ArdaghGroup

ARD Finance S.A. Annual Report

For the year ended 31 December 2016

www.ardaghgroup.com

INDEX TO THE FINANCIAL STATEMENTS

ARD Finance S.A. Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of ARD Finance S.A.

In our opinion, the accompanying consolidated statement of financial position and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows present fairly, in all material respects, the financial position of ARD Finance S.A. and its subsidiaries at December 31, 2016 and December 31, 2015 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States) and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

This report, including the opinion, has been prepared for and only for the company's directors as a body in accordance with our engagement letter dated 14 December 2016 and for no other purpose. We do not, in giving this opinion, 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, including without limitation under any contractual obligations of the company, save where expressly agreed by our prior consent in writing.

/s/ PricewaterhouseCoopers
Dublin, Ireland
February 23, 2017

ARD FINANCE S.A.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	At December 31, 2016 €m	2015 €m
Non-current assets			
Intangible assets	3	3,889	1,810
Property, plant and equipment	4	2,925	2,307
Derivative financial instruments	12	124	-
Deferred tax assets	6	259	178
Other non-current assets	5	20	14
		7,217	**4,309**
Current assets			
Inventories	7	1,126	825
Trade and other receivables	8	1,135	651
Derivative financial instruments	12	11	-
Restricted cash	9	27	11
Cash and cash equivalents	9	749	543
		3,048	**2,030**
TOTAL ASSETS		**10,265**	**6,339**

The accompanying notes to the consolidated financial statements are an integral part of these consolidated financial statements.

ARD FINANCE S.A.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		At December 31,	
	Note	2016 €m	2015 €m
Equity attributable to owners of the parent			
Ordinary shares	10	-	-
Other reserves		(200)	(114)
Retained earnings		(2,778)	(2,260)
		(2,978)	(2,374)
Non-controlling interests		2	2
TOTAL EQUITY		**(2,976)**	**(2,372)**
Non-current liabilities			
Borrowings	12	9,699	6,397
Employee benefit obligations	13	905	720
Deferred tax liabilities	6	697	451
Provisions	15	55	48
		11,356	**7,616**
Current liabilities			
Borrowings	12	8	7
Interest payable		112	79
Derivative financial instruments	12	8	7
Trade and other payables	14	1,543	878
Income tax payable		145	76
Provisions	15	69	48
		1,885	**1,095**
TOTAL LIABILITIES		**13,241**	**8,711**
TOTAL EQUITY and LIABILITIES		**10,265**	**6,339**

The accompanying notes to the consolidated financial statements are an integral part of these consolidated financial statements.

ARD FINANCE S.A.
CONSOLIDATED INCOME STATEMENT

	Note	Year ended December 31, 2016			Year ended December 31, 2015			Year ended December 31, 2014		
		Before exceptional items €m	Exceptional Items €m	Total €m	Before exceptional items €m	Exceptional Items €m	Total €m	Before exceptional items €m	Exceptional Items €m	Total €m
			Note 18			Note 18			Note 18	
Revenue	16	6,345	-	6,345	5,199	-	5,199	4,733	-	4,733
Cost of sales		(5,205)	(15)	(5,220)	(4,285)	(37)	(4,322)	(3,970)	(122)	(4,092)
Gross profit/(loss)		**1,140**	**(15)**	**1,125**	**914**	**(37)**	**877**	**763**	**(122)**	**641**
Sales, general and administration expenses		(300)	(116)	(416)	(274)	(44)	(318)	(246)	(35)	(281)
Intangible amortization	3	(173)	-	(173)	(109)	-	(109)	(90)	(33)	(123)
Loss on disposal of businesses		-	-	-	-	-	-	-	(159)	(159)
Operating profit/(loss)		**667**	**(131)**	**536**	**531**	**(81)**	**450**	**427**	**(349)**	**78**
Finance expense	19	(528)	(165)	(693)	(514)	(13)	(527)	(487)	(171)	(658)
Finance income	19	-	78	78	-	-	-	1	-	1
Profit/(loss) before tax		**139**	**(218)**	**(79)**	**17**	**(94)**	**(77)**	**(59)**	**(520)**	**(579)**
Income tax (charge)/credit	20	(107)	43	(64)	(75)	32	(43)	(73)	78	5
Profit/(loss) for the year		**32**	**(175)**	**(143)**	**(58)**	**(62)**	**(120)**	**(132)**	**(442)**	**(574)**
Loss attributable to:										
Owners of the parent				(143)			(120)			(574)
Non-controlling interests				-			-			-
Loss for the year				**(143)**			**(120)**			**(574)**

The accompanying notes to the consolidated financial statements are an integral part of these consolidated financial statements.

ARD FINANCE S.A.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended December 31, 2016 €m	2015 €m	2014 €m
Loss for the year		**(143)**	**(120)**	**(574)**
Other comprehensive expense				
Items that may subsequently be reclassified to income statement				
Foreign currency translation adjustments:				
-Arising in the year		(55)	(139)	(148)
-Reclassification to income statement on disposal of businesses		-	-	(1)
		(55)	**(139)**	**(149)**
Effective portion of changes in fair value of cash flow hedges:				
-New fair value adjustments into reserve		50	44	36
-Movement out of reserve		(77)	(43)	(34)
-Movement in deferred tax		(4)	-	-
		(31)	**1**	**2**
Items that will not be reclassified to income statement				
-Re-measurements of employee benefit obligations	13	(121)	72	(123)
-Deferred tax movement on employee benefit obligations		16	(27)	31
		(105)	**45**	**(92)**
Total other comprehensive expense for the year		**(191)**	**(93)**	**(239)**
Total comprehensive expense for the year		**(334)**	**(213)**	**(813)**
Attributable to:				
Owners of the parent		(334)	(213)	(813)
Non-controlling interests		-	-	-
Total comprehensive expense for the year		**(334)**	**(213)**	**(813)**

The accompanying notes to the consolidated financial statements are an integral part of these consolidated financial statements.

ARD FINANCE S.A.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent							
	Share capital	Share premium	Foreign currency translation reserve	Cash flow hedges	Retained earnings	Total	Non-Controlling Interests	Total Equity
	€m	€m	€m	€m	€m	€m	€m	€m
	Note 10							
At January 1, 2014	**-**	**230**	**47**	**(5)**	**(1,521)**	**(1,249)**	**2**	**(1,247)**
Loss for the year	-	-	-	-	(574)	(574)	-	(574)
Other comprehensive (expense)/income	-	-	(149)	2	(92)	(239)	-	(239)
Return of capital to parent company	-	(101)	-	-	17	(84)	-	(84)
At December 31, 2014	**-**	**129**	**(102)**	**(3)**	**(2,170)**	**(2,146)**	**2**	**(2,144)**
Loss for the year	-	-	-	-	(120)	(120)	-	(120)
Other comprehensive (expense)/income	-	-	(139)	1	45	(93)	-	(93)
Return of capital to parent company	-	-	-	-	(15)	(15)	-	(15)
At December 31, 2015	**-**	**129**	**(241)**	**(2)**	**(2,260)**	**(2,374)**	**2**	**(2,372)**
Loss for the year	-	-	-	-	(143)	(143)	-	(143)
Other comprehensive expense	-	-	(55)	(31)	(105)	(191)	-	(191)
Dividend payment	-	-	-	-	(270)	(270)	-	(270)
At December 31, 2016	**-**	**129**	**(296)**	**(33)**	**(2,778)**	**(2,978)**	**2**	**(2,976)**

The accompanying notes to the consolidated financial statements are an integral part of these consolidated financial statements.

ARD FINANCE S.A.
CONSOLIDATED STATEMENT OF CASH FLOWS

		Year ended December 31,		
	Note	2016 €m	2015 €m	2014 €m
Cash flows from operating activities				
Cash generated from operations	21	1,109	950	701
Interest paid – excluding cumulative PIK interest paid	(i)	(372)	(323)	(316)
Cumulative PIK interest paid	(i)	(184)	-	-
Income tax paid		(84)	(59)	(35)
Net cash from operating activities		**469**	**568**	**350**
Cash flows from investing activities				
Purchase of business net of cash acquired	22	(2,685)	-	(1,038)
Purchase of property, plant and equipment		(310)	(304)	(321)
Purchase of software and other intangibles		(12)	(8)	(10)
Proceeds from disposal of property, plant and equipment		4	8	17
Proceeds received from disposal of businesses	22	-	-	397
Net cash used in investing activities		**(3,003)**	**(304)**	**(955)**
Cash flows from financing activities				
Proceeds from borrowings		5,479	-	4,231
Repayment of borrowings		(2,322)	(198)	(3,199)
Return of capital to parent company	10	-	(15)	(84)
Dividends paid	10	(270)	-	-
Early redemption premium costs paid		(108)	(8)	(136)
Deferred debt issue costs paid		(72)	(2)	(67)
Proceeds from the termination of derivative financial instruments	12	-	81	-
Net cash inflow/(outflow) from financing activities		**2,707**	**(142)**	**745**
Net increase in cash and cash equivalents		**173**	**122**	**140**
Cash and cash equivalents at the beginning of the year	9	554	433	296
Exchange gains/(losses) on cash and cash equivalents		49	(1)	(3)
Cash and cash equivalents at the end of the year	9	**776**	**554**	**433**

(i) Total interest paid for the year ended December 31, 2016 is €556 million (2015: €323 million, 2014: €316 million)

The accompanying notes to the consolidated financial statements are an integral part of these consolidated financial statements.

1. General information

The ultimate parent company of ARD Finance S.A. (“AFSA” or the “Company”, and collectively with its subsidiaries the “Group”) is ARD Holdings S.A., formerly Ardagh Group S.A..

The principal accounting policies that have been applied to the consolidated financial statements are described in Note 2.

2. Summary of significant accounting policies

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with, and are in compliance with, International Financial Reporting Standards (“IFRS”) as adopted by the IASB and related interpretations. IFRS is comprised of standards and interpretations approved by the IASB and IAS and interpretations approved by the predecessor International Accounting Standards Committee that have been subsequently approved by the IASB and remain in effect. References to IFRS hereafter should be construed as references to IFRS as adopted by the IASB.

The consolidated financial statements, are presented in euro, rounded to the nearest million and have been prepared under the historical cost convention except for the following:

- derivative financial instruments are stated at fair value; and
- employee benefit obligations are measured at the present value of the future estimated cash flows related to benefits earned and pension assets valued at fair value.

The preparation of consolidated financial information in conformity with IFRS requires the use of critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise judgment in the process of applying Group accounting policies. These estimates, assumptions and judgments are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances and are subject to continual re-evaluation. However, actual outcomes may differ from these estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are discussed in the critical accounting estimates and judgments.

The consolidated financial statements for the Group were authorized for issue by the Board of Directors of ARD Finance S.A. on February 23, 2017.

Recent accounting pronouncements

(a) New standards, amendments, improvements and interpretations which are effective for financial periods beginning on or after January 1, 2017 that are applicable to the Group, none of which have been early adopted.

The following new standards, amendments to existing standards and interpretations effective for annual periods beginning on or after January 1, 2017 but which have not been adopted early by the Group. The Directors’ assessment of the impact of the new standards listed below, on the reported results, consolidated statement of financial position and disclosures as a result of their adoption in future periods is on-going.

IFRS 15, ‘Revenue from contracts with customers’ deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18, ‘Revenue’ and IAS 11, ‘Construction contracts’ and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted. The Group has started to assess the impact of IFRS 15 and, at this time, the Group does not expect that the implementation of this standard in 2018 will have a significant impact on the timing in which it recognizes revenue and therefore is not expected to have a significant impact on the consolidated income statement or the consolidated statement of financial position.

IFRS 9, ‘Financial instruments’. IFRS 9 is the first standard issued as part of a wider project to replace IAS 39 ‘Financial instruments: Recognition and measurement’ (“IAS 39”). IFRS 9 has been completed in a number of phases and includes requirements on the classification and measurement of financial assets and liabilities. It also includes an expected credit loss model that replaces the incurred loss impairment model currently used as well as hedge accounting amendments. This standard becomes effective for annual periods commencing on or after January 1, 2018. The Group has started to assess the impact of the implementation of this standard and, at this time, the Group does not expect there to be a significant impact on the statement of financial position in respect of classification of financial assets and liabilities. The Group is continuing to evaluate the impact of prospective changes to hedge accounting and the introduction of an expected credit loss model on the consolidated income statement, the consolidated statement of comprehensive income and the consolidated statement of financial position.

IFRS 16, ‘Leases’, sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the entity. IFRS 16 replaces IAS 17, ‘Leases’, and later interpretations and will result in most operating leases being recorded on the consolidated statement of financial position. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. The Group is currently evaluating the effects that the adoption of IFRS 16 will have on the Group’s consolidated financial statements, and anticipates the new guidance will impact its consolidated financial statements as the Company has a significant number of leases which will be recognized on the balance sheet (See Note 4).

Other changes to IFRS have been issued but are not yet effective for the Group. However, they are either not expected to have a material effect on the consolidated financial statements or they are not currently relevant for the Group.

Basis of consolidation

(i) Subsidiaries

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date on which control ceases. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is the consideration given in exchange for control of the identifiable assets, liabilities and contingent liabilities of the acquired legal entities. Directly attributable transaction costs are expensed and included as exceptional items within sales, general and administration expenses. The acquired net assets are initially measured at fair value. The excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill. Any goodwill and fair value adjustments are recorded as assets and liabilities of the acquired legal entity in the currency of the primary economic environment in which the legal entity operates (the “functional currency”). If the cost of acquisition is less than the fair value of the Group’s share of the net assets of the legal entity acquired, the difference is recognized directly in the consolidated income statement. The Group considers obligations of the acquiree in a business combination that arise as a result of the change in control, to be cash flows arising from obtaining control of the controlled entity, and classifies these obligations as investing activities in the consolidated statement of cash flows.

(ii) Transactions eliminated on consolidation

Transactions, balances and unrealized gains or losses on transactions between Group companies are eliminated. Subsidiaries’ accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Foreign currency

(i) Foreign currency transactions

Items included in the financial statements of each of the Group’s entities are measured using the functional currency of that entity.

Transactions in foreign currencies are translated into the functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognized in the consolidated income statement, except: (i) differences on foreign currency borrowings that provide an effective hedge against a net investment in a foreign entity (“net investment hedges”), which are taken to other comprehensive income until the disposal of the net investment, at which time they are recognized in the consolidated income statement; and (ii) differences on certain derivative financial instruments discussed under “Derivative financial instruments” below. Net investment hedges are accounted for in a similar manner to cash flow hedges. The gain or loss relating to the ineffective portion of a net investment hedge is recognized immediately in the consolidated income statement within finance income or expense.

