



Alexander Sloan
Accountants and Business Advisers

Charles Connell & Company Limited
Annual Report and Financial Statements
Year Ended 31 December 2017
Registration number: SC028024

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Charles Connell & Company Limited

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Charles Connell & Company Limited

Company Information

Directors Mr Charles Croxton Connell
Mr Ian Michael Stubbs

Company secretary Mrs Maria G Paloni

Registered office Woodend
Craigallian
Milngavie
G62 8EN

Auditors Alexander Sloan
Accountants & Business Advisers
180 St Vincent Street
Glasgow
G2 5SG

Charles Connell & Company Limited

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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.

Charles Connell & Company Limited

(Registration number: SC028024)

Balance Sheet as at 31 December 2017

	Note	2017 £	2016 £
Fixed assets			
Tangible assets	4	257,084	258,481
Other financial assets	5	22,842,799	20,148,585
		<u>23,099,883</u>	<u>20,407,066</u>
Current assets			
Debtors	6	19,992	21,525
Cash at bank and in hand		47,708	800,814
Short-term deposits		840,387	1,048,055
		<u>908,087</u>	<u>1,870,394</u>
Creditors: Amounts falling due within one year	8	(11,671,991)	(9,935,666)
Net current liabilities		<u>(10,763,904)</u>	<u>(8,065,272)</u>
Net assets		<u>12,335,979</u>	<u>12,341,794</u>
Capital and reserves			
Called up share capital	9	450,000	450,000
Other reserves		476,095	476,095
Retained earnings		11,409,884	11,415,699
Total equity		<u>12,335,979</u>	<u>12,341,794</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 financial statements have been delivered in accordance with the provisions applicable to companies subject to the small companies regime and the option not to file the Statement of Total Comprehensive Income has been taken.

Approved and authorised by the Board on 15 May 2018 and signed on its behalf by:



Mr Charles Croxton Connell

Director

The notes on pages 4 to 14 form an integral part of these financial statements.

Charles Connell & Company Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

1 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

The financial statements are presented in British Pounds Sterling which is the functional currency. Figures are shown to the nearest whole pound.

Audit report

The Independent Auditors' Report was unqualified. The name of the Senior Statutory Auditor who signed the audit report on 15 May 2018 was Steven Cunningham B.A.(Hons) C.A., who signed for and on behalf of Alexander Sloan.

Summary of disclosure exemptions

The company has taken advantage of the exemption in FRS 102 from the requirement to produce a cash flow statement because it is a small company.

Name of parent of group

These financial statements are consolidated in the financial statements of Charles Connell and Company (Holdings) Limited .

The financial statements of Charles Connell and Company (Holdings) Limited may be obtained from :

Woodend

Craigallan

Milngavie

G62 8EN .

Charles Connell & Company Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

Key sources of estimation uncertainty

Off-shore investments are valued based on their Net Asset Value. This is believed to be a reasonable estimate of the market value of the investments. The carrying amount is £7,947,853 (2016 - £8,012,264).

Finance income and costs policy

Changes in fair value of investments held at fair value through profit and loss and gains and losses on disposals are recognised in the Statement of Total Comprehensive Income. Interest and dividends from shares and bonds are recognised as Investment Income when the company becomes entitled to the return.

Foreign currency transactions and balances

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.

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Charles Connell & Company Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

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 received 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.

Tangible assets

Tangible assets are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than the long leasehold properties over their estimated useful lives. The company's long leasehold property has not been depreciated as the Directors consider that after taking into account its residual value and long useful life any depreciation would be immaterial. The Directors have carried out an impairment review on the long leasehold property and they are satisfied that no adjustment is required to the carrying value. The depreciation rates used for other tangible assets are as follows:

Asset class	Depreciation method and rate
Heritable buildings	50 years
Leasehold properties	5 years
Fixtures, fittings and equipment	3 to 15 years

Investments

Investments in equity shares which are publicly traded or where the fair value can be measured reliably are initially measured at fair value, with changes in fair value recognised in profit or loss. Investments in off-shore trusts are based on the Net Asset Value (NAV) of the fund, Investments in equity shares which are not publicly traded and where fair value cannot be measured reliably are measured at cost less impairment.

