

Company No: 02398420

CROWN SPECIALITY PACKAGING UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

The directors present their strategic report on the company for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activity of the company continues to be the manufacture and sale of tinplate based promotional packaging, mainly on behalf of Crown Packaging Europe GmbH.

PRINCIPAL RISKS AND UNCERTAINTIES

The key business risks and uncertainties affecting the company are considered to be:

- the consolidation of the market for tinplated steel which can have a significant impact on the price for the company's principal raw material;
- the consolidation of the consumer products market, reducing the number of potential customers;
- the resultant increasing comparative strength of these customers in relation to the suppliers in the market; and
- the trend towards alternative packaging products and materials.

These risks can't be mitigated as they occur as a result of external factors and conditions that the company has no control over. However, the company seeks to minimise their effect wherever possible based on previous experience and best practice.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The results for the company show an operating profit of £2,051,000 (2014: loss £795,000) and turnover of £47,260,000 (2014: £56,643,000) for the year.

The company has £13,083,000 (2014: £7,054,000) of net current assets at the year end and is well positioned to take advantage of opportunities to invest in the future of the company.

During 2015 the company continued to act as a limited risk contract manufacturer under the contract manufacturing agreement entered into in 2011 under which the company provides specialist manufacturing with value added returns. This contract manufacturing agreement is expected to remain in place for the foreseeable future.

During quarter 1 2015, the company sold its general line tinplate packaging factory in Aintree to Huber Packaging Group. Consequently the company impaired the assets relating to this factory with an impairment expense of £665,000 (2014: £1,938,000) being recorded in the profit and loss account.

The company has several key performance indicators ("KPIs") which are used to manage the company and the production cycle. The main KPIs are:

- Profitability. The results for the company for 2015 show profit on ordinary activities before taxation as being £2,051,000. Management therefore consider that this KPI was successfully met in 2015.
- Cash flow. The company has strict cash flow targets which were successfully achieved in 2015.
- Safety. The company has continued to provide behavioural safety training to all of the UK sites and has introduced employee safety focus groups in order to minimise the risk of a work place incident or injury. Consequently, the company has seen a reduced number of lost work day cases in recent years.

FINANCIAL RISK MANAGEMENT

Under the contract manufacturing agreement, the company has reduced its exposure to price and credit risk as these risks are now borne by the Principal, Crown Packaging Europe 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.

**STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2015
(continued)**

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 manufacturing agreement, the company's principal customer is now Crown Packaging Europe GmbH and credit risk exposure to the company has been significantly reduced.

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, cash flow and safety. Management believe all of these criteria were met in 2015.

FIRST TIME ADOPTION OF FRS 102

These financial statements for the year ended 31 December 2015 are the first financial statements of Crown Speciality Packaging UK Limited that comply with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. The date of transition to FRS 102 was 1 January 2014.

The transition to FRS 102 has resulted in a small number of changes in accounting policies compared to those used previously. Note 21 to the financial statements describes the effect the transition has had on opening equity and profit for the comparative year.

On behalf of the Board



P W Browett
Director

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

The directors present their report together with the audited financial statements for the year ending 31 December 2015.

RESULTS AND DIVIDENDS

The profit for the financial year of £1,421,000 (2014: loss £1,154,000) has been credited to reserves. No dividends were paid during the year (2014: £nil) and no dividends were proposed at the year-end (2014: £nil). The future developments of the company and financial risk management are detailed in the strategic report.

DIRECTORS

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

P W Browett
J Clinton
D Harrison
P Lockley
J A Parker

GOING CONCERN

The directors consider it appropriate to prepare the financial statements on a going concern basis. As the company operates under the limited risk contract manufacturing agreement, entered into in 2011, 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 continues to adopt 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 year, 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 is 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 year continued vigorously to apply increasing standards of machine and employee safety and has continued to invest heavily in training programmes specifically related to this matter.

**DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015
(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.

RESEARCH AND DEVELOPMENT

The directors consider that research and development play a vital role in the company's success. Research and development activities include innovation of new products, and development of materials, technology and engineering processes. Following the implementation of the limited risk contractor manufacturer concept in 2011, research and development royalty costs are borne by Crown Packaging Europe GmbH.

