

**Company No: 3182537**

**CROWN UK HOLDINGS LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2007**

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## **CROWN UK HOLDINGS LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2007**

The directors present their annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2007

#### **PRINCIPAL ACTIVITIES**

The principal activity of the Group continues to comprise the manufacture, printing and sale of packaging containers. The principal activity of the Company is that of a holding company for the group.

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

The key business risks and uncertainties affecting the Group are considered to be the consolidation of the consumer products market, reducing the number of potential customers and increasing the comparative strength of these customers in relation to the suppliers in the market, and the trend towards alternative packaging products and materials.

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

The results for the Group show an operating loss of £18.8M (2006: £13.9M) and sales of £604.5M (2006: £612.9M).

The Group has £235.8M (2006: £287.7M) of net assets at the year end and is well positioned to take advantage of opportunities to invest in the future of the company.

2007 was another difficult year which saw sales and operating income down against 2006 despite the fact that contracts were in place for part of the year to cover any increase in core raw material costs. Improvements are expected in 2008 since these raw material contracts will cover the full year which was not the case in 2007, and the Group anticipates exceeding its budgeted expectations in 2008.

There are no current plans for significant restructuring in the Group where all manufacturing sectors are profitable except one. The objective in 2008 will be to improve the loss making sector, not to close it. Similarly, there is no intention of significant transfers of business either into or out of Crown UK Holdings Limited in the short to medium term.

#### **RESULTS AND DIVIDENDS**

The Group's loss for the year of £6.2M (2006: profit of £2.0M) has been deducted from reserves. The directors do not recommend the payment of a dividend (2006: £NIL).

#### **DIRECTORS**

The directors of the company who served during the year and up to the date of signing the financial statements are set out below:

J W Conway

J Davidson (resigned 14 January 2008)

H C Lomax (appointed 14 January 2008)

A W Rutherford

## **CROWN UK HOLDINGS LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)**

#### **KEY PERFORMANCE INDICATORS ("KPI's")**

The company and wider group is managed on a divisional basis with performance monitored using a number of "World Class Performance" indicators, based around the efficiency of the production cycle

During the year all divisions have worked towards meeting these targets and the Group is continuing to work towards exceeding industry standards around operating efficiencies

#### **EMPLOYMENT POLICIES**

It is the Group'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 Group and of the individuals concerned, with a view to improving every individual's, and thereby the Group's, performance

Throughout the year, the drive for improved quality in all functions has served as an important focus for improved communication with employees. The Group'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 Group's policy to keep employees fully informed on matters which affect them, through direct communications and established collective procedures for joint consultation

The Group promotes its Health and Safety policy with high profile initiatives and has throughout the year continued vigorously to apply increasing standards of machine and employee safety and has also increased the amount of training specifically related to this matter

The Group is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status and offers appropriate training and career development for disabled staff. If members of staff become disabled the Group continues employment wherever possible and arranges retraining

#### **CHARITABLE AND POLITICAL DONATIONS**

Donations to charitable organisations made by the Group amounted to £12,302 (2006 £11,607). No payments were made during the year for political purposes (2006 £NIL)

#### **RESEARCH AND DEVELOPMENT**

The directors consider that research and development plays a vital role in the Group's success. The research and development costs incurred by the Group are set out in note 4 to the financial statements. All of this was expensed to the profit and loss account as incurred

## **CROWN UK HOLDINGS LIMITED**

### **DIRECTORS' REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)**

### **FINANCIAL RISK MANAGEMENT**

The Group's operations expose it to a variety of financial risks that include the effects of any changes in liquidity and cash flow risk, market prices, credit risks, exchange rate risk and interest rate risk. The UK Group is part of a larger US owned Group, the Crown Holdings, Inc. Group, and the risk management programme that seeks to limit the adverse effects on the financial performance of the UK Group is maintained at European level by the European Treasury department.

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

The Group's liquidity is managed centrally at European level. The Group maintains a mixture of long-term and short-term financing arrangements that are designed to ensure the Group and company have sufficient funds available for operations. The level of debt finance and related finance costs is monitored at European level. Details of the Group's cash flow forecasts are supplied to the European Treasury department to assist with the Group's cash management position and to minimise the risk of uncertain future funding requirements.

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

### **PRICE RISK**

The Group is exposed to commodity price risk as a result of its operations and the management of this exposure is borne as far as is possible by the Group's central purchasing department.

### **CREDIT RISK**

The Group carries out appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual customer is subject to a limit, which is regularly reviewed having regard to the level of business and changes in the customer circumstances.

### **EXCHANGE RATE RISK**

The Group 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 Crown Financial Accounting Policies manual.

### **INTEREST RATE RISK**

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

### **INFORMATION TECHNOLOGY**

There is a central Information Technology ("IT") department responsible for ensuring that all business units conform to the Group's IT strategy and policies. The IT department is also responsible for writing and maintaining proprietary operating software.

## **CROWN UK HOLDINGS LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)**

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and Group and of the profit or loss of the company and Group for that period.

In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether any applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and Group will continue in business in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **DISCLOSURE OF INFORMATION TO AUDITORS**

So far as they are aware, the directors in office at the date of this report confirm that there is no relevant audit information of which the Group's auditors are unaware, and that the directors 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 Group'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



**H C Lomax**  
Director

## CROWN UK HOLDINGS LIMITED

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CROWN UK HOLDINGS LIMITED

We have audited the Group and parent company financial statements (the "financial statements") of Crown UK Holdings Limited for the year ended 31 December 2007 which comprise the consolidated profit and loss account, the Group and company balance sheets, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

#### Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 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 save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

#### Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and the parent company's affairs as at 31 December 2007 and of the Group's loss and cash flows for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Reading

22nd September 2008

**CROWN UK HOLDINGS LIMITED**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2007**

	<u>Notes</u>	<u>2007</u> £M	<u>2006</u> £M
<b>Turnover</b>	2	<b>604.5</b>	612.9
Operating costs (net)	4	<u>(623.3)</u>	<u>(626.8)</u>
<b>Operating loss</b>		<b>(18.8)</b>	(13.9)
Profit on sale of land and buildings	3a	-	2.5
Profit on sale of investments	3b	<b>0.1</b>	-
<b>Loss on ordinary activities before interest and taxation</b>		<b>(18.7)</b>	(11.4)
Income from shares in group undertakings		<b>0.3</b>	-
Interest receivable and similar income	5	<b>3.1</b>	5.8
Interest payable and similar charges	6	<b>(22.4)</b>	(21.3)
Other financial income	23	<b>34.1</b>	30.6
Other financial expenses	23	<u><b>(0.5)</b></u>	<u>(0.5)</u>
<b>(Loss)/profit on ordinary activities before taxation</b>		<b>(4.1)</b>	3.2
Tax on (loss)/profit on ordinary activities	8	<b>(2.1)</b>	(1.2)
<b>(Loss)/profit for the financial year</b>	20	<u><b>(6.2)</b></u>	<u>2.0</u>

There is no material difference between the (loss)/profit on ordinary activities before taxation and the (loss)/profit for the years stated above and their historical cost equivalent

All results derive from continuing operations

**CROWN UK HOLDINGS LIMITED****CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 DECEMBER 2007**

	<u>Notes</u>	<u>2007</u> £M	<u>2006</u> £M
(Loss)/profit for the financial year		(6.2)	2 0
Actuarial (loss)/gain on pension scheme	23	(66.6)	33 0
Actuarial gain on medical plan	23	0.1	0 2
Movement on deferred tax relating to pension asset	23	20.0	(9 9)
Movement on deferred tax relating to medical plan	23	-	(0 1)
Currency translation differences on foreign currency net investments		<u>0.3</u>	<u>(3 3)</u>
<b>Total recognised (loss)/gain for the year</b>		<u>(52.4)</u>	<u>21 9</u>

