

AMCOR PACKAGING UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018



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COMPANY INFORMATION

Directors

M Suitor
A Gibbs (resigned 31 December 2018)
M Watts (resigned 28 September 2018)
M Carter
M Burrows (appointed 28 September 2018)

Registered number

00409295

Registered office

Ancor Central Services Bristol
83 Tower Road North
Warmley
Bristol
BS30 8XP

STRATEGIC REPORT
FOR THE YEAR ENDED 30 JUNE 2018

Business review and future developments

The Company's principal business is the design, manufacture and printing of flexible packaging materials.

During the year the Company saw both modest sales growth and an increase in gross margin from continuing operations following continued administration cost reduction initiatives.

The financial position of the Company remains strong with net current assets of £72.8m and net assets of £115.9m.

Following a strategic review by the Amcor Group it was announced in June 2016 to close the site in Bristol and a partial reorganisation of the site in Cumbria. Certain fixed assets and items of stock were written down to net realisable value. Certain costs of reorganisation were re-imbursed by the Amcor Group. Resulting in an exceptional expense of £141,000 (2017: £1,218,000). The reorganisation resulted in an exceptional level of transfers from the Packaging Section deferred population, which resulted in a £1,600,000 settlement gain in the year ended 30 June 2017. Further reorganisations at the Cumbria site in the year to 30 June 2018 resulted in a settlement gain of £800,000. In the year to 30 June 2017, the Bristol property was sold, with a resulting gain on disposal of £2,000,000. All exceptional expenses and income are detailed in note 5.

No material change in the Company's business and profitability are expected in the next financial year.

As can be seen in the table below the business maintained a strong safety culture. The company continues to review its procedures and implement improvements to reduce the risks of workplace accidents in the future.

	2018 £000	2017 £000
Financial key performance indicators		
Turnover from continuing operations	113,833	111,228
Gross profit from continuing operations	16,903	15,320
Margin from continuing operations	14.85%	13.77%
Operating profit before exceptional items from continuing operations	2,788	454
Operating profit from continuing operations	<u>3,343</u>	<u>1,288</u>
	2018 No.	2017 No.
Non-financial key performance indicators		
Average number of employees	352	395
Number of workplace accidents requiring medical treatment with no loss of production time	2	1
Number of workplace accidents requiring medical treatment with recordable case frequency rate	<u>2</u>	<u>2</u>

The safety of the Company's employees is a number one priority and the company participates fully in the Amcor Group's initiatives in this area.

Principal risks and uncertainties and financial risk management

The Company's principal financial assets are bank balances, trade debtors and inter-company debtors.

The Company participates in a group cash pooling arrangement, which optimises the use of cash resources across the Amcor group. This limits the Company's exposure to default by individual financial institutions. Cash deposits are subject to cross guarantees from the fellow group companies participating in the cash pooling arrangement.

The Company manages its credit risk in relation to trade debtors by spreading exposure over a large number of customers, and by holding credit insurance if it is felt necessary.

The vast majority of the Company's business is in the UK, but the Company also has overseas business, and as a result is exposed to movements in exchange rates. The currency risk is managed by entering into forward contracts for key foreign currencies, which fix a significant proportion of these exposures, thereby giving certainty over a substantial part of the company's income stream and costs. The value of forward contracts is immaterial in the financial statements of Amcor Flexibles UK Limited. The Company does not enter into speculative financial instruments.

The company is a wholly owned indirect subsidiary of Amcor Limited ("the group"). Further details of principal risks and uncertainties affecting the group, which include those of the Company, are discussed in the group's annual report (which does not form part of this report), but is available at www.amcor.com.

Subsequent events

There have been no significant events affecting the Company since the year end.

On 6 August 2018, Amcor Limited, the Company's ultimate parent, announced that it had entered into a definitive agreement under which it will acquire Bemis Company, Inc. in an all-stock combination.

This report was approved by the board on 26 March 2019 and signed on its behalf.



M Suitor
Director

**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2018**

The directors present their report and the financial statements for the year ended 30 June 2018.

Results and dividends

The profit for the year, after taxation, amounted to £2,587,000 (2017 - £1,177,000).

The Company has paid a dividend of £nil (2017 - £nil) and does not recommend the payment of a final dividend (2017 - £nil).

