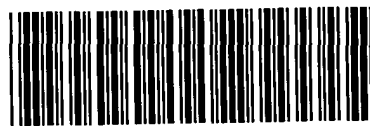


**STRACHAN HOLDINGS LIMITED**

**Report and Financial Statements**

**30 June 2014**

TUESDAY



\*A44D2MO1\*

A43

31/03/2015

#25

# **STRACHAN HOLDINGS LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2014**

### **CONTENTS**

### **Page**

|                                              |           |
|----------------------------------------------|-----------|
| <b>Officers and professional advisers</b>    | <b>1</b>  |
| <b>Strategic report</b>                      | <b>2</b>  |
| <b>Directors' report</b>                     | <b>3</b>  |
| <b>Directors' responsibilities statement</b> | <b>4</b>  |
| <b>Independent auditor's report</b>          | <b>5</b>  |
| <b>Consolidated profit and loss account</b>  | <b>6</b>  |
| <b>Consolidated balance sheet</b>            | <b>7</b>  |
| <b>Company balance sheet</b>                 | <b>8</b>  |
| <b>Consolidated cash flow statement</b>      | <b>9</b>  |
| <b>Notes to the accounts</b>                 | <b>10</b> |

# **STRACHAN HOLDINGS LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2014**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **DIRECTORS**

Mr D G Strachan  
Mr A J Strachan

#### **SECRETARY**

Mr A J Strachan

#### **REGISTERED OFFICE**

2 Dolphin Court  
Stanningley Road  
Bramley  
Leeds  
West Yorkshire  
LS13 4UN

#### **BANKERS**

Santander UK Plc  
Business Banking Centre  
PO Box 126  
Newport  
Gwent  
NP19 7UP

Royal Bank of Scotland Plc  
27 Park Row  
Leeds  
LS1 5QB

#### **SOLICITORS**

Watson Burton LLP  
1 City Square  
Leeds  
LS1 2ES

#### **AUDITOR**

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Leeds

# **STRACHAN HOLDINGS LIMITED**

## **STRATEGIC REPORT**

The directors present their strategic report on the affairs of the group for the year ending 30 June 2014.

## **BUSINESS REVIEW**

The group has seen a 10.1% increase in turnover in a competitive market. However, operating performance was affected by a combination of a changing sales mix and supply chain issues which impacted on factory efficiencies.

The improving economic climate should see an improved performance in the year ahead.

Our prospects for the future will be further enhanced by an investment made by the group on 20<sup>th</sup> October 2014 in a new-build showroom in London. This presence in London will help further lead generation and sales.

## **PRINCIPAL RISKS AND UNCERTAINTIES**

The following risks are relevant to our business:

### **Supply chain risk**

The supply chain problems identified above have now been resolved. Relationships have been further developed to ensure continuity of high quality product.

### **Margin Risk**

The competitive nature of our business poses a risk. The company manages this risk by ensuring the continued high quality of its products is maintained and strong relationships are held with the group's diverse customer base.

### **Financial risk**

The group manages its financial risk by ensuring that we have sufficient liquidity to operate in the foreseeable future. Stock turn remains consistently high at 23.2 (2013: 23.1) and our substantial cash balances ensure that the ratio of current assets to current liabilities measured at 1.8 (2013: 1.7) minimise any short-term liquidity risk.

## **KEY PERFORMANCE INDICATORS**

The company's key measurements of effectiveness of its operations are as follows:

### **Financial**

Turnover increased 10.1% in the year. However, a changing sales mix and supply chain issues impacted on operational efficiency and gross margin decreased by 2.0 percentage points. Continued focus on control of administration costs helped minimise the impact on operating profit which decreased by 1.3 percentage points.

### **Non-Financial**

We regularly review customer feedback to determine how well their expectations have been met.

## **GOING CONCERN**

As disclosed in note 1 to the financial statements the directors have considered the going concern assumption given the improving economic climate including the demand for the design, manufacture and installation of high quality bedroom, dressing room, home study and lounge furniture and have formed the expectation that the company will continue to operate in the foreseeable future. The Directors have considered the company forecasts and the finance available to the group in forming this judgement.



A J Strachan  
Director

27<sup>th</sup> March 2015

# **STRACHAN HOLDINGS LIMITED**

## **DIRECTORS' REPORT**

### **PRINCIPAL ACTIVITY**

The company's principal activity is the management activities of a holding company. The principal activities of the group are the design, manufacture and installation of high quality bedroom, dressing room, home study and lounge furniture.

### **RESULTS AND DIVIDENDS**

The group's profit for the year after taxation was £345,904 (2013: £387,694). The directors propose to pay a dividend of £400,000 (2013: £400,000) in respect of the year and propose that the retained loss for the year be transferred to reserves.

### **ENVIRONMENT**

The group is committed to preventing any possible adverse effects upon the environment and people, arising from its activities. The group continues to seek improvements to its production and business processes and maintains a well-established system of risk management.

