Registered number: 2035889

HERITAGE ENVELOPES LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

PM+M Solutions for Business LLP
Chartered Accountants
Statutory Auditors
Greenbank Technology Park
Challenge Way
Blackburn
Lancashire
BB1 5QB

HERITAGE ENVELOPES LIMITED

COMPANY INFORMATION

DIRECTORS	M Sears M Salt J De Couespel T Schwarz
REGISTERED NUMBER	2035889
REGISTERED OFFICE	Heritage House Davyfield Road Blackburn Lancashire BB1 2LU
INDEPENDENT AUDITORS	PM+M Solutions for Business LLP Chartered Accountants & Statutory Auditors Greenbank Technology Park Challenge Way Blackburn Lancashire BB1 5QB
BANKERS	Barclays Bank Plc First Floor 3 Hardman Street Spinningfields Manchester Lancashire M3 3HF

HERITAGE ENVELOPES LIMITED

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HERITAGE ENVELOPES LIMITED

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

INTRODUCTION

The directors present their strategic review of the business below:

BUSINESS REVIEW

The principle activities of the business are the sale of envelopes to the mail order and office product markets.

The market remains highly competitive, with price being the main focus point. Sales were lower than the previous year, and the value was similar to the 2013 result. Paper prices per tonne increased during the year, but the business was assisted by the favourable GBP/Euro rate. This helped the business to achieve a similar gross margin percentage as 2014

The business was able attract a significant new customer towards the end of the year, with a new contract secured from November 2015.

With continued access to the competitive purchase pricing available for group companies it is expected that the operating profitability of the company can be maintained at expected activity levels.

PRINCIPAL RISKS AND UNCERTAINTIES

The principle risks to the business include the supply and cost of raw materials and a continual decline in the total envelope market. In terms of raw materials, the company, as part of the Mayer- Kuvert-Network and the largest envelope manufacturing group in Europe, is in a good position to maintain supply and also benefit from group buying power in terms of cost. As far as the declining market is concerned, the company continues to play to its strengths of quality and speed of response to retain existing customers and develop relationships with new sources of business.

HERITAGE ENVELOPES LIMITED

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

FINANCIAL KEY PERFORMANCE INDICATORS

The key performance indicators for the business are turnover, gross and net profit margins, stock holding duration and debtor days.

Sales performance

Sales in the year to December 2015 decreased by 14.2% (£3,300k). The reduction was mainly caused by reduced volumes in the bespoke area of the business.

Gross and operating profit margins

Gross profit performance on a like for like basis increased in 2015 from 15.5% to 16.6%. The production efficiencies that commenced in 2014, continued to show benefit to the business in 2015. The business also benefited from an improved GBP/EUR foreign exchange rate, which favourably impacted the purchase price of raw materials. At operating profit level the margin increased from 4.3% (5.2% like for like basis) to 6.3% in 2015.

Stock Holding Days

The average number of days stock turn in 2015 was 35 (2014 – 29). Stock levels continue to be regularly monitored and adjusted in accordance to anticipated future levels of activity.

Debtor Days

The average number of debtor days in 2015 was 73 (2014 – 65). Debtors continue to be regularly monitored and actively managed.

This report was approved by the board on 4 August 2016 and signed on its behalf.

M Sears
Director

HERITAGE ENVELOPES LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

The directors present their report and the financial statements for the year ended 31 December 2015.

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the strategic report, the 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 elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £879,009 *(2014 - £625,170)*.

The directors do not recommend the payment of a dividend for the year.

DIRECTORS

The directors who served during the year were:

M Sears
M Salt
J De Couespel
T Schwarz

ENVIRONMENTAL MATTERS

The Company will seek to minimise adverse impacts on the environment from its activities, whilst continuing to address health, safety and economic issues. The Company has complied with all applicable legislation and regulations. The Company's focus and commitment to the environment has been enhanced through the attainment of FSC, PEFC and ISO14001 accreditation.

