Wipak UK Limited

Annual report and financial statements

Registered number 01251293

For the year ended 31 December 2018

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Review of business

The Directors are pleased to present the 2018 annual report and financial statements. During the year the company incurred a loss £2,086,000 *(2017: loss £873,000)* on a turnover of £21,325,000 *(2017: £21,477,000)*.

The result for the year represented a total reduction in sales of 0.7%, however, the reduction in sales were for exported products with sales within the UK growing by 0.6%. This is in line with strategic sales growth plans and was achieved through both organic growth with existing customers and market diversification with the addition of new customers.

Challenging market conditions and a short period of business disruption following a change of the business ERP system resulted in the loss for the year. Raw material costs remained a key contributing factor due to the continued weakness in Sterling and high polymer prices. To mitigate losses in 2019 and better position the company going forward, improvement activities have been defined and were implemented in the final quarter of 2018. The impact of these improvements have been seen in the 1st quarter of 2019 with positive development seen in both revenue and profit and will continue throughout the year meaning we are currently on track to meet the challenging targets set for 2019.

Together with the improvement activities defined for 2019, the overall business strategy for the development of new business generated through innovative, differentiated and sustainable market offerings remains unchanged. There is continued focus on Operational Excellence, specifically concentrating on health & safety, quality, increased productivity and waste reduction. This, coupled with securing a long term contract with our largest customer in May 2019, will ensure that the current challenging market conditions are met going forward and we expect a considerable improvement to the 2018 result.

The commercial risks that face the business are those that affect the sectors our customers operate in, namely perishable foods.

Principal risks and uncertainties

The financial risks of the Company and their management are described below.

Price risk

The Company is exposed to price risk on its raw material purchases.

Foreign exchange risk

The Company is exposed to raw material price volatility due to fluctuations in foreign exchange rates which is expected to continue as the UK prepares to leave the EU.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the company. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit, using information supplied by independent rating agencies where available. At the balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Cash flow and liquidity risk

Liquidity risk is the risk that the company may not be able to meet its financial obligations as they fall due. The company ensures that there are sufficient levels of committed facilities, cash and cash equivalents to ensure that the company is, at all times, able to meet its financial commitments. Liquidity risk is managed by continuous monitoring of forecast and actual cash flows and matching the maturity profile of financial assets and liabilities. The Company has no significant interest bearing assets and consequently, its income and cash flows are largely independent of changes in market interest rates. The credit facility from the parent company has interest charged at a floating rate therefore the company is exposed to interest rate risk.

Strategic report *(continued)*

Outlook for 2019 and beyond

Brexit uncertainty together with polymer price volatility will feed into material costs throughout 2019. The company will mitigate this risk through pricing strategies with our customers. The new ERP system has improved business information and controls allowing focus to continue on efficiencies and business improvement activities. Having ensured that our current customer base is secure through new long term agreements, the company can continue to target sales growth to maximise the benefits of investments in state of the art equipment. The Directors are confident that present market opportunities will enable future targets to be achieved.

Going concern

The Company is dependent for its working capital on funds provided to it by Wihuri Packaging Oy the Company's immediate parent undertaking who has provided the Company with an undertaking that, for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the Company and, in particular, will not seek repayment of the amounts currently made available. This should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

Brexit

The company has followed government advice in preparing for Brexit, training staff and liaising with stakeholders to minimise any potential disruption arising from the UK leaving the EU. Risks being mitigated include:

- Customs delays for inward and outward deliveries
- IT system changes
- Raw material pricing volatility
- Downturn in existing markets

Certain market opportunities are also expected following Brexit and the company is well positioned to exploit these as they arise.

By order of the board

A Newbold
Director

A. Newbold

11 July 2019

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2018.

Principal activities

The principal activities of the company during the year continued to be the sale, distribution and manufacture of packing materials.

Dividends and transfers to reserves

The directors did not pay a dividend *(2017: £300,000)* during the period. The retained loss for the financial year of £2,086,000 *(2017: loss £873,000)* will be transferred from reserves.

Directors

The directors who served during the year were as follows:

A Aarnio-Wihuri (Chairman)
JM Hellgren
MH Aarnio-Wihuri
R Aarnio-Wihuri (appointed 1 August 2018)
S Gutheil (resigned 30 June 2018)
A Newbold

Donations

The company made charitable donations amounting to £475 *(2017: £685)* in the year.

