

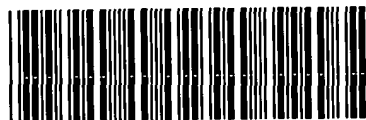
Company Registration No. 01038677

**GRAHAM PACKAGING PLASTICS
LIMITED**

Annual report and financial statements

31 December 2016

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GRAHAM PACKAGING PLASTICS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 31 December 2016

CONTENTS	Page
Officers and professional advisers	1
Strategic report	2
Directors' report	4
Independent auditors' report to the members of Graham Packaging Plastics Limited	6
Profit and loss account	8
Statement of Comprehensive income	9
Balance sheet	10
Statement of changes in equity	11
Notes to the financial statements	12

GRAHAM PACKAGING PLASTICS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 31 December 2016

OFFICERS AND PROFESSIONAL ADVISERS for the year ended 31 December 2016

DIRECTORS

F Afarian
R Fernandez Del Carmen
T Reeves

SECRETARY

Broughton Secretaries Limited

REGISTERED OFFICE

54 Portland Place
London
W1B 1DY

BANKERS

Barclays Bank PLC
28 George Street
Luton
LU1 2AE

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
3 Forbury Place, 23 Forbury Road,
Berkshire, Reading, RG1 3JH

GRAHAM PACKAGING PLASTICS LIMITED

STRATEGIC REPORT for the year ended 31 December 2016

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

PRINCIPAL ACTIVITIES

The principal activity of the company during the year continued to be the manufacture and distribution of plastic containers, mainly in Polyethylene terephthalate (PET) resin but also in polypropylene. These products were supplied to a variety of manufacturers in different sectors for filling with their products (food, drinks, cosmetics, pharmaceuticals, automotive, etc.).

BUSINESS REVIEW AND KEY PERFORMANCE INDICATORS

The position of the company is as expected, this being a deficit before the pension liability for 2016 at £1,397,000 (2015: surplus £15,000).

Turnover in 2016 was £6,940,000 decreasing from £7,681,000 in 2015.

The directors consider turnover and operating loss to be the key performance indicators used in assessing the performance of the business excluding any exceptional costs.

The decreased turnover in 2016 was due to decreased sales to a major customer due to their decision to switch their product lines to a European country due to aggressive pricing and costs within the domestic market, and one customer reducing their expected purchases following the decision to delist from a leading supermarket due to cost pressures.

The ongoing increased pressure on cost by the major supermarkets have affected the ability to pass on increased costs incurred by the business onto its customers and cost reductions have been made in the business in the year both in labour and other costs.

The operating loss was £958,000 in 2016 compared with an operating loss of £526,000 in 2015. The loss has increased mainly due to the exceptional costs as a result of a customer warranty claim that is shown as an exceptional item.

Distribution costs decreased due to the lower volume of deliveries incurred but this was impacted favourably by additional reductions and fuel surcharges reduced from transport suppliers compared to the prior year.

Total administration expenses increased in the year, mainly due to the significant exceptional costs incurred and increased intercompany charges offset by decreased labour costs.

Interest payable and other charges increased in the year to £470,000 from £185,000 mainly due to the adverse foreign exchange effect in 2016 following the foreign currency changes after the UK Referendum in June 2016.

The loss for the financial year after taxation amounted to £1,428,000 (2015: £711,000).

The company incurred research and development expenditure of £95,000 in the year (2015: £126,000); this relates to the cost of employees that are directly attributable to this expenditure and for any outside services involving research and development projects incurred.

The parent company of Graham Packaging Plastics Limited is Graham Packaging International Plastic Products Inc., based in Lancaster, Pennsylvania USA which is a worldwide leader in the design, manufacture and sale of technology-based, customised blow-molded plastic containers for the branded food and beverage, household, personal care/specialty, and automotive lubricants product categories.

The company's ultimate parent undertaking and controlling party is Reynolds Group Holdings Limited.


PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the company surround economic factors and social trends that may affect the competitive risk in the market place, the economic risk both domestically and internationally, funding risks at customers due to economic pressure on their funding budgets, the foreign currency risks mainly relating to the importation of raw materials, and ultimately the level of net income generated. The costs and finances of the business are actively managed accordingly. The directors regularly review these risks and take mitigating actions when appropriate.

