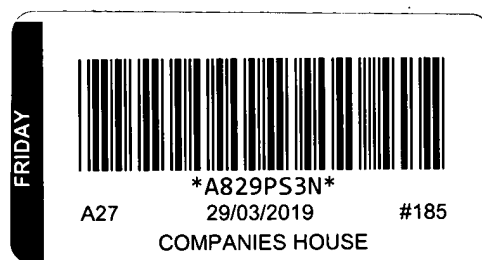


STRACHAN HOLDINGS LIMITED

Annual Report and Financial Statements

For the year ended 30 June 2018



STRACHAN HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 30 June 2018

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STRACHAN HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS **For the year ended 30 June 2018**

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D G Strachan
A J Strachan

COMPANY SECRETARY

A J Strachan

REGISTERED OFFICE

2 Dolphin Court
Stanningley Road
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
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 and company for the year ending 30 June 2018.

BUSINESS REVIEW

Turnover recorded a slight decrease of 0.3% (2017: Decreased by 4.3%), in what remains a very competitive market. Improved control of direct material and labour costs has resulted in an increase in gross profit. However, increased distribution and administration costs have impacted on operating profit.

The company's London showroom is scheduled to open in 2019 and this will help lead generation and sales.

PRINCIPAL RISKS AND UNCERTAINTIES

The following risks are relevant to our business:

Supply chain risk

We work closely with our key supply partners to ensure continuity of high quality products. Innovation in new concepts and materials is encouraged in the development process.

Margin Risk

The competitive nature of our business and rising inflation emanating from the decision to leave the European Union continues to pose a risk. The group 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 1.7 (2017: 1.8) mitigates any short term liquidity risk.

FUTURE DEVELOPMENTS

Brexit uncertainty continues to impact on sales growth and therefore the directors expect the general level of activity to be broadly consistent in the forthcoming year; this is likely to be the case until the new showroom opens in 2019.

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 decreased 0.3% in the year (2017: Decreased 4.3%). Containment of certain factory costs resulted in an increased gross profit margin of 49.7% (2017: 49.0%). However, increased distribution and administration costs have impacted on the resultant operating profit margin which decreased to 5.6% (2017: 7.7%).

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.

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



A J Strachan
Director

27th March 2019

STRACHAN HOLDINGS LIMITED

DIRECTORS' REPORT

The Directors present their annual report on the affairs of the Group, together with the financial statements and auditor's report for the year ended 30 June 2018.

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 £276,981 (2017: £407,460) which will be transferred to reserves. The directors have proposed to pay a dividend of £575,000 (2017: £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.

GOING CONCERN

Details of the going concern assumption 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.

STRACHAN HOLDINGS LIMITED

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 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. The group does not enter into any hedging derivatives.

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

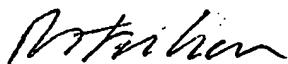
Each of the persons who is a director at the date of approval of this report confirms that:

- (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
27th March 2019

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 FRS 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 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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Strachan Holdings Limited ('the parent company') and its subsidiaries ('the group'):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2018 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Strachan Holdings Limited (the 'parent company') and its subsidiaries (the 'group') which comprise:

- the consolidated profit and loss account;
- the consolidated and company balance sheets;
- the consolidated and company statements of changes in equity;
- the consolidated cash flow statement;
- the related notes 1 to 22.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's ('the FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

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

Matters on which we are required to report by exception

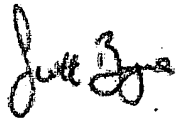
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.

We have nothing to report in respect of these matters.

Use of our report

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 parent 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 parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Scott Bayne FCA (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Leeds, United Kingdom

27th March 2019

STRACHAN HOLDINGS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT For the year ended 30 June 2018

	Note	2018 £	2017 £
TURNOVER	3	6,857,321	6,879,842
Cost of sales		(3,452,344)	(3,505,699)
Gross profit		3,404,977	3,374,143
Distribution costs		(396,328)	(383,128)
Administrative expenses		(2,625,389)	(2,470,786)
Other operating income		1,471	8,357
OPERATING PROFIT	5	384,731	528,586
Interest receivable and similar income	6	12,238	15,460
PROFIT BEFORE TAXATION		396,969	544,046
Tax on profit	7	(119,988)	(136,586)
PROFIT FOR THE FINANCIAL YEAR		276,981	407,460

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 15 to 26 form an integral part of these financial statements.

