

EAGLE ENVELOPES LIMITED

COMPANY INFORMATION

Directors	E M Bartl I M Filo J C Gutteridge
Secretary	J C Gutteridge
Company number	SC293145
Registered office	Unit 1 Block 7 Whiteside Industrial Estate Bathgate West Lothian EH48 2RX
Auditors	Springfords LLP Dundas House Westfield Park Eskbank Edinburgh EH22 3FB
Business address	Unit 1 Block 7 Whiteside Industrial Estate Bathgate West Lothian EH48 2RX
Bankers	Royal Bank of Scotland 36 St Andrew Square Edinburgh EH2 2YB
Solicitors	MacRoberts 152 Bath Street Glasgow G2 4TB

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EAGLE ENVELOPES LIMITED

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EAGLE ENVELOPES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2011

The directors present their report and financial statements for the year ended 31 December 2011.

Principal activities

The principal activity of the company continued to be that of the manufacture and supply of envelopes and other stationery products.

Review of the business

The net result for the year was a loss of £1.6m.

Turnover declined in all areas of the business but margins were maintained. The Euro exchange rate, paper and other raw material prices all remained reasonably stable over the course of the year.

Expected efficiency improvements were realised at Bathgate but at lower levels than planned and this area continues to be a key target for us.

At Walsall, our overprint efficiency improved leading to the loss of 2 printers through natural wastage but our Bespoke operation continues to face great pressure and little progress has been made in improving production efficiency.

Key performance indicators

The directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the company.

Results and dividends

The results for the year are set out on page 5.

Directors

The following directors have held office since 1 January 2011:

E M Bartl
I M Filo
J C Gutteridge

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of price, credit and liquidity risks.

Liquidity risk

The company actively maintains a mixture of long term and short term debt finance that is designed to ensure that the company has sufficient available funds for operations. At present the company remains in a net liabilities position, however the company has received assurances from its parent company that it will continue to support the company for the foreseeable future.

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made.

EAGLE ENVELOPES LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

Price risk

The company is exposed to commodity price risk as a result of its operations. However, given the size of the company's operations, the costs of managing exposure to commodity price risks exceed any potential benefits. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature. The company has no exposure to equity securities prices risk as it holds no listed or other equity investments.

Auditors

In accordance with the company's articles, a resolution proposing that Springfords LLP be reappointed as auditors of the company will be put at a General Meeting.

Statement of directors' responsibilities

The directors are responsible for preparing 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 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:

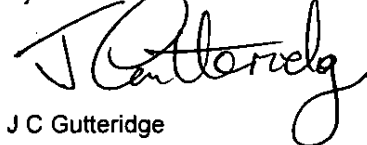
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors 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 auditors are aware of that information.

By order of the board



J C Gutteridge

Secretary

11 May 2012

EAGLE ENVELOPES LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF EAGLE ENVELOPES LIMITED

We have audited the financial statements of Eagle Envelopes Limited for the year ended 31 December 2011 set out on pages 5 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 set out on pages 1 - 2, 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 Auditing Practices Board'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 Directors' Report to identify material inconsistencies with the audited financial statements. 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 2011 and of its 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.

Opinion on other matter prescribed by the Companies Act 2006

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

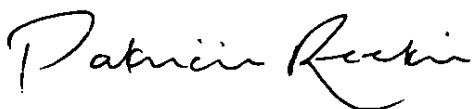
EAGLE ENVELOPES LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE MEMBERS OF EAGLE ENVELOPES LIMITED

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



**Patricia Reekie CA (Senior Statutory Auditor)
for and on behalf of Springfords LLP**

11 May 2012

**Chartered Accountants
Statutory Auditor**

Dundas House
Westfield Park
Eskbank
Edinburgh
EH22 3FB

EAGLE ENVELOPES LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 £	2010 £
Turnover	2	11,163,987	12,940,569
Cost of sales		(9,783,285)	(11,272,890)
Gross profit		1,380,702	1,667,679
Distribution costs		(670,269)	(826,116)
Administrative expenses		(1,752,011)	(2,062,834)
Exceptional item - Gain on foreign exchange		84,034	385,020
Operating loss	3	(957,544)	(836,251)
Interest payable and similar charges	4	(656,828)	(613,192)
Loss on ordinary activities before taxation		(1,614,372)	(1,449,443)
Tax on loss on ordinary activities	5	-	-
Loss for the year	13	(1,614,372)	(1,449,443)

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

There are no recognised gains and losses other than those passing through the profit and loss account.

