

STRACHAN HOLDINGS LIMITED

Annual Report and Financial Statements

For the year ended 30 June 2016

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STRACHAN HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS **For the year ended 30 June 2016**

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STRACHAN HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 30 June 2016

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D G Strachan
A J Strachan

COMPANY SECRETARY

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

Shulmans LLP
10 Wellington Place
Leeds
LS1 4AP

Watson Burton LLP
1 City Square
Leeds
LS1 2ES

AUDITOR

Deloitte LLP
Chartered Accountants and Statutory Auditor
1 City Square
Leeds
LS1 2AL
United Kingdom

STRACHAN HOLDINGS LIMITED

STRATEGIC REPORT

The directors present their strategic report on the affairs of the group for the year ending 30 June 2016.

BUSINESS REVIEW

Turnover has increased by 0.8% (2015: 0.7%) in what remains a very competitive market. Continued focus on cost control has resulted in an improved operating profit.

Our new London showroom should be completed in 2017 and this will help lead generation and sales.

PRINCIPAL RISKS AND UNCERTAINTIES

The following risks are relevant to our business:

Supply chain risk

Relationships have been further developed to ensure continuity of high quality product.

Margin Risk

The competitive nature of our business and rising inflation emanating from the decision to leave the European Union 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. The group continues to hold substantial cash balances; the ratio of current assets to current liabilities measured at 1.6 (2015: 1.4) minimises any short term liquidity risk.

FUTURE DEVELOPMENTS

The directors expect the general level of activity to be broadly consistent in the forthcoming year; this is likely to be the case until our new showroom opens in late 2017.

The group continues to develop new product ranges to reflect market trends and satisfy customer expectations.

KEY PERFORMANCE INDICATORS

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

Financial

Turnover increased 0.8% in the year (2015: 0.7%). Increased costs in certain areas impacted on factory efficiencies and consequently gross profit margin suffered a slight decrease to 49.7% (2015: 50.2%). However, continued focus on control of administration costs has offset the impact on the operating profit margin which has increased to 9.6% (2015: 7.8%).

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 current 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 group will continue to operate in the foreseeable future. The Directors have considered the group forecasts and the finance available to the group in forming this judgement.



A J Strachan
Director

31 March 2017

STRACHAN HOLDINGS LIMITED

DIRECTORS' REPORT

The Directors present their annual report and audited financial statements for the year ended 30 June 2016.

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.

The business review and KPIs for the company and group are set out in the strategic report.

RESULTS AND DIVIDENDS

The group's profit for the year after taxation was £516,001 (2015: £393,885) which will be transferred to reserves. The directors propose to pay a dividend of £400,000 (2015: £400,000) in respect of the year.

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.

FUTURE DEVELOPMENTS

Details of future developments can be found in the Strategic Report on page 2 and form part of this report by cross-reference.

EMPLOYEES

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

Applications for employment by disabled persons are fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The group's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk.

Credit risk

The group's principal financial assets are bank balances and cash, trade and other receivables, and investments.

The group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds and derivative financial instruments is mitigated because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

STRACHAN HOLDINGS LIMITED

The group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Cash flow risk

The group's activities expose it to the financial risks of changes in foreign currency exchange rates and interest rates. The group's transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Interest bearing assets are held at a fixed rate to ensure certainty of cash flows.

Liquidity risk

The group continues to maintain adequate cash balances to fund its working capital requirement.

DIRECTORS AND THEIR INTERESTS

The directors who served throughout the year and subsequently were:

A J Strachan
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
31 March 2017

STRACHAN HOLDINGS LIMITED

DIRECTORS' RESPONSIBILITIES 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), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 group and company and of the profit or loss of the group 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 and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and group 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 the group 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 2016 which comprise the Consolidated profit and loss account, the Consolidated and Company balance sheets, the Consolidated and Company statement of changes in equity, the Consolidated cash flow statement and the related notes 1 to 25. 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) including FRS 102 "the Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 2016 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.

