

CONNOLLY LIMITED

REPORT

AND

ACCOUNTS

31 DECEMBER 2008



ALLIOTTS
Chartered Accountants
Registered Auditors

CONNOLLY LIMITED

COMPANY INFORMATION

Directors J F M Connolly (Chairman)
M K May (Chief Executive)
F J Connolly

Secretary J F M Connolly

Company number 136681

Registered Office Byron House
Cambridge Business Park
Cowley Road
Cambridge
CB4 0WZ

Auditor Alliotts
4th Floor, Imperial House
15 Kingsway
London
WC2B 6UN

CONNOLLY LIMITED

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CONNOLLY LIMITED

REPORT OF THE DIRECTORS

The directors present their report and financial statements for the year ended 31 December 2008.

Principal activities

The group ceased the whole of its trading activities in 2002. The directors of the company are currently in the process of winding up the whole of the group's affairs.

Directors

The directors who served during the year were Mr J F M Connolly, Mr F J Connolly and Mr M K May.

Statement of directors' responsibilities in relation to accounts

Company law requires the directors to prepare accounts for each financial year which 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 accounts the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

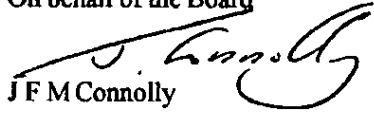
Statement of disclosure to auditor

So far as the directors are aware:

- a) there is no relevant audit information of which the company's auditors are unaware, and
- b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

On behalf of the Board


J F M Connolly
Director

28 October 2009

CONNOLLY LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CONNOLLY LIMITED

We have audited the financial statements of Connolly Limited for the year ended 31 December 2008 on pages 4 to 13. These financial statements have been prepared in accordance with the accounting policies set out therein and the requirements of the Financial Reporting Standard for Smaller Entities (effective January 2007).

This report is made solely to the company's members as a body, in accordance with Section 235 of the Companies Act 1985. Our audit 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 the 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 described in the statement of directors' responsibilities on page 1, the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. In addition we report to you if in our opinion the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board except that the scope of our work was limited as explained below.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error.

However the evidence available was limited in considering the adjustments that would have to be made, in view of the group's cessation of trade in 2002, to reduce the value of assets to their recoverable amount, to provide for any further liabilities which might arise and to reclassify fixed assets as current assets. In particular in relation to assets we have not been able to ascertain and no other evidence is available to us to help determine the actual or estimated realisable value of the amount owed by a subsidiary undertaking of £15,301,231 the recoverability of which is ultimately dependent upon the satisfactory winding-up of the subsidiary's affairs. Consequently for this asset we are unable to determine whether or not any provision is necessary against the carrying value included in the balance sheet in order to reduce the asset to its recoverable amount.

CONNOLLY LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CONNOLLY LIMITED (CONTINUED)

Basis of Opinion (continued)

Further in relation to liabilities and provisions we have not been able to ascertain and no other evidence is available to us to help determine the actual or estimated final settlement amount of:

- amounts owed to subsidiary undertakings with a total carrying value of £9,696,365;
- the company's obligations as principal employer to make good any deficiency that may arise upon finalisation of a winding up of the group's defined benefits occupational pension scheme for which provision has been made in these accounts on the basis of a preliminary actuarial valuation as at 30 June 2007.

Consequently for the above mentioned liabilities and provisions we are unable to determine whether or not any amendments are necessary to the carrying values shown in the balance sheet and we are unable to determine whether or not any additional provisions for liabilities are required to be included in the balance sheet at 31 December 2008.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Disclaimer of opinion on view given by the financial statements

Because of the possible effect of any adjustments to the financial statements that might have been found necessary had we been able to obtain sufficient evidence concerning the recoverable amount of the amount owed by a subsidiary undertaking, the settlement amount of the amounts owed to subsidiary undertakings and any additional costs that may arise as principal employer of the group's occupational pension scheme we are unable to form an opinion as to whether the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2008 and of its loss for the year then ended.

In respect alone of the limitations on our work we have not obtained all the information and explanations that we considered necessary for our audit.

As explained in Note 15, the financial statements do not contain certain detailed disclosures about the group's defined benefits scheme as required by the Financial Reporting Standard for Smaller Entities (effective January 2007). In this respect alone the accounts have not been properly prepared in accordance with the Companies Act 1985.