FUTURE DEVELOPMENTS

Although the trading environment is forecast to remain uncertain, the Directors feel that the company is well placed to increase its market share. Through the development of patented products and new technologies, the business has the capability to develop new relationships and explore new markets.

FINANCIAL INSTRUMENTS

The company's principal financial risk instruments comprise bank funding, secured loan, finance and hire purchase loans, stock management, trade creditors and trade debtors. The main purpose of the instruments is to raise funds for the company's operations and to finance them. Owing to the nature of the financial instruments used by the company there is minimal exposure to risk.

In respect of bank funding and secured loans, the liquidity is managed by maintaining a balance between the continuity of funding forecasts and flexibility through the use of the bank facilities.

Trade creditors' liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

Trade debtors' credit and cash flow risks are managed by policies concerning the credit offered to customers and the regular monitoring of amounts outstanding in terms of time and credit limits.

The company finances acquisitions of tangible fixed assets via finance leases and hire purchase agreements.

Uncertainties concerning the ever-changing relationships between Sterling and Euro, paper pulp prices and mill prices and bank rates of interest are managed by monthly internal business reviews.

EMPLOYEE INVOLVEMENT

The company continues to involve its staff in the decision making process and communicates regularly with them during the year. The company aims for all its staff and applicants for employment, is to fit the qualifications, aptitude and ability of each individual to the appropriate job and to provide equal opportunity, regardless of sex, religion or ethnicity. The company does all that is practicable to meet its responsibility towards the employment and training of disabled people.

DISCLOSURE OF INFORMATION TO AUDITORS

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

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

POST BALANCE SHEET EVENTS

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

AUDITORS

The auditors, PM+M Solutions for Business LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 4 August 2016 and signed on its behalf.

M Sears
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M Sears
Director

HERITAGE ENVELOPES LIMITED
INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF HERITAGE ENVELOPES LIMITED

We have audited the financial statements of Heritage Envelopes Limited for the year ended 31 December 2015, set out on pages 10 to 31. The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2006 and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the directors' responsibilities statement, 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). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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. In addition, we read all the financial and non-financial information in the strategic report and the directors' 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.

OPINION ON FINANCIAL STATEMENTS

In our opinion 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.

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 and the directors' report has been prepared in accordance with applicable legal requirements.

HERITAGE ENVELOPES LIMITED
INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF HERITAGE ENVELOPES LIMITED

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

PM+M Solutions for Business LLP.

Christopher Johnson (senior statutory auditor)

for and on behalf of
PM+M Solutions for Business LLP

Chartered Accountants
Statutory Auditors

Greenbank Technology Park
Challenge Way
Blackburn
Lancashire
BB1 5QB

12 August 2016

HERITAGE ENVELOPES LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 £	*2014* *£*
Turnover	4	**19,802,416**	*23,102,725*
Cost of sales		**(16,515,840)**	*(19,199,462)*
GROSS PROFIT		**3,286,576**	*3,903,263*
Administrative expenses		**(2,043,686)**	*(2,897,457)*
Other operating income	5	**5,040**	*5,040*
OPERATING PROFIT	6	**1,247,930**	*1,010,846*
Interest Payable		**(27,139)**	*(183,817)*
PROFIT BEFORE TAX		**1,220,791**	*827,029*
Tax on profit	11	**(341,782)**	*(201,859)*
PROFIT FOR THE YEAR		**879,009**	*625,170*

There were no recognised gains and losses for 2015 or 2014 other than those included in the profit and loss account.

The notes on pages 13 to 31 form part of these financial statements.