The group seeks to minimise wherever possible the volume of waste it creates as a result of its activities. However some waste is inevitable and where possible dedicated waste streams have been developed to facilitate reprocessing and/or recycling. Only licensed, approved specialist waste disposal contacts are used where disposal is the only option available.

### **EMPLOYEES**

The group policy is to keep employees informed on matters relevant to them as employees through regular meetings and newsletters.

### **DIRECTORS AND THEIR INTERESTS**

The directors who served throughout the year and subsequently were:

Mr A J Strachan  
Mr D G Strachan

### **AUDITOR**

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

- (1) so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- (2) the directors 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 auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board



A J Strachan  
Director

27 March 2015

# **STRACHAN HOLDINGS LIMITED**

## **DIRECTORS' RESPONSIBILITY STATEMENT**

The directors are responsible 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 then apply them consistently;
- make judgments 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.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STRACHAN HOLDINGS LIMITED**

We have audited the financial statements of Strachan Holdings Limited for the year ended 30 June 2014 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses the consolidated and company balance sheets, the consolidated cash flow statement and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

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

### **Scope of the audit of the financial statements**

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 group's and the parent 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 annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 group's and of the parent company's affairs as at 30 June 2014 and of the group's 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.

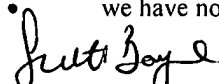
### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Scott Bayne ACA (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

Leeds, United Kingdom

27 March 2015

# STRACHAN HOLDINGS LIMITED

## CONSOLIDATED PROFIT AND LOSS ACCOUNT Year ended 30 June 2014

|                                                      | Note | 2014<br>£   | 2013<br>£   |
|------------------------------------------------------|------|-------------|-------------|
| <b>TURNOVER</b>                                      | 2    | 7,084,747   | 6,432,673   |
| Cost of sales                                        |      | (3,500,611) | (3,051,238) |
| Gross profit                                         |      | 3,584,136   | 3,381,435   |
| Distribution costs                                   |      | (341,917)   | (313,568)   |
| Administrative expenses                              |      | (2,800,164) | (2,584,403) |
| Other operating income                               |      | 23,641      | 26,653      |
| <b>OPERATING PROFIT</b>                              | 4    | 465,696     | 510,117     |
| Interest receivable                                  | 5    | 42,852      | 65,843      |
| Interest payable                                     | 6    | (4,589)     | (6,987)     |
| <b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b> |      | 503,959     | 568,973     |
| Tax on profit on ordinary activities                 | 7    | (158,055)   | (181,279)   |
| <b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>  | 20   | 345,904     | 387,694     |

All activities derive from continuing operations.

The group has no recognised gains and losses for the year or the prior year other than as stated above. Therefore, no statement of total recognised gains and losses has been presented.

# STRACHAN HOLDINGS LIMITED

## CONSOLIDATED BALANCE SHEET 30 June 2014

|                                                                | Note | 2014<br>£          | 2013<br>£          |
|----------------------------------------------------------------|------|--------------------|--------------------|
| <b>FIXED ASSETS</b>                                            |      |                    |                    |
| Intangible assets                                              | 10   | 1,853,609          | 2,008,076          |
| Tangible assets                                                | 11   | 1,935,028          | 2,111,685          |
|                                                                |      | <u>3,788,637</u>   | <u>4,119,761</u>   |
| <b>CURRENT ASSETS</b>                                          |      |                    |                    |
| Stocks                                                         | 13   | 305,853            | 278,264            |
| Debtors                                                        | 14   | 355,471            | 329,258            |
| Cash at bank and in hand                                       |      | 3,450,977          | 3,465,365          |
|                                                                |      | <u>4,112,301</u>   | <u>4,072,887</u>   |
| <b>CREDITORS: amounts falling due within one year</b>          | 16   | <u>(2,288,279)</u> | <u>(2,361,226)</u> |
| <b>NET CURRENT ASSETS</b>                                      |      | <u>1,824,022</u>   | <u>1,711,661</u>   |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                   |      | <u>5,612,659</u>   | <u>5,831,422</u>   |
| <b>CREDITORS: amounts falling due after more than one year</b> | 17   | (98,225)           | (256,774)          |
| <b>PROVISIONS FOR LIABILITIES</b>                              | 18   | <u>(184,662)</u>   | <u>(190,780)</u>   |
| <b>NET ASSETS</b>                                              |      | <u>5,329,772</u>   | <u>5,383,868</u>   |
| <b>CAPITAL AND RESERVES</b>                                    |      |                    |                    |
| Called up share capital                                        | 19   | 547,874            | 547,874            |
| Share premium account                                          | 20   | 2,296,126          | 2,296,126          |
| Profit and loss account                                        | 20   | 2,485,772          | 2,539,868          |
| <b>TOTAL SHAREHOLDERS' FUNDS</b>                               | 21   | <u>5,329,772</u>   | <u>5,383,868</u>   |

The financial statements of Strachan Holdings Limited, registered number 5818607, were approved by the Board of Directors on 27<sup>th</sup> March 2015.

