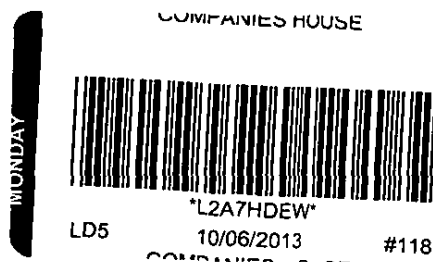


Registered number: 00582559

CONNECT PACKAGING LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012



CONNECT PACKAGING LIMITED

COMPANY INFORMATION

DIRECTORS	R T T Essex G R Leonhardt A C Winder D A Digby R E Fowler C C Cahn P T Gutteridge
COMPANY SECRETARY	P T Gutteridge
COMPANY NUMBER	00582559
REGISTERED OFFICE	6-8 Brunel Road Manor Trading Estate Essex SS7 4PS
AUDITOR	Barnes Roffe LLP Chartered Accountants Statutory Auditor Leytonstone House Leytonstone London E11 1GA
BANKERS	HSBC Plc Commercial Centre 2nd Floor, 16 King Street Covent Garden London WC2E 8JF

CONNECT PACKAGING LIMITED

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CONNECT PACKAGING LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

The directors present their report and the financial statements for the year ended 31 December 2012

DIRECTORS' RESPONSIBILITIES STATEMENT

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 judgments and 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.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

We aim to present a fair, balanced and comprehensive review of the development and performance of our business during the year and of its position at the year end. Our review is consistent with the size and non-complex nature of the business and is written in the context of the risks and uncertainties we face.

During 2012, the company's principal activities continued to be the design, print and manufacture of corrugated cardboard packaging. In a difficult economic climate 2012 proved to be a challenging year but with continued focus on margin improvement and overhead reduction the business was still able to produce satisfactory results.

The company invested in Connect Archive and Mailing Products Limited at the start of 2012 and sold its interest on 13 March 2013.

The company also sold its freehold land and building on 4 March 2013 to a fellow subsidiary company, Writtle Property Limited.

The business operates in a competitive but large UK market for paperboard and has been successful due to

- being well equipped with modern machinery,
- focusing continually on design and innovation,
- exploring niche markets,
- having a well motivated and talented team of directors and employees.

The company continues to benefit from being part of the Writtle group and will also continue to identify growth markets for the business's products and will allocate resources prudently to develop these areas.

CONNECT PACKAGING LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2012**

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £256,986 (2011 - £276,973)

The directors have recommended a final dividend for the current year of £Nil (2011 - £250,000)

DIRECTORS

The directors who served during the year were

R T T Essex
G R Leonhardt
A C Winder
R Davidson
D A Digby
R E Fowler
C C Cahn
P T Gutteridge

On 23 February 2013 R Davidson sadly passed away

FINANCIAL RISK MANAGEMENT

The company's operations expose it to a variety of financial risks that include the effects of changes in price risk and credit risk

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 risk exceed any potential benefits. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature.

Credit risk

The company insures its debtor balances where possible to mitigate credit risk.

PROVISION OF INFORMATION TO AUDITOR

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

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditor in connection with preparing its report and to establish that the company's auditor is aware of that information.

This report was approved by the board on

20th March 2013

and signed on its behalf



P T Gutteridge
Director

CONNECT PACKAGING LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CONNECT PACKAGING LIMITED

We have audited the financial statements of Connect Packaging Limited for the year ended 31 December 2012, set out on pages 5 to 22. 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 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the Auditing Practices Board's website at www.frc.org.uk/apb/scope/private.cfm.