BRANCHES OUTSIDE THE UK

The company has no branches located outside of the UK.

REGISTERED OFFICE AND COUNTRY OF INCORPORATION

The company is a private limited company which was incorporated in the UK. Its registered office address is Crown Speciality Packaging UK Limited, James Street, PO Box 11, Carlisle, Cumbria, CA2 5AY.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015
(continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 *The Financial Reporting Standard Applicable in the UK and Republic of Ireland* (FRS 102), 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; 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. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

So far as they are aware, each of the directors at the date of this report confirms that there is no relevant audit information of which the company'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 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



P W Browett
Director

Independent auditors' report to the members of Crown Speciality Packaging UK Limited

Report on the financial statements

Our opinion

In our opinion, Crown Speciality Packaging UK Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
 - have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
 - have been prepared in accordance with the requirements of the Companies Act 2006.
-

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the balance sheet as at 31 December 2015;
- 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 summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Independent auditors' report to the members of Crown Speciality Packaging UK Limited (continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

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 and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Miles Saunders (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Reading

28 June 2016

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2015**

	Note	2015 £'000	2014 £'000
Turnover	4	47,260	56,643
Change in stocks of finished goods and in work-in-progress		(688)	476
		46,572	57,119
Other operating income		508	551
Operating income		47,080	57,670
Raw materials and consumables		(22,225)	(28,899)
Staff costs	6	(11,135)	(15,273)
Depreciation and other amounts written off tangible and intangible fixed assets			
Excluding exceptional item	10	(746)	(1,152)
Exceptional item - impairment	10a	(665)	(1,938)
Depreciation and other amounts written off tangible and intangible fixed assets including exceptional item		(1,411)	(3,090)
Other operating charges	5	(10,258)	(11,203)
Operating profit/(loss)	5	2,051	(795)
Interest payable and similar charges	8	-	(2)
Profit/(loss) on ordinary activities before taxation		2,051	(797)
Tax on profit/(loss) on ordinary activities	9	(630)	(357)
Profit/(loss) for the financial year		1,421	(1,154)

The profits for the financial years shown above are derived entirely from continuing operations.

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

CROWN SPECIALITY PACKAGING UK LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015
(continued)

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	<u>2015</u>	<u>2014</u>
	<u>£'000</u>	<u>£'000</u>
Profit/(loss) for the financial year	<u>1,421</u>	<u>(1,154)</u>
Other comprehensive result for the year, net of tax	<u>-</u>	<u>-</u>
Total comprehensive income/(expense) for the year, net of tax	<u>1,421</u>	<u>(1,154)</u>

CROWN SPECIALITY PACKAGING UK LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015
(continued)**BALANCE SHEET AS AT 31 DECEMBER 2015**

	Note	2015 £'000	2014 £'000
Fixed Assets			
Tangible assets	10	6,778	11,908
Current Assets			
Inventories	11	3,306	4,733
Debtors: amounts falling due within one year	12	16,293	11,487
Debtors: amounts falling due after more than one year	13	776	221
Cash at bank and in hand		2	1
		<u>20,377</u>	<u>16,442</u>
Creditors: amounts falling due within one year	14	(7,294)	(9,388)
Net current assets		13,083	7,054
Total assets less current liabilities		19,861	18,962
Creditors: amounts falling due after more than one year	15	(477)	(1,023)
Net assets		<u>19,384</u>	<u>17,939</u>
Capital and reserves			
Called up share capital	16	48,720	48,720
Profit and loss account		(29,336)	(30,781)
Total equity		<u>19,384</u>	<u>17,939</u>

The notes on pages 13 to 30 are an integral part of these financial statements. The financial statements on pages 9 to 30 were approved and authorised for issue by the board of directors on 24 June 2016 and were signed on its behalf by:



P W Browett
Director
Crown Speciality Packaging UK Limited
Company No: 02398420

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015
(continued)
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

