

**Registered Number 2231043**

**Graphic Packaging International Limited**

**Annual report and financial statements**

**for the year ended 31 December 2016**

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# Graphic Packaging International Limited

## Directors' report and financial statements

### for the year ended 31 December 2016

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# **Graphic Packaging International Limited**

## **Directors and professional advisers**

### **Directors**

L Tashma (appointed 15 Aug 2016)

H Van Moeseke

J Yost

E Van de Rovaart

S Scherger

### **Registered Office**

Eversheds Sutherland LLP

Eversheds House

70 Great Bridgewater Street

Manchester

M1 5ES

### **Auditors**

Ernst & Young LLP

1 Bridgewater Place

Water Lane

Leeds

LS11 5QR

### **Solicitors**

Eversheds Sutherland LLP

Eversheds House

70 Great Bridgewater Street

Manchester

M1 5ES

### **Bankers**

National Westminster Bank Plc

PO Box 238

32 Corn Street

Bristol

BS99 7UG

Bank of America

London Branch

2 King Edward Street

London

EC1A 1HQ

# Graphic Packaging International Limited

## Strategic Report for the year ended 31 December 2016

The directors present their Strategic Report for the year ended 31 December 2016.

### Review of the business

The principal activity of the company during the year continued to be the production of high quality cartons from board substrates.

The key financial and other performance indicators of the company during the year were as follows:

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Turnover	42,743	41,319
EBITDA	8,285	7,073
Profit After Tax	3,809	2,675
Average number of employees	123	135

Turnover increased by 3.0% during the year following increased sales to end users by our key customers. Turnover in the next financial year is expected to be at a higher level to that achieved this year following the start up of a new production machine.

EBITDA is stated after exceptional profit of £1,250,461, (2015, net costs £1,586,853). The 2016 exceptional gain relates to the gain on an insurance claim whilst the 2015 exceptional costs were connected to restructuring operations.

Profit after tax has increased proportionately with EBITDA.

The average number of employees reduced during the year. This was due to the full year effects of 2015's restructure. The average number of employees is expected to be higher for 2017 following the start up of additional production machines.

### Principal risks and uncertainties

The company's operations expose it to a variety of financial risks that include the effects of changes in cost prices, credit, liquidity and foreign exchange. The company has in place a risk management programme that seeks to limit the adverse effects. No hedge accounting is applied.

#### Price risk

The company is exposed to commodity price risk as a result of its operations. However given the size of the operations and the nature of the price risks this risk is managed through the normal procurement processes within the business. The directors will revisit the appropriateness of this policy should the price risks change in size or nature.

#### Credit risk

The company has a policy of insuring against the risk of default in payment by customers. In addition any uninsured trading is only undertaken following appropriate risk assessment.

#### Liquidity risk

The company has entered into an agreement with its parent company to be provided with long term debt finance that is designed to ensure that the company has sufficient available funds for future operations.

# **Graphic Packaging International Limited**

## **Strategic Report for the year ended 31 December 2016 (continued)**

### **Foreign exchange transactional currency exposure**

The company is exposed to currency exchange rate risk due to a significant proportion of its payables and receivables being denominated in non-Sterling currencies. The net exposure of each currency is monitored and managed by using foreign currency loans or overdrafts.

### **Future Developments**

The Directors intend to work together more closely with other companies within the Graphic Packaging International group, to maximise both customer relationships and structural efficiencies wherever possible.

**By order of the board**



**H. Van Moeseke**  
Director

27<sup>th</sup> October 2017

# **Graphic Packaging International Limited**

## **Directors' Report for the year ended 31 December 2016**

The directors present their report for the year ended 31 December 2016.

### **Directors and their interests**

The present membership of the Board and the members serving during the year is set out below. None of the directors had any interest in the shares of the company. None of the directors had an interest in any material contract during the year relating to the business of the company.

M C Sheppard (resigned 15/08/16)

L Tashma (appointed 15/08/16)

H Van Moeseke

J Yost

E Van De Rovaart

S Scherger

### **Dividends**

The directors do not recommend the payment of a dividend for the year ended 31 December 2016 (year ended 31 December 2015: nil).

### **Research and development**

No research and development activities are being carried out by the company.

### **Principal Risks & Uncertainties**

Information about the principal risks & uncertainties affecting the company is included in the Strategic Report on page 4.

### **Events since the balance sheet date**

There have been no relevant events post balance sheet date which require comment.

### **Going Concern**

The company is dependent on its trading performance. In determining that the company's financial statements should be prepared on a going concern basis, the Directors considered all the factors likely to affect the future development, performance and financial position of the markets and customers that the company serves, including funding the risks and uncertainties applicable to its business and manufacturing activities.

Having regard to the above, and after making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the annual report and accounts.

### **Political contributions**

The Company made no political donations or incurred any political expenditure during the year.

# **Graphic Packaging International Limited**

## **Directors' Report for the year ended 31 December 2016 (continued)**

### **Disclosure of information to auditor**

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

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each director has taken all 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.

