

Registration number SC028024

Charles Connell & Company Limited
Directors' report and financial statements
for the year ended 31 December 2014

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Charles Connell & Company Limited

Company information

Directors	C R Connell	Chairman
	I M Stubbs	Vice-Chairman
	C C Connell	
	I F Brown	
Secretary	A J Hartley	
Company number	SC028024	
Registered office	Woodend Craigallian Milngavie Glasgow G62 8EN	
Auditors	Alexander Sloan 38 Cadogan Street Glasgow G2 7HF	

Charles Connell & Company Limited

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Charles Connell & Company Limited

Directors' report for the year ended 31 December 2014

The directors present their report and the financial statements for the year ended 31 December 2014.

Principal activity and review of the business

The Company holds investments.

Business review

Despite continuing concerns over the political situation in the Arab world, Quantative Easing being undertaken in Europe, Russia's continuing destabilisation and the continuing uncertainty over the future of the Euro the UK FT All Share Index rose by 1% in the year. The US market continued its strength. The end of 2014 was defined by oil price falling by some 50% from its peak. Prospects for 2015 remain uncertain with no party likely to win an overall majority in the UK election. Nevertheless, the UK FT All Share Index has continued to rise since the year end by some 3%. The geopolitical situation and the hunt for higher yields means it is hard to find suitable investments without taking on greater risk.

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 £361,908. No dividends were paid during the year.

Financial risk management objectives and policies

The Directors believe that the principal risk and uncertainty facing the business is:

- 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 2014 of the Group's Land and Building exceeds the Balance Sheet value by at least £1,800,000 (2013: £1,800,000).

Directors

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

C R Connell	Chairman
I M Stubbs	Vice-Chairman
C C Connell	
I F Brown	

Charles Connell & Company Limited

**Directors' report
for the year ended 31 December 2014**

..... continued

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.

Each of the persons who is a director at the date of approval of this report confirm that:

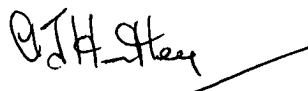
- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- each director has taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is 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.

This report has been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006.

This report was approved by the Board on 27 April 2015 and signed on its behalf by



A J Hartley
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 2014 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 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 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 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 2014 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.

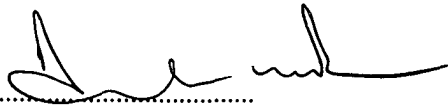
**Independent auditor's report to the shareholders of
Charles Connell & Company Limited**

.....continued

Matters on which we are required to report by exception

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
- 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 and the requirements to prepare a Strategic Report.



**Andrew McBean (senior statutory auditor)
For and on behalf of Alexander Sloan
Chartered Accountants and
Statutory Auditors**

**38 Cadogan Street
Glasgow
G2 7HF**

Charles Connell & Company Limited

**Profit and loss account
for the year ended 31 December 2014**

		Continuing operations	
		2014	2013
	Notes	£	£
Administrative expenses		(774,252)	(902,341)
Operating loss	2	(774,252)	(902,341)
Investment income	4	1,141,499	1,836,560
Other interest receivable and similar income		4,917	2,932
Interest payable and similar charges	5	(56)	(64)
Profit on ordinary activities before taxation		372,108	937,087
Tax on profit on ordinary activities	9	(10,200)	(27,195)
Profit for the year	19	361,908	909,892

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

The notes on pages 7 to 18 form an integral part of these financial statements.

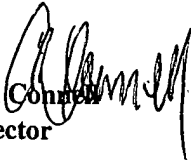
Charles Connell & Company Limited

**Balance sheet
as at 31 December 2014**

	Notes	2014 £	2013 £
Fixed assets			
Tangible assets	10	270,612	278,059
Investments	11	22,037,856	21,631,938
		<u>22,308,468</u>	<u>21,909,997</u>
Current assets			
Stocks		1,391	3,960
Debtors	12	42,308	129,801
Investments	13	794,075	2,861,547
Cash at bank and in hand		138,845	6,546
		<u>976,619</u>	<u>3,001,854</u>
Creditors: amounts falling due within one year	14	(10,607,883)	(12,599,555)
Net current liabilities		<u>(9,631,264)</u>	<u>(9,597,701)</u>
Total assets less current liabilities		12,677,204	12,312,296
Provisions for liabilities	15	<u>(3,000)</u>	<u>-</u>
Net assets		<u>12,674,204</u>	<u>12,312,296</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	11,748,109	11,386,201
Shareholders' funds	20	<u>12,674,204</u>	<u>12,312,296</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.

These accounts were approved by the directors on 27 April 2015, and are signed on their behalf by:


C R Connell
Director

Registration number SC028024

The notes on pages 7 to 18 form an integral part of these financial statements.

