

Company Registration No. 02035889 (England and Wales)

HERITAGE ENVELOPES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2019

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

HERITAGE ENVELOPES LIMITED

COMPANY INFORMATION

Directors	M Sears T Schwarz J De Couespel
Company number	02035889
Registered office	Heritage House Davyfield Road Blackburn Lancashire BB1 2LU
Auditor	PM+M Solutions for Business LLP New Century House Greenbank Technology Park Challenge Way Blackburn Lancashire BB1 5QB
Bankers	Barclays Bank Plc First Floor 3 Hardman Street Spinningfields Manchester M3 3HF

HERITAGE ENVELOPES LIMITED

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HERITAGE ENVELOPES LIMITED

STRATEGIC REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2019

The directors present the strategic report for the Period ended 31 December 2019.

Fair review of the business

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

For the third consecutive year, the business was able to increase turnover after acquiring new volumes in the transactional and bespoke areas of the business. Sales increased on 2018 by 2.1%, to £21,742k. The market remains highly competitive, with price being the main focal point, as well as quality and customer service. Gross margin has increased in 2018 when compared with the previous year. The GM percentage was at 13.4%, compared with 10.8% in 2018. This is attributed to the efficiencies created at local level, along with purchasing power at group level.

Principal risks and uncertainties

The principle risks to the business include the supply and cost of raw materials including any GBP/EURO currency fluctuations, continual decline in the total envelope market and obtaining sufficient credit insurance on the customer base.

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

In terms of credit insurance the company reviews the policy closely along with local and group brokers to manage the risk and uncertainty of trading with the print and paper sectors.

Financial key performance indicators

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

Sales performance

The sales in the year to December 2019 increased by 2.1% (£455k). The increase was generated by additional volumes in the transactional and bespoke areas of the business.

Gross and operating profit margins

Gross profit performance on a like for like basis increased in 2019 from 10.8% to 13.4%. The increased GM was mainly attributable to reduction in paper and other raw material costs. At operating profit level, the margin increased from 2.7% in 2018 to 3.8% in 2019.

Stock Holding Days

The average number of days stock turn in 2019 was 43 (2018 – 39). 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 2019 was 76 (2018 – 69). Debtors continue to be regularly monitored and actively managed.

HERITAGE ENVELOPES LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2019

Future developments

In light of the current Coronavirus situation the company continually reviews the risks which it is facing. Any impact on sales and production is being closely monitored, and decisions are being taken where necessary to adapt the business to the current trading environment.

The company has taken advantage of some of the various support measures announced by the government, including the Coronavirus Job Retention Scheme. The company has not yet experienced any supply chain issues. Cash control is a key focus on the management team and plans are in place to ensure this is closely monitored over the coming period.

Although the trading environment is forecast to remain uncertain, the Directors feel that the company is well placed to meet the challenges ahead. Future acquisition of new machinery will enable the business to develop new relationships and explore new markets.

On behalf of the board

M Sears

Director

16 October 2020

HERITAGE ENVELOPES LIMITED

DIRECTORS' REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2019

The directors present their annual report and financial statements for the Period ended 31 December 2019.

Principal activities

The principal activity of the company continued to be that selling envelopes to mail order, office product and transactional markets.

Directors

The directors who held office during the Period and up to the date of signature of the financial statements were as follows:

M Sears
T Schwarz
J De Couespel

Results and dividends

The results for the Period are set out on page 8.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

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 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.

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.

Auditor

The auditor, PM+M Solutions for Business LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

HERITAGE ENVELOPES LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2019

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

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.

On behalf of the board

M Sears

Director

16 October 2020

HERITAGE ENVELOPES LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF HERITAGE ENVELOPES LIMITED

Opinion

We have audited the financial statements of Heritage Envelopes Limited (the 'company') for the Period ended 31 December 2019 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the Period 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial Period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

HERITAGE ENVELOPES LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBER OF HERITAGE ENVELOPES LIMITED

Matters on which we are required to report by exception

In the light of the 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.

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.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

HERITAGE ENVELOPES LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBER OF HERITAGE ENVELOPES LIMITED

Use of our report

This report is made solely to the company's member 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 member those matters we are required to state to them in an auditor's 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 member for our audit work, for this report, or for the opinions we have formed.

Christopher Johnson FCA (Senior Statutory Auditor)
for and on behalf of PM+M Solutions for Business LLP

16 October 2020

Chartered Accountants
Statutory Auditor

New Century House
Greenbank Technology Park
Challenge Way
Blackburn
Lancashire
BB1 5QB

HERITAGE ENVELOPES LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2019

		Year ended 31 December 2019	Year ended 31 December 2018
	Notes	£	£
Turnover	3	21,742,038	21,287,115
Cost of sales		(18,838,288)	(18,998,085)
Gross profit		2,903,750	2,289,030
Administrative expenses		(2,091,442)	(1,726,850)
Other operating income	3	9,396	9,396
Operating profit	4	821,704	571,576
Interest payable and similar expenses	7	(132,035)	(116,276)
Profit before taxation		689,669	455,300
Tax on profit	8	126,067	(13,869)
Profit for the financial Period		815,736	441,431

The profit and loss account has been prepared on the basis that all operations are continuing operations.