Signed on behalf of the Board of Directors



A J Strachan  
Director

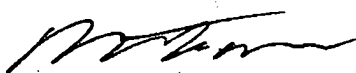
# STRACHAN HOLDINGS LIMITED

## COMPANY BALANCE SHEET 30 June 2014

|                                                                | Note | 2014<br>£        | 2013<br>£        |
|----------------------------------------------------------------|------|------------------|------------------|
| <b>FIXED ASSETS</b>                                            |      |                  |                  |
| Tangible assets                                                | 11   | 1,485,774        | 1,582,581        |
| Investments                                                    | 12   | 7,648,732        | 7,648,732        |
|                                                                |      | <u>9,134,506</u> | <u>9,231,313</u> |
| <b>CURRENT ASSETS</b>                                          |      |                  |                  |
| Debtors                                                        | 14   | 784              | 1,469            |
| Deferred tax asset                                             | 15   | 19,878           | 19,222           |
| Cash at bank and in hand                                       |      | 503,598          | 501,738          |
|                                                                |      | <u>524,260</u>   | <u>522,429</u>   |
| <b>CREDITORS: amounts falling due within one year</b>          | 16   | <u>(963,197)</u> | <u>(886,383)</u> |
| <b>NET CURRENT LIABILITIES</b>                                 |      | <u>(438,937)</u> | <u>(343,954)</u> |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                   |      | 8,695,569        | 8,887,359        |
| <b>CREDITORS: amounts falling due after more than one year</b> | 17   | <u>(98,225)</u>  | <u>(256,774)</u> |
| <b>NET ASSETS</b>                                              |      | <u>8,597,344</u> | <u>8,630,585</u> |
| <b>CAPITAL AND RESERVES</b>                                    |      |                  |                  |
| Called up share capital                                        | 19   | 547,874          | 547,874          |
| Share premium account                                          | 20   | 2,296,126        | 2,296,126        |
| Profit and loss account                                        | 20   | 5,753,344        | 5,786,585        |
| <b>TOTAL SHAREHOLDERS' FUNDS</b>                               | 21   | <u>8,597,344</u> | <u>8,630,585</u> |

The financial statements of Strachan Holdings Limited, registered number 5818607, were approved by the Board of Directors on 27th Mar 2015.

Signed on behalf of the Board of Directors



A J Strachan  
Director

# STRACHAN HOLDINGS LIMITED

## CONSOLIDATED CASH FLOW STATEMENT 30 June 2014

|                                                                             | Note      | 2014<br>£ | 2013<br>£ |
|-----------------------------------------------------------------------------|-----------|-----------|-----------|
| Net cash inflow from operating activities                                   | 23        | 807,243   | 982,113   |
| <b>Returns on investments and servicing of finance</b>                      |           |           |           |
| Interest paid                                                               | (4,589)   | (6,987)   |           |
| Interest received                                                           | 42,852    | 65,843    |           |
| <b>Net cash inflow from returns on investments and servicing of finance</b> |           | 38,263    | 58,856    |
| Net cash outflow from taxation                                              |           | (192,394) | (168,219) |
| Dividends paid                                                              |           | (400,000) | (400,000) |
| <b>Capital expenditure</b>                                                  |           |           |           |
| Payments to acquire tangible fixed assets                                   | (115,201) | (236,740) |           |
| Proceeds from disposal of fixed assets                                      | 6,250     | 37,167    |           |
| <b>Net cash outflow from capital expenditure</b>                            |           | (108,951) | (199,573) |
| <b>Net cash inflow before financing</b>                                     | 24        | 144,161   | 273,177   |
| <b>Financing</b>                                                            |           |           |           |
| Repayment of borrowings                                                     | (158,549) | (156,170) |           |
| <b>Net cash outflow from financing</b>                                      |           | (158,549) | (156,170) |
| <b>Increase in cash</b>                                                     | 25        | (14,388)  | 117,007   |

**NOTES TO THE ACCOUNTS**  
**Year ended 30 June 2014**

**1. ACCOUNTING POLICIES**

The principal accounting policies are summarised below. They have all been applied consistently throughout the current year and the preceding year.

**Basis of Accounting**

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

**Preparation of accounts – going concern basis**

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report and the Directors' Report.

The group has considerable cash reserves, a healthy order book and continues to supply a high quality product to a diverse customer base. The directors have reviewed the group's forecasts, taking into account possible changes in trading performance, and believe that the group is well placed to manage its business risks successfully in the current economic climate.

After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of preparing the annual report and accounts.

**Investments**

Investments in subsidiary undertakings held as fixed assets are stated at cost less provision for impairment.

**Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the company and all of its subsidiaries. The subsidiaries are consolidated from the date on which control passes.

**Acquisitions and disposals**

On the acquisition of a business, including an interest in an associated undertaking, fair values are attributed to the group's share of net separable assets. Where the cost of acquisition exceeds the fair values attributable to such net assets, the difference is treated as purchased goodwill and capitalised in the balance sheet in the year of acquisition.

The profit or loss on the disposal or closure of a previously acquired business includes the attributable amount of any purchased goodwill relating to that business not previously charged through the profit and loss account.