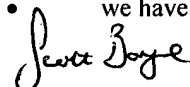
Opinion on other matter prescribed by the Companies Act 2006

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 FCA (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

Leeds, United Kingdom

31 March 2017

STRACHAN HOLDINGS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 30 June 2016

	Note	2016 £	2015 £
TURNOVER	3	7,191,533	7,133,884
Cost of sales		(3,619,358)	(3,554,867)
Gross profit		3,572,175	3,579,017
Distribution costs		(365,987)	(357,020)
Administrative expenses		(2,527,531)	(2,684,617)
Other operating income		8,893	16,435
OPERATING PROFIT	5	687,550	553,815
Interest receivable and similar income	6	17,908	15,037
Interest payable and similar charges	7	-	(2,137)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		705,458	566,715
Tax on profit on ordinary activities	8	(189,457)	(172,830)
PROFIT AND TOTAL COMPREHENSIVE INCOME ON ORDINARY ACTIVITIES AFTER TAXATION		516,001	393,885

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 separate statement of other comprehensive income has been presented.

The notes on pages 13 to 24 form an integral part of these financial statements.

STRACHAN HOLDINGS LIMITED

CONSOLIDATED BALANCE SHEET

As at 30 June 2016

	Note	2016 £	2015 £
FIXED ASSETS			
Goodwill	12	1,544,673	1,699,142
Tangible assets	13	2,765,638	2,817,004
		<u>4,310,311</u>	<u>4,516,146</u>
CURRENT ASSETS			
Stocks	15	193,658	267,909
Debtors	16	360,013	367,662
Cash at bank and in hand		3,109,168	2,669,962
		<u>3,662,839</u>	<u>3,305,533</u>
CREDITORS: amounts falling due within one year	18	(2,320,495)	(2,289,938)
NET CURRENT ASSETS		<u>1,342,344</u>	<u>1,015,595</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>5,652,655</u>	<u>5,531,741</u>
PROVISIONS FOR LIABILITIES			
	19	(212,997)	(208,084)
NET ASSETS		<u>5,439,658</u>	<u>5,323,657</u>
CAPITAL AND RESERVES			
Called up share capital	20	547,874	547,874
Share premium account		2,296,126	2,296,126
Profit and loss account		2,595,658	2,479,657
TOTAL SHAREHOLDERS' FUNDS		<u>5,439,648</u>	<u>5,323,657</u>

The financial statements of Strachan Holdings Limited, registered number 05818607, were approved by the Board of Directors on 31 March 2017.

Signed on behalf of the Board of Directors



A J Strachan

Director

STRACHAN HOLDINGS LIMITED

COMPANY BALANCE SHEET

As at 30 June 2016

	Note	2016 £	2015 £
FIXED ASSETS			
Tangible assets	13	2,299,880	2,374,595
Investments	14	7,648,732	7,648,732
		<u>9,948,612</u>	<u>10,023,327</u>
CURRENT ASSETS			
Debtors	16	856	1,179
Deferred tax asset	17	1,005	10,389
Cash at bank and in hand		303,094	87,862
		<u>304,955</u>	<u>99,430</u>
CREDITORS: amounts falling due within one year	18	<u>(449,136)</u>	<u>(449,849)</u>
NET CURRENT LIABILITIES		<u>(144,181)</u>	<u>(350,419)</u>
NET ASSETS		<u>9,804,431</u>	<u>9,672,908</u>
CAPITAL AND RESERVES			
Called up share capital	20	547,874	547,874
Share premium account		2,296,126	2,296,126
Profit and loss account		6,960,431	6,828,908
TOTAL SHAREHOLDERS' FUNDS		<u>9,804,431</u>	<u>9,672,908</u>

The financial statements of Strachan Holdings Limited, registered number 05818607, were approved by the Board of Directors on 31 March 2017.