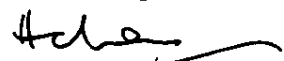


**CROWN UK HOLDINGS LIMITED**

**BALANCE SHEETS  
AS AT 31 DECEMBER 2007**

		<b>Group 2007</b>	<b>Company 2007</b>	<b>Group 2006</b>	<b>Company 2006</b>
		<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>
<b>Fixed assets</b>					
Intangible assets	10	239.6	-	266.8	-
Tangible assets	11	106.8	-	117.4	-
Investments	12	-	710.1	1.3	776.2
		<b>346.4</b>	<b>710.1</b>	<b>385.5</b>	<b>776.2</b>
<b>Current assets</b>					
Stocks	13	70.0	-	64.2	-
Debtors (amounts falling due within one year)	14	101.3	7.1	109.3	7.3
Debtors (amounts falling due after more than one year)	15	14.8	-	7.0	-
Cash at bank and in hand	22	8.3	-	5.0	-
		<b>194.4</b>	<b>7.1</b>	<b>185.5</b>	<b>7.3</b>
Creditors (amounts falling due within one year)	16	(363.8)	(308.9)	(362.4)	(320.6)
<b>Net current liabilities</b>		<b>(169.4)</b>	<b>(301.8)</b>	<b>(176.9)</b>	<b>(313.3)</b>
<b>Total assets less current liabilities</b>		<b>177.0</b>	<b>408.3</b>	<b>208.6</b>	<b>462.9</b>
Creditors (amounts falling due after more than one year)	17	(0.3)	-	(0.3)	-
Provisions for liabilities and charges	18	(2.4)	-	(4.3)	-
<b>Net assets excluding pension asset and post-retirement medical benefit plan liability</b>		<b>174.3</b>	<b>408.3</b>	<b>204.0</b>	<b>462.9</b>
Pension asset	23	69.3	-	91.3	-
Post-retirement medical benefit Plan liability	23	(7.8)	-	(7.6)	-
<b>Net assets including pension asset and post-retirement medical benefit plan liability</b>		<b>235.8</b>	<b>408.3</b>	<b>287.7</b>	<b>462.9</b>
<b>Capital and reserves</b>					
Called-up share capital	19	0.4	0.4	0.4	0.4
Share premium account	20	491.5	491.5	491.5	491.5
Profit and loss account (deficit)	20	(256.4)	(83.6)	(204.4)	(30.4)
Other reserves	20	-	-	-	1.4
<b>Total shareholders' funds</b>	21	<b>235.5</b>	<b>408.3</b>	<b>287.5</b>	<b>462.9</b>
Equity minority interests		<b>0.3</b>	<b>-</b>	<b>0.2</b>	<b>-</b>
<b>Capital employed</b>		<b>235.8</b>	<b>408.3</b>	<b>287.7</b>	<b>462.9</b>

The financial statements on pages 6 to 38 were approved by the board of directors on 18 September 2008 and were signed on its behalf by



**H C Lomax**  
Director

**CROWN UK HOLDINGS LIMITED**

**CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2007**

	<u>Notes</u>	<u>2007</u> £M	<u>2007</u> £M	<u>2006</u> £M	<u>2006</u> £M
<b>Net cash inflow from operating activities</b>	22a		<b>61.6</b>		<b>50.8</b>
Dividends received		<b>0.3</b>		-	
<b>Returns on investments and servicing of finance</b>					
Interest received		<b>3.1</b>		<b>5.8</b>	
Interest paid		<b>(22.4)</b>		<b>(21.3)</b>	
<b>Net cash outflow from returns on investments and servicing of finance</b>			<b>(19.0)</b>		<b>(15.5)</b>
<b>Taxation</b>			<b>(3.7)</b>		<b>2.4</b>
<b>Capital expenditure and financial investment</b>					
Purchase of tangible fixed assets	11	<b>(9.1)</b>		<b>(8.4)</b>	
Purchase of intangible fixed assets	10	<b>(0.2)</b>		<b>(0.2)</b>	
Sale of tangible fixed assets		<b>1.1</b>		<b>4.2</b>	
<b>Net cash outflow for capital expenditure and financial investment</b>			<b>(8.2)</b>		<b>(4.4)</b>
<b>Acquisitions and disposals</b>					
Sale of investments	3b		<b>1.4</b>		-
<b>Net cash inflow before use of liquid resources and financing</b>			<b>32.1</b>		<b>33.3</b>
<b>Management of liquid resources</b>					
Repayment of short term borrowings					
Repayment of bonds	16	-		<b>(62.3)</b>	
(Decrease)/increase in bank overdraft	16	<b>(28.6)</b>		<b>19.9</b>	
(Decrease)/increase in other loans	17	<b>(0.2)</b>		<b>(0.2)</b>	
<b>Net cash outflow from management of liquid resources</b>			<b>(28.8)</b>		<b>(42.6)</b>
<b>Financing</b>					
New finance leases		-		-	
Capital element of finance lease rentals	17	-		<b>(0.1)</b>	
<b>Net cash outflow from financing</b>			-		<b>(0.1)</b>
<b>Increase/(decrease) in net cash</b>	22		<b>3.3</b>		<b>(9.4)</b>

## **CROWN UK HOLDINGS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**

#### **1. ACCOUNTING POLICIES**

##### **Basis of accounting**

These financial statements have been prepared on the going concern basis under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom. The principal accounting policies are set out below and have been applied consistently throughout the year.

The company is a wholly owned subsidiary company of a group headed by Crown Holdings, Inc., and is included in the consolidated financial statements of both that company and the intermediate parent company, Crown Canadian Holdings ULC, which are publicly available.

##### **Basis of preparation of Group financial statements**

The Group financial statements consolidate the results of the company and all its subsidiary undertakings for the year to 31 December 2007 and its share of the results and post-acquisition reserves of associated undertakings.

The profits and losses of subsidiary undertakings are consolidated from the date of acquisition up to the date of disposal where appropriate.

All the subsidiary undertakings use uniform accounting policies and all intra-group balances and profits are eliminated.

##### **Share-based payments**

The Group's employees were members of six active stock-based incentive compensation plans – the 1990, 1994, 1997, 2001, 2004 and 2007 plans – operated by the ultimate parent company, Crown Holdings, Inc., that currently comprise of fixed stock options.

The Group is applying the transitional arrangements of FRS 20 "Share based payment" whereby compensation expense for all non-vested share options, measured by the grant-date fair value of the awards, will be charged to the profit and loss account prospectively over the remaining vesting period based on the estimated number of awards that are expected to vest.

Similarly, compensation expense for all future awards will be recognized over the vesting period based on the grant-date fair value and the estimated number of awards that are expected to vest. Compensation expense is recognized over the vesting period on a straight-line basis over the total service period for the entire award. Valuation of awards granted prior to the adoption of the standard were calculated using the Black-Scholes option pricing model and the Group expects to use the same model of valuing future awards.

At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

Details of the share-based payment scheme are set out in note 26.

##### **Turnover**

Turnover represents the invoiced value of sales (excluding VAT, 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.

## **CROWN UK HOLDINGS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)**

#### **1. ACCOUNTING POLICIES (CONTINUED)**

##### **Tangible fixed assets and depreciation**

Tangible fixed assets are stated at historic purchase cost net of accumulated depreciation and provision for impairment in value. Cost includes interest on loans directly related to the funding of construction costs.