The results and cash flows relating to a business are included in the consolidated profit and loss account and the consolidated cash flow statement from the date of acquisition or up to the date of disposal.

**Goodwill and intangible fixed assets**

For acquisitions of a business, including an interest in an associated undertaking, purchased goodwill is capitalised in the year in which it arises and amortised over its estimated useful life up to a maximum of 20 years. The directors regard 20 years as a reasonable maximum for the estimated useful life of goodwill since it is difficult to make projections exceeding this period.

Capitalised purchased goodwill in respect of subsidiaries is included within intangible fixed assets and amortised over a period of 20 years.

**Related party disclosures**

The company is exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the Strachan Holdings Limited group of companies.

**NOTES TO THE ACCOUNTS**

**Year ended 30 June 2014**

**1. ACCOUNTING POLICIES (continued)**

**Tangible fixed assets**

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

|                       |                      |
|-----------------------|----------------------|
| Freehold buildings    | 4.3% per annum       |
| Plant and machinery   | 10% to 25% per annum |
| Motor vehicles        | 20% to 33% per annum |
| Fixtures and fittings | 25% per annum        |

No depreciation is provided on the freehold land.

**Stocks**

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and production overheads appropriate to the relevant stage of production.

**Warranty provisions**

A provision is included in the accounts in respect of the estimated future costs of remedial work under warranties provided by the company.

The warranty given on sales is for five to ten years from the date of sale and the provision in the accounts represents the estimated liability based upon historical warranty claim profiles.

**Foreign currency translation**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

**Pension**

The group does not administer a pension scheme. The pension costs charges represent contributions made by the company on behalf of employees towards personal pensions administered by other parties and are expensed as costs are incurred.

**Leases**

Rentals under operating leases are charged to the profit and loss account in equal annual amounts over the period of the leases' term.

**Taxation**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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 that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the taxable profits and the results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

**Financial liabilities**

Interest bearing loans are recorded at the proceeds received, net of direct issue costs. Finance costs are recognised over the term of the debt at a consistent rate on the carrying amount.

# STRACHAN HOLDINGS LIMITED

## NOTES TO THE ACCOUNTS Year ended 30 June 2014

### 2. TURNOVER

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of trade discounts and value added tax. Turnover is recognised when the risk and rewards of items have been transferred to the customer. The turnover, all of which arises in the United Kingdom, is wholly attributable to the continuing principal activities.

### 3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

| Group                                                    | 2014<br>£        | 2013<br>£        |
|----------------------------------------------------------|------------------|------------------|
| <b>Directors' emoluments</b>                             |                  |                  |
| Salary                                                   | 213,175          | 201,116          |
| Benefits in kind                                         | 2,563            | 2,634            |
| Pension costs                                            | 50,000           | 50,000           |
|                                                          | <u>265,738</u>   | <u>253,750</u>   |
| <b>Emoluments of the highest paid director</b>           |                  |                  |
| Salary                                                   | 92,059           | 80,000           |
| Benefits in kind                                         | 2,395            | 2,392            |
| Pension costs                                            | 50,000           | 50,000           |
|                                                          | <u>144,454</u>   | <u>132,392</u>   |
| <b>Staff costs during the year (including directors)</b> |                  |                  |
| Wages and salaries                                       | 2,025,132        | 1,783,224        |
| Social security costs                                    | 195,545          | 173,399          |
| Pension costs                                            | 50,000           | 50,000           |
|                                                          | <u>2,270,677</u> | <u>2,006,623</u> |
|                                                          | <b>No.</b>       | <b>No.</b>       |
| <b>Average number of persons employed</b>                |                  |                  |
| Production                                               | 38               | 34               |
| Administration                                           | 41               | 39               |
|                                                          | <u>79</u>        | <u>73</u>        |

The group made contributions to a pension scheme on behalf of one director (2013: one).

# STRACHAN HOLDINGS LIMITED

## NOTES TO THE ACCOUNTS Year ended 30 June 2014

### 4. OPERATING PROFIT

|                                                                                   | 2014<br>£ | 2013<br>£ |
|-----------------------------------------------------------------------------------|-----------|-----------|
| Operating profit is after charging/(crediting):                                   |           |           |
| Depreciation of owned assets                                                      | 291,858   | 292,346   |
| Amortisation of goodwill                                                          | 154,467   | 154,467   |
| Rentals under operating leases:                                                   |           |           |
| Other                                                                             | 38,234    | 40,889    |
| Profit on sale of fixed assets                                                    | (6,250)   | (22,020)  |
| Auditor Remuneration:                                                             |           |           |
| - Fees payable to the company's auditor for the audit of the financial statements | 12,100    | 11,925    |
| - Tax compliance fees                                                             | 1,400     | 1,400     |

### 5. INTEREST RECEIVABLE

|               | 2014<br>£ | 2013<br>£ |
|---------------|-----------|-----------|
| Bank interest | 42,852    | 65,843    |

### 6. INTEREST PAYABLE AND SIMILAR CHARGES

|                   | 2014<br>£ | 2013<br>£ |
|-------------------|-----------|-----------|
| Mortgage interest | 4,589     | 6,987     |
|                   | 4,589     | 6,987     |