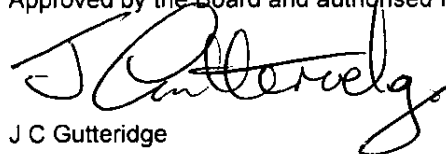
EAGLE ENVELOPES LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2011

	Notes	2011 £	£	2010 £	£
Fixed assets					
Tangible assets	6		1,279,295		1,668,517
Current assets					
Stocks	7	1,607,947		1,635,743	
Debtors	8	2,359,079		2,815,160	
Cash at bank and in hand		80,999		48,542	
		<u>4,048,025</u>		<u>4,499,445</u>	
Creditors: amounts falling due within one year	9	<u>(4,888,473)</u>		<u>(4,561,018)</u>	
Net current liabilities			<u>(840,448)</u>		<u>(61,573)</u>
Total assets less current liabilities			<u>438,847</u>		<u>1,606,944</u>
Creditors: amounts falling due after more than one year	10		8,338,046		7,891,771
Capital and reserves					
Called up share capital	12	4,380,168		4,380,168	
Profit and loss account	13	(12,279,367)		(10,664,995)	
		<u>438,847</u>		<u>1,606,944</u>	

Approved by the Board and authorised for issue on 11 May 2012



J C Gutteridge
Director

Company Registration No. SC293145

EAGLE ENVELOPES LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2011

	£	2011 £	£	2010 £
Net cash inflow from operating activities		278,604		323,635
Returns on investments and servicing of finance				
Interest paid	(656,828)		(613,192)	
Net cash outflow for returns on investments and servicing of finance		(656,828)		(613,192)
Capital expenditure				
Payments to acquire tangible assets	(33,463)		(48,156)	
Receipts from sales of tangible assets	153,148		20,417	
Net cash inflow/(outflow) for capital expenditure		119,685		(27,739)
Net cash outflow before management of liquid resources and financing		(258,539)		(317,296)
Financing				
Other new long term loans	446,275		502,181	
Capital element of finance lease contracts	(155,279)		(168,578)	
Net cash inflow from financing		290,996		333,603
Increase in cash in the year		32,457		16,307

EAGLE ENVELOPES LIMITED

NOTES TO THE CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2011

1	Reconciliation of operating loss to net cash inflow from operating activities	2011	2010
		£	£
	Operating loss	(957,544)	(836,251)
	Depreciation of tangible assets	344,768	369,021
	Profit on disposal of tangible assets	(75,231)	(13,480)
	Decrease in stocks	27,796	116,411
	Decrease in debtors	456,081	445,528
	Increase in creditors within one year	482,734	242,406
	Net cash inflow from operating activities	278,604	323,635

2	Analysis of net debt	1 January 2011	Cash flow	Other non-cash changes	31 December 2011
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	48,542	32,457	-	80,999
	Bank deposits	-	-	-	-
	Debt:				
	Finance leases	(155,279)	155,279	-	-
	Debts falling due after one year	(7,891,771)	(446,275)	-	(8,338,046)
		(8,047,050)	(290,996)	-	(8,338,046)
	Net debt	(7,998,508)	(258,539)	-	(8,257,047)

3	Reconciliation of net cash flow to movement in net debt	2011	2010
		£	£
	Increase in cash in the year	32,457	16,307
	Cash inflow from increase in debt and lease financing	(290,996)	(333,603)
	Movement in net debt in the year	(258,539)	(317,296)
	Opening net debt	(7,998,508)	(7,681,212)
	Closing net debt	(8,257,047)	(7,998,508)

EAGLE ENVELOPES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

The company has incurred a loss for the year ended 31 December 2011 and has negative net assets as at 31 December 2011. The company has received assurances from its joint parent company Mayer-Kuvert-network GmbH that they will continue to support the company for the foreseeable future. At the date of approval of these financial statements the directors have no reason to believe this support will not continue and accordingly, the financial statements have been prepared on a going concern basis.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings Freehold	4% Straight Line
Plant and machinery	12.5% to 33% Straight Line

1.5 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. 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.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.6 Stock and work in progress

Stock and work in progress are valued at the lower of cost and net realisable value. Cost is determined on a first in first out basis and includes all direct expenditure and production overheads based on the normal level of activity. Where necessary, provision is made for obsolete, slow moving and defective stocks.