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 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

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

CONNECT PACKAGING LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CONNECT PACKAGING 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



Andrew May (Senior statutory auditor)
for and on behalf of
Barnes Roffe LLP
Chartered Accountants
Statutory Auditor
Leytonstone House
Leytonstone
London
E11 1GA
Date 4 April 2013

CONNECT PACKAGING LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2012**

	Note	2012 £	2011 £
TURNOVER	1,2	7,290,350	8,269,798
Cost of sales		<u>(4,754,333)</u>	<u>(5,473,577)</u>
GROSS PROFIT		2,536,017	2,796,221
Administrative expenses		<u>(2,277,388)</u>	<u>(2,432,468)</u>
OPERATING PROFIT	3	258,629	363,753
Interest receivable and similar income	6	3,200	8,163
Interest payable and similar charges	7	<u>(5,719)</u>	<u>(7,195)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		256,110	364,721
Tax on profit on ordinary activities	8	<u>876</u>	<u>(87,748)</u>
PROFIT FOR THE FINANCIAL YEAR		<u>£ 256,986</u>	<u>£ 276,973</u>

All amounts relate to continuing operations

There were no recognised gains and losses for 2012 or 2011 other than those included in the profit and loss account

The notes on pages 8 to 22 form part of these financial statements

CONNECT PACKAGING LIMITED
REGISTERED NUMBER 00582559

BALANCE SHEET
AS AT 31 DECEMBER 2012

	Note	£	2012	£	£	2011	£
FIXED ASSETS							
Tangible assets	10			2,575,898		2,591,840	
Investments	11			10,200		10,200	
				<u>2,586,098</u>		<u>2,602,040</u>	
CURRENT ASSETS							
Stocks	12	303,904			305,023		
Debtors	13	1,694,989			2,705,867		
Cash at bank and in hand		74,020			74,510		
				<u>2,072,913</u>		<u>3,085,400</u>	
CREDITORS : amounts falling due within one year	14	(1,444,993)			(2,465,233)		
NET CURRENT ASSETS				<u>627,920</u>		<u>620,167</u>	
TOTAL ASSETS LESS CURRENT LIABILITIES				<u>3,214,018</u>		<u>3,222,207</u>	
CREDITORS : amounts falling due after more than one year	15			(16,857)		(28,757)	
PROVISIONS FOR LIABILITIES AND CHARGES							
Deferred taxation	16			(15,502)		(18,777)	
NET ASSETS				<u>£ 3,181,659</u>		<u>£ 3,174,673</u>	
CAPITAL AND RESERVES							
Called up share capital	17			1,038,000		1,038,000	
Share premium account				9,000		9,000	
Revaluation reserve	18			1,155,185		1,158,298	
Profit and loss account	18			979,474		969,375	
SHAREHOLDERS' FUNDS	19			<u>£ 3,181,659</u>		<u>£ 3,174,673</u>	

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
20th March 2013



R T T Essex
Director



P T Gutteridge
Director

The notes on pages 8 to 22 form part of these financial statements

CONNECT PACKAGING LIMITED

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012**

	Note	2012 £	2011 £
Net cash flow from operating activities	20	1,137,778	(417,965)
Returns on investments and servicing of finance	21	(2,519)	968
Taxation		(55,443)	(110,736)
Capital expenditure and financial investment	21	(133,682)	(62,869)
Acquisitions and disposals	21	-	(10,200)
Equity dividends paid		(250,000)	(300,000)
CASH INFLOW/(OUTFLOW) BEFORE FINANCING		696,134	(900,802)
Financing	21	(696,624)	924,071
(DECREASE)/INCREASE IN CASH IN THE YEAR		£ (490)	£ 23,269

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT
FOR THE YEAR ENDED 31 DECEMBER 2012**

	2012 £	2011 £
(Decrease)/Increase in cash in the year	(490)	23,269
Cash outflow from decrease in debt and lease financing	696,624	(924,071)
CHANGE IN NET DEBT RESULTING FROM CASH FLOWS	696,134	(900,802)
Other non-cash changes	-	215,363
MOVEMENT IN NET DEBT IN THE YEAR	696,134	(685,439)
Net debt at 1 January 2012	(686,753)	(1,314)
NET FUNDS/(DEBT) AT 31 DECEMBER 2012	£ 9,381	£ (686,753)

The notes on pages 8 to 22 form part of these financial statements

CONNECT PACKAGING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention as modified by the revaluation of land and buildings and in accordance with applicable accounting standards

The company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the company as an individual undertaking and not about its group.