### 7. TAX ON PROFIT ON ORDINARY ACTIVITIES

|                                                      | 2014<br>£ | 2013<br>£ |
|------------------------------------------------------|-----------|-----------|
| <b>Current Taxation:</b>                             |           |           |
| UK corporation tax charge in respect of current year | 174,135   | 185,056   |
| Adjustments in respect of prior periods              | 7,338     | (44)      |
| Total Current Taxation                               | 181,473   | 185,012   |
| <b>Deferred Taxation:</b>                            |           |           |
| Origination and reversal of timing differences       | (13,425)  | (1,822)   |
| Adjustments in respect of prior periods              | (6,837)   | (44)      |
| Effect of changes in tax rates                       | (3,156)   | (1,867)   |
|                                                      | (23,418)  | (3,733)   |
| Tax on profit on ordinary activities                 | 158,055   | 181,279   |

The tax assessed on the profit on ordinary activities for the year is higher (2013: higher) than the standard rate of corporation tax in the UK of 22.5% (2013: 23.75%).

The actual tax charge varies from the standard rate due to the reasons set out in the following reconciliation.

# STRACHAN HOLDINGS LIMITED

## NOTES TO THE ACCOUNTS Year ended 30 June 2014

### 7. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

|                                                                | 2014<br>£ | 2013<br>£ |
|----------------------------------------------------------------|-----------|-----------|
| Profit on ordinary activities before tax                       | 503,959   | 568,973   |
| Tax on profit on ordinary activities before tax                | 113,398   | 135,131   |
| <b>Factors affecting current taxation charge for the year:</b> |           |           |
| Depreciation in excess of Capital allowances for the period    | 13,425    | 1,822     |
| Expenses not allowable for tax purposes                        | 51,729    | 54,605    |
| Movement in short term timing differences                      | -         | -         |
| Effects of other tax rates / credits                           | (4,417)   | (6,502)   |
| Adjustments in respect of prior periods                        | 7,338     | (44)      |
| Current tax charge for the year                                | 181,473   | 185,012   |

Finance Act 2013 was substantively enacted on 2 July 2013 and provided for a reduction in the main rate of corporation tax from 23% to 21% with effect from 1 April 2014 and a further corporation tax rate reduction to 20% with effect from 1 April 2015. This 3% corporation tax rate reduction, from 23% to 20%, has been reflected in these financial statements and reduces the deferred tax liability by £3,156

### 8. PROFIT OF PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's profit after tax for the financial period amounted to £366,759 (2013: £376,009).

### 9. DIVIDENDS

|                                                                                  | 2014<br>£ | 2013<br>£ |
|----------------------------------------------------------------------------------|-----------|-----------|
| Dividends proposed £0.7301 per ordinary share (2013: £0.7301 per ordinary share) | 400,000   | 400,000   |

# STRACHAN HOLDINGS LIMITED

## NOTES TO THE ACCOUNTS Year ended 30 June 2014

### 10. INTANGIBLE FIXED ASSETS

| Group                           | Goodwill arising on consolidation<br>£ |
|---------------------------------|----------------------------------------|
| <b>Cost</b>                     |                                        |
| At 1 July 2013 and 30 June 2014 | 3,089,345                              |
| <b>Amortisation</b>             |                                        |
| At 1 July 2013                  | 1,081,269                              |
| Charge for the year             | 154,467                                |
| At 30 June 2014                 | 1,235,736                              |
| <b>Net book value</b>           |                                        |
| At 30 June 2014                 | 1,853,609                              |
| At 30 June 2013                 | 2,008,076                              |

### 11. TANGIBLE FIXED ASSETS

| Group                           | Freehold<br>Land and<br>Buildings<br>£ | Plant<br>And<br>Machinery<br>£ | Motor<br>Vehicles<br>£ | Fixtures<br>and<br>Fittings<br>£ | Total<br>£ |
|---------------------------------|----------------------------------------|--------------------------------|------------------------|----------------------------------|------------|
| <b>Cost</b>                     |                                        |                                |                        |                                  |            |
| At 1 July 2013                  | 2,082,442                              | 1,123,458                      | 406,207                | 452,845                          | 4,064,952  |
| Additions                       | 1,052                                  | 7,017                          | 93,641                 | 13,491                           | 115,201    |
| Disposals                       | -                                      | -                              | (29,125)               | -                                | (29,125)   |
| At 30 June 2014                 | 2,083,494                              | 1,130,475                      | 470,723                | 466,336                          | 4,151,028  |
| <b>Accumulated depreciation</b> |                                        |                                |                        |                                  |            |
| At 1 July 2013                  | 523,005                                | 861,989                        | 159,998                | 408,275                          | 1,953,267  |
| Charge for the year             | 74,715                                 | 102,748                        | 86,598                 | 27,797                           | 291,858    |
| Eliminated on disposals         | -                                      | -                              | (29,125)               | -                                | (29,125)   |
| At 30 June 2014                 | 597,720                                | 964,737                        | 217,471                | 436,072                          | 2,216,000  |
| <b>Net book value</b>           |                                        |                                |                        |                                  |            |
| At 30 June 2014                 | 1,485,774                              | 165,738                        | 253,252                | 30,264                           | 1,935,028  |
| At 30 June 2013                 | 1,559,437                              | 261,469                        | 246,209                | 44,570                           | 2,111,685  |

The value of land not depreciated was £364,000 (2013: £364,000).