1.7 Pensions

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

EAGLE ENVELOPES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

1 Accounting policies

(continued)

1.8 Deferred taxation

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

Deferred tax assets are only recognised to the extent it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.

1.9 Foreign currency translation

Monetary assets and current liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Long term liabilities are translated at a rate which reflects the best estimate of the likely maturity rate and does not take account of short term currency fluctuations. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Operating loss

	2011 £	2010 £
Operating loss is stated after charging:		
Depreciation of tangible assets	344,768	369,021
Operating lease rentals		
- Plant and machinery	177,835	191,030
- Other assets	161,238	160,739
Exceptional item - redundancy costs	48,741	57,912
Fees payable to the company's auditor for the audit of the company's annual accounts	13,250	12,500
Accountancy and taxation services	3,900	3,750
and after crediting:		
Profit on disposal of tangible assets	(75,231)	(13,480)
Profit on foreign exchange transactions	(84,034)	(412,452)

EAGLE ENVELOPES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

4	Interest payable	2011 £	2010 £
	On amounts payable to group companies	596,176	536,912
	On bank loans and overdrafts	38,545	46,513
	Hire purchase interest	22,107	29,767
		<u>656,828</u>	<u>613,192</u>
5	Taxation	2011	2010
	Total current tax	-	-
	Factors affecting the tax charge for the year		
	Loss on ordinary activities before taxation	<u>(1,614,372)</u>	<u>(1,449,443)</u>
	Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 26.00% (2010 - 28.00%)	<u>(419,737)</u>	<u>(405,844)</u>
	Effects of:		
	Non deductible expenses	-	4,123
	Depreciation in advance of capital allowances	70,110	85,468
	Other timing differences	2,785	(4,531)
	Unutilised losses	<u>346,842</u>	<u>320,784</u>
		<u>419,737</u>	<u>405,844</u>
	Current tax charge for the year	-	-

Following due consideration of the availability of tax losses in relation to future anticipated taxable profits, the deferred tax asset has not been recognised. The total deferred tax asset, including decelerated capital allowances, is circa £3.1m. The deferred tax asset will be fully recoverable should there be appropriate future taxable profits.

EAGLE ENVELOPES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

6 Tangible fixed assets

	Land and buildings Freehold £	Plant and machinery £	Total £
Cost			
At 1 January 2011	446,345	4,270,137	4,716,482
Additions	-	33,463	33,463
Disposals	-	(200,000)	(200,000)
At 31 December 2011	446,345	4,103,600	4,549,945
Depreciation			
At 1 January 2011	87,580	2,960,385	3,047,965
On disposals	-	(122,083)	(122,083)
Charge for the year	19,065	325,703	344,768
At 31 December 2011	106,645	3,164,005	3,270,650
Net book value			
At 31 December 2011	339,700	939,595	1,279,295
At 31 December 2010	358,765	1,309,752	1,668,517

Included above are assets held under finance leases or hire purchase contracts as follows:

	Plant and machinery £
Net book values	
At 31 December 2011	-
At 31 December 2010	460,617
Depreciation charge for the year	
At 31 December 2011	-
At 31 December 2010	90,176

EAGLE ENVELOPES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

7	Stocks and work in progress	2011 £	2010 £
	Raw materials and consumables	389,659	400,241
	Work in progress	6,193	9,608
	Finished goods and goods for resale	1,212,095	1,225,894
		<u>1,607,947</u>	<u>1,635,743</u>

8	Debtors	2011 £	2010 £
	Trade debtors	1,520,627	1,914,179
	Amounts owed by parent and fellow subsidiary undertakings	654,803	746,894
	Other debtors	83,196	7,432
	Prepayments and accrued income	100,453	146,655
		<u>2,359,079</u>	<u>2,815,160</u>