### **Auditor**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Ernst & Young LLP will therefore continue in office.



**H Van Moeseke**

Director

27<sup>th</sup> October 2017

# **Graphic Packaging International Limited**

## **Statement of directors' responsibilities in respect of the annual report and the financial statements**

### **DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable UK 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 Financial Reporting Standard 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland' (FRS 102) (United Kingdom Accounting Standards and applicable law). 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 year.

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 FRS 102 has been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless they consider that to be inappropriate.

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.



## **Independent Auditor's Report to the Members of Graphic Packaging International Limited**

We have audited the financial statements of Graphic Packaging International Limited for the year ended 31 December 2016 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland

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.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors report and Strategic Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, 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.

## **Independent Auditor's Report to the Members of Graphic Packaging International Limited (continued)**

### **Opinion on other matter 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.
- ▶ the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters where 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.



*Peter Buckler (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Leeds 30<sup>th</sup> October 2017*

# Graphic Packaging International Limited

## Profit and Loss Account for the year ended 31 December 2016

	Note	2016 £	2015 £
<b>Turnover</b>	2	<b>42,742,818</b>	41,318,525
<b>Cost of sales</b>		<b>(32,594,103)</b>	(30,879,117)
<b>Gross profit</b>		<b>10,148,715</b>	10,439,408
Distribution costs		<b>(1,333,809)</b>	(1,428,270)
Administration expenses		<b>(2,656,721)</b>	(1,168,330)
Operating Profit before Exceptional Items		<b>6,158,185</b>	7,842,808
Exceptional Income / (Cost)	6	<b>1,250,461</b>	(1,586,853)
<b>Operating profit</b>		<b>7,408,646</b>	6,255,955
Interest receivable and similar income	4	<b>557,531</b>	510,697
Interest payable and similar charges	5	<b>(3,315,662)</b>	(3,301,987)
<b>Profit on ordinary activities before taxation</b>	6	<b>4,650,515</b>	<b>3,464,665</b>
Tax on profit on ordinary activities	7	<b>(841,555)</b>	(789,961)
<b>Profit for the financial year</b>		<b>3,808,960</b>	<b>2,674,704</b>

All amounts above relate to continuing operations.

# Graphic Packaging International Limited

## Statement of Comprehensive Income for the year ended 31 December 2016

	Note	2016 £	2015 £
<b>Profit for the financial year</b>		<b>3,808,960</b>	2,674,704
Actuarial (loss) on pension scheme	21	(1,188,000)	(1,296,000)
Movement on deferred tax relating to pension liability and actuarial losses)	7e	201,960	220,277
<b>Other comprehensive loss for the year, net of income tax</b>		<b>(986,040)</b>	(1,075,723)
<b>Total comprehensive income for the year</b>		<b>2,822,920</b>	1,598,981

# Graphic Packaging International Limited

## Balance Sheet as at 31 December 2016

Registered number 2231043

	Note	2015 £	2015 £
<b>Fixed assets</b>			
Intangible assets	8	-	7,900
Tangible assets	9	13,123,486	7,942,374
Investments	10	138,510,724	138,510,724
		<b>151,634,210</b>	<b>146,460,998</b>
<b>Current assets</b>			
Stocks	11	7,768,894	7,478,736
Debtors: amounts falling due within one year	12	36,495,312	39,798,449
: amounts falling due after one year	12	-	959,629
Cash at bank and in hand		9,891,825	8,268,551
		<b>54,156,031</b>	<b>56,505,365</b>
<b>Creditors: amounts falling due within one year</b>	13	<b>(85,208,822)</b>	<b>(69,389,282)</b>
<b>Net current liabilities</b>		<b>(31,052,791)</b>	<b>(12,883,917)</b>
<b>Total assets less current liabilities</b>		<b>120,581,419</b>	<b>133,577,081</b>
<b>Creditors: amounts falling due after one year</b>	14	<b>(56,457,561)</b>	<b>(72,276,143)</b>
<b>Total assets</b>		<b>64,123,858</b>	<b>61,300,938</b>
<b>Capital and reserves</b>			
Called up share capital	16	43,098,985	43,098,985
Share Premium		33,999,999	33,999,999
Fair Value Reserve		129,531	129,531
Profit and loss account		(13,104,657)	(15,927,577)
<b>Total equity shareholders' funds</b>		<b>64,123,858</b>	<b>61,300,938</b>

These financial statements were approved by the Board of Directors on: 27<sup>th</sup> October 2017

