

Company Registration No. 1298663

GRAPHIC PACKAGING INTERNATIONAL GATESHEAD LIMITED

Annual Reports and Financial Statements

For the year ended 31 December 2015



GRAPHIC PACKAGING INTERNATIONAL GATESHEAD LIMITED

REPORT AND FINANCIAL STATEMENTS 2015

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GRAPHIC PACKAGING INTERNATIONAL GATESHEAD LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

The directors present their Strategic Report for the year ended 31 December 2015.

REVIEW OF THE BUSINESS

The company operates as a wholly-owned subsidiary of Graphic packaging Holdings Company operating as part of the food packaging division.

The company's principal activities are the design, manufacture and sale of printed folding cartons to the food industry in the UK and Europe. There have not been any significant changes in the company's principal activities in the period under review. The directors are not, at the date of this report, aware of any likely major changes in the company's activities in the next period.

The food division of which the company is a part of invests in research and development activities appropriate to the nature and size of operations, with the aim of supporting the future development of the company, as a part of the division, in the medium to long-term future.

The key financial and other performance indicators during the period were as follows:

	Year End 2015 £'000	25 th May2014 -31 st Dec 2014 £'000	Full Year 52 Weeks £'000	Full Year Change %
Turnover	59,227	34,792	56,537	5%
EBITDA	8,319	5,336	8,671	(4%)
Profit After Tax	4,281	2,858	4,644	(6%)
Net working capital	17,275	11,105	11,105	56%
Average number of employees	388	366	366	6%

The 'Full Year 52 Weeks' is calculated by adjusting the period end 31st December 2014 column from 32 weeks to 52 weeks in order to provide suitable comparisons with the prior year.

Turnover has increased by 5% on a like for like basis due to growth with existing customers and product mix. Product mix can vary from customer to customer with differing products attracting a more profitable margin than others. Turnover for the next financial year is expected to be at a similar level of that achieved this year.

EBITDA is stated after exceptional costs of £854K, (2014: £541k). The majority of these monies were connected with the transistion to GPI.

The average number of employees increased by 22 (6%) due to the increase in volume and mix of work. Temporary labour was the main factor in this increase across the year.

The Directors do not anticipate any significant changes in the Company's activities in the foreseeable future.

PRINCIPAL RISKS AND UNCERTAINTIES

Competitive pressure in the UK and Europe is a continuing risk for the company, which could result in it losing turnover. To manage this risk, the company strives to provide added-value products and services to its customers, utilising lean manufacturing processes, with regular capital expenditure in state of the art equipment, prompt response times in the supply of products and services and in the handling of customer queries, and through the maintenance of strong relationships with customers.

The company sells products into international markets and is therefore exposed to currency movements on such sales. However these risks are not deemed to be material given the majority of trade is within the UK.

The company's business may be affected by fluctuations in the price and supply of key raw materials, although purchasing policies and practices seek to mitigate, where applicable, such risks.

By order of the Board


H M W Van Moeseke
Director

GRAPHIC PACKAGING INTERNATIONAL GATESHEAD LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

GOING CONCERN

The company has generated a profit and has no external debt. The directors have a reasonable expectation based on forecasts that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the financial statements have therefore been prepared on a going concern basis.

ENVIRONMENT

The company recognises the importance of its environmental responsibilities, monitors its impact on the environment and designs and implements policies to mitigate any adverse impact that might be caused by its, and the operating companies' activities. Initiatives aimed at minimising the company's impact on the environment include safe disposal of manufacturing waste, recycling and reducing energy consumption.

DIRECTORS

The directors who held office during the period and up to the date of this report were as follows:

M G Kerridge (resigned 30 June 2015)

N J Benson

D A Devenport

J Yost

L Tashma

E M van de Rovaart

H van Moeseke

DIVIDENDS

The directors do not recommend the payment of a dividend for the year ended 31 December 2015

EMPLOYEES

Details of the number of employees and related costs can be found in note 3 to the financial statements.

The company participates in Graphic Packaging Holding Company's policies and practices to keep employees informed on matters relevant to them as employees through appropriate means, such as employee meetings and newsletters.

