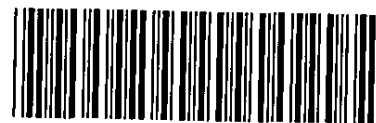


Re

Registration number SC028024

Charles Connell & Company Limited
Directors' report and financial statements
for the year ended 31 December 2012

TUESDAY



S2F55H95
SCT 20/08/2013 #604
COMPANIES HOUSE

Charles Connell & Company Limited

Company information

Directors	C R Connell	Chairman
	I M Stubbs	Vice-Chairman
	C C Connell	
	H C Davidson	Resigned 29 June 2012
	I F Brown	
Secretary	I F Brown	
Company number	SC028024	
Registered office	Woodend Craigallian Milngavie Glasgow G62 8EN	
Auditors	Alexander Sloan Chartered Accountants 38 Cadogan Street Glasgow G2 7HF	

Charles Connell & Company Limited

Contents

	Page
Directors' report	1 - 3
Auditors' report	4 - 5
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8 - 19

Charles Connell & Company 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.

Principal activity and review of the business

The Company holds investments and writes call options.

Business review

Despite continuing concerns over the political situation in the Arab world, coupled with continuing uncertainty concerning the future of the Euro, the UK FT AllShare Index rose by just over 8% in the year. The US market continued its strength and the NIKKEI rose following the elections in Japan. Prospects for 2013 remain uncertain, with UK construction and manufacturing showing a dip in February 2013, in contrast to retail sales. Nevertheless, the UK FT AllShare Index has continued to rise since the year end and is now up by over 9%.

Dividend and interest income for the year of £681,345 (2011: £654,464) showed an increase of 4%. At the balance sheet date, Shareholders funds amounted to £11,402,404 an increase of £605,390 from the previous year's figure of £10,797,014.

Looking forward, Directors continued to be satisfied by the performance of the Company in these uncertain times and endeavour to continue to maintain current levels of achievement, but much will depend on factors outside their control.

Key performance indicators

As with many other businesses, the Directors of the Group use a number of key performance indicators to assess the performance of the Company. Those regularly reviewed are:

- Investment Return
- Broker Performance against the Market

Results and dividends

The profit for the year, after taxation, amounted to £605,390. No dividends were paid during the year.

Financial risk management objectives and policies

The principal risk and uncertainty facing the business include the following:

- The Company is exposed to market risk whereby its investments can be affected by adverse changes in interest rates or market performance. The Directors are confident however that the balanced investment strategies which they have adopted mitigate this risk to a satisfactory level. The company uses specialists to manage exposure to currency fluctuations.

Fixed assets

In the opinion of the Directors, the market value at 31 December 2012 of the Group's Land and Building exceeds the Balance Sheet value by at least £1,400,000 (2011: £1,400,000).

Charles Connell & Company Limited

Directors' report for the year ended 31 December 2012

..... continued

Directors

The directors who served during the year are as stated below:

C R Connell	Chairman
I M Stubbs	Vice-Chairman
C C Connell	
H C Davidson	Resigned 29 June 2012
I F Brown	

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 year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements 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.

In so far as the directors are aware:

- there is no relevant audit information (information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware, and
- the directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

Alexander Sloan have been reappointed as auditor for the ensuing year in accordance with Section 485 of the Companies Act 2006.

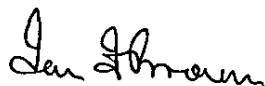
These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

Charles Connell & Company Limited

**Directors' report
for the year ended 31 December 2012**

..... continued

This report was approved by the Board on 15 April 2013 and signed on its behalf by

A handwritten signature in dark ink, appearing to read 'Ian F Brown', written in a cursive style.

I F Brown
Secretary

**Independent auditor's report to the shareholders of
Charles Connell & Company Limited**

We have audited the financial statements of Charles Connell & Company Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds and the related notes. 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 page 1 - 3, 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 and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications of 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 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.