Signed on behalf of the Board of Directors



H Van Moeseke

Director

# Graphic Packaging International Limited

## Statement of Changes in Equity

	Called up Share capital	Share Premium	Fair Value Reserve (note 10)	Profit and loss account	Total equity
	£	£	£	£	£
Balance at 1 January 2015	43,098,985	33,999,999	129,531	(17,526,558)	59,701,957
<b>Total comprehensive income for the period</b>					
Profit or loss	-	-	-	2,674,704	2,674,704
Other comprehensive income	-	-	-	(1,075,723)	(1,075,723)
<b>Total comprehensive income for the period</b>	-	-	-	1,598,981	1,598,981
<b>Balance at 31 December 2015</b>	<b>43,098,985</b>	<b>33,999,999</b>	<b>129,531</b>	<b>(15,927,577)</b>	<b>61,300,938</b>
	Called up Share capital	Share Premium	Fair Value Reserve (note 10)	Profit and loss account	Total equity
	£	£	£	£	£
Balance at 1 January 2016	43,098,985	33,999,999	129,531	(15,927,577)	61,300,938
<b>Total comprehensive income for the period</b>					
Profit or loss	-	-	-	3,808,960	3,808,960
Other comprehensive income	-	-	-	(986,040)	(986,040)
<b>Total comprehensive income for the period</b>	-	-	-	2,822,920	2,822,920
<b>Balance at 31 December 2016</b>	<b>43,098,985</b>	<b>33,999,999</b>	<b>129,531</b>	<b>(13,104,657)</b>	<b>64,123,858</b>
<b>Total</b>	<b>43,098,985</b>	<b>33,999,999</b>	<b>129,531</b>	<b>(13,104,657)</b>	<b>64,123,858</b>

# **Graphic Packaging International Limited**

## **Notes to the financial statements**

### **1 Accounting policies**

#### **1.1. Statement of compliance and Basis of preparation**

Graphic Packaging International Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

The Company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

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") as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The functional and presentational currency of these financial statements is sterling.

The Company's parent undertaking, Graphic Packaging Holding Company includes the Company in its consolidated financial statements. The consolidated financial statements of Graphic Packaging Holding Company are prepared in accordance with US Generally Accepted Accounting Principles available to the public and may be obtained from Graphic Packaging International Limited, Filwood Road, Fishponds, Bristol, BS16 3SB. 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.

As the consolidated financial statements of Graphic Packaging Holding Company include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The Company proposes to continue to adopt the reduced disclosure framework in its next financial statements.

# **Graphic Packaging International Limited**

## **Notes to the financial statements (continued)**

### **1 Accounting policies (continued)**

#### **1.1. Statement of compliance and Basis of preparation (continued)**

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.

#### **1.2 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: Investments in other equity instruments.

#### **1.3 Going concern**

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report and Directors Report on pages 4 to 7.

The Company has considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Strategic Report, Directors' report and financial statements.

#### **1.4 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.



# Graphic Packaging International Limited

## Notes to the financial statements (continued)

### 1 Accounting policies (continued)

#### 1.5 Basic financial instruments

##### *Cash and cash equivalents*

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less.

##### *Trade and other debtors / creditors*

Trade and other debtors are recognised initially at transaction price less attributable transaction costs.

Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. Any losses arising from impairment are recognised in the income statement in other operating expenses.

##### *Interest-bearing borrowings classified as basic financial instruments*

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

##### *Investments in other equity instruments*

Investments in other equity instruments, over which the Company has neither a significant influence nor control, 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 recognised in profit or loss.

##### *Investments in subsidiaries*

Investments in subsidiaries, are carried at cost less impairment.

# Graphic Packaging International Limited

## Notes to the financial statements (continued)

### 1 Accounting policies (continued)

#### 1.6 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

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 carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. 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. Land is not depreciated. The estimated useful lives are as follows:

- Freehold buildings 35 years
- Leased assets over the shorter of the lease term and their useful lives
- Plant and machinery 10 to 20 years
- Fixtures and fittings 10 years

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

#### 1.7 Intangible software

Purchased software is recognised as an intangible asset at cost and amortised in equal annual instalments over its useful economic life. The useful life of purchased software is 3 years. Any impairment is written off immediately.

#### 1.8 Impairment of non-financial assets

The Company assesses at each reporting date whether an asset may be impaired. If any such indication exists the Company estimates recoverable amount of the asset. If it is not possible to estimate the recoverable amount of the individual asset, the Company estimates, the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount is less than its carrying amount, the carrying amount of the asset is impaired and it is reduced to its recoverable amount through an impairment in profit and loss unless the asset is carried at a revalued amount where the impairment loss of a revalued asset is a revaluation decrease.

An impairment loss recognised for all assets is reversed in a subsequent period if and only if the reasons for the impairment loss have ceased to apply.

# Graphic Packaging International Limited

## Notes to the financial statements (continued)

### 1 Accounting policies (continued)

#### 1.9 Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the balance sheet and are depreciated over the shorter of the lease term and the asset's useful lives. A corresponding liability is recognised for the lower of the fair value of the leased asset and the present value of the minimum lease payments in the balance sheet. Lease payments are apportioned between the reduction of the lease liability and finance charges in the income statement so as to achieve a constant rate of interest on the remaining balance of the liability.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term. Lease incentives are recognised over the lease term on a straight line basis.

#### 1.10 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

Raw materials, consumables and goods for resale  
– purchase cost on a first-in, first-out basis

Work in progress and finished goods  
– cost of direct materials and labour plus attributable overheads based on a normal level of activity

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal. A provision is made for obsolete slow moving and defective stocks.

#### 1.11 Pensions and other post-retirement 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.

# Graphic Packaging International Limited

## Notes to the financial statements (continued)

### 1 Accounting policies (continued)

#### 1.11 Pensions and other post-retirement benefits (continued)

##### *Defined benefit plans*

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability (asset) taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the Company's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The Company recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Re-measurement of the net defined benefit liability/asset is recognised in other comprehensive income in the period in which it occurs.