The board remains committed to ensuring that the working environment within the company is one where differences in people are recognised and valued. Equality is the fundamental principle that determines how the company treats its employees and this is reflected in the company's employment policies.

The board understands its responsibilities to encourage and assist in the employment, training, personal and career development of disabled people, and employs them whenever suitable vacancies arise.

DISCLOSURE OF INFORMATION TO AUDITOR

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

By order of the Board


H Van Moeseke

Director

Registered office:

Eversheds House

70 Great Bridgewater Street

Manchester

United Kingdom

M1 5ES

14/09/16

GRAPHIC PACKAGING INTERNATIONAL GATESHEAD LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

GRAPHIC PACKAGING INTERNATIONAL GATESHEAD LIMITED

INDEPENDENT AUDITOR'S REPORT

To the members of Graphic Packaging International Gateshead

We have audited the financial statements of Graphic Packaging International Gateshead Limited for the period ended 31 December 2015 which comprises the Profit and Loss Account and Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 24. 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 to 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 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). 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 Annual Report and Financial Statements 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 THE 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 2015 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion 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.

GRAPHIC PACKAGING INTERNATIONAL GATESHEAD LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the members of Graphic Packaging International Gateshead

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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.

Ernst & Young LLP.

Peter Buckler (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor

Leeds
16/9/2016

GRAPHIC PACKAGING INTERNATIONAL GATESHEAD LIMITED

PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	Year ended 31 Dec 2015 £'000	32 week period ended 31 Dec 2014 £'000
TURNOVER	2	59,227	34,792
Cost of sales		(38,114)	(22,696)
Gross profit		21,113	12,096
Distribution costs		(2,925)	(1,642)
Administrative expenses		(12,747)	(6,133)
OPERATING PROFIT		5,441	4,321
Interest receivable and similar income	4	114	-
Interest payable and similar charges	5	(31)	(541)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6	5,524	3,780
Tax on profit on ordinary activities	7	(1,093)	(922)
PROFIT FOR THE FINANCIAL YEAR		4,431	2,858
Other comprehensive income			
Other comprehensive income for the year, net of income tax		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		4,431	2,858

All amounts above relate to continuing operations.

GRAPHIC PACKAGING INTERNATIONAL GATESHEAD


BALANCE SHEET

31 December 2015

	Note	31 Dec 2015 £'000	31 Dec 2014 £'000
FIXED ASSETS			
Intangible assets	8	21	31
Tangible assets	9	11,458	11,335
		<u>11,479</u>	<u>11,366</u>
CURRENT ASSETS			
Stocks	10	5,505	5,194
Debtors: amounts falling due within one year	11	24,281	23,239
Cash at bank and in hand		12,069	6,164
		<u>41,855</u>	<u>34,597</u>
CREDITORS: amounts falling due within one year	12	(26,440)	(23,397)
NET CURRENT ASSETS		<u>15,415</u>	<u>11,200</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		26,894	22,566
PROVISIONS FOR LIABILITIES AND CHARGES	13	(338)	(441)
NET ASSETS		<u>26,556</u>	<u>22,125</u>
CAPITAL AND RESERVES			
Called up share capital	14	50	50
Profit and loss account		26,506	22,075
SHAREHOLDERS' FUNDS		<u>26,556</u>	<u>22,125</u>

These financial statements were approved by the Board of Directors on ,

Signed on behalf of the Board of Directors by


 H. Van Moeseke
 Director

14/09/16

Company Registration number: 1298663

GRAPHIC PACKAGING INTERNATIONAL GATESHEAD LIMITED

STATEMENT OF CHANGES IN EQUITY

	Called-up Share capital	Profit and loss account	Total equity
	£'000	£'000	£'000
Balance at 24 th May 2014	50	19,217	19,267
Total comprehensive income for the period			
Profit or loss	-	2,858	2,858
Other comprehensive income	-	-	-
Total contributions by and distributions to owners	-	2,858	2,858
Balance at 31 December 2014	50	22,075	22,125
Total comprehensive income for the period			
Profit or loss		4,431	4,431
Other comprehensive income	-	-	-
Total contributions by and distributions to owners	-	4,431	4,431
Balance at 31 December 2015	50	26,506	26,556

Profit & Loss Account

This reserve comprises the balance of the retained earnings carried forward

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2015

1. ACCOUNTING POLICIES

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

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 presentation currency of these financial statements is sterling.

