Company registration number 05818607 (England and Wales)

Strachan Holdings Limited

Annual Report and Financial Statements

For the Year Ended 30 June 2022



STRACHAN HOLDINGS LIMITED

COMPANY INFORMATION

Directors	Mr A J Strachan Mr D G Strachan
Secretary	Mr A J Strachan
Company number	05818607
Registered office	2 Dolphin Court Stanningley Road Bramley Leeds LS13 4UN
Auditor	Azets Audit Services Limited 33 Park Place LS1 2RY

STRACHAN HOLDINGS LIMITED

CONTENTS

	Page
Strategic report	1 - 2
Directors' report	3 - 4
Directors' responsibilities statement	5
Independent auditor's report	6 - 9
Group statement of comprehensive income	10
Group balance sheet	11
Company balance sheet	12
Group statement of changes in equity	13
Company statement of changes in equity	14
Group statement of cash flows	15
Notes to the financial statements	16 - 32

STRACHAN HOLDINGS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2022

The directors present the strategic report for the year ended 30 June 2022.

Fair review of the business
The group continued to improve its performance resulting in an increase in turnover of 9.0% (2021: Increased 22.3%) and increases in profit margins.

Principal risks and uncertainties
The following risks are relevant to our business:

Coronavirus risk
We have and continue to manage operations in accordance with government guidance. Ongoing vaccination programmes and higher levels of immunity in the general population have significantly reduced operational risks as we return to normality.

Supply chain risk
The pressures experienced in the previous financial year due to the pandemic have eased but the availability and cost of some products both from the UK and EU have been adversely affected by the war in Ukraine. However, we anticipate these pressures will gradually ease. 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 poses a risk. The group manages this risk by ensuring the continued high quality of its product 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 (2021: 1.5) mitigates any short term liquidity risk.

Development and performance
The group continues to develop new product ranges to reflect market trends and satisfy customer expectations. During the year, the group has experienced a healthy demand for its products from customers seeking to improve their homes and delivered an increase in the order book.

Recent months have seen a number of challenges facing the UK economy with the deterioration of the growth outlook, rising interest rates and the cost of living crisis. The directors anticipate the level of demand to reduce and rising supply chain costs to reduce profit margins. The London showroom is scheduled to open in 2023 and this will help lead generation and sales.

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

Financial
Turnover increased 9.0% in the year (2021: Increased 22.3%). Gross profit margin increased to 53.1% (2021: Increased to 50.0%). Operating profit margin increased to 13.7% (2021: Increased to 12.0%).

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 company 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.

On behalf of the board

Adam Strachan

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Mr A J Strachan

Director

Date: 29/03/2023

STRACHAN HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2022

The directors present their annual report and financial statements for the year ended 30 June 2022.

Principal activities
The principal activity of the company is that of a holding company.

The principal activity of the group continued to be that of the design, manufacture and installation of high quality bedroom, dressing room, home study and lounge furniture.

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

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr A J Strachan
Mr D G Strachan

Results and dividends
The group's profit for the year after taxation was £833,578 (2021: £653,244) which will be transferred to reserves. The group paid a dividend of £675,000 (2021: £575,000) in respect of the year. No further dividends are proposed for the year.

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.

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.

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 variable rate to ensure certainty of cash flows.

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

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

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

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

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 group continues and the appropriate training is arranged. It is the policy of the group 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.

Future developments
Details of future developments can be found in the Strategic Report on page 1 and form part of this report by cross-reference.

Auditor
The auditor, Azets Audit Services Limited, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the group's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the group's auditor is aware of that information.

On behalf of the board

Adam Strachan

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Mr A J Strachan
Director

Date: 29/03/2023

STRACHAN HOLDINGS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 30 JUNE 2022

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 FRS102 "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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STRACHAN HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF STRACHAN HOLDINGS LIMITED

Opinion

We have audited the financial statements of Strachan Holdings Limited (the 'company') and its subsidiaries (the 'group') for the year ended 30 June 2022 which comprise the group statement of comprehensive income, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the company's affairs as at 30 June 2022 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.

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 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 ('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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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 company and group, or returns adequate for our audit have not been received from branches not visited by us; or
- the company and group 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.

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 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 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 is available on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Extent to which the audit was capable of identifying irregularities, including fraud
We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management, and from inspection of the company's and group's regulatory and legal correspondence. We discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance during the audit.

