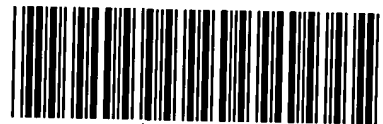


Registered number:2035889

HERITAGE ENVELOPES LIMITED
DIRECTORS' REPORT AND FINANCIAL
STATEMENTS

For the year ended 31 December 2016

SATURDAY



A68BIB61

A23

10/06/2017

#114

COMPANIES HOUSE

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

HERITAGE ENVELOPES LIMITED

COMPANY INFORMATION

Directors	M Sears M Salt (resigned 21 December 2016) 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

CONTENTS

	Page
Strategic report	3 - 4
Directors' report	5 - 7
Independent auditors' report	8 - 9
Profit and loss account	10
Balance sheet	11
Statement of changes in equity	12
Notes to the financial statements	13 - 30

HERITAGE ENVELOPES LIMITED

STRATEGIC REPORT

For the Year Ended 31 December 2016

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, office product and transactional markets.

The market remains highly competitive, with price being the main focus point. Sales were lower than the previous year, at £18,726k a 5.4% decline on 2015. This was mainly due to market decline. Paper prices per tonne fluctuated up and down during the year, but the decline in the GBP/Euro rate increased the Sterling value per tonne, and therefore contributed to a reduction in gross margin compared with 2015 (16.6% vs 12.9%)

Towards the end of the year the business has been able to attract new volumes of work , and that is likely to benefit the sales performance during 2017.

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 principal risks to the business include the supply and cost of raw materials including any GBP/EURO currency fluctuations, 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 2016

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

The sales in the year to December 2016 decreased by 5.4% (£1,076k). The reduction was mainly caused by reduced volumes in the catalogue products area of the business.

Gross and operating profit margins

Gross profit performance on a like for like basis decreased in 2016 from 16.6% to 12.9%. The competitive nature of the envelope market and its over- capacity inevitably results in highly competitive tendering that effectively reduces the sales price to the customer. This combined with increases in raw material costs has reduced the Gross Margin percentage in 2016. At operating profit level the margin decreased from 6.3% in 2015 to 2.3% in 2016, a similar drop to that of the gross margin.

Stock Holding Days

The average number of days stock turn in 2016 was 36 (2015 – 35). Stock levels continue to be regularly monitored and adjusted in accordance to anticipated future levels of activity.

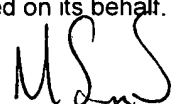
Debtor Days

The average number of debtor days in 2016 was 68 (2015 – 73). Debtors continue to be regularly monitored and actively managed.

This report was approved by the board on

23-5-2017

and signed on its behalf.



HERITAGE ENVELOPES LIMITED

DIRECTORS' REPORT

For the Year Ended 31 December 2016

The directors present their report and the financial statements for the year ended 31 December 2016.

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's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company 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 £417,495 (2015 -£879,009).

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 (resigned 21 December 2016)
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.

HERITAGE ENVELOPES LIMITED
DIRECTORS' REPORT (CONTINUED)
For the Year Ended 31 December 2016

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 the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the 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.

HERITAGE ENVELOPES LIMITED

DIRECTORS' REPORT (CONTINUED)
For the Year Ended 31 December 2016

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 23-5-2017 and signed on its behalf.

MSS

.....
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 2016, set out on pages 10 to 30. 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 on page 5, 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 2016 and of its profit or loss 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.

HERITAGE ENVELOPES LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF HERITAGE ENVELOPES LIMITED
(CONTINUED)**

Opinion on other matter prescribed by the Companies Act 2006

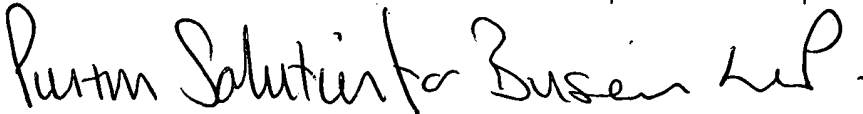
In our opinion, based on the work undertaken in the course of the audit, the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with those financial statements and such reports have been prepared in accordance with applicable legal requirements.

In the light of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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.



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

Date: 1 JUNE 2017

HERITAGE ENVELOPES LIMITED

PROFIT AND LOSS ACCOUNT
For the Year Ended 31 December 2016

	Note	2016 £	2015 £
Turnover	4	18,726,003	19,802,416
Cost of sales		(16,308,717)	(16,515,840)
Gross profit		2,417,286	3,286,576
Administrative expenses		(1,868,471)	(2,043,686)
Other operating income	5	17,472	5,040
Operating profit	6	566,287	1,247,930
Interest payable and similar expenses	10	(86,269)	(27,139)
Profit before tax		480,018	1,220,791
Tax on profit	11	(62,523)	(341,782)
Profit for the year		417,495	879,009

There were no recognised gains and losses for 2016 or 2015 other than those included in the profit and loss account.