**Independent auditor's report to the shareholders of
Charles Connell & Company Limited**

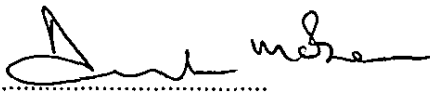
.....continued

Matters on which we are required to report by exception

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
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the directors' report.

We have nothing to report in respect of these matters.



.....
Andrew McBean (senior statutory auditor)
For and on behalf of Alexander Sloan
Chartered Accountants and
Statutory Auditors
15 April 2013

38 Cadogan Street
Glasgow
G2 7HF

Charles Connell & Company Limited

**Profit and loss account
for the year ended 31 December 2012**

		Continuing operations	
		2012	2011
	Notes	£	£
Administrative expenses		(838,897)	(730,957)
Operating loss	2	(838,897)	(730,957)
Investment income	4	1,530,735	951,622
Other interest receivable and similar income		7,491	11,916
Interest payable and similar charges	5	-	(6)
Profit on ordinary activities before taxation		699,329	232,575
Tax on profit on ordinary activities	9	(93,939)	119,758
Profit for the year	19	605,390	352,333

There are no recognised gains or losses other than the profit or loss for the above two financial years.

The notes on pages 8 to 19 form an integral part of these financial statements.

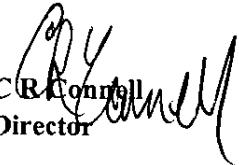
Charles Connell & Company Limited

**Balance sheet
as at 31 December 2012**

	Notes	2012		2011	
		£	£	£	£
Fixed assets					
Tangible assets	10		262,107		270,232
Investments	11		23,563,781		22,319,195
			<u>23,825,888</u>		<u>22,589,427</u>
Current assets					
Stocks		3,250		2,100	
Debtors	12	171,999		133,222	
Investments	13	1,462,773		2,770,676	
Cash at bank and in hand		8,247		3,330	
		<u>1,646,269</u>		<u>2,909,328</u>	
Creditors: amounts falling due within one year	14	<u>(13,992,753)</u>		<u>(14,685,741)</u>	
Net current liabilities			<u>(12,346,484)</u>		<u>(11,776,413)</u>
Total assets less current liabilities			11,479,404		10,813,014
Provisions for liabilities	15		<u>(77,000)</u>		<u>(16,000)</u>
Net assets			<u>11,402,404</u>		<u>10,797,014</u>
Capital and reserves					
Called up share capital	18		450,000		450,000
Other reserves	19		476,095		476,095
Profit and loss account	19		10,476,309		9,870,919
Shareholders' funds	20		<u>11,402,404</u>		<u>10,797,014</u>

These financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

The financial statements were approved by the Board on 15 April 2013 and signed on its behalf by


C.R. Connell
Director

Registration number SC028024

The notes on pages 8 to 19 form an integral part of these financial statements.

Charles Connell & Company Limited

**Notes to the financial statements
for the year ended 31 December 2012**

1. Accounting policies

1.1. Accounting convention

The financial statements are prepared under the historical cost convention modified to include the revaluation of certain fixed assets and financial instruments, and in accordance with applicable accounting standards.

The company has taken advantage of the exemption in FRS1 from the requirement to produce a cashflow statement because it is a wholly owned subsidiary and is included within its parent company's consolidated financial statements.

1.2. Tangible fixed assets and depreciation

Depreciation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows:

Freehold Property	-	50 years
Vehicles, Fittings and Equipment-		3 to 10 years

Short leasehold property is depreciated over the period of the lease.

In the case of Land, no depreciation is provided. The Company's long leasehold London property has not been depreciated as required by FRS 15. The Directors consider that no depreciation is required on the long leasehold property as it has a long useful life and accordingly any depreciation charge would be immaterial. The Directors have also carried out an impairment review on the long leasehold property and they are satisfied that no adjustment is required to the carrying value.