# STRACHAN HOLDINGS LIMITED

## NOTES TO THE ACCOUNTS

Year ended 30 June 2014

|                                 | Freehold<br>land and<br>buildings | Plant<br>and<br>Machinery | Total     |
|---------------------------------|-----------------------------------|---------------------------|-----------|
| Company                         | £                                 | £                         | £         |
| <b>Cost</b>                     |                                   |                           |           |
| At 30 June 2013                 | 2,082,442                         | 217,558                   | 2,300,000 |
| Additions                       | 1,052                             | -                         | 1,052     |
| At 30 June 2014                 | 2,083,494                         | 217,558                   | 2,301,052 |
| <b>Accumulated depreciation</b> |                                   |                           |           |
| At 1 July 2013                  | 523,005                           | 194,414                   | 717,419   |
| Charge for the year             | 74,715                            | 23,144                    | 97,859    |
| At 30 June 2014                 | 597,720                           | 217,558                   | 815,278   |
| <b>Net book value</b>           |                                   |                           |           |
| At 30 June 2014                 | 1,485,774                         | -                         | 1,485,774 |
| At 30 June 2013                 | 1,559,437                         | 23,144                    | 1,582,581 |

The value of land not depreciated was £364,000 (2013: £364,000).

## 12. INVESTMENTS HELD AS FIXED ASSETS

|                                 | 2014<br>£ | 2013<br>£ |
|---------------------------------|-----------|-----------|
| <b>Cost and net book value</b>  |           |           |
| At 1 July 2013 and 30 June 2014 | 7,648,732 | 7,648,732 |

The company owns more than 20% of the equity in the following companies:

| Name of subsidiary company    | Country of<br>incorporation | Holding         | Proportion<br>held | Nature of business                                                                                      |
|-------------------------------|-----------------------------|-----------------|--------------------|---------------------------------------------------------------------------------------------------------|
| Strachan Furniture Makers Ltd | England &<br>Wales          | Ordinary shares | 100%               | Design, manufacture,<br>distribution and<br>retailing of bedroom,<br>home study and<br>lounge furniture |
| Convert-A-Room Ltd            | England &<br>Wales          | Ordinary shares | 100%               | Dormant company                                                                                         |

# STRACHAN HOLDINGS LIMITED

## NOTES TO THE ACCOUNTS

Year ended 30 June 2014

### 12. INVESTMENTS HELD AS FIXED ASSETS (continued)

The profit for the period and capital and reserves at the year end for the above subsidiary companies are as follows:

|                                   | Profit for the<br>year ended 30<br>June 2014 | Capital and<br>reserves as at<br>30 June 2014 | Profit for the<br>year ended<br>30 June 2013 | Capital and<br>reserves as at<br>30 June 2013 |
|-----------------------------------|----------------------------------------------|-----------------------------------------------|----------------------------------------------|-----------------------------------------------|
| Strachan Furniture Makers Limited | 433,612                                      | 2,517,551                                     | 466,152                                      | 2,383,939                                     |
| Convert-A-Room Limited            | -                                            | 10,000                                        | -                                            | 10,000                                        |
|                                   | <u>433,612</u>                               | <u>2,517,551</u>                              | <u>466,152</u>                               | <u>2,383,939</u>                              |

### 13. STOCKS

| Group                               | 2014<br>£      | 2013<br>£      |
|-------------------------------------|----------------|----------------|
| Raw materials                       | 298,889        | 262,964        |
| Work in progress                    | 4,792          | 5,266          |
| Finished goods and goods for resale | 2,172          | 10,034         |
|                                     | <u>305,853</u> | <u>278,264</u> |

### 14. DEBTORS

|                                | Group          |                | Company    |              |
|--------------------------------|----------------|----------------|------------|--------------|
|                                | 2014<br>£      | 2013<br>£      | 2014<br>£  | 2013<br>£    |
| Trade debtors                  | 72,579         | 70,751         | -          | -            |
| Other debtors                  | 108,972        | 93,951         | 784        | 1,469        |
| Prepayments and accrued income | 173,920        | 164,556        | -          | -            |
|                                | <u>355,471</u> | <u>329,258</u> | <u>784</u> | <u>1,469</u> |

Included in other debtors is a director's loan balance of £4,254 (2013: £3,644) with D G Strachan. The highest balance outstanding during the year was £4,254 (2013: £3,644). The loan is repayable on demand and does not attract interest.