GRAHAM PACKAGING PLASTICS LIMITED

STRATEGIC REPORT for the year ended 31 December 2016 (continued)

On behalf of the Board


Frederic AFARIAN
Director

18 November 2017

GRAHAM PACKAGING PLASTICS LIMITED

DIRECTORS' REPORT for the year ended 31 December 2016

The directors present their report and the audited financial statements of the company for the year ended 31 December 2016.

FUTURE DEVELOPMENT

The directors expect the business to maintain and expand key customer relations in order to improve the long term financial performance of the company.

DIVIDENDS

The directors do not recommend the payment of any dividends (2015: £nil).

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company's activities expose it to a number of financial risks including cash flow risk, credit risk, liquidity risk and price risk. The use of financial derivatives is governed by the company's policies approved by the board of directors, which provide written principles based on the parent company's policies so as to manage these risks. The company does not use derivative financial instruments for speculative purposes. At the end of the year there were no derivatives either being used or in progress.

CASH FLOW RISK

The company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The use of foreign exchange forward contracts and interest rate swap contracts is governed by the company's policies approved by the board of directors, which provide written principles based on the parent company's policies so as to manage these risks. Interest bearing assets and liabilities are held at fixed rate to ensure certainty of cash flows.

CREDIT RISK

The company's principal financial assets are bank balances and cash, trade and other receivables. The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

LIQUIDITY RISK

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company has intercompany funding arrangements.

PRICE RISK

The company is exposed to commodity price risk. The company does not manage its exposure to commodity price risk due to cost benefit considerations.

GOING CONCERN

The financial statements are prepared on a going concern basis as a parent company, Graham Packaging Company L.P. has confirmed its intention to support Graham Packaging Plastics Limited to the extent necessary up to an amount of £2.0 million if required to enable the company to continue trading and meet its liabilities as they fall due for a period of at least 12 months from the date of signing of these financial statements.

DIRECTORS

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

F Afarian

J B Hanks (Resigned 29 February 2016)

S Blackman (Appointed 29 February 2016 – Resigned 8 August 2016)

R Fernandez Del Carmen

J P Rooney (Resigned 8 August 2016)

T Reeves (Appointed 8 August 2016)

GRAHAM PACKAGING PLASTICS LIMITED

DIRECTORS' REPORT for the year ended 31 December 2016 (continued)

Directors Indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors 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.

In the case of each director in office at the date the Directors' Report is approved:

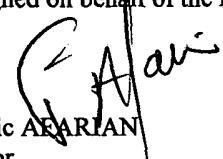
- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.


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

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP and have expressed their willingness to continue in office as auditors. Appropriate arrangements have been put into place for them to be deemed reappointed as auditors in the absence of an annual general meeting.

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


Frederic ARIAN
Director


November 2017

GRAHAM PACKAGING PLASTICS LIMITED

Independent auditors' report to the members of Graham Packaging Plastics Limited

Report on the financial statements

Our opinion

In our opinion, Graham Packaging Plastics Limited's financial statements (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 loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Balance Sheet as at 31 December 2016;
- the Profit and Loss Account and the Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on other matters prescribed by the Companies Act 2006

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

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

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

GRAHAM PACKAGING PLASTICS LIMITED

Independent auditors' report to the members of Graham Packaging Plastics Limited (continued)

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities in respect of the financial statements set out on page 5, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

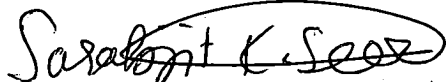
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual 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. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Sarabjit Seera (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading

17 November 2017

GRAHAM PACKAGING PLASTICS LIMITED

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Turnover	5	6,940	7,681
Cost of sales		(6,116)	(7,005)
Gross profit		824	676
Distribution costs		(347)	(391)
Administrative expenses before exceptional items		(594)	(811)
Exceptional items: charged against administrative expenses	7	(841)	-
Total administrative expenses		(1,435)	(811)
Operating loss	6	(958)	(526)
Interest payable and similar charges	9	(470)	(185)
Loss before taxation		(1,428)	(711)
Tax on loss	10	-	-
Loss for the financial year		(1,428)	(711)

The above results relate to the continuing operations of the company.