1.2 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied, exclusive of Value Added Tax and trade discounts.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is not charged on freehold land. Depreciation on other tangible fixed assets is provided at rates calculated to write off the cost or valuation of those assets, less their estimated residual value, over their expected useful lives on the following annual bases:

Freehold buildings	-	2% straight line
Short term leasehold property	-	over the term of the lease
Plant and machinery	-	7-20% straight line
Fixtures and fittings	-	20-33% straight line

An amount equal to the excess of the annual depreciation charge on revalued assets over the notional historical cost depreciation charge on those assets is transferred annually from the revaluation reserve to the profit and loss account.

1.4 Revaluation of tangible fixed assets

Individual freehold and leasehold properties are carried at current year value at the balance sheet date. A full valuation is obtained from a qualified valuer for each property every five years, with an interim valuation three years after the previous full valuation, and in any year where it is likely that there has been a material change in value.

Revaluation gains and losses are recognised in the statement of total recognised gains and losses unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the losses are recognised in the profit and loss account.

1.5 Investments

Investments in subsidiaries are valued at cost less provision for impairment.

CONNECT PACKAGING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

1. ACCOUNTING POLICIES (continued)

1.6 Leasing and hire purchase

Assets obtained under hire purchase contracts 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.

1.7 Operating leases

Rentals 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 period until the date the rent is expected to be adjusted to the prevailing market rate.

1.8 Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

1.9 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

Deferred tax is not provided on timing differences arising from the revaluation of fixed assets in the financial statements.

A net deferred tax asset is recognised only if 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 differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

CONNECT PACKAGING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

1. ACCOUNTING POLICIES (continued)

1.10 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction

Exchange gains and losses are recognised in the profit and loss account

1.11 Pensions

The company participates in a defined contribution pension scheme and also contributes to certain employee SPPs, both of these schemes are operated by its parent company, Writtle Holdings Limited. The pension charge represents the amounts payable by the company to the funds in respect of the year. The assets of the schemes are held separately from those of the company in independently administered funds.

1.12 Valuation of plant and machinery

On adoption of Financial Reporting Standard 15, the company has followed the transitional arrangements to retain the book value of plant and machinery at the amounts at which they were revalued, but not to adopt a policy of revaluation in the future.

2. TURNOVER

The whole of the turnover is attributable to the principal activity, as stated in the directors' report.

All turnover is attributable to the United Kingdom.

3. OPERATING PROFIT

The operating profit is stated after charging

	2012 £	2011 £
Depreciation of tangible fixed assets		
- owned by the company	127,996	178,494
- held under hire purchase contracts	6,173	6,173
Auditor's remuneration	7,600	6,500
Operating lease rentals		
- plant and machinery	83,689	91,111
Difference on foreign exchange	8,260	41
	<u> </u>	<u> </u>

CONNECT PACKAGING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

4. STAFF COSTS

Staff costs, including directors' remuneration, were as follows

	2012 £	2011 £
Wages and salaries	1,663,411	1,756,342
Social security costs	154,704	162,941
Pension costs	41,374	46,436
	<u>£ 1,859,489</u>	<u>£ 1,965,719</u>

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

	2012 No.	2011 No
Management	5	6
Administration	19	18
Production	55	53
	<u>79</u>	<u>77</u>

5. DIRECTORS' REMUNERATION

	2012 £	2011 £
Emoluments	<u>£ 324,217</u>	<u>£ 358,062</u>
Company pension contributions to defined contribution pension schemes	<u>£ 15,717</u>	<u>£ 14,021</u>

During the year retirement benefits were accruing to 5 directors (2011 - 6) in respect of defined contribution pension schemes

The highest paid director received remuneration of £89,485 (2011 - £96,093)

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2012 £	2011 £
Interest receivable from group companies	1,650	6,800
Other interest receivable	1,550	1,363
	<u>£ 3,200</u>	<u>£ 8,163</u>