	Called up share capital	Profit and loss account	Total equity
	£'000	£'000	£'000
As at 1 January 2014	48,720	(29,664)	19,056
Loss for the financial year	-	(1,154)	(1,154)
Other comprehensive result for the year	-	-	-
Total comprehensive expense for the year	-	(1,154)	(1,154)
Equity share option charge	-	37	37
As at 31 December 2014	48,720	(30,781)	17,939
 As at 1 January 2015	 48,720	 (30,781)	 17,939
Profit for the financial year	-	1,421	1,421
Other comprehensive result for the year	-	-	-
Total comprehensive income for the year	-	1,421	1,421
Equity share option charge	-	24	24
As at 31 December 2015	48,720	(29,336)	19,384

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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. Details of the transition to FRS 102 are disclosed in note 21.

a) Basis of preparation

These financial statements are prepared on a going concern basis under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value. 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.

b) Consolidated financial statements

These financial statements contain information about Crown Speciality Packaging UK Limited as an individual company and do not contain consolidated financial information as it is not a parent of a group. 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.
- FRS 102 para 33.7 the non-disclosure of key management personnel compensation in total.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

2 Summary of significant accounting policies (continued)

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

- 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, or if appropriate, at a related forward contract rate. 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.

Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

e) Revenue recognition

The company provides specialist manufacturing services under the terms of a contract manufacturing agreement with a fellow group undertaking Crown Packaging Europe GmbH (the Principal). Under the terms of this agreement finished goods manufactured by the company are sold to the Principal at an agreed price which represents a mark-up on value added costs. Turnover, which excludes value added tax, represents the invoiced value of manufacturing services provided under the terms of the manufacturing agreement with the Principal. Certain territories are not included within the terms of the manufacturing agreement for the year to 31 December 2015.

In addition, certain sales to customers are not covered by the agreement in the current year. For sales outside of the manufacturing agreement, turnover represents the invoiced value of sales of packaging containers in the normal course of business. In all cases, revenue is recognised on delivery of the product or service or 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 where a reliable estimate of the obligation can be made.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

2 Summary of significant accounting policies (continued)

f) Employee benefits (continued)

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.

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 in another Group undertaking, Crown Packaging UK plc.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

2 Summary of significant accounting policies (continued)

g) 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 year 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.

h) 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.

The company has adopted the transition exemption under FRS 102 para 35.10(d) and has elected to use the most recent valuation as deemed cost. The difference between depreciation based on the deemed cost charged in the profit and loss account and the asset's original cost has been recorded in reserves.

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:

Buildings	10 to 40 years
Plant and machinery	5 to 18 years
Fixtures, fittings, tools and equipment	3 to 12 years

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

2 Summary of significant accounting policies (continued)

i) 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.

j) Inventories

Inventories and work-in-progress are stated at the lower of historical cost and net realisable value. Cost is determined on a first-in, first-out basis (FIFO method). The cost of work-in-progress and finished goods comprises direct materials, labour and attributable manufacturing overheads based on normal levels of activity. Provision is made for obsolete, slow moving or defective items where appropriate.

At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell, and an impairment charge is recognised in the profit and loss account.

k) 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.

l) Financial instruments

The company executes financial instruments that are in respect of foreign currency hedges to cover material trade payable or trade receivable balances that are denominated in foreign currency.

m) 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.

n) 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 asset or in line with the terms and conditions of the grant received.

o) Exceptional items

The company classifies charges or credits that have a material impact on the company's financial results as "exceptional items". These are disclosed separately to provide further understanding of the financial performance of the company.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

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's eligible employees have been granted share options by the ultimate parent company Crown Holdings, Inc.. The company calculates its share of the total expense by using the Black Scholes option pricing model. At each balance sheet date, the company revises its estimates of the numbers of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the profit and loss account with a corresponding adjustment to equity.