GRAHAM PACKAGING PLASTICS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2016

	2016 £'000	2015 £'000
Loss for the financial year	(1,428)	(711)
Other comprehensive (expense) / income:		
Remeasurements of net defined benefit obligation (note 17)	(4,137)	1,318
Total comprehensive (expense) / income for the year	<u>(5,565)</u>	<u>607</u>


GRAHAM PACKAGING PLASTICS LIMITED

BALANCE SHEET as at 31 December 2016

	Note	2016 £'000	2015 £'000
Fixed assets			
Tangible assets	11	<u>646</u>	<u>762</u>
Current assets			
Inventories	12	567	600
Debtors	13	955	1,256
Cash at bank and in hand		<u>572</u>	<u>533</u>
		2,094	2,389
Creditors - amounts falling due within one year	14	<u>(4,137)</u>	<u>(3,136)</u>
Net current (liabilities)		<u>(2,043)</u>	<u>(747)</u>
Total assets less current liabilities		(1,397)	15
Post – employment benefits	17	<u>(7,465)</u>	<u>(3,312)</u>
Net liabilities		<u><u>(8,862)</u></u>	<u><u>(3,297)</u></u>
Capital and reserves			
Called up share capital	15	7,644	7,644
Share premium account		167	167
Capital redemption reserve		6,897	6,897
Accumulated losses		<u>(23,570)</u>	<u>(18,005)</u>
Total shareholders' deficit		<u><u>(8,862)</u></u>	<u><u>(3,297)</u></u>

The notes on pages 12 to 25 are an integral part of these financial statements

The financial statements on pages 8 to 25 were approved by the Board of Directors on 15th November 2017 and signed on its behalf by:


Frédéric AFARIAN
Director

Registered number 01038677

GRAHAM PACKAGING PLASTICS LIMITED

STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2016

	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Accumulated Losses £'000	Total Equity £'000
Balance as at 1 January 2015	7,644	167	6,897	(18,612)	(3,904)
Loss for the financial year	-	-	-	(711)	(711)
Other comprehensive income	-	-	-	1,318	1,318
Total Comprehensive Income	-	-	-	607	607
Balance at 31 December 2015	7,644	167	6,897	(18,005)	(3,297)
Loss for the financial year	-	-	-	(1,428)	(1,428)
Other comprehensive expense	-	-	-	(4,137)	(4,137)
Total Comprehensive Expense	-	-	-	(5,565)	(5,565)
Balance at 31 December 2016	7,644	167	6,897	(23,570)	(8,862)

GRAHAM PACKAGING PLASTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016

1. GENERAL INFORMATION

Graham Packaging Plastics Limited (also referred to as "the company") is a private company limited by shares and is incorporated in the United Kingdom. The address of its registered office is 54 Portland Place, London, England, W1B 1DY.

The principal activity of Graham Packaging Plastics Limited is the manufacture and distribution of plastic containers, mainly in Polyethylene terephthalate (PET) resin but also in polypropylene.

2. STATEMENT OF COMPLIANCE

The individual financial statements of Graham Packaging Plastics Limited have been prepared in compliance with the applicable United Kingdom Accounting Standards including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of Preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by certain financial assets and liabilities measured at fair value through profit or loss.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

Exemptions for qualifying entities under FRS 102

The company has taken advantage of the following exemptions on the basis that it is a qualifying entity and the disclosures are included in the consolidated financial statements of parent company, Reynolds Group Holdings Limited which are publicly available, see note 18:

- i) from preparing a statement of cash flows;
- ii) from the financial instrument disclosures, required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29;
- iii) from the requirement to present a reconciliation of the number of shares outstanding at the beginning and end of the period as required by paragraph 4.12(a)(iv) of FRS 102; and
- iv) from disclosing the company key management personnel compensation, as required by FRS 102 paragraph 33.7.

Going concern

The financial statements are prepared on a going concern basis as a parent company, Graham Packaging Company L.P. has confirmed its intention to support Graham Packaging Plastics Limited to the extent necessary up to an amount of £2.0 million if required to enable the company to continue trading and meet its liabilities as they fall due for a period of at least 12 months from the date of signing of these financial statements.

GRAHAM PACKAGING PLASTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016 (continued)

3. ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is attributable to the manufacture and distribution of plastic containers, bottles and closures. The company recognises revenue on product sales in the period when the sales process is complete. This generally occurs when products are shipped to the customer in accordance with terms of an agreement of sale, under which title and risk of loss have been transferred, collectability is reasonably assured and pricing is fixed or determinable. For a small percentage of sales where title and risk of loss pass at point of delivery, the company recognises revenue upon delivery to the customer, assuming all other criteria for revenue recognition are met.

Sales are recorded net of discounts, allowances and returns. Sales allowances are recorded as a reduction to sales following agreements that have been made with customers.