Charles Connell & Company Limited

**Notes to the financial statements
for the year ended 31 December 2014**

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:

Heritable buildings	-	50 years
Leasehold properties	-	5 years
Fixtures, fittings and equipment	-	3 to 15 years

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.

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. Pension

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

Charles Connell & Company Limited

**Notes to the financial statements
for the year ended 31 December 2014**

..... continued

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 2014**

..... continued

1.8. Financial instruments

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.

Interest-bearing loans and borrowings

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 2014**

..... continued

2. Operating loss	2014	2013
	£	£
Operating loss is stated after charging:		
Depreciation and other amounts written off tangible assets	8,666	9,405
Operating lease rentals		
- Land and buildings	10,000	10,000
Auditors' remuneration (Note 3)	<u>33,654</u>	<u>29,309</u>
and after crediting:		
Profit on disposal of tangible fixed assets	<u>2,100</u>	<u>-</u>
3. Auditors' remuneration	2014	2013
	£	£
Auditors' remuneration - audit of the financial statements	<u>11,400</u>	<u>11,100</u>
Auditors' remuneration - other fees:		
- accountancy	1,740	1,680
- taxation services	19,374	16,529
- payroll services	1,140	523
	<u>22,254</u>	<u>18,732</u>
4. Income from investments	2014	2013
	£	£
Gain on sale of investments	533,313	1,574,951
Interest and dividends from investments	612,079	626,185
Gain on exchange	6,442	90,608
Fair value adjustment	<u>(10,335)</u>	<u>(455,184)</u>
	<u>1,141,499</u>	<u>1,836,560</u>
5. Interest payable and similar charges	2014	2013
	£	£
Included in this category is the following:		
Interest payable on overdrafts	<u>56</u>	<u>64</u>

Charles Connell & Company Limited

**Notes to the financial statements
for the year ended 31 December 2014**

..... continued

6. Employees

Number of employees	2014	2013
The average monthly numbers of employees (excluding the directors) during the year were:		
Management and administration	<u>3</u>	<u>3</u>
Employment costs	2014	2013
	£	£
Wages and salaries	436,412	487,233
Social security costs	53,981	63,839
Pension costs-other operating charge	4,355	3,246
	<u>494,748</u>	<u>554,318</u>

7. Directors' remuneration

	2014	2013
	£	£
Remuneration and other benefits	<u>350,828</u>	<u>403,520</u>

8. Pension costs

The company makes pension scheme payments to the personal pension plan of a member of its staff. The scheme and its assets are held by independent managers. The pension charge represents contributions due from the company and amounted to £4,355 (2013 - £3,246).

Charles Connell & Company Limited

**Notes to the financial statements
for the year ended 31 December 2014**

..... continued

9. Tax on profit on ordinary activities

Analysis of charge in period	2014	2013
	£	£
Current tax		
Adjustments in respect of previous periods	(13,896)	195
Group relief	2,288	122,000
	<u>(11,608)</u>	<u>122,195</u>
Overseas tax	808	-
Total current tax charge	<u>(10,800)</u>	<u>122,195</u>
Deferred tax		
Timing differences, origination and reversal	21,000	(88,000)
Effect of changes in tax rates	-	(7,000)
Total deferred tax	<u>21,000</u>	<u>(95,000)</u>
Tax on profit on ordinary activities	<u>10,200</u>	<u>27,195</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 (21.50 per cent). The differences are explained below:

	2014	2013
	£	£
Profit on ordinary activities before taxation	<u>372,108</u>	<u>937,087</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.50% (31 December 2013 : 23.25%)	80,003	217,873
Effects of:		
Expenses not deductible for tax purposes	10,909	1,459
Capital allowances for period in excess of depreciation	745	438
Overseas tax	808	-
Adjustments to tax charge in respect of previous periods	(13,896)	195
Fair value adjustment for period in excess of tax losses	74,923	(119,092)
Adjustment for chargeable gains	(189,345)	103,870
Income not subject to tax	(75,329)	(83,122)
Other movements	<u>100,382</u>	<u>574</u>
Current tax charge for period	<u>(10,800)</u>	<u>122,195</u>

Charles Connell & Company Limited

Notes to the financial statements
for the year ended 31 December 2014

..... continued

10. Tangible fixed assets	Heritable land and buildings £	Short leasehold property £	Long leasehold property £	Fixtures, fittings and equipment £	Total £
Cost					
At 1 January 2014	217,897	46,289	127,178	101,227	492,591
Additions	-	-	-	1,219	1,219
Disposals	-	-	-	(22,310)	(22,310)
At 31 December 2014	<u>217,897</u>	<u>46,289</u>	<u>127,178</u>	<u>80,136</u>	<u>471,500</u>
Depreciation					
At 1 January 2014	94,899	39,541	-	80,092	214,532
On disposals	-	-	-	(22,310)	(22,310)
Charge for the year	4,127	1,687	-	2,852	8,666
At 31 December 2014	<u>99,026</u>	<u>41,228</u>	<u>-</u>	<u>60,634</u>	<u>200,888</u>
Net book values					
At 31 December 2014	<u>118,871</u>	<u>5,061</u>	<u>127,178</u>	<u>19,502</u>	<u>270,612</u>
At 31 December 2013	<u>122,998</u>	<u>6,748</u>	<u>127,178</u>	<u>21,135</u>	<u>278,059</u>