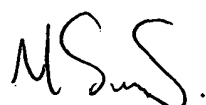
The notes on pages 13 to 30 form part of these financial statements.

HERITAGE ENVELOPES LIMITED
Registered number:2035889

BALANCE SHEET
As at 31 December 2016

	Note	2016 £	2016 £	2015 £	2015 £
Fixed assets					
Intangible assets	12		-		10,452
Tangible assets	13		5,256,717		5,426,322
			<u>5,256,717</u>		<u>5,436,774</u>
Current assets					
Stocks	14	1,605,315		1,589,138	
Debtors	15	5,559,029		5,778,376	
Cash at bank and in hand	16	160,172		447,261	
		<u>7,324,516</u>		<u>7,814,775</u>	
Creditors: amounts falling due within one year	17	(5,406,691)		(6,228,938)	
Net current assets			<u>1,917,825</u>		<u>1,585,837</u>
Total assets less current liabilities			<u>7,174,542</u>		<u>7,022,611</u>
Creditors: amounts falling due after more than one year	18		(796,061)		(1,061,625)
Net assets			<u><u>6,378,481</u></u>		<u><u>5,960,986</u></u>
Capital and reserves					
Called up share capital	22		650		650
Capital redemption reserve			600		600
Other reserves			147,287		147,287
Profit and loss account			<u>6,229,944</u>		<u>5,812,449</u>
			<u><u>6,378,481</u></u>		<u><u>5,960,986</u></u>

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



23-5-2017

M Sears
 Director

The notes on pages 13 to 30 form part of these financial statements.

HERITAGE ENVELOPES LIMITED

STATEMENT OF CHANGES IN EQUITY
For the Year Ended 31 December 2016

	Called up share capital £	Capital redemption reserve £	Other reserves £	Profit and loss account £	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
Total comprehensive income for the year	-	-	-	879,009	879,009
At 1 January 2016	650	600	147,287	5,812,449	5,960,986
Comprehensive income for the year					
Profit for the year	-	-	-	417,495	417,495
Total comprehensive income for the year	-	-	-	417,495	417,495
At 31 December 2016	650	600	147,287	6,229,944	6,378,481

The notes on pages 13 to 30 form part of these financial statements.

HERITAGE ENVELOPES LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
For the Year Ended 31 December 2016

1. General information

The company is incorporated at Companies House in England and Wales under number 2035889. The registered office is noted on page 1 of these financial statements.

2. Accounting policies**2.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

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:

2.2 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 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Mayer Kuvert GMBH as at 31 December 2016 and these financial statements may be obtained from Wannenackerstrasse 65, 74078 Heilbronn, Germany.

HERITAGE ENVELOPES LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
For the Year Ended 31 December 2016

2. Accounting policies (continued)**2.3 Going concern**

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review.

The financial position of the company, its cash flows, liquidity position and borrowing facilities are sufficient to enable the company to carry out its day to day business. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2.4 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; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.5 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 ten years.

HERITAGE ENVELOPES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2016
2. Accounting policies (continued)**2.6 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.

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 in the profit and loss account.

2.7 Operating leases: the Company as lessee

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

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The Company 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 01 January 2015 to continue to be charged over the period to the first market rent review rather than the term of the lease.

2.8 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.

HERITAGE ENVELOPES LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
For the Year Ended 31 December 2016

2. Accounting policies (continued)**2.9 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.

2.10 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.

2.11 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 debtors and creditors, 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 debtors and creditors, 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.

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.

HERITAGE ENVELOPES LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
For the Year Ended 31 December 2016

2. Accounting policies (continued)**2.12 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.

2.13 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.

2.14 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'.

2.15 Finance costs

Finance costs are charged to the profit and loss account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

HERITAGE ENVELOPES LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
For the Year Ended 31 December 2016

2. Accounting policies (continued)**2.16 Leased assets: the Company as lessee**

Assets obtained under hire purchase contract and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

2.17 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 payment 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.

2.18 Borrowing costs

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

2.19 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.

HERITAGE ENVELOPES LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
For the Year Ended 31 December 2016

2. Accounting policies (continued)**2.20 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 charge 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.