Depreciation is charged to the profit and loss account on a straight line basis over the estimated useful economic lives of the assets which, for the major categories, are

Buildings (freehold and leasehold)	- 10 to 40 years
Plant and machinery	- 7 to 10 years
Fixtures, fittings, tools and equipment	- 3 to 15 years

Freehold land and assets in the course of construction are not depreciated.

##### **Stocks and work-in-progress**

Stocks and work-in-progress are stated at the lower of cost and net realisable value. Cost is calculated using the first-in-first-out method and consists of material and direct labour costs, together with an appropriate proportion of production overheads, based on normal production levels. Provision is made for obsolete, slow moving or defective items where appropriate.

##### **Intangible assets**

Goodwill represents the excess of the cost of acquisition over the fair value of the separable net assets of businesses acquired. Goodwill is amortised through the profit and loss account on a straight line basis over an estimated useful economic life of 20 years.

Intellectual property is capitalised and amortised through the profit and loss account in equal instalments over an estimated useful economic life of 20 years.

##### **Deferred taxation**

The charge for taxation is based on the result for the year and takes into account deferred taxation. Provision is made in full for deferred taxation liabilities that arise from timing differences where transactions or events that result in an obligation to pay more taxation in the future have occurred at the balance sheet date. Deferred taxation assets are recognised to the extent that they are regarded as recoverable.

Deferred taxation is measured by 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. Deferred taxation assets and liabilities are not discounted.

Deferred tax is recognised in respect of the retained earnings of overseas subsidiaries only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future periods has been entered into by the subsidiary.

##### **Government grants**

Regional development grants and other investment grants received are treated as deferred income and credited to the profit and loss account over the estimated useful economic life of the relevant fixed assets.

## **CROWN UK HOLDINGS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)**

#### **1 ACCOUNTING POLICIES (CONTINUED)**

##### **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

##### **Cash**

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand

##### **Foreign currencies**

Assets, liabilities, revenues and costs expressed in foreign currencies are translated into sterling at rates of exchange ruling on the date on which transactions occur, except for

- (a) monetary assets and liabilities which are translated at the rate ruling at the balance sheet date and,
- (b) transactions to be settled at a contracted rate and trading transactions covered by a related or matching forward contract which are translated at those contracted rates

Differences arising on the translation of such items are included in the profit and loss account

Results of overseas subsidiaries are translated at the average rate for the period Monetary assets and liabilities of overseas subsidiaries are translated at the rate ruling at the balance sheet date Exchange differences arising are included within reserves

##### **Research and development expenditure**

Research and development expenditure is written off to the profit and loss account in the year in which it is incurred

##### **Leases**

Assets held under finance leases and the related lease obligations are included at the fair value of the leased assets at the inception of the lease Depreciation on leased assets is calculated to write off this amount on a straight line basis over the shorter of the lease term and the useful economic life of the asset Rentals payable are apportioned between the finance charge and a reduction of the outstanding obligation for future amounts payable so that the charge for each accounting period is a constant percentage of the remaining balance of the capital sum outstanding

Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the term of the lease

##### **Investments**

Fixed asset investments are stated at purchase cost less amounts written off Provision is made for any impairment in value Dividend income from fixed asset investments is recognised in the profit and loss account of the parent company in the year in which it is received

## **CROWN UK HOLDINGS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)**

#### **1. ACCOUNTING POLICIES (CONTINUED)**

##### **Retirement benefits**

The company is a member of both the MetalBox Pension Scheme ('pension scheme'), which comprises both a defined benefit and defined contribution scheme, and the Post-retirement Medical Plan ('medical plan') operated by CarnaudMetalbox Group UK Ltd

The assets of the defined contribution scheme are held separately from those of the company in an independently administered fund. The pension cost charge disclosed in note 23 represents contributions payable by the company to the fund.

The company also operates a defined benefit pension scheme for the benefit of the majority of its employees, the assets of which are held separately from those of the company in independently administered funds.

Pension scheme assets are measured using market value. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability. The increase in the present value of the liabilities of the Group's defined benefit pension schemes expected to arise from employee service in the period is charged to operating profit. The expected return on the schemes' assets and the increase during the year in the present value of the schemes' liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the consolidated statement of total recognised gains and losses.

Pension schemes' surpluses, to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the balance sheet net of the related deferred tax.

The assets of the pension scheme are held separately from the Group's assets in a trustee administered fund. The medical plan is an unfunded scheme. Details of the pension scheme and medical plan for the Group are set out in note 23 to the financial statements.

# CROWN UK HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

### 2. SEGMENTAL INFORMATION

A geographical analysis of results by origin of business is given below

	EU Countries 2007 £M	Rest of Europe 2007 £M	Rest of World 2007 £M	Total Group 2007 £M	EU Countries 2006 £M	Rest of Europe 2006 £M	Rest of World 2006 £M	Total Group 2006 £M
<b>TURNOVER</b>								
Sales to third parties	456.6	4.9	32.8	494.3	444.0	4.1	43.4	491.5
Sales to other members of the Crown Holdings, Inc Group	61.5	4.1	44.6	110.2	73.3	0.2	47.9	121.4
Total	518.1	9.0	77.4	604.5	517.3	4.3	91.3	612.9
<b>(Loss)/profit on ordinary activities before tax</b>	(3.0)	0.3	(1.4)	(4.1)	4.2	(0.1)	(0.9)	3.2
<b>NET OPERATING ASSETS/ (LIABILITIES)</b>	131.4	-	0.4	131.8	156.8	(15.1)	(9.5)	132.2
Reconciliation of net operating assets to the balance sheet								
Net operating assets				131.8				132.2
Intangible fixed assets				239.6				266.8
External and intercompany debt				(135.6)				(111.3)
Net assets				235.8				287.7

The Group's activities represent one class of business for the purpose of segmental reporting, that of manufacture, printing and distribution of packaging materials. Turnover by geographical destination is not materially different from the above analysis.

#### 3a. PROFIT ON SALE OF LAND AND BUILDINGS

The Group sold some of its land and buildings at its Sutton plant in Nottinghamshire in the United Kingdom in 2006 for a cash consideration of £3.9M and recognised a profit of £2.5M.

#### 3b. PROFIT ON SALE OF INVESTMENTS

In December 2007 the group sold its investment in Crown Asia Pacific Holdings Limited for a cash consideration of £1.4m and recognised a profit of £0.1m.

**CROWN UK HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)**

**4. OPERATING COSTS (NET)**

	<b>Total 2007 £M</b>	<b>Total 2006 £M</b>
Change in stocks of finished goods and work in progress	(2.8)	(2 3)
Own work capitalised	(0.5)	(0 6)
Other operating charges	36.6	35 5
Raw materials and consumables	361.2	372 2
Goodwill and intellectual property amortisation	27.4	27 4
Staff costs - wages and salaries	103.4	99 9
social security	9.8	10 1
cost of employee share option schemes	0.4	0 2
other pension costs	13.6	14 6
Depreciation - owned assets	20.3	23 3
(Gain) on disposal of fixed assets	(0.1)	(0 2)
Operating lease rentals		
- on plant and machinery	4.2	4 2
- other than plant and machinery	2.0	2 7
Auditor's remuneration		
- audit of company's financial statements pursuant to legislation	0.4	0 3
- tax services	0.1	0 2
- other services pursuant to legislation	-	0 1
Distribution costs	25.9	26 0
Selling and marketing costs	1.8	1 6
Research and development costs	16.6	17 4
Net exchange losses/(gains)	1.4	(6 0)
Post retirement medical benefits	0.1	0 1
Redundancy and reorganisation	-	3 3

