

Company No: 10352314

**CROWN PACKAGING DISTRIBUTION UK LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2017**



## **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017**

The directors present their strategic report of the company for the year ended 31 December 2017.

### **PRINCIPAL ACTIVITIES**

The principal activity of the company is operating as a distributor in the UK on behalf of Crown Packaging European Division GmbH (the Principal).

### **PRINCIPAL RISKS AND UNCERTAINTIES**

The key business risks and uncertainties affecting the company are limited by the nature of its role within the Crown group of companies under its status as a limited risk distributor for Crown's UK sales.

### **REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS**

The business was incorporated on 31 August 2016 and traded in the prior year for 3 months from 1 October 2016 to 31 December 2016. The results for the company show an operating profit of £4,983,000 (2016: 3 month trading period £1,065,000) and turnover of £419,601,000 (2016: 3 month trading period £100,475,000) for the period. The company has £7,821,000 (2016: 3 month trading period £3,536,000) of net current assets at the period end and is well positioned to take advantage of opportunities to invest in the future of the company.

The company operates under the terms of a limited risk distribution agreement with Crown Packaging European Division GmbH (the Principal) and is expected to continue to do so in the foreseeable future. Under this agreement the company operates as a distributor under the control and direction of the Principal and is a limited risk distribution company with value added returns. This agreement centralises risk mitigation, maintains better risk control and improves sales organisation and process.

The company uses key performance indicators ("KPIs") to manage the company and distribution cycle. The main KPI is in relation to customer over-dues. The value of customer over-dues, after removing credit notes, showed a small increase in 2017, with the over-dues as a percentage of total receivables averaging 2.5% at the end of the financial period. The benchmark target is 2% and so management have implemented improvements in 2018, such as the introduction of supply chain finance with some key customers, which management are confident will address and improve the KPI result.

### **FINANCIAL RISK MANAGEMENT**

Under the contract distribution agreement, the company has reduced its exposure to price and credit risk as these risks are now borne by the Principal, Crown Packaging European Division GmbH. The company is part of a larger US owned group, the Crown Holdings, Inc. Group, and the risk management programme seeking to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and related financial costs, is maintained at Group level.

### **LIQUIDITY AND CASH FLOW RISK**

The company's liquidity is managed centrally within the Group. The Group maintains a mixture of long-term and short-term financing arrangements that are designed to ensure that the Group and company have sufficient funds available for operations.

Details of the company's cash flow forecasts are supplied to Group Treasury to assist with the Group's cash management position and to minimise the risk of uncertain future funding requirements.

The company's finance department implements the Group's policies and guidelines as set out in the Group's Financial Accounting Policies manual.

### **CREDIT RISK**

Under the limited risk contract distribution agreement, the company's sole supplier is now Crown Packaging European Division GmbH and any credit risk exposure to the company is borne by the Principal.

**STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017**  
**(continued)**

**EXCHANGE RATE RISK**

The company's Group Treasury department seeks to limit any risk from fluctuating exchange rates on sales and purchases in non-local currency by taking out forward contracts, in line with the Group's Financial Accounting Policies manual.

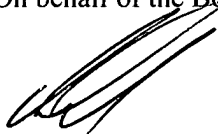
**INTEREST RATE RISK**

The company is exposed to interest rate risk and the management of this exposure is handled by the Group's European Treasury department on behalf of the company and the rest of the Crown Group.

**KEY PERFORMANCE INDICATORS ("KPIs")**

The company and the wider group is managed on a divisional basis with performance monitored using a number of "World Class Performance" indicators, concerning the efficiency of the production cycle. Company management are also rewarded and incentivised with reference to a number of specific measures concerning profitability. As the company has reported a profit for the year, management consider the KPIs concerning profitability have been achieved during the year.

On behalf of the Board

A handwritten signature in black ink, appearing to be 'A G Ruddock', written over a horizontal line.

A G Ruddock  
**Director**

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017**

The directors present their report together with the audited financial statements for the year ending 31 December 2017.

### **RESULTS AND DIVIDENDS**

The profit for the financial year of £4,285,000 (2016: 3 months trading period: £540,000) has been credited to reserves. No dividends were paid during the period (2016: none). A dividend of £4,000,000 was proposed at the year end and paid on 27 April 2018. The future development of the company and financial risk management are detailed in the strategic report.