HERITAGE ENVELOPES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2016
4. Turnover

Analysis of turnover by country of destination:

	2016 £	2015 £
United Kingdom	18,726,003	19,802,416
	<u>18,726,003</u>	<u>19,802,416</u>

5. Other operating income

	2016 £	2015 £
Government grants receivable	17,472	5,040
	<u>17,472</u>	<u>5,040</u>

6. Operating profit

The operating profit is stated after charging:

	2016 £	2015 £
Depreciation of tangible fixed assets	617,162	655,733
Amortisation of intangible assets, including goodwill	10,452	125,230
Exchange differences	26,123	(49,464)
Defined contribution pension cost	81,074	75,956
	<u>81,074</u>	<u>75,956</u>

HERITAGE ENVELOPES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
 For the Year Ended 31 December 2016
7. Auditors' remuneration

	2016 £	2015 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	15,000	15,000
	<u>15,000</u>	<u>15,000</u>

8. Employees

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

	2016 £	2015 £
Wages and salaries	3,379,444	3,294,993
Social security costs	303,065	293,156
Cost of defined contribution scheme	81,074	75,956
	<u>3,763,583</u>	<u>3,664,105</u>

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

	2016 No.	2015 No.
Administration	26	26
Production	112	110
	<u>138</u>	<u>136</u>

9. Directors' remuneration

	2016 £	2015 £
Directors' emoluments	195,590	207,863
Company contributions to defined contribution pension schemes	18,683	18,683
	<u>214,273</u>	<u>226,546</u>

During the year retirement benefits were accruing to 2 directors (2015 -2) in respect of defined contribution pension schemes.

HERITAGE ENVELOPES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2016
10. Interest payable and similar charges

	2016	2015
	£	£
Bank interest payable	51,634	74,592
Bank interest recovered	-	(107,290)
Finance leases and hire purchase contracts	17,542	41,496
Other interest payable	17,093	18,341
	86,269	27,139

HERITAGE ENVELOPES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2016
11. Taxation

	2016 £	2015 £
Corporation tax		
Current tax on profits for the year	-	153,274
Total current tax	<u>-</u>	<u>153,274</u>
Deferred tax		
Origination and reversal of timing differences	62,523	103,929
Adjustment in respect of prior periods	-	84,579
Total deferred tax	<u>62,523</u>	<u>188,508</u>
Taxation on profit on ordinary activities	<u><u>62,523</u></u>	<u><u>341,782</u></u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2015 -lower than) the standard rate of corporation tax in the UK of 20% (2015 -20.25%). The differences are explained below:

	2016 £	2015 £
Profit on ordinary activities before tax	<u>480,018</u>	<u>1,220,791</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 -20.25%)	96,004	247,210
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	2,849	1,244
Adjustments to tax charge in respect of prior periods	-	84,579
Other timing differences leading to an increase (decrease) in taxation	11,772	35,441
Changes in rates leading to an increase (decrease) in the tax charge	19,772	(13,012)
Group relief	(67,874)	(13,680)
Total tax charge for the year	<u><u>62,523</u></u>	<u><u>341,782</u></u>

Factors that may affect future tax charges

The company has tax losses amounting to £3,301,218 (2015 - £3,672,602) subject to the agreement of HM Revenue and Customs, are available for relief against certain future trading profits.

HERITAGE ENVELOPES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2016
12. Intangible assets

	Goodwill £
Cost	
At 1 January 2016	626,045
At 31 December 2016	<u>626,045</u>
Amortisation	
At 1 January 2016	615,593
Charge for the year	<u>10,452</u>
At 31 December 2016	<u>626,045</u>
Net book value	
At 31 December 2016	<u>-</u>
<i>At 31 December 2015</i>	<u><u>10,452</u></u>

HERITAGE ENVELOPES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2016
13. Tangible fixed assets

	Freehold property £	Plant & machinery £	Motor vehicles £	Fixtures and Fittings and Office equipment £	Assets in the course of constructio n £	Total £
Cost or valuation						
At 1 January 2016	2,790,763	12,557,994	254,116	1,395,411	206,854	17,205,138
Additions	65,365	396,205	71,150	81,894	-	614,614
Disposals	-	(406,267)	(131,372)	-	-	(537,639)
Transfers between classes	-	(300,815)	-	206,854	93,961	-
At 31 December 2016	<u>2,856,128</u>	<u>12,247,117</u>	<u>193,894</u>	<u>1,684,159</u>	<u>300,815</u>	<u>17,282,113</u>
Depreciation						
At 1 January 2016	763,299	9,723,672	146,700	1,145,145	-	11,778,816
Charge for the period on owned assets	50,297	323,523	25,624	108,165	-	507,609
Charge for the period on financed assets	-	106,935	2,618	-	-	109,553
Disposals	-	(258,250)	(112,332)	-	-	(370,582)
At 31 December 2016	<u>813,596</u>	<u>9,895,880</u>	<u>62,610</u>	<u>1,253,310</u>	<u>-</u>	<u>12,025,396</u>
Net book value						
At 31 December 2016	<u>2,042,532</u>	<u>2,351,237</u>	<u>131,284</u>	<u>430,849</u>	<u>300,815</u>	<u>5,256,717</u>
At 31 December 2015	<u>2,027,464</u>	<u>2,834,322</u>	<u>107,416</u>	<u>250,266</u>	<u>206,854</u>	<u>5,426,322</u>