The effective date of transition is the 25 May 2014. In the transition to FRS 102 from old UK GAAP, the Company has made measurement and reclassification adjustments. An explanation of how the transition to FRS 102 has affected the financial position and financial performance of the Company is provided in note 24.

FRS 102 grants certain first-time adoption exemptions from the full requirements of FRS 102. The following exemptions have been taken in these financial statements:

- Borrowing costs – the Company has elected to capitalise borrowing costs only from the date of transition.
- Business Combinations - The Company has elected not to apply Section 19 Business Combinations and Goodwill to business combinations that were effected before the date of transition to FRS 102. No adjustment has been made to the carrying value of goodwill and intangible assets subsumed within goodwill have not been separately recognised.

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.

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 22.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2015

1 ACCOUNTING POLICIES (Continued)

1.2 Going concern

The Company has generated profit for the year ended 31 December 2015 and has no external debt. The directors have a reasonable expectation based on forecasts that the company has adequate resources to continue in operational existence for the foreseeable future. The financial statements therefore have been prepared on a going concern basis.

1.3 Foreign currency

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

1.4 Basic financial instruments

Trade and other debtors / creditors

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

1.5 Goodwill

Positive Goodwill arising on Acquisitions, being the excess of cost over fair value of the net tangible assets acquired is capitalised and amortised over the useful economic life of 5 years.

1.6 Tangible fixed assets

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

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

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases.

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2015

1 ACCOUNTING POLICIES (Continued)

1.6 Tangible fixed assets (Continued)

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

Long leasehold improvements	-	50 years or amortised over the life of the lease if shorter
Freehold property		20 years
Plant & machinery	-	10 years
Computer equipment	-	5 years
Motor cars	-	4 years
Fixtures & fittings	-	5 years
Tools and die boards	-	3 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.

Construction in Progress (CIP) contains capital projects which have been approved but are currently in progress. The CIP will transfer to the Fixed Asset Register once the asset is confirmed operational. The depreciation starts in the following month of the asset being capitalised in the Fixed Asset Register.

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 of 5 years. Any impairment is written off immediately to the P&L.

1.8 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost represents materials, direct labour and appropriate production overheads. Work in progress includes a portion of direct labour and appropriate production overheads based on the stage of completion reached at the balance sheet date. Provision is made for obsolete slow moving and defective stocks.

1.9 Employee benefits

Defined contribution plans and other long term employee benefits

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

1.10 Turnover

Turnover represents the amounts, net of any applicable discounts, received or receivable for goods and services excluding value added tax and is recognised when the significant risks and rewards of ownership of the goods and services have been transferred to the customer. 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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2015

1 ACCOUNTING POLICIES (Continued)

1.11 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.

1.12 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 GATESHEAD LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2015

2. TURNOVER

Geographical analysis of turnover by destination:

	Year ended 31 Dec 2015 £'000	32 week period ended 31 Dec 2014 £'000
United Kingdom	59,012	34,628
Overseas	215	164
	<u>59,227</u>	<u>34,792</u>

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Employee costs during the year:

	Year ended 31 Dec 2015 £'000	32 week period ended 31 Dec 2014 £'000
Wages and salaries	8,454	5,264
Social security costs	761	456
Pension Costs	143	181
	<u>9,358</u>	<u>5,901</u>

Average number of persons employed

	Year ended 31 Dec 2015 No.	32 week period ended 31 Dec 2014 No.
Manufacturing	312	295
Sales and distribution	31	54
Administration	45	17
	<u>388</u>	<u>366</u>

The directors receive no remuneration for their services to this company as they are considered negligible (Dec 2014: £Nil), they are remunerated by Graphic Packaging International Box Holdings Limited.