### **DIRECTORS**

The directors who held office throughout the period and up to the date of signing the financial statements, unless otherwise stated, are as follows:

L R Bradley  
M R Constable  
A G Ruddock

### **GOING CONCERN**

The directors consider it appropriate to prepare the financial statements on a going concern basis. As the company operates under a limited risk contract manufacturing agreement, the directors have a reasonable expectation that the company has adequate resources to continue operating for the foreseeable future and faces no material uncertainties. The company therefore adopts the going concern basis in preparing its financial statements.

### **EMPLOYMENT POLICIES**

It is the company's policy to provide employment terms, which are motivational and equitable, in accordance with national legislation and local market conditions. Training and development opportunities are provided as a function of the needs of the company and of the individuals concerned, with a view to improving every individual's, and thereby the company's, performance.

Throughout the period, the drive for improved quality in all functions has served as an important focus and has encouraged improved communication with employees. The company's continued commitment to world-class performance in all locations has been the basis for involving employees and enlisting their commitment through training and joint problem solving in a team working environment.

It is the company's policy to keep employees fully informed on matters which affect them, through direct communications and established collective procedures for information exchange and consultation. Consultation requirements are driven by statutory legislation and conducted in an open and transparent manner as the legislation requires. It occurs through varying groups of employees such as local union representatives, UK Forum representatives and European Forum representatives, depending on the nature of the issue being discussed.

The company promotes its Health and Safety policy with high profile initiatives and has throughout the period continued vigorously to apply increasing standards of employee safety and has continued to invest heavily in training programmes specifically related to this matter.

**DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017  
(continued)**

**EMPLOYMENT POLICIES (continued)**

The company is committed to employment policies, which follow best practice, based on equal opportunities for all employees and applicants of employment, on a non-discriminatory basis and offers appropriate training and career development for disabled staff. The company gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. If members of staff become disabled the company continues employment wherever possible and arranges retraining.

The company encourages the involvement of employees in the company's performance through a variety of means such as an annual bonus plan and a defined contribution pension scheme, which are available to all eligible employees.

**THIRD PARTY INDEMNITY**

The company has granted a qualifying third party indemnity to each of its directors against liability in respect of proceedings brought by third parties, which was in force during the financial period and remains in force as at the date of approving the Directors' Report.

**RESEARCH AND DEVELOPMENT**

The Company's activities do not lend themselves to research and development.

**BRANCHES OUTSIDE THE UK**

The company has one branch located outside of the UK, in Ireland.

**REGISTERED OFFICE AND COUNTRY OF INCORPORATION**

The company is a private limited company, limited by shares and was incorporated in England & Wales. Its registered office address is Borland Avenue, Botcherby, Carlisle, Cumbria CA1 2TL.

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

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

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

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

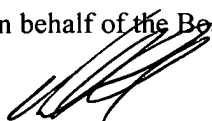
In the case of each director in office at the date the Directors' Report is approved:

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

### **INDEPENDENT AUDITORS**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

On behalf of the Board



A. G. Ruddock  
**Director**

# ***Independent auditors' report to the members of Crown Packaging Distribution UK Limited***

## **Report on the audit of the financial statements**

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### **Opinion**

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

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2017; the profit and loss account and the statement of comprehensive income for the year then ended, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### **Basis for opinion**

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

### **Independence**

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

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

### **Reporting on other information**

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

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

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

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

## ***Independent auditors' report to the members of Crown Packaging Distribution UK Limited (continued)***

### ***Strategic Report and Directors' Report***

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

### **Responsibilities for the financial statements and the audit**

#### ***Responsibilities of the directors for the financial statements***

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### ***Auditors' responsibilities for the audit of the financial statements***

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

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

#### ***Use of this report***

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

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## **Other required reporting**

### **Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.



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

**22** June 2018



**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017****STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	Year ended 31 December 2017 £'000	3 month trading period ended 31 December 2016 £'000
<b>Turnover</b>	4	419,601	100,475
Staff costs	5	(2,318)	(553)
Depreciation and other amounts written off tangible and intangible fixed assets	6	(5)	(2)
Other operating expense		(412,295)	(98,855)
<b>Operating profit</b>	6	4,983	1,065
Interest receivable and similar income	8	379	1
Interest payable and similar expenses	9	(126)	(403)
<b>Profit before taxation</b>		5,236	663
Tax on profit	10	(951)	(123)
<b>Profit for the financial period</b>		4,285	540
<b>Total comprehensive income for the financial period</b>		4,285	540

The profit for the financial period and total comprehensive income shown above is derived entirely from continuing operations. The profit and total comprehensive income for the comparative year relates to the three months of trading activity only.

