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.

**GRAPHIC PACKAGING INTERNATIONAL FOODSERVICE EUROPE LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2017**

**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**  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2017**

*Financial assets and liabilities*

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

**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**

	2017 £	2016 £
Geographical analysis of turnover by destination:		
United Kingdom	3,429,473	2,488,472
Rest of Europe	3,713,823	2,958,259
Rest of World	811,410	1,388,540
	<u>7,954,706</u>	<u>6,835,271</u>

All turnover originated in the UK.

**4. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION**

Loss on ordinary activities before taxation is stated after charging:

**GRAPHIC PACKAGING INTERNATIONAL FOODSERVICE EUROPE LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 December 2017**

	2017 £	2016 £
Depreciation		
- tangible fixed assets	508,864	463,468
Operating lease rentals		
- property	250,039	235,659
- equipment	11,176	26,048
Foreign exchange loss	26,419	18,234
Auditor's remuneration		
- audit of the company's annual financial statements	16,830	16,500
Cost of stock recognised as an expense	<u>6,801,536</u>	<u>6,199,558</u>

There were no non-audit fees payable to the auditor (2016 - nil).

**GRAPHIC PACKAGING INTERNATIONAL FOODSERVICE EUROPE LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2017**

**5. STAFF COSTS**

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

	2017 Number	2016 Number
Production	24	19
Administration	10	11
	<u>34</u>	<u>30</u>

Their aggregate remuneration comprised:

	2017 £	2016 £
Wages and salaries	1,143,317	963,561
Social security costs	68,696	54,694
Employer's pension contributions and other staff costs	82,110	62,547
	<u>1,294,123</u>	<u>1,080,802</u>

**Directors' remuneration**

	2017 £	2016 £
Directors' emoluments	113,513	113,149
Pension contributions	9,937	9,767
	<u>123,450</u>	<u>122,916</u>

During 2017-2 (2016: 1) director was a member of a money purchase pension scheme.

**6. FINANCE COSTS**

	2017 £	2016 £
Intercompany interest payable	<u>(25,550)</u>	<u>(22,926)</u>



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**7. TAX ON LOSS ON ORDINARY ACTIVITIES**

	2017 £	2016 £
<b>Current tax on loss</b>		
UK current tax charge for the year	-	-
Adjustment in respect of prior years	-	-
	<u>-</u>	<u>-</u>
<b>Total current tax charge for the year</b>	<u>-</u>	<u>-</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	-	-
Rate change	-	-
	<u>-</u>	<u>-</u>
<b>Total deferred tax credit</b>	<u>-</u>	<u>-</u>
<b>Total tax credit on loss on ordinary activities</b>	<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:

	2017 £	2016 £
Loss on ordinary activities before tax	<u>(443,088)</u>	<u>(725,555)</u>
Tax on loss on ordinary activities at standard UK corporation tax rate of 19.25% (2016 – 20%)	(85,294)	(145,111)
Effects of:		
Permanent differences	504	270
Depreciation in excess of capital allowances	92,873	72,917
Group relief relieved for nil consideration	(8,083)	71,924
	<u>-</u>	<u>-</u>
<b>Total tax for the year</b>	<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 additional 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 2017 have been calculated based on these rates (see note 12).

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
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**8. TANGIBLE FIXED ASSETS**

	Assets in the course of construction £	Plant and machinery £	Fixtures and fittings £	Total £
<b>Cost</b>				
As at 1 January 2017	220,349	6,510,792	37,759	6,768,900
Additions	72,643	-	-	72,643
Transfer to plant and machinery	(292,992)	292,992	-	-
As at 31 December 2017	<u>-</u>	<u>6,803,784</u>	<u>37,759</u>	<u>6,841,543</u>
<b>Depreciation</b>				
As at 1 January 2017	-	2,378,138	28,462	2,406,600
Charge for the year	-	508,864	-	508,864
As at 31 December 2017	<u>-</u>	<u>2,887,002</u>	<u>28,462</u>	<u>2,915,464</u>
<b>Net book value</b>				
As at 31 December 2017	<u>-</u>	<u>3,916,782</u>	<u>9,297</u>	<u>3,926,079</u>
As at 31 December 2016	<u>220,349</u>	<u>4,132,654</u>	<u>9,297</u>	<u>4,362,300</u>

**9. STOCKS**

	2017 £	2016 £
Raw materials and consumables	784,980	760,702
Work-in-progress and finished goods	556,600	405,701
	<u>1,341,580</u>	<u>1,166,403</u>

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

**10. DEBTORS**

	2017 £	2016 £
Trade debtors	906,311	769,735
Amounts owed by group undertakings	-	154,717
Deferred tax asset (see note 12)	250,583	250,583
VAT recoverable	-	60,873
Prepayments and accrued income	48,683	40,013
	<u>1,205,577</u>	<u>1,275,921</u>

Amounts owed by group undertakings includes £nil (2016 - £154,717) of cash held on behalf of the company which is repayable on demand, reflecting that it is part of a group cash pooling arrangement, all amounts were due within one year and recovered in 2017.

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**For the year ended 31 December 2017**

**11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2017 £	2016 £
Trade creditors	216,886	87,483
Amounts owed to group undertakings	337,737	3,044,027
Other taxes and social security	40,442	25,934
Accruals and deferred income	231,104	133,916
	<u>826,169</u>	<u>3,286,360</u>

Amounts owed to group undertakings are repayable on demand.

**12. DEFERRED TAXATION ASSET**

	Deferred taxation £
As at 1 January 2017	250,583
Credit to profit and loss account	-
As at 31 December 2017	<u>250,583</u>

Deferred taxation provided is as follows:

	Provided 2017 £	Provided 2016 £
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 2017 there was £228,132 of unprovided deferred tax (2016- £228,132).

**13. CALLED-UP SHARE CAPITAL**

	2017 £	2016 £
Allotted, called-up and fully-paid 3,439,402 ordinary shares at £1 each	<u>3,439,399</u>	<u>852,550</u>

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

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2017**

**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	
	2017	2016	2017	2016
	£	£	£	£
Within one year	15,824	15,824	-	223,913
Between two and five years	31,648	47,472	-	-
After five years	-	-	-	-
	<u>47,472</u>	<u>63,296</u>	<u>-</u>	<u>223,913</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 2017 was £82,110 (2016 - £62,547).

**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.

**17. POST BALANCE SHEET EVENTS**

On 1st January 2018, the company was acquired by Graphic Packaging Holding Company, 1500 Riveredge Parkway N, Suite 100, Atlanta, Georgia 30328, USA for the sum of \$1,100,000