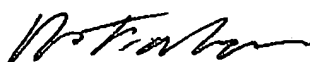
STRACHAN HOLDINGS LIMITED

CONSOLIDATED BALANCE SHEET As at 30 June 2018

	Note	2018 £	2017 £
FIXED ASSETS			
Goodwill	10	1,235,739	1,390,206
Tangible assets	11	<u>2,545,094</u>	<u>2,661,392</u>
		3,780,833	4,051,598
CURRENT ASSETS			
Stocks	13	236,526	195,498
Debtors	14	355,250	319,684
Cash at bank and in hand		<u>3,314,854</u>	<u>3,180,313</u>
		3,906,630	3,695,495
CREDITORS: amounts falling due within one year	16	<u>(2,327,438)</u>	<u>(2,083,686)</u>
NET CURRENT ASSETS		<u>1,579,192</u>	<u>1,611,809</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		5,360,025	5,663,407
PROVISIONS FOR LIABILITIES	17	<u>(210,926)</u>	<u>(216,289)</u>
NET ASSETS		<u>5,149,099</u>	<u>5,447,118</u>
CAPITAL AND RESERVES			
Called up share capital	18	547,874	547,874
Share premium account		2,296,126	2,296,126
Profit and loss account		<u>2,305,099</u>	<u>2,603,118</u>
TOTAL SHAREHOLDERS' FUNDS		<u>5,149,099</u>	<u>5,447,118</u>

The financial statements of Strachan Holdings Limited, registered number 05818607, were approved and authorised for issue by the Board of Directors on 27th March 2019.

Signed on behalf of the Board of Directors



A J Strachan
Director

STRACHAN HOLDINGS LIMITED

COMPANY BALANCE SHEET

As at 30 June 2018

	Note	2018 £	2017 £
FIXED ASSETS			
Tangible assets	11	2,150,450	2,225,165
Investments	12	5,589,732	7,648,732
		<u>7,740,182</u>	<u>9,873,897</u>
CURRENT ASSETS			
Debtors	14	916	907
Deferred tax asset	15	12,401	12,964
Cash at bank and in hand		737,885	512,713
		<u>751,202</u>	<u>526,584</u>
CREDITORS: amounts falling due within one year	16	<u>(643,267)</u>	<u>(446,502)</u>
NET CURRENT ASSETS		<u>107,935</u>	<u>80,082</u>
NET ASSETS		<u>7,848,117</u>	<u>9,953,979</u>
CAPITAL AND RESERVES			
Called up share capital	18	547,874	547,874
Share premium account		2,296,126	2,296,126
Profit and loss account		5,004,117	7,109,979
TOTAL SHAREHOLDERS' FUNDS		<u>7,848,117</u>	<u>9,953,979</u>

The loss for the financial year of Strachan Holdings Limited as the parent company was £1,530,862 (2017: profit of £549,548) and is stated following an impairment write down of £2,059,000 in relation to the cost of investment in Strachan Furniture Makers Limited (note 12 refers).

The financial statements of Strachan Holdings Limited, registered number 05818607, were approved by the Board of Directors on 27th March 2019.

Signed on behalf of the Board of Directors



A J Strachan

Director

STRACHAN HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY For the year ended 30 June 2018

	Called-up share capital £	Share premium account £	Profit and loss account £	Total £
At 1 July 2016	547,874	2,296,126	2,595,658	5,439,658
Profit for the financial year and total comprehensive income	-	-	407,460	407,460
Dividends paid on equity shares (Note 9)	-	-	(400,000)	(400,000)
At 30 June 2017	547,874	2,296,126	2,603,118	5,447,118
Profit for the financial year and total comprehensive income	-	-	276,981	276,981
Dividends payable on equity shares (Note 9)	-	-	(575,000)	(575,000)
At 30 June 2018	<u>547,874</u>	<u>2,296,126</u>	<u>2,305,099</u>	<u>5,149,099</u>

STRACHAN HOLDINGS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY For the year ended 30 June 2018