#### 1.12 Revenue recognition

Revenue is recognised to the extent that the Company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

##### *Sale of goods*

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Where payments are made in advance of the transfer to the customer of significant risks and rewards of ownership, no performance under the contract has taken place. In this instance, revenue is deferred until such time as performance under the contract is complete.

# Graphic Packaging International Limited

## Notes to the financial statements (continued)

### 1 Accounting policies (continued)

#### 1.12 Revenue recognition (continued)

##### *Sale of Ancillary Equipment*

Revenue from the sale of ancillary equipment is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Where payments are made in advance of the transfer to the customer of significant risks and rewards of ownership, no performance under the contract has taken place. In this instance, revenue is deferred until such time as performance under the contract is complete.

#### 1.13 Expenses

##### *Operating lease*

Payments 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 on external bank and intercompany borrowing. 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.

Other interest receivable and similar income include interest receivable on external bank loans and intercompany lending.

Interest income and interest payable are recognised in profit or loss as they accrue, 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.

# **Graphic Packaging International Limited**

## **Notes to the financial statements (continued)**

### **1 Accounting policies (continued)**

#### **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. The following timing differences are not provided for: 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; and differences relating to investments in subsidiaries to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. 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 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. Deferred tax balances are not discounted.

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

# Graphic Packaging International Limited

## Notes to the financial statements (continued)

### 2 Turnover

#### Geographical analysis of turnover by destination

	2016 £	2015 £
United Kingdom	42,607,430	40,506,618
Other European Union countries	71,808	781,408
Non-European Union countries	63,580	30,499
	42,742,818	41,318,525

#### Analysis of turnover by area of activity

	2016 £	2015 £
Packaging and spare parts	40,798,364	41,318,215
Large Ancillary Items	1,944,454	-
	42,742,818	41,318,525

### 3 Information regarding directors and employees

	No	No
The number of directors who were members of a defined contribution pension scheme during the year	1	1

All the directors are also directors of other group companies. Their emoluments are paid by other group companies. The qualifying services provided by the directors to this company during the year were negligible compared to their total group wide responsibilities and so no value has been apportioned to those services.

Employee costs during the year:	2016 £	2015 £
Wages and salaries	4,519,689	4,420,091
Social security costs	469,385	482,018
Other pension costs	138,440	395,670
Other benefits (insurance for death in service)	37,924	47,746
	5,165,439	5,345,525

Included in other pension costs are £NIL (2015: £NIL) in respect of the defined benefit schemes and £138,440 (2015: £395,670) in respect of the defined contribution scheme.

# Graphic Packaging International Limited

## Notes to the financial statements (continued)

### 3 Information regarding directors and employees (continued)

The average monthly number of persons (including executive directors) employed by the company during the year was:

	<b>2016 No.</b>	<b>2015 No.</b>
Administration	<b>16</b>	<b>17</b>
Production	<b>107</b>	<b>118</b>
	<b>123</b>	<b>135</b>

### 4 Interest receivable and similar income

	<b>2016 £</b>	<b>2015 £</b>
Other interest receivable - Intercompany	<b>553,412</b>	<b>503,545</b>
Other interest receivable – Bank	<b>4,119</b>	<b>7,152</b>
Total Interest Receivable	<b>557,531</b>	<b>510,697</b>

### 5 Interest payable and similar charges

	<b>2016 £</b>	<b>2015 £</b>
Intercompany loan interest payable	<b>2,698,809</b>	<b>2,345,538</b>
Bank loans repayable within five years	<b>616,853</b>	<b>956,449</b>
Total Interest Payable	<b>3,315,662</b>	<b>3,301,987</b>



# Graphic Packaging International Limited

## Notes to the financial statements (continued)

### 6 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is after charging:

	2016 £	2015 £
<b>Rentals under operating leases:</b>		
- hire of plant and machinery	2,160	241
- other operating leases	56,409	30,969
Depreciation on tangible fixed assets (note 9)	850,177	1,107,043
Amortisation of intangible fixed assets (note 8)	7,900	13,655
Foreign exchange differences	(3,680)	160,745
<b>Auditor's remuneration:</b>		
Audit fees payable to the company's auditors	56,954	56,232
<b>Exceptional (Profit) /Costs</b>	<b>(1,250,461)</b>	<b>1,586,853</b>

The exceptional gain in 2016 relates to proceeds from an insurance claim. The majority of the exceptional costs in 2015 were redundancy costs. On 6 February 2015 Graphic Packaging International Limited entered into group consultation with a view to further reducing headcount at the site. The plan agreed with union and employee representatives involved transferring manufacturing for a limited number of customers to Leeds and reducing the available capacity at Bristol.

### 7 Tax on profit on ordinary activities

#### a) Analysis of charge in the year

	2016 £	2015 £
<b>Current tax</b>	-	-
<b>Total current tax</b>	-	-
<b>Total deferred tax</b>		
Origination and reversal of timing differences	456,290	469,845
Adjustment in respect to prior periods	337,159	158,713
Effect of decreased tax rate on opening liability	48,106	161,403
<b>Total deferred tax</b>	<b>841,555</b>	<b>789,961</b>
<b>Total tax</b>	<b>841,555</b>	<b>789,961</b>

The prior year adjustment in respect of deferred tax relates to a reduction in the deferred tax asset recognised on fixed asset timing differences due to additional capital allowances being claimed in the prior year.