Auditor's remuneration for the group was £407,000 (2006 £339,000) Non-audit services were provided to the group of £147,000 (2006 £251,000)



# **CROWN UK HOLDINGS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)**

### **4 OPERATING COSTS (NET) (CONTINUED):**

#### **Exchange gains/(losses)**

Gains totalling £nil (2006 £7.2M) were made on the previously held \$107.1M bonds repaid as a result of exchange movements on US dollar versus GBP. A summary of gains made during the year is

	<u>2007</u> £M	<u>2006</u> £M
<u>Realised</u>		
On redemption of bonds	-	6.0
On exit on \$300m swap	-	1.1
On interest on bonds	-	0.1
	<u>-</u>	<u>7.2</u>
<u>Unrealised</u>		
On outstanding bonds as at 31 December	-	-
On intercompany loan	-	-
On accrued interest on intercompany loan	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>7.2</u>

### **5. INTEREST RECEIVABLE AND SIMILAR INCOME**

	<u>2007</u> £M	<u>2006</u> £M
Interest receivable		
- on bank and other deposits	<b>0.9</b>	1.1
- on loans to fellow Group companies	<b>2.2</b>	4.7
	<u><b>3.1</b></u>	<u>5.8</u>

### **6. INTEREST PAYABLE AND SIMILAR CHARGES**

	<u>2007</u> £M	<u>2006</u> £M
On bank loans and overdrafts	4.3	6.6
On securitisation of trade debtors	2.3	2.0
On loans from fellow Group companies	<b>15.8</b>	12.7
	<u><b>22.4</b></u>	<u>21.3</u>

# **CROWN UK HOLDINGS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)**

### **7. DIRECTORS AND EMPLOYEES**

	<u>2007</u>	<u>2006</u>
	Number	Number
Average number of persons, including executive directors, employed by the Group during the year	<u>3,516</u>	<u>3,697</u>
Production and research & development	2,842	3,013
Administrative	<u>674</u>	<u>684</u>
Total	<u>3,516</u>	<u>3,697</u>

Staff costs are disclosed in note 4

	<u>2007</u>	<u>2006</u>
	£'000	£'000
<b>Directors' remuneration</b>		
Aggregate emoluments	111	125
Pension cost	<u>12</u>	<u>12</u>
	<u>123</u>	<u>137</u>

During the year, none (2006 one) of the directors accrued benefits under the defined benefit pension scheme

During the year one (2006 one) director exercised share options During the year none (2006 none) of the directors received share options

There are no employees (2006 nil) and subsequently no employee costs in the individual entity of Crown UK Holdings Limited, the company

**CROWN UK HOLDINGS LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)****8. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES**

	<u>2007</u>	<u>2006</u>
	<u>£M</u>	<u>£M</u>
<b>Current tax</b>		
UK corporation tax on (loss)/profit for the year	1.4	1.4
Adjustment in respect of prior years	-	(2.4)
Overseas tax	<u>0.4</u>	<u>0.7</u>
Total current tax charge/(credit)	1.8	(0.3)
<b>Deferred tax</b>		
Origination and reversal of timing differences	(0.4)	0.9
Adjustment in respect of prior years	-	(5.3)
UK tax rate change	(1.3)	-
Abolition of balancing adjustments on UK Industrial Building Allowances	(4.0)	-
Post-retirement medical benefits	(0.1)	(0.2)
Defined benefit pension scheme	<u>6.1</u>	<u>6.1</u>
Total deferred tax	0.3	1.5
 Tax on (loss)/profit on ordinary activities	 <u>2.1</u>	 <u>1.2</u>

Overseas taxation has been provided on the results of overseas subsidiary companies at the appropriate overseas rates of tax.

The tax assessed for the year is higher (2006 lower) than the standard rate of corporation tax in the UK (30%). The differences are explained over page

A number of changes to the UK Corporation tax system were announced in the March 2008 Budget Statement and were enacted in the 2008 Finance Act which received Royal Assent in July 2008. These changes are not expected to have a significant impact of the balance sheet as at 31 December 2007.

**CROWN UK HOLDINGS LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)****8. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES (CONTINUED)**

	<u>2007</u> £M	<u>2006</u> £M
(Loss)/profit on ordinary activities before tax	<u>(4.1)</u>	<u>3 2</u>
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2006 30%)	(1.2)	0 9
Effects of		
Overseas (losses)/profits taxed at different rates	(0.2)	(0 5)
Expenses not deductible for tax purposes	-	0 3
Goodwill amortisation	8.1	8 1
Capital disposal	(0.2)	(1 0)
Dividends received	(0.1)	-
Double tax relief on intra-group dividends	-	0 5
Research allowances	(0.3)	(0 5)
Imputed rebate income 2007	1.4	1 4
Stock options exercised 2007	(0.1)	(0 3)
Accelerated capital allowances and other timing differences	0.4	(0 9)
Pension contributions relief in excess of net pension charge	(6.1)	(6 1)
Medical plan contributions relief in excess of net medical plan charge	0.1	0 2
Adjustments in respect of prior years	-	(2 4)
Current tax charge/(credit) for the year	<u>1.8</u>	<u>(0 3)</u>

**9. (LOSS)/PROFIT OF PARENT COMPANY**

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the company is not presented as part of these financial statements. The company's loss for the financial year was £54.6M (2006 loss £13.8M), which includes dividends receivable from Group undertakings of £22.4M (2006 £1.0M) and an investment write down of £64.7M (2006 £NIL).

**CROWN UK HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)**

**10. INTANGIBLE FIXED ASSETS**

**Group**

	<b>Intellectual property</b>	<b>Goodwill</b>	<b>Total</b>
	<b>£M</b>	<b>£M</b>	<b>£M</b>
<b>COST</b>			
At 1 January 2007	2.7	542.8	545.5
Additions	0.2	-	0.2
<b>At 31 December 2007</b>	<b>2.9</b>	<b>542.8</b>	<b>545.7</b>
<b>ACCUMULATED AMORTISATION</b>			
At 1 January 2007	2.1	276.6	278.7
Charge for the year	0.3	27.1	27.4
<b>At 31 December 2007</b>	<b>2.4</b>	<b>303.7</b>	<b>306.1</b>
<b>NET BOOK AMOUNT</b>			
<b>At 31 December 2007</b>	<b>0.5</b>	<b>239.1</b>	<b>239.6</b>
At 31 December 2006	0.6	266.2	266.8

The company has no intangible fixed assets

Goodwill and intellectual property is amortised over twenty years which is considered to equate to its estimated useful economic life

**CROWN UK HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)**

**11. TANGIBLE FIXED ASSETS**

Group	Freehold land and buildings £M	Leasehold buildings £M	Plant and machinery £M	Fixtures, fittings, tools and equipment £M	Total £M
<b>COST</b>					
At 1 January 2007	46.5	0.1	252.0	59.1	357.7
Additions	0.1	-	7.8	1.2	9.1
Disposals	(0.5)	-	(1.4)	(0.2)	(2.1)
Transfers to fellow Group undertakings	-	-	(1.6)	(0.1)	(1.7)
Reclassifications	0.1	-	(0.7)	0.6	-
Exchange movement	0.9	-	2.3	0.1	3.3
<b>At 31 December 2007</b>	<b>47.1</b>	<b>0.1</b>	<b>258.4</b>	<b>60.7</b>	<b>366.3</b>
<b>ACCUMULATED DEPRECIATION</b>					
At 1 January 2007	12.5	0.1	183.2	44.5	240.3
Charge for the year	1.8	-	13.5	5.0	20.3
Disposals	-	-	(1.2)	(0.2)	(1.4)
Transfers to fellow Group undertakings	(0.2)	-	(1.0)	(0.1)	(1.3)
Exchange movement	0.2	-	1.3	0.1	1.6
<b>At 31 December 2007</b>	<b>14.3</b>	<b>0.1</b>	<b>195.8</b>	<b>49.3</b>	<b>259.5</b>
<b>NET BOOK AMOUNT</b>					
<b>At 31 December 2007</b>	<b>32.8</b>	<b>-</b>	<b>62.6</b>	<b>11.4</b>	<b>106.8</b>
At 31 December 2006	34.0	-	68.8	14.6	117.4

Freehold land amounting to £8.6M (2006 £9.0M) has not been depreciated

Plant and machinery includes the cost of assets in the course of construction being £5.2M (2006 £7.9M) which are not depreciated until the assets are commissioned

Included in the net book amount of plant and machinery is £0.1M (2006 £0.1M) in respect of assets held under finance lease. There were no additions during the year.