Directors

The directors who served during the year were:

M Sutor
A Gibbs (resigned 31 December 2018)
M Watts (resigned 28 September 2018)
M Carter

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 101, 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 to 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.

Future developments and financial risk management

Details of the likely future developments in the Company's business and financial risk management have been included within the Strategic Report.

Research and development activities

Research and development costs incurred during the year amounted to £634,000 (2017 - £832,000). In accordance with the accounting policy described in note 2 to the financial statements, all costs have been included in the Statement of comprehensive income for the year.

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2018**

Employee involvement

Employees are regularly provided with information concerning the performance and prospects of the business in which they are involved, through employee forums, briefing groups and staff publications. Elected employee representatives from the UK attend European Works Council meetings on a regular basis and feed back to a wider group of elected delegates covering sites in the UK. These processes allow the views of personnel to be taken into account. Similarly issues relevant to the pension scheme are covered by means of selected representatives.

Disabled employees

Our equal opportunities policy contains a code of good practice on disability which states that an individual who becomes disabled whilst in employment will receive support to ensure, wherever possible, that they are able to continue in their role. This will involve whatever reasonable adjustments can be made, in consultation with the individual. Again, in consultation with the individual, other positions will be considered where the individual's skills and abilities match the requirements of the role, making reasonable adjustments wherever possible.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 26 March 2019 and signed on its behalf.



M Suitor
Director

Independent auditors' report to the members of Amcor Packaging UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, Amcor Packaging UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 30 June 2018; the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union, which is currently due to occur on 29 March 2019, are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

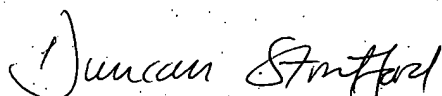
Other required reporting

Companies Act 2006 exception reporting

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 by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Duncan Stratford (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol

26 March 2019

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

	Note	Continuing operations 2018 £000	Discontinued operations 2018 £000	Total 2018 £000	Continuing operations 2017 £000	Discontinued operations 2017 £000	Total 2017 £000
Turnover	4	113,833	-	113,833	111,228	3,509	114,737
Cost of sales		(96,930)	-	(96,930)	(95,908)	(2,028)	(97,936)
Gross profit		16,903	-	16,903	15,320	1,481	16,801
Distribution costs		(2,210)	-	(2,210)	(2,452)	(28)	(2,480)
Administrative expenses		(12,311)	(363)	(12,674)	(12,664)	(2,511)	(15,175)
Exceptional items		555	104	659	834	1,548	2,382
Other operating income	6	406	-	406	250	287	537
Operating profit	7	3,343	(259)	3,084	1,288	777	2,065
Interest receivable and similar income	10	150	20	170	85	65	150
Interest payable and similar expenses	11	(520)	(5)	(525)	(461)	(6)	(467)
Other finance income	12	500	-	500	300	-	300
Profit before taxation		3,473	(244)	3,229	1,212	836	2,048
Tax on profit	13	(642)	-	(642)	690	(1,561)	(871)
Profit for the financial year		2,831	(244)	2,587	1,902	(725)	1,177
Other comprehensive income:							
Items that will not be reclassified to profit or loss:							
Actuarial gain on defined benefit schemes				9,951			2,679
Movements of deferred tax relating to pension deficit				(1,709)			(645)
Items that may subsequently be transferred to profit or loss:							
Gains arising on movements in cashflow hedge				53			4
Tax relating to components of other comprehensive income				-			-
Other comprehensive income net of tax				8,295			2,038
Total comprehensive income for the financial year				10,882			3,215