GRAPHIC PACKAGING INTERNATIONAL GATESHEAD LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2015

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31 Dec 2015 £'000	32 week period ended 31 Dec 2014 £'000
Other interest receivable – Bank	114	-
	<u>114</u>	<u>-</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 Dec 2015 £'000	32 week period ended 31 Dec 2014 £'000
Interest Payable on Parent Company Borrowings	-	541
Other Interest Payable – Bank	31	-
	<u>31</u>	<u>541</u>

6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is after charging:

	Year ended 31 Dec 2015 £'000	32 week period ended 31 Dec 2014 £'000
Rentals under operating leases		
- hire of plant and machinery	-	22
- hire of other leases	519	464
Depreciation on tangible fixed assets	2,063	1,015
Amortisation on intangible assets	9	-
Auditor's remuneration		
Audit fees payable to the company's auditors in relation to the audit of the financial statements	37	18
Exceptional Costs	<u>854</u>	<u>541</u>

The exceptional costs relate to the rebrand and integration into the Graphic Packaging International Group following the purchase of the company in May 2014.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2015

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

a) Analysis of charge in the year:

	Year ended 31 Dec 2015 £'000	32 week period ended 31 Dec 2014 £'000
Current tax:		
UK corporation tax	1,164	714
Adjustments in respect of prior periods	32	134
Total current tax	1,196	848
Total deferred taxation:		
Origination and reversal of timing differences	(59)	65
Adjustments in respect of previous periods	-	(3)
Effect of tax rate change	(44)	12
Total deferred tax	(103)	74
Total tax	1,093	922

b) Factors affecting tax charge for the year:

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

	Year ended 31 Dec 2015 £'000	32 week period ended 31 Dec 2014 £'000
Profit on ordinary activities before taxation	5,524	3,780
Current tax at 20.25 % (2014: 21%)	1,119	(794)
Expenses not deductible for taxation purposes	6	16
Income not taxable for taxation purposes	(31)	-
Transfer pricing adjustments	14	-
Group relief claimed	(6)	-
Change in tax rates	(41)	(2)
Adjustments in respect of prior periods	32	(134)
Total tax charge	1,093	922

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2015

7. TAX ON PROFIT ON ORDINARY ACTIVITIES (Continued)

c) Factors that may affect future tax charges

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. The deferred tax liability at 31 December 2015 has been calculated based on these rates.

An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the company's future current tax charge accordingly.

d) Deferred Tax

At 1 January 2015	(441)
Recognised in the profit and loss account	103
Recognised in other comprehensive income	-
	<hr/>
At 31 December 2015	<u>(338)</u>

The deferred tax liability consists of:

	31 Dec 2015 £'000	31 Dec 2014 £'000
Deferred taxation		
At the beginning of the period	(441)	(367)
Credit to the profit and loss account	103	(74)
	<hr/>	<hr/>
At the end of the period	<u>(338)</u>	<u>(441)</u>
The elements of taxation are:		
Capital allowances in excess of depreciation	(366)	(429)
Other timing differences	28	(12)
	<hr/>	<hr/>
	<u>(338)</u>	<u>(441)</u>

The net reversal of the deferred tax liability expected to occur in the year ended 31 December 2016 is expected to be £55,192. This reversal relates to the reduction in the corporation tax rate and the unwinding of the timing difference between the tax written down value of capital assets and their accounting net book value.

GRAPHIC PACKAGING INTERNATIONAL GATESHEAD LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2015

8. INTANGIBLE ASSETS

	Goodwill £'000	Software £'000	Total £'000
Cost:			
At 1 January 2015	388	251	639
Additions	-	-	-
At 31 December 2015	388	251	639
Accumulated amortisation:			
At 1 January 2015	388	220	608
Charge for year	-	9	9
At 31 December 2015	388	229	617
Net book value:			
At 31 December 2015	-	21	21
At 1 January 2015	-	31	31

The amortisation, impairment charge and impairment reversals are recognised in Administrative expenses in the profit and loss account.