Charles Connell & Company Limited

**Notes to the financial statements
for the year ended 31 December 2012**

..... continued

1.3. Leasing

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

1.4. Stock

Stock is valued at the lower of cost and net realisable value.

1.5. Pensions

The pension costs charged in the financial statements represent the contribution payable by the company during the year.

1.6. Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

Deferred tax assets are recognised only to the extent that the directors consider that it is 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 is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

1.7. Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing on the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items are taken to the profit and loss account. Exchange differences arising on non-monetary items, carried at fair value, are included in the profit and loss account, except for the differences arising on the retranslation of non-monetary items in respect of which gains and losses are recorded in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

Charles Connell & Company Limited

Notes to the financial statements for the year ended 31 December 2012

..... continued

1.8. Financial instruments

Listed Investments

All investments are designated upon initial recognition as held at fair value through profit and loss. Purchases of investments are recognised on a trade date basis. The sales of assets are recognised at the trade date of the disposal. Proceeds will be measured at fair value, which will be regarded as the proceeds of sale.

Changes in the fair value of investments held at fair value through profit or loss and gains or losses on disposal are recognised in the Profit and Loss Account as "Income from investments".

Investments are valued at the closing price, the bid price or the single price as appropriate, released by the relevant investment manager. This falls within Level 1 of the fair value hierarchy within Financial Reporting Standard 29: Financial Instrument Disclosures.

Fair value accounting has been adopted to give a more relevant valuation of the Company's investments.

Trade and other debtors

Trade and other debtors are recognised and carried at invoiced amounts less provisions for any doubtful debts. Bad debts are written off when identified.

Cash and cash equivalents

Cash and cash equivalents are included in the balance sheet at cost. Cash and cash equivalents comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

Property Partnership

The investment property in the property partnership is valued at cost less impairment. The property partnership investment does not have a quoted market price in an active market and fair value measurement is therefore not possible.

Derivative financial instruments

The Company uses derivative financial instruments such as foreign currency contracts to manage its risks associated with currency fluctuation risk. Such derivative financial instruments are always stated at their fair value. Any gains or losses arising from changes in fair value are taken directly to the profit and loss account.

Charles Connell & Company Limited

**Notes to the financial statements
for the year ended 31 December 2012**

..... continued

2. Operating loss	2012	2011
	£	£
Operating loss is stated after charging:		
Depreciation and other amounts written off tangible assets	9,931	9,487
Loss on disposal of tangible fixed assets	92	-
Operating lease rentals		
- Land and buildings	10,000	10,000
Auditors' remuneration (Note 3)	27,960	26,970
	<u> </u>	<u> </u>
3. Auditors' remuneration	2012	2011
	£	£
Auditors' remuneration - audit of the financial statements	12,300	12,000
	<u> </u>	<u> </u>
Auditors' remuneration - other fees:		
- taxation services	15,660	14,970
	<u> </u>	<u> </u>
4. Income from investments	2012	2011
	£	£
Gain/(Loss) on Sales of Investments	20,058	(149,515)
Interest and dividends from investments	673,854	642,548
Gain/(Loss) on exchange	64,727	(1,808)
Fair value adjustment	772,096	460,397
	<u>1,530,735</u>	<u>951,622</u>
5. Interest payable and similar charges	2012	2011
	£	£
Included in this category is the following:		
Interest payable on overdrafts	-	6
	<u> </u>	<u> </u>

Charles Connell & Company Limited

**Notes to the financial statements
for the year ended 31 December 2012**

..... continued

6. Employees

Number of employees	2012	2011
The average monthly numbers of employees (including the directors) during the year were:		
Management and administration	<u>3</u>	<u>3</u>
Employment costs	2012	2011
	£	£
Wages and salaries	439,839	374,914
Social security costs	58,410	46,570
Pension costs-other operating charge	<u>2,878</u>	<u>2,549</u>
	<u>501,127</u>	<u>424,033</u>

7. Directors' remuneration

	2012	2011
	£	£
Remuneration and other benefits	<u>360,014</u>	<u>289,087</u>

8. Pension costs

The company operates a defined contribution pension scheme in respect of the staff. The scheme and its assets are held by independent managers. The pension charge represents contributions due from the company and amounted to £2,878 (2011 - £2,549).