(ii) Financial statements of foreign operations

The assets and liabilities of foreign operations are translated into euro at foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated to euro at average exchange rates for the year. Foreign exchange differences arising on retranslation and settlement of such transactions are recognized in other comprehensive income. Gains or losses accumulated in other comprehensive income are recycled to the consolidated income statement when the foreign operation is sold.

Non-monetary items measured at fair value in foreign currency are translated using the exchange rates as at the date when the fair value is determined.

Business combinations and goodwill

All business combinations are accounted for by applying the purchase method of accounting. This involves measuring the cost of the business combination and allocating, at the acquisition date, the cost of the business combination to the assets acquired and liabilities assumed. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in sales, general and administration expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date.

Goodwill represents the excess of the cost of an acquisition over the fair value of the net identifiable assets of the acquired subsidiary at the date of acquisition.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to those groups of cash-generating units ("CGUs") that are expected to benefit from the business combination in which the goodwill arose for the purpose of assessing impairment. Goodwill is tested annually for impairment.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Intangible assets

Intangible assets are initially recognized at cost.

Intangible assets acquired as part of a business combination are capitalized separately from goodwill if the intangible asset is separable or arises from contractual or other legal rights. They are initially recognized at cost which, for intangible assets arising in a business combination, is their fair value at the date of acquisition.

Subsequent to initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The carrying values of intangible assets with finite useful lives are reviewed for indicators of impairment at each reporting date and are subject to impairment testing when events or changes in circumstances indicate that the carrying values may not be recoverable.

The amortization of intangible assets is calculated to write off the book value of finite lived intangible assets over their useful lives on a straight-line basis on the assumption of zero residual value as follows:

Computer software	2-7 years
Customer relationships	5-15 years
Technology	8-15 years

(i) Computer software

Computer software development costs are recognized as assets. Costs associated with maintaining computer software programs are recognized as an expense as incurred.

(ii) Customer relationships

Customer relationships acquired in a business combination are recognized at fair value at the acquisition date. Customer relationships have a finite useful economic life and are carried at cost less accumulated amortization.

(iii) Technology

Technology based intangibles acquired in a business combination are recognized at fair value at the acquisition date and reflect the Group's ability to add value through accumulated technological expertise surrounding product and process development.

(iv) Research and development costs

Research costs are expensed as incurred. Development costs relating to new products are capitalized if the new product is technically and commercially feasible. All other development costs are expensed as incurred.

Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, except for land which is shown at cost less impairment. Spare parts which form an integral part of plant and machinery and which have an estimated useful economic life greater than one year are capitalized. Spare parts which do not form an integral part of plant and machinery and which have an estimated useful economic life less than one year are included as consumables within inventory and expensed when utilized.

Where items of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(ii) Leased assets

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets, and the arrangement conveys a right to use the asset.

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases.

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

(iii) Subsequent costs

The Group recognizes in the carrying amount of an item of property, plant and equipment, the cost of replacing the component of such an item when that cost is incurred, if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. When a component is replaced the old component is de-recognized in the period. All other costs are recognized in the consolidated income statement as an expense as incurred. When a major overhaul is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria above are met.

(iv) Depreciation

Depreciation is charged to the consolidated income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Buildings	30 - 40 years
Plant and machinery	3 - 40 years
Moulds	2 - 3 years
Office equipment and vehicles	3 - 10 years

Assets' useful lives and residual values are adjusted if appropriate, at each balance sheet date.

Impairment of non-financial assets

Assets that have an indefinite useful economic life are not subject to amortization and are tested annually for impairment or whenever indicators suggest that impairment may have occurred. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

For the purposes of assessing impairment, assets excluding goodwill and long lived intangible assets, are grouped at the lowest levels at which cash flows are separately identifiable. Goodwill and long lived intangible assets are allocated to groups of CGUs. The groupings represent the lowest level at which the related assets are monitored for internal management purposes.

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The recoverable amount of other assets is the greater of their value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the first-in, first-out basis and includes expenditure incurred in acquiring the inventories and bringing them to their current location and condition. In the case of finished goods and work-in-progress, cost includes direct materials, direct labor and attributable overheads based on normal operating capacity.

Net realizable value is the estimated proceeds of sale less all further costs to completion, and less all costs to be incurred in marketing, selling and distribution.

Spare parts which are deemed to be of a consumable nature, are included within inventories and expensed when utilized.

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, restricted cash, borrowings and trade and other payables. Non-derivative financial instruments are recognized initially at fair value plus any directly attributable transaction costs, except as described below. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

(i) Trade and other receivables

Trade and other receivables are recognized initially at fair value and are thereafter measured at amortized cost using the effective interest rate method less any provision for impairment. A provision for impairment of trade receivables is recognized when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Factoring and related programs are employed by the Group where deemed to be of benefit by management.

(ii) Securitized assets

The Group entered into a series of securitization transactions involving certain of its trade receivables. The securitized assets are recognized on the consolidated statement of financial position, until all of the rights to the cash flows from those assets have expired or have been fully transferred outside the Group, or until substantially all of the related risks, rewards and control of the related assets have been transferred to a third party. No trade receivables were securitized at December 31, 2016 (2015: €nil).

(iii) Cash and cash equivalents

Cash and cash equivalents include cash in hand and call deposits held with banks. Cash and cash equivalents are carried at amortized cost.

Short term bank deposits of greater than three months maturity which do not meet the definition of cash and cash equivalents are classified as financial assets within current assets and stated at amortized cost.

(iv) Restricted cash

Restricted cash comprises cash held by the Group but which is ring-fenced or used as security for specific financing arrangements, and to which the Group does not have unfettered access. Restricted cash is measured at amortized cost.

(v) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the Group's consolidated income statement over the period of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

(vi) Trade and other payables

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method.

Derivative financial instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 12. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(i) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in other comprehensive income. Amounts accumulated in other comprehensive income are recycled to the consolidated income statement in the periods when the hedged item will affect profit or loss.

Amounts accumulated in other comprehensive income are recycled from equity to the consolidated income statement in the period during which the hedged item will affect the income statement. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated income statement. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing at that time remains in equity and is recognized when the forecast cash flow arises. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated income statement.

(ii) Fair value hedges

Derivative financial instruments are classified as fair value hedges when they hedge the Group's exposure to changes in the fair value of a recognized asset or liability. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Group's consolidated income statement, together with any changes in the fair value of the hedged item that is attributable to the hedged risk.

The gain or loss relating to the effective portion of interest rate swaps, hedging assets and borrowings is recognized in the consolidated income statement within 'finance expense'. The gain or loss relating to the ineffective portion of the interest rate swaps is recognized in the consolidated income statement within 'finance expense'. If a hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest rate method is used is amortized to profit or loss over the period to maturity.

Fair value measurement

The Group measures financial instruments such as derivatives and pension assets at fair value at each balance sheet date. Fair value related disclosures for financial instruments, related party convertible borrowings and pension assets that are measured at fair value or where fair values are disclosed, are summarized in the following notes:

- Disclosures for valuation methods, significant estimates and assumptions (Notes 12 and 13)
- Contingent consideration (Note 22)
- Quantitative disclosures of fair value measurement hierarchy (Note 12)
- Financial instruments (including those carried at amortized cost) (Note 12)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Employee benefits

(i) Defined benefit pension plans

Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past service costs are recognized immediately in the consolidated income statement.

(ii) Multi-employer pension plans

Multi-employer craft or industry based pension schemes ("multi-employer schemes") have arrangements similar to those of defined benefit schemes. In each case it is not possible to identify the Group's share of the underlying assets and liabilities of the multi-employer schemes and therefore in accordance with IAS 19(R), the Group has taken the exemption for multi-employer pension schemes to account for them as defined contribution schemes recognizing the contributions payable in each period in the consolidated income statement.

(iii) Other end of service employee benefits

In a number of countries, the Group pays lump sums to employees leaving service. These arrangements are accounted in the same manner as defined benefit pension plans.

(iv) Other long term employee benefits

The Group's obligation in respect of other long term employee benefits plans represents the amount of future benefit that employees have earned in return for service in the current and prior periods for post-retirement medical schemes, partial retirement contracts and long service awards. These are included in the category of employee benefit obligations on the consolidated statement of financial position. The obligation is computed on the basis of the projected unit credit method and is discounted to present value using a discount rate equating to the market yield at the reporting date on high quality corporate bonds of a currency and term consistent with the currency and estimated term of the obligations. Actuarial gains and losses are recognized in full in the Group's consolidated statement of comprehensive income in the period in which they arise.

(v) Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The contributions are recognized as employee benefit expense when they are due.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Revenue recognition

Revenue from the sale of goods is recognized in the consolidated income statement when the significant risks and rewards of ownership have been transferred to the buyer, primarily on dispatch of the goods. Allowances for customer rebates are provided for in the same period as the related revenues are recorded. Revenue is included net of cash discounts and value added tax.

Exceptional items

The Group's consolidated income statement, cash flow and segmental analysis separately identify results before specific items. Specific items are those that in management's judgment need to be disclosed by virtue of their size, nature or incidence to provide additional information. Such items include, where significant, restructuring, redundancy and other costs relating to permanent capacity realignment or footprint reorganization, directly attributable acquisition costs, profit or loss on disposal or termination of operations, start-up costs incurred in relation to plant builds or new furnaces, major litigation costs and settlements and impairment of non-current assets. In this regard the determination of 'significant' as included in our definition uses qualitative and quantitative factors. Judgment is used by the Group in assessing the particular items, which by virtue of their scale and nature, are disclosed in the Group's consolidated income statement, and related notes as exceptional items. Management considers columnar presentation to be appropriate in the consolidated income statement as it provides useful additional information and is consistent with the way that financial performance is measured by management and presented to the Board of Directors of ARD Holdings S.A. (the "Board") and the Executive Committee of the Board of Directors of ARD Holdings S.A. (the "Executive Committee"). Exceptional restructuring costs are classified as restructuring provisions and all other exceptional costs when outstanding at the balance sheet date are classified as exceptional items payable.

Finance income and expense

Finance income comprises interest income on funds invested, gains on disposal of financial assets, and gains on derivative instruments that are not designated as hedging instruments and are recognized in profit or loss.

Finance expense comprises interest expense on borrowings (including amortization of deferred debt issuance costs), finance lease expenses, certain net foreign currency translation related to financing, net interest cost on net pension plan liabilities, losses on extinguishment of borrowings, losses on derivative instruments that are not designated as hedging instruments and are recognized in profit or loss and other finance expense.

The Group capitalizes borrowing costs directly attributable to the acquisition, construction or production of manufacturing plants that require a substantial period of time to build that would have been avoided if the expenditure on the qualifying asset had not been made.

Costs related to the issuance of new debt are deferred and amortized within finance expense over the expected terms of the related debt agreements by using the effective interest rate method.

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the consolidated income statement except to the extent that it relates to items recognized in other comprehensive income.

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

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Segment reporting

The Executive Committee of the Group's parent company has been identified as the Chief Operating Decision Maker ("CODM") for the Group.

Operating segments are identified on the basis of the internal reporting provided to the Executive Committee in order to allocate resources to the segment and assess its performance.

Critical accounting estimates, assumptions 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. The Group 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 discussed below.

(i) Estimated impairment of goodwill and other long lived assets

In accordance with IAS 36 'Impairment of assets' ("IAS 36"), the Group tests whether goodwill and other long lived assets have suffered any impairment in accordance with the accounting policies stated. The determination of recoverable amounts requires the use of estimates as outlined in Note 3. The Group's judgments relating to the impairment of goodwill and other long lived assets are included in Notes 3 and 4.

(ii) Establishing lives for depreciation and amortization purposes of property, plant and equipment and intangibles

Long lived assets, consisting primarily of property, plant and equipment, customer intangibles and technology intangibles, comprise a significant portion of the Group's total assets. The annual depreciation and amortization charges depend primarily on the estimated lives of each type of asset and, in certain circumstances, estimates of fair values and residual values. The Board of Directors regularly review these asset lives and change them as necessary to reflect current thinking on remaining lives in light of technological change, prospective economic utilization and physical condition of the assets concerned. Changes in asset lives can have a significant impact on the depreciation and amortization charges for the period. It is not practical to quantify the impact of changes in asset lives on an overall basis, as asset lives are individually determined and there are a significant number of asset lives in use.

(iii) Income taxes

The Group is subject to income taxes in numerous jurisdictions and judgment is therefore required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(iv) Measurement of employee benefit obligations

The Group follows guidance of IAS 19 (R) to determine the present value of its obligations to current and past employees in respect of defined benefit pension obligations, other long term employee benefits, and other end of service employee benefits which are subject to similar fluctuations in value in the long term. The Group with the assistance of professional actuaries, values such liabilities designed to ensure consistency in the quality of the key assumptions underlying the valuations. The critical assumptions and estimates applied are discussed in detail in Note 13.

(v) Exceptional items

The consolidated income statement and segment analysis separately identify results before exceptional items. Exceptional items are those that in our judgment need to be disclosed by virtue of their size, nature or incidence.

The Group believes that this presentation provides additional analysis as it highlights exceptional items. Such items include, where significant, restructuring, redundancy and other costs relating to permanent capacity realignment or footprint reorganization, directly attributable acquisition costs, profit or loss on disposal or termination of operations, start-up costs incurred in relation to new operations or plant builds, major litigation costs, settlements and impairment of non-current assets. In this regard, the determination of ‘significant’ as included in our definition uses qualitative and quantitative factors which remain consistent from period to period. Management uses judgment in assessing the particular items, which by virtue of their scale and nature, are disclosed in the consolidated income statement and related notes as exceptional items. Management considers the consolidated income statement presentation of exceptional items to be appropriate as it provides useful additional information and is consistent with the way that financial information is measured by management and presented to the Board of Directors and CODM. In that regard, management believes it to be consistent with paragraph 85 of IAS 1 ‘Presentation of financial statements’ (“IAS 1”), which permits the inclusion of line items and subtotals that improve the understanding of performance.

vi) Business combinations and goodwill

Goodwill only arises in business combinations. The amount of goodwill initially recognized is dependent on the allocation of the purchase price to the fair value of the identifiable assets acquired and the liabilities assumed. The determination of the fair value of the assets and liabilities is based, to a considerable extent, on management's judgment. Allocation of the purchase price affects the results of the Group as finite lived intangible assets are amortized, whereas indefinite lived intangible assets, including goodwill, are not amortized and could result in differing amortization charges based on the allocation to indefinite lived and finite lived intangible assets.