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

	2016 £	2015 £
Plant and machinery	474,247	671,050
Motor vehicles	68,532	-
	<u>542,779</u>	<u>671,050</u>

HERITAGE ENVELOPES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2016
14. Stocks

	2016 £	2015 £
Raw materials and consumables	853,579	878,519
Finished goods and goods for resale	751,736	710,619
	<u>1,605,315</u>	<u>1,589,138</u>

Stock recognised in cost of sales during the year as an expense was £16,308,717 (2015: £16,515,840).

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

15. Debtors

	2016 £	2015 £
Due after more than one year		
Deferred tax asset	333,791	346,313
	<u>333,791</u>	<u>346,313</u>
Due within one year		
Trade debtors	4,169,210	4,750,186
Amounts owed by group undertakings	815,798	355,343
Other debtors	38,645	60,231
Prepayments and accrued income	126,586	141,303
Deferred taxation	74,999	125,000
	<u>5,559,029</u>	<u>5,778,376</u>

Trade debtors subject to invoice discounting arrangements at 31 December 2016 totalled £4,139,783 (2015 - £4,750,186).

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

HERITAGE ENVELOPES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2016

16. Cash and cash equivalents

	2016 £	2015 £
Cash at bank and in hand	160,172	447,261
	<u>160,172</u>	<u>447,261</u>

17. Creditors: Amounts falling due within one year

	2016 £	2015 £
Bank loans	455,939	348,634
Trade creditors	1,079,277	1,764,109
Amounts owed to group undertakings	1,231,308	1,182,075
Corporation tax	3,273	153,273
Other taxation and social security	482,421	415,963
Obligations under finance lease and hire purchase contracts	140,283	182,489
Proceeds of invoice discounting	1,296,721	1,086,223
Accruals and deferred income	717,469	1,096,172
	<u>5,406,691</u>	<u>6,228,938</u>

The proceeds from the invoice discounting facility are secured by a fixed charge on trade debtors and a floating charge on all other assets of the company. The balance is repayable on demand.

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

	2016 £	2015 £
Bank loans	514,578	705,114
Obligations under finance leases and hire purchase contracts	217,164	316,159
Government grants received	64,319	40,352
	<u>796,061</u>	<u>1,061,625</u>

Secured loans

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

HERITAGE ENVELOPES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2016
19. Loans

Analysis of the maturity of loans is given below:

	2016 £	2015 £
Amounts falling due within one year		
Bank loans	455,939	348,634
	<u>455,939</u>	<u>348,634</u>
Amounts falling due 1-2 years		
Bank loans	455,939	348,635
	<u>455,939</u>	<u>348,635</u>
Amounts falling due 2-5 years		
Bank loans	58,639	356,479
	<u>58,639</u>	<u>356,479</u>
	<u><u>970,517</u></u>	<u><u>1,053,748</u></u>

HERITAGE ENVELOPES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2016
20. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2016 £	2015 £
Within one year	140,283	182,489
Between 1-2 years	159,764	134,264
Between 2-5 years	57,400	182,489
	<u>357,447</u>	<u>499,242</u>

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

21. Deferred taxation

	2016 £
At beginning of year	471,313
Charged to profit or loss	(62,523)
At end of year	<u>408,790</u>

The deferred tax asset is made up as follows:

	2016 £
Accelerated capital allowances	(153,437)
Tax losses carried forward	561,207
Other short term timing differences	1,020
	<u>408,790</u>

22. Share capital

	2016 £	2015 £
Shares classified as equity		
Allotted, called up and fully paid		
650 Ordinary shares of £1 each	<u>650</u>	<u>650</u>

HERITAGE ENVELOPES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2016
23. Capital commitments

At the year end the company had capital commitments amounting to £29,770 (2015 - £37,120).

24. 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 £81,074 (2015 - £75,956). At the year end contributions amounting to £6,000 (2015 - £5,117) were payable to the fund.

25. Commitments under operating leases

At 31 December 2016 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2016 £	2015 £
Not later than 1 year	5,139	15,616
Later than 1 year and not later than 5 years	1,158	4,367
	<u>6,297</u>	<u>19,983</u>

26. 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.

27. Controlling party

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