# Graphic Packaging International Limited

## Notes to the financial statements (continued)

### 7 Tax on profit on ordinary activities (continued)

#### c) Factors affecting tax charge for the year

The rate of current tax charge on profit on ordinary activities varied from the standard rate of corporation tax in the UK due to the following factors:

	2016 £	2015 £
Profit before taxation	4,650,515	3,464,664
<b>Tax at 20.00% (2015: 20.25%)</b>	<b>930,103</b>	701,476
Fixed asset differences	5,714	5,785
Adjustment in respect of prior periods for deferred tax	337,159	158,713
Adjustment to prior period for changes in tax rates	3,223	130,254
Amounts (charged)/credited directly to equity or otherwise transferred	(35,645)	(42,119)
Group relief (claimed) for no payment	(406,389)	-
Other short term timing differences		-
Expenses not deductible for tax purposes	7,390	25,910
Income not taxable for tax purposes	-	(190,058)
<b>Total tax charge</b>	<b>841,555</b>	789,961

#### d) Factors affecting future tax disclosures

A reduction in the UK corporation tax rate from 21% to 20% took effect from 1 April 2015. The 2015 Summer Finance Act enacted UK corporation tax reductions to 19% from 1 April 2017 and to 18% from 1 April 2020. The 2016 Finance Act then superseded this, introducing a reduction in the UK corporation tax rate to 17% from 1 April 2020.

Accordingly these rates have been applied in the measurements of the deferred tax at 31 December 2016. Deferred tax has been provided at 17% being the rate at which timing differences are expected to reverse.

# Graphic Packaging International Limited

## Notes to the financial statements (continued)

### 7 Tax on profit on ordinary activities (continued)

#### e) Deferred Tax

At 1 January 2016	1,203,057
Recognised in the profit and loss account	(841,555)
Recognised in other comprehensive income	201,960
At 31 December 2016	563,462

The deferred tax asset consists of

	2016 £	2015 £
Short term timing differences	8,393	127,092
Capital allowances in excess of depreciation	555,069	1,075,965
Deferred tax on defined benefit pension	-	-
Total deferred tax assets included in Debtors (see note 12)	563,462	1,203,057

The deferred tax asset has been recognised at 31 December 2016 as management consider it likely that there will be sufficient profits in future years in order to crystallize the assets.

Management would expect £563,462 of deferred tax to unwind in 2017.

# Graphic Packaging International Limited

## Notes to the financial statements (continued)

### 8 Intangible assets

	Software £
<b>Cost</b>	
At 1 January 2016	94,360
Additions	-
<b>At 31 December 2016</b>	<b>94,360</b>
<b>Accumulated depreciation</b>	
At 1 January 2016	86,460
Charge for year	7,900
<b>At 31 December 2016</b>	<b>94,360</b>
<b>Net book value</b>	
<b>At 31 December 2016</b>	<b>-</b>
At 1 January 2016	7,900

The amortisation, impairment charge and impairment reversals are recognised in Admin Expenses in the profit and loss account.

### 9 Tangible fixed assets

	Freehold land and buildings £	Plant and machinery £	Fixtures and fittings £	Total £
<b>Cost</b>				
At 1 January 2016	4,250,000	22,386,391	2,523,416	29,159,807
Additions	-	6,058,651	-	6,058,651
Disposals	-	(5,676,382)	-	(5,676,382)
<b>At 31 December 2016</b>	<b>4,250,000</b>	<b>22,768,660</b>	<b>2,523,416</b>	<b>29,542,076</b>
<b>Accumulated depreciation</b>				
At 1 January 2015	735,715	17,958,302	2,523,416	21,217,433
Charge for year	28,571	821,606	-	850,177
Disposals	-	(5,649,020)	-	(5,649,020)
<b>At 31 December 2016</b>	<b>764,286</b>	<b>13,130,888</b>	<b>2,523,416</b>	<b>16,418,590</b>
<b>Net book value</b>				
<b>At 31 December 2016</b>	<b>3,485,714</b>	<b>9,637,772</b>	<b>-</b>	<b>13,123,486</b>
At 1 January 2016	3,514,285	4,428,089	-	7,942,374

# Graphic Packaging International Limited

## Notes to the financial statements (continued)

### 10 Investments held as fixed assets

	Interest in subsidiary undertakings £	Other equity investments £ (at fair value)	Total
At 1 January 2015	138,350,349	160,375	138,510,724
At 1 January 2016	138,350,349	160,375	138,510,724
At 31 December 2016	<b>138,350,349</b>	<b>160,375</b>	<b>138,510,724</b>

# Graphic Packaging International Limited

## Notes to the financial statements (continued)

### 10 Investments held as fixed assets (continued)

Name of undertaking:	Registered Office	Description of shares held	Proportion nominal value of issued shares
New Materials Limited	(a)	Ordinary £1 share	100%
Shoo 553 Limited	(a)	Ordinary £1 share	100%
Graphic Packaging International Box Holdings Limited	(a)	Ordinary £0.01 shares and Preference £0.01 shares	100%
Graphic Packaging International Bardon Limited	(a)	Ordinary £1 shares and Preference £1 shares	100%
Graphic Packaging International Gateshead Limited	(a)	Ordinary £1 share	100%
Graphic Packaging International Distribution Limited	(a)	Ordinary £1 share	100%
Print Design & Graphic Limited	(a)	Ordinary £1 share	100%
Graphic Packaging International UK Finance Limited	(a)	Ordinary £1 share	100%
Graphic Packaging International Spa	(b)	Ordinary shares	10%

New Materials Limited was dormant throughout the period and is exempt from preparing accounts by virtue of section 394A of the Companies act 2006.