Financial instruments

The company uses financial instruments including cash and borrowings, the main purpose of which are to raise finance for the company's activities. It is the company's policy not to enter into trading of a speculative nature in respect of financial instruments.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic report on page 1.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and KPMG LLP will, therefore, continue in office.

By order of the board

A Newbold
Director

A. Newbold

3 Buttington Cross Enterprise Park
Buttington
Welshpool
Powys
SY21 8SL

11 July 2019

Statement of directors' responsibilities in respect of the Strategic report, Directors' report and the financial statements

The directors are responsible for preparing the Strategic report, the Directors' 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), 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 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG

KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Independent auditor's report to the members of Wipak UK Limited

Opinion

We have audited the financial statements of Wipak UK Limited ("the company") for the year ended 31 December 2018 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state 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 UK accounting standards, including FRS 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and Directors' report

The directors are responsible for the Strategic report and the Directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic report and the Directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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;

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Independent auditor's report to the members of Wipak UK Limited *(continued)*

The purpose of our audit work and to whom we owe our responsibilities

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.

Stuart Wood (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

11 July 2019

Profit and loss account
for the year ended 31 December 2018

	Note	2018 £000	2017 £000
Turnover	2	**21,325**	21,477
Cost of sales		**(20,839)**	(19,882)
Gross profit		**486**	1,595
Distribution costs		**(1,211)**	(973)
Administrative expenses		**(1,583)**	(1,524)
Operating loss		**(2,308)**	(902)
Gain/(Loss) on the fair value measurement of an investment	9	**4**	(2)
Interest payable and similar expenses	6	**(182)**	(145)
Loss before taxation	3	**(2,486)**	(1,049)
Tax credit on loss	7	**400**	176
Loss after taxation	18	**(2,086)**	(873)

The company has no recognised gains and losses other than those included above and therefore no separate statement of other comprehensive income has been presented.

All results arise from continuing activities.

The notes on pages 11 to 24 from an integral part of the financial statements.

Balance sheet
at 31 December 2018

	Note	2018 £000	£000	2017 £000	£000
Fixed assets					
Tangible assets	*8*		**5,592**		6,114
Investments	*9*		**276**		272
			5,868		6,386
Current assets					
Stocks	*10*	**2,943**		2,437	
Debtors	*11*	**4,354**		3,979	
Cash at bank and in hand		**143**		1,623	
		7,440		8,039	
Creditors: Amounts falling due within one year	*12*	**(8,446)**		(7,077)	
Net current (liabilities)/assets			**(1,006)**		962
Total assets less current liabilities			**4,862**		7,348
Creditors: Amounts falling due after more than one year	*13*		**(4,020)**		(4,020)
Provisions for liabilities	*16*		**(21)**		(421)
Net assets			**821**		2,907
Capital and reserves					
Called up share capital	*17*		**3,500**		3,500
Profit and loss account	*18*		**(2,679)**		(593)
Shareholders' funds			**821**		2,907

The notes on pages 11 to 24 from an integral part of the financial statements.

These financial statements were approved by the board of directors on 11 July 2019 and were signed on its behalf by:

A. Newbold

A Newbold
Director

Company number: 1251293

Statement of Changes in Equity

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2017	3,500	580	4,080
Total comprehensive income for the period			
Profit or loss	-	(873)	(873)
Total comprehensive income for the period	-	(873)	(873)
Dividends	-	(300)	(300)
Total contributions by and distributions to owners	-	(300)	(300)
Balance at 31 December 2017	3,500	(593)	2,907
Balance at 1 January 2018	3,500	(593)	2,907
Total comprehensive income for the period			
Profit or loss	-	(2,086)	(2,086)
Total comprehensive income for the period	-	(2,086)	(2,086)
Dividends	-	-	-
Total contributions by and distributions to owners	-	-	-
Balance at 31 December 2018	**3,500**	**(2,679)**	**821**

The notes on pages 11 to 24 from an integral part of the financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Wipak UK Limited (the "Company") is a private company incorporated, domiciled and registered in England and Wales in the UK. The registered number is 1251293 and the registered address is 3 Buttington Cross Enterprise Park, Buttington, Welshpool, Powys SY21 8SL.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's ultimate parent undertaking, Wihuri Oy, includes the Company in its consolidated financial statements. The consolidated financial statements of Wihuri Oy are available to the public and may be obtained from The Secretary, Wihuri Oy, PO Box 45, Fin-15561, Nastola, Finland. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 25.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: financial instruments classified at fair value through the profit or loss.