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 are as follows:

i) Useful economic lives of assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed when there is evidence of a change in conditions or a trigger event such as physical condition of the assets or technological advancement. Note 10 details the carrying amount of the tangible assets and note 2 h) details the useful economic lives for each class of asset.

ii) Inventory provisioning

Levels of inventory are subject to changing customer demands and raw material availability. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. Note 11 details the carrying amount of the inventory and any associated provision.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

4 Turnover

Analysis of turnover by geographical destination:	2015	2014
	£'000	£'000
EU countries	7,678	11,434
Rest of Europe	39,557	45,209
Rest of the world	25	-
Total	47,260	56,643

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:	2015	2014
	£'000	£'000
Sales to external customers	268	34
Sales to fellow group undertakings	7,444	11,181
Sales to the Principal (Crown Packaging Europe GmbH)	39,548	45,428
Total	47,260	56,643

5 Operating profit/(loss)

Operating profit/(loss) is stated after charging/(crediting):	2015	2014
	£'000	£'000
Own work capitalised	(526)	(554)
Depreciation of fixed assets	746	1,152
(Profit)/loss on disposal of fixed assets	(5)	121
Operating lease rental		
- plant and machinery	696	848
- other	204	434
Services provided by the company's auditors		
- fees payable for the audit	50	37
Distribution costs	2,256	2,567
Redundancy costs	546	457
Foreign exchange gain	(61)	(21)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

6 Employees and directors

(a) The average monthly number of employees (including executive directors) during the year, split by activity was:

	2015	2014
	Number	Number
Production	268	347
Administration	48	63
Total	316	410

(b) Employee costs during the year comprised:

	2015	2014
	£'000	£'000
Wages and salaries	9,639	12,323
Social security costs	887	1,103
Cost of employee share option schemes (note 7)	24	37
Other pension costs	585	1,810
Total	11,135	15,273

(c) Directors' emoluments

No director received any emoluments from the company during the year (2014: none).

Retirement benefits are accruing to two (2014: two) directors under a defined benefit scheme and to no (2014: none) director under the defined contribution scheme.

During the year none (2014: one) of the directors exercised share options. During the year none (2014: none) of the directors received share options.

7 Share-based payments

As at 31 December 2015, some of the company's employees were members of two active stock based incentive compensation plans – the 2007 share option plan and the 2013 deferred stock plan – operated by the ultimate parent company Crown Holdings, Inc.. The plans provide 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 2015 (2014: none). There were no issuances of deferred stock in 2015 (2014: none).

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

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

Both stock options and deferred stock awards are settled in cash.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

7 Share-based payments (continued)

The amount expensed is based on an allocation of the total expense from the total group plan. In 2015 the amount expensed was £24,000 (2014: £37,000) and was calculated using the movement between the opening and closing balances of the deferred stock awards and stock options under 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 payable and similar charges

	2015 £'000	2014 £'000
On overdrafts and other interest bearing liabilities	-	2

9 Tax on profit/(loss) on ordinary activities

a) Tax expense included in profit or loss account

	2015 £'000	2014 £'000
Current tax		
UK corporation tax on profit for the year	1,305	468
Total current tax	1,305	468
Deferred tax		
Origination and reversal of timing differences – current year	(739)	(170)
Adjustments in respect of prior years	(22)	57
Change in tax rate	86	2
Total deferred tax	(675)	(111)
Tax charge on profit/(loss) on ordinary activities	630	357

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

9 Tax on profit on ordinary activities (continued)

b) Reconciliation of tax charge

The tax assessed for 2015 is higher (2014: higher) than that calculated using the statutory rate. The differences are explained below:

	2015 £'000	2014 £'000
Profit/(loss) on ordinary activities before taxation	2,051	(797)
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20.25% (2014: 21.50%)	415	(171)
Effects of:		
Expenses not deductible for tax purposes	11	55
Imputed interest income/(expense)	5	(3)
Asset impairment re: Aintree	135	417
Change in tax rate	86	2
Adjustments in respect of prior years	(22)	57
Total tax charge for the year	630	357

c) Tax rate changes

The standard rate of corporation tax in the UK changed from 21% to 20% with effect from 1 April 2015. Accordingly the company's (loss)/profit for this accounting year is taxed at a blended rate of 20.25%.