Signed on behalf of the Board of Directors



A J Strachan

Director

STRACHAN HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 30 June 2016

	Called-up share capital £	Share premium account £	Profit and loss account £	Total £
At 30 June 2014	547,874	2,296,126	2,485,772	5,329,772
Changes on transition to FRS 102	-	-	-	-
At 1 July 2014 as restated	547,874	2,296,126	2,485,772	5,329,772
Total comprehensive income	-	-	393,885	393,885
Dividends paid on equity shares	-	-	(400,000)	(400,000)
At 30 June 2015	547,874	2,296,126	2,479,657	5,323,657
Total comprehensive income	-	-	516,001	516,001
Dividends payable on equity shares	-	-	(400,000)	(400,000)
At 30 June 2016	547,874	2,296,126	2,595,658	5,439,658

STRACHAN HOLDINGS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

As at 30 June 2016

	Called-up share capital £	Share premium account £	Profit and loss account £	Total £
At 30 June 2014	547,874	2,296,126	5,753,344	8,597,344
Changes on transition to FRS 102	-	-	-	-
At 1 July 2014 as restated	547,874	2,296,126	5,753,344	8,597,344
Total comprehensive income	-	-	1,475,564	1,475,564
Dividends paid on equity shares	-	-	(400,000)	(400,000)
At 30 June 2015	547,874	2,296,126	6,828,908	9,672,908
Total comprehensive income	-	-	531,523	531,523
Dividends payable on equity shares	-	-	(400,000)	(400,000)
At 30 June 2016	547,874	2,296,126	6,960,431	9,804,431

STRACHAN HOLDINGS LIMITED

CONSOLIDATED CASH FLOW STATEMENT For the year ended 30 June 2016

	Note	2016 £	2015 £
Net cash flows from operating activities	22	1,010,325	927,065
Returns on investments and servicing of finance			
Interest paid		(2,137)	
Interest received	17,908	15,037	
Payments to acquire tangible fixed assets	(207,281)	(1,152,605)	
Proceeds from sale of equipment	18,254	49,850	
Net cash flows from investing activities		(171,119)	(1,089,855)
Cash flows from financing activities			
Dividends paid	(400,000)	(400,000)	
Repayment of borrowings	-	(218,225)	
Net cash flows from financing activities		(400,000)	(618,225)
Increase/(decrease) in cash for the year		439,206	(781,015)
Cash at the beginning of the year		2,669,962	3,450,977
Cash at the end of the year	23	3,109,168	2,669,962

STRACHAN HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

1. ACCOUNTING POLICIES

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

General information and basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The Company is a private Company limited by shares and is registered in England and Wales. The address of the Company's registered office is shown on page 1.

The principal activities of the Company and its subsidiaries (the group) and the nature of the group's operations are set out in the Directors' Report on pages 3 to 4.

The functional currency of group Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. The consolidated financial statements are also presented in pounds sterling.

Strachan Holdings Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements. Exemptions have been taken in relation to financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

For the year ended 30 June 2016 the following subsidiaries of the company were entitled to exemption from audit under Section 479A of the Companies Act 2006 relating to subsidiary companies: Convert-A-Room Limited (Company Registration Number: 02718904).

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 financial statements.

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.

All intra-group transactions, balances, income and expenses are eliminated on consolidation. In accordance with Section 35 of FRS 102, Section 19 of FRS 102 has not been applied in these financial statements in respect of business combinations effected prior to the date of transition.

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

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is 20 years. Provision is made for any impairment.

STRACHAN HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

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 25% per annum
Office equipment, fixtures and fittings	20% to 33% per annum

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity.

Warranty provisions

A provision is included in the financial statements 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 financial statements represents the estimated liability based upon historical warranty claim profiles.

Pension

The pension costs charges represent contributions made by the group on behalf of employees towards personal pensions administered by other parties and are expensed as costs are incurred. The group has no further obligations in respect of pension liabilities.

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Foreign Currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

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 group's taxable profits and its 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.

Unrelieved tax losses and other deferred tax assets are 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.