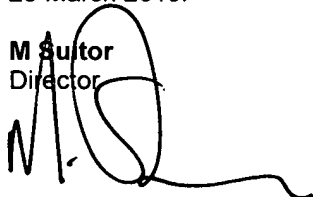
AMCOR PACKAGING UK LIMITED
REGISTERED NUMBER: 00409295

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Note	2018 £000	2018 £000	2017 £000	2017 £000
Intangible assets	14		3,416		3,394
Tangible assets	15		10,838		9,622
Investments	16		17,526		17,526
Pension asset	29		34,914		22,593
			<u>66,694</u>		<u>53,135</u>
Current assets					
Stocks	17	11,975		12,455	
Debtors	18	76,462		76,800	
Cash at bank and in hand	19	23,935		22,714	
			<u>112,372</u>	<u>111,969</u>	
Creditors: amounts falling due within one year	20	(39,560)		(35,519)	
Net current assets			<u>72,812</u>		<u>76,450</u>
Total assets less current liabilities			<u>139,506</u>		<u>129,585</u>
Creditors: amounts falling due after more than one year	21		(20,349)		(20,540)
Provisions for liabilities					
Deferred tax liability	24	(3,022)		(671)	
Other provisions	25	(245)		(3,366)	
			<u>(3,267)</u>	<u>(4,037)</u>	
Net assets			<u><u>115,890</u></u>		<u><u>105,008</u></u>
Capital and reserves					
Called up share capital	26		69,751		69,751
Share premium account	27		10,328		10,328
Other reserves	27		57		4
Retained earnings	27		35,754		24,925
Total shareholders' funds			<u><u>115,890</u></u>		<u><u>105,008</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 26 March 2019.

M Sutor
 Director



AMCOR PACKAGING UK LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

	Called up share capital	Share premium account	Other reserves	Retained earnings	Total shareholders' funds
	£000	£000	£000	£000	£000
At 1 July 2017	69,751	10,328	4	24,925	105,008
Comprehensive income/(expense) for the financial year					
Profit for the financial year	-	-	-	2,587	2,587
Actuarial gains on pension scheme	-	-	-	9,951	9,951
Deferred tax movements	-	-	-	(1,709)	(1,709)
Movement in cash flow hedge	-	-	53	-	53
Total comprehensive income for the financial year	-	-	53	10,829	10,882
At 30 June 2018	69,751	10,328	57	35,754	115,890

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

	Called up share capital	Share premium account	Other reserves	Retained earnings	Total shareholders' funds
	£000	£000	£000	£000	£000
At 1 July 2016	69,751	10,328	-	21,714	101,793
Comprehensive income/(expense) for the financial year					
Profit for the financial year	-	-	-	1,177	1,177
Actuarial gains on pension scheme	-	-	-	2,679	2,679
Deferred tax movements	-	-	-	(645)	(645)
Movement in cash flow hedge	-	-	4	-	4
Total comprehensive income for the financial year	-	-	4	3,211	3,215
At 30 June 2017	69,751	10,328	4	24,925	105,008

The notes on pages 11 to 37 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

1. General information

Amcor Packaging UK Limited is a private company limited by shares and incorporated in the United Kingdom. The address of the registered office is 83 Tower Road North, Warmley, Bristol, BS30 8XP.

The Company's principal business is the design, manufacture and printing of flexible packaging materials.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The Company has taken advantage of the exemption under s401 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of Amcor Limited.

The following principal accounting policies have been applied consistently:

2.2 Financial reporting standard 101 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

2. Accounting policies (continued)

2.3 New standards and interpretations, and interpretations not yet applied

There were a number of amendments to existing standards and interpretations that were effective for the current period, but none of these has a material impact on the company.

IFRS 9 'Financial Instruments' will be effective for the year ended 30 June 2019 onwards, the main impact being the impairment assessment methodology used to value trade receivables. The Company is currently in the process of finalising the assessment of the impact on the Financial Statements, however, this is not expected to be significant.

IFRS 15 'Revenue from contracts with customers' will be effective for the year ended 30 June 2019. The Company is currently in the process of finalising the assessment of the impact on the Financial Statements, however, this is not expected to be significant.

2.4 Going concern

The financial statements have been prepared on the going concern basis in accordance with the Companies Act 2006.

2.5 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, net of discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

Sale of goods

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**2. Accounting policies (continued)****2.6 Tangible fixed assets (continued)**

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, .

Depreciation is provided on the following basis:

Freehold property	- between 10 and 50 years
Plant and machinery	- between 3 and 17 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

2.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

The directors perform an annual impairment assessment and where a potential exposure is identified a full impairment review in compliance with IAS 36, 'Impairment of assets' is undertaken. To assess the carrying value of the investments the directors consider underlying net asset values and future earnings where appropriate. Any impairment recognised is taken to the Income statement. Where the directors become aware that the circumstances that gave rise to a previous impairment are no longer applicable the impairment is reversed. The credit is recognised in the Income statement.

2.8 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Income Statement.