3. Intangible assets

Cost	Goodwill €m	Customer relationships €m	Technology and other €m	Software €m	Total €m
At January 1, 2015	965	783	167	45	**1,960**
Acquisitions	3	-	-	-	**3**
Additions	-	-	7	1	**8**
Disposals	-	-	(1)	-	**(1)**
Transfers	-	-	(3)	3	**-**
Exchange	79	68	11	-	**158**
At December 31, 2015	**1,047**	**851**	**181**	**49**	**2,128**
Amortization					
At January 1, 2015		(139)	(32)	(27)	**(198)**
Charge for the year		(83)	(19)	(7)	**(109)**
Disposals		-	1	-	**1**
Exchange		(11)	(1)	-	**(12)**
At December 31, 2015		**(233)**	**(51)**	**(34)**	**(318)**
Net book value					
At December 31, 2015	**1,047**	**618**	**130**	**15**	**1,810**
Cost					
At January 1, 2016	1,047	851	181	49	**2,128**
Acquisitions	894	1,242	31	11	**2,178**
Additions	-	-	8	3	**11**
Impairment	-	-	-	(2)	**(2)**
Exchange	30	44	2	-	**76**
At December 31, 2016	**1,971**	**2,137**	**222**	**61**	**4,391**
Amortization					
At January 1, 2016		(233)	(51)	(34)	**(318)**
Charge for the year		(143)	(23)	(7)	**(173)**
Exchange		(2)	(9)	-	**(11)**
At December 31, 2016		**(378)**	**(83)**	**(41)**	**(502)**
Net book value					
At December 31, 2016	**1,971**	**1,759**	**139**	**20**	**3,889**

2016

On June 30, 2016, the Group completed the acquisition of certain beverage can manufacturing assets from Ball Corporation and Rexam PLC (the 'Beverage Can Business'). Goodwill and intangibles of €2,178 million were acquired as part of this acquisition. Goodwill is based on management's preliminary estimates of fair values at the acquisition date. The period allowed by 'Business Combinations' ("IFRS 3R"), remains open at December 31, 2016. Please refer to Note 22 for further details of the purchase price allocation.

2015

Fair value adjustments to goodwill of €3 million net of tax, were made in the twelve months to December 31, 2015 relating to the VNA Acquisition within the measurement period allowed by IFRS 3R. The purchase price allocation is now finalized.

Development costs of €13 million were included in technology and other intangible assets at December 31, 2016 (2015: €12 million).

Goodwill

Allocation of goodwill

Goodwill has been allocated to groups of CGUs for the purpose of impairment testing. The groupings represent the lowest level at which the related goodwill is monitored for internal management purposes. Goodwill acquired through business combination activity is allocated to CGUs that are expected to benefit from synergies in that combination. Given the size and timing of the acquisition of the Beverage Can Business, a preliminary allocation of the related goodwill has been made at December 31, 2016: the allocation will be finalized during 2017.

The lowest level within the Group at which the goodwill is monitored for internal management purposes is Metal Packaging Europe, Metal Packaging Americas, Metal Packaging Europe – Acquired, Metal Packaging Americas - Acquired, Glass Packaging Europe and Glass Packaging North America.

A summary of the goodwill allocation is presented below:

	At December 31,	
	2016 €m	2015 €m
Metal Packaging Europe	268	274
Metal Packaging Americas	28	26
Metal Packaging Europe – Acquired	494	-
Metal Packaging Americas – Acquired	417	-
Glass Packaging Europe	57	62
Glass Packaging North America	707	685
Total Goodwill	**1,971**	**1,047**

Impairment tests for goodwill

The Group performs its impairment test of goodwill annually following approval of the annual budget.

Recoverable amount and carrying amount

The Group used the value in use ("VIU") model for the purposes of the goodwill impairment testing as this reflects the Group's intention to hold and operate the assets.

The VIU model uses the 2017 two-year budget approved by the Board of Directors of ARD Holdings S.A. (2015: 2016 two-year budget). The budget was then extended for a further three-year period (2015: 2016 three-year period) making certain assumptions including that capital expenditure equals depreciation and that any increase in input cost will be passed through to customers, in line with historic practice and contractual terms.

The terminal value assumed long term growth in line with long term local inflation.

Cash flows considered in the ViU model included the cash inflows and outflows related to the continuing use of the assets over their remaining useful lives, expected earnings, required maintenance capital expenditure, depreciation, tax and working capital.

The post-tax discount rate applied to post-tax cash flows in the VIU model was estimated using the Capital Asset Pricing Model with regard to the risks associated with the cash flows being considered (country, market and specific risks of the asset).

The modelled cash flows take into account the Group's established history of earnings, cash flow generation and the nature of the markets in which we operate, where product obsolescence is low. The key assumptions employed in modelling estimates of future cash flows are subjective and include projected Adjusted EBITDA, discount rates and growth rates, replacement capital expenditure requirements, rates of customer retention and the ability to maintain margin through the pass through of input cost inflation.

A sensitivity analysis was performed reflecting potential variations in terminal growth rate and discount rate assumptions. In all cases the recoverable values calculated were in excess of the carrying values of the CGUs. The variation applied to terminal value growth rates and discount rates was a 50 basis points decrease and increase respectively, and represents a reasonably possible change to the key assumptions of the ViU model.

The additional disclosures required under IAS 36 in relation to significant goodwill amounts arising in the groups of CGUs are as follows:

	Metal Packaging Europe €m/%	Metal Packaging Americas €m/%	Metal Packaging Europe-Acquired €m/%	Metal Packaging Americas-Acquired €m/%	Glass Packaging Europe €m/%	Glass Packaging North America €m/%
2016						
Carrying amount of goodwill	268	28	494	417	57	707
Excess of recoverable amount	2,178	372	582	274	2,057	1,630
Pre-tax discount rate applied	8.3%	9.8%	8.9%	11.9%	8.7%	10.3%
Growth rate for terminal value	1.5%	2.0%	1.5%	2.0%	1.5%	2.0%
2015						
Carrying amount of goodwill	274	26	-	-	62	685
Excess of recoverable amount	1,612	521	-	-	1,720	1,916
Pre-tax discount rate applied	9.9%	9.6%	-	-	9.0%	9.8%
Growth rate for terminal value	2.0%	2.5%	-	-	2.0%	2.5%

4. Property, plant and equipment

	Land and buildings €m	Plant, machinery and other €m	Office equipment and vehicles €m	**Total €m**
Cost				
At January 1, 2015	696	2,614	43	**3,353**
Additions	-	283	1	**284**
Disposals	(6)	(89)	(10)	**(105)**
Transfers	50	(66)	16	**-**
Exchange	21	113	1	**135**
At December 31, 2015	**761**	**2,855**	**51**	**3,667**
Depreciation				
At January 1, 2015	(153)	(949)	(28)	**(1,130)**
Charge for the year	(21)	(267)	(6)	**(294)**
Disposals	3	84	10	**97**
Exchange	(3)	(29)	(1)	**(33)**
At December 31, 2015	**(174)**	**(1,161)**	**(25)**	**(1,360)**
Net book value				
At December 31, 2015	**587**	**1,694**	**26**	**2,307**

	Land and buildings €m	Plant, machinery and other €m	Office equipment and vehicles €m	**Total €m**
Cost				
At January 1, 2016	761	2,855	51	**3,667**
Acquisitions	171	459	-	**630**
Additions	3	315	5	**323**
Impairment	-	(8)	-	**(8)**
Disposals	(6)	(192)	(10)	**(208)**
Transfers	13	(29)	16	**-**
Exchange	(9)	(43)	(1)	**(53)**
At December 31, 2016	**933**	**3,357**	**61**	**4,351**
Depreciation				
At January 1, 2016	(174)	(1,161)	(25)	**(1,360)**
Charge for the year	(26)	(283)	(9)	**(318)**
Disposals	4	191	9	**204**
Exchange	6	41	1	**48**
At December 31, 2016	**(190)**	**(1,212)**	**(24)**	**(1,426)**
Net book value				
At December 31, 2016	**743**	**2,145**	**37**	**2,925**

Depreciation expense of €313 million (2015: €289 million; 2014: €271 million) has been charged in cost of sales and €5 million (2015: €5 million; 2014: €6 million) in sales, general and administration expenses.

Transfers primarily relate to the reclassification of construction in progress to the applicable classification within property, plant and equipment.

Construction in progress at December 31, 2016 was €114 million (2015: €87 million).

Included in property, plant and equipment is an amount for land of €195 million (2015: €160 million).

No interest was capitalized in the year (2015: €nil).

Substantially all of the Group's property, plant and equipment are pledged as security under the terms and conditions of the Group's financing arrangements.

Impairment

The Directors have considered the carrying value of the Group's property, plant and equipment and assessed the indicators of impairment as at December 31, 2016 in accordance with IAS 36. In the year ended December 31, 2016 an exceptional impairment charge of €8 million (2015: €nil) has been recognized, of which €5 million relates to the impairment of plant and machinery in Metal Packaging Europe and €3 million relates to the impairment of a plant in Metal Packaging Americas.

In the year ended December 31, 2014, the Group recognized exceptional impairment charges of €36 million relating to specific property, plant and equipment that is no longer in use in the Metal Packaging Europe division. Further impairment charges of €17 million were incurred in the Glass Packaging North America division relating to a plant closure.

Finance leases

The depreciation charge for capitalized leased assets was €1 million (2015: €1 million; 2014: €1 million) and the related finance charges were €nil (2015: €nil; 2014: €nil). The net carrying amount is €10 million (2015: €10 million).

Operating lease commitments

During the year, the expense in respect of operating lease commitments was as follows:

	Year ended December 31,		
	2016 €m	2015 €m	2014 €m
Plant and machinery	5	5	8
Land and buildings	24	21	14
Office equipment and vehicles	9	8	10
	38	**34**	**32**

At December 31, the Group had total commitments under non-cancellable operating leases which expire:

	At December 31,		
	2016 €m	2015 €m	2014 €m
Not later than one year	30	27	23
Later than one year and not later than five years	69	69	55
Later than five years	68	67	43
	167	**163**	**121**

Capital commitments

The following capital commitments in relation to property, plant and equipment were authorized by management, but have not been provided for in the consolidated financial statements:

	At December 31,		
	2016 €m	2015 €m	2014 €m
Contracted for	110	30	67
Not contracted for	19	6	22
	129	**36**	**89**

5. Other non-current assets

At December 31, 2016 other non-current assets of €20 million (2015: €14 million) include €6 million (2015: €7 million) relating to the Group's investment in its joint ventures.

6. Deferred income tax

The movement in deferred tax assets and liabilities during the year was as follows:

	Assets €m	Liabilities €m	Total €m
At January 1, 2015	**344**	**(615)**	**(271)**
Acquisition	3	-	3
Credited to the income statement	6	38	44
(Charged)/credited to other comprehensive income	(28)	1	(27)
Reclassification	46	(46)	-
Exchange	26	(48)	(22)
At December 31, 2015	**397**	**(670)**	**(273)**
Acquisition (Note 22)	73	(218)	(145)
(Charged)/credited to the income statement	(42)	23	(19)
Credited/(charged) to other comprehensive income	17	(5)	12
Reclassification	3	(3)	-
Exchange	(3)	(10)	(13)
At December 31, 2016	**445**	**(883)**	**(438)**

The components of deferred income tax assets and liabilities are as follows:

	At December 31, 2016 €m	2015 €m
Tax losses	32	35
Employee benefit obligations	172	158
Depreciation timing differences	82	68
Provisions	94	83
Other	65	53
	445	**397**
Available for offset	(186)	(219)
Deferred tax assets	**259**	**178**
Intangibles assets	(482)	(330)
Accelerated depreciation and other fair value adjustments	(362)	(298)
Other	(39)	(42)
	(883)	**(670)**
Available for offset	186	219
Deferred tax liabilities	**(697)**	**(451)**

The tax (charge)/credit recognized in the consolidated income statement is analyzed as follows:

	Year ended December 31,		
	2016 €m	2015 €m	2014 €m
Tax losses	(3)	(17)	(10)
Employee benefit obligations	(12)	13	4
Depreciation timing differences	(12)	(2)	50
Provisions	-	(7)	1
Other deferred tax assets	(15)	19	(25)
Intangible assets	38	30	23
Accelerated depreciation and other fair value adjustments	(8)	17	2
Other deferred tax liabilities	(7)	(9)	3
	(19)	**44**	**48**

Deferred tax assets are only recognized on tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable based on management's forecasts. The Group did not recognize deferred tax assets of €43 million (2015: €37 million) in respect of tax losses amounting to €223 million (2015: €148 million) that can be carried forward against future taxable income due to uncertainty regarding their utilization. In addition, the Group did not recognize deferred tax assets of €70 million (2015: €68 million) in respect of capital losses amounting to €201 million (2015: €195 million) that can be carried forward against future taxable income due to uncertainty regarding their utilization.

No provision has been made for temporary differences applicable to investments in subsidiaries as the Group is in a position to control the timing of reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Given that exemptions and tax credits would be available in the context of the Group's investments in subsidiaries in the majority of jurisdictions in which it operates, the aggregate amount of temporary differences in respect of which deferred tax liabilities have not been recognized would be immaterial.

7. Inventories

	At December 31,	
	2016 €m	2015 €m
Raw materials and consumables	289	200
Mould parts	44	42
Work-in-progress	68	77
Finished goods	725	506
	1,126	**825**

Inventory pledged as security for liabilities is not material.

The amount recognized as a write down in inventories or as a reversal of a write down in the period was not significant.

8. Trade and other receivables

	At December 31,	
	2016 €m	2015 €m
Trade receivables	920	608
Other receivables and prepayments	215	43
	1,135	**651**

The fair values of trade and other receivables approximate the amounts shown above.

Movements on the provision for impairment of trade receivables are as follows:

	2016 €m	2015 €m	2014 €m
At January 1,	**14**	**14**	**13**
Provision for receivables impairment	1	2	1
Receivables written off during the year as uncollectible	(1)	(2)	-
At December 31,	**14**	**14**	**14**

The majority of the provision above relates to balances which are more than six months past due.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

Provisions against specific balances

Significant balances are assessed for evidence that the customer is in significant financial difficulty. Examples of factors considered are high probability of bankruptcy, breaches of contract or major concession being sought by the customer. Instances of significant single customer related bad debts are rare and there is no significant concentration of risk associated with particular customers.