When the amount that can be deducted for tax for an asset (other than goodwill) that is recognised in a business combination is less (more) than the value at which it is recognised, a deferred tax liability (asset) is recognised

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

for the additional tax that will be paid (avoided) in respect of that difference. Similarly, a deferred tax asset (liability) is recognised for the additional tax that will be avoided (paid) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the group is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to non-depreciable property measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset. In other cases, the measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the group intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the group has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Financial instruments

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the group transfers to another party substantially all of the risks and

STRACHAN HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

rewards of ownership of the financial asset, or c) the group, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

2. CRITICAL ACCOUNTING JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

In the application of the group's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key source of estimation uncertainty – Stock provision

Full provision has been made for slow moving and obsolete stock items based on management's assessment of the expected utilisation of stock held and considering the impact of discontinued product lines.

3. 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, which is typically on installation of the product. The turnover, all of which arises in the United Kingdom, is wholly attributable to the continuing principal activities. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Group	2016 £	2015 £
Directors' emoluments		
Emoluments	93,638	218,392
Benefits in kind	2,512	2,391
	<u>96,150</u>	<u>220,783</u>
Emoluments of the highest paid director		
Emoluments	93,638	121,116
Benefits in kind	2,512	-
	<u>96,150</u>	<u>121,116</u>
Staff costs during the year (including directors)		
Wages and salaries	2,003,660	2,074,419
Social security costs	186,056	199,375
Other Pension costs	61,187	60,562
	<u>2,250,903</u>	<u>2,334,356</u>

STRACHAN HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Average number of persons employed

Production	43	39
Administration	40	40
	<u>83</u>	<u>79</u>

The group made contributions to a pension scheme on behalf of no directors in 2016 (2015: none).

5. OPERATING PROFIT

	2016 £	2015 £
Operating profit is after charging/(crediting):		
Depreciation of owned assets	239,569	247,292
Amortisation of goodwill	154,469	154,467
Cost of stock recognised as an expense	979,489	978,865
Rentals under operating leases:		
Other	37,087	34,214
Gain or loss on disposal of fixed assets	824	(26,512)
Auditor Remuneration:		
- Fees payable to the company's auditor for the audit of the financial statements	15,000	12,600
- Tax compliance fees	2,500	1,400
	<u>15,000</u>	<u>12,600</u>

Amortisation of intangible assets is included in administrative expenses.

Impairments and reversal of impairments of stocks are included in cost of sales.

6. INTEREST RECEIVABLE

	2016 £	2015 £
Bank interest	<u>17,908</u>	<u>15,037</u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2016 £	2015 £
Mortgage interest	<u>-</u>	<u>2,137</u>
	<u>-</u>	<u>2,137</u>

STRACHAN HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2016

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2016 £	2015 £
Current Taxation:		
UK corporation tax charge in respect of current year	186,057	154,558
Adjustments in respect of prior periods	(1,513)	-
Total Current Taxation	184,544	154,558
Deferred Taxation:		
Origination and reversal of timing differences	9,158	18,957
Adjustments in respect of prior periods	449	-
Effect of changes in tax rates	(4,694)	(685)
	4,913	18,272
Total tax charge for the year	189,457	172,830

The tax assessed on the profit on ordinary activities for the year is higher (2015: higher) than the standard rate of corporation tax in the UK of 20% (2015: 20.75%).

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

	2016 £	2015 £
Profit on ordinary activities before tax	705,458	566,715
Tax on profit at standard UK rate of 20% (2015: 20.75%)	141,092	117,593
Factors affecting current taxation charge for the year:		
Expenses not allowable for tax purposes	54,123	56,294
Effects of other tax rates / credits	-	(372)
Adjustments in respect of prior periods	(1,064)	-
Tax rate changes	(4,694)	(685)
Total tax charge for the year	189,457	172,830

The Summer Finance Bill 2015, included provisions to reduce the rate of corporation tax to 19% with effect from 1 April 2017 and 18% with effect from 1 April 2020. Accordingly, deferred tax balances have been revalued at the lower rate of 18% in these financial statements.