CONNECT PACKAGING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2012 £	2011 £
On bank overdrafts	5,719	7,260
On hire purchase contracts	-	(65)
	<u>£ 5,719</u>	<u>£ 7,195</u>

8. TAXATION

	2012 £	2011 £
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on profit for the year	76,800	82,631
Adjustments in respect of prior periods	(74,401)	-
Total current tax	<u>2,399</u>	<u>82,631</u>
Deferred tax (see note 16)		
Origination and reversal of timing differences	(3,275)	5,117
Tax on profit on ordinary activities	<u>£ (876)</u>	<u>£ 87,748</u>

CONNECT PACKAGING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

8. TAXATION (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2011 - *lower than*) the standard rate of corporation tax in the UK of 24% (2011 - 26%) The differences are explained below

	2012 £	2011 £
Profit on ordinary activities before tax	£ 256,110	£ 364,721
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24% (2011 - 26%)	61,466	94,827
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	2,794	1,465
Decelerated capital allowances	10,981	18,153
Group relief claimed	-	(33,352)
Change in tax rate	1,559	1,538
Adjustments to tax charge in respect of prior periods	(74,401)	-
Current tax charge for the year (see note above)	£ 2,399	£ 82,631

Factors that may affect future tax charges

There were no factors that may affect future tax charges

9. DIVIDENDS

	2012 £	2011 £
Dividends paid on equity capital	£ 250,000	£ 300,000

Dividends of £2,000,000 (2011 £250,000) were declared after the year end and before the approval of the accounts

CONNECT PACKAGING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

10. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Short term leasehold property £	Plant and machinery £	Fixtures and fittings £	Total £
Cost or valuation					
At 1 January 2012	2,305,000	39,855	3,594,222	506,805	6,445,882
Additions	-	-	104,385	29,297	133,682
At 31 December 2012	2,305,000	39,855	3,698,607	536,102	6,579,564
Depreciation					
At 1 January 2012	39,300	15,801	3,384,029	414,912	3,854,042
Charge for the year	39,300	3,984	74,737	31,603	149,624
At 31 December 2012	78,600	19,785	3,458,766	446,515	4,003,666
Net book value					
At 31 December 2012	£ 2,226,400	£ 20,070	£ 239,841	£ 89,587	£ 2,575,898
At 31 December 2011	£ 2,265,700	£ 24,054	£ 210,193	£ 91,893	£ 2,591,840

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

	2012 £	2011 £
Plant and machinery	£ 63,743	£ 69,916

CONNECT PACKAGING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

10. TANGIBLE FIXED ASSETS (continued)

Included in freehold land and buildings is freehold land at valuation of £1,200,000 (2011 - £1,200,000), cost £119,736 (2011 - £119,736) which is not depreciated

Cost or valuation at 31 December 2012 is as follows

	2012 £
At cost.	1,572,937
At valuation:	
31 December 1994	266,271
31 December 2004	471,582
31 December 2007	339,210
31 December 2010	(345,000)
	<u>£ 2,305,000</u>

The freehold land and buildings were revalued on 16 December 2010 by Sorrell Chartered Surveyors, acting as an independent valuer, qualified for the purpose of the valuation. This was carried out on an open market existing use basis.

If the land and buildings had not been included at valuation they would have been included under the historical cost convention as follows

	2012 £	2011 £
Cost	1,572,937	1,572,937
Accumulated depreciation	(481,987)	(445,800)
Net book value	<u>£ 1,090,950</u>	<u>£ 1,127,137</u>

11. FIXED ASSET INVESTMENTS

	Investments in Subsidiary Companies £
Cost or valuation	
At 1 January 2012 and 31 December 2012	<u>10,200</u>
Net book value	
At 31 December 2012	<u>£ 10,200</u>
At 31 December 2011	<u>£ 10,200</u>

CONNECT PACKAGING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

11. FIXED ASSET INVESTMENTS (continued)

Subsidiary undertaking

The following were subsidiary undertakings of the company

Name	Class of shares	Holding
Connect Archive & Mailing Products Limited	£1 ordinary shares	51 %