In our opinion the information given in the directors' report is consistent with the financial statements.

4th Floor, Imperial House
15 Kingsway
London
WC2B 6UN

28 October 2009



ALLIOTTS
Chartered Accountants
Registered Auditors

CONNOLLY LIMITED

PROFIT AND LOSS ACCOUNT YEAR ENDED 31 DECEMBER 2008

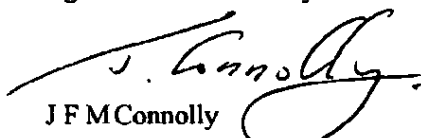
		2008		2007	
	Note	£	£	£	£
Other operating income			-		19,000
Other operating charges		59,257		75,554	
Pension scheme deficit	15	862,000		-	
Award for damages		-		(233,801)	
Amount owed to subsidiary undertaking written-off		-		(100)	
		<hr/>	(921,257)	<hr/>	158,347
Operating (loss)/profit	3		(921,257)		177,347
Profit on disposal of fixed asset			-		248,000
Interest and net rents receivable			80,569		134,493
Interest payable and finance charges	4		(37,831)		(39,637)
			<hr/>		<hr/>
Loss on ordinary activities before taxation			(878,519)		520,203
Tax on loss on ordinary activities	5		-		-
			<hr/>		<hr/>
Loss for the financial year	12		(878,519)		520,203
			<hr/> <hr/>		<hr/> <hr/>

CONNOLLY LIMITED**BALANCE SHEET
31 DECEMBER 2008**

	Note	2008		2007	
		£	£	£	£
Fixed assets					
Investments	7		6,236		6,236
Current assets					
Debtors	8	15,566,411		16,514,255	
Cash at bank and in hand		2,619,449		1,814,765	
			18,185,860		18,329,020
Creditors: amounts falling due within one year	9		10,240,270		10,366,911
Net current assets			7,945,590		7,962,109
Total assets less current liabilities			7,951,826		7,968,345
Creditors: amounts falling due after more than one year	10		(595,358)		(595,358)
Pension scheme liability	15		(862,000)		-
Net assets			6,494,468		7,372,987
Capital and reserves					
Called-up share capital	11		15,761		15,761
Share premium account	12		2,121,972		2,121,972
Other reserves	12		8,019,227		8,019,227
Profit and loss account	12		(3,662,492)		(2,783,973)
Shareholders' funds			6,494,468		7,372,987

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective January 2007).

The accounts set out on pages 4 to 13 were approved by the directors on *28 October* 2009 and were signed on their behalf by:


J F M Connolly
Director

CONNOLLY LIMITED

NOTES TO THE ACCOUNTS

1. Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2007).

The company has net current assets of £7,945,590 and net assets of £6,494,468. Non-group creditors falling due within one year total £543,905, bank balances total £2,619,449 and non-group debtors total £265,180. The directors are relying on the informal support of the non-group creditors not to put the company into liquidation.

Amounts owed to group companies total £9,696,365 and amounts owed by group companies total £15,301,231. The basis and outcome of the settlement of inter-group balances will not be known until the directors of the company complete the winding-up of the whole group's affairs.

The financial statements do not include any adjustments that could result from putting the company into liquidation.

1.2 Group accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company and its subsidiaries comprise a small sized group. Consequently the company is exempt from presenting group accounts.

1.3 Investments

Fixed asset investments are stated at cost less any amounts written off for permanent diminution in value. Dividends are included in the profit and loss account on a receipts basis.

1.4 Deferred taxation

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

1.5 Pensions

The company operates a defined benefit pension scheme and a defined contribution scheme which are now closed. No contributions were payable to the schemes in respect of the year under review.

In relation to the defined benefit scheme provision is made for the scheme deficit on the basis of periodic actuarial valuations provided by the scheme actuary.