In addition on 16 March 2016 the Government announced in the 2016 Budget Report that there would be a further reduction in the main rate of corporation tax from 18% to 17% from 1 April 2020. As this had not been substantially enacted at the balance sheet date these rates do not apply to the deferred tax position at 30 June 2016 or to the expected reversal in the subsequent year. This proposal was enacted on 6 September 2016 in the Summer Finance Bill 2016.

During the year ending 30 June 2017, the net reversal of deferred tax assets and liabilities is expected to decrease the corporation tax charge by £25,619. This is primarily due to utilisation of capital allowances.

STRACHAN HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

10. 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 £531,523 (2015: £1,475,564).

11. DIVIDENDS

	2016 £	2015 £
Dividends proposed £0.7301 per ordinary share (2015: £0.7301 per ordinary share)	<u>400,000</u>	<u>400,000</u>

12. GOODWILL

Group

Goodwill arising on consolidation £

Cost

At 1 July 2015 and 30 June 2016

3,089,345

Amortisation

At 1 July 2015

1,390,203

Charge for the year

154,469

At 30 June 2016

1,544,672

Net book value

At 30 June 2016

1,544,673

At 30 June 2015

1,699,142

STRACHAN HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

13. TANGIBLE FIXED ASSETS

Group	Land and Buildings £	Assets Under Construction £	Plant and Machinery £	Motor Vehicles £	Office eqpt Fixtures & Fittings £	Total £
Cost						
At 1 July 2015	2,082,442	964,588	1,230,954	437,561	467,402	5,182,947
Additions	-	-	9,917	138,507	58,857	207,281
Disposals	-	-	(7,998)	(91,165)	(6,975)	(106,138)
At 30 June 2016	2,082,442	964,588	1,232,873	484,903	519,284	5,284,090
Accumulated depreciation						
At 1 July 2015	672,435	-	1,007,948	234,302	451,258	2,365,943
Charge for the year	74,715	-	52,746	96,957	15,151	239,569
Eliminated on disposals	-	-	(7,998)	(72,087)	(6,975)	(87,060)
At 30 June 2016	747,150	-	1,052,696	259,172	459,434	2,518,452
Net book value						
At 30 June 2016	1,335,292	964,588	180,177	225,731	59,850	2,765,638
At 30 June 2015	1,410,007	964,588	223,006	203,259	16,144	2,817,004

The value of land not depreciated was £364,000 (2015: £364,000).

Company	Freehold Land and Buildings £	Assets Under Construction £	Plant and Machinery £	Total £
Cost				
At 1 July 2015	2,082,442	964,588	217,558	3,264,588
Additions	-	-	-	-
At 30 June 2016	2,082,442	964,588	217,558	3,264,588
Accumulated depreciation				
At 1 July 2015	672,435	-	217,558	889,993
Charge for the year	74,715	-	-	74,715
At 30 June 2016	747,150	-	217,558	964,708
Net book value				
At 30 June 2016	1,335,292	964,588	-	2,299,880
At 30 June 2015	1,410,007	964,588	-	2,374,595

The value of land not depreciated was £364,000 (2015: £364,000).

STRACHAN HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

14. INVESTMENTS

	2016 £	2015 £
Cost and net book value		
At 1 July 2015 and 30 June 2016	<u>7,648,732</u>	<u>7,648,732</u>

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

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

Convert-A-Room Ltd (Company Registration Number 02718904) has taken advantage of the s479A exemption from audit.

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

	Profit for the year ended 30 June 2016	Capital and reserves as at 30 June 2016	Profit for the year ended 30 June 2015	Capital and reserves as at 30 June 2015
Strachan Furniture Makers Limited	588,947	1,729,286	472,788	1,590,339
Convert-A-Room Limited	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>

15. STOCKS

Group	2016 £	2015 £
Raw materials and consumables	180,038	249,817
Work in progress	11,592	11,796
Finished goods and goods for resale	<u>2,028</u>	<u>6,296</u>
	<u>193,658</u>	<u>267,909</u>

The company has no stock.

There is no material difference between the balance sheet value of stocks and their replacement costs.