The principal activity of Graphic Packaging International Spa is the sale of high quality printed folded cartons from paper and board substrates. Under FRS102 the interest held by the Company in GPI SPA Ltd, have been restated from a historical cost basis under to a fair market value at an arms length basis. The most appropriate valuation technique has been used, which is a discounted cash flow approach against the Investment Companies future cash flows.

Registered Offices of the above undertakings are as follows:

- (a) Eversheds Sutherland LLP, Eversheds House, 70 Great Bridgewater Street, Manchester, M1 5ES, United Kingdom
- (b) Viale Rimembranze 21/13 20020 Lainate MI, Italy

# Graphic Packaging International Limited

## Notes to the financial statements (continued)

### 11 Stocks

	2016 £	2015 £
Raw materials and consumables	5,336,506	4,780,792
Work in progress	430,985	153,220
Finished goods	2,001,403	2,544,724
	<b>7,768,894</b>	<b>7,478,736</b>

The difference between the purchase price or production cost of stock and their replacement cost is not material. The value of stocks recognised as an expense in the period is £23,129,291 (2015 £23,129,291). There was no impairment of stock recognised in 2016 or 2015.

### 12 Debtors

	2016 £	2015 £
<b>Amounts falling due within one year</b>		
Trade debtors	5,306,463	9,809,533
Amounts owed by other group undertakings	29,125,329	28,257,147
Other debtors	5,959	3,019
Deferred tax (Note 7)	563,462	243,428
Prepayments and accrued income	1,494,099	1,485,322
	<b>36,495,312</b>	<b>39,798,449</b>

	2016 £	2015 £
<b>Amounts falling due within after more than one year</b>		
Deferred tax (Note 7)	-	959,629
	-	959,629

The amounts owed by other group undertakings are repayable on demand and carry interest at LIBOR plus 1.75%. All other balances are non-interest bearing.

# Graphic Packaging International Limited

## Notes to the financial statements (continued)

### 13 Creditors: amounts falling due within one year

	2016 £	2015 £
Trade creditors	1,901,749	2,171,395
Amounts owed to other group undertakings	81,161,741	65,540,262
Other creditors	30,627	29,375
Corporation tax payable	32,287	32,287
Other taxation and social security	366,954	618,097
Accruals and deferred income	1,715,464	997,866
	<b>85,208,822</b>	<b>69,389,282</b>

Within the amounts owed to other group undertakings. £2,646,308 bears interest at LIBOR plus 1.5% and is repayable on 30<sup>th</sup> November 2017, and £1,250,000 bears interest at LIBOR plus 3% and is repayable on 30<sup>th</sup> November 2017.

### 14 Creditors: amounts falling due after more than one year

	2016 £	2015 £
Other intercompany Loan	41,442,693	39,261,069
Loan from Bank of America	15,014,868	33,015,074
	<b>56,457,561</b>	<b>72,276,143</b>

All balances are interest bearing, see note 15 for details.



# Graphic Packaging International Limited

## Notes to the financial statements (continued)

### 15 Interest-bearing loans and borrowings

	2016 £	2015 £
<b>Creditors falling due more than one year</b>		
Other intercompany loan	<b>41,442,694</b>	39,261,069
Loan from Bank of America	<b>15,014,868</b>	33,015,074
	<b>56,457,561</b>	72,276,143

#### *Terms and debt repayment schedule*

The intercompany loan bears interest at 5.5% and is repayable on 31<sup>st</sup> May 2020.

The loan from Bank of America bears interest at 1 or 3 month LIBOR plus 1.75% per annum and is repayable on 13<sup>th</sup> September 2018 but can be renewed.

All loans are unsecured.

### 16 Share Capital

	2016 £	2015 £
<b>Allotted and fully paid</b>		
43,098,985 (2015: 43,098,985) Ordinary shares	<b>43,098,985</b>	43,098,985

### 17 Reserves

#### *Share premium account*

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

#### *Fair value reserve*

This reserve records the fair value of the investment in GPI Italy SPA.

# Graphic Packaging International Limited

## Notes to the financial statements (continued)

### 18 Contingent liabilities

The company is, from time to time, party to legal proceedings and claims, which arise in the ordinary course of business. The directors do not anticipate that the outcome of these claims, either individually or in aggregate, will have a material adverse effect upon the group's financial position.