There is no material difference between the profit before taxation and the profit for the financial period stated above and their historical cost equivalent.

## CROWN PACKAGING DISTRIBUTION UK LIMITED

**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**  
**(continued)**
**BALANCE SHEET AS AT 31 DECEMBER 2017**

	Note	2017 £'000	2016 £'000
<b>Fixed Assets</b>			
Tangible assets	11	50	12
<b>Current Assets</b>			
Debtors: amounts falling due after more than one year	12	1,416	60
Debtors: amounts falling due within one year	13	86,367	94,721
Cash at bank and in hand		102	892
		<b>87,885</b>	<b>95,673</b>
<b>Creditors: amounts falling due within one year</b>	14	<b>(80,064)</b>	<b>(92,137)</b>
<b>Net current assets</b>		<b>7,821</b>	<b>3,536</b>
<b>Total assets less current liabilities</b>		<b>7,871</b>	<b>3,548</b>
<b>Net assets</b>		<b>7,871</b>	<b>3,548</b>
<b>Capital and reserves</b>			
Called up share capital	15	3,000	3,000
Profit and loss account		4,871	548
<b>Total equity</b>		<b>7,871</b>	<b>3,548</b>

The notes on pages 12 to 23 are an integral part of these financial statements. The financial statements on pages 9 to 23 were approved and authorised for issue by the board of directors on 22<sup>nd</sup> June 2018 and were signed on its behalf by:



**A G Ruddock**  
 Director  
 Crown Packaging Distribution UK Limited  
 Company No: 10352314

**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**  
**(continued)**
**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017**

	<b>Called up share capital</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>At incorporation 31 August 2016</b>	-	-	-
Issue of share capital	3,000	-	3,000
Profit and total comprehensive income for the financial period	-	540	540
Equity share option charge	-	8	8
<b>As at 31 December 2016</b>	<b>3,000</b>	<b>548</b>	<b>3,548</b>
<b>As at 1 January 2017</b>	<b>3,000</b>	<b>548</b>	<b>3,548</b>
Profit and total comprehensive income for the financial year	-	4,285	4,285
Equity share option charge	-	38	38
<b>As at 31 December 2017</b>	<b>3,000</b>	<b>4,871</b>	<b>7,871</b>

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

### **1 Statement of compliance**

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

### **2 Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The company has adopted FRS 102 in these financial statements.

#### **a) Basis of preparation**

These financial statements are prepared on a going concern basis under the historical cost convention. Preparing the statements in conformity with FRS 102 requires certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company’s accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions are material to the financial statements are disclosed in note 3.

The directors consider it appropriate to prepare the financial statements on a going concern basis. As the company operates under a limited risk contract manufacturing agreement, the directors have a reasonable expectation that the company has adequate resources to continue operating for the foreseeable future and faces no material uncertainties. The company therefore adopts the going concern basis in preparing its financial statements.

#### **b) Consolidated financial statements**

These financial statements contain information about Crown Packaging Distribution UK Limited as an individual company and do not contain consolidated financial information as it is not a parent of a group. The company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it is included by full consolidation in the consolidated financial statements of the ultimate parent company, Crown Holdings, Inc.