The company and group are subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, pensions legislation, taxation legislation and further laws and regulations that could indirectly affect the financial statements, comprising environmental, health and safety legislation and, in the current climate, covid regulations. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. These procedures did not identify any potentially material actual or suspected non-compliance.

To identify risks of material misstatement due to fraud we considered the opportunities and incentives and pressures that may exist within the company and group to commit fraud. Our risk assessment procedures included: enquiry of directors to understand the high level policies and procedures in place to prevent and detect fraud, reading Board minutes and considering performance targets and incentive schemes in place for management. We communicated identified fraud risks throughout our team and remained alert to any indications of fraud during the audit.

As a result of these procedures we identified the greatest potential for fraud in the following areas:

- revenue recognition; and

- subjective accounting estimates.

Both risks arise due to a potential desire to present stronger results to benefit management interests. As required by auditing standards we also identified and addressed the risk of management override of controls.

We performed the following procedures to address the risks of fraud identified:

- identifying and testing high risk journal entries through vouching the entries to supporting documentation;

- assessing significant accounting estimates for bias; and

- testing the timing and recognition of income.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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 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.

Azets Audit Services Limited

Chris Butt (Senior Statutory Auditor)
For and on behalf of Azets Audit Services Limited

Date: 30/03/2023

Chartered Accountants
Statutory Auditor

33 Park Place
Leeds
LS1 2RY

STRACHAN HOLDINGS LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 £	2021 £
Turnover	3	7,671,580	7,035,246
Cost of sales		(3,599,004)	(3,515,967)
Gross profit		4,072,576	3,519,279
Distribution costs		(381,202)	(344,222)
Administrative expenses		(2,647,573)	(2,357,011)
Other operating income		4,517	23,963
Operating profit	4	1,048,318	842,009
Interest receivable and similar income	8	11,539	8,572
Profit before taxation		1,059,857	850,581
Tax on profit	9	(226,279)	(197,337)
Profit for the financial year		833,578	653,244

STRACHAN HOLDINGS LIMITED

GROUP BALANCE SHEET

AS AT 30 JUNE 2022

	Notes	2022 £	2022 £	2021 £	2021 £
Fixed assets					
Goodwill	**11**		617,871		772,338
Tangible assets	**12**		2,576,144		2,694,089
			3,194,015		3,466,427
Current assets					
Stocks	**15**	390,455		282,617	
Debtors	**16**	534,791		613,287	
Cash at bank and in hand		3,971,073		4,086,160	
		4,896,319		4,982,064	
Creditors: amounts falling due within one year	**17**	(2,820,770)		(3,328,005)	
Net current assets			2,075,549		1,654,059
Total assets less current liabilities			5,269,564		5,120,486
Provisions for liabilities					
Provisions	**18**	254,650		254,650	
Deferred tax liability	**19**	40,000		49,500	
			(294,650)		(304,150)
Net assets			4,974,914		4,816,336
Capital and reserves					
Called up share capital	**21**		547,874		547,874
Share premium account			2,296,126		2,296,126
Profit and loss reserves			2,130,914		1,972,336
Total equity			4,974,914		4,816,336

The financial statements were approved by the board of directors and authorised for issue on 29/03/2023 and are signed on its behalf by:

Adam Strachan

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Mr A J Strachan

Director

STRACHAN HOLDINGS LIMITED

COMPANY BALANCE SHEET

AS AT 30 JUNE 2022

	Notes	2022 £	2022 £	2021 £	2021 £
Fixed assets					
Tangible assets	**12**		2,097,719		2,109,767
Investments	**13**		5,589,732		5,589,732
			7,687,451		7,699,499
Current assets					
Debtors	**16**	14,503		13,491	
Cash at bank and in hand		1,066,275		781,433	
		1,080,778		794,924	
Creditors: amounts falling due within one year	**17**	(728,081)		(627,466)	
Net current assets			352,697		167,458
Total assets less current liabilities			8,040,148		7,866,957
Provisions for liabilities					
Deferred tax liability	**19**	40,000		17,000	
			(40,000)		(17,000)
Net assets			8,000,148		7,849,957
Capital and reserves					
Called up share capital	**21**		547,874		547,874
Share premium account			2,296,126		2,296,126
Profit and loss reserves			5,156,148		5,005,957
Total equity			8,000,148		7,849,957

As permitted by section 408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £825,191 (2021 - £570,342 profit).