CONNOLLY LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

2. Directors' remuneration	2008	2007
	No.	No.
Number of directors who are members of a money purchase or defined benefit scheme	2	2
	<u> </u>	<u> </u>
3. Operating loss/profit	£	£
After charging:		
Directors' remuneration	-	-
Auditor's remuneration	5,000	3,500
Depreciation	-	-
	<u> </u>	<u> </u>
4. Interest payable and finance charges	£	£
Bank overdraft and loan interest	114	-
Other interest payable	-	1,920
Dividends on preference shares classified as financial liabilities - accrued dividends on cumulative preference shares	37,717	37,717
	<u> </u>	<u> </u>
	<u>37,831</u>	<u>39,637</u>
	<u> </u>	<u> </u>
5. Tax on profit on ordinary activities	£	£
U. K. Corporation tax		
Current tax on income for the year	-	-
	<u> </u>	<u> </u>

No provision for corporation tax is required due to the utilisation of tax losses brought forward from earlier years. Revenue losses carried forward for future relief amount to £245,971 (2007 - £227,945).

	2008	2007
	£	£
Potential deferred tax (asset)/liabilities on timing differences at 28% (2007 - 28%) comprise:		
Excess of capital allowances over depreciation	(1,600)	(2,000)
Losses	(68,900)	(63,800)
	<u> </u>	<u> </u>
	<u>(70,500)</u>	<u>(65,800)</u>
	<u> </u>	<u> </u>

The potential deferred tax asset is not accounted for as there is no prospect of future trading profits to crystallise the asset.

CONNOLLY LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

6. Dividends

The following non-equity dividends for the seven years ended 31 December 2008 are in arrears:

	£
- 3.5% Cumulative preference shares	21,280
- 6.75% Cumulative preference shares	280,456
	<hr/>
	301,736
	<hr/> <hr/>

In accordance with United Kingdom Generally Accepted Accounting Practice arrears of cumulative preference dividends are provided for in the financial statements under interest payable and finance charges.

7. Fixed asset investments

	Shares in subsidiary and associated undertakings £	Other £	Total £
Cost			
At 1 January 2008 and at 31 December 2008	1,532,080	6,234	1,538,314
	<hr/>	<hr/>	<hr/>
Provisions			
At 1 January 2008 and at 31 December 2008	1,532,078	-	1,532,078
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2008	2	6,234	6,236
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2007	2	6,234	6,236
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

CONNOLLY LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

7. Fixed asset investments (continued)

The company's subsidiary undertakings and their principal activities are:

- Connolly Leather Limited - Non-trading
- J. J. Williamson & Sons (Canterbury) Limited - Non-trading

The company owns the whole of the issued share capital of each subsidiary, which are registered in England and Wales.

The company's subsidiary undertaking, Connolly Hides Limited, was dissolved on 5 February 2008.

The company's subsidiary undertaking, Chardon Developments Limited, was dissolved on 6 August 2008.

The results of the subsidiaries for the year ended 31 December 2008 are:

	Capital and reserves		Profit/(loss) for the year	
	2008 £	2007 £	2008 £	2007 £
Connolly Leather Limited	(8,741,200)	(8,739,026)	(2,174)	(20,017)
J. J. Williamson & Sons (Canterbury) Limited	(300,351)	(257,982)	(42,369)	(21,045)
	<u>(9,041,551)</u>	<u>(8,997,008)</u>	<u>(44,543)</u>	<u>(41,062)</u>

8. Debtors

	2008 £	2007 £
Amounts owed by subsidiary undertakings	15,301,231	15,264,406
Other taxation	14,997	70,955
Prepayments and accrued income	250,183	1,178,894
	<u>15,566,411</u>	<u>16,514,255</u>

CONNOLLY LIMITED

NOTES TO THE ACCOUNTS

9. Creditors: amounts falling due within one year

	2008	2007
	£	£
Amounts owed to subsidiary undertakings	9,696,365	9,714,578
Taxation and social security	6,235	6,235
Other creditors	537,670	646,098
	<u>10,240,270</u>	<u>10,366,911</u>

10. Creditors: amounts falling due after more than one year

	£	£
3.5% Cumulative preference shares of £10 each	76,000	76,000
6.75% Cumulative preference shares of £1 each	519,358	519,358
	<u>595,358</u>	<u>595,358</u>
Maturity analysis		
Due after 5 years	<u>595,358</u>	<u>595,358</u>

11. Called-up share capital

	£	£
Authorised		
Ordinary shares of £1 each	<u>49,000</u>	<u>49,000</u>
Allotted and fully paid		
Ordinary shares of £1 each	<u>15,761</u>	<u>15,761</u>

7,600 3.5% Cumulative preference shares of £10 each and 519,358 6.75% Cumulative preference shares of £1 each have been reclassified as financial liabilities in accordance with UK Generally Accepted Accounting Practice.