#### **c) Exemptions for qualifying entities under FRS 102**

FRS 102 allows a qualifying entity certain disclosure exemptions (FRS 102 para 1.12). The company is a wholly owned subsidiary company of a group headed by Crown Holdings, Inc. and is included in the financial statements of that company, which are publicly available. Consequently the company has taken advantage of the following available exemptions:

- FRS 102 section 7 para 3.17(d) “Statement of cash flows” from not presenting a cash flow statement.
- FRS 102 para 4.12(a) from not preparing a reconciliation of the number of shares outstanding at the beginning and end of the period.
- FRS 102 paras 11.39 – 11.48A, 12.26 – 12.29 from not disclosing certain financial instrument disclosures unless required by the Companies Act 2006.
- FRS 102 paras 26.18(b), 26.19 – 26.21, 26.23 from not disclosing certain share based payment disclosures because the company’s share based payments concern the equity instruments of another group entity namely Crown Holdings, Inc. and are consolidated into and disclosed in that company’s publicly available financial statements.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)**

**2 Summary of significant accounting policies (continued)**

**c) Exemptions for qualifying entities under FRS 102 (continued)**

- FRS 102 para 33.7 from the non-disclosure of key management personnel compensation in total.
- FRS 102 para 33.1A from the non-disclosure of related party transactions entered into between two or more members of group, provided that any subsidiary which is a party to the transaction is wholly-owned by such a member.

The above exemptions have been notified to the company's shareholders who have not objected to the use of these exemptions.

**d) Foreign currency**

The company's functional and presentation currency is the pound sterling. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at mid-market rates of exchange at the balance sheet date. Revenue and expenditure items denominated in foreign currencies are translated to sterling at the average rate of exchange ruling in the month in which the transaction took place. All exchange differences are included in the profit and loss account in the period to which they relate.

**e) Revenue recognition**

Turnover represents the invoiced value of sales (excluding Value Added Tax, similar sales related taxes and trade discounts) of packaging containers and related services in the normal course of business and is recognised upon despatch of goods, or where appropriate, on satisfactory delivery of goods to a customer designated location depending on terms of supply. In all cases, revenue is recognised once all risks and rewards have passed to the customer.

**f) Employee benefits**

The company provides a range of benefits to eligible employees. Short term benefits including holiday pay, are recognised as an expense in the period in which the service is received. The company operates an annual bonus plan for eligible employees. An expense is recognised in the profit and loss account when the company has a legal or constructive obligation to make payments under the bonus plan, as a result of past events and a reliable estimate of the obligation can be made.

**g) Share-based payments**

The company participates in a share-based payment arrangement operated by the ultimate parent company Crown Holdings, Inc. and is therefore eligible to take advantage of the alternative treatment allowed under FRS 102 section 26. The company recognises the share-based payment expense based on its share of the Group's total expense, calculated using the Black-Scholes option pricing model and in proportion to the number of participating employees. The corresponding credit is recognised in retained earnings as a component of equity. The Black Scholes model is a method of calculating the fair values of the performance based shares. This method was deemed, by management, to be the most appropriate valuation model to use.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)**

### **2 Summary of significant accounting policies (continued)**

#### **h) Defined contribution and defined benefit pension plans**

The company is a member of The Metal Box Pension Scheme (“pension scheme”) which comprises both a defined benefit and defined contribution scheme. The assets of the pension scheme are held separately from the Group’s assets in a Trustee administered fund. The pension scheme is accounted for as a defined contribution scheme as the company is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis.

A defined contribution plan is a pension plan which is funded by the payment of employee and employer contributions to the pension scheme. Employee contributions are made in accordance with Scheme Rules and elections made by individual members. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense when they are due.

A defined benefit plan is a pension plan that defines the pension benefit that the employee will receive on retirement, dependent on several factors including age, length of service and remuneration. A defined benefit pension plan is a pension plan that is not a defined contribution plan. The defined benefit pension plan liability is recognised wholly in another Group undertaking, Crown Packaging Manufacturing UK Limited, as this entity meets all funding obligations.

#### **i) Taxation**

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively. Current or deferred taxation assets or liabilities are not discounted.

Current tax is the amount of income tax payable in respect of the taxable profit for the period or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

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

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

Deferred taxation is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)**

**2 Summary of significant accounting policies (continued)**

**j) Tangible assets and depreciation**

Tangible assets are stated at the historic purchase cost net of accumulated depreciation and provision for impairment in value. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use and interest on loans directly related to the funding of construction costs.