Providing against the remaining population of customers

Historic data is monitored and applied as the primary source of evidence to assess the level of losses incurred, although impairments cannot yet be identified with individual receivables. Adverse changes in the payment status of customers in the Group, or national or local economic conditions that correlate with defaults on receivables in the Group, may also provide a basis for increase of the level of provision above historic losses. However, the fact that payments are made late by customers does not automatically provide evidence that a provision should be recognized.

As of December 31, 2016, trade receivables of €46 million (2015: €35 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	At December 31,	
	2016 €m	2015 €m
Up to three months past due	40	29
Three to six months past due	4	3
Over six months past due	2	3
	46	**35**

Receivables factoring and related programs

During the year ended December 31, 2016 the Group participated in several uncommitted accounts receivable factoring and related programs with various financial institutions for certain receivables. The programs are accounted for as true sales of the receivables, without recourse to the Group. A total of €277 million were sold under these programs as at December 31, 2016 (2015: €15 million), of which €225 million relates to the Beverage Can Business.

9. Cash, cash equivalents and restricted cash

	At December 31, 2016 €m	2015 €m
Cash at bank and in hand	733	543
Short term bank deposits	16	-
	749	**543**

In addition to cash and cash equivalents, the Group had €27 million of restricted cash at December 31, 2016 (2015: €11 million) which includes bank guarantees in the United States and early retirement plans in Germany.

10. Called up share capital

At December 31, 2016, the issued subscribed capital of the Company amounted to €100,000, represented by ten million issued shares, with each having a par value of €0.01.

The issued subscribed capital is as follows:

	Par value €m	No. of shares €m	Total €m
At January 1, 2016	0.01	10,000,000	-
At December 31, 2016	0.01	10,000.000	-
At January 1 and December 31, 2015	0.01	10,000,000	-

During the year ended December 31 2016, the Company paid a dividend of €270 million (2015: €nil; 2014: €nil) to its parent company and made a distribution of €nil (2015: €15 million; 2014: €84 million) to its parent company.

11. Financial risk factors

The Group's activities expose it to a variety of financial risks: capital risk, interest rate risk, currency exchange risk, commodity price risk, credit risk, and liquidity risk.

Capital structure and risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and provide returns to the Group's stakeholders. The Group funds its operations primarily from the following sources of capital: borrowings, cash flow and shareholders' equity. The Group aims to achieve a capital structure that results in an appropriate cost of capital to accommodate material investments or acquisitions, while providing flexibility in short and medium term funding. The Group also aims to maintain a strong balance sheet and to provide continuity of financing by having a range of maturities and borrowing from a variety of sources. The Group's overall treasury objectives are to ensure sufficient funds are available for the Group to carry out its strategy and to manage certain financial risks to which the Group is exposed, details of which are provided below.

Financial risks are managed on the advice of Group Treasury and senior management. The Group does not permit the use of treasury instruments for speculative purposes, under any circumstances. Group Treasury regularly reviews the level of cash and debt facilities required to fund the Group's activities, plans for repayments and refinancing of debt, and identifies an appropriate amount of headroom to provide a reserve against unexpected funding requirements.

Additionally, financial instruments, including derivative instruments, are used to hedge exposure to interest rate and currency exchange risk.

One of the Group's key metrics has been the ratio of consolidated external net debt as a multiple of Adjusted EBITDA. Adjusted EBITDA is the net profit or loss for the period before income tax expenses, net finance expense, depreciation and amortization and exceptional operating items. As at December 31, 2016 the ratio for the Group was 7.6x (2015: 6.3x; 2014: 7.1x).

Interest rate risk

The Executive Committee's policy, in the management of interest rate risk, is to strike the right balance between the Group's fixed and floating rate financial instruments. The balance struck by the Executive Committee is dependent on prevailing interest rate markets at any point in time.

At December 31, 2016, the Group's external borrowings were 78.0% (2015: 74.4%) fixed with a weighted average interest rate of 5.6% (2015: 6.2%; 2014: 6.2%).

Holding all other variables constant, including levels of the Group's external indebtedness, at December 31, 2016 a one percentage point increase in variable interest rates would increase interest payable by approximately €20 million (2015: €12 million).

Currency exchange risk

The Group operates in twenty-two countries, across five continents. The Group's main currency exposure in the year to December 31, 2016 was in relation to U.S. dollar, British pounds, Swedish krona, Polish zloty, Danish krone and Brazilian real. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities, and net investments in foreign operations.

The Group has a limited level of transactional currency exposure arising from sales or purchases by operating units in currencies other than their functional currencies.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

Fluctuations in the value of these currencies with respect to the euro may have a significant impact on the Group's financial condition and results of operations as reported in euro. The Group believes that a strengthening of the euro exchange rate by 1% against all other foreign currencies from the December 31, 2016 rate would increase shareholders' equity by approximately €13 million (2015: €18 million).

Commodity price risk

The Group is exposed to changes in prices of our main raw materials, primarily energy, steel and aluminum. Production costs in our Metal Packaging division are exposed to changes in prices of our main raw materials, primarily steel and aluminum. Steel is generally obtained under one-year contracts with prices that are usually fixed in advance. When such contracts are renewed in the future, our steel costs under such contracts will be subject to prevailing global steel and/or tinplate prices at the time of renewal, which may be different from historical prices. Unlike steel, where there is no functioning hedging market, aluminum is traded daily as a commodity (priced in U.S. dollars) on the London Metal Exchange. Aluminum is priced in U.S. dollars, and therefore fluctuations in the U.S. dollar/euro exchange rate also affect the euro cost of aluminum. The price and foreign currency risk on these aluminum purchases is hedged by entering into swaps under which we pay a fixed euro price. Furthermore, the relative price of oil and its by-products may materially impact our business, affecting our transport, lacquer and ink costs.

Production costs in our Glass Packaging division are sensitive to the price of energy. Our main energy exposure is to the cost of gas and electricity. These energy costs have experienced significant volatility in recent years with a corresponding effect on our production costs. In terms of gas, which represents 70% of our energy costs, there is a continuous de-coupling between the cost of gas and oil, whereby now only significant changes in the price of oil have an impact on the price of gas. The volatility in gas pricing is driven by shale gas development (United States only), and lack of liquefied natural gas in Europe as it is diverted to Asia, and storage levels. Volatility in the price of electricity is caused by the German Renewable Energy policy, the phasing out of nuclear generating capacity, fluctuations in the price of gas and the influence of carbon dioxide costs on electricity prices.

As a result of the volatility of gas and electricity prices, the Group has either included energy pass-through clauses in our sales contracts or developed an active hedging strategy to fix a significant proportion of our energy costs through contractual arrangements directly with our suppliers, where there is no energy clause in the sales contract.

Where pass through contracts do not exist the Group policy is to purchase gas and electricity by entering into forward price-fixing arrangements with suppliers for the bulk of our anticipated requirements for the year ahead. Such contracts are used exclusively to obtain delivery of our anticipated energy supplies. The Group does not net settle, nor do we sell within a short period of time after taking delivery. As a result, these contracts are treated as executory contracts under IAS 39 "Financial instruments: recognition and measurement."

The Group typically builds up these contractual positions in tranches of approximately 10% of the anticipated volumes. Any gas and electricity which is not purchased under forward price-fixing arrangements is purchased under index tracking contracts or at spot prices. We have 81%, 58% and 54% of our energy risk covered for 2017, 2018 and 2019, respectively.

Credit risk

Credit risk is managed on a Group basis. Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Group's customers, including outstanding receivables. Group policy is to place excess liquidity on deposit, only with recognized and reputable financial institutions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' from at least two credit rating agencies are accepted, where possible.

The credit ratings of banks and financial institutions are monitored to ensure compliance with Group policy. Group policy is to extend credit to customers of good credit standing. Credit risk is managed on an on-going basis, by dedicated people within the Group. The Group's policy for the management of credit risk in relation to trade receivables involves periodically assessing the financial reliability of customers, taking into account their financial position, past experience and other factors. Provisions are made, where deemed necessary, and the utilization of credit limits is regularly monitored. Management does not expect any significant counterparty to fail to meets its obligations. The maximum exposure to credit risk is represented by the carrying amount of each asset. For the year ended December 31, 2016, the Group's ten largest customers accounted for approximately 30% of total revenues (2015: 32%; 2014: 29%). There is no recent history of default with these customers.

Liquidity risk

The Group is exposed to liquidity risk which arises primarily from the maturing of short term and long term debt obligations. The Group's policy is to ensure that sufficient resources are available either from cash balances, cash flows or undrawn committed bank facilities, to ensure all obligations can be met as they fall due.

To effectively manage liquidity risk, the Group:

- has committed borrowing facilities that it can access to meet liquidity needs;
- maintains cash balances and liquid investments with highly-rated counterparties;
- limits the maturity of cash balances;
- borrows the bulk of its debt needs under long term fixed rate debt securities; and
- has internal control processes and contingency plans for managing liquidity risk.

Cash flow forecasting is performed in the operating entities of the Group and is aggregated by Group Treasury. Group Treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans and covenant compliance and internal balance sheet ratio targets.

Surplus cash held by the operating entities over and above the balance required for working capital management is transferred to Group Treasury. Group Treasury invests surplus cash in interest-bearing current accounts and time deposits with appropriate maturities to provide sufficient headroom as determined by the above-mentioned forecasts.

12. Financial assets and liabilities

The Group's net external debt was as follows:

	At December 31, 2016 €m	2015 €m
Loan notes	9,070	5,764
Term loan	627	631
Other borrowings	10	9
Total borrowings	**9,707**	**6,404**
Cash, cash equivalents and restricted cash	(776)	(554)
Derivative financial instruments used to hedge foreign currency and interest rate risk	(124)	-
Net debt	**8,807**	**5,850**

At December 31, 2016, the Group's net debt and available liquidity was as follows:

Facility	Currency	Maximum amount drawable	Final maturity date	Facility type	Amount drawn		Undrawn amount
		Local currency m			Local currency m	€m	€m
7.125% / 7.875% Senior Secured Toggle Notes	USD	770	15-Sep-23	Bullet	770	730	-
6.625% / 7.375% Senior Secured Toggle Notes	EUR	845	15-Sep-23	Bullet	845	845	-
4.250% First Priority Senior Secured Notes	EUR	1,155	15-Jan-22	Bullet	1,155	1,155	-
4.625% Senior Secured Notes	USD	1,000	15-May-23	Bullet	1,000	949	-
4.125% Senior Secured Notes	EUR	440	15-May-23	Bullet	440	440	-
First Priority Senior Secured Floating Rate Notes	USD	1,110	15-Dec-19	Bullet	1,110	1,053	-
Senior Secured Floating Rate Notes	USD	500	15-May-21	Bullet	500	474	-
6.000% Senior Notes	USD	440	30-Jun-21	Bullet	440	417	-
6.250% Senior Notes	USD	415	31-Jan-19	Bullet	415	394	-
6.750% Senior Notes	USD	415	31-Jan-21	Bullet	415	394	-
7.250% Senior Notes	USD	1,650	15-May-24	Bullet	1,650	1,565	-
6.750% Senior Notes	EUR	750	15-May-24	Bullet	750	750	-
Term Loan B Facility	USD	663	17-Dec-21	Amortizing	663	629	-
HSBC Securitization Program	EUR	102	14-Jun-18	Revolving	-	-	102
Bank of America Facility	USD	155	11-Apr-18	Revolving	-	-	147
Unicredit Working Capital and Performance Guarantee Credit Lines	EUR	1	Rolling	Revolving	-	-	1
Finance lease obligations	GBP/EUR			Amortizing	7	7	-
Other borrowings	EUR	3		Amortizing	3	3	-
Total borrowings / undrawn facilities						**9,805**	**250**
Deferred debt issue costs and bond discount						(98)	-
Net borrowings / undrawn facilities						**9,707**	**250**
Cash, cash equivalents and restricted cash						(776)	776
Derivative financial instruments used to hedge foreign currency and interest rate risk						(124)	-
Net debt / available liquidity						**8,807**	**1,026**

Net debt includes the fair value of associated derivative financial instruments that are used to hedge foreign exchange and interest rate risks relating to finance debt.

Certain of the Group's borrowing agreements contain certain covenants that restrict the Group's flexibility in certain areas such as incurrence of additional indebtedness (primarily maximum borrowings to Adjusted EBITDA and a minimum Adjusted EBITDA to interest expense), payment of dividends and incurrence of liens.

At December 31, 2015, the Group's net debt and available liquidity was as follows:

Facility	Currency	Maximum amount drawable	Final maturity date	Facility type	Amount drawn		Undrawn amount
		Local currency m			Local currency m	€m	€m
8.375% Senior PIK Notes	EUR	283	15-Jun-19	Bullet	283	283	-
8.625% Senior PIK Notes	USD	807	15-Jun-19	Bullet	807	741	-
4.250% First Priority Senior Secured Notes	EUR	1,155	15-Jan-22	Bullet	1,155	1,155	-
First Priority Senior Secured Floating Rate Notes	USD	1,110	15-Dec-19	Bullet	1,110	1,020	-
6.000% Senior Notes	USD	440	30-Jun-21	Bullet	440	404	-
9.250% Senior Notes	EUR	475	15-Oct-20	Bullet	475	475	-
9.125% Senior Notes	USD	920	15-Oct-20	Bullet	920	845	-
7.000% Senior Notes	USD	150	15-Nov-20	Bullet	150	138	-
6.250% Senior Notes	USD	415	31-Jan-19	Bullet	415	381	-
6.750% Senior Notes	USD	415	31-Jan-21	Bullet	415	381	-
Term Loan B Facility	USD	688	17-Dec-19	Amortizing	688	632	-
HSBC Securitization Program	EUR	129	14-Jun-18	Revolving	-	-	129
Bank of America Facility	USD	155	11-Apr-18	Revolving	-	-	143
Unicredit Working Capital and Performance Guarantee Credit Lines	EUR	1	Rolling	Revolving	-	-	1
Finance lease obligations	GBP/EUR			Amortizing	6	6	-
Other borrowings	EUR	3		Amortizing	3	3	-
Total borrowings / undrawn facilities						**6,464**	**273**
Deferred debt issue costs and bond premiums and discounts						(60)	-
Net borrowings / undrawn facilities						**6,404**	**273**
Cash, cash equivalents and restricted cash						(554)	554
Net debt / available liquidity						**5,850**	**827**

The maturity analysis of the Group's borrowings is as follows:

	At December 31, 2016 €m	2015 €m
Within one year or on demand	8	7
Between one and two years	8	8
Between two and five years	3,332	4,465
Greater than five years	6,359	1,924
	9,707	**6,404**

The table below analyzes the Group's financial liabilities (including interest payable) into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contracted undiscounted cash flows.