2.9 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.10 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**2. Accounting policies (continued)****2.11 Financial instruments**

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets

The Company classifies all of its financial assets as loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Income statement. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities

The Company classifies all of its financial liabilities as liabilities at amortised cost.

At amortised cost

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Statement of financial position.

2.12 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2. Accounting policies (continued)

2.13 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

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 Income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'administrative expenses'.

2.14 Finance costs

Finance costs are charged to the Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.15 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**2. Accounting policies (continued)****2.16 Pensions****Defined contribution pension plan**

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 in the Income statement when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

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 but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The asset or liability recognised in the Statement of financial position in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting date less the fair value of plan assets at the reporting date (if any) out of which the obligations are to be settled.

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 Euros and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 101 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 'Remeasurement 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 net 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 (income)/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 the Statement of Comprehensive Income as 'other finance (income)/expense'.

2.17 Interest income

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

2. Accounting policies (continued)

2.18 Borrowing costs

All borrowing costs are recognised in the Statement of comprehensive income in the year in which they are incurred.

2.19 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of comprehensive income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

2.20 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.21 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately by virtue of their size or incidence.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

2. Accounting policies (continued)

2.22 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

3. Critical accounting estimates and judgments

Estimates and judgments 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.

3.1 Critical accounting estimates and assumptions

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.

(a) Useful economic lives of property, plant and equipment

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

(b) 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.

3.2 Critical judgments in applying the entity's accounting policies

Management does not believe that any material critical judgements are made in applying the company accounting policies.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

4. Turnover

The whole of the turnover is attributable to flexible packaging products.

Analysis of turnover by country of destination:

	2018 £000	2017 £000
United Kingdom	84,082	76,873
Rest of Europe	27,892	31,439
Rest of the world	1,859	6,425
	<u>113,833</u>	<u>114,737</u>

5. Exceptional items

	2018 £000	2017 £000
Reorganisation	141	1,218
Settlement gain	(800)	(1,600)
Profit on disposal	-	(2,000)
	<u>(659)</u>	<u>(2,382)</u>

Following a strategic review by the Amcor Group it was announced in June 2016 to close the site in Bristol and a partial reorganisation of the site in Cumbria. Certain fixed assets and items of stock were written down to net realisable value. Certain costs of reorganisation were re-imbursed by the Amcor Group. Resulting in an exceptional expense of £141,000 (2017: £1,218,000).

The reorganisation resulted in an exceptional level of transfers from the Packaging Section deferred population, which resulted in a £1,600,000 settlement gain in the year ended 30 June 2017. Further reorganisations at the Cumbria site in the year to 30 June 2018 resulted in a settlement gain of £800,000.

In the year to 30 June 2017, the Bristol property was sold, with a resulting gain on disposal of £2,000,000.

6. Other operating income

	2018 £000	2017 £000
Other operating income	156	287
Net rents receivable	250	250
	<u>406</u>	<u>537</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

7. Operating profit

The operating (loss)/profit is stated after charging/(crediting):

	2018	2017
	£000	£000
Research and development charged as an expense	634	832
Stock charged as an expense	86,461	72,175
Operating lease rentals - plant and machinery	640	723
Operating lease rentals - other	177	160
Depreciation of tangible fixed assets	1,971	2,504
Impairment of tangible fixed assets	274	-
Profit on disposal	(3)	(2,000)
Exchange differences	33	300
Group personal pension plan cost	1,260	1,125
Reorganisation costs	141	1,218
Settlement gain	(800)	(1,600)
	<u> </u>	<u> </u>

8. Auditors' remuneration

The company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company:

	2018	2017
	£000	£000
Fees payable to the Company's auditors and their associates for the audit of the Company's financial statements	48	48
	<u> </u>	<u> </u>
	<u>48</u>	<u>48</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

9. Employees

Staff costs were as follows:

	2018	2017
	£000	£000
Wages and salaries	13,898	16,515
Social security costs	1,541	1,714
Cost of defined contribution scheme	1,116	1,126
	16,555	19,355

The emoluments of the directors are paid by fellow group companies, which make no recharge to the Company. All directors are directors of a number of fellow subsidiaries and it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries. Accordingly no emoluments in respect of the directors are disclosed in the financial statements.