In addition to the changes in Corporation tax disclosed above, further changes to the UK Corporation tax rates were announced in the Finance (No.2) Bill 2015. These include proposals to reduce the main rate to 19% from 1 April 2017 and to 18% from 1 April 2020. These further changes were substantively enacted on 26 October 2015 and therefore have 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 2015 (continued)
10 Tangible assets

	Land	Buildings	Plant and machinery	Fixtures, fittings, tools and equipment	Assets held for resale	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 January 2015	-	1,428	23,235	1,718	11,141	37,522
Additions	-	-	1,743	108	-	1,851
Disposals	-	(9)	(7,980)	(670)	-	(8,659)
Sale of Aintree	-	-	-	-	(11,032)	(11,032)
Transfer from/(to) group companies	201	528	286	-	(109)	906
At 31 December 2015	201	1,947	17,284	1,156	-	20,588
Accumulated depreciation						
At 1 January 2015	-	1,326	19,362	632	4,294	25,614
Charge for the year	-	-	546	71	129	746
Disposals	-	(8)	(7,980)	(669)	-	(8,657)
Sale of Aintree	-	-	-	-	(4,370)	(4,370)
Reclassification	-	59	(917)	858	-	-
Transfer from/(to) group companies	-	477	53	-	(53)	477
At 31 December 2015	-	1,854	11,064	892	-	13,810
Net book amount						
At 31 December 2015	201	93	6,220	264	-	6,778
At 31 December 2014	-	102	3,873	1,086	6,847	11,908

Freehold land with a cost of £201,000 (2014: £925,000) has not been depreciated. Plant and machinery includes the cost of assets in the course of construction being £1,591,000 (2014: £408,000) which are not depreciated.

The net carrying amount of assets held under finance leases included in fixtures, fittings, tools and equipment is £99,000 (2014: £95,000).

10a Exceptional item - impairment

	2015	2014
	£'000	£'000
Asset impairment re: Aintree	665	1,938

During the year, the company sold its general line tinplate packaging factory in Aintree to Huber Packaging Group. The assets relating to the Aintree factory were impaired in 2014 at the time of the sale announcement resulting in the exceptional item in 2014 and were held as assets held for resale on the balance sheet as at 31 December 2014. Additional losses arose on completion of the sale and were charged to the profit and loss account accordingly.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

11 Inventories

	2015	2014
	£'000	£'000
Raw materials and consumables	1,108	1,847
Work-in-progress	1,348	1,713
Finished goods and goods for resale	850	1,173
	3,306	4,733

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

12 Debtors: amounts falling due within one year

	2015	2014
	£'000	£'000
Trade debtors	-	175
Amounts owed by group undertakings	15,374	10,687
Other debtors	644	311
Prepayments and accrued income	275	314
	16,293	11,487

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.

13 Debtors: amounts falling due after more than one year

Deferred tax asset:	2015	2014
	£'000	£'000
At 1 January	221	110
Credited to the profit and loss account	555	111
At 31 December	776	221

Included within the net credit to the profit and loss account is £120,000 (2014: £nil) expense in respect of the write down of the deferred tax asset related to the Aintree impairment and included within that charge (note 10a).

The deferred tax asset comprises:	2015	2014
	£'000	£'000
Accelerated capital allowances	698	(10)
Other timing differences	78	231
	776	221

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

14 Creditors: amounts falling due within one year

	2015	2014
	£'000	£'000
Trade creditors	3,116	5,299
Amounts owed to group undertakings	732	734
Finance leases	62	44
UK corporation tax	1,305	468
Other taxation and social security	1,020	1,429
Derivative financial instruments	-	10
Accruals and deferred income	1,059	1,404
	7,294	9,388

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.

15 Creditors: amounts falling due after more than one year

	2015	2014
	£'000	£'000
Finance leases	37	51
1,000 5% cumulative preference shares of £1 each	1	1
Accruals and deferred income – grant	286	784
Accruals and deferred income - other	153	187
	477	1,067

The future minimum finance lease payments are as follows:

	2015	2014
	£'000	£'000
Less than one year	62	44
Greater than one year and less than 5 years	37	51
Total gross payments	99	95
Less finance charges	-	(2)
Carrying amount of liability	99	93

The finance lease relates to computer and IT equipment which are leased from a specialist IT leasing company. The lease term is 3 years.