Land and assets in the course of construction are not depreciated. On completion, assets in the course of construction are depreciated accordingly. Depreciation on other assets is calculated using the straight-line method so as to write-off the cost of each asset less their estimated residual values, over the term of their estimated useful economic lives as follows:

Fixtures, fittings, tools and equipment 3 to 12 years

**k) Leased assets**

**Finance leases**

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases.

Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. The capital element of the finance lease obligation is recorded as a liability on inception. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

**Operating leases**

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

**l) Provisions**

Provisions are recognised when the company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are discounted where material.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)**

### **2 Summary of significant accounting policies (continued)**

#### **m) Financial instruments**

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

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is an enforceable right to set off the recognised amounts.

#### **n) Related party transactions**

The company discloses transactions with related parties which are not wholly owned within the same group. It does not disclose transactions with members of the same group that are wholly owned.

### **3 Critical accounting judgements and estimation uncertainty**

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

#### **a) Critical judgements in applying the company's accounting policies**

The company believes there are no critical judgements in applying the company's accounting policies.

#### **b) Critical accounting estimates and assumptions**

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

##### **Impairment of debtors**

- i) The company makes an estimate of the recoverable value of trade and other debtors. When assessing any potential impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. Note 13 shows the carrying amount of the debtors and any associated impairment provision.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

### 4 Turnover

Analysis of turnover by geographical destination:

	Year ended 31 December 2017	3 month trading period ended 31 December 2016
	£'000	£'000
EU countries	375,373	97,515
Rest of Europe	38,990	770
Rest of the World	5,238	2,190
<b>Total</b>	<b>419,601</b>	<b>100,475</b>

In the opinion of the directors, the company's activity of the manufacture, printing and sale of packaging containers represents one class of business for the purposes of segmental reporting.

Analysis of turnover by customer:

	Year ended 31 December 2017	3 month trading period ended 31 December 2016
	£'000	£'000
Sales to external customers	405,250	97,634
Sales to fellow group undertakings	14,351	2,841
<b>Total</b>	<b>419,601</b>	<b>100,475</b>

### 5 Staff costs

(a) The average monthly number of employees during the period, split by activity was:

	Year ended 31 December 2017	3 month trading period ended 31 December 2016
	Number	Number
Sales	32	31
Administration	3	3
<b>Total</b>	<b>35</b>	<b>34</b>

	Year ended 31 December 2017	3 month trading period ended 31 December 2016
	£'000	£'000
(b) Employee costs during the period comprised:		
Wages and salaries	1,774	413
Social security costs	224	66
Cost of employee share option schemes (note 7)	38	8
Other pension costs	282	66
<b>Total</b>	<b>2,318</b>	<b>553</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

### 5 Staff costs (continued)

#### (c) Directors' emoluments

	Year ended 31 December 2017	3 month trading period ended 31 December 2016
	£'000	£'000
<b>Directors' emoluments</b>		
Aggregate emoluments excluding pension cost	341	64
Pension cost	40	8
<b>Total</b>	<b>381</b>	<b>72</b>
 <b>Highest paid director</b>		
Aggregate emoluments	117	22
Pension cost	6	1
<b>Total</b>	<b>123</b>	<b>23</b>

Retirement benefits are accruing to one (2016: 3 months trading period: one) director under a defined benefit scheme and to two (2016: 3 months trading period: two) directors under the defined contribution scheme. The highest paid director had no amounts (2016: 3 months trading period: no amounts) accrued under the defined benefit pension scheme at 31 December 2017.

The highest paid director didn't exercise any share options (2016: 3 months trading period: none). During the year none (2016: 3 months trading period: none) of the directors received deferred stock awards.

### 6 Operating Profit

	Year ended 31 December 2017	3 month trading period ended 31 December 2016
	£'000	£'000
Operating profit is stated after charging/(crediting):		
Selling and marketing costs	2,230	50
Total staff costs	2,318	553
Depreciation of tangible fixed assets (note 11)	5	2
Operating lease rental		
- plant and machinery	156	153
Services provided by the company's auditors		
- fees payable for the audit	25	3
Purchase of finished goods	408,775	98,474
Foreign exchange (gain)/loss	(45)	18

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

### 7 Share-based payments

As at 31 December 2017, some of the company's employees were members of one active stock based incentive compensation plan – the 2013 deferred stock plan – operated by the ultimate parent company Crown Holdings, Inc. The plan provides for the granting of awards in the form of stock options or deferred stock and may be subject to the achievement of certain performance goals as determined by the Plan Committee designated by the ultimate parent company's Board of Directors. Shares awarded are issued from the ultimate parent company's treasury shares.