Interest income on debt securities, where applicable, is recognised in income using the effective interest method. Dividends on equity securities are recognised in income when receivable.

Charles Connell & Company Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Leases

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

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Defined contribution pension plan

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the Company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

Current versus non-current classification

The company classes shares and bonds held for long term investment purposes as non-current.

2 Staff costs

The average number of persons employed by the company (excluding directors) during the year, analysed by category was as follows:

	2017 No.	2016 No.
Administration and support	<u>2</u>	<u>2</u>

Charles Connell & Company Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

3 Directors' remuneration

The company considers key management to be the Directors of the company. The directors' remuneration for the year was as follows:

	2017	2016
	£	£
Remuneration	756,989	249,505
Contributions paid to money purchase schemes	19,000	18,000
	<u>775,989</u>	<u>267,505</u>

In respect of the highest paid director:

	2017	2016
	£	£
Remuneration	755,273	243,648
Company contributions to money purchase pension schemes	19,000	18,000
	<u>774,273</u>	<u>261,648</u>

Charles Connell & Company Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

4 Tangible assets

	Land and buildings £	Furniture, fittings and equipment £	Total £
Cost or valuation			
At 1 January 2017	391,365	62,116	453,481
Additions	-	6,704	6,704
Disposals	-	(6,973)	(6,973)
At 31 December 2017	391,365	61,847	453,212
Depreciation			
At 1 January 2017	151,883	43,117	195,000
Charge for the year	5,814	2,087	7,901
Eliminated on disposal	-	(6,773)	(6,773)
At 31 December 2017	157,697	38,431	196,128
Carrying amount			
At 31 December 2017	233,668	23,416	257,084
At 31 December 2016	239,482	18,999	258,481

Included within the net book value of land and buildings above is £106,490 (2016 - £110,617) in respect of heritable land and buildings, £127,178 (2016 - £127,178) in respect of long leasehold land and buildings and £Nil (2016 - £1,687) in respect of short leasehold land and buildings.

Charles Connell & Company Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

5 Other financial assets (current and non-current)

	Investments with an active market £	Investments without an active market £	Total £
Non-current financial assets			
At fair value			
At 1 January 2017	19,848,576	300,001	20,148,577
Fair value adjustments	536,608	-	536,608
Additions	5,001,507	8	5,001,515
Disposals	(2,843,901)	-	(2,843,901)
At 31 December 2017	22,542,790	300,009	22,842,799
Carrying amount			
At 31 December 2017	22,542,790	300,009	22,842,799

Following the year end there has been a decrease in the value of the UK stock market. As at 30 April 2018 the company has experienced an approximate 2% decrease in the assets held at the year end this compared to a 1.87% decrease in the FTSE 100.

6 Debtors

	2017 £	2016 £
Other receivables	54	90
Prepayments and accrued income	19,938	21,435
Total current trade and other receivables	19,992	21,525

Charles Connell & Company Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

7 Cash and cash equivalents

	2017	2016
	£	£
Cash at bank	47,708	800,814
Short-term deposits	840,387	1,048,055
	<u>888,095</u>	<u>1,848,869</u>

8 Creditors

	Note	2017	2016
		£	£
Due within one year			
Amounts due to related parties	12	11,016,201	9,874,973
Social security and other taxes		21,818	18,112
Accrued expenses		633,972	42,581
		<u>11,671,991</u>	<u>9,935,666</u>

9 Share capital

Allotted, called up and fully paid shares

	2017		2016	
	No.	£	No.	£
Ordinary Shares of £1 each	<u>450,000</u>	<u>450,000</u>	<u>450,000</u>	<u>450,000</u>

10 Other long-term employment and termination benefits

Pension cost

The company makes pension scheme payments to the personal pension plan of a member of its staff and for a director. The scheme and its assets are held by independent managers. The pension charge represents contributions due from the company.