	Called-up share capital £	Share premium account £	Profit and loss account £	Total £
At 1 July 2016	547,874	2,296,126	6,960,431	9,804,431
Profit for the financial year and total comprehensive income	-	-	549,548	549,548
Dividends paid on equity shares (Note 9)	-	-	(400,000)	(400,000)
At 30 June 2017	547,874	2,296,126	7,109,979	9,953,979
Profit for the financial year and total comprehensive income	-	-	528,138	528,138
Dividends payable on equity shares (Note 9)	-	-	(575,000)	(575,000)
Impairment (Note 12)	-	-	(2,059,000)	(2,386,716)
At 30 June 2018	<u>547,874</u>	<u>2,296,126</u>	<u>5,004,117</u>	<u>7,520,401</u>

STRACHAN HOLDINGS LIMITED

CONSOLIDATED CASH FLOW STATEMENT For the year ended 30 June 2018

	Note	2018 £	2017 £
Net cash flows from operating activities	20	622,968	580,231
Returns on investments and servicing of finance			
Interest received	12,238	15,460	
Payments to acquire tangible fixed assets	(103,165)	(163,725)	
Proceeds from sale of equipment	2,500	39,179	
Net cash flows used investing activities		(88,427)	(109,086)
Cash flows used in financing activities			
Dividends paid	(400,000)	(400,000)	
Net cash flows used in financing activities		(400,000)	(400,000)
Increase in cash for the year		134,541	71,145
Cash at the beginning of the year		3,180,313	3,109,168
Cash at the end of the year	21	3,314,854	3,180,313

STRACHAN HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

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 FRC.

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

The principal activities of the parent company and 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 the parent company and the group 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.

The parent company 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 2018 the following subsidiaries of the parent 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 financial statements – 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 and budgets to June 2020, 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 parent 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 2018

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 group.

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.

STRACHAN HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

Taxation (continued)

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 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.

STRACHAN HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

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 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. There were no significant accounting judgements made in the year in applying accounting policies.

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.

3. TURNOVER

Turnover represents amounts derived from the provision of goods and services which fall within the group'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	2018 £	2017 £
Directors' emoluments		
Emoluments	102,425	93,638
Benefits in kind	2,800	2,644
	<u>105,225</u>	<u>96,282</u>
Emoluments of the highest paid director		
Emoluments	102,425	93,638
Benefits in kind	2,800	2,644
	<u>105,225</u>	<u>96,282</u>
Staff costs during the year (including directors)		
Wages and salaries	2,168,061	2,087,644
Social security costs	204,482	195,566
Other Pension costs	58,081	63,180
	<u>2,430,624</u>	<u>2,346,390</u>

STRACHAN HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2018

	2018 No.	2017 No.
Average number of persons employed		
Production	44	46
Administration	39	39
	<u>83</u>	<u>85</u>

There are no employees in the company.

The group made no contributions to a pension scheme on behalf of the directors in 2018 (2017: nil).

5. OPERATING PROFIT

	2018 £	2017 £
Operating profit is after charging/(crediting):		
Depreciation of owned assets	219,463	236,809
Amortisation of goodwill	154,467	154,467
Cost of stock recognised as an expense	883,744	935,991
Rentals under operating leases:		
Other	26,969	34,731
Gain on disposal of fixed assets	(2,500)	(8,017)
Auditor Remuneration:		
- Fees payable to the company's auditor for the audit of the financial statements	15,450	15,000
- Tax compliance fees	<u>2,500</u>	<u>2,500</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

	2018 £	2017 £
Bank interest	<u>12,238</u>	<u>15,460</u>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2018 £	2017 £
Current Taxation:		
UK corporation tax charge in respect of current year	128,651	144,944
Deferred Taxation:		
Origination and reversal of timing differences	(9,682)	(6,983)
Effect of changes in tax rates	<u>1019</u>	<u>(1,375)</u>
	<u>(8,663)</u>	<u>(8,358)</u>
Total tax charge for the year	<u>119,988</u>	<u>136,586</u>

STRACHAN HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

The tax assessed on the profit on ordinary activities for the year is higher (2017: higher) than the standard rate of corporation tax in the UK of 19% (2017: 19.75%).