The transfer of fixed assets to fellow Group undertakings took place at net book value.

The company has no tangible fixed assets.

## **CROWN UK HOLDINGS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)**

#### **12. FIXED ASSET INVESTMENTS**

	<u>2007</u>	<u>2006</u>
	<u>£M</u>	<u>£M</u>
<b>Company</b>		
Shares in Group undertakings		
- subsidiary undertakings	<u>710.1</u>	<u>776.2</u>

The above investments are unlisted

The company's investments comprise

	<u>2007</u>	<u>2006</u>
	<u>£M</u>	<u>£M</u>
CarnaudMetalbox Group UK Ltd	626.5	691.2
CarnaudMetalbox Overseas Ltd	57.6	57.7
Crown Aerosols UK Ltd	25.9	25.9
Crown Cork & Seal Finance Limited	0.1	0.1
CarnaudMetalbox Asia Ltd	-	1.3
	<u>710.1</u>	<u>776.2</u>

See note 30 for a list of the principal subsidiary undertakings

The Company wrote down its investment in CarnaudMetalbox Group UK Limited to £626.5M in the year and recorded a charge in the Profit and Loss account of £64.7M

In the opinion of the directors the value of investments is not less than the net book amounts shown above

#### **Group**

	<u>2007</u>	<u>2006</u>
	<u>£M</u>	<u>£M</u>
Shares in Group undertakings	<u>-</u>	<u>1.3</u>

In December 2007 the Group sold its 0.99% equity investment in Crown Asia Pacific Holdings Limited for cash consideration of £1.4M

# **CROWN UK HOLDINGS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)**

### **13. STOCKS**

	<b>Group 2007</b>	<b>Company 2007</b>	<b>Group 2006</b>	<b>Company 2006</b>
	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>
Raw materials and consumables	27.2	-	24.2	-
Work-in-progress	13.5	-	15.0	-
Finished goods and goods for resale	29.3	-	25.0	-
	<b>70.0</b>	<b>-</b>	<b>64.2</b>	<b>-</b>

In the opinion of the directors, the current replacement cost of stocks is not materially different from the amounts stated above

### **14. DEBTORS**

	<b>Group 2007</b>	<b>Company 2007</b>	<b>Group 2006</b>	<b>Company 2006</b>
	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>
<b>Amounts falling due within one year:</b>				
Trade debtors	37.7	-	43.7	-
Amounts owed by Group undertakings	51.9	-	51.0	-
Corporation tax	-	7.1	-	7.3
Other debtors	8.6	-	12.0	-
Prepayments and accrued income	3.1	-	2.6	-
	<b>101.3</b>	<b>7.1</b>	<b>109.3</b>	<b>7.3</b>

Amounts owed by fellow Group undertakings are unsecured and have no fixed repayment date

### **15. DEBTORS: Amounts falling due after more than one year**

#### **Deferred tax asset excluding deferred tax on pension and medical plan**

	<b>Group 2007</b>	<b>Group 2006</b>
	<b>£M</b>	<b>£M</b>
At 1 January	7.0	(10.6)
Credit for the year	7.8	17.4
Exchange movement	-	0.2
At 31 December 2007	<b>14.8</b>	<b>7.0</b>

The company has no deferred tax assets or liabilities



# CROWN UK HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

### 15. DEBTORS: Amounts falling due after more than one year (Continued)

The deferred tax asset, which has been recognised in full comprises

	Amount provided 2007 £M	Amount provided 2006 £M
Excess of capital allowances over depreciation	0.4	(7.6)
Other timing differences	5.9	6.5
Advanced corporation tax	8.5	8.1
	<u>14.8</u>	<u>7.0</u>

Deferred taxation is not provided on the accumulated reserves of overseas subsidiaries since the amounts involved are not material. The company has no un-provided deferred taxation.

The Group has recognised its Advance Corporation Tax asset on the Balance Sheet on the basis that it is considered more likely than not that there will be future corporation tax liabilities arising in the Group against which the surplus Advanced Corporation tax can be set.

### 16. CREDITORS: Amounts falling due within one year

	Group 2007 £M	Company 2007 £M	Group 2006 £M	Company 2006 £M
Bank loans and overdrafts	2.3	-	30.9	23.0
Trade creditors	120.7	-	111.8	-
Amounts owed to Group undertakings	156.9	308.9	138.4	297.6
Amounts due in respect of securitised debtors	37.4	-	37.7	-
Finance lease obligation	0.1	-	-	-
Corporation tax	1.4	-	3.3	-
Other taxation and social security	3.9	-	3.6	-
Other creditors and accruals	41.1	-	36.7	-
	<u>363.8</u>	<u>308.9</u>	<u>362.4</u>	<u>320.6</u>

The bank loans and overdrafts are unsecured and bear interest at rates which fluctuate in line with the inter-bank rate and vary by country.

Amounts due to fellow undertakings are unsecured and have no fixed repayment date.

# **CROWN UK HOLDINGS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)**

### **16. CREDITORS: Amounts falling due within one year (Continued)**

Trading balances within the group do not incur an interest charge. Amounts owed to the Group finance company accrue interest at EURIBOR + 1.5%, being the group's cost of capital.

Amounts due in respect of securitised debtors include cash advances received from BNP Paribas. These amounts are secured on the trade debtors of the Group as at 25 December 2007 and on cash received from securitised debtors between this date and the year-end. The debtors on which this loan is secured are reflected in the Group's Balance Sheet. Interest is payable on these balances at a rate of Euribor plus 1% for the term of the loan on each individual securitised trade debtor balance.

### **17. CREDITORS: Amounts falling due after more than one year**

	<b>Group 2007</b>	<b>Company 2007</b>	<b>Group 2006</b>	<b>Company 2006</b>
	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>
Other creditors and accruals – government grant	<b>0.3</b>	<b>-</b>	<b>0.3</b>	<b>-</b>
	<b>0.3</b>	<b>-</b>	<b>0.3</b>	<b>-</b>

### **Analysis of debt maturity**

	<b>Bank loans and overdrafts 2007</b>	<b>Finance leases 2007</b>	<b>Other loans 2007</b>	<b>Total 2007</b>
	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>
<b>Group</b>				
Amounts payable				
In one year or less	<b>2.3</b>	<b>0.1</b>	<b>37.4</b>	<b>39.8</b>

	<b>Bank loans and overdrafts 2006</b>	<b>Finance leases 2006</b>	<b>Other loans 2006</b>	<b>Total 2006</b>
	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>
<b>Group</b>				
Amounts payable				
In one year or less	<b>30.9</b>	<b>-</b>	<b>37.7</b>	<b>68.6</b>

The company had debts outstanding for the year ending 31 December 2007 of £10,000 (2006 £23,000,000), solely relating to bank loans, payable in one year or less.