There were no stock options granted in 2017 (2016: 3 months trading period: none). There were no issuances of deferred stock in 2017 (2016: 3 months trading period: none).

Outstanding deferred stock awards vest rateably up to four years commencing one year after the date of grant.

Deferred stock awards are settled in cash.

The amount expensed is based on an allocation of the total expense from the total group plan. In 2017 the amount expensed was £38,000 (2016: 3 months trading period: £8,000) and was calculated using the Black Scholes option pricing model. Valuations incorporate several variables, including expected term, volatility, a risk-free interest rate and employee termination behaviour ("forfeiture rate"). The expected term (which is the time frame under which an award is exercised after grant) is derived from historical data about participant exercise patterns. Volatility is the expected fluctuation of the company's stock price in the market and is derived from historical data about the company's stock price. The risk-free interest rate is the U.S. Treasury yield curve rate in effect at the date of the grant which has a contractual life similar to the option's expected term. The forfeiture rate is based on historical data of the forfeiture of non-vested share-based awards through the termination of service by plan participants.

### 8 Interest receivable and similar income

	Year ended 31 December 2017	3 month trading period ended 31 December 2016
	£'000	£'000
Interest receivable on securitisation of trade debtors	375	-
Interest receivable on bank and other deposits	4	1
	<u>379</u>	<u>1</u>

The interest receivable on securitisation of trade debtors is a recovery of interest expense incurred in 2016. The company recovered the cost under the terms of the limited risk contract manufacturing agreement with Crown Packaging European Division GmbH (the Principal).

### 9 Interest payable and similar expenses

	Year ended 31 December 2017	3 month trading period ended 31 December 2016
	£'000	£'000
On securitisation of trade debtors	-	375
On overdrafts and other interest bearing liabilities	126	28
	<u>126</u>	<u>403</u>

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

## 10 Tax on profit

### a) Tax expense included in profit or loss account

	Year ended 31 December 2017	3 month trading period ended 31 December 2016
	£'000	£'000
<b>Current tax</b>		
UK corporation tax on profit for the period	951	123
<b>Total current tax</b>	<b>951</b>	<b>123</b>

There is no recognised or unrecognised deferred tax at the balance sheet date (2016: £nil).

### b) Reconciliation of tax charge

The tax assessed for 2017 is lower (2016: 3 month trading period lower) than that calculated using the statutory rate. The differences are explained below:

	Year ended 31 December 2017	3 month trading period ended 31 December 2016
	£'000	£'000
<b>Profit before taxation</b>	<b>5,236</b>	<b>663</b>
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 19.25% (2016: 3 month trading period 20%)	1,008	133
Effects of:		
Expenses not deductible for tax purposes	15	4
Stock option permanent difference	(4)	(22)
Imputed interest (charge)/income	(68)	8
<b>Total tax charge for the period</b>	<b>951</b>	<b>123</b>

### c) Tax rate changes

A further change to the UK Corporation tax rates was announced in the Finance Bill 2016 to reduce the main rate to 17% from 1 April 2020. This change was substantively enacted in Q3 2016 and therefore has been included in the financial statements as the latest substantively enacted corporation tax rate at the balance sheet date.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

## 11 Tangible assets

	Fixtures, fittings, tools and equipment £'000	Total £'000
<b>Cost</b>		
At 1 January 2017	26	26
Additions	43	43
<b>At 31 December 2017</b>	<b>69</b>	<b>69</b>
<b>Accumulated depreciation</b>		
At 1 January 2017	14	14
Charge for the period	5	5
<b>At 31 December 2017</b>	<b>19</b>	<b>19</b>
<b>Net book amount</b>		
<b>At 31 December 2017</b>	<b>50</b>	<b>50</b>
<b>3 month trading period ended 31 December 2016</b>	<b>12</b>	<b>12</b>