9. TANGIBLE FIXED ASSETS

	Leasehold improvements £'000	Plant and machinery £'000	Fixtures and fittings £'000	Construction in Progress £'000	Motor Vehicles £'000	Total £'000
Cost:						
At 1 January 2015	152	27,756	1,589	-	25	29,522
Additions	-	904	7	1,274	-	2,185
Disposals	-	-	-	-	-	-
At 31 December 2015	152	28,660	1,597	1,274	25	31,708
Accumulated depreciation:						
At 1 January 2015	41	16,941	1,180	-	25	18,187
Charge for the Year	7	1,924	132	-	-	2,063
Disposals	-	-	-	-	-	-
At 31 December 2015	48	18,865	1,312	-	25	20,250
Net book value:						
At 31 December 2015	104	9,795	285	1,274	-	11,458

GRAPHIC PACKAGING INTERNATIONAL GATESHEAD LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2015

At 1 January 2015	111	10,815	409	-	-	11,335
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10. STOCKS

	2015 £'000	2014 £'000
Raw materials and consumables	1,036	894
Work in progress	1,053	976
Finished goods and goods for resale	3,416	3,324
	<u>5,505</u>	<u>5,194</u>

Stocks recognised as an expense in the period were £30,373,959 (2014: £28,809,472)

11. DEBTORS

Amounts falling due within one year:

	2015 £'000	2014 £'000
Trade debtors	12,653	12,746
Amounts owed by group undertakings	11,307	10,171
Prepayments and accrued income	321	322
	<u>24,281</u>	<u>23,239</u>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015 £'000	2014 £'000
Trade creditors	8,773	10,968
Amounts owed to group undertakings	12,000	9,021
Corporation tax payable	548	425
Other taxation and social security	891	871
Accruals and deferred income	4,228	2,112
	<u>26,440</u>	<u>23,397</u>

All amounts from group undertakings are repayable on demand and non-interest bearing.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2015

13. PROVISIONS FOR LIABILITIES AND CHARGES

Amounts falling due within one year:

	2015	2014
	£'000	£'000
Deferred tax (Note 7)	338	441
	<u>338</u>	<u>441</u>

14. SHARE CAPITAL

	2015	2014
	£'000	£'000
Allotted and fully paid		
50,000 ordinary shares of £1 each	50	50
	<u>50</u>	<u>50</u>

15. 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 company's financial position.

16. OPERATING LEASE COMMITMENTS

Non-cancellable operating lease rentals are payable as follows:

	2015			2014		
	Land and buildings £'000	Other £'000	Total	Land and buildings £'000	Other £'000	Total
Leases which expire:						
Within one year	-	15	15	-	-	-
Within two to five years	524	8	532	403	43	446
More than five years	-	-	-	-	-	-
	<u>524</u>	<u>23</u>	<u>547</u>	<u>403</u>	<u>43</u>	<u>446</u>

During the year an expense in the profit and loss account in respect of operating leases was recognised of £519k (2014: £486K).

19. PENSION SCHEME

There is a defined contribution scheme operated in the UK. The charge for the year amounts to £143k (2014:£181k) and represents the contributions payable by the company to the fund.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2015

20. RELATED PARTIES

Identity of related parties with which the Company has transacted

The company has taken advantage of the exemption, as permitted by paragraph 1 (A) of chapter 33 of FRS 102, not to disclose related party transactions between fellow wholly owned subsidiaries within the group. There have been no related party transactions in the year other than those with wholly owned subsidiaries within the group.

22. ACCOUNTING ESTIMATES AND JUDGEMENTS

ACCOUNTING ESTIMATES AND JUDGMENTS

Key sources of estimation uncertainty

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) Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. Based on this assessment £158k has been provided for as at 31 December 2015.

(ii) Stock

The company makes an estimate of the net realisable value of stocks taking into account the ageing and obsolescence of any stock held at 31 December 2015. No stock provisions were recognised as at 31 December 2015.

Critical accounting judgements in applying the Company's accounting policies

The company does not make any critical judgements in applying the entity's accounting policies.

23. ULTIMATE PARENT COMPANY

Graphic Packaging International Box Holdings Limited is the immediate parent company. Shoo 553 Limited was the ultimate parent company and controlling party up to 23 May 2014. On 23 May 2014, Shoo 553 Limited was acquired by Graphic Packaging International Limited, a company incorporated in England. From this date the ultimate and controlling party is Graphic Packaging Holding Company, a company incorporated in the USA, and is the ultimate parent company and controlling party.