# **CROWN UK HOLDINGS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)**

### **18. PROVISIONS FOR LIABILITIES AND CHARGES**

<b>Group</b>	<b>Redundancy and rationalisation provisions</b>	<b>Warranty Provision</b>	<b>Onerous lease provision</b>	<b>Other provisions</b>	<b>Total</b>
	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>
At 1 January 2007	1.9	0.5	0.6	1.3	4.3
Charge for the year	-	0.4	0.2	0.1	0.7
Utilised during the year	(1.7)	(0.5)	(0.2)	(0.2)	(2.6)
<b>At 31 December 2007</b>	<b>0.2</b>	<b>0.4</b>	<b>0.6</b>	<b>1.2</b>	<b>2.4</b>

The remaining redundancy and rationalisation provision is expected to be fully utilised in 2008. The onerous lease provision is in respect of property rental agreements that are currently not sublet and that expire in 2012 and 2017. The provision for onerous leases is discounted. The warranty provision is to cover claims made by customers. The provision is held for a twelve month period or until a claim is received. The warranty provision has not been discounted.

Other provisions include a provision for pension guarantees and a provision for employee claims.

### **19. CALLED-UP SHARE CAPITAL**

	<b>Authorised 2007</b>	<b>Allotted, issued and fully paid 2007</b>	<b>Authorised 2006</b>	<b>Allotted, issued and fully paid 2006</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Ordinary shares of £1 each	<b>500,000</b>	<b>390,880</b>	<b>500,000</b>	<b>390,880</b>

**CROWN UK HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)**

**20. RESERVES**

<b>Group</b>	<b>Share Capital £M</b>	<b>Share premium £M</b>	<b>Profit and loss account £M</b>	<b>Total £M</b>
At 1 January 2007	0.4	491.5	(204.4)	287.5
(Loss) for the financial year	-	-	(6.2)	(6.2)
Equity share option charge	-	-	0.4	0.4
Exchange movement	-	-	0.3	0.3
Actuarial loss on pension scheme	-	-	(66.6)	(66.6)
Actuarial gain on medical plan	-	-	0.1	0.1
Movement on deferred tax relating to pension scheme	-	-	20.0	20.0
<b>At 31 December 2007</b>	<b>0.4</b>	<b>491.5</b>	<b>(256.4)</b>	<b>235.5</b>
<b>Pension asset</b>			<b>(69.3)</b>	
<b>Profit and loss deficit excluding pension asset</b>			<b>(325.7)</b>	

<b>Company</b>	<b>Share capital £M</b>	<b>Share Premium £M</b>	<b>Other reserves £M</b>	<b>Profit and loss account £M</b>	<b>Total £M</b>
At 1 January 2007	0.4	491.5	1.4	(30.4)	462.9
Loss for the financial year	-	-	-	(54.6)	(54.6)
Reclassify other reserves following sale of Asian investment	-	-	(1.4)	1.4	-
<b>At 31 December 2007</b>	<b>0.4</b>	<b>491.5</b>	<b>-</b>	<b>(83.6)</b>	<b>408.3</b>

**CROWN UK HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)**

**21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<b>Group 2007 £M</b>	<b>Company 2007 £M</b>	<b>Group 2006 £M</b>	<b>Company 2006 £M</b>
(Loss)/profit for the financial year	(6.2)	(54.6)	2.0	(13.8)
Equity share option charge	0.4	-	0.2	-
Currency translation differences on foreign currency and net investments	0.3	-	(3.3)	-
Actuarial (loss)/gain on pension scheme (note 23)	(66.6)	-	33.0	-
Actuarial gain on medical plan (note 23)	0.1	-	0.2	-
Movement on deferred tax relating to pension scheme	20.0	-	(9.9)	-
Movement on deferred tax relating to medical plan	-	-	(0.1)	-
<b>Net (reduction)/ increase to shareholders' funds</b>	<b>(52.0)</b>	<b>(54.6)</b>	<b>22.1</b>	<b>(13.8)</b>
 <b>Opening shareholders' funds</b>	 <b>287.5</b>	 <b>462.9</b>	 <b>265.4</b>	 <b>476.7</b>
 <b>Closing shareholders' funds</b>	 <b>235.5</b>	 <b>408.3</b>	 <b>287.5</b>	 <b>462.9</b>

**22. NOTES TO THE CASH FLOW STATEMENT**

**a) RECONCILIATION OF OPERATING LOSS TO OPERATING CASH FLOWS**

	<b>2007 £M</b>	<b>2006 £M</b>
Operating loss	(18.8)	(13.9)
Employee share option scheme	0.4	0.2
Net pension and medical plan related income/(costs)	1.3	(33.0)
Profit on disposal of fixed assets	(0.1)	(0.2)
Depreciation and amortisation	47.7	50.7
Increase in stocks	(5.1)	(3.8)
Decrease in debtors	9.5	55.2
Decrease in creditors	28.6	(1.1)
Decrease in provisions	(1.9)	(3.3)
<b>Net cash inflow from continuing operating activities</b>	<b>61.6</b>	<b>50.8</b>

**CROWN UK HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)**

**22. NOTES TO THE CASH FLOW STATEMENT (CONTINUED)**

**b) RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

	<u>2007</u> £M	<u>2006</u> £M
Net debt at 1 January	(63.6)	(96.9)
Decrease in net debt	32.1	33.3
Net debt at 31 December	<u>(31.5)</u>	<u>(63.6)</u>

**c) RECONCILIATION OF MOVEMENT IN NET DEBT**

	<u>At 1 January 2007</u> £M	<u>Cash flow</u> £M	<u>At 31 December 2007</u> £M
Cash at bank and in hand	5.0	3.3	8.3
Debt due within one year	<u>(68.6)</u>	<u>28.8</u>	<u>(39.8)</u>
<b>TOTAL</b>	<u>(63.6)</u>	<u>32.1</u>	<u>(31.5)</u>

# CROWN UK HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

### 23. PENSION COMMITMENTS AND OTHER POST-RETIREMENT BENEFITS

The Group operates a pension plan and a retiree medical plan in the UK. The defined benefit section of the pension plan was closed in 2001 and a defined contribution section was opened for new entrants. The profit and loss entries include the cost of the defined contribution section. The contribution account balances are excluded from the plan assets and liabilities.

The latest actuarial valuation of the UK Group scheme was carried out as at 31 December 2007 by professionally qualified independent actuaries Aon Consulting.