The financial statements were approved by the board of directors and authorised for issue on 29/03/2023 and are signed on its behalf by:

Adam Strachan

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Mr A J Strachan

Director

Company Registration No. 05818607

STRACHAN HOLDINGS LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2022

	Notes	Share capital £	Share premium account £	Profit and loss reserves £	Total £
Balance at 1 July 2020		547,874	2,296,126	1,894,092	4,738,092
Year ended 30 June 2021:					
Profit and total comprehensive income for the year		-	-	653,244	653,244
Dividends	**10**	-	-	(575,000)	(575,000)
Balance at 30 June 2021		547,874	2,296,126	1,972,336	4,816,336
Year ended 30 June 2022:					
Profit and total comprehensive income for the year		-	-	833,578	833,578
Dividends	**10**	-	-	(675,000)	(675,000)
Balance at 30 June 2022		547,874	2,296,126	2,130,914	4,974,914

STRACHAN HOLDINGS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2022

	Notes	Share capital £	Share premium account £	Profit and loss reserves £	Total £
Balance at 1 July 2020		547,874	2,296,126	5,010,615	7,854,615
Year ended 30 June 2021:					
Profit and total comprehensive income for the year		-	-	570,342	570,342
Dividends	10	-	-	(575,000)	(575,000)
Balance at 30 June 2021		547,874	2,296,126	5,005,957	7,849,957
Year ended 30 June 2022:					
Profit and total comprehensive income for the year		-	-	825,191	825,191
Dividends	10	-	-	(675,000)	(675,000)
Balance at 30 June 2022		547,874	2,296,126	5,156,148	8,000,148

STRACHAN HOLDINGS LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 £	2022 £	2021 £	2021 £
Cash flows from operating activities					
Cash generated from operations	23		845,838		1,922,551
Income taxes paid			(253,262)		(112,862)
Net cash inflow from operating activities			592,576		1,809,689
Investing activities					
Purchase of tangible fixed assets		(157,485)		(310,215)	
Proceeds on disposal of tangible fixed assets		13,283		11,100	
Interest received		11,539		8,572	
Net cash used in investing activities			(132,663)		(290,543)
Financing activities					
Dividends paid to equity shareholders		(575,000)		(475,000)	
Net cash used in financing activities			(575,000)		(475,000)
Net (decrease)/increase in cash and cash equivalents			(115,087)		1,044,146
Cash and cash equivalents at beginning of year			4,086,160		3,042,014
Cash and cash equivalents at end of year			3,971,073		4,086,160

1 Accounting policies

Company information

Strachan Holdings Limited ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is 2 Dolphin Court, Stanningley Road, Bramley, Leeds, LS13 4UN.

The group consists of Strachan Holdings Limited and all of its subsidiaries.

1.1 Accounting convention

These financial statements have been prepared in accordance with "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

The company is a qualifying entity for the purposes of FRS 102, being the parent of a group that prepares publicly available consolidated financial statements, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The above exemptions are in relation to the company only, this information is provided in respect of the consolidated position of the group.

For the year ended 30 June 2022 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).

1.2 Basis of consolidation

In the company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries are accounted for at cost less impairment.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination accounted for using the purchase method and the amounts that can be deducted or assessed for tax, considering the manner in which the carrying amount of the asset or liability is expected to be recovered or settled. The deferred tax recognised is adjusted against goodwill or negative goodwill.

1 Accounting policies **(Continued)**

The consolidated group financial statements consist of the financial statements of the parent company Strachan Holdings Limited together with all entities controlled by the parent company (its subsidiaries).

All financial statements are made up to 30 June 2022. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

1.3 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.4 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes.

Turnover is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually once fitted), the amount of turnover can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.5 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 20 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold buildings	4.3% straight line
Leasehold improvements	10% straight line
Plant and machinery	10% - 25% straight line
Fixtures, fittings and equipment	20% - 33% straight line
Motor vehicles	20% - 25% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset and is recognised in the profit and loss account.

1 Accounting policies **(Continued)**

1.7 Fixed asset investments

In the parent company financial statements, investments in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.8 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

1.9 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.10 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.11 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

1 Accounting policies **(Continued)**

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

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.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest rate method.

Other financial liabilities

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

1 Accounting policies **(Continued)**

Derecognition of financial liabilities

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

1.12 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

1.13 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.14 Provisions

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

1.15 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the group is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.16 *Retirement benefits*

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1 Accounting policies **(Continued)**

1.17 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

1.18 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1.19 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount 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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

2 Judgements and key sources of estimation uncertainty (Continued)

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows:

Depreciation and amortisation

The depreciation and amortisation policies have been set according to managements' experience of the useful lives of a typical asset in each category, something which is reviewed annually. It is not considered practical to use a per unit basis to allocate depreciation or amortisation without undue cost and therefore amounts are charged annually. The depreciation charged during the year was £275,430 (2021 - £251,841), and amortisation of £154,467 (2021 - £154,467) which the directors feel is a fair reflection of the benefits derived from the consumption of the tangible fixed assets and goodwill in use during the period.