CONNOLLY LIMITED

NOTES TO THE ACCOUNTS

12. Reserves

	£
Share premium account	
At 1 January 2008 and 31 December 2008	2,121,972
	<hr/>
General reserve	
At 1 January 2008 and 31 December 2008	8,019,227
	<hr/>
Profit and loss account	
At 1 January 2008	(2,783,973)
Loss for the year	(878,519)
	<hr/>
At 31 December 2008	(3,662,492)
	<hr/>

13. Capital commitments

	2008	2007
	£	£
Capital expenditure:		
Contracted but not provided for in these accounts	-	-
Authorised but not contracted	-	-

14. Contingencies and commitments

	£	£
Uncalled share capital of a subsidiary undertaking	950,000	950,000
Defined benefit occupational pension scheme		
- preliminary deficit on winding up the scheme's affairs (see note 15)	2,532,000	1,600,000

Cash at bank and in hand at 31 December 2008 includes £2,610,141 held in an account with Kaupthing, Singer & Friedlander Limited. Administrators were appointed to this bank in November 2008 and the balance on the account at the time (£2,619,624) was frozen. The directors have obtained confirmation that because the company is a small company under the Companies Act:

- the first £50,000 of the balance will be reimbursed under the UK Financial Services Compensation Scheme; and
- the remaining balance on the account will be reimbursed by the UK Government.

However as at the date of approval of the financial statements no compensation monies had been received.

15. Pension schemes

Defined contribution pension scheme

The company operated a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The scheme is now closed and no contributions are payable by the company in respect of the year under review (2007 - as for 2008).

Defined benefit pension scheme

The company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company, being invested with insurance companies. The scheme is now closed and no contributions have been paid by the company in respect of the year under review.

The funding of the pension scheme is assessed by a qualified actuary on the basis of triennial valuations. The most recent completed valuation is as at 1 July 2004. A preliminary actuarial report as at 30 June 2007 has been prepared by the scheme actuary. As it is probable that the scheme will wind-up in the near future the actuary considers the most appropriate basis on which to value the scheme assets and liabilities is a buy-out basis. At the valuation date the market value of the scheme's assets was £3,869,000 and the present value of the scheme's liabilities was £4,731,000. The resultant deficit of £862,000 has been provided for in these accounts.

Market conditions have deteriorated significantly since 30 June 2007 and the assumptions on yields and other investment returns used in the preliminary report will not hold good under current conditions. An actuarial update report as at 30 June 2009 prepared by the scheme actuary states that on a buy-out basis the market value of the scheme's assets was £3,317,000 and the present value of the scheme's liabilities was £5,849,000, giving a scheme deficit of £2,532,000. As the valuation date is after the balance sheet date of these accounts provision has not been made for the increase in the scheme deficit.

No information has been obtained in respect of the fair value of scheme assets and the present value of scheme liabilities as at the beginning and as at the end of the company's accounting period. Consequently the disclosures required by the Financial Reporting Standard for Smaller Entities (effective January 2007) in respect of this information, the resulting surplus or deficit and an analysis of the movements during the year in the surplus or deficit are not provided. The directors consider that the cost of obtaining this information would outweigh the benefits of the disclosure.

CONNOLLY LIMITED

NOTES TO THE ACCOUNTS

16. Related party transactions

Transactions during the year and balances between the company and its subsidiary undertakings were as follows:

J J Williamson & Sons (Canterbury) Limited

Amount owed to the company at 31 December 2008 - £15,301,231 (2007 - £15,264,406).

Transactions during the year comprise payment of expenses totalling £36,825 on behalf of Williamson.

Connolly Leather Limited

Amount owed by the company at 31 December 2008 - £9,696,365 (2007 - £9,714,578).

Transactions during the year comprise transfer of funds to Connolly Leather Limited of £56,800 and payment of expenses totalling £38,587 by Connolly Leather Limited on behalf of the company.