At December 31, 2016	Borrowings €m	Derivative financial instruments €m	Trade and other payables €m
Within one year or on demand	555	8	1,534
Between one and two years	555	-	-
Between two and five years	4,724	-	-
Greater than five years	7,100	-	-

At December 31, 2015	Borrowings €m	Derivative financial instruments €m	Trade and other payables €m
Within one year or on demand	323	7	879
Between one and two years	323	-	-
Between two and five years	5,613	-	-
Greater than five years	2,009	-	-

The carrying amount and fair value of the Group's borrowings are as follows:

	Carrying value			
At December 31, 2016	Amount drawn €m	Deferred debt issue costs and bond discount €m	Total €m	Fair value €m
Loan notes	9,166	(96)	9,070	9,377
Term loan	629	(2)	627	635
Finance leases	7	-	7	7
Bank loans, overdrafts and revolving credit facilities	3	-	3	3
	9,805	**(98)**	**9,707**	**10,022**

At December 31, 2015	Carrying value Amount drawn €m	 Deferred debt issue costs and bond discount €m	 Total €m	Fair value €m
Loan notes	5,823	(59)	5,764	5,770
Term loan	632	(1)	631	626
Finance leases	6	-	6	6
Bank loans, overdrafts and revolving credit facilities	3	-	3	3
	6,464	**(60)**	**6,404**	**6,405**

Fair values are calculated on borrowings as follows:

(i) Senior secured and senior notes – The fair value for debt securities in issue is calculated based on quoted market prices.
(ii) Loan notes – The fair value of our loan terms are based on quoted market prices; however, these quoted market prices represent Level 2 inputs because the markets in which the term loans trade were not active.
(iii) Bank loans, overdrafts and revolving credit facilities – The estimated value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity.
(iv) Finance leases – The carrying amount of finance leases is assumed to be a reasonable approximation of fair value.

Financing activity

Financing activity - 2016

On May 16, 2016 the Group issued the following notes:

- $1,000 million aggregate principal amount of 4.625% Senior Secured Notes due 2023;
- $500 million aggregate principal amount of Senior Secured Floating Rate Notes due 2021 at a coupon of LIBOR plus 3.250%;
- €440 million aggregate principal amount of 4.125% Senior Secured Notes due 2023;
- $1,650 million aggregate principal amount of 7.250% Senior Notes due 2024; and
- €750 million aggregate principal amount of 6.750% Senior Notes due 2024.

The net proceeds from the issuance and sale of these notes were used to finance the acquisition of the Beverage Can Business and to repay the following notes:

- €475 million aggregate principal amount of 9.250% Senior Notes due 2020;
- $920 million aggregate principal amount of 9.125% Senior Notes due 2020; and
- $15 million aggregate principal amount of $150 million 7.000% Senior Notes due 2020.

These notes were repaid on May 16, 2016.

The notes issued to finance the acquisition of the Beverage Can Business were held in escrow from the issuance date to the acquisition completion date. Interest charged during this period has been classified as an exceptional finance expense (see Note 18).

On September 16, 2016 the Group issued the following notes:

- $770 million 7.125% / 7.875% Senior Secured Toggle Notes due 2023
- €845 million 6.625% / 7.375% Senior Secured Toggle Notes due 2023.

The net proceeds from the issuance and sale of these notes were used to redeem the $710 million aggregate principal amount of 8.625% Senior PIK Notes due 2019 and the €250 million aggregate principal amount of 8.375% Senior PIK Notes due 2019, as well as to finance a dividend (see Note 10).

On October 3, 2016 the Group agreed to extend the maturity of the Term Loan B facility by two years to December 2021.

On November 15, 2016, the Group repaid in full the principal amount outstanding of its $135 million 7.000% Senior Notes due 2020. Costs associated with the early redemption have been classified as exceptional in the consolidated income statement.

Please refer to Note 25 for details of financing activity that has occurred in the period after the reporting date.

Financing activity - 2015

On February 12, 2015, Ardagh repaid in full the principal amount outstanding of its €180 million 8¾% Senior Notes due 2020. Costs associated with the early redemption have been classified as exceptional in the consolidated income statement.

On September 1, 2015, Ardagh repaid €11 million in full settlement of the amounts drawn under the U.S. equipment and real estate financing facilities.

These repayments were funded from the Group's internal resources.

Effective interest rates

The effective interest rates of borrowings at the reporting date are as follows:

	2016		2015	
	USD	EUR	USD	EUR
7.125% / 7.875% Senior Secured Toggle Notes	7.57%	-	-	-
6.625% / 7.375% Senior Secured Toggle Notes	-	7.05%	-	-
8.375% Senior PIK Notes due 2019	-	-	-	9.55%
8.625% Senior PIK Notes due 2019	-	-	9.83%	-
4.250% First Priority Senior Secured Notes due 2022	-	4.52%	-	4.52%
4.625% Senior Secured Notes due 2023	5.18%	-	-	-
4.125% Senior Secured Notes due 2023	-	4.66%	-	-
First Priority Senior Secured Floating Rate Notes due 2019	3.49%	-	3.49%	-
First Priority Senior Secured Floating Rate Notes due 2021	4.26%	-	-	-
6.000% Senior Notes due 2021	6.38%	-	6.38%	-
9.250% Senior Notes due 2020	-	-	-	9.69%
9.125% Senior Notes due 2020	-	-	9.90%	-
7.000% Senior Notes due 2020	-	-	7.53%	-
6.250% Senior Notes due 2019	7.25%	-	7.25%	-
6.750% Senior Notes due 2021	7.45%	-	7.45%	-
7.250% Senior Notes due 2024	7.74%	-	-	-
6.750% Senior Notes due 2024	-	7.01%	-	-
Term Loan B Facility due 2021	4.16%	-	4.16%	-

The carrying amounts of the Group's net borrowings are denominated in the following currencies:

	At December 31, 2016 €m	2015 €m
Euro	3,167	1,902
U.S. dollar	6,538	4,500
British pounds	2	2
	9,707	**6,404**

The Group has the following undrawn borrowing facilities:

	At December 31, 2016 €m	2015 €m
Expiring within one year	1	1
Expiring beyond one year	249	272
	250	**273**

Derivative financial instruments

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
Level 3 Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Assets		Liabilities	
	Fair values €m	Contractual or notional amounts €m	Fair values €m	Contractual or notional amounts €m
Fair Value Derivatives				
LME aluminum futures	8	187	-	-
Cross currency interest rate swaps	124	1,499	-	-
Forward foreign exchange contracts	-	-	8	195
Nymex gas swaps	2	15	-	-
Carbon futures	1	2	-	-
At December 31, 2016	**135**	**1,703**	**8**	**195**

	Assets		Liabilities	
	Fair values €m	Contractual or notional amounts €m	Fair values €m	Contractual or notional amounts €m
Fair Value Derivatives				
LME aluminum futures	-	-	3	36
Cross currency interest rate swap	-	405	1	5
Nymex gas swaps	-	-	3	18
At December 31, 2015	**-**	**405**	**7**	**59**

All derivative assets and liabilities mature within one year with the exception of the cross currency interest rate swaps ("CCIRS") which mature at dates between June 2019 and May 2022. There were no transfers between Level 1 and Level 2 during the year.

With the exception of interest on the CCIRS, all cash payments in relation to derivative instruments are paid or received when they mature. Bi-annual interest cash payments and receipts are made and received in relation to the CCIRS.

The Group mitigates the counterparty risk for derivatives by contracting with major financial institutions which have high credit ratings.

LME aluminum futures

The Group hedges a substantial portion of its anticipated aluminum purchases. Excluding conversion and freight costs, the physical aluminum deliveries are priced based on the average price of aluminum on the LME for the relevant month.

Fair values have been based on LME-quoted market prices and are valued using Level 1 valuation inputs. The fair value of these contracts when initiated is €nil; no premium is paid or received.

Cross currency interest rate swaps

In June 2016 the Group entered into cross currency interest rate swaps totaling $1,300 million. These swaps were entered into in order to partially swap the US dollar principal and interest repayments on the Group's $1,650 million 7.250% Senior Notes due 2024 equally into euro and British pounds. The Group also hedges a further $440 million of its external debt and interest thereon into euro using a CCIRS.

An exceptional gain of €78 million was recognised in the consolidated income statement for the year relating to the gain on fair value of the CCIRS which were entered into during the second quarter and for which hedge accounting had not been applied until the third quarter. Further an exceptional loss of €10 million was incurred relating to cross currency interest rate swaps for which hedge accounting did not apply. See Note 18.

In December 2015, the Group terminated its existing CCIRS due for maturity in June 2019, and replaced it with a new CCIRS with a maturity date of June 2019. The Group received proceeds of €81 million in consideration of the termination.

The fair value of the CCIRS are based on Level 2 inputs.

Forward foreign exchange contracts

The Group operates in a number of countries and, accordingly, hedges a portion of its currency transaction risk. The fair values are based on Level 2 valuation techniques and observable inputs including the contract prices.

Nymex gas swaps

The Group hedges a portion of its Glass Packaging North America anticipated energy purchases on the New York Mercantile Exchange ("NYMEX").

Fair values have been based on NYMEX-quoted market prices and Level 1 valuation inputs have been applied. The fair value of these contracts when initiated is €nil; no premium is paid or received.

Carbon futures

The Group hedges a portion of its carbon purchases using European Union Allowance ("EUA") futures contracts. The fair values are based on Level 2 valuation techniques and observable inputs including the contract prices.

13. Employee benefit obligations

The Group operates defined benefit and defined contribution pension schemes in most of its countries of operation and the assets are held in separate administered funds. The principal funded defined benefit schemes, which are funded by contributions to separate administered funds, are in the U.S, the United Kingdom and the Netherlands. Other defined benefit schemes are unfunded and the provision is recognized in the consolidated statement of financial position. The principal unfunded schemes are in Germany.

The contribution rates to the funded plans are agreed with the Trustee boards, plan actuaries and the local pension regulators periodically. The contributions paid in 2016 were those recommended by the actuaries.

In addition, the Group has other employee benefit obligations in certain territories.

Total employee obligations recognized in the consolidated statement of financial position of €905 million (2015: €720 million) include other employee benefit obligations of €122 million (2015: €82 million).

The employee obligations and assets of the defined benefit schemes included in the consolidated statement of financial position are analyzed below:

	U.S.		Germany		UK		Netherlands		Other		**Total**	
	2016 €m	2015 €m	2016 €m	2015 €m	2016 €m	2015 €m	2016 €m	2015 €m	2016 €m	2015 €m	**2016 €m**	**2015 €m**
Obligations	(1,137)	(1,087)	(345)	(231)	(898)	(618)	(540)	(669)	(22)	(9)	**(2,942)**	**(2,614)**
Assets	1,012	961	-	-	626	357	513	655	8	3	**2,159**	**1,976**
Net	**(125)**	**(126)**	**(345)**	**(231)**	**(272)**	**(261)**	**(27)**	**(14)**	**(14)**	**(6)**	**(783)**	**(638)**

Defined benefit pension schemes

The amounts recognized in the consolidated income statement are:

	Year ended December 31,		
	2016 €m	2015 €m	2014 €m
Current service cost and administration costs:			
Cost of sales - current service cost	(37)	(40)	(32)
Cost of sales - past service credit	29	-	2
SGA - current service cost	(5)	(5)	(3)
SGA - past service credit	10	-	-
	(3)	(45)	(33)
Finance expense (Note 19)	(24)	(23)	(20)
	(27)	**(68)**	**(53)**

The amounts recognized in the consolidated statement of comprehensive income are:

	Year ended December 31,		
	2016 €m	2015 €m	2014 €m
Re-measurement of defined benefit obligation:			
Actuarial gain/(loss) arising from changes in demographic assumptions	24	8	(27)
Actuarial (loss)/gain arising from changes in financial assumptions	(251)	99	(227)
Actuarial (loss)/gain arising from changes in experience	(10)	30	7
	(237)	**137**	**(247)**
Re-measurement of plan assets:			
Actual return/(loss) less expected return on plan assets	112	(81)	129
Actuarial (loss)/gain for the year on pension benefits	**(125)**	**56**	**(118)**
Actuarial gain/(loss) on other long term and end of service employee benefits	4	16	(5)
	(121)	**72**	**(123)**

The actual return on plan assets resulted in a gain of €186 million in 2016 (2015: €9 million loss; 2014: €191 million gain).

Movement in the defined benefit obligations and assets:

	At December 31,			
	Obligations		Assets	
	2016 €m	2015 €m	2016 €m	2015 €m
At January 1,	(2,614)	(2,557)	1,976	1,925
Interest income	-	-	74	72
Acquired	(354)	-	271	-
Current service cost	(42)	(45)	-	-
Past service credit	39	-	-	-
Interest cost	(95)	(93)	-	-
Administration expenses paid from plan assets	-	-	(3)	(3)
Re-measurements	(237)	137	112	(81)
Liabilities/(assets) extinguished on reclassification	187	-	(187)	-
Employer contributions	-	-	43	38
Employer contributions – acquisition related	-	-	7	-
Employee contributions	(5)	(5)	5	5
Benefits paid	118	109	(118)	(109)
Exchange	61	(160)	(21)	129
At December 31,	**(2,942)**	**(2,614)**	**2,159**	**1,976**

The defined benefit obligations above include €380 million (2015: €240 million) of unfunded obligations.

Interest income and interest cost in the table above does not include interest cost of €3 million (2015: €2 million; 2014: €3 million) relating to other employee benefit obligations.

The net obligations and assets acquired as part of the acquisition of the Beverage Can Business exclude €33 million other employee benefit obligations mainly relating to a post-retirement medical scheme in North America. The Group was required to make a once-off contribution of €7 million in respect of the acquired defined benefit schemes.