1.2 Going concern

Notwithstanding net current liabilities of £1,006,000 as at 31 December 2018 and a loss for the year then ended of £2,086,000 the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of 18 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through its overdraft facility and in downside cases funding from its immediate parent company, Wihuri Packaging Oy, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Wihuri Packaging Oy not seeking repayment of the amounts currently due to the group, which at 31 December 2018 amounted to £5,335,000, and providing additional financial support during that period. Wihuri Packaging Oy has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Notes *(continued)*

1 Accounting policies *(continued)*

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.4 Classification of financial instruments issued by the Company

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy. Transaction costs are allocated between the debt component and the equity component on the basis of their relative fair values.

1.5 Basic financial instruments

Trade and other debtors/creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Investments in preference and ordinary shares

Investments in equity instruments are measured initially at fair value, which is normally the transaction price. Transaction costs are excluded if the investments are subsequently measured at fair value through profit and loss. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognition in profit or loss. Other investments are measured at cost less impairment in profit or loss

Notes *(continued)*

1 Accounting policies *(continued)*

1.6 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

The company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

• Buildings	20 years
• Plant and equipment	3 – 10 years
• Fixtures and fittings and computer equipment	3 – 8 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

1.7 Government grants

Government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the expected useful lives of the assets to which they relate or in periods in which the related costs are incurred.

1.8 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Where necessary, provision is made for obsolete, slow-moving and defective stock. Customer owned stocks are held on consignment for re-working.

Notes *(continued)*

1 Accounting policies *(continued)*

1.9 Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is reversed only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.10 Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

1.11 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

1.12 Turnover

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of goods and services supplied.

Notes *(continued)*

1 Accounting policies *(continued)*

1.13 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance expenses on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset/are expensed as incurred.

Interest income and interest payable are recognised in profit or loss as they accrues, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

1.14 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met are not provided for. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes *(continued)*

2 Turnover

The analysis by geographical area of the company's turnover is set out below:

	2018 £000	2017 £000
UK and Ireland	**19,456**	18,086
Europe	**1,789**	3,391
Rest of World	**80**	-
	21,325	21,477

3 Expenses and auditor's remuneration

	2018 £000	2017 £000
Included in profit/loss are the following:		
Depreciation of owned tangible fixed assets	**936**	961
Operating lease rentals – other	**120**	105
Amortisation of government grant	**(5)**	(5)
Auditor's remuneration:		
Audit of financial statements	**30**	24
Amounts receivable by the company's auditor and its associates in respect of:		
Other audit related services	**5**	-
Other services relating to taxation	**5**	5

4 Remuneration of directors

	2018 £000	2017 £000
Directors emoluments	**115**	113
Company pension contribution to defined contribution scheme	**8**	8
	123	121

Retirement benefits are accruing to one director under a defined contribution scheme *(2017: one)*. Other than A Newbold, all of the directors who served during the year are all directors of the parent company. These directors received no remuneration for their services to the company as the service they provide to Wipak UK Limited are incidental to the management roles they fulfil for the Wihuri Oy Group.

Notes *(continued)*

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees 2018	2017
Production	**66**	65
Management and administration	**30**	32
	96	97

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	**3,821**	3,116
Social security costs	**384**	305
Other pension costs	**139**	94
	4,344	3,515

6 Interest payable and similar expenses

	2018 £000	2017 £000
Loans from group undertakings	**182**	145

7 Taxation

Analysis of credit in year

	2018 £000	**£000**	2017 £000	£000
Current tax				
Current tax on income for the year	**-**		(142)	
Adjustments in respect of prior years	**-**		(6)	
Total current tax		**-**		(148)
Deferred tax (see note 16)				
Origination and reversal of timing differences	**(399)**		(32)	
Adjustment in respect of prior periods	**(1)**		4	
Total deferred tax		**(400)**		(28)
Total tax		**(400)**		(176)

All of the above tax (credits) have been recognised in the profit and loss account.