HERITAGE ENVELOPES LIMITED
REGISTERED NUMBER:2035889

BALANCE SHEET
AS AT 31 DECEMBER 2015

	Note		2015 £		*2014 £*
FIXED ASSETS					
Intangible assets	12		**10,452**		*135,682*
Tangible assets	13		**5,426,319**		*5,913,478*
			5,436,771		*6,049,160*
CURRENT ASSETS					
Stocks	14	**1,589,141**		*1,546,384*	
Debtors	15	**5,778,373**		*6,163,724*	
Cash at bank and in hand	16	**447,261**		*680,515*	
		7,814,775		*8,390,623*	
Creditors: amounts falling due within one year	17	**(6,228,938)**		*(7,941,530)*	
NET CURRENT ASSETS			**1,585,837**		*449,093*
TOTAL ASSETS LESS CURRENT LIABILITIES			**7,022,608**		*6,498,253*
Creditors: amounts falling due after more than one year	18		**(1,061,622)**		*(1,416,276)*
NET ASSETS			**5,960,986**		*5,081,977*
CAPITAL AND RESERVES					
Called up share capital	23		**650**		*650*
Capital redemption reserve	22		**600**		*600*
Other reserves	22		**147,287**		*147,287*
Profit and loss account	22		**5,812,449**		*4,933,440*
			5,960,986		*5,081,977*

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 4 August 2016.

M Sears
Director

The notes on pages 13 to 31 form part of these financial statements.

HERITAGE ENVELOPES LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Share capital	Capital redemption reserve	Other reserves	Retained earnings	Total equity
	£	£	£	£	£
At 1 January 2015	650	600	147,287	4,933,440	5,081,977
COMPREHENSIVE INCOME FOR THE YEAR					
Profit for the year	-	-	-	879,009	879,009
Actuarial gains on pension scheme	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	-	879,009	879,009
AT 31 DECEMBER 2015	650	600	147,287	5,812,449	5,960,986

HERITAGE ENVELOPES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

Information on the impact of first-time adoption of FRS 102 is given in note 29.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2. GENERAL INFORMATION

2.1 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A;
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29;
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;

This information is included in the consolidated financial statements of Mayer Kuvert GMBH as at 31 December 2015 and these financial statements may be obtained from Wannenackerstrasse 65, 74078 Heilbronn, Germany.

2.2 Revenue

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

Sale of goods

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

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

1. ACCOUNTING POLICIES (continued)

2.3 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the profit and loss account over its useful economic life.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed five years.

2.4 Tangible fixed assets

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

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold land and buildings	- 2% straight line
Plant & machinery	- 15% reducing balance
Motor vehicles	- 25% reducing balance
Fixtures, fittings and equipment	- 15% - 25% reducing balance
Assets in the course of construction	- depreciation is charged when the asset is brought into use

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the Income Statement.

HERITAGE ENVELOPES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES (continued)

2.5 Operating leases: Lessee

Rentals paid under operating leases are charged to the profit or loss on a straight line basis over the period of the lease.

2.6 Stocks

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

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

2.7 Debtors

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

2.8 Cash and cash equivalents

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

2.9 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.
Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the profit and loss account.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

1. ACCOUNTING POLICIES (continued)

2.9 Financial instruments (continued)

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.10 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.11 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the profit and loss account at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the profit and loss account in the same period as the related expenditure.

2.12 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is Great British Pounds (GBP).

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit and loss account within 'finance income or costs'. All other foreign exchange gains and losses are presented in the profit and loss account within 'other operating income'.

1. ACCOUNTING POLICIES (continued)

2.13 Leased assets: Lessee

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to profit or loss over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

The Group has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 31 December 2014 to continue to be charged over the period to the first market rent review rather than the term of the lease.

2.14 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payments obligations.

The contributions are recognised as an expense in the profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.15 Borrowing costs

All borrowing costs are recognised in the profit and loss account in the year in which they are incurred.

2.16 Provisions for liabilities

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

Provisions are charged as an expense to the profit and loss account in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet.

1. ACCOUNTING POLICIES (continued)

2.17 Current and deferred taxation

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

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

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

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

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

3. JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Company's accounting policies, which are described above, management has made some judgments that have effect on the amounts recognised in the financial statements. These also include assumptions concerning the future, and other sources of estimation uncertainty at the statement of financial position date, that have a risk of causing adjustments to the carrying amounts of assets and liabilities within the next financial year.

Allowance for doubtful debts

Management provide for doubtful debts based on the perceived risk profile and payment history of the debtor.