Charles Connell & Company Limited

**Notes to the financial statements
for the year ended 31 December 2012**

..... continued

9. Tax on profit on ordinary activities

Analysis of charge in period	2012	2011
	£	£
Current tax		
Adjustments in respect of previous periods	(333)	(2,251)
Group relief	32,500	16,000
	<u>32,167</u>	<u>13,749</u>
Overseas tax	772	493
Total current tax charge	<u>32,939</u>	<u>14,242</u>
Deferred tax		
Timing differences, origination and reversal	71,229	(110,000)
Effect of changes in tax rates	(1,280)	(10,000)
Prior period adjustments	(8,949)	(14,000)
Total deferred tax	<u>61,000</u>	<u>(134,000)</u>
Tax on profit on ordinary activities	<u>93,939</u>	<u>(119,758)</u>

Factors affecting tax charge for period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (24.50 per cent). The differences are explained below:

	2012	2011
	£	£
Profit on ordinary activities before taxation	<u>699,329</u>	<u>232,575</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24.50% (31 December 2011 : 26.50%)	171,336	61,632
Effects of:		
Expenses not deductible for tax purposes	2,102	108
Capital allowances for period in excess of depreciation	1,788	1,664
Fair value adjustment for period in excess of tax losses	(61,728)	120,359
Adjustment for chargeable gains	7,654	(89,054)
Income not subject to tax	(80,479)	(79,151)
Other movements	(7,734)	(1,316)
Current tax charge for period	<u>32,939</u>	<u>14,242</u>

Charles Connell & Company Limited

Notes to the financial statements
for the year ended 31 December 2012

..... continued

10. Tangible fixed assets	Land and buildings freehold £	Short leasehold property £	Long leasehold property £	Vehicles, fittings and equipment £	Total £
Cost					
At 1 January 2012	206,337	37,851	127,178	102,892	474,258
Additions	-	-	-	1,898	1,898
Disposals	-	-	-	(3,173)	(3,173)
At 31 December 2012	<u>206,337</u>	<u>37,851</u>	<u>127,178</u>	<u>101,617</u>	<u>472,983</u>
Depreciation					
At 1 January 2012	86,646	37,851	-	79,529	204,026
On disposals	-	-	-	(3,081)	(3,081)
Charge for the year	4,126	-	-	5,805	9,931
At 31 December 2012	<u>90,772</u>	<u>37,851</u>	<u>-</u>	<u>82,253</u>	<u>210,876</u>
Net book values					
At 31 December 2012	<u>115,565</u>	<u>-</u>	<u>127,178</u>	<u>19,364</u>	<u>262,107</u>
At 31 December 2011	<u>119,691</u>	<u>-</u>	<u>127,178</u>	<u>23,363</u>	<u>270,232</u>

Charles Connell & Company Limited

Notes to the financial statements
for the year ended 31 December 2012

..... continued

11. Fixed asset investments	Property partnership £	Listed investments £	Other unlisted investments £	Total £
Cost				
At 1 January 2012	200,000	18,565,265	1	18,765,266
Additions	-	7,429,213	-	7,429,213
Disposals	-	(6,880,977)	-	(6,880,977)
At 31 December 2012	200,000	19,113,501	1	19,313,502
Valuation Adjustment				
At 1 January 2012	(200,000)	3,753,929	-	3,553,929
Increase in Value	-	772,096	-	772,096
Disposals	-	(75,746)	-	(75,746)
At 31 December 2012	(200,000)	4,450,279	-	4,250,279
Net book values				
At 31 December 2012	-	23,563,780	1	23,563,781
At 31 December 2011	-	22,319,194	1	22,319,195
12. Debtors			2012 £	2011 £
Other debtors			5,316	3,134
Derivative financial instruments			37,886	-
Prepayments and accrued income			128,797	130,088
			171,999	133,222
13. Short term deposits			2012 £	2011 £
Short term deposits			1,462,773	2,770,676