Notes *(continued)*

7 Taxation *(continued)*

Reconciliation of effective tax rate

The tax credit for the year is lower *(2017: lower)* than the standard rate of corporation tax in the UK of 19% *(2017: 19.25%)*. The differences are explained below:

	2018	2017
	£000	£000
Loss for the year	**(2,086)**	(873)
Total tax (credit)	**(400)**	(176)
Loss before taxation	**(2,486)**	(1,049)
Tax using the UK corporation tax rate of 19% *(2017: 19.25%)*	**(472)**	(202)
Effects of:		
Expenses not deductible for tax purposes	**2**	2
Depreciation on ineligibles	**27**	26
Adjustments in respect of prior years	**(1)**	(6)
Effect of change in tax rate on deferred tax balances	**44**	4
Total tax (credit) (see above)	**(400)**	(176)

Factors that may affect future current and total tax charges

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, and 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. The deferred tax liability at 31 December 2018 has been calculated based on these rates.

Notes *(continued)*

8 Tangible fixed assets

	Freehold land and buildings	Fixtures and fittings and computer equipment	Plant and equipment	Assets under the course of construction	Total
	£000	£000	£000	£000	£000
Cost					
At beginning of year	3,101	170	9,702	622	13,595
Additions	43	-	78	293	414
Disposals	-	(67)	(151)	-	(218)
Reclassification	-	(24)	24	-	-
Transfers	-	915	-	(915)	-
At end of year	3,144	994	9,653	-	13,791
Depreciation					
At beginning of year	1,571	121	5,789	-	7,481
Charge for year	147	84	705	-	936
Disposals	-	(67)	(151)	-	(218)
At end of year	1,718	138	6,343	-	8,199
Net book value					
At 31 December 2018	**1,426**	**856**	**3,310**	**-**	**5,592**
At 31 December 2017	1,530	49	3,913	622	6,114

Freehold land and buildings includes land at cost of £210,000 *(2017: £210,000)* which is not depreciated.

Fixtures and fittings and computer equipment included items which were more appropriate to be classified as plant and equipment.

9 Fixed asset investments

	2018	2017
	£000	£000
Financial assets designated as fair value through profit or loss	**276**	272

The financial asset relates to a 1% shareholding of 10,000 shares in a fellow group company, Winpak Limited, which are registered on the Toronto Stock Exchange. The carrying value at each reporting date is the stock price listing per the Toronto Stock Exchange.

Notes *(continued)*

10 Stocks

	2018 £000	2017 £000
Raw materials for production and resale	**1,821**	1,824
Finished goods and goods for resale	**1,122**	613
	2,943	2,437

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £14,075,328 *(2017: £14,439,800)*. The write-down of stocks to net realisable value amounted to £51,000 *(2017: £121,000)* and were included within cost of sales. There were no reversals of write-downs in 2018 or 2017.

The replacement cost of stocks is not materially different from the value stated above.

11 Debtors

	2018 £000	2017 £000
Trade debtors	**3,879**	3,362
Amounts owed by fellow subsidiary undertakings	**30**	214
Prepayments and accrued income	**300**	247
Corporation tax recoverable	**145**	156
	4,354	3,979

12 Creditors: Amounts falling due within one year

	2018 £000	2017 £000
Trade creditors	**1,237**	2,521
Amounts owed to group undertakings:		
Parent company	**5,335**	3,378
Fellow subsidiary undertakings	**359**	288
Other taxation and social security	**725**	610
Accruals and deferred income	**790**	280
	8,446	7,077

The company continues to receive the support of its ultimate parent company via a credit facility granted to it. Interest is charged at 1.5% above LIBOR.

Notes *(continued)*

13 Creditors: Amounts falling due after more than one year

	2018 £000	2017 £000
Long term group loan	**4,000**	4,000
Accruals and deferred income	**20**	20
	4,020	4,020

Included within accruals and deferred income are capital based government grants to be credited to the profit and loss account after more than five years of £20,265 *(2017: £20,265)*.

14 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	2018 £000	2017 £000
Creditors falling due more than one year		
Loans from group undertakings	**4,000**	4,017
	4,000	4,017
Creditors falling due within less than one year		
Loans from group undertakings	**5,335**	3,202
	5,335	3,202

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Repayment schedule	< 1 year	>1 year	2018 £000	2017 £000
Intercompany revolving credit facility	GBP	LIBOR+1%	2018	Facility expires in 2018	-	-	-	3,202
Intercompany revolving credit facility	GBP	LIBOR+1.5%	2019	Facility expires in 2019	5,335		**5,335**	
Intercompany term loan	GBP	LIBOR+2%	2022	At maturity		4,000	**4,000**	4,017
					5,335	**4,000**	**9,335**	7,219

Notes *(continued)*

15 Financial instruments

Carrying amount of financial instruments

The carrying amounts of the financial assets and liabilities include:

	2018 £000	2017 £000
Assets measured at fair value through profit or loss	**276**	272
Assets measured at amortised cost	**4,354**	3,979
Liabilities (excluding loan commitments) measured at amortised cost less impairment	**3,131**	3,878
Loan commitments measured at amortised cost less impairment	**9,335**	7,219

Financial instruments measured at fair value

Investments in debt and equity securities

The fair value of shares held in Winpak Limited, is determined by reference to their quoted bid price at the balance sheet date.