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

	2018 £	2017 £
Profit on ordinary activities before tax	396,969	544,046
Tax on profit at standard UK rate of 19% (2017: 19.75%)	75,424	107,449
Factors affecting current taxation charge for the year:		
Expenses not allowable for tax purposes	29,349	30,512
Adjustments in respect of prior periods	14,196	-
Tax rate changes	1,019	(1,375)
Total tax charge for the year	119,988	136,586

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. In addition, the Finance Act 2016 which was substantively enacted on 6th September 2016 introduced a further reduction in the main rate of corporation tax from 18% to 17% from April 2020. Accordingly, these rates have been applied when calculating deferred tax assets and liabilities as at 30 June 2018.

During the year beginning 1 July 2018, the net reversal of deferred tax assets and liabilities is expected to decrease the corporation tax charge by £13,212. This is primarily due to utilisation of capital allowances in excess of depreciation charges.

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 £528,138 (2017: £549,548).

9. DIVIDENDS

	2018 £	2017 £
Dividends proposed £1.0495 per ordinary share (2017: £0.7301 per ordinary share)	575,000	400,000

STRACHAN HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2018

10. GOODWILL

Group	Goodwill arising on consolidation £
Cost	
At 1 July 2017	3,089,345
Additions for the year	-
At 30 June 2018	3,089,345
Amortisation	
At 1 July 2017	1,699,139
Charge for the year	154,467
At 30 June 2018	1,853,606
Net book value	
At 30 June 2018	1,235,739
At 30 June 2017	1,390,206

11. TANGIBLE FIXED ASSETS

Group	Land and Buildings £	Assets Under Construction £	Plant and Machinery £	Motor Vehicles £	Office eqpt Fixtures & Fittings £	Total £
Cost						
At 1 July 2017	2,082,442	964,588	1,246,214	484,656	534,364	5,312,264
Additions	-	-	4,283	85,346	13,536	103,165
Disposals	-	-	-	(26,934)	-	(26,934)
At 30 June 2018	2,082,442	964,588	1,250,497	543,068	547,900	5,388,495
Accumulated depreciation						
At 1 July 2017	821,865	-	1,085,833	263,786	479,388	2,650,872
Charge for the year	74,715	-	30,883	94,450	19,415	219,463
Eliminated on disposals	-	-	-	(26,934)	-	(26,934)
At 30 June 2018	896,580	-	1,116,716	331,302	498,803	2,843,401
Net book value						
At 30 June 2018	1,185,862	964,588	133,781	211,766	49,097	2,545,094
At 30 June 2017	1,260,577	964,588	160,381	220,870	54,976	2,661,392

The value of land not depreciated was £364,000 (2017: £364,000).

STRACHAN HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2018

	Freehold Land and Buildings	Assets Under Construction	Plant and Machinery	Total
	£	£	£	£
Parent company				
Cost				
At 1 July 2017	2,082,442	964,588	217,558	3,264,588
Additions	-	-	-	-
At 30 June 2018	<u>2,082,442</u>	<u>964,588</u>	<u>217,558</u>	<u>3,264,588</u>
Accumulated depreciation				
At 1 July 2017	821,865	-	217,558	1,039,423
Charge for the year	74,715	-	-	74,715
At 30 June 2018	<u>896,580</u>	<u>-</u>	<u>217,558</u>	<u>1,114,138</u>
Net book value				
At 30 June 2018	<u>1,185,862</u>	<u>964,588</u>	<u>-</u>	<u>2,150,450</u>
At 30 June 2017	<u>1,260,577</u>	<u>964,588</u>	<u>-</u>	<u>2,225,165</u>

The value of land not depreciated was £364,000 (2017: £364,000).

No further depreciation has been charged to plant and machinery as this has been fully depreciated in prior years.

12. INVESTMENTS

	2018 £	2017 £
Cost	7,648,732	7,648,732
Provision for Impairment	(2,059,000)	-
Net Book Value	<u>5,589,732</u>	<u>7,648,732</u>

Reviews of the carrying value of the investments took place on 30 June 2018 and an impairment of £2,059,000 was recognised in respect of Strachan Furniture Makers Limited. The Directors believe that the carrying values of all investments are supported by their underlying forecasts.

STRACHAN HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

The parent 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 Limited	England & Wales	Ordinary shares	100%	Dormant company

The Registered address for the above subsidiaries is 2 Dolphin Court, Stanningley Road, Bramley, Leeds, West Yorkshire, LS13 4UN.