### 15. DEFERRED TAXATION ASSET

|                                      | Group<br>£ | Company<br>£  |
|--------------------------------------|------------|---------------|
| Deferred taxation asset              |            |               |
| Balance at 1 July 2013               | -          | 19,222        |
| Current year credit                  | -          | 655           |
| Adjustment in respect of prior years | -          | 1             |
|                                      | <u>-</u>   | <u>19,878</u> |
| Balance at 30 June 2014              | -          | 19,878        |

# STRACHAN HOLDINGS LIMITED

## NOTES TO THE ACCOUNTS Year ended 30 June 2014

### 15. DEFERRED TAXATION ASSET (continued)

The amount of asset provided in the accounts is as follows:

|                                              | Group<br>£ | Company<br>£ |
|----------------------------------------------|------------|--------------|
| Depreciation in excess of capital allowances | -          | 19,878       |

### 16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

|                                    | Group<br>2014<br>£ | 2013<br>£        | Company<br>2014<br>£ | 2013<br>£      |
|------------------------------------|--------------------|------------------|----------------------|----------------|
| Payments received on account       | 676,193            | 684,544          | -                    | -              |
| Trade creditors                    | 315,839            | 401,519          | 2,068                | 1,272          |
| Accruals and deferred income       | 265,271            | 267,049          | 5,707                | 6,609          |
| Mortgage (note 17)                 | 120,000            | 120,000          | 120,000              | 120,000        |
| Amounts due to group undertakings  | -                  | -                | 394,186              | 293,231        |
| Corporation tax                    | 174,135            | 185,056          | 41,236               | 45,271         |
| Other taxation and social security | 336,841            | 303,058          | -                    | -              |
| Other creditors                    | 400,000            | 400,000          | 400,000              | 400,000        |
|                                    | <u>2,288,279</u>   | <u>2,361,226</u> | <u>963,197</u>       | <u>866,383</u> |

### 17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

|          | Group<br>2014<br>£ | 2013<br>£      | Company<br>2014<br>£ | 2013<br>£      |
|----------|--------------------|----------------|----------------------|----------------|
| Mortgage | 98,225             | 256,774        | 98,225               | 256,774        |
|          | <u>98,225</u>      | <u>256,774</u> | <u>98,225</u>        | <u>256,774</u> |

On 21 June 2007, Strachan Holdings Limited took out a mortgage to acquire certain freehold land and buildings. Interest is charged at 1% over base rate and the mortgage is repayable by equal monthly instalments over a maximum period of ten years. The mortgage is secured as a fixed charge over the land and buildings and matures on 20 June 2017.

|                                  | Group<br>2014<br>£ | 2013<br>£      | Company<br>2014<br>£ | 2013<br>£      |
|----------------------------------|--------------------|----------------|----------------------|----------------|
| Analysis of mortgage repayments: |                    |                |                      |                |
| Within one year (note 16)        | 120,000            | 120,000        | 120,000              | 120,000        |
| Between one and two years        | 98,225             | 120,000        | 98,225               | 120,000        |
| Between two and five years       | -                  | 136,744        | -                    | 136,774        |
| After five years                 | -                  | -              | -                    | -              |
|                                  | <u>218,225</u>     | <u>376,774</u> | <u>218,225</u>       | <u>376,774</u> |

# STRACHAN HOLDINGS LIMITED

## NOTES TO THE ACCOUNTS Year ended 30 June 2014

### 18. PROVISIONS FOR LIABILITIES

| Group                                         | Deferred<br>Taxation<br>£ | Other<br>provisions<br>£ | Total<br>2014<br>£ |
|-----------------------------------------------|---------------------------|--------------------------|--------------------|
| Balance at 1 July 2013                        | 42,480                    | 148,300                  | 190,780            |
| (Credited)/charged to profit and loss account | (23,418)                  | 17,300                   | (6,118)            |
| Balance at 30 June 2014                       | <u>19,062</u>             | <u>165,600</u>           | <u>184,662</u>     |

Other provisions relate to amounts provided for potential warranty claims.

The amount of deferred taxation provided in the accounts is as follows:

| Group                                        | Provided<br>2014<br>£ | Provided<br>2013<br>£ |
|----------------------------------------------|-----------------------|-----------------------|
| Capital allowances in excess of depreciation | <u>19,062</u>         | <u>42,480</u>         |

There is no unprovided deferred taxation at 30 June 2014 or 30 June 2013.

### 19. CALLED UP SHARE CAPITAL

| Group and company                         | 2014<br>£      | 2013<br>£      |
|-------------------------------------------|----------------|----------------|
| <b>Called up, allotted and fully paid</b> |                |                |
| 547,874 ordinary shares of £1 each        | <u>547,874</u> | <u>547,874</u> |

### 20. RESERVES

| Group                   | Profit and<br>loss account<br>£ | Share<br>premium<br>account<br>£ | Total<br>£       |
|-------------------------|---------------------------------|----------------------------------|------------------|
| Balance at 1 July 2013  | 2,539,868                       | 2,296,126                        | 4,835,994        |
| Profit for the year     | 345,904                         | -                                | 345,904          |
| Dividends               | (400,000)                       | -                                | (400,000)        |
| Balance at 30 June 2014 | <u>2,485,772</u>                | <u>2,296,126</u>                 | <u>4,781,898</u> |