STRACHAN HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

16. DEBTORS

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Trade debtors	65,742	50,947	-	-
Other debtors	107,191	102,577	856	630
Prepayments and accrued income	187,080	214,138	-	549
	<u>360,013</u>	<u>367,662</u>	<u>856</u>	<u>1,179</u>

There are no debtors due after more than one year.

17. DEFERRED TAX ASSET

	Group	Company
	£	£
Deferred taxation asset		
Balance at 1 July 2015	-	10,389
Current year credit	-	(9,384)
Adjustment in respect of prior years	-	-
Balance at 30 June 2016	<u>-</u>	<u>1,005</u>

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

	Group	Company
	£	£
Depreciation in excess of capital allowances	<u>-</u>	<u>1,005</u>

18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Payments received on account	788,473	726,553	-	-
Trade creditors	336,773	417,076	2,532	2,240
Accruals and deferred income	275,463	260,799	6,583	5,428
Amounts due to group undertakings	-	-	108	1,750
Corporation tax	186,057	154,557	39,913	40,431
Other taxation and social security	333,729	330,953	-	-
Other creditors	400,000	400,000	400,000	400,000
	<u>2,320,495</u>	<u>2,289,938</u>	<u>449,136</u>	<u>449,849</u>

STRACHAN HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

19. PROVISIONS FOR LIABILITIES

Group	Deferred Taxation £	Other provisions £	Total 2016 £
Balance at 1 July 2015	37,334	170,750	208,084
Charged to profit and loss account	4,913	-	4,913
Balance at 30 June 2016	<u>42,247</u>	<u>170,750</u>	<u>212,997</u>

Other provisions relate to amounts provided for potential warranty claims.

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

Group	Provided 2016 £	Provided 2015 £
Capital allowances in excess of depreciation	<u>42,247</u>	<u>37,334</u>

There is no unprovided deferred taxation at 30 June 2016 or 30 June 2015.

20. CALLED UP SHARE CAPITAL

Group and company	2016 £	2015 £
Called up, allotted and fully paid		
547,874 ordinary shares of 1 each	<u>547,874</u>	<u>547,874</u>

21. FINANCIAL COMMITMENTS

Operating leases

At 30 June 2016, the group was committed to making the following payments in respect of operating leases:

	Other 2016 £	Other 2015 £
Leases which expire:		
Within one year	34,731	22,616
Between one and two years	<u>20,260</u>	<u>-</u>
	<u>54,991</u>	<u>22,616</u>

STRACHAN HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

22. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2016 £	2015 £
Operating profit	687,550	553,815
Taxation paid	(153,035)	(174,129)
Depreciation charges	239,569	247,292
Amortisation of goodwill	154,469	154,467
Loss/(Profit) on disposal of fixed assets	824	(26,512)
Decrease in stock	74,251	37,944
Decrease/(Increase) in debtors	7,649	(12,191)
(Decrease)/Increase in creditors and provisions	(952)	146,379
Net cash inflow from operating activities	<u>1,010,325</u>	<u>927,065</u>

23. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET CASH

	2016 £	2015 £
Increase / (decrease) in cash in the year	439,206	(781,015)
Repayment of mortgage	-	218,225
Changes in net cash resulting from cash flows	<u>439,206</u>	<u>(562,790)</u>
Net funds brought forward	<u>2,669,962</u>	<u>3,232,752</u>
Net funds at 30 June	<u>3,109,168</u>	<u>2,669,962</u>

24. ULTIMATE CONTROLLING PARTY AND RELATED PARTY TRANSACTIONS

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

The group took advantage of the exemption available to it in Section 33 of FRS 102 not to disclose transactions with wholly owned subsidiaries which are eliminated in the consolidated financial statements.

25. CHANGES ON TRANSITION TO FRS 102

This is the first year that the group has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The last financial statements under previous UK GAAP were for the year ended 30 June 2015 and the date of transition to FRS 102 was therefore 1 July 2014.

As a consequence of adopting FRS 102, there has not been any changes to accounting policies required to ensure compliance with that standard.