Convert-A-Room Limited (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 2018 £	Capital and reserves as at 30 June 2018 £	Profit for the year ended 30 June 2017 £	Capital and reserves as at 30 June 2017 £
Strachan Furniture Makers Limited	353,310	1,644,975	462,379	1,741,665
Convert-A-Room Limited	-	10,000	-	10,000
	<u>353,310</u>	<u>1,644,975</u>	<u>462,379</u>	<u>1,741,665</u>

13. STOCKS

Group	2018 £	2017 £
Raw materials and consumables	221,069	182,073
Work in progress	11,894	10,969
Finished goods and goods for resale	3,563	2,456
	<u>236,526</u>	<u>195,498</u>

The parent 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 2018

14. DEBTORS

	Group		Parent company	
	2018	2017	2018	2017
	£	£	£	£
Trade debtors	29,775	19,199	-	-
Other debtors	123,823	103,074	916	907
Prepayments and accrued income	201,652	197,411	-	-
	<u>355,250</u>	<u>319,684</u>	<u>916</u>	<u>907</u>

There are no debtors due after more than one year.

15. DEFERRED TAX ASSET

	Group	Parent company
	£	£
Deferred taxation asset		
Balance at 1 July 2017	-	12,964
Current year credit	-	563
Balance at 30 June 2018	<u>-</u>	<u>12,401</u>

There is no unrecognised deferred tax asset at 30 June 2018 (2017: none).

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

	Group	Parent company
	£	£
Depreciation in excess of capital allowances	<u>-</u>	<u>12,401</u>

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Parent company	
	2018	2017	2018	2017
	£	£	£	£
Payments received on account	718,108	625,508	-	-
Trade creditors	369,247	376,801	1,306	1,373
Accruals and deferred income	259,710	248,782	31,752	6,178
Corporation tax	128,651	144,944	35,209	38,951
Other taxation and social security	276,722	287,651	-	-
Other creditors	575,000	400,000	575,000	400,000
	<u>2,327,438</u>	<u>2,083,686</u>	<u>643,267</u>	<u>446,502</u>

STRACHAN HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

17. PROVISIONS FOR LIABILITIES

Group	Deferred Taxation £	Other Provisions £	Total £
Balance at 1 July 2017	33,889	182,400	216,289
Charged to profit and loss account	(8,663)	3,300	(5,363)
Balance at 30 June 2018	<u>25,226</u>	<u>185,700</u>	<u>210,926</u>

Other provisions relate to amounts provided for potential warranty claims. These are expected to be fully utilised over 5 to 10 years.

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

Group	Provided 2018 £	Provided 2017 £
Capital allowances in excess of depreciation	<u>25,226</u>	<u>33,889</u>

There is no unprovided deferred taxation at 30 June 2018 (2017: none).

18. CALLED UP SHARE CAPITAL

Group and company	2018 £	2017 £
Called up, allotted and fully paid		
547,874 ordinary shares of £1 each.	<u>547,874</u>	<u>547,874</u>

19. FINANCIAL COMMITMENTS

Operating leases

At 30 June 2018, the group was committed to making the following payments in respect of operating leases:

	2018 £	2017 £
Leases which expire:		
Within one year	20,127	20,260
Between one and two years	-	-
	<u>20,127</u>	<u>20,260</u>

STRACHAN HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

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

	2018 £	2017 £
Operating profit	384,731	528,586
Taxation paid	(144,944)	(186,057)
Depreciation charges	219,463	236,809
Amortisation of goodwill	154,467	154,467
Profit on disposal of fixed assets	(2,500)	(8,017)
Increase in stock	(41,028)	(1,840)
(Increase)/Decrease in debtors	(35,566)	40,329
(Increase)/Decrease in creditors and provisions	88,345	(184,046)
Net cash inflow from operating activities	<u>622,968</u>	<u>580,231</u>

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

	2018 £	2017 £
Increase in cash in the year	<u>134,541</u>	<u>71,145</u>
Changes in net cash resulting from cash flows	134,541	71,145
Net funds brought forward	<u>3,180,313</u>	<u>3,109,168</u>
Net funds at 30 June	<u>3,314,854</u>	<u>3,180,313</u>

22. 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.