# STRACHAN HOLDINGS LIMITED

## NOTES TO THE ACCOUNTS Year ended 30 June 2014

### 20. RESERVES (continued)

| Company                 | Profit and<br>loss account<br>£ | Share<br>premium<br>account<br>£ | Total<br>£       |
|-------------------------|---------------------------------|----------------------------------|------------------|
| Balance at 1 July 2013  | 5,786,585                       | 2,296,126                        | 8,082,711        |
| Profit for the year     | 366,759                         | -                                | 366,759          |
| Dividends               | (400,000)                       | -                                | (400,000)        |
|                         | <u>5,753,344</u>                | <u>2,296,126</u>                 | <u>8,049,470</u> |
| Balance at 30 June 2014 | 5,753,344                       | 2,296,126                        | 8,049,470        |

### 21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

| Group                                           | 2014<br>£        | 2013<br>£        |
|-------------------------------------------------|------------------|------------------|
| Profit attributable to the members of the group | 345,904          | 387,694          |
| Dividends                                       | (400,000)        | (400,000)        |
| Net reduction in shareholders' funds            | (54,096)         | (12,306)         |
| Shareholders' funds at the start of the period  | 5,383,868        | 5,396,174        |
| Shareholders' funds at the end of the period    | <u>5,329,772</u> | <u>5,383,868</u> |

| Company                                           | 2014<br>£        | 2013<br>£        |
|---------------------------------------------------|------------------|------------------|
| Profit attributable to the members of the company | 366,759          | 376,009          |
| Dividends                                         | (400,000)        | (400,000)        |
| Net reduction in shareholders' funds              | (33,241)         | (23,991)         |
| Shareholders' funds at the start of the period    | 8,630,585        | 8,654,576        |
| Shareholders' funds at the end of the period      | <u>8,597,344</u> | <u>8,630,585</u> |

# STRACHAN HOLDINGS LIMITED

## NOTES TO THE ACCOUNTS

Year ended 30 June 2014

### 22. FINANCIAL COMMITMENTS

#### Operating leases

At 30 June 2014, the group was committed to making the following payments during the next year in respect of operating leases:

|                            | Other<br>2014<br>£ | Other<br>2013<br>£ |
|----------------------------|--------------------|--------------------|
| Leases which expire:       |                    |                    |
| Within one year            | -                  | 16,187             |
| Between one and two years  | 34,358             | -                  |
| Between two and five years | -                  | -                  |
| After five years           | -                  | -                  |
|                            | <u>34,358</u>      | <u>16,187</u>      |

### 23. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

|                                                 | 2014<br>£      | 2013<br>£      |
|-------------------------------------------------|----------------|----------------|
| Operating profit                                | 465,696        | 510,117        |
| Depreciation charges                            | 291,858        | 292,346        |
| Amortisation of goodwill                        | 154,467        | 154,467        |
| Profit on disposal of fixed assets              | (6,250)        | (22,020)       |
| Increase in stock                               | (27,589)       | (71,460)       |
| Increase in debtors                             | (26,213)       | (148,347)      |
| (Decrease)/increase in creditors and provisions | (44,726)       | 267,010        |
| Net cash inflow from operating activities       | <u>807,243</u> | <u>982,113</u> |

### 24. RECONCILIATION OF NET CASH INFLOW TO MOVEMENT IN NET DEBT

|                                               | 2014<br>£        | 2013<br>£        |
|-----------------------------------------------|------------------|------------------|
| (Decrease)/increase in cash in the period     | (14,388)         | 117,007          |
| Repayment of mortgage                         | 158,549          | 156,170          |
| Changes in net cash resulting from cash flows | 144,161          | 273,177          |
| Net funds brought forward                     | <u>3,088,591</u> | <u>2,815,414</u> |
| Net funds at 30 June                          | <u>3,232,752</u> | <u>3,088,591</u> |

# STRACHAN HOLDINGS LIMITED

## NOTES TO THE ACCOUNTS Year ended 30 June 2014

### 25. ANALYSIS OF CHANGES IN NET DEBT

|                                       | At 30 June<br>2013<br>£ | Cash flows<br>£ | Non-cash<br>items<br>£ | At 30 June<br>2014<br>£ |
|---------------------------------------|-------------------------|-----------------|------------------------|-------------------------|
| Cash at bank and in hand              | 3,465,365               | (14,388)        | -                      | 3,450,977               |
| <b>Debt due within one year</b>       |                         |                 |                        |                         |
| Mortgage                              | (120,000)               | -               | -                      | (120,000)               |
|                                       | 3,345,365               | (14,388)        | -                      | 3,330,977               |
| <b>Debt due greater than one year</b> |                         |                 |                        |                         |
| Mortgage                              | (256,774)               | 158,549         | -                      | (98,225)                |
|                                       | 3,088,591               | 144,161         | -                      | 3,232,752               |

### 26. RELATED PARTY DISCLOSURES

The ultimate controlling parties are Mr A J Strachan and Mr D G Strachan.