EAGLE ENVELOPES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

9	Creditors: amounts falling due within one year	2011 £	2010 £
	Net obligations under hire purchase contracts	-	155,279
	Trade creditors	521,215	576,065
	Amounts owed to parent and fellow subsidiary undertakings	3,029,678	2,164,477
	Taxes and social security costs	222,936	202,615
	Other creditors	638,902	781,549
	Accruals and deferred income	475,742	681,033
		<u>4,888,473</u>	<u>4,561,018</u>
	Net obligations under hire purchase contracts		
	Repayable within one year	-	155,279
	Finance charges and interest allocated to future accounting periods	-	-
		<u>-</u>	<u>155,279</u>

Included within other creditors are invoice financing liabilities of £622,632 (2010 - £754,847). These amounts 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.

10	Creditors: amounts falling due after more than one year	2011 £	2010 £
	Loans due to group undertakings	<u>8,338,046</u>	<u>7,891,771</u>
	Analysis of loans		
	Wholly repayable within five years	<u>8,338,046</u>	<u>7,891,771</u>
		<u>8,338,046</u>	<u>7,891,771</u>
	Loan maturity analysis		
	In more than one year but not more than two years	<u>8,338,046</u>	<u>7,891,771</u>

The long term loan represents a loan from the parent company Mayer-Kuvert-network GmbH. The loan amount is made up of several unsecured loans which bear interest at varying rates between 6.25% and 7.25%.

EAGLE ENVELOPES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

11 Pension and other post-retirement benefit commitments Defined contribution

	2011 £	2010 £
Contributions payable by the company for the year	69,100	85,507

12 Share capital

	2011 £	2010 £
Allotted, called up and fully paid		
4,380,168 Ordinary shares of £1 each	4,380,168	4,380,168

13 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 January 2011	(10,664,995)
Loss for the year	(1,614,372)
Balance at 31 December 2011	(12,279,367)

14 Reconciliation of movements in shareholders' funds

	2011 £	2010 £
Loss for the financial year	(1,614,372)	(1,449,443)
Opening shareholders' funds	(6,284,827)	(4,835,384)
Closing shareholders' funds	(7,899,199)	(6,284,827)

EAGLE ENVELOPES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

15 Financial commitments

At 31 December 2011 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2012:

	Land and buildings		Other	
	2011	2010	2011	2010
	£	£	£	£
Operating leases which expire:				
Within one year	-	-	14,077	3,796
Between two and five years	-	-	71,342	85,171
In over five years	158,595	158,595	-	-
	<u>158,595</u>	<u>158,595</u>	<u>85,419</u>	<u>88,967</u>

16 Directors' remuneration

	2011	2010
	£	£
Remuneration for qualifying services	72,000	73,385
Company pension contributions to defined contribution schemes	5,040	5,040
	<u>77,040</u>	<u>78,425</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2010 - 1).

EAGLE ENVELOPES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

17 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	2011 Number	2010 Number
Manufacturing	69	82
Other	22	22
	<u>91</u>	<u>104</u>

Employment costs

	2011 £	2010 £
Wages and salaries	2,169,524	2,465,520
Social security costs	181,913	214,097
Other pension costs	69,100	85,507
	<u>2,420,537</u>	<u>2,765,124</u>

18 Control

The immediate parent company is Mayer-Kuvert (UK) Holdings Limited, a company registered in Scotland. Mayer-Kuvert (UK) Holdings Limited prepares group consolidated accounts and copies can be obtained from Unit 1 Block 7, Whiteside Industrial Estate, Bathgate, West Lothian, EH48 2RX.

The Company's ultimate joint controlling parties are Mayer-Kuvert-network GmbH, incorporated and registered in Germany and Eco Invest s a, incorporated and registered in the Republic of Slovakia. Copies of the consolidated financial statements of Mayer-Kuvert-network GmbH can be obtained from Mayer-Kuvert-network GmbH, Wannenackerstrasse 65, 74078 Heilbronn Germany. The financial statements of Eco Invest s a can be obtained from Obchodna ulica 2 6, 811 08 Bratislava, Republic of Slovakia.

19 Related party relationships and transactions

The company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company.