### 19 Operating lease commitments

Non-cancellable operating lease rentals are payable as follows:

	2016 Other £	Total £	2015 Other £	Total £
- Less than one year	118,479	118,479	2,821	2,821
- Within two to five years	397,257	95,923	16,190	16,190
	515,736	515,736	19,011	19,011

During the year an expense in the profit and loss account in respect of operating leases was recognised of £59,409 (2015: £31,210).

### 20 Capital commitments

The group and company have capital commitments of £nil at 31 December 2016 (2015: £nil).

### 21 Pension schemes

#### Defined contribution scheme

The Company operates a defined contribution scheme operated in the UK. The charge for the year amounts to £138,440 (2015 £178,044) and represents the contributions payable by the company to the fund.

#### Defined benefit scheme (plan)

The Company sponsors the Riverwood International Pension plan and (since 12 September 2016) the Graphic Packaging UK Pension plan, which are defined benefit arrangements. A triennial valuation for the Riverwood International Pension plan was carried out at 31 March 2015, and a triennial valuation of the Graphic Packaging UK Pension plan was carried out at 31 March 2016. For the purposes of the 31 December 2016 FRS 102 valuation the assumptions were updated to 31 December 2016 by a qualified actuary, independent of the scheme's sponsoring employer, with the assets and liabilities applicable to Graphic Packaging International Limited presented below. The major assumptions used by the actuary are shown below.

On the 12th September 2016 the Company and Pension Trustee entered into agreements to merge the assets and liabilities of the Riverwood International Pension Scheme (RIPS) into the Graphic Packaging UK Pension scheme (GPUK). The principal employer of the GPUK scheme is Graphic Packaging International Europe UK Holdings Limited. Under the terms of the transfer agreement, Graphic Packaging International Ltd became a participating employer to the GPUK scheme. Following the transfer of all assets and liabilities from RIPS, the scheme will be wound up.

## **Graphic Packaging International Limited**

# Graphic Packaging International Limited

## Notes to the financial statements (continued)

### 21 Pension schemes (continued)

The contributions made by the employer over the financial year have been £1,483,000 (2015: £1,541,000). The Company currently pays contributions at the rate of £1,646,000 p.a. increasing at 3% p.a. until 30 September 2019. The company also pays £128,000 per annum in respect of expenses and reimburses the scheme for the PPF levy paid.

#### Assumptions

The assets of the plan have been taken at market value and overall expected rates of return are established by applying published brokers' forecasts to each category of scheme assets. These rates of return were 4.4% (liabilities plus 2.0%) for 2016 (2015: 4.4%).

The liabilities of the plan have been calculated using the following principal actuarial assumptions:

	2016	2015	2014
Rate of discount	2.80%	3.90%	3.60%
Inflation (RPI)	3.25%	2.90%	3.00%
Inflation (CPI)	2.15%	1.80%	1.90%
Revaluation rate deferred pensioners CPI	2.15%	1.80%	1.90%
Pension in payment increases RPI or 5% p.a. if less	3.10%	2.90%	2.90%
Pension in payment increases RPI or 3% p.a. if less.	3.00%	2.40%	2.30%
Pension in payment increases CPI	2.15%	1.70%	1.70%
Commutation of pension for cash day	85% of post A day	85% of post A day	85% of post A day

The mortality assumptions adopted at 31 December 2016 imply the following life expectancies:

Male currently aged 60	26.1 years
Female currently aged 60	28.2 years
Life expectancy at 60 for male currently aged 40	27.5 years
Life expectancy at 60 for female currently aged 40	29.8 years

# Graphic Packaging International Limited

## Notes to the financial statements (continued)

### 21 Pension schemes (continued)

The fair values of the plan assets were:

Pension plan assets	2016 £	2015 £
Equities	21,486,000	-
Hedge Funds	17,806,000	-
Emerging Market Bonds	1,795,000	-
Fixed Income Gilts	7,419,000	-
Diversified Growth Funds		36,276,000
Property	8,129,000	9,990,000
Cash	33,750,000	586,000
LDI Funds	18,801,000	43,555,000
Plan assets at end of period	109,185,000	90,407,000

# Graphic Packaging International Limited

## Notes to the financial statements (continued)

### 21 Pension schemes (continued)

The changes in the present value of the defined benefit obligation are analysed as follows:

	2016 £	2015 £
Defined benefit obligation at start of period	85,318,000	91,100,000
Expenses	295,000	245,000
Interest expense	2,912,000	3,198,000
Actuarial losses / (gains)	20,672,000	(4,699,000)
Benefits paid	(5,101,000)	(4,526,000)
Defined benefit obligation at end of period	104,096,000	85,318,000

The changes in the fair value of plan assets are analysed as follows:

	2016 £	2015 £
Fair value of plan assets at start of period	90,407,000	91,171,000
Interest income	3,101,000	3,229,000
Re-measurement gains (losses) on actual return on plan assets	19,295,000	(1,008,000)
Employer contributions	1,483,000	1,541,000
Benefits paid and expenses	(5,101,000)	(4,526,000)
Fair value of plan assets at end of period	109,185,000	90,407,000

The present value of the defined benefit obligation, the fair value of plan assets and the net defined benefit asset (liability) are;

	2016 £	2015 £
Fair value of plan assets	109,185,000	90,407,000
Present values of defined benefit obligation	(104,096,000)	(85,318,000)
Surplus (deficit) in plan	5,089,000	5,089,000
Unrecognised surplus	5,089,000	5,089,000

# Graphic Packaging International Limited

## Notes to the financial statements (continued)

### 21 Pension schemes (continued)

The Company does not recognise the plan surplus in 2017 and 2016 because it is not able to recover this surplus either through reduced contributions in the future or through refunds from the plan.