GRAPHIC PACKAGING INTERNATIONAL GATESHEAD LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2015

24. EXPLANATION OF TRANSITION TO FRS 102 FROM OLD UK GAAP

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 102.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 December 2015 and the comparative information presented in these financial statements for the 32-week period ended 31 December 2014.

In preparing its FRS 102 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to FRS 102 has affected the Company's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

25 May 2014				
		UK GAAP	Effect of transition to FRS 102	FRS 102
	Note	£'000	£'000	£'000
Fixed assets				
Intangible assets	a	-	54	54
Tangible assets	a	6,877	(54)	6,823
Current assets				
Stocks		4,656	-	4,656
Debtor (amounts falling due within one year)		18,463	-	18,463
Debtor (amounts falling due after one year)		-	-	-
Cash at bank and in hand		4,233	-	4,233
Creditors (amounts falling due within one year)		(14,595)	-	(14,595)
Net current assets		12,757	-	12,757
Provisions for liabilities				
Deferred tax liability		(367)	-	(367)
Net assets		19,267	-	19,267
Capital and reserves				
Called up share capital		50	-	50
Profit and loss account		19,217	-	19,217
Shareholders' funds		19,267	-	19,267

Notes to the reconciliation of equity

a) Software assets previously included as part of tangible fixed assets have been reclassified to intangible assets. Under previous UK GAAP, Computer software was included within tangible assets. Whilst FRS 102 has no specific guidance on the classification, under the GAAP hierarchy, IFRS states that computer software is an intangible asset unless the computer software is integral to a tangible asset, in which case it would remain in tangible assets. We believe the computer software is standalone and have therefore classified it as an intangible asset upon transition.

GRAPHIC PACKAGING INTERNATIONAL GATESHEAD LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2015

24. EXPLANATION OF TRANSITION TO FRS 102 FROM OLD UK GAAP (Continued)

31 December 2014

		UK GAAP	Effect of transition to FRS 102	FRS 102
	Note	£'000	£'000	£'000
Fixed assets				
Intangible assets	<i>a</i>	-	31	31
Tangible assets	<i>a</i>	11,366	(31)	11,335
Current assets				
Stocks		5,194	-	5,194
Debtor (amounts falling due within one year)		23,239	-	23,239
Debtor (amounts falling due after one year)		-	-	-
Cash at bank and in hand		6,164	-	6,164
Creditors (amounts falling due within one year)		(23,397)	-	(23,397)
Net current assets		11,200	-	11,200
Provisions for liabilities				
Deferred tax liability		(441)	-	(441)
Net assets		22,125	-	22,125
Capital and reserves				
Called up share capital		50	-	50
Profit and loss account		22,075	-	22,075
Shareholders' funds		22,125	-	22,125

Notes to the reconciliation of equity

a) Software assets previously included as part of tangible fixed assets have been reclassified to intangible assets. Under previous UK GAAP, Computer software was included within tangible assets. Whilst FRS 102 has no specific guidance on the classification, under the GAAP hierarchy, IFRS states that computer software is an intangible asset unless the computer software is integral to a tangible asset, in which case it would remain in tangible assets. We believe the computer software is standalone and have therefore classified it as an intangible asset upon transition.

GRAPHIC PACKAGING INTERNATIONAL GATESHEAD LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2015

24. EXPLANATION OF TRANSITION TO FRS 102 FROM OLD UK GAAP (Continued)

Reconciliation of profit for 31 December 2014

	Note	UK GAAP £'000	Effect of transition to FRS 102 £'000	FRS 102 £'000
Turnover		34,792	-	34,792
Cost of sales		(22,696)	-	(22,696)
Gross profit		12,096	-	12,096
Distribution costs		(1,642)	-	(1,642)
Administrative expenses		(6,133)	-	(6,133)
Operating profit		4,321	-	4,321
Interest receivable and similar income		-	-	-
Interest payable and similar charges		(541)	-	(541)
Profit on ordinary activities before taxation		3,780	-	3,780
Tax on profit on ordinary activities		(922)	-	(922)
Profit for the financial year		2,858	-	2,858
Other comprehensive income				
Other comprehensive income for the year, net of income tax		-	-	-
Total comprehensive income for the year		2,858	-	2,858