Deferred tax

Management provide for deferred tax on temporary differences between the accounting and tax values of assets and liabilities at the tax rates expected to apply to the different categories of assets and liabilities at the time and in the manner in which the carrying values of the underlying items are expected to be recovered or settled.

Property plant and equipment

Management provide for depreciation on the cost of property plant and equipment over the assets' useful lives after taking their residual values into account.

Management estimate the residual values as the amount currently obtainable from disposal of the asset, after deducting the estimated disposal costs, if the asset were already of the age and in the condition expected at the end of its useful life.

Management estimate the useful lives of assets based on past experience with similar assets.

Intangible assets

Management provide for amortisation on the cost of goodwill over the assets' useful lives.

Management estimate the useful lives of assets based on past experience.

Stock

Management provide for stock items based on the expected net realisable value of the items and history of the items.

Management estimate the net realisable value based on past experience.

HERITAGE ENVELOPES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

4. ANALYSIS OF TURNOVER

Analysis of turnover by country of destination:

	2015	2014
	£	£
United Kingdom	19,802,416	23,102,725
	19,802,416	23,102,725

5. OTHER OPERATING INCOME

	2015	2014
	£	£
Government grants receivable	5,040	5,040
	5,040	5,040

6. OPERATING PROFIT

The operating profit is stated after charging:

	2015	2014
	£	£
Depreciation of tangible fixed assets	655,733	712,449
Amortisation of intangible assets, including goodwill	125,230	125,196
Exchange differences	(49,464)	(5,649)
Defined contribution pension cost	75,956	73,648

The operating profit in the prior year reflected the de-recognition of a historical liability of £327,000 that was unlikely to lead to an outflow of economic benefit and a regulatory cost amounting to £518,000.

7. AUDITORS' REMUNERATION

	2015	*2014*
	£	*£*
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	15,000	*15,000*
	15,000	*15,000*

8. EMPLOYEES

Staff costs, including directors' remuneration, were as follows:

	2015	*2014*
	£	*£*
Wages and salaries	3,287,859	*3,344,364*
Social security costs	293,156	*310,763*
Cost of defined contribution scheme	75,956	*73,648*
	3,656,971	*3,728,775*

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

	2015	*2014*
	No.	*No.*
Admin	26	*26*
Production	110	*105*
	136	*131*

9. DIRECTORS' REMUNERATION

	2015	*2014*
	£	*£*
Directors' emoluments	207,863	*208,632*
Company contributions to defined contribution pension schemes	18,683	*18,683*
	226,546	*227,315*

During the year retirement benefits were accruing to 2 directors *(2014 - 2)* in respect of defined contribution pension schemes.

The highest paid director received remuneration of £134,684 *(2014 - £104,616)*.

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £12,083 *(2014 - £12,083)*.

10. INTEREST PAYABLE AND SIMILAR CHARGES

	2015	*2014*
	£	*£*
Bank interest payable	**74,592**	*115,098*
Bank interest recovered	**(107,290)**	-
Finance leases and hire purchase contracts	**41,496**	*14,699*
Other interest payable	**18,341**	*54,020*
	27,139	*183,817*

11. TAXATION

	2015 £	*2014 £*
CORPORATION TAX		
Current tax on profits for the year	**153,274**	*47,490*
TOTAL CURRENT TAX	**153,274**	*47,490*
DEFERRED TAX		
Origination and reversal of timing differences	**103,929**	*154,369*
Adjustment in respect of prior periods	**84,579**	*-*
TOTAL DEFERRED TAX	**188,508**	*154,369*
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	**341,782**	*201,859*

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is lower than *(2014 - lower than)* the standard rate of corporation tax in the UK of 20.25% *(2014 - 21.49%)*. The differences are explained below:

	2015 £	*2014 £*
Profit on ordinary activities before tax	**1,220,791**	*827,029*
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014 - 21.49%)	**247,210**	*177,729*
EFFECTS OF:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	**1,244**	*104,700*
Adjustments to tax charge in respect of prior periods	**84,579**	*(2,935)*
Other timing differences leading to an increase (decrease) in taxation	**35,441**	*37,615*
Changes in rates leading to an increase (decrease) in the tax charge	**(13,012)**	*(30,704)*
Group relief	**(13,680)**	*(84,546)*
TOTAL TAX CHARGE FOR THE YEAR	**341,782**	*201,859*

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The company has tax losses amounting to £3,672,602 (2014 - £4,322,627) subject to the agreement of HM Revenue and Customs, are available for relief against certain future trading profits.