Charles Connell & Company Limited

**Notes to the financial statements
for the year ended 31 December 2014**

..... continued

11. Fixed asset investments	Property partnership £	Listed investments £	Other unlisted investments £	Total £
Cost				
At 1 January 2014	200,000	17,508,945	1	17,708,946
Additions	-	13,897,285	-	13,897,285
Disposals	-	(13,142,886)	-	(13,142,886)
At 31 December 2014	<u>200,000</u>	<u>18,263,344</u>	<u>1</u>	<u>18,463,345</u>
Valuation adjustment:				
At 1 January 2014	200,000	(4,122,992)	-	(3,922,992)
Movement	-	10,335	-	10,335
Disposals	-	338,146	-	338,146
At 31 December 2014	<u>200,000</u>	<u>(3,774,511)</u>	<u>-</u>	<u>(3,574,511)</u>
Net book values				
At 31 December 2014	<u>-</u>	<u>22,037,855</u>	<u>1</u>	<u>22,037,856</u>
At 31 December 2013	<u>-</u>	<u>21,631,937</u>	<u>1</u>	<u>21,631,938</u>

Listed investments are classified as financial assets at fair value through the profit or loss.

12. Debtors	2014 £	2013 £
Other debtors	2,262	22,513
Derivative financial instruments	11,595	33,692
Prepayments and accrued income	28,451	73,596
	<u>42,308</u>	<u>129,801</u>
13. Short term deposits	2014 £	2013 £
Short term deposits	<u>794,075</u>	<u>2,861,547</u>

Charles Connell & Company Limited

**Notes to the financial statements
for the year ended 31 December 2014**

..... continued

14. Creditors: amounts falling due within one year	2014	2013
	£	£
Amounts owed to group undertakings	10,367,261	12,301,411
Other taxes and social security costs	52,288	47,308
Director's account	7,436	1,823
Accruals and deferred income	180,898	249,013
	<u>10,607,883</u>	<u>12,599,555</u>

15. Provisions for liabilities	Deferred taxation	Total
	(Note 16)	£
	£	£
At 1 January 2014	(18,000)	(18,000)
Movements in the year	21,000	21,000
At 31 December 2014	<u>3,000</u>	<u>3,000</u>

Charles Connell & Company Limited

**Notes to the financial statements
for the year ended 31 December 2014**

..... continued

16. Provision for deferred taxation	2014	2013
	£	£
Accelerated capital allowances	(1,000)	(1,000)
Surplus on revaluation of investments	643,000	657,000
Transitional relief	11,000	16,000
Tax losses carried forward	(650,000)	(690,000)
Deferred tax (asset)/ liability	3,000	(18,000)
Transfer to other debtors	-	18,000
Provision for deferred tax	<u>3,000</u>	<u>-</u>
Deferred tax charge in profit and loss account	21,000	
Transfer from other debtors	<u>(18,000)</u>	
Provision at 31 December 2014	<u>3,000</u>	

Charles Connell & Company Limited

**Notes to the financial statements
for the year ended 31 December 2014**

..... 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	2014	2013
	£	£
Allotted, called up and fully paid		
450,000 Ordinary shares of £1 each	<u>450,000</u>	<u>450,000</u>
Equity Shares		
450,000 Ordinary shares of £1 each	<u>450,000</u>	<u>450,000</u>

Charles Connell & Company Limited

**Notes to the financial statements
for the year ended 31 December 2014**

..... continued

19. Equity Reserves	Profit and loss account £	Capital redemption reserve £	Special reserve £	Total £
At 1 January 2014	11,386,201	400	475,695	11,862,296
Profit for the year	361,908	-	-	361,908
At 31 December 2014	<u>11,748,109</u>	<u>400</u>	<u>475,695</u>	<u>12,224,204</u>

20. Reconciliation of movements in shareholders' funds	2014 £	2013 £
Profit for the year	361,908	909,892
Opening shareholders' funds	12,312,296	11,402,404
Closing shareholders' funds	<u>12,674,204</u>	<u>12,312,296</u>

21. Related party transactions

At the year end, £1,400 was due to the Company Secretary (2013 - £nil).

At the year end, C R Connell, director, was due £7,436 (2013 - £1,823). The loan is interest free and repayable on demand.

22. Ultimate parent undertaking

The company is owned by Charles Connell and Company (Holdings) Limited, registered in Scotland.