HERITAGE ENVELOPES LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2019

		2019		(As restated) 2018	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	10		7,399,837		4,802,555
Current assets					
Stocks	11	2,207,856		2,007,116	
Debtors	12	7,617,507		6,591,548	
Cash at bank and in hand		120,511		228,449	
		<u>9,945,874</u>		<u>8,827,113</u>	
Creditors: amounts falling due within one year	13	<u>(6,875,126)</u>		<u>(8,131,161)</u>	
Net current assets			<u>3,070,748</u>		<u>695,952</u>
Total assets less current liabilities			<u>10,470,585</u>		<u>5,498,507</u>
Creditors: amounts falling due after more than one year	14		<u>(4,241,962)</u>		<u>(85,620)</u>
Net assets			<u><u>6,228,623</u></u>		<u><u>5,412,887</u></u>
Capital and reserves					
Called up share capital	19		650		650
Revaluation reserve			147,287		147,287
Other reserves			600		600
Profit and loss reserves			6,080,086		5,264,350
Total equity			<u><u>6,228,623</u></u>		<u><u>5,412,887</u></u>

The financial statements were approved by the board of directors and authorised for issue on 16 October 2020 and are signed on its behalf by:

M Sears
Director

Company Registration No. 02035889

HERITAGE ENVELOPES LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 DECEMBER 2019

		(As restated)				
		Share capital	Revaluation reserve	Other reserves	Profit and loss reserves	Total
		£	£	£	£	£
As restated for the period ended 31 December 2018:						
Balance at 1 January 2018	(As restated)	650	147,287	600	4,822,919	4,971,456
Year ended 31 December 2018:						
Profit and total comprehensive income for the year		-	-	-	441,431	441,431
Balance at 31 December 2018	(As restated)	650	147,287	600	5,264,350	5,412,887
Period ended 31 December 2019:						
Profit and total comprehensive income for the period		-	-	-	815,736	815,736
Balance at 31 December 2019		650	147,287	600	6,080,086	6,228,623

HERITAGE ENVELOPES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2019

1 Accounting policies

Company information

Heritage Envelopes Limited is a private company limited by shares incorporated in England and Wales. The registered office is Heritage House, Davyfield Road, Blackburn, Lancashire, BB1 2LU.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

The company has taken advantage of the following disclosure exemptions in preparing these financial statements as permitted by FRS102:

- The requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv).
- The requirements of Section 7 Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17(d).
- The requirements of Section 11 paragraphs 11.39 to 11.48A and Section 12 paragraphs 12.26 to 12.29A
- The requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23,
- The requirement 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 2019 and these financial statements may be obtained from Wannenackerstrasse 65, 74078 Heilbronn, Germany.

1.2 Going concern

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

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

HERITAGE ENVELOPES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.4 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of unincorporated businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is five years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold land and buildings	2% straight line
Plant and equipment	15% reducing balance
Fixtures and fittings	15% - 25% reducing balance
Motor vehicles	25% reducing balance

Assets in the course of construction are not depreciated.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.6 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

HERITAGE ENVELOPES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.7 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.8 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.9 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally 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.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

HERITAGE ENVELOPES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

HERITAGE ENVELOPES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.10 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.12 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

1.13 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.14 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

HERITAGE ENVELOPES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.15 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

Government grants relating to turnover are recognised as income over the periods when the related costs are incurred. Grants relating to an asset are recognised in income systematically over the asset's expected useful life. If part of such a grant is deferred it is recognised as deferred income rather than being deducted from the asset's carrying amount.

1.16 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods. The main areas of judgement are in relation to stock and debtor provisions and the useful economic lives/residual values of the company's fixed assets

3 Turnover and other revenue

	2019 £	2018 £
Other revenue		
Grants received	9,396	9,396
	<u> </u>	<u> </u>
	2019 £	2018 £
Turnover analysed by geographical market		
United Kingdom	21,586,557	21,144,225
Rest of Europe	155,481	142,890
	<u>21,742,038</u>	<u>21,287,115</u>