Charles Connell & Company Limited

**Notes to the financial statements
for the year ended 31 December 2012**

..... continued

14. Creditors: amounts falling due within one year	2012 £	2011 £
Amounts owed to group undertaking	13,733,967	14,510,683
Other taxes and social security costs	41,521	40,590
Other creditors	1,396	5,055
Derivative financial instruments	5,431	4,625
Accruals and deferred income	210,438	124,788
	<u>13,992,753</u>	<u>14,685,741</u>

15. Provisions for liabilities

	Deferred taxation (Note 16) £	Total £
At 1 January 2012	16,000	16,000
Movements in the year	61,000	61,000
At 31 December 2012	<u>77,000</u>	<u>77,000</u>

Charles Connell & Company Limited

Notes to the financial statements
for the year ended 31 December 2012

..... continued

16. Provision for deferred taxation

	2012 £	2011 £
Accelerated capital allowances	(1,800)	(1,000)
Surplus on revaluation of investments	598,000	579,000
Transitional relief	22,800	30,000
Tax losses carried forward	(542,000)	(592,000)
Provision for deferred tax	<u>77,000</u>	<u>16,000</u>
Provision at 1 January 2012	16,000	
Deferred tax charge in profit and loss account	61,000	
Provision at 31 December 2012	<u>77,000</u>	

Charles Connell & Company Limited

Notes to the financial statements
for the year ended 31 December 2012

..... continued

17. **Financial risk management objectives and policies**

The principal risk and uncertainty facing the business is market risk. The Company is exposed to market risk whereby its investments can be affected by adverse changes in interest rates or market performance. The Directors are confident however that the balanced investment strategies which they have adopted mitigate this risk to a satisfactory level. The Company uses specialists to manage exposure to currency fluctuations.

Due to the nature of the risk, a sensitivity analysis of the market risks at the reporting date would not provide meaningful results. This is because of the range of factors that can effect the stock markets and therefore the value of investments.

Credit Risk

The company monitors credit risk closely and considers that its current policies of credit checks meets its objectives of managing exposure to credit risk.

The company has no significant concentrations of credit risk. Amounts shown in the balance sheet best represent the maximum credit risk exposure in the event of other parties fail to perform their obligations under financial instruments.

Liquidity Risk

The company monitors its liquid resources on a regular basis and makes changes to its investment portfolio to manage its liquidity risk.

Currency Risk

The company uses Forward Contracts to manage its currency risk. Forward Contracts mature within 3 months of the year end.

18. Share capital	2012	2011
	£	£
Allotted, called up and fully paid		
450,000 Ordinary shares of £1 each	450,000	450,000
	<u> </u>	<u> </u>
Equity Shares		
450,000 Ordinary shares of £1 each	450,000	450,000
	<u> </u>	<u> </u>

Charles Connell & Company Limited

**Notes to the financial statements
for the year ended 31 December 2012**

..... continued

19. Equity Reserves	Profit and loss account £	Capital redemption reserve £	Revenue reserve £	Total £
At 1 January 2012	9,870,919	400	475,695	10,347,014
Profit for the year	605,390	-	-	605,390
At 31 December 2012	<u>10,476,309</u>	<u>400</u>	<u>475,695</u>	<u>10,952,404</u>

20. Reconciliation of movements in shareholders' funds	2012 £	2011 £
Profit for the year	605,390	352,333
Opening shareholders' funds	10,797,014	10,444,681
Closing shareholders' funds	<u>11,402,404</u>	<u>10,797,014</u>

22. Ultimate parent undertaking

The company is owned by Charles Connell and Company (Holdings) Limited.