The past service gain includes an amount of €21 million recognized following the amendment of certain defined benefit pension schemes in Glass Packaging North America. This has been classified as an exceptional gain (Note 18). The remaining past service gain of €18 million was recognized following the transfer of a Netherlands defined benefit pension scheme to a multi-employer scheme as outlined hereafter, and following other defined benefit pension scheme amendments in Glass Packaging North America. During the year ended December 31, 2016 a defined benefit pension scheme in the Netherlands was transferred to a multi-employer scheme. Prior to the date of transfer, a past service credit of €8 million was recognized such that on the date of transfer, the defined benefit obligation and asset were both €187 million (December 31, 2015: €174 million and €168 million respectively). The Group has taken the exemption under IAS 19(R) to account for multi-employer schemes as defined contribution schemes. As a result, the scheme is no longer accounted for as a defined benefit pension scheme at December 31, 2016.

Plan assets comprise:	At December 31,			
	2016 €m	2015 €m	2016 %	2015 %
Equities	1,152	1,196	53	61
Target return funds	275	180	13	9
Bonds	558	415	26	21
Cash/other	174	185	8	9
	2,159	**1,976**	**100**	**100**

The pension assets do not include any of the Company's ordinary shares, other securities or other Group assets.

Investment strategy

The choice of investments takes account of the expected maturity of the future benefit payments. The plans invest in diversified portfolios consisting of an array of asset classes that attempt to maximize returns while minimizing volatility. The asset classes include national and international equities, fixed income government and non-government securities and real estate, as well as cash.

Characteristics and associated risks

Glass Packaging North America and Metal Packaging Americas each sponsor a defined benefit pension plan which is subject to Federal law (ERISA), reflecting regulations issued by the Internal Revenue Service (IRS) and the Department of Labor.

The Glass Packaging North America plan covers both hourly and salaried employees. The plan benefits are determined using a formula which reflects an employee's years of service and either their final average salary or a dollar per month benefit level. The plan is governed by a Fiduciary Benefits Committee ("the Committee") which is appointed by the Company and contains only employees of Ardagh Group. The Committee is responsible for the investment of the plan's assets, which are held in a trust for the benefit of employees, retirees and their beneficiaries, and which can only be used to pay plan benefits and expenses.

The defined benefit pension plan is subject to IRS funding requirements with actuaries calculating the minimum and maximum allowable contributions each year. The defined benefit pension plan currently has no cash contribution requirement due to the existence of a credit balance following a contribution of approximately $200 million made in 2014 in connection with the VNA Acquisition. The Pension Benefit Guaranty Corporation (PBGC) protects the pension benefits of employees and retirees when a plan sponsor becomes insolvent and can no longer meet its obligation. All plan sponsors pay annual PBGC premiums that have two components: a fixed rate based on participant count and a variable rate which is determined based on the amount by which the plan is underfunded.

The Metal Packaging Americas plan covers hourly employees only. Plan benefits are determined using a formula which reflects the employees' years of service and is based on a final average pay formula.

The UK pension plans are trust-based UK funded final salary defined benefit schemes providing pensions and lump sum benefits to members and dependents. There are two pension plans in place relating to Metal Packaging Europe, one of which relates to the Beverage Can Business. There are two pension plans in place in Glass Packaging Europe. One of the pension plans in the Metal Packaging Europe division has been closed to future accrual from July 1, 2014. For this plan, pensions are calculated based on service to the point of closure, but with members' benefits retaining a final salary link while employed by the Company. The other Metal Packaging Europe pension plan, relating to the Beverage Can Business, is closed to new entrants. For this plan, pensions are calculated based on service to retirement with members' benefits based on final career earnings. The pension plans relating to the Glass Packaging Europe division have been closed to future accrual from March 31, 2013 and September 30, 2015 respectively.

The UK pension plans are each governed by a board of trustees which is independent of the Company. The trustees are responsible for managing the operation, funding and investment strategy. The UK pension plans are subject to the UK regulatory framework, the requirements of the Pensions Regulator and are subject to a statutory funding objective.

The Group operates a number of defined benefit pension schemes in Germany including three relating to the Beverage Can Business. The pension plans in Germany operate under the framework of German Company Pension Law (BetrAVG) and general regulations based on German Labor Law. The entitlements of the plan members depend on years of service and final salary. Furthermore, the plans provide lifelong pensions. No separate assets are held in trust, i.e. the plans are unfunded defined benefit plans.

The Dutch pension plan operates under the framework of Dutch fiscal and pension law (Pensioenwet). As a consequence, the Dutch plan is executed by and financed within a separate legal entity, in this case the Company's own local pension fund. The Dutch pension fund has a board of trustees that operates independent from the company. The Dutch plan has to comply with funding requirements that are set by the regulator, the Dutch National Bank.

The main features of the Dutch plans are:

- Pension entitlements are based on an average pay scheme, which provides lifelong pensions after age 67; and
- Current pension accrual becomes vested immediately and does not depend on future service.

The liabilities of all of the defined benefit plan schemes subject the Company to the following major risks:

- Discount rate risks where capital market conditions may result in a higher present value being placed on the remaining future obligations, leading to higher liabilities;
- Inflation risks, as benefits are linked to salary and pension payments are also subject to inflation adjustments; and
- Longevity risks whereby benefits may have to be paid for a longer period in the future than is anticipated by the mortality assumptions used to estimate the future benefits payable.

The assets of the relevant schemes subject the Company to the following risks:

- Future asset returns where if these are lower than assumed, the scheme's assets will be lower, and hence the funding level worse, than expected.
- Future pensions have to be paid directly by the Company. This could lead to a shortfall of liquid assets.

Assumptions and sensitivities

The principal pension assumptions used in the preparation of the accounts take account of the different economic circumstances in the countries of operations and the different characteristics of the respective plans, including the length of duration of liabilities.

The ranges of the principal assumptions applied in estimating defined benefit obligations were:

	U.S.		Germany		Netherlands		UK	
	2016	2015	2016	2015	2016	2015	2016	2015
	%	%	%	%	%	%	%	%
Rates of inflation	2.50	3.00	1.50	1.75	1.70	1.70	3.20	3.00
Rates of increase in salaries	2.00-3.00	3.00	2.50	2.50	1.70	1.70	2.20	3.00
Discount rates	4.45	4.70	1.57-2.06	2.16-2.72	1.10-2.00	2.50-2.60	2.80	3.90

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience.

These assumptions translate into the following average life expectancy in years for a pensioner retiring at age 65. The mortality assumptions for the countries with the most significant defined benefit plans are set out below:

	U.S.		Germany		Netherlands		UK	
	2016	2015	2016	2015	2016	2015	2016	2015
	Years	Years	Years	Years	Years	Years	Years	Years
Life expectancy, current pensioners	22	21	21	21	24	24	21	20
Life expectancy, future pensioners	23	23	24	24	25	26	22	22

If the discount rate were to decrease by 50 basis points from management estimates, the carrying amount of the pension obligations would increase by an estimated €243 million (2015: €205 million). If the discount rate were to increase by 50 basis points, the carrying amount of the pension obligations would decrease by an estimated €242 million (2015: €204 million).

If the inflation rate were to decrease by 50 basis points from management estimates, the carrying amount of the pension obligations would decrease by an estimated €93 million (2015: €84 million). If the inflation rate were to increase by 50 basis points, the carrying amount of the pension obligations would increase by an estimated €93 million (2015: €67 million).

If the salary increase rate were to decrease by 50 basis points from management estimates, the carrying amount of the pension obligations would decrease by an estimated €93 million (2015: €88 million). If the salary increase rate were to increase by 50 basis points, the carrying amount of the pension obligations would increase by an estimated €92 million (2015: €70 million).

The impact of increasing the expected longevity by one year would result in an increase in the Group’s liability of €63 million at December 31, 2016 (2015: €60 million), holding all other assumptions constant.

The Group’s best estimate of contributions expected to be paid to defined benefit plans in 2017 is €37 million.

The principal defined benefit schemes are described briefly below:

	Metal Packaging				Glass Packaging			
	Europe UK	Europe Germany	Europe Netherlands	North America	Europe UK	Europe Germany	Europe Netherlands	North America
Nature of the schemes	Funded	Unfunded	Funded	Funded	Funded	Unfunded	Funded	Funded
2016								
Active members	467	1,803	870	970	-	1,032	-	4,043
Deferred members	954	664	1,798	115	1,527	732	-	2,648
Pensioners including dependents	756	1,011	3,047	133	744	786	-	6,302
Weighted average duration (years)	20	18	18	20	23	19	-	12
2015								
Active members	118	648	875	143	-	956	571	4,068
Deferred members	412	513	1,906	105	1,527	690	636	2,661
Pensioners including dependents	344	871	2,964	124	744	738	457	6,185
Weighted average duration (years)	21	16	17	17	21	14	21	13

The expected total benefit payments over the next five years are:

	2017 €m	2018 €m	2019 €m	2020 €m	2021 €m	Subsequent five years €m
Benefits	126	123	126	131	132	716

The Group also has defined contribution plans; the contribution expense associated with these plans for 2016 was €31 million (2015: €14 million; 2014: €12 million). The Group's best estimate of the contributions expected to be paid to these plans in 2017 is €39 million.

Other employee benefits

	At December 31, 2016 €m	2015 €m
End of service employee benefits	23	23
Long term employee benefits	99	59
	122	**82**

End of service employee benefits comprise principally amounts due to be paid to employees leaving the Group's service in France and Italy.

Long term employee benefit obligations comprise amounts due to be paid under post-retirement medical schemes in Glass Packaging North America and Metal Packaging Beverage Americas, partial retirement contracts in Germany and other obligations to pay benefits primarily related to long service awards.

14. Trade and other payables

	At December 31, 2016 €m	2015 €m
Trade payables	1,055	532
Other payables and accruals	414	308
Amounts owed to parent company	3	-
Other tax and social security payable	32	21
Payables and accruals for exceptional items	39	17
	1,543	**878**

The fair values of trade and other payables approximate the amounts shown above.

Other payables and accruals mainly comprise accruals for operating expenses, deferred income and accruals for value added taxes.

15. Provisions

	At December 31, 2016 €m	2015 €m
Current	69	48
Non-current	55	48
	124	**96**

	Restructuring €m	Other provisions €m	Total provisions €m
At January 1, 2015	**26**	**57**	**83**
Acquisitions	-	6	6
Provided	18	24	42
Utilization	(5)	(8)	(13)
Paid	(22)	(11)	(33)
Reclassification	-	6	6
Exchange	1	4	5
At December 31, 2015	**18**	**78**	**96**
Acquisitions	-	36	36
Provided	25	29	54
Utilization	(11)	(15)	(26)
Paid	(10)	(28)	(38)
Exchange	-	2	2
At December 31, 2016	**22**	**102**	**124**

The restructuring provision relates to redundancy and other restructuring costs. Other provisions relate to probable environmental claims, customer quality claims, and onerous leases.

The provisions classified as current are expected to be paid in the next twelve months. The majority of the restructuring provision is expected to be paid in 2017. The remaining balance contains longer term provisions for which the timing of the related payments is subject to uncertainty.

16. Segment analysis

The Group's four operating and reportable segments are Metal Packaging Europe, Metal Packaging Americas, Glass Packaging Europe and Glass Packaging North America. This reflects the basis on which the Executive Committee of ARD Holdings S.A. reviews Group performance, following the acquisition of the Beverage Can Business in June 2016. All comparatives have been presented on this basis.

Finance income is not allocated to segments as these are reviewed by the CODM on a group-wide basis. Performance of the business is assessed based on Adjusted EBITDA. Adjusted EBITDA is the net profit or loss for the period before income tax expense, net finance expense, depreciation and amortization and exceptional operating items. Segmental revenues are derived from sales to external customers. Inter-segmental revenue is not material.

Segment assets consist of intangible assets, property, plant and equipment, derivative financial instrument assets, deferred tax assets, other non-current assets, inventories, trade and other receivables and cash and cash equivalents and restricted cash.

Reconciliation of loss for the year to Adjusted EBITDA

	Year ended December 31,		
	2016 €m	2015 €m	2014 €m
Loss for the year	(143)	(120)	(574)
Income tax expense/(credit) (Note 20)	64	43	(5)
Net finance expense (Note 19)	615	527	657
Depreciation and amortization (Notes 3, 4)	491	403	365
Exceptional operating items (Note 18)	131	81	349
Adjusted EBITDA	**1,158**	**934**	**792**

The segment results for the year ended December 31, 2016 are:

	Metal Packaging Europe €m	Metal Packaging Americas €m	Glass Packaging Europe €m	Glass Packaging North America €m	**Group** **€m**
Revenue	2,235	1,059	1,392	1,659	**6,345**
Adjusted EBITDA	366	139	296	357	**1,158**
Capital expenditure	72	35	90	121	**318**
Segment assets	3,917	1,835	1,899	2,614	**10,265**

The segment results for the year ended December 31, 2015 are:

	Metal Packaging Europe €m	Metal Packaging Americas €m	Glass Packaging Europe €m	Glass Packaging North America €m	**Group** **€m**
Revenue	1,650	390	1,452	1,707	**5,199**
Adjusted EBITDA	260	44	284	346	**934**
Capital expenditure	46	15	109	134	**304**
Segment assets	1,863	405	1,766	2,305	**6,339**

The segment results for the year ended December 31, 2014 are:

	Metal Packaging Europe €m	Metal Packaging Americas €m	Glass Packaging Europe €m	Glass Packaging North America €m	**Group €m**
Revenue	1,668	306	1,406	1,353	**4,733**
Adjusted EBITDA	223	27	277	265	**792**
Capital expenditure	43	107	86	78	**314**
Segment assets	1,830	418	1,755	2,113	**6,116**

Capital expenditure is the sum of purchases of property, plant and equipment and software and other intangibles, net of proceeds from disposal of property, plant and equipment, as per the consolidated statement of cash flows.

No customer accounted for greater than 10% of total revenue in 2016 (2015: one customer; 2014: one customer).

Total revenue and non-current assets, excluding derivative financial instruments, taxes, pensions and goodwill arising on acquisitions, in countries which account for more than 10% of total revenue or non-current assets are as follows:

	Year ended December 31,		
Revenue	2016 €m	2015 €m	2014 €m
U.S.	2,437	1,997	1,528
United Kingdom	724	662	610
Germany	656	573	653

	At December 31,	
Non-current assets	2016 €m	2015 €m
U.S.	2,189	1,431
Germany	760	356
United Kingdom	527	271

The revenue above is attributed to countries on a destination basis.

The Company is domiciled in Luxembourg. During the year the Group had sales of €2 million (2015: €2 million, 2014: €1 million) to customers in Luxembourg. Non-current assets located in Luxembourg were €nil (2015: €nil).

Within each reportable segment our packaging containers have similar production processes and classes of customers. Further, they have similar economic characteristics as evidenced by similar profit margins, similar degrees of risk and similar opportunities for growth. Based on the foregoing, we do not consider that they constitute separate product lines and thus additional disclosure relating to product lines is not necessary.