The 5% cumulative preference shareholders have:

- the right to a fixed cumulative preferential dividend at a rate of 5% per annum on the capital paid up thereon for the time being;
- no redemption rights;
- the right to receive Notices of General Meetings of the company and to attend and vote thereat;
- the right in a winding up to have the capital paid thereon and all arrears of dividends up to the date of commencement of the winding up, paid off, in priority to any payment of capital on the non-voting ordinary shares but with no further right to participate in the profits or assets of the company.

During 2010 a grant of £515k was received in relation to the relocation of the Mansfield Factory. This is being released over the 15 year lease term of the new building.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

16 Called up share capital

	2015 £'000	2014 £'000
Issued, called up and fully paid		
44,500,000 (2014: 44,500,000) non-voting ordinary shares of £1 each	44,500	44,500
4,220,000 (2014: 4,220,000) preference shares of £1 each	4,220	4,220
	48,720	48,720

The non-voting ordinary shareholders have:

- no right to dividends other than those that may be recommended by the directors;
- no redemption rights;
- unlimited right to share in the surplus remaining on a winding up after all liabilities and participation rights of other classes of shares have been satisfied.

The preference shareholders have:

- no right to dividends other than those that may be recommended by the directors;
- no redemption rights;
- the right to receive Notices of General Meetings of the company and to attend and vote thereat;
- the right in a winding up to have the capital paid thereon in priority to any payment of capital on the non-voting ordinary shares, but with no further right to participate in the assets of the company.

17 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 2015 by professionally qualified independent actuaries Aon Consulting. The total deficit of the scheme as at 31 December 2015 was £124,800,000 (2014: £145,900,000). The deficit of the scheme has no implications for the company as the deficit is funded by a fellow UK group company, Crown Packaging UK Plc.

The contributions for the company were paid by a fellow UK group company, Crown Packaging UK Plc. All amounts due in the year were paid and as such there are no accruals or prepayments in respect of pension scheme contributions at the year end. The contributions are based on pension costs across the Group as a whole.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

18 Financial commitments

At 31 December the company had future minimum lease payments under non-cancellable operating leases, as follows:

	2015	2014
	£'000	£'000
Payments due:		
Within 1 year	1,080	976
Between 2 and 5 years	2,016	2,150
Over five years	2,224	2,691
Total	5,320	5,817

19 Guarantees

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.

20 Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is Crown UK Holdings Limited, a company registered in the UK. 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 Speciality Packaging UK Limited, Borland Avenue, Botcherby, Carlisle, Cumbria, CA1 2TL.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

21 Transition to FRS 102

This is the first time that the company has presented its results under FRS 102. The last financial statements prepared under the previous UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 was 1 January 2014. Set out below are the changes in accounting policies which reconcile profit for the financial year ended 31 December 2014 and the total equity as at 1 January 2014 and 31 December 2014 between UK GAAP as previously reported and FRS 102.

a) Balance Sheet

		At 1 January 2014			At 31 December 2014		
	Note	As previously stated £'000	Effect of transition £'000	FRS 102 (as restated) £'000	As previously stated £'000	Effect of transition £'000	FRS 102 (as restated) £'000
Fixed Assets							
Tangible assets	A, C	14,102	-	14,102	4,966	6,942	11,908
		14,102	-	14,102	4,966	6,942	11,908
Current Assets							
Assets held for resale	A	-	-	-	6,847	(6,847)	-
Inventory		3,738	-	3,738	4,733	-	4,733
Debtors: amounts falling due within one year	B	12,382	-	12,382	11,477	10	11,487
Debtors: amounts falling due after more than one year		110	-	110	221	-	221
Cash at bank and in hand		-	-	-	1	-	1
		16,230	-	16,230	23,279	(6,837)	16,442
Creditors: amounts falling due within one year	B, C	(10,108)	-	(10,108)	(9,334)	(54)	(9,388)
Net current assets		6,122	-	6,122	13,945	(6,891)	7,054
Total assets less current liabilities		20,224	-	20,224	18,911	51	18,962
Creditors: amounts falling due after more than one year	C	(1,168)	-	(1,168)	(972)	(51)	(1,023)
Net assets		19,056	-	19,056	17,939	-	17,939
Capital and reserves							
Called up share capital		48,720	-	48,720	48,720	-	48,720
Profit and loss account		(29,664)	-	(29,664)	(30,781)	-	(30,781)
Total shareholders' funds		19,056	-	19,056	17,939	-	17,939