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

	2018	2017
	No.	No.
Administrative	124	156
Production	228	239
	352	395

10. Interest receivable and similar income

	2018	2017
	£000	£000
Other interest receivable	170	150
	170	150

11. Interest payable and similar expenses

	2018	2017
	£000	£000
Bank interest payable	159	78
Finance leases and hire purchase contracts	366	389
	525	467

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

12. Other finance income

	2018	2017
	£000	£000
Interest income on pension scheme assets	4,600	5,300
Net interest on net defined benefit liability	(4,100)	(5,000)
	500	300
	500	300

13. Tax on profit

	2018	2017
	£000	£000
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	627	453
Adjustments in respect of prior periods	81	630
Changes to tax rates	(66)	(212)
Total deferred tax	642	871
	642	871
Taxation on profit	642	871
	642	871

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

13. Tax on profit (continued)**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2017 - higher than) the standard rate of corporation tax in the UK of 19.00% (2017 - 19.75%). The differences are explained below:

	2018 £000	2017 £000
Profit before taxation	<u>3,229</u>	<u>2,048</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2017 - 19.75%)	614	405
Effects of:		
Expenses not deductible for tax purposes	13	83
Adjustments to tax charge in respect of prior periods - deferred tax	81	630
Impact of change in rate of UK corporation tax	(66)	(247)
Total tax charge for the year	<u>642</u>	<u>871</u>

Factors that may affect future tax charges

The main rate of corporation tax was reduced from 20% to 19% on 1 April 2017. A further reduction to 17% was legislated by Finance Bill 2016, which was substantially enacted on 6 September 2016.

Tax charge in year included in Other Comprehensive Income

	2018 £000	2017 £000
Current tax		
Current tax	<u>-</u>	<u>-</u>
	-	-
Deferred tax		
Origination and reversal of timing differences	(1,709)	(645)
Total tax included in Other Comprehensive Income	<u>(1,709)</u>	<u>(645)</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

14. Intangible assets

	Goodwill £000	Other intangible assets £000	Total £000
Cost			
At 1 July 2017	13,001	-	13,001
Additions - external	-	25	25
At 30 June 2018	<u>13,001</u>	<u>25</u>	<u>13,026</u>
Amortisation			
At 1 July 2017	9,607	-	9,607
Charge for the year	-	3	3
At 30 June 2018	<u>9,607</u>	<u>3</u>	<u>9,610</u>
Net book value			
At 30 June 2018	<u>3,394</u>	<u>22</u>	<u>3,416</u>
At 30 June 2017	<u>3,394</u>	<u>-</u>	<u>3,394</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

15. Tangible assets

	Freehold property £000	Plant and machinery £000	Total £000
Cost or valuation			
At 1 July 2017	7,443	78,272	85,715
Additions	-	3,501	3,501
Disposals	-	(308)	(308)
At 30 June 2018	<u>7,443</u>	<u>81,465</u>	<u>88,908</u>
Depreciation			
At 1 July 2017	4,918	71,175	76,093
Charge for the year on owned assets	242	1,729	1,971
Disposals	-	(268)	(268)
Impairment charge	-	274	274
At 30 June 2018	<u>5,160</u>	<u>72,910</u>	<u>78,070</u>
Net book value			
At 30 June 2018	<u>2,283</u>	<u>8,555</u>	<u>10,838</u>
At 30 June 2017	<u>2,525</u>	<u>7,097</u>	<u>9,622</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**16. Investments**

	Investments in subsidiary companies £000
Cost or valuation	
At 1 July 2017	17,526
At 30 June 2018	<u>17,526</u>
Net book value	
At 30 June 2018	<u>17,526</u>
At 30 June 2017	<u>17,526</u>

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
Amcor Norwich Limited	Ordinary	100 %	Non trading
Amcor Flexibles Cramlington Limited	Ordinary	100 %	Non trading

The directors consider the value of the investments to be supported by their underlying assets.

The registered office of the Company's subsidiaries is 83 Tower Road North, Warmley, Bristol, BS30 8XP.