17. Employee costs

	Year ended December 31, 2016 €m	2015 €m	2014 €m
Wages and salaries	1,076	927	849
Social security costs	151	133	126
Defined benefit plan pension costs (Note 13)	42	45	35
Defined benefit past service credit (Note 13)	(39)	-	(2)
Defined contribution plan pension costs (Note 13)	31	14	12
	1,261	**1,119**	**1,020**

Employees	Year ended December 31, 2016	2015	2014
Production	20,823	17,068	16,928
Administration	2,712	1,790	1,901
	23,535	**18,858**	**18,829**

18. Exceptional items

	Year ended December 31, 2016 €m	2015 €m	2014 €m
Past service credit	(21)	-	-
Plant start-up costs	5	27	19
Restructuring costs	22	12	27
Exceptional impairment – working capital	-	(2)	8
Exceptional impairment – property, plant and equipment	-	-	53
Non-cash inventory adjustment	9	-	15
Exceptional items – cost of sales	**15**	**37**	**122**
Transaction related costs – acquisition, IPO and disposals	114	41	22
Restructuring costs	-	2	12
Other	2	1	1
Exceptional items – SGA expenses	**116**	**44**	**35**
Exceptional impairment – intangible assets	**-**	**-**	**33**
Exceptional items – loss on disposal of businesses	**-**	**-**	**159**
Debt refinancing and settlement costs	140	13	161
Interest payable on acquisition notes	15	-	10
Exceptional loss on derivative financial instruments	10	-	-
Exceptional items – finance expenses	**165**	**13**	**171**
Exceptional gain on derivative financial instruments	(78)	-	-
Exceptional items – finance income	**(78)**	**-**	**-**
Total exceptional items	**218**	**94**	**520**

Exceptional items are those that in management's judgment need to be disclosed by virtue of their size, nature or incidence.

2016

Exceptional items of €218 million have been recognized in the year ended December 31, 2016, primarily comprising:

- €21 million pension service credit in Glass Packaging North America, following the amendment of certain defined benefit pension schemes during the period.
- Restructuring costs relate principally to €12 million in Metal Packaging Europe, €5 million in Metal Packaging Americas and €4 million in Glass Packaging North America. These costs include exceptional impairment charges of €8 million, of which €5 million relates to impairment of plant and machinery in Metal Packaging Europe and €3 million relates to the impairment of a plant in Metal Packaging Americas.
- €114 million transaction related costs incurred in the year ended December 31, 2016, primarily comprised of professional fees, bonuses and integration costs directly attributable to the acquisition of the Beverage Can Business, and IPO related costs.
- Debt refinancing and settlement costs of €140 million relating to the notes repaid in May 2016 and November 2016 and the Senior PIK notes repaid in September 2016. These costs also include premiums payable on the early redemption of the notes, accelerated amortisation of deferred finance costs, debt issuance premium and discounts and interest charges incurred in lieu of notice. See Note 12 for further details of the notes repaid during the period.
- €15 million net interest charged in respect of notes held in escrow for the period between their issuance and the completion of the acquisition of the Beverage Can Business.
- €78 million exceptional gain on derivative financial instruments relating to the gain on fair value of the CCIRS which were entered into during the second quarter and for which hedge accounting had not been applied until the third quarter.
- €10 million exceptional loss on derivative financial instruments relating to hedge ineffectiveness on CCIRS for which hedge accounting did not apply. The net exceptional gain of €68 million is driven mainly by the currency volatility on the US dollar to British pounds CCIRS and by virtue of its magnitude is treated as an exceptional item. See Note 12 for further details of the CCIRS entered into during the period.

2015

Exceptional items of €94 million have been incurred in the year ended December 31, 2015, primarily comprising:

- €38 million IPO - related costs.
- €27 million start-up costs related to two plants in Metal Packaging Americas.
- Restructuring costs of €9 million in Metal Packaging Europe and €5 million in Glass Packaging North America.
- €3 million acquisition and disposal costs.
- €2 million reversal of impairment of assets in Metal Packaging Europe.
- €13 million finance costs comprised of €8 million premium on redemption of the €180 million 8¾% Senior notes due 2020 and repaid in February 2015, €3 million accelerated amortization of deferred finance costs relating to the €180 million 8¾% Senior notes and €2 million other finance costs.

2014

Exceptional items of €520 million have been incurred in the year ended December 31, 2014, primarily comprising:

- €44 million exceptional impairment charges were incurred in the Metal Packaging Europe division relating to €36 million of specific property, plant and equipment that is no longer in use and the €8 million impairment of working capital.
- €11 million exceptional impairment charges were also incurred relating to intangible assets no longer in use.
- €39 million exceptional impairment charges were incurred in the Glass Packaging North America relating to a plant closure, comprising impairments to property, plant and equipment of €17 million, goodwill of €16 million, and customer relationships of €6 million.
- €171 million exceptional finance cost includes €45 million relating to the PIK notes repaid in June 2014, €116 million relating to the borrowings that were repaid in July 2014 and €10 million relating to the notes issued to finance the VNA Acquisition.
- €15 million non-cash inventory adjustment relates to the VNA Acquisition and is a non-recurring adjustment arising as a result of the fair value exercise carried out in accordance with IFRS 3R 'Business Combinations'.

19. Finance expense

	Year ended December 31,		
	2016 €m	2015 €m	2014 €m
Senior secured and senior notes	447	378	366
Term loan	26	26	28
Other interest expense	7	8	7
Interest expense	**480**	**412**	**401**
Net pension interest cost (Note 13)	24	23	20
Foreign currency translation losses	29	77	63
Other finance (income)/expense	(5)	2	3
Finance expense before exceptional items	**528**	**514**	**487**
Exceptional finance expense (Note 18)	165	13	171
Total finance expense	**693**	**527**	**658**
Exceptional finance income	(78)	-	(1)
Net finance expense	**615**	**527**	**657**

20. Income tax

	Year ended December 31,		
	2016 €m	2015 €m	2014 €m
Current tax:			
Current tax for the year	63	54	44
Adjustments in respect of prior years	(18)	33	(1)
Total current tax	**45**	**87**	**43**
Deferred tax:			
Deferred tax for the year	(6)	7	(54)
Adjustments in respect of prior years	25	(51)	6
Total deferred tax	**19**	**(44)**	**(48)**
Income tax charge/(credit)	**64**	**43**	**(5)**

Reconciliation of tax expense and the accounting loss multiplied by the Group's domestic tax rate for 2016, 2015 and 2014:

	Year ended December 31,		
	2016 €m	2015 €m	2014 €m
Loss before tax	**(79)**	**(77)**	**(579)**
Loss before tax multiplied by the standard rate of Luxembourg corporation tax: 29.22% (2015: 29.22%; 2014: 29.22%)	(23)	(22)	(169)
Tax losses for which no deferred income tax asset was recognized	1	2	27
Re-measurement of deferred taxes	(5)	(5)	-
Adjustment in respect of prior years	7	(18)	5
Income subject to other taxes	9	11	17
Income taxed at rates other than standard tax rates	18	27	13
Non-deductible items	60	52	92
Other	(3)	(4)	10
Income tax charge/(credit)	**64**	**43**	**(5)**

The total tax charge/(credit) outlined above for each year includes tax credits of €43 million in 2016 (2015: €32 million; 2014: €78 million) in respect of exceptional items.

Income subject to other taxes primarily relates to local income taxes in certain jurisdictions, non-deductible items primarily relate to non-deductible interest expense in Ireland and Luxembourg and income taxed at non-standard rates takes account of foreign tax rate differences (versus the Luxembourg standard 29.22% rate) on earnings.

21. Cash generated from operating activities

	Year ended December 31,		
	2016 €m	2015 €m	2014 €m
Loss for the year	**(143)**	**(120)**	**(574)**
Income tax expense/(credit) (Note 20)	64	43	(5)
Net finance expense (Note 19)	615	527	657
Depreciation and amortization	491	403	365
Exceptional operating items (Note 18)	131	81	349
Movement in working capital	120	90	8
Exceptional acquisition-related, disposal and plant start-up costs paid	(159)	(54)	(77)
Exceptional restructuring paid	(10)	(20)	(22)
Cash generated from operations	**1,109**	**950**	**701**

22. Business combinations and disposals

2016

On April 22, 2016 the Group entered into an agreement with Ball Corporation and Rexam PLC to acquire the Beverage Can Business. The acquisition was completed on June 30, 2016.

The acquired business comprises ten beverage can manufacturing plants and two end plants in Europe, seven beverage can manufacturing plants and one end plant in the United States, two beverage can manufacturing plants in Brazil and certain innovation and support functions in Germany, the UK, Switzerland and the United States. The acquired business has annual revenue of approximately €2.8 billion ($3.0 billion).

This is a strategically important acquisition which is highly complementary to the Group's existing metal and glass businesses.

The following table summarizes the provisional consideration paid for the Beverage Can Business and the provisional fair value of assets acquired and liabilities assumed.

	€m
Cash and cash equivalents	10
Property, plant and equipment	630
Intangible assets	1,284
Inventories	266
Trade and other receivables	302
Trade and other payables	(394)
Net deferred tax liability	(145)
Employee benefit obligations	(116)
Provisions	(36)
Total identifiable net assets	**1,801**
Goodwill	894
Total consideration	**2,695**

The allocations above are based on management's preliminary estimate of the fair values at the acquisition date.

The net cash flow relating to the acquisition is summarized below:

	€m
Cash consideration paid	2,695
Cash and cash equivalents acquired	(10)
Net cash outflow for purchase of business	**2,685**

Goodwill arising from the acquisition reflects the anticipated synergies from integrating the acquired business into the Group and the skills and the technical talent of the Beverage Can workforce.

Goodwill of €268 million which relates to the North American Beverage Can Business is expected to be deductible for tax purposes.

For the year ended December 31, 2016 the Beverage Can Business contributed revenue of €1,351 million to the Group.

If the acquisition of the Beverage Can Business had occurred on January 1, 2016 Group revenue, Adjusted EBITDA and profit for the year ended December 31, 2016 would have been €7,646 million, €1,333 million and €108 million respectively.

2015

VNA acquisition

Fair value adjustments to assets acquired of €3 million net of tax, were made in the year to December 31, 2015. The purchase price allocation is now finalized. The fair value of identifiable assets acquired was €656 million and acquired goodwill was €390 million.

2014

VNA Acquisition

On April 11, 2014, Ardagh Group completed the purchase of 100% of the equity of VNA, from Compagnie de Saint-Gobain for a consideration of $1.5 billion (the "VNA Acquisition").

VNA, which has its headquarters in Muncie, Indiana, is the second largest glass container manufacturer in the United States, serving the North American food and beverage industries. It produces approximately nine billion containers annually from its 13 facilities located throughout the United States and employs approximately 4,400 people. VNA has annual revenues of approximately $1.6 billion (€1.5 billion).

The VNA Acquisition is strategically important for the Group. It further expands the glass manufacturing footprint in North America, strengthens existing customer relationships and increases the Group's product portfolio. Further, the combination of VNA and the Group's existing North American business provides opportunities for logistics savings, production improvements and other cost efficiencies.

VNA contributed revenue of approximately €896 million and Adjusted EBITDA of approximately €165 million to the Group's results for the year ended December 31, 2014.

The following table summarizes the consideration paid for VNA, and the provisional fair value of assets acquired and liabilities assumed.

	€m
Cash and cash equivalents	8
Property, plant and equipment	356
Intangible assets	539
Inventories	161
Trade and other receivables	94
Trade and other payables	(144)
Net deferred tax liability	(220)
Provisions	(32)
Employee benefit obligations	(103)
Total identifiable net assets	**659**
Goodwill	387
Total consideration	**1,046**

The allocations above are based on management's preliminary estimate of the fair values at the acquisition date.

Total consideration for the VNA Acquisition is comprised of the following:

	€m
Cash consideration paid	1,083
Contingent cash consideration received*	(37)
Total consideration	**1,046**

*Contingent consideration of €37 million ($50 million) was received from Compagnie de Saint-Gobain (relating to the Anchor Divestment, as defined hereafter) in July 2014. In accordance with IFRS 3R, this amount has been treated as an adjustment to the purchase consideration for VNA rather than as consideration for the Anchor Divestment.

In the year ended December 31, 2014, the net cash flow relating to the VNA acquisition comprised the following;

	€m
Cash consideration paid	1,083
Contingent cash consideration received	(37)
Cash and cash equivalents acquired	(8)
Total net cash outflow	**1,038**

A detailed exercise has been performed to assess the fair value of assets acquired and liabilities assumed, with the use of third party experts where appropriate. If new information obtained within one year of the acquisition date regarding facts and circumstances that existed at the acquisition date identifies adjustments to the above amounts, then the acquisition accounting will be revised.

Goodwill of €387 million arising on the VNA Acquisition (which is not expected to be tax deductible) includes anticipated synergies from integrating VNA into the Group, and the skills and technical talent of the VNA workforce.

Deferred tax is principally recognized on the temporary timing differences created by the fair value adjustments.

The fair value of trade and other receivables was €94 million and included trade receivables with a fair value of €83 million. Acquisition related costs of €22 million (2013: €38 million) were incurred and classified as exceptional items in the consolidated income statement for the year ended December 31, 2014.

Disposal of former Anchor Glass plants

On June 30, 2014, Ardagh Group completed the sale of six former Anchor Glass plants and certain related assets to an affiliate of KPS (the "Anchor Divestment"). The Group recognized a net loss on disposal of €124 million:

	€m
Consideration*	319
Net assets disposed	(446)
Disposal costs	(5)
Cumulative foreign exchange differences	8
Loss on disposal	**(124)**

*Consideration of €319 million excludes €37 million ($50 million) received from Compagnie de Saint-Gobain in relation to the divestment, as explained above. Total cash received relating to the divestment including the contingent cash consideration from Compagnie de Saint-Gobain is $486 million (€356 million).

Prior to the divestment, the six former Anchor Glass plants contributed revenue of €205 million and Adjusted EBITDA of €40 million to the Group's results for the year ended December 31, 2014.

Other disposals

During the year ended December 31, 2014 the Group disposed of a small business in the Metal Packaging division and also of its Metal Packaging operations in Australia and New Zealand for a total consideration of €78 million, on which the Group recognized a combined loss of €35 million.