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

21 Transition to FRS 102 (continued)

b) Profit and loss account

	Note	Year ended 31 December 2014		
		As previously stated	Effect of transition	FRS 102 (as restated)
		£'000	£'000	£'000
Turnover		56,643	-	56,643
Change in stocks of finished goods and in work-in-progress		476	-	476
		<u>57,119</u>	<u>-</u>	<u>57,119</u>
Other operating income		551	-	551
		<u>57,670</u>	<u>-</u>	<u>57,670</u>
Raw materials and consumables		(28,899)	-	(28,899)
Staff costs		(15,273)	-	(15,273)
Depreciation and other amounts written off tangible and intangible fixed assets				
Excluding exceptional item	A, C	(1,125)	(27)	(1,152)
Exceptional cost - impairment		(1,938)	-	(1,938)
Depreciation and other amounts written off tangible and intangible fixed assets including exceptional item		(3,063)	(27)	(3,090)
Other operating charges	C	(11,232)	29	(11,203)
Operating loss		<u>(797)</u>	<u>2</u>	<u>(795)</u>
Interest payable and similar charges	C	-	(2)	(2)
Loss on ordinary activities before taxation		<u>(797)</u>	<u>-</u>	<u>(797)</u>
Tax on loss on ordinary activities		(357)	-	(357)
Loss for the financial year		<u>(1,154)</u>	<u>-</u>	<u>(1,154)</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

21 Transition to FRS 102 (continued)

c) Statement of changes in equity

	Year ended 31 December 2014		
	As previously stated	Effect of transition	FRS 102 (as restated)
	£'000	£'000	£'000
Balance as at 1 January 2014	19,056	-	19,056
Loss for the financial year	(1,154)	-	(1,154)
Other comprehensive result	-	-	-
Equity share option charge	37	-	37
Balance as at 31 December 2014	17,939	-	17,939

A Tangible Assets

Crown Speciality Packaging UK Limited's management have taken advantage of the opportunity within FRS 102 first time adoption, to bring the tangible assets into line with the management reporting. The effect of this was to reduce tangible assets (cost and depreciation) by £16,226,000 as at 31 December 2014. This policy change has only been applied to the closing 2014 figures.

Additionally, the assets held for resale within current assets were reclassified to tangible fixed assets. This adjustment has only been applied to the closing 2014 figures.

B Derivatives

FRS 102 requires derivative financial instruments to be recognised at fair value. The company has adopted cash flow hedging to manage its exposure to foreign exchange rate movements and also on various gas/oil contracts. The derivatives have been recorded at mark to market fair values.

As the company operates under the terms of a contract manufacturing agreement, any gains or losses as a result of the derivatives are recoverable from/payable to another group company, the Principal (Crown Packaging Europe GmbH). Hence the FRS 102 transition entries have resulted in balance sheet only entries being £10,000 debtors less than one year and £10,000 creditors less than one year. This policy change has only been applied to the 2014 closing figures.

C Finance leases

As a result of FRS 102 requirements, a review of the company's operating leases was undertaken. Consequently, the lease for IT equipment was identified to be a finance lease under the accounting rules of FRS 102. The transition entry reverses the previously recorded operating lease entries (a credit of £29,000 to other operating charges within the profit and loss account) and books the accounting entries required for the finance lease. The effect is to increase tangible assets by £127,000, create a finance lease liability within creditors of less than one year of £44,000, and a finance lease liability within creditors of more than one year of £51,000, and to charge £2,000 of interest expense in the profit and loss account. Depreciation expense on the finance lease tangible assets is £27,000. This policy change has only been applied to the 2014 closing figures.