17. Stocks

	2018 £000	2017 £000
Raw materials and consumables	5,278	5,854
Work in progress (goods to be sold)	516	832
Finished goods and goods for resale	6,181	5,769
	<u>11,975</u>	<u>12,455</u>

Stocks are stated after provision for impairment of £779,000 (2017 - £1,380,000).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

18. Debtors

	2018	2017
	£000	£000
Trade debtors	11,167	9,773
Amounts owed by group undertakings	63,625	65,263
Other debtors	850	749
Prepayments and accrued income	820	1,015
	<hr/> 76,462 <hr/>	<hr/> 76,800 <hr/>

Amounts owed by group undertakings are unsecured, have no fixed repayment date, bear interest at various rates and are recoverable on demand.

All amounts owed by group undertakings are recoverable on demand.

Trade debtors are stated after provision for impairment of £NIL (2017 - £59,000).

19. Cash and cash equivalents

	2018	2017
	£000	£000
Cash at bank and in hand	23,935	22,714
Less: bank overdrafts	(6,446)	(3,916)
	<hr/> 17,489 <hr/>	<hr/> 18,798 <hr/>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

20. Creditors: Amounts falling due within one year

	2018	2017
	£000	£000
Bank overdrafts	6,446	3,916
Trade creditors	20,832	20,205
Amounts owed to group undertakings	4,499	2,811
Corporation tax	7	6
Other taxation and social security	2,483	1,615
Obligations under finance lease and hire purchase contracts	281	240
Other creditors	825	398
Accruals and deferred income	4,187	6,328
	<u>39,560</u>	<u>35,519</u>

Amounts owed to group undertakings are unsecured, have no fixed repayment date, bear interest at various rates and are recoverable on demand.

The overdraft is unsecured, repayable on demand and interest is payable at various rates. See note 32 for details of the security in place in respect of the group cash pooling arrangement in which the Company participates.

21. Creditors: Amounts falling due after more than one year

	2018	2017
	£000	£000
Net obligations under finance leases and hire purchase contracts	2,444	2,726
Amounts owed to group undertakings	17,905	17,814
	<u>20,349</u>	<u>20,540</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**22. Hire purchase and finance leases**

Future minimum lease payments for:

	2018 £000	2017 £000
Within one year	281	240
Between 1-5 years	1,587	1,396
Over 5 years	857	1,330
	<u>2,725</u>	<u>2,966</u>

The present value of minimum lease payments is analysed as follows:

	2018 £000	2017 £000
Within one year	281	240
Between 1-5 years	1,587	1,396
Over 5 years	857	1,330
	<u>2,725</u>	<u>2,966</u>

23. Financial instruments

	2018 £000	2017 £000
Financial assets		
Financial assets measured at fair value through profit or loss	23,935	22,714
Financial assets that are debt instruments measured at amortised cost	75,642	75,785
	<u>99,577</u>	<u>98,499</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(54,694)</u>	<u>(51,472)</u>

Financial assets measured at amortised cost comprise trade debtors, amounts owed by group undertakings and other debtors.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors, accruals and deferred income and amounts owed to group undertakings.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

24. Deferred taxation

	Accelerated capital allowances £000	Pension asset £000	Tax losses and other short term timing differences £000	Total £000
At beginning of year	3,337	(2,523)	31	845
(Charged)/credited to profit or loss	(190)	(673)	622	(241)
Charged to other comprehensive income	-	(645)	-	(645)
Adjustments in respect of prior periods	(1,520)	-	890	(630)
At 30 June 2017	1,627	(3,841)	1,543	(671)
At beginning of year	1,627	(3,841)	1,543	(671)
(Charged)/credited to profit or loss	(128)	(386)	(47)	(561)
Charged to other comprehensive income	-	(1,709)	-	(1,709)
Adjustments in respect of prior periods	84	-	(165)	(81)
At 30 June 2018	1,583	(5,936)	1,331	(3,022)

Deferred tax assets are recognised on the basis that it is more likely than not that the company will make taxable profits in the future against which the deferred tax asset may be utilised.

25. Other provisions

	Reorganisation £000	Lease provision £000	Total £000
At 1 July 2017	2,981	385	3,366
Charged to profit or loss	(274)	6	(268)
Utilised in year	(2,462)	(391)	(2,853)
At 30 June 2018	245	-	245

Following a strategic review by the Amcor Group it was announced in June 2016 to close the site in Bristol and a partial reorganisation of the site in Cumbria. A reorganisation provision has been recognised where the Company has a legal or constructive obligation; where it is probable that an outflow of economic benefits will be required to settle the obligation.