Employee benefits

(i) Short term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

ii) Defined contribution pension plans

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

iii) Defined benefit pension plan

The company operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The asset / liability recognised in the balance sheet in respect of the defined benefit plan is the fair value of the plan assets at the reporting date less the present value of the defined benefit obligation at the end of the reporting date.

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurements of net defined benefit liability'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises: (a) the increase in pension benefit liability arising from employee service during the period; and (b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as 'Finance expense'.

GRAHAM PACKAGING PLASTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016 (continued)

3. ACCOUNTING POLICIES (continued)

Research and development costs

Research and product development expenditures are written off as incurred.

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Tangible assets

Tangible assets are stated at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs.

Depreciation

Depreciation is calculated, using the straight-line method, to allocate the depreciable amount to their residual values over their estimated useful lives, as follows:

Plant and machinery	7.5% - 20% per annum
Equipment and vehicles	20% - 33% per annum

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Repairs, maintenance and minor inspection costs are expensed as incurred.

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the profit and loss account and included in administrative expenses.

Moulds and related costs

Moulds and related costs are included as fixed assets and depreciated over varying periods up to a maximum of 5 years depending upon their useful life and the length of the customer contracts.

Depreciation is on a straight line basis commencing in the month in which the mould is first used.

GRAHAM PACKAGING PLASTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016 (continued)

3. ACCOUNTING POLICIES (continued)

Inventories

Inventories 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. Inventories are recognised as an expense in the period in which the related revenue is recognised.

At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the statement of comprehensive income. Where a reversal of the impairment is required the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the statement of comprehensive income.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Recoverable tooling

The company works in partnership with various customers and this may involve the agreement to purchase, or for the exclusive right to use, tooling for containers. Amounts paid by customers under these agreements are stated within the balance sheet in deferred income and are recognised in the profit and loss account over the period of the contract.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Distributions to equity holders

Dividends and other distributions to the Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the shareholders. These amounts are recognised in the statement of changes in equity.

Related parties

In accordance with the exemption available under section 33.1A of FRS 102 'Related Party Disclosures', transactions with other owned group undertakings ultimately owned by Packaging Holdings Limited have not been disclosed in these financial statements.

Exceptional items

The company classifies certain one off charges or credits that have a material impact on the company's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the company.

GRAHAM PACKAGING PLASTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016 (continued)

3. ACCOUNTING POLICIES (continued)

Foreign currency translation

(i) Functional and presentation currency

The company financial statements are presented in pound sterling.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Financial instruments

The company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade and other receivables and cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the profit and loss account.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the profit and loss account.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables and amount owed to fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

GRAHAM PACKAGING PLASTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016 (continued)

3. ACCOUNTING POLICIES (continued)

Leased assets

At inception the Company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

Lease incentives

Incentives received to enter into an operating lease are credited to the profit and loss account, to reduce the lease expense, on a straight-line basis over the period of the lease.

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION OF UNCERTAINTY

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

In the application of the Company's accounting policies which are described in note 3, the directors are required to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Defined benefit pension scheme

The company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 17 for the disclosures relating to the defined benefit pension scheme.

GRAHAM PACKAGING PLASTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016 (continued)

5. TURNOVER

An analysis of turnover by geographical market is given below:

	2016 £'000	2015 £'000
United Kingdom	6,469	7,256
Rest of Europe	355	406
Rest of World	116	19
	<u>6,940</u>	<u>7,681</u>

All turnover is derived from the principal activity of the business.

6. OPERATING LOSS

	2016 £'000	2015 £'000
Operating loss is stated after charging :		
Wages and salaries	1,733	1,805
Social security costs	181	186
Other pension costs - defined benefit scheme (note 17)	253	302
Other pension costs - defined contribution scheme	16	25
Staff costs	<u>2,183</u>	<u>2,318</u>
Loss on disposal of tangible assets	3	3
Inventory recognised as an expense	5,926	6,856
Impairment of tangible assets	103	-
Research and development - current year	95	126
Operating lease charges:	484	492
Fees payable to the company's auditors for the audit of the company's annual financial statements	43	48
Fees payable to the company's auditors for tax services	<u>8</u>	<u>7</u>

GRAHAM PACKAGING PLASTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016 (continued)

7 EXCEPTIONAL ITEM

In 2017 the company was affected by a customer claim under its warranty. This claim arose as a result of manufactured inventory and products that had been shipped to the customer's warehouses. This resulted in costs being incurred both in the manufacturing plant and also at the customer.