HERITAGE ENVELOPES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2019

4 Operating profit

	2019 £	2018 £
Operating profit for the period is stated after charging/(crediting):		
Exchange (gains)/losses	(90,526)	2,831
Government grants	(9,396)	(9,396)
Fees payable to the company's auditor for the audit of the company's financial statements	17,000	17,000
Depreciation of owned tangible fixed assets	530,354	560,811
Depreciation of tangible fixed assets held under finance leases	52,109	42,776
Profit on disposal of tangible fixed assets	(2,833)	(185,515)
Operating lease charges	45,364	55,591
	<u> </u>	<u> </u>

5 Employees

The average monthly number of persons (including directors) employed by the company during the Period was:

	2019 Number	2018 Number
Administration	22	24
Production	114	112
	<u> </u>	<u> </u>
	136	136
	<u> </u>	<u> </u>

Their aggregate remuneration comprised:

	2019 £	2018 £
Wages and salaries	3,521,679	3,480,872
Social security costs	307,923	307,514
Pension costs	93,172	79,789
	<u> </u>	<u> </u>
	3,922,774	3,868,175
	<u> </u>	<u> </u>

6 Directors' remuneration

	2019 £	2018 £
Remuneration for qualifying services	177,676	160,906
Company pension contributions to defined contribution schemes	12,083	12,083
	<u> </u>	<u> </u>
	189,759	172,989
	<u> </u>	<u> </u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2018 - 1).

HERITAGE ENVELOPES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2019

7 Interest payable and similar expenses

	2019	2018
	£	£
Interest on bank overdrafts and loans	50,657	50,298
Other interest on financial liabilities	75,532	65,613
Interest on finance leases and hire purchase contracts	5,846	365
	<u>132,035</u>	<u>116,276</u>

8 Taxation

	2019	2018
	£	£
Deferred tax		
Origination and reversal of timing differences	<u>(126,067)</u>	<u>13,869</u>

The actual (credit)/charge for the Period can be reconciled to the expected charge for the Period based on the profit or loss and the standard rate of tax as follows:

	2019	2018
	£	£
Profit before taxation	<u>689,669</u>	<u>455,300</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	131,037	86,507
Tax effect of expenses that are not deductible in determining taxable profit	898	157
Tax effect of income not taxable in determining taxable profit	(284,067)	-
Effect of change in corporation tax rate	14,832	(3,120)
Group relief	-	(66,157)
Other non-reversing timing differences	10,663	9,133
Other permanent differences	570	-
Deferred tax adjustments in respect of prior years	-	(12,651)
Taxation (credit)/charge for the period	<u>(126,067)</u>	<u>13,869</u>

The company has tax losses amounting to £4,951,731 (2018 - £3,013,737) subject to the agreement of HM Revenue and Customs, available for relief against certain future trading profits.

HERITAGE ENVELOPES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2019

9 Intangible fixed assets

	Goodwill £
Cost	
At 1 January 2019 and 31 December 2019	626,045
Amortisation and impairment	
At 1 January 2019 and 31 December 2019	626,045
Carrying amount	
At 31 December 2019	-
At 31 December 2018	-

10 Tangible fixed assets

	Freehold land and buildings	Assets under construction	Plant and equipment	Fixtures and fittings	Motor vehicles	Total
	£	£	£	£	£	£
Cost						
At 1 January 2019	2,856,128	72,360	12,885,584	1,890,470	273,045	17,977,587
Additions	-	2,664,857	381,924	48,655	115,630	3,211,066
Disposals	-	-	-	-	(71,150)	(71,150)
Transfers	-	(72,360)	-	72,360	-	-
At 31 December 2019	2,856,128	2,664,857	13,267,508	2,011,485	317,525	21,117,503
Depreciation and impairment						
At 1 January 2019	915,842	-	10,664,440	1,463,498	131,252	13,175,032
Depreciation charged in the Period	51,123	-	383,497	112,749	35,094	582,463
Eliminated in respect of disposals	-	-	-	-	(39,829)	(39,829)
At 31 December 2019	966,965	-	11,047,937	1,576,247	126,517	13,717,666
Carrying amount						
At 31 December 2019	1,889,163	2,664,857	2,219,571	435,238	191,008	7,399,837
At 31 December 2018	1,940,286	72,360	2,221,144	426,972	141,793	4,802,555

HERITAGE ENVELOPES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2019

10 Tangible fixed assets

(Continued)

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	2019 £	2018 £
Plant and equipment	233,305	51,704
Motor vehicles	281,263	132,187
	<u>514,568</u>	<u>183,891</u>
Depreciation charge for the Period in respect of leased assets	<u>52,109</u>	<u>42,776</u>

11 Stocks

	2019 £	2018 £
Raw materials and consumables	1,139,182	1,067,487
Finished goods and goods for resale	1,068,674	939,629
	<u>2,207,856</u>	<u>2,007,116</u>

An impairment loss of £109,426 (2018 - £50,000) was recognised in cost of sales against slow moving and obsolete stocks.