The lease provision related to an onerous lease outstanding at a former manufacturing facility that was no longer required for operational purposes. This was settled during the year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

26. Called up share capital

	2018 £000	2017 £000
Allotted, called up and fully paid		
69,751,376 (2017 - 69,751,376) Ordinary shares of £1.00 each	<u>69,751</u>	<u>69,751</u>

27. Reserves

Share premium account

Share premium account reflects the amounts paid by shareholders of the Company in excess of the nominal value of issued share capital.

Other reserves

The hedging reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge relationship.

Retained earnings

The Retained earnings account reflects the entity's accumulated earnings less dividends paid and payable.

28. Capital commitments

At 30 June 2018, the Company had capital commitments of £408,000 (2017 - £781,000).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**29. Pension commitments****Group personal pension plan**

From 1 October 2010 the Company contributed to a newly established Group Personal Pension Plan for all employees who elected to participate.

The pension cost charge for the year represents contributions payable by the Company to the plan, and amounted to £1,260,000 (2017 - £1,125,000).

There were no outstanding or prepaid contributions at the year end (2017 - £NIL).

Company Defined Benefit Pension Scheme

The Company operates a Defined benefit pension scheme in the UK (the Amcor Packaging UK Final Salary Plan "the Plan"). A full actuarial valuation of the Plan was carried out as at 30 April 2014 and updated by the Actuary to 30 June 2016. The plan is closed to new entrants.

A full actuarial valuation of the Amcor UK Pension Plan was carried out at 1 July 2016, which was signed off on 6 November 2017.

The assets of the scheme are held separately from those of the Company in an independently administered fund. Contributions totalling £NIL (2017 - £NIL) were payable to the fund at the balance sheet date.

In November 2017, following consultation with Amcor Holding, the principal employer of the Plan, the trustee of the Amcor UK Pension Plan purchased a bulk annuity insurance policy for current pensioners, which provides monthly cash income to match the pensioner payroll ("the buy-in"). Under the buy-in, the pension scheme assets and liabilities related to the pensioners will be matched, resulting in a reduction in balance sheet volatility.

As part of the buy-in, Amcor Holding has entered into an irrevocable and unconditional guarantee with the trustee of the Amcor UK Pension Plan. The main provision is to guarantee all present and future obligations owing or to be paid to the Amcor UK Pension Plan, including the ongoing schedule of contributions to the Amcor UK Pension Plan from the UK companies as well as any Section 75 debt / amounts due on insolvency of the UK companies (subject to a guarantee cap).

The risks of the scheme are as follows:

(a) Asset volatility

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. The plan holds a significant proportion of non corporate bond assets, which are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short-term. As the plan matures, or market movements provide opportunities, the Company intends to reduce the level of investment risk by investing more in assets that better match the liabilities.

(b) Changes in bond yields

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

(c) Life expectancy

The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities.

(d) Inflation risk

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

29. Pension commitments (continued)

The pension obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plan's assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit.

Reconciliation of present value of plan liabilities:

	2018	2017
	£000	£000
Reconciliation of present value of plan liabilities		
At the beginning of the year	176,800	193,900
Administration costs	290	550
Interest on pension scheme liabilities	4,100	5,000
Actuarial (gains)/losses	(20,400)	9,530
Benefits paid	(14,690)	(4,180)
Settlements	(8,000)	(26,400)
Gain on settlement	(800)	(1,600)
	<hr/>	<hr/>
At the end of the year	137,300	176,800
	<hr/> <hr/>	<hr/> <hr/>

Reconciliation of present value of plan assets:

	2018	2017
	£000	£000
At the beginning of the year	199,393	207,914
Interest income on plan assets	4,600	5,300
Actuarial (losses)/gains	(10,349)	12,209
Contributions by employer	1,260	4,550
Benefits paid	(14,690)	(4,180)
Settlements	(8,000)	(26,400)
	<hr/>	<hr/>
At the end of the year	172,214	199,393
	<hr/> <hr/>	<hr/> <hr/>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

29. Pension commitments (continued)

Composition of plan assets:

	2018	2017
	£000	£000
Equities	47,074	41,700
Bonds	-	130,493
Other quoted securities	74,340	27,200
Other securities	50,800	-
Total plan assets	172,214	199,393
	2018	2017
	£000	£000
Fair value of plan assets	172,214	199,393
Present value of plan liabilities	(137,300)	(176,800)
Net pension scheme asset	34,914	22,593

The amounts recognised in profit or loss are as follows:

	2018	2017
	£000	£000
Administration costs	(190)	(550)
Interest on obligation	(4,100)	(5,000)
Interest income on plan assets	4,600	5,300
Gains on curtailments and settlements	800	1,600
Total	1,110	1,350

The reorganisation of the Bristol and Cumbria sites led to an exceptional level of transfers from the Packaging Section deferred population, which resulted in a £1,600,000 settlement gain in the year ended 30 June 2017. Further reorganisations at the Cumbria site in the year to 30 June 2018 resulted in a settlement gain of £800,000.

The Company expects to contribute £940,000 to its Defined Benefit Pension Scheme in 2019.

The cumulative amount of actuarial gains and losses recognised in the Statement of comprehensive income was £26,200,000 (2017 - £16,294,000).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

29. Pension commitments (continued)

Principal actuarial assumptions at the Statement of financial position date (expressed as weighted averages):

	2018	2017
	%	%
Discount rate	3.00	2.50
Future pension increases - in payment	3.00	3.00
Future pension increases - deferred	2.20	2.30
Inflation assumption	3.20	3.30
Mortality rates		
- for a male aged 65 now	22.774	23.827
- at 65 for a male aged 50 now	24.039	25.437
- for a female aged 65 now	25.605	26.262
- at 65 for a female member aged 50 now	26.960	28.030

Mortality Rates - current year:

Mortality male - S2PMA (YOB) with a 94% adjustment, CMI 2016 future improvements, 1.5% pa trend
Mortality female - S2PFA (YOB) with a 83% adjustment, CMI 2016 future improvements, 1.5% pa trend

Mortality Rates - prior year:

Mortality male - S2PMA (YOB) with a 89% adjustment, CMI 2013 future improvements, 1.5% pa trend
Mortality female - S2PFA (YOB) with a 89% adjustment, CMI 2013 future improvements, 1.5% pa trend

Sensitivity analysis of plan liabilities:

A 25bp increase in the discount rate will decrease plan liabilities by £6.9m.
A 25bp decrease in the discount rate will increase plan liabilities by £7.4m.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

29. Pension commitments (continued)

Amounts for the current and previous four periods are as follows:

Defined benefit pension schemes

	2018	2017	2016	2015	2014
	£000	£000	£000	£000	£000
Defined benefit obligation	(137,300)	(176,800)	(193,900)	(177,689)	(152,000)
Scheme assets	172,214	199,393	207,914	191,941	173,000
Surplus	34,914	22,593	14,014	14,252	21,000
Experience adjustments on scheme liabilities	100	8,270	1,000	500	(16,900)
Experience adjustments on scheme assets	10,349	15,523	7,759	13,876	3,183

The duration of expected benefit payments is 22 years.

30. Commitments under operating leases

At 30 June 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018	2017
	£000	£000
Land & Buildings		
Not later than 1 year	405	945
Later than 1 year and not later than 5 years	1,270	2,557
Later than 5 years	7,884	8,809
	9,559	12,311
	2018	2017
	£000	£000
Not later than 1 year	276	275
Later than 1 year and not later than 5 years	662	406
	938	681

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31. Security

The Company participates in a group cash pooling arrangement between the banking providers and other members of the Amcor group. All members of the group cash pool arrangement are jointly and severally liable for any payment default. As at 30 June 2017, the cash pool was in a net surplus position of €62,700,000 (2017 - €27,000,000).

32. Ultimate parent undertaking and controlling party

The immediate parent undertaking is Amcor UK Group Management Limited, registered in England and Wales.

The ultimate parent undertaking and controlling party is Amcor Limited incorporated in Australia, which is the parent undertaking of the largest and smallest group to consolidate these financial statements. Copies of Amcor Limited consolidated financial statements can be obtained from the Company Secretary at 109 Burwood Road, Hawthorn, Victoria 3122, Australia.

On 6 August 2018, Amcor Limited, the Company's ultimate parent, announced that it had entered into a definitive agreement under which it will acquire Bemis Company, Inc. in an all-stock combination.