The claim has since been settled with the customer in 2017.

8. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The monthly average number of employees during the year was as follows:

	2016	2015
By activity		
Administrative staff	3	3
Manufacturing	46	50
Sales and marketing	3	3
	<u>52</u>	<u>56</u>

The directors received emoluments from other group companies and their emoluments are included in the financial statements of those companies, which make no recharge to Graham Packaging Plastics Limited. The directors are directors of a number of group companies and it is not possible to make an accurate apportionment of their emoluments in respect of each of the group companies. Accordingly, the staff costs include no costs in relation to the directors.

There were no directors within the company pension scheme.

GRAHAM PACKAGING PLASTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016 (continued)

9. INTEREST PAYABLE AND SIMILAR CHARGES

	2016 £'000	2015 £'000
Foreign exchange losses	304	12
Net finance costs on pension scheme liabilities (Note 17)	125	154
Intercompany interest	41	19
	<u>470</u>	<u>185</u>

10. TAX ON LOSS ON ORDINARY ACTIVITIES

There is no current or deferred tax charge for the current or previous year.

The tax assessed for the year is higher (2015: higher) than the standard rate of corporation tax in the UK of 20.0% (2015: 20.25%).

The differences are reconciled below:

Factors affecting current tax charge

	2016 £'000	2015 £'000
Loss on ordinary activities before taxation	(1,428)	(711)
Loss on ordinary activities by standard rate in the UK 20.0% (2015: 20.25%)	(285)	(144)
Disallowed expenses and non-taxable income	(5)	10
Depreciation in excess of capital allowances	49	26
Unutilised losses	241	108
Total current tax charge	<u>-</u>	<u>-</u>

The company has an unprovided deferred tax asset of approximately £416,000 (2015: £606,000) in respect of fixed asset timing differences, £806,000 (2015: £706,000) in respect of losses carried forward and £1,269,000 (2015: £826,000) in respect of the pension fund liability.

No deferred tax asset has been recognised due to uncertainty that the company will have sufficient taxable profits against which the assets may be utilised in the foreseeable future.

The tax rate for the current year is lower than the prior year due to changes in the UK Corporation tax rate, which decreased from 21% to 20% from 1 April 2015. Further reductions to the UK Corporation tax rates were substantially enacted as part of the 2016 Finance Bill. These reduce the main rate from 20% to 19% from 1 April 2017, to 17% from 1 April 2020. The unrecognised deferred tax asset reflect these changes.

GRAHAM PACKAGING PLASTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016 (continued)

11. TANGIBLE ASSETS

	Plant and machinery £'000	Equipment and vehicles £'000	Assets in construction £'000	Total £'000
Cost				
At 1 January 2016	12,954	1,086	227	14,267
Additions	44	2	39	85
Disposals	(95)	(10)	(10)	(105)
At 31 December 2016	12,903	1,078	266	14,247
Accumulated depreciation & Impairment				
At 1 January 2016	12,579	926	-	13,505
Disposals	(92)	(10)	-	(102)
Provided during the year	60	35	-	95
Impairment	103	-	-	103
At 31 December 2016	12,650	951	-	13,601
Net book value	253	127	266	646
At 31 December 2016				
At 31 December 2015	375	160	227	762

Within plant and machinery are assets valued at £266,000 related to assets in the course of construction that were not depreciated in the year (2015: £227,000).

12. INVENTORIES

	2016 £'000	2015 £'000
Raw materials and consumables	105	101
Finished goods	462	499
	567	600

The directors consider that there is no material difference between the value of stock as stated above and its replacement cost.

GRAHAM PACKAGING PLASTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016 (continued)

13. DEBTORS

	2016 £'000	2015 £'000
Trade debtors	754	1,009
Amounts owed by group undertakings	32	41
Prepayments and accrued income	169	206
	<u>955</u>	<u>1,256</u>

Trade debtors are stated after provisions for impairment of £165,000 (2015: £116,000).

All amounts owed bear no interest. All amounts owed by group undertakings are unsecured and have no fixed repayment date.

14. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £'000	2015 £'000
Trade creditors	499	525
Amounts owed to group undertakings	2,441	1,644
Taxation and social security	57	62
Accruals and deferred income	1,140	905
	<u>4,137</u>	<u>3,136</u>

Amounts owed to group undertakings are unsecured, and have no fixed repayment date and are repayable on demand.