The amounts recognised in the balance sheet are as follows:

	Defined benefit pension scheme 2007 £M	Defined benefit pension scheme 2006 £M	Defined benefit pension scheme 2005 £M	Medical benefit plan 2007 £M	Medical benefit plan 2006 £M	Medical benefit plan 2005 £M
Present value of funded obligations	1,513.5	1,459.7	1,485.5	-	-	-
Fair value of plan assets	(1,609.8)	(1,590.1)	(1,519.7)	-	-	-
Present value of Unfunded obligations	-	-	-	10.8	10.8	10.9
Total (surplus)/deficit	(96.3)	(130.4)	(34.2)	10.8	10.8	10.9
Related deferred tax liability/(asset)	27.0	39.1	10.3	(3.0)	(3.2)	(3.3)
Net (surplus)/deficit	(69.3)	(91.3)	(23.9)	7.8	7.6	7.6

The amounts charged to operating profit are as follows:

	Defined benefit pension scheme 2007 £M	Defined benefit pension scheme 2006 £M	Medical benefit plan 2007 £M	Medical benefit plan 2006 £M
<b>Operating profit</b>				
Current service cost	13.6	14.6	0.1	0.1
Settlements/curtailments	-	-	-	-
Total operating charge	13.6	14.6	0.1	0.1
<b>Other finance (income)/expenses</b>				
Interest on obligations	75.1	69.0	0.5	0.5
Expected return on assets	(109.2)	(99.6)	-	-
Net return	(34.1)	(30.6)	0.5	0.5
<b>Statement of total recognised gains and losses</b>				
Actuarial loss/(gain)	66.6	(33.0)	(0.1)	(0.2)

**CROWN UK HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)**

**23. PENSION COMMITMENTS AND OTHER POST-RETIREMENT BENEFITS  
(CONTINUED)**

**Changes in the present value of the defined benefit obligation are as follows**

	<b>Defined benefit pension scheme 2007 £M</b>	<b>Defined benefit pension scheme 2006 £M</b>	<b>Medical benefit plan 2007 £M</b>	<b>Medical benefit plan 2006 £M</b>
Opening defined benefit obligation	<b>1,459.7</b>	1,485.5	<b>10.8</b>	10.9
Service cost	<b>13.6</b>	14.6	<b>0.1</b>	0.1
Interest cost	<b>75.1</b>	69.0	<b>0.5</b>	0.5
Employee contributions	<b>3.7</b>	3.9	-	-
Actuarial losses/(gains)	<b>37.4</b>	(39.5)	<b>(0.1)</b>	(0.2)
Benefits paid	<b>(76.0)</b>	(73.8)	<b>(0.5)</b>	(0.5)
Closing defined benefit obligation	<b>1,513.5</b>	1,459.7	<b>10.8</b>	10.8

As the scheme is closed to new entrants, the current service cost will increase as members approach retirement

**Changes in the fair value plan assets:**

	<b>Defined benefit pension scheme 2007 £M</b>	<b>Defined benefit pension scheme 2006 £M</b>
Opening fair value of plan assets	<b>1,590.1</b>	1,519.7
Expected return	<b>109.2</b>	99.6
Actuarial (losses)	<b>(29.2)</b>	(2.6)
Contributions by employer	<b>12.0</b>	43.3
Contributions by employees	<b>3.7</b>	3.9
Benefits paid	<b>(76.0)</b>	(73.8)
Closing fair value of plan assets	<b>1,609.8</b>	1,590.1

The group expects to contribute £10M (2006 £10M) to the defined benefit pension plan in 2008



# CROWN UK HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

### 23. PENSION COMMITMENTS AND OTHER POST-RETIREMENT BENEFITS (CONTINUED)

The major categories of plan assets as a percentage of total plan assets are as follows:

	Defined benefit pension scheme 2007	Defined benefit pension scheme 2006
Global equities	21%	25%
Fixed interest bonds	33%	33%
Index linked bonds	21%	20%
Real estate	8%	9%
Alternative investments	17%	13%
Total	100%	100%

Principal actuarial assumptions at the balance sheet date:

	Defined benefit pension scheme 2007	Defined benefit pension scheme 2006	Medical benefit plan 2007	Medical benefit plan 2006
Discount rate at 31 December	5.75%	5.25%	5.75%	5.25%
Expected return at 31 December	7.25%	7.00%		
Future salary increases*	3.75%	3.50%		
Future pension increases	3.25%	3.00%		
Future price inflation	3.25%	3.00%	3.25%	3.00%
Annual increase in company paid retiree medical premium			5.00%	4.75%

\*excluding the age related increases

Post retirement mortality is based on recent tables published by the Institute and Faculty of Actuaries, with due allowance for expected improvements in longevity

The expected return is determined at each measurement date based on a review of the actual plan assets, the target allocation, and the historical returns of the capital markets, adjusted for current interest rates as appropriate

Ordinarily the assumptions for healthcare cost trend rates leads to great uncertainty in the projected amounts recognised. For Crown UK Holdings Limited, however, this variability is mitigated by the cost to the company being limited to 5% per annum

**CROWN UK HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)**

**23. PENSION COMMITMENTS AND OTHER POST-RETIREMENT BENEFITS  
(CONTINUED)**

Amounts for the current and previous four periods are as follows

**Defined benefit pension plan**

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
	£M	£M	£M	£M	£M
Defined benefit obligation	1,513.5	1,459.7	1,485.5	1,333.1	1,258.6
Plan assets	1,609.8	1,590.1	1,519.7	1,396.5	1,315.8
Surplus	96.3	130.4	34.2	63.4	57.2
Experienced adjustment on plan liabilities	(23.0)	-	-	9.0	11.0
Experienced adjustments on plan assets	(29.2)	(2.6)	82.4	39.0	69.0

**Retiree medical benefit plan**

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
	£M	£M	£M	£M	£M
Defined benefit obligation	10.8	10.8	10.9	10.3	11.9
Experience adjustments on plan liabilities	0.3	(0.1)	0.1	1.6	(0.1)

The deferred tax liability of £27.0M (2006 £39.1M) has been deducted in arriving at the net pension plan liability on the balance sheet

**Deferred tax liability relating to pension plan liability:**

	<u>£'000</u>
At 1 January 2007	39.1
Deferred tax charge in profit and loss account	9.8
Deferred tax revaluation impact of rate change to 28%	(1.9)
Deferred tax charged to the statement of total recognised gains and losses	(20.0)
<b>At 31 December 2007</b>	<u>27.0</u>

The deferred tax asset of £3.0M (2006 £3.2M) has been deducted in arriving at the net medical plan liability on the balance sheet

**Deferred tax asset relating to medical plan liability:**

	<u>£'000</u>
At 1 January 2007	3.2
Deferred tax charge in profit and loss account	-
Deferred tax revaluation impact of rate change to 28%	(0.2)
Deferred tax charged to the statement of total recognised gains and losses	-
<b>At 31 December 2007</b>	<u>3.0</u>

# CROWN UK HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

### 24. CAPITAL COMMITMENTS

	<b>Group 2007</b>	<b>Company 2007</b>	<b>Group 2006</b>	<b>Company 2006</b>
	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>
Capital expenditure contracted for but not provided for in the accounts	<b>0.5</b>	<b>-</b>	<b>1.2</b>	<b>-</b>

### 25. OTHER FINANCIAL COMMITMENTS

At 31 December 2007 the company had annual commitments under non-cancellable operating leases expiring as follows

	<b>Land and Buildings 2007</b>	<b>Other 2007</b>	<b>Land and Buildings 2006</b>	<b>Other 2006</b>
	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>
Within 1 year	-	2.0	-	1.0
Between 2-5 years	0.3	2.6	-	3.6
Over 5 years	1.5	-	1.8	-
Total	<b>1.8</b>	<b>4.6</b>	<b>1.8</b>	<b>4.6</b>

The Group had outstanding forward contracts to hedge aluminium purchases, which mature within one year, as follows

	<b>Actual currency</b>		<b>GBP £ equivalent</b>	
	<b>31 December 2007</b>	<b>31 December 2006</b>	<b>31 December 2007</b>	<b>31 December 2006</b>
	<b>'000</b>	<b>'000</b>	<b>£'000</b>	<b>£'000</b>
To hedge future aluminium costs in USD \$	<b>USD\$ 53,551</b>	USD\$28,745	<b>26,986</b>	14,675
To hedge future aluminium costs in Euros €	<b>€15,374</b>	-	<b>11,313</b>	-
To hedge future aluminium costs in GBP £	<b>£18,535</b>	-	<b>18,535</b>	-
			<b>56,834</b>	<b>14,675</b>

# CROWN UK HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

### 26. SHARE-BASED PAYMENTS

#### Share options

At 31 December 2007, the Company's employees were members of six active stock-based incentive compensation plans – the 1990, 1994, 1997, 2001, 2004 and 2007 plans – operated by the ultimate parent company, Crown Holdings, Inc. The plans provide for the granting of awards in the form of stock options, deferred stock, restricted stock or stock appreciation rights ("SARs") and may be subject to the achievement of certain performance goals as determined by the Plan Committee designated by the Board of Directors. There were no issuances of deferred stock or SARs under any of the plans as of 31 December 2007. As of 31 December 2007, there were no further shares available for awards under the 2007 plan, and no shares were available under the other five plans. The 2007 plan expires in February 2013. Shares awarded are generally issued from the ultimate parent company's treasury shares.