## 12 Debtors: amounts falling due after more than one year

	31 December 2017 £'000	31 December 2016 £'000
Prepayments	1,416	60
	<b>1,416</b>	<b>60</b>

## 13 Debtors: amounts falling due within one year

	31 December 2017 £'000	31 December 2016 £'000
Trade debtors	17,334	13,150
Amounts owed by group undertakings	62,496	74,411
Other debtors	6,522	7,136
Prepayments and accrued income	15	24
	<b>86,367</b>	<b>94,721</b>

Amounts owed by group undertakings are unsecured and have no fixed repayment date. There is no interest charged on loans owed by fellow UK group undertakings. There are no loans to non UK fellow group undertakings.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

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

	31 December 2017	31 December 2016
	£'000	£'000
Bank loans and overdrafts	-	41
Trade creditors	-	10
Amounts owed to group undertakings	38,677	37,790
Amounts due in respect of securitised debtors	30,352	34,414
UK Corporation tax	951	526
Other taxation and social security	689	487
Accruals and deferred income	9,395	18,869
	<b>80,064</b>	<b>92,137</b>

Amounts owed to group undertakings are unsecured and have no fixed repayment date. There is no interest payable on loans owed to UK group undertakings. There are no loans from non UK fellow group undertakings.

Amounts due in respect of securitised debtors include a cash advance of £30,352,000 (2016 3 month trading period: £34,414,000) received from Credit Agricole. These amounts are secured on the trade debtors of the company as at 30 November 2017 and on cash received from securitised debtors between this date and the year-end which has been deposited with another group company. The debtors on which this loan is secured are reflected in the company's Balance Sheet. Interest is payable on these balances at a rate of Euribor plus 1.3% for the term of the loan on each individual securitised trade debtor balance. The factoring agreement is with Credit Agricole and will remain in place until 2019.

### 15 Called up share capital

	31 December 2017	31 December 2016
	£'000	£'000
<b>Issued, called up and fully paid</b>		
At incorporation 1 ordinary share of £1 each	-	-
2,999,999 ordinary shares of £1 each (Share issue 30 November 2016: 2,999,999)	3,000	3,000
<b>Total issued, called up and fully paid 3,000,000 ordinary shares of £1 each</b>	<b>3,000</b>	<b>3,000</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (continued)

### 16 Retirement benefits

The company participates in the Group's UK pension scheme, The Metal Box Pension Scheme, which is operated by CarnaudMetalbox Group UK Ltd and comprises both a defined benefit and defined contribution scheme providing benefits to certain employees within the Group. The scheme is funded and the assets of the scheme are held separately from the Group's assets in a Trustee administered fund.

The latest actuarial valuation of the UK Group scheme was carried out as at 31 December 2017 by professionally qualified independent actuaries Aon Consulting. The total surplus of the scheme as at 31 December 2017 was £218,300,000 (2016: deficit £3,200,000). The scheme is funded by a fellow UK group company, Crown Packaging Manufacturing UK Limited.

The contributions for the company were paid by a fellow UK group company, Crown Packaging Manufacturing UK Limited. In December 2017 Crown Packaging Manufacturing UK Limited paid an amount of £181,100,000 into the scheme which represents payments in advance for the contributions between 1 January 2018 and 31 December 2022. This is instead of making monthly payments (deficit recovery and future service) over the next five years.

Crown Packaging Manufacturing UK Limited expects to pay £120,000 in 2018 for service costs in that year.

### 17 Financial commitments

At 31 December 2017 the company had the following future minimum lease payments under non-cancellable operating leases:

	2017		2016	
	Land & buildings	Other	Land & buildings	Other
Payments due:	£'000	£'000	£'000	£'000
Within one year	2	21	22	112
Later than one year and not later than five years	-	205	16	172
Total	2	226	38	284

### 18 Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is Crown UK Holdings Limited, a company registered in England & Wales. The ultimate parent company and controlling party is Crown Holdings, Inc., which is incorporated in the USA.

The smallest and largest group for which consolidated financial statements are prepared, and which include the financial statements of the company, is Crown Holdings, Inc. Copies of the Group financial statements of Crown Holdings, Inc. are publicly available and may be obtained from the Company Secretary, Crown Packaging Distribution UK Limited, Borland Avenue, Botcherby, Carlisle, Cumbria, CA1 2TL.