The amounts recognised in the Statement of Other Comprehensive Income and in the Profit and Loss account for the year are analysed as follows:

<b>Defined benefit costs recognised in OCI</b>	<b>2016 £</b>	<b>2015 £</b>
Actuarial return on plan assets (excluding amounts included in net interest cost) – gain (loss)	<b>19,295,000</b>	(1,008,000)
Experience gains & (losses) arising on the plan liabilities	<b>859,000</b>	707,000
Effects of changes in the demographic and financial assumptions underlying the present value of the plan liabilities – gain (loss)	<b>(21,531,000)</b>	3,992,000
Effect of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) – gain (loss)	<b>189,000</b>	(4,987,000)
<b>Total amount recognised in other comprehensive income – (loss)</b>	<b>(1,188,000)</b>	(1,296,000)

#### **Defined benefit costs recognised in profit and loss**

	<b>2016 £</b>	<b>2015 £</b>
Expenses (recognised in operating profit)	<b>295,000</b>	245,000
Net interest income *	-	-
<b>Total recognised in the profit and loss account</b>	<b>295,000</b>	245,000

\* If the net interest income had not been restricted for the period ended 31 December 2016, due to the surplus not being recoverable, the net interest income would have been £189,000 (2015; £31,000)

# Graphic Packaging International Limited

## Notes to the financial statements (continued)

### 22 Related parties

Related Party Transactions	Sale Goods & Services		Purchase Goods & Services	
Other related Parties	2016 £000's	2015 £000's	2016 £000's	2015 £000's
GPI Spain	19	50	109	151
GPI France	70	70	119	434
GPI Brussels	1,923	1,450	807	785
GPI UK (Leeds)	4,108	4,773	3,865	5,569
GPI Hoogerheide	60	179	371	190
GPI Sneek	22	35	-	-
GPI Bremen	27	53	24	-
GPI US	49	96	18,026	16,018
GPI Benson Distribution	-	-	17	175
GPI Box Holding	26	42	1,197	-
GPI Bardon	391	-	95	27
GPI Gateshead	696	-	-	-
GPI Japan	-	18	-	-
GPI Italy	71	3	-	-
GPI Australia	67	-	-	-
	<b>7,529</b>	<b>6,769</b>	<b>24,630</b>	<b>23,349</b>



# Graphic Packaging International Limited

## Notes to the financial statements (continued)

### 22 Related parties (continued)

	Amounts owed by related parties		Amounts owed to related parties	
	December	December	December	December
	2016	2015	2016	2015
	£000's	£000's	£000's	£000's
GPI Spain	20	66	74	38
GPI France	65	334	11	19
GPI Brussels	1,010	1,966	429	276
GPI UK (Leeds)	21,902	20,050	3,447	1,854
GPI Hoogerheide	156	1,756	547	115
GPI Sneek	60	528	-	-
GPI Sneek (Holdings)	-	-	6	-
GPI Bremen	44	677	12	75
GPI US	48	26	10,896	9,654
GPI Distribution	5	5	258	384
GPI Box Holdings	51	15	1,795	16,127
GPI Gateshead	746	-	15,163	11,875
GPI Bardon	563	-	23,401	-
GPI UK Finance	-	-	41,443	39,261
GPI Japan	-	-	-	-
GPI New Materials	-	-	25,123	25,123
GPI UK (Holdings)	4,455	2,834	-	-
	<b>29,125</b>	<b>28,257</b>	<b>122,604</b>	<b>104,801</b>

### 23 Subsequent events

There are no events subsequent to the balance date that require reporting.

# Graphic Packaging International Limited

## Notes to the financial statements (continued)

### 24 Ultimate parent company and controlling party

At 31 December 2016 The Company's immediate parent undertaking is Graphic Packaging Holding Company, a company incorporated in the United Kingdom. The ultimate parent company is Graphic Packaging Holding Company, a company incorporated in the United States of America. 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. A copy of the financial statements can be obtained from:

Graphic Packaging International Limited  
Filwood Road  
Fishponds  
Bristol BS16 3SB

### 25 Accounting estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

#### *Operating lease commitments*

The Company has entered into equipment operating leases as a lessee. The classification of such leases as operating or finance lease requires the Company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the statement of financial position.

The following are the Company's key sources of estimation uncertainty:

#### *Pension and other post-employment benefits*

The cost of defined benefit pension plans are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates. Further details are given in note 21.

# Graphic Packaging International Limited

## Notes to the financial statements (continued)

### 25 Accounting estimates and judgements (continued)

#### *Impairment of non-financial assets*

Where there are indicators of impairment of individual assets, the Company performs impairment tests based on fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction on similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes.

#### *Taxation*

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 7.