The aggregate of the share capital and reserves as at 31 December 2012 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows

Name	Aggregate of share capital and reserves £	Profit/(loss) £
Connect Archive & Mailing Products Limited	259,194	239,194

12. STOCKS

	2012 £	2011 £
Raw materials	87,419	72,232
Work in progress	30,089	19,124
Finished goods and goods for resale	186,396	213,667
	£ 303,904	£ 305,023

13. DEBTORS

	2012 £	2011 £
Trade debtors	1,378,859	1,723,858
Amounts owed by group undertakings	150,111	855,956
Other debtors	113,949	53,529
Prepayments and accrued income	52,070	72,524
	£ 1,694,989	£ 2,705,867

CONNECT PACKAGING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

14. CREDITORS:

Amounts falling due within one year

	2012 £	2011 £
Net obligations under hire purchase contracts	11,899	11,899
Trade creditors	952,794	1,269,489
Amounts owed to group undertakings	46,124	27,034
Corporation tax	44,214	32,944
Social security and other taxes	181,927	192,912
Amounts owed to invoice financing company	35,883	720,607
Other creditors	85,830	79,533
Accruals and deferred income	86,322	130,815
	<u>£ 1,444,993</u>	<u>£ 2,465,233</u>

Amounts due to the invoice financing company are secured on the book debts

15. CREDITORS:

Amounts falling due after more than one year

	2012 £	2011 £
Net obligations under hire purchase contracts	<u>£ 16,857</u>	<u>£ 28,757</u>

Obligations under finance leases and hire purchase contracts, included above, are payable as follows

	2012 £	2011 £
Between one and five years	<u>£ 16,857</u>	<u>£ 28,757</u>

Obligations under hire purchase contracts of £28,756 (2011 - £40,656) are secured on the assets to which they relate

16. DEFERRED TAXATION

	2012 £	2011 £
At beginning of year	18,777	13,660
(Released during)/charge for year	(3,275)	5,117
At end of year	<u>£ 15,502</u>	<u>£ 18,777</u>

CONNECT PACKAGING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

16. DEFERRED TAXATION (continued)

The provision for deferred taxation is made up as follows

	2012 £	2011 £
Accelerated capital allowances	£ 15,502	£ 18,777

17. SHARE CAPITAL

	2012 £	2011 £
Allotted, called up and fully paid		
1,038,000 Ordinary shares of £1 each	£ 1,038,000	£ 1,038,000

18. RESERVES

	Revaluation reserve £	Profit and loss account £
At 1 January 2012	1,158,298	969,375
Profit for the year	-	256,986
Dividends Equity capital	-	(250,000)
Transfer between revaluation reserve and P/L account	(3,113)	3,113
At 31 December 2012	£ 1,155,185	£ 979,474

19. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2012 £	2011 £
Opening shareholders' funds	3,174,673	3,197,700
Profit for the year	256,986	276,973
Dividends (Note 9)	(250,000)	(300,000)
Closing shareholders' funds	£ 3,181,659	£ 3,174,673

CONNECT PACKAGING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

20. NET CASH FLOW FROM OPERATING ACTIVITIES

	2012 £	2011 £
Operating profit	258,629	363,753
Depreciation of tangible fixed assets	149,624	184,667
Decrease/(increase) in stocks	1,119	(61,672)
Decrease/(increase) in debtors	369,344	(314,083)
Decrease/(increase) in amounts owed by group undertakings	705,845	(650,094)
(Decrease)/increase in creditors	(365,873)	60,119
Increase/(decrease) in amounts owed to group undertakings	19,090	(655)
Net cash inflow/(outflow) from operating activities	£ 1,137,778	£ (417,965)

21. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	2012 £	2011 £
Returns on investments and servicing of finance		
Interest received	3,200	8,163
Interest paid	(5,719)	(7,260)
Hire purchase interest	-	65
Net cash (outflow)/inflow from returns on investments and servicing of finance	£ (2,519)	£ 968
Capital expenditure and financial investment		
Purchase of tangible fixed assets	£ (133,682)	£ (62,869)
Acquisitions and disposals		
Purchase of fixed asset investments	£ -	£ (10,200)
Financing		
Principal payments under hire purchase contracts	(11,900)	(11,899)
Movements on invoice discounting	(684,724)	935,970
Net cash (outflow)/inflow from financing	£ (696,624)	£ 924,071

CONNECT PACKAGING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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22. ANALYSIS OF CHANGES IN NET DEBT

	1 January 2012 £	Cash flow £	Other non-cash changes £	31 December 2012 £
Cash at bank and in hand	74,510	(490)	-	74,020
Debt.				
Debts due within one year	(732,506)	696,624	(11,900)	(47,782)
Debts falling due after more than one year	(28,757)	-	11,900	(16,857)
Net debt	<u>£ (686,753)</u>	<u>£ 696,134</u>	<u>£ -</u>	<u>£ 9,381</u>

23. CAPITAL COMMITMENTS

At 31 December 2012 the company had capital commitments as follows

	2012 £	2011 £
Contracted for but not provided in these financial statements	£ -	£ 60,697

24 PENSION COMMITMENTS

The company participates in a Group Personal Pension Plan, and all such assets are held independently from the company. The company also contributes to certain employee SPPs. Contributions are charged to the profit and loss account as they fall due and amounted to £41,374 (2011 - £46,436). Contributions at the year end which had not yet been paid amounted to £14,139 (2011 - £8,463).

CONNECT PACKAGING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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25. OPERATING LEASE COMMITMENTS

At 31 December 2012 the company had annual commitments under non-cancellable operating leases as follows

	2012 £	2011 £
Expiry date.		
Within 1 year	7,311	-
Between 2 and 5 years	52,616	63,998
After more than 5 years	69,000	69,000
	<u>69,000</u>	<u>69,000</u>

26. CONTINGENT LIABILITIES

The company's freehold property is subject to a first legal charge in favour of Barclays Bank Plc in respect of loan and overdraft facilities granted to its parent company amounting to £2,696,239 (2011 - £984,308)

27. DIRECTORS' BENEFITS, ADVANCES, CREDIT AND GUARANTEES

During the year D A Digby, a director of the company, repaid amounts of £800 (2011 - £1,200)

At the year end D A Digby owed the company £Nil (2011 - £800)

During the year R Davidson, a director of the company, was advanced amounts of £Nil (2011 - £50,000), repaid amounts of £8,300 (2011 - £13,400) and was charged interest of £1,540 (2011 - £1,337)

At the year end R Davidson owed the company £31,177 (2011 - £37,937)

CONNECT PACKAGING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

28. RELATED PARTY TRANSACTIONS

During the year the company made sales to the following fellow subsidiary and connected companies

	2012 £	2011 £
Creo Retail Marketing Limited	189,169	192,706
Arken POP International Limited	253,924	116,660
Connect Archive & Mailing Products Limited	261,688	-

During the year the company made purchases from the following fellow subsidiary and connected companies

Creo Retail Marketing Limited	195,023	213,208
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Included in debtors due within one year are amounts owed from

Writtle Holdings Limited	-	250,000
Loewy Group Limited	-	300,000
Connect Archive & Mailing Products Limited	-	220,600

During the year the company incurred management charges of £182,259 (2011 - £206,745) from Writtle Holdings Limited, its parent undertaking

During the year the company has leased a property in which certain employees have an interest through their SIPP's. The amount paid during the year ended 31 December 2012 was £69,000 (2011 - £69,000)

29. POST BALANCE SHEET EVENTS

On 4 March 2013 the company sold its freehold property for £2,305,000 to a fellow subsidiary, Writtle Property Limited

On 13 March 2013 the company sold its investment in Connect Archive & Mailing Products Limited for £460,000

30. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The ultimate parent undertaking is Writtle Holdings Limited whose registered office is at 30 Park Street, London, SE1 9EQ