The amount of the obligation is £23,155 (2016 -£21,497).

Charles Connell & Company Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

11 Commitments

Other financial commitments

During the year the company committed to investing £750,000 into a new financial investment of £750,000. The majority of this investment is still to be made at 31 December 2017.

The total amount of financial commitments, in respect of the above, at the balance sheet date, not provided in the financial statements was £729,917 (2016 - £Nil).

12 Related party transactions

Transactions with directors

	At 1 January 2016	Advances by directors	Repayments by director	Other payments made to company by director	At 31 December 2016
	£	£	£	£	£
2016					
Directors Loan	12,023	-	(12,023)	-	-

Summary of transactions with other related parties

Mr Matthew Royde is a director of the entity's parent company: Charles Connell & Company (Holdings) Limited. Mr Royde holds the position of CEO in Kestrel Partners LLP, an independent investment manager. At the year end, the company held investments with a market value of £4,003,613 (2016: £3,891,464) in funds managed by Kestrel Partners LLP.

Loans from related parties

	Parent	Associated entities of group	Group companies
	£	£	£
2017			
At start of period	5,068,310	-	4,806,663
Advanced	-	26,800	1,421,996
Repaid	(166,380)	-	(141,188)
At end of period	4,901,930	26,800	6,087,471

Charles Connell & Company Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

	Parent	Group companies
2016	£	£
At start of period	5,234,496	4,516,261
Advanced	-	909,357
Repaid	(166,186)	(618,955)
At end of period	<u>5,068,310</u>	<u>4,806,663</u>

Terms of loans from related parties

The company has interest free balances from its fellow group companies. No interest is charged on interest free debt which is repayable on demand.

13 Financial instruments

Categorisation of financial instruments

	2017	2016
	£	£
Financial assets measured at fair value through profit or loss	22,842,827	20,148,585
	<u>22,842,827</u>	<u>20,148,585</u>

Financial assets measured at fair value

Listed investments

Fair value is determined based on the market value at the reporting date from stock exchanges. The fair value is £13,121,559 (2016 - £10,643,834)

Off Shore Investments

The company has investments with a number of off-shore funds. There are no listed share prices for these investments. In the opinion of the Directors the Net Asset Value (NAV) provides a reliable estimate of the market value. The NAV will be based on the Accounting Principles applying in the region where the fund operates. Where this is not available then the Directors will use the cost of the investment as the most reliable estimate. The fair value is £7,947,853 (2016 - £8,012,264)

Unlisted investments with an active market

Unlisted investments with an active market are recorded at their current market value as at the year end based on information from the investment fund. The fair value is £1,473,378 (2016 - £1,192,486)

Unlisted Investments without an active market

Other unlisted investments are held at their cost which is deemed by the Directors to be a realistic estimate of their market value. The fair value is £300,009 (2016 - £300,001)

Items of income, expense, gains or losses

Charles Connell & Company Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

	Income £	Expense £	Net gains £	Net losses £
2017				
Financial assets measured at fair value through profit or loss	1,020,915	-	1,020,915	-
	Income £	Expense £	Net gains £	et losses £
2016				
Financial assets measured at fair value through profit or loss	104,092	267,701	-	163,609

The income recognised above is per Note 4 excluding bank interest income for the year. This is representative of a combination of realised and unrealised gains on investments held during the year.

The total interest income for financial assets not measured at fair value through profit or loss is £476 (2016 - £3,439). The total interest expense for financial liabilities not measured at fair value through profit or loss is £Nil (2016 - £Nil).

Financial Instrument Risks

Market risk

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 and market performance. The Directors are confident, however, that the balanced investment strategies which they have adopted mitigate this risk to a satisfactory level.

Liquidity risk

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

14 Parent and ultimate parent undertaking

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