None of the change in fair value of this financial asset was attributable to the credit risk of Wipak UK Limited.

Fair values

There is no difference between the carrying value or fair value.

16 Deferred taxation

	£000
At beginning of year	421
Credit to the profit and loss for the year (note 7)	(400)
At end of year	21

The elements of deferred taxation liability are as follows:

	2018 £000	2017 £000
Difference between accumulated depreciation and amortisation and capital allowances	**402**	392
Financial assets	**46**	46
Tax losses carried forward and other deductions	**(427)**	(17)
	21	421

17 Called up share capital

	2018 £000	2017 £000
Allotted, called up and fully paid:		
3,500,000 Ordinary shares of £1 each	**3,500**	3,500

Notes *(continued)*

18 Profit and loss account

	£000
At beginning of year	(593)
Retained loss for the financial year	(2,086)
At end of year	**(2,679)**

19 Operating leases

Non-cancellable operating leases rental are payable as follows:

	2018 £000	2017 £000
Less than one year	**93**	91
Between one and five years	**77**	127
	170	218

During the year £120,000 was recognised as an expense in the profit and loss account in respect of operating leases *(2017: £105,000).*

20 Capital commitments

There were capital commitments at the year-end of £37,410 *(2017: £72,260).*

21 Pension scheme

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company. Contributions to the scheme are charged to the profit and loss account in the year they are incurred.

Total pension charge for the year was £139,000. *(2017: £94,000)*, wholly in respect of contributions to the defined contribution scheme. Outstanding contributions at the end of the financial year were £20,730 *(2017: £18,062).*

22 Related parties

Identity of related parties with which the Company has transacted

In accordance with FRS102, the company is exempt from disclosing transactions where it and the other related parties are wholly-owned subsidiaries of Wihuri Packaging Oy.

During the year £2,343,000 was paid to Biaxis Oy Ltd for raw material purchases (2017: £2,156,000), Biaxis Oy is a partly owned subsidiary of the Wipak Group. Amounts outstanding in relation to these purchases at the end of the year was £66,000 (2017: £136,000).

Wipak UK Limited also has a year-end creditor in relation to a revolving credit facility and a term loan held with its immediate parent company Whiuri Packaging Oy, further details can be found in note 14.

Notes *(continued)*

23 Parent undertaking

The company's immediate parent company at 31 December 2018 is W-Packaging Oy, a company incorporated in Finland.

At 31 December 2018, the directors regard Wihuri Oy, a company incorporated in Finland as the ultimate parent company. The largest group in which the results of the company are consolidated is that headed by Wihuri Oy. Copies of these consolidated financial statements may be obtained from:

The Secretary
Wihuri Oy
PO Box 45
Fin-15561
Nastola
Finland

24 Controlling party

The directors regard A Aarnio-Wihuri, the chairman, as the controlling party by virtue of his controlling interest in the ultimate parent company's equity capital.

25 Accounting estimates and judgements

Key sources of estimation uncertainty

Inventories

There is an element of estimation uncertainty with regards to valuation of inventories at the year-end due to risk of overvaluation due to obsolescence or damage. As disclosed on the balance sheet and in more detail with note 10, the net inventory balance after accounting for the obsolescence provision is £2,943,000. The total provision made against the year-end inventory balance is £51,000 and has been calculated in accordance with the policy prescribed by the Wihuri Packaging Oy Group.

26 Subsequent events

Subsequent to the year end the intercompany revolving credit facility with amounts drawn down of £5,335,000 due to expire in April 2019 has been renewed into another revolving credit facility with a maximum facility amount of £6,000,000 expiring in April 2020. The interest accrued on this facility remains at 1.5% above LIBOR. The parent company has communicated its intention to renew the facility to cover the period after April 2020.