Bad debt provision

Outstanding trade debtor balances are reviewed on a line by line basis by management to identify possible amounts where a provision is required. Management closely manage the collection of trade debtors and therefore are able to identify balances where there is uncertainty about its recoverability, and determine what provision is required (if any).

Stock provision

At each reporting date an assessment is made for provisions required to recognise a fair valuation of damaged, slow moving or obsolete stock. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in the profit or loss and provided for in the balance sheet. Reversals of impairment losses are also recognised in profit or loss when they arise.

Warranty provision

A group company offers a warranty of between 5 and 10 years on the sale of certain products, and as such the accounts include a provision of the expected future cost of repair on goods sold which remain under warranty as at the balance sheet date. This provision is an estimate, taking into account a number of factors such as volumes of goods sold, historical and expected future cost of repairs and claim rates and other qualitative factors such as known issues or improved manufacturing techniques. As at the balance sheet date, a provision of £254,650 (2021 - £254,650) is included, which the directors believe to be a fair estimate of the future cost of repair for such items held under warranty.

3 Turnover and other revenue

	2022	2021
	£	£
Turnover analysed by class of business		
Manufacture and installation of furniture	7,671,580	7,035,246

	2022	2021
	£	£
Other significant revenue		
Interest income	11,539	8,572
Coronavirus job retention scheme grant	-	19,199

3 Turnover and other revenue (Continued)

	2022	2021
	£	£
Turnover analysed by geographical market		
United Kingdom	7,671,580	7,035,246

4 Operating profit

	2022	2021
	£	£
Operating profit for the year is stated after charging/(crediting):		
Exchange losses	1,923	-
Government grants	-	(19,199)
Depreciation of owned tangible fixed assets	275,430	251,841
Profit on disposal of tangible fixed assets	(13,283)	(9,470)
Amortisation of intangible assets	154,467	154,467

5 Auditor's remuneration

	2022	2021
Fees payable to the company's auditor and associates:	£	£
For audit services		
Audit of the financial statements of the group and company	2,750	3,225
Audit of the financial statements of the company's subsidiaries	11,000	9,390
	13,750	12,615

6 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

	Group		Company	
	2022	2021	2022	2021
	Number	Number	Number	Number
Production	35	34	-	-
Administration	40	40	2	2
	75	74	2	2

6 Employees (Continued)

Their aggregate remuneration comprised:

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Wages and salaries	2,318,690	2,248,765	-	-
Social security costs	230,747	212,520	-	-
Pension costs	129,359	91,547	-	-
	2,678,796	2,552,832	-	-

7 Directors' remuneration

	2022	2021
	£	£
Remuneration for qualifying services	144,144	132,339

8 Interest receivable and similar income

	2022	2021
	£	£
Interest income		
Interest on bank deposits	11,539	8,572

9 Taxation

	2022	2021
	£	£
Current tax		
UK corporation tax on profits for the current period	254,779	180,837
Deferred tax		
Origination and reversal of timing differences	(28,500)	16,500
Total tax charge	226,279	197,337

Deferred tax had been measured at 25% due to a tax rate change effective from April 2023 (note 19).

9 Taxation **(Continued)**

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2022 £	2021 £
Profit before taxation	1,059,857	850,581
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	201,373	161,610
Effect of change in corporation tax rate	6,099	-
Permanent capital allowances in excess of depreciation	11,906	2,719
Depreciation on assets not qualifying for tax allowances	45,663	43,545
Other permanent differences	265	(772)
Deferred tax adjustments in respect of prior years	-	(10,500)
Provision tax adjustment	(48,954)	735
Profit on disposal	(2,524)	-
Other timing differences	12,451	-
Taxation charge	226,279	197,337

10 Dividends

	2022 £	2021 £
Dividends proposed	675,000	575,000

11 Intangible fixed assets

Group	Goodwill
	£
Cost	
At 1 July 2021 and 30 June 2022	3,089,345
Amortisation and impairment	
At 1 July 2021	2,317,007
Amortisation charged for the year	154,467
At 30 June 2022	2