The intercompany loans repayable to group companies, totalling £2,399,000 (2015: £1,587,000) included in the above amounts owed to group undertakings, accrue interest at an average interest rate of 2.02% (2015: 2.00%). The remaining balances do not accrue interest.

15. CALLED UP SHARE CAPITAL

	2016 £'000	2015 £'000
Called up, allotted and fully paid 7,643,801 (2015: 7,643,801) ordinary shares of £1 each	<u>7,644</u>	<u>7,644</u>

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital

GRAHAM PACKAGING PLASTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016 (continued)

16. CAPITAL AND OTHER COMMITMENTS

Amounts contracted for but not provided in the financial statements amounted to £8,000 (2015: £1,000).

The company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2016 £'000	2015 £'000
Payments due:		
Not later than one year	548	505
Later than one year and not later than five years	461	853
	<u>1,009</u>	<u>1,358</u>

17. POST-EMPLOYMENT BENEFITS

The company operates a defined benefit scheme for its employees.

The scheme is funded by the payment of contributions to separately administered trust funds.

The company made contributions of £362,000 in the year (2015: £420,000).

The company has agreed to contribute into the Pension Scheme at an agreed contribution rate of 22.9% based on any eligible scheme members on an ongoing basis for a three year period which commenced from October 2016

The most recent independent actuarial valuation as at 6 April 2015 showed that the market value of the scheme assets was £7.6 million and that the actuarial value of those represented 66% of the benefits that had accrued to members after allowing for future increases in earnings. The valuation was updated at 13 October 2016. The scheme was valued in accordance with the projected unit method.

The mortality assumptions used are based on the SIPA table with CMI 2011 mortality improvements subject to a 1.25% minimum to the annual improvement. The previous mortality improvements used at the previous year end were medium cohort improvements of 1.25%.

The most significant assumptions affecting the valuations are as follows:

	2016 %	2015 %
Main assumptions:		
Rate of increase in salaries	2.7	2.5
Rate of increase in pensions in payment	3.8	3.7
Discount rate	2.6	4.0
Rate of inflation	2.5	3.3

A 13 year recovery plan for the deficit includes deficit recovery contributions of £175,000 per year for 13 years from October 2016. The company expects to contribute £375,000 to the defined benefit pension plan in the year to 31 December 2017.

GRAHAM PACKAGING PLASTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016 (continued)

17 POST-EMPLOYMENT BENEFITS (continued)

Reconciliation of scheme assets and liabilities

	Assets £'000	Liabilities £'000	Total £'000
At 1 January 2016	7,724	(11,036)	(3,312)
Benefits paid	(166)	166	-
Employer contributions	362	-	362
Current service cost	-	(253)	(253)
Interest income / (expense)	313	(438)	(125)
Remeasurement gains / (losses)	-	-	-
- Actuarial (losses)	-	(4,529)	(4,529)
- Return on plan assets excluding interest income	392	-	392
At 31 December 2016	<u>8,625</u>	<u>(16,090)</u>	<u>(7,465)</u>

Total cost recognised as expenses:

	2016 £'000	2015 £'000
Current service cost	253	302
Interest cost	125	154
	<u>378</u>	<u>456</u>

The fair value of the plan assets at 31 December was:

	2016 £'000	2015 £'000
Equities	5,392	3,393
Bonds	931	952
Property	1,167	1,066
Other	1,135	2,313
	<u>8,625</u>	<u>7,724</u>

The overall expected long term return on plan assets is a weighted average of the expected long term returns for equity securities, debt securities and other assets. This leads to an overall expected rate of return, weighted by asset allocation, of 4.1% for the year to 31 December 2016.

An analysis of the defined benefit cost charged to the profit and loss for the year ended 31 December 2016 is as follows:

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The total return on the scheme assets in the year was £705,000 (2015: £262,000).

The cumulative amount of actuarial losses that have been recognised in other comprehensive income is a loss of £4,137,000 (2015: loss of £1,981,000).

GRAHAM PACKAGING PLASTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016 (continued)

18. Controlling Party

The company's immediate shareholder is Graham Packaging International Plastic Products Inc., an entity registered in the U.S.A. The ultimate parent entity of the company is Packaging Holdings Limited (New Zealand), an entity that is wholly owned by Mr. Graeme Hart. The consolidated financial statements for Reynolds Group Holdings Limited (address: at Level Nine, 148 Quay Street, Auckland, 1140, New Zealand) which include the company, Graham Packaging Plastics Limited is available at the following website: <http://www.reynoldsgroupholdings.com>.