	€m
Consideration	78
Net assets disposed	(102)
Disposal costs	(4)
Cumulative foreign exchange differences	(7)
Loss on disposal	**(35)**

Prior to the divestment, the other disposals contributed revenue of €158 million and Adjusted EBITDA of €15 million to the Group's results for the year ended December 31, 2014.

If the VNA Acquisition, the Anchor Divestment and the other disposals had occurred on January 1, 2014 revenue and Adjusted EBITDA for the Group for the year ended December 31, 2014 would have been €4,684 million and €782 million, respectively.

23. Related party information

(i) Interests of Mr. Paul Coulson

As of February 23, 2017, the approval date of this Annual Report, companies owned by Paul Coulson own approximately 25% of the issued share capital of ARD Holdings S.A.. Through its investment in the Yeoman group of companies, one of these companies has an interest in a further approximate 34% of the issued share capital of ARD Holdings S.A..

(ii) Yeoman Capital S.A.

At December 31, 2016, Yeoman Capital S.A. owned approximately 34% of the ordinary shares of ARD Holdings S.A.. During 2015, the Group incurred costs of €nil (2015: €nil; 2014: €1 million) for fees charged by the Yeoman group of companies. The amount outstanding at year end was €nil (2015: €nil; 2014: €1 million).

(iii) Common directorships

Five of the ARD Holdings S.A. directors (Paul Coulson, Brendan Dowling, Wolfgang Baertz, Gerald Moloney and Herman Troskie) also serve as directors in the Yeoman group of companies. All of the directors of the Company are members of the Board of Directors of ARD Holdings S.A., our ultimate parent company.

(iv) Joint ventures

At December 31, 2016, the Group owed €2 million (2015: €2 million; 2014: €1 million) to Eura Glasrecycling GmbH & Co. KG. During 2016, the Group received a dividend of €nil (2015: €nil; 2014: €1 million) from Eura Glasrecycling GmbH & Co. KG and incurred €5 million (2015: €4 million; 2014: €4 million) for purchases of raw materials. At December 31, 2016, the Group owed €1 million (2015: €1 million; 2014: €1 million) to Copal SAS. During 2016, the Group incurred €3 million (2015: €3 million; 2014: €4 million) for raw materials purchased from Copal SAS.

(v) Key management compensation

Key management are those persons who have the authority and responsibility for planning, directing and controlling the activities of the Group. Key management is comprised of the members who served on the Board of Directors of ARD Holdings S.A. and the Group's global leadership team during the reporting period. The amount outstanding at year end was €4 million (2015: €4 million, 2014: €4 million).

	Year ended December 31,		
	2016 €m	2015 €m	2014 €m
Salaries and other short term employee benefits	15	12	12
Post-employment benefits	1	1	1
	16	**13**	**13**
Transaction related compensation	26	-	-
	42	**13**	**13**

(vi) Pension schemes

The Group's pension schemes are related parties. For details of all transactions during the year, please read Note 13.

(vii) Senior Secured Toggle Notes due 2023

Some the Directors of the Company acquired the 7.125% / 7.875% and 6.625% / 7.375% Senior Secured Toggle Notes due 2023, as issued by Company in September 2016. See Note 12 for details of financing activity during the year ended December 31, 2016.

(viii) Subsidiaries

The following table provides information relating to our principal operating subsidiaries, all of which are wholly owned, at December 31, 2016 and 2015.

Company	**Country of incorporation**	**Activity**
Ardagh Metal Beverage Manufacturing Austria GmbH	Austria	Metal Packaging
Ardagh Metal Beverage Trading Austria GmbH	Austria	Metal Packaging
Latas Indústria de Embalagens de Alumínio do Brasil Ltda	Brazil	Metal Packaging
Ardagh Metal Packaging Czech Republic s.r.o.	Czech Republic	Metal Packaging
Ardagh Glass Holmegaard A/S	Denmark	Glass Packaging
Ardagh Aluminium Packaging France SAS	France	Metal Packaging
Ardagh MP West France SAS	France	Metal Packaging
Ardagh Metal Packaging France SAS	France	Metal Packaging
Ardagh Metal Beverage Trading France SAS	France	Metal Packaging
Ardagh Metal Beverage France SAS	France	Metal Packaging
Ardagh Glass GmbH	Germany	Glass Packaging
Heye International GmbH	Germany	Glass Engineering
Ardagh Metal Packaging Germany GmbH	Germany	Metal Packaging
Ardagh Germany MP GmbH	Germany	Metal Packaging
Ardagh Metal Beverage Trading Germany GmbH	Germany	Metal Packaging
Ardagh Metal Beverage Germany GmbH	Germany	Metal Packaging
Ardagh Glass Sales Limited	Ireland	Glass Packaging
Ardagh Packaging Holdings Limited	Ireland	Glass and Metal Packaging
Ardagh Group Italy S.r.l.	Italy	Glass and Metal Packaging
Ardagh Aluminium Packaging Netherlands B.V.	Netherlands	Metal Packaging
Ardagh Glass Dongen B.V.	Netherlands	Glass Packaging
Ardagh Glass Moerdijk B.V.	Netherlands	Glass Packaging
Ardagh Metal Packaging Netherlands B.V.	Netherlands	Metal Packaging
Ardagh Metal Beverage Trading Netherlands B.V.	Netherlands	Metal Packaging
Ardagh Metal Beverage Netherlands B.V.	Netherlands	Metal Packaging
Ardagh Glass S.A.	Poland	Glass Packaging
Ardagh Metal Packaging Poland Sp. z o.o.	Poland	Metal Packaging
Ardagh Metal Beverage Trading Poland Sp. z o.o.	Poland	Metal Packaging
Ardagh Metal Beverage Poland Sp. z o.o.	Poland	Metal Packaging
Ardagh Metal Beverage Trading Spain SL	Spain	Metal Packaging
Ardagh Metal Beverage Spain SL	Spain	Metal Packaging
Ardagh Metal Packaging Iberica S.A.	Spain	Metal Packaging
Ardagh Glass Limmared AB	Sweden	Glass Packaging
Ardagh Metal Beverage Europe GmbH	Switzerland	Metal Packaging
Ardagh Glass Limited	United Kingdom	Glass Packaging
Ardagh Metal Beverage Trading UK Limited	United Kingdom	Metal Packaging
Ardagh Metal Beverage UK Limited	United Kingdom	Metal Packaging
Ardagh Metal Packaging UK Limited	United Kingdom	Metal Packaging
Ardagh Metal Packaging USA Inc.	United States	Metal Packaging
Ardagh Glass Inc.	United States	Glass Packaging
Ardagh Metal Beverage USA Inc.	United States	Metal Packaging

2015

Company	Country of incorporation	Activity
Ardagh Metal Packaging Czech Republic s.r.o.	Czech Republic	Metal Packaging
Ardagh Glass Holmegaard A/S	Denmark	Glass Packaging
Ardagh Aluminium Packaging France SAS	France	Metal Packaging
Ardagh MP West France SAS	France	Metal Packaging
Ardagh Metal Packaging France SAS	France	Metal Packaging
Ardagh Glass GmbH	Germany	Glass Packaging
Heye International GmbH	Germany	Glass Engineering
Ardagh Metal Packaging Germany GmbH	Germany	Metal Packaging
Ardagh Germany MP GmbH	Germany	Metal Packaging
Ardagh Glass Sales Limited	Ireland	Glass Packaging
Ardagh Packaging Holdings Limited	Ireland	Glass and Metal Packaging
Ardagh Group Italy S.r.l.	Italy	Glass and Metal Packaging
Ardagh Aluminium Packaging Netherlands B.V.	Netherlands	Metal Packaging
Ardagh Glass Dongen B.V.	Netherlands	Glass Packaging
Ardagh Glass Moerdijk B.V.	Netherlands	Glass Packaging
Ardagh Metal Packaging Netherlands B.V.	Netherlands	Metal Packaging
Ardagh Glass S.A.	Poland	Glass Packaging
Ardagh Metal Packaging Poland Sp. z o.o.	Poland	Metal Packaging
Ardagh Metal Packaging Iberica S.A.	Spain	Metal Packaging
Ardagh Glass Limmared AB	Sweden	Glass Packaging
Ardagh Glass Limited	United Kingdom	Glass Packaging
Ardagh Metal Packaging UK Limited	United Kingdom	Metal Packaging
Ardagh Metal Packaging USA Inc.	United States	Metal Packaging
Ardagh Glass Inc.	United States	Glass Packaging

24. Contingencies

Environmental issues

The Group is regulated under various national and local environmental, occupational health and safety and other governmental laws and regulations relating to:

- the operation of installations for manufacturing of metal packaging and surface treatment using solvents;
- the generation, storage, handling, use and transportation of hazardous materials;
- the emission of substances and physical agents into the environment;
- the discharge of waste water and disposal of waste;
- the remediation of contamination; and
- the design, characteristics, and recycling of its products.

The Group believes, based on current information that it is in substantial compliance with applicable environmental laws and regulations and permit requirements. It does not believe it will be required, under both existing or anticipated future environmental laws and regulations, to expend amounts, over and above the amount accrued, which will have a material effect on its business, financial condition or results of operations or cash flows. In addition, no material proceedings against the Group arising under environmental laws are pending.

Legal matters

In 2015, the German competition authority (the Federal Cartel Office) initiated an investigation of the practices in Germany of metal packaging manufacturers, including Ardagh. The investigation is ongoing, and there is at this stage no certainty as to the extent of any charge which may arise. Accordingly, no provision has been recognized.

With the exception of the above legal matter, the Group is involved in certain other legal proceedings arising in the normal course of its business. The Group believes that none of these proceedings, either individually or in aggregate, is expected to have a material adverse effect on its business, financial condition, results of operations or cash flows.

25. Events after the reporting period

On January 30, 2017, the Group issued $1,000 million 6.000% Senior Notes due 2025, the proceeds of which were used for the partial redemption of the First Priority Senior Secured Floating Rate Notes due 2019, on January 30, 2017, and will also be used for the redemption of the $415 million 6.250% Senior Notes due 2019 (the “2019 Senior Notes”).

On February 1, 2017, the Group gave notice to the holders of the 2019 Senior Notes of the redemption in full of the outstanding notes in accordance with their terms. The redemption date for the 2019 Senior Notes is March 2, 2017.

26. Company financial information

This note has been included in these financial statements in accordance with the requirements of Regulation S-X rule 12.04 *Condensed financial information of registrant*. The financial information provided below relates to the individual company financial statements for ARD Finance S.A. as presented in accordance with IFRS as issued by the IASB.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with International Financial Reporting Standards have been condensed or omitted. The footnote disclosures contain supplemental information only and, as such, these statements should be read in conjunction with the notes to the accompanying consolidated financial statements.

The condensed financial information has been prepared using the same accounting policies as set out in the consolidated financial statements, except that investments in subsidiaries are included at cost less any provision for impairment in value.

i) Statement of financial position

	At December 31,	
	2016 €m	2015 €m
Non-current assets		
Investments in subsidiary undertakings	837	400
Related party receivables	730	-
	1,567	**400**
Current assets		
Related party receivables	15	-
Cash and cash equivalents	4	1
	19	**1**
Total assets	**1,586**	**401**
Equity attributable to owners of the parent		
Issued capital	-	-
Share premium	-	129
Retained earnings	(15)	(132)
Total equity	**(15)**	**(3)**
Non-current liabilities		
Borrowings	1,569	-
	1,569	**-**
Current liabilities		
Interest payable	31	-
Other payables	1	404
	32	**404**
Total liabilities	**1,601**	**404**
Total equity and liabilities	**1,586**	**401**

ii) Statement of comprehensive income

	Year ended December 31,		
	2016 €m	2015 €m	2014 €m
Finance income	14	-	20
Finance expense	(31)	-	(77)
Dividend income	270	-	-
Profit/(loss) before tax	**253**	**-**	**(57)**
Income tax	-	-	-
Profit/(loss) and total comprehensive income/(expense) for the year	**253**	**-**	**(57)**

iii) Statement of cash flows

	Year ended December 31, 2016 €m	2015 €m	2014 €m
Cash flows from operating activities			
Cash generated from operations	-	-	-
Net cash from operating activities	**-**	**-**	**-**
Cash flows from investing activities			
Repayment of loans from subsidiary undertakings	(404)	-	-
Contribution to subsidiary undertaking	(431)	-	(101)
Dividends received	270	-	-
Loans granted to subsidiary undertakings	(679)	-	-
Net cash used in investing activities	**(1,244)**	**-**	**(101)**
Cash flows from financing activities			
Repayment of borrowings	-	-	(649)
Net proceeds from borrowings	1,529	-	-
Net proceeds from borrowings with related parties	-	-	750
Dividends paid	(270)	-	-
Deferred debt issue costs paid	(12)	-	-
Net cash inflow from financing activities	**1,247**	**-**	**101**
Net increase in cash and cash equivalents	**3**	**-**	**-**
Cash and cash equivalents at the beginning of the year	1	1	1
Cash and cash equivalents at the end of the year	**4**	**1**	**1**

iv) Maturity analysis of the Company's borrowings

The maturity analysis of the Company's borrowings including related party borrowings, is as follows:

	At December 31, 2016 €m	2015 €m
Within one year or on demand	-	-
Between one and two years	-	-
Between two and five years	-	-
Greater than five years	1,569	-
	1,569	-

v) Distributions paid and received

During the year ended December 31, 2016 the Company received a dividend of €270 million (2015: €nil, 2014: €nil) from a subsidiary company. The Company also paid a dividend to its parent company of €270 million (2015: €nil, 2014: €nil).

vi) Commitments and contingencies

The company had no commitments and contingencies at December 31, 2016 (2015: €nil).

vii) Additional information

The following reconciliations are provided as additional information to satisfy the Schedule I SEC Requirements for parent-only financial information.

	Year ended December 31,		
	2016	2015	2014
	€m	€m	€m
IFRS loss reconciliation:			
Parent only – IFRS profit/(loss) for the year	253	-	(57)
Additional loss if subsidiaries had been accounted for on the equity method of accounting as opposed to cost	(396)	(120)	(517)
Consolidated IFRS loss for the year	**(143)**	**(120)**	**(574)**

	Year ended December 31,		
	2016	2015	2014
	€m	€m	€m
IFRS equity reconciliation:			
Parent only – IFRS equity	(15)	(3)	103
Additional loss if subsidiaries had been accounted for on the equity method of accounting as opposed to cost	(2,963)	(2,371)	(2,249)
Consolidated – IFRS equity	**(2,978)**	**(2,374)**	**(2,146)**

ArdaghGroup

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