12. INTANGIBLE ASSETS

	Goodwill
	£
COST	
At 1 January 2015	626,045
At 31 December 2015	626,045
AMORTISATION	
At 1 January 2015	490,363
Charge for the year	125,230
At 31 December 2015	615,593
NET BOOK VALUE	
At 31 December 2015	10,452

Goodwill arose upon the acquisition of the business and certain assets of Chapman Envelopes Limited and is the difference between the fair value of the assets acquired and the consideration paid. The goodwill is being amortised over a period of five years.

13. TANGIBLE FIXED ASSETS

	Freehold property	Plant & machinery	Motor vehicles	Office equipment, Fixtures & fittings	Assets in course of construction	Total
	£	£	£	£	£	£
Cost or valuation						
At 1 January 2015	2,790,763	12,378,542	207,931	1,366,982	344,297	17,088,515
Additions	-	42,901	99,245	37,709	-	179,855
Disposals	-	(10,172)	(53,060)	-	-	(63,232)
Transfers between classes	-	146,723	-	(9,280)	(137,443)	-
At 31 December 2015	2,790,763	12,557,994	254,116	1,395,411	206,854	17,205,138
Depreciation						
At 1 January 2015	713,484	9,205,602	172,175	1,083,776	-	11,175,037
Charge owned for the period	49,815	446,351	26,479	61,369	-	584,014
Charge financed for the period	-	71,719	-	-	-	71,719
Disposals	-	-	(51,954)	-	-	(51,954)
At 31 December 2015	763,299	9,723,672	146,700	1,145,145	-	11,778,816
Net book value						
At 31 December 2015	2,027,464	2,834,322	107,416	250,266	206,854	5,426,322
At 31 December 2014	*2,077,279*	*3,172,940*	*35,756*	*283,206*	*344,297*	*5,913,478*

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2015	*2014*
	£	£
Plant and machinery	581,181	*671,050*
	581,181	*671,050*

14. STOCKS

	2015 £	*2014 £*
Raw materials and consumables	**878,522**	*818,806*
Finished goods and goods for resale	**710,619**	*727,578*
	1,589,141	*1,546,384*

Stock recognised in cost of sales during the year as an expense was £11,851,178 (*2014: £14,132,538*).

There are no material impairment losses recognised within cost of sales which relate to slow or obsolete stock.

15. DEBTORS

	2015 £	*2014 £*
DUE AFTER MORE THAN ONE YEAR		
Deferred tax asset	**346,313**	*534,821*
	346,313	*534,821*
DUE WITHIN ONE YEAR		
Trade debtors	**4,750,186**	*4,956,244*
Amounts owed by group undertakings	**355,343**	*127,653*
Other debtors	**60,228**	*86,882*
Prepayments and accrued income	**141,303**	*333,124*
Deferred taxation	**125,000**	*125,000*
	5,778,373	*6,163,724*

Trade debtors subject to invoice discounting arrangements at 31 December 2015 totalled £4,750,186 (2014 - £4,956,244).

Amounts owed by group undertakings are not subject to any formal agreement, no interest is charged and no security is held.