A reconciliation of option movements over the year to 31 December 2007 is shown below

	2007		2006	
	Number	Weighted average exercise price £	Number	Weighted average exercise price £
Outstanding at start of the year	385,558	5.90	771,408	9.52
Granted	625,500	11.85	-	-
Exercised	(128,908)	5.99	(211,700)	4.17
Expired	(2,500)	28.76	(174,150)	22.82
Outstanding at end of the year	879,650	10.52	385,558	6.26
Exercisable at end of the year	302,150	6.25	365,558	6.34

There were 625,500 options granted in the year ended 31 December 2007 (2006: nil). The weighted average fair value of options granted in the year was £5.8M (2006: £nil).

For options outstanding at the end of the period, the range of exercise prices and weighted average remaining contractual life are as follows

		2007				2006	
Range of exercise prices	Number of shares outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number of shares outstanding	Weighted average remaining contractual life	Weighted average exercise price	
£	(000's)	Years	£	(000's)	Years	£	
2.31	62	3.34	2.31	87	3.59	2.31	
3.95	15	5.60	3.95	15	6.60	3.95	
4.67	146	6.34	4.67	182	6.98	4.67	
4.76	45	6.15	4.76	50	7.15	4.76	
10.77	8	1.98	10.77	21	2.98	10.77	
12.00	578	9.14	12.00	-	-	-	
17.70	3	1.30	17.70	3	2.3	17.70	
26.80	3	0.09	26.80	8	1.09	26.80	
29.04	20	0.31	29.04	20	1.23	29.04	

## CROWN UK HOLDINGS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

#### 26. SHARE-BASED PAYMENTS (CONTINUED)

The share options are granted in US\$ but have been translated into GBP sterling for the purposes of this disclosure

The weighted average share price during the period for options exercised over the year was £6.25 (2006 £6.34). The total charge for the year relating to employee share based payment plans was £449k (2006 £207k), all of which related to equity-settled share based payment transactions. After deferred tax, the total charge was £315k (2006 £145k).

Outstanding stock options have a contractual term of ten years, are fixed-price and non-qualified, and vest either semi-annually or annually between six months and four years from the date of grant.

At 31 December 2007, shares that were fully vested or expected to vest had an aggregate intrinsic value (which is the amount by which the stock price exceeded the exercise price of the options as of 31 December 2007) of £2.8m (2006 £2.8m) and a weighted-average remaining contractual term of 7.6 years (2006 5.2 years), and shares exercisable had an aggregate intrinsic value of £2.2m (2006 £2.6m) and a weighted-average remaining contractual term of 4.8 years (2006 5.1 years).

Outstanding stock options were valued at their grant-date fair value 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 timeframe 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 US 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. Based on historical data, the company estimated the forfeiture rate on non-vested awards to be approximately three percent at 31 December 2007.

No performance conditions were included in the fair value calculations. The fair value per option granted and the assumptions used in the calculation are as follows:

	2007	2006
Grant date	20/02/2007	-
Weighted average share price at grant date	\$23.45	-
Weighted average exercise price	\$23.45	-
Number of employees	88	-
Shares under option	625,500	-
Vesting period (years)	2-6	-
Expected volatility	32.2%	-
Option life (years)	10	-
Expected life (years)	6	-
Risk free rate	4.67%	-
Expected dividend yield	Nil	-
Fair value per option	\$9.39	-

## **CROWN UK HOLDINGS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)**

#### **27. CONTINGENT LIABILITIES**

Bank and other guarantees in respect of Group pooling given by the Group amounted to £5.6M (2006: £6.2M)

The indemnities which arose in the normal course of business are not expected to result in any material loss

There is a fixed charge over the company's fixed assets, and a floating charge over the company's current assets which supports the Group's external funding

In accordance with Section 17 of the Companies (Amendment) Act, 1986, the company has guaranteed the liabilities of Crown Packaging Ireland Limited, a subsidiary undertaking registered in Ireland. As a result Crown Packaging Ireland Limited has been exempted from the provision of Section 17 of the Companies (Amendment) Act, 1986 in Ireland.

#### **28. RELATED PARTY TRANSACTIONS**

The company has taken advantage of the exemption available under paragraph 3 (c) from the provisions of FRS 8, "Related Party Disclosures" which requires the disclosure of the details of material transactions between the reporting entity and any related parties, on the grounds that it is a wholly owned subsidiary of a group headed by Crown Holdings, Inc. whose financial statements are publicly available. Accordingly the company has not therefore disclosed transactions with members of the Crown Holdings, Inc. Group.

#### **29. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

The company's immediate parent undertaking and controlling party is Crown Canadian Holdings ULC, a company incorporated in Canada. The ultimate parent company and controlling party is Crown Holdings, Inc. which is incorporated in the USA.

The only group for which consolidated financial statements are prepared, and which include the financial statements of the company, are Crown Holdings, Inc.

Copies of the Group financial statements of Crown Holdings, Inc. which are publicly available may be obtained from The Company Secretary, CarnaudMetalbox Group UK Ltd, Downsview Road, Wantage, Oxfordshire OX12 9BP.

## CROWN UK HOLDINGS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

#### 30. PRINCIPAL SUBSIDIARY AND ASSOCIATED UNDERTAKINGS

The directors consider that to give particulars of all subsidiary undertakings would lead to a statement of excessive length. Crown UK Holdings Limited owns directly or indirectly 100% of the ordinary issued shares in all subsidiaries except where a lower percentage is shown. Undertakings part or all of whose share capital is owned by another subsidiary are marked\*. The following subsidiary undertakings, in the opinion of the directors, principally affect the results and assets of the Group and are included in the consolidated accounts.

		<b>Country of operation and incorporation</b>	<b>Nature of business</b>
CarnaudMetalbox Group UK Ltd		UK	Holding Company
Crown Aerosols UK Ltd		UK	Packaging
Crown Cork & Seal Finance Limited		UK	Finance
Crown Packaging UK Plc	*	UK	Packaging
CarnaudMetalbox Overseas Ltd		UK	Holding Company
Crown Packaging Ireland Ltd	*	Ireland	Packaging
Crown Speciality Packaging UK Limited	*	UK	Packaging
CarnaudMetalbox Engineering Limited	*	UK	Packaging
CarnaudMetalbox Food South Africa PTY Ltd	*	South Africa	Packaging
Crown Packaging Polska Sp Z O O	*	Poland	Packaging
Crown Packaging Jamaica Ltd	*	Jamaica	Packaging
Crown Packaging Trinidad Ltd (91.01%)	*	Trinidad	Packaging
CarnaudMetalbox Barbados Ltd	*	Barbados	Packaging