12 Debtors

	2019 £	2018 £
Amounts falling due within one year:		
Trade debtors	5,395,723	4,827,785
Amounts owed by group undertakings	1,111,078	775,908
Other debtors	43,103	42,360
Prepayments and accrued income	576,655	580,614
	<u>7,126,559</u>	<u>6,226,667</u>
Deferred tax asset (note 17)	30,000	30,000
	<u>7,156,559</u>	<u>6,256,667</u>

HERITAGE ENVELOPES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2019

12 Debtors		(Continued)	
		2019 £	2018 £
Amounts falling due after more than one year:			
Deferred tax asset (note 17)		460,948	334,881
Total debtors		7,617,507	6,591,548

Trade debtors subject to invoice discounting at 31 December 2019 totalled £5,395,723 (2018 - £4,827,785).

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

13 Creditors: amounts falling due within one year		(As restated)	
	Notes	2019 £	2018 £
Bank loans and overdrafts	15	-	69,741
Obligations under finance leases	16	108,804	86,150
Trade creditors		1,014,545	1,277,698
Amounts owed to group undertakings		1,531,788	2,817,894
Corporation tax		2,215	2,215
Other taxation and social security		450,375	491,570
Other creditors		2,887,860	2,742,297
Accruals and deferred income		879,539	643,596
		6,875,126	8,131,161

The other creditors comprise of the proceeds of invoice factoring facilities. 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.

Certain loans from the parent company amounting to €4.6m are subject to formal agreements and interest is charged.

HERITAGE ENVELOPES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2019

14 Creditors: amounts falling due after more than one year

	Notes	2019 £	2018 £
Obligations under finance leases	16	327,266	40,093
Other borrowings	15	3,878,565	-
Government grants		36,131	45,527
		<u>4,241,962</u>	<u>85,620</u>

Certain loans from the parent company amounting to €4.6m are subject to formal agreements and interest is charged.

15 Loans and overdrafts

	2019 £	2018 £
Bank loans	-	69,741
Loans from group undertakings	3,878,565	-
	<u>3,878,565</u>	<u>69,741</u>
Payable within one year	-	69,741
Payable after one year	3,878,565	-
	<u>3,878,565</u>	<u>69,741</u>

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

The bank loan is repaid by monthly instalments of £8,274 which includes interest. The final payment will be made in July 2019. Interest is charged at 2.5% above LIBOR.

16 Finance lease obligations

	2019 £	2018 £
Future minimum lease payments due under finance leases:		
Within one year	108,804	86,150
In two to five years	327,266	40,093
	<u>436,070</u>	<u>126,243</u>

Finance lease payments represent rentals payable by the company for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 4 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

HERITAGE ENVELOPES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2019

17 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Assets 2019 £	Assets 2018 £
Balances:		
Accelerated capital allowances	(361,743)	(149,086)
Tax losses	851,824	512,335
Short term timing differences	867	1,632
	<u>490,948</u>	<u>364,881</u>
		2019 £
Movements in the Period:		
Asset at 1 January 2019		(364,881)
Credit to profit or loss		(126,067)
Asset at 31 December 2019		<u>(490,948)</u>

The deferred tax asset set out above is expected to reverse over a period of more than 12 months and as such has been split to show the amount expected to be used within one year and amounts expected to be used after this period. The asset relates to the utilisation of tax losses against future expected profits of the same period.

18 Retirement benefit schemes

	2019 £	2018 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	93,172	79,789

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

At the year end contributions amounting to £6,000 (2018 - £6,000) were payable to the fund.

19 Share capital

	2019 £	2018 £
Ordinary share capital		
Issued and fully paid		
650 Ordinary shares of £1 each	650	650

HERITAGE ENVELOPES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2019

20 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2019 £	2018 £
Within one year	57,354	66,461
Between two and five years	126,660	171,865
	<u>184,014</u>	<u>238,326</u>

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

21 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2019 £	2018 £
Acquisition of tangible fixed assets	<u>248,160</u>	<u>239,318</u>

22 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.

23 Ultimate controlling party

The immediate parent company is Mayer-Kuvert-Network GmbH, a company incorporated in Germany. The ultimate parent undertaking is Gold Richtig Verwaltungs-GmbH, also incorporated in Germany. The ultimate controlling party is Mr Bernd Wiedmann.

HERITAGE ENVELOPES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2019

24 Prior Year Adjustment

During the year the Company was made aware of charges incurred on its behalf by the parent company Mayer-Kuvert-Network GmbH. The parent company was aware of these charges, and recognised and settled them in previous years. However, the recharge was not notified to the company until the current year. These recharges amounted to £1,495,087.

Reconciliation of Equity

Equity at 01 January 2018	£6,759,437
Recharges from parent company	(£1,495,087)
Restated Equity Shareholder Funds at 01 January 2018	£5,264,350

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.