16. CASH AND CASH EQUIVALENTS

	2015 £	2014 £
Cash at bank and in hand	447,261	680,515
	447,261	680,515

17. CREDITORS: Amounts falling due within one year

	2015 £	2014 £
Bank loans	348,634	348,635
Trade creditors	1,764,109	1,818,334
Amounts owed to group undertakings	1,182,075	1,425,302
Corporation tax	153,273	23,490
Taxation and social security	415,963	437,207
Obligations under finance lease and hire purchase contracts	182,489	170,530
Proceeds of factored debts	1,086,223	2,242,074
Accruals and deferred income	1,096,172	1,475,958
	6,228,938	7,941,530

Secured loans

The bank loans and overdrafts are secured by fixed and floating charges over the assets of the company and guarenteed by the parent company.

Obligations under finance leases and hire purchase contracts are secured on the assets to which the agreements relate.

Amounts owed to group undertakings are not subject to any formal agreement, no interest is charged and no security is given.

18. CREDITORS: Amounts falling due after more than one year

	2015 £	2014 £
Bank loans	705,114	1,056,363
Net obligations under finance leases and hire purchase contracts	316,159	314,521
Government grants received	40,349	45,392
	1,061,622	1,416,276

Secured loans

Bank loans are secured by fixed and floating charges over the assets of the company and guarantee by the parent company.

19. HIRE PURCHASE & FINANCE LEASES

Minimum lease payments under hire purchase fall due as follows:

	2015 £	*2014 £*
Within one year	182,489	*170,531*
Between 1-2 years	134,264	*145,599*
Between 2-5 years	181,895	*168,925*
	498,648	*485,055*

Obligations under finance leases and hire purchase contracts are secured on the assets to which the agreements relate.

20. FINANCIAL INSTRUMENTS

	2015 £	*2014 £*
FINANCIAL ASSETS		
Financial assets that are debt instruments measured at amortised cost	5,165,760	*5,170,779*
	5,165,760	*5,170,779*
FINANCIAL LIABILITIES		
Financial liabilities measured at amortised cost	(5,096,104)	*(6,124,592)*
	(5,096,104)	*(6,124,592)*

Financial assets measured at amortised cost are detailed in note 14.

Financial liabilities measured at amortised cost are detailed in notes 16 and 17.

21. DEFERRED TAXATION

	Deferred tax £
At 1 January 2015	659,821
Charged to the profit or loss	(188,508)
AT 31 DECEMBER 2015	471,313

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The deferred tax asset is made up as follows:

	2015 £	*2014 £*
Accelerated capital allowances	**(195,632)**	*(225,368)*
Tax losses carried forward	**661,068**	*885,189*
Other short term timing differences	**5,877**	-
	471,313	*659,821*

22. RESERVES

Capital redemption reserve

The capital redemption reserve arose from a previous purchase of own shares by the company.

Other reserves

Other reserves are previous revaluations carried out on the land owned by the company and are undistributable.

Profit & loss account

The profit and loss reserve represents cumalitive profits net of dividends paid and other adjustments.

23. SHARE CAPITAL

	2015 £	*2014 £*
Allotted, called up and fully paid		
650 Ordinary shares of £1 each	**650**	*650*

24. CAPITAL COMMITMENTS

At 31 December 2015 the Company had capital commitments as follows:

	2015	*2014*
	£	*£*
Contracted for but not provided in these financial statements	**37,120**	-

25. PENSION COMMITMENTS

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £75,956 (2014 - £73,648). At the year end contributions amountsing to £5,117 (2014 - £6,034) were payable to the fund.

26. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2015 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2015	*2014*
	£	*£*
Not later than 1 year	**15,616**	*22,928*
Later than 1 year and not later than 5 years	**4,367**	*20,586*
TOTAL	**19,983**	*43,514*

27. RELATED PARTY TRANSACTIONS

FRS102 does not require disclosure of transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

28. CONTROLLING PARTY

The immediate parent company is Mayer-Kuvert-Network GmbH, a company incorporated in Germany. The ultimate parent undertaking and controlling party is Edlef Bartl Holding GmbH, also incorporated in Germany.

29. FIRST TIME ADOPTION OF FRS 102

The policies applied under the entity's previous accounting framework are not materially different to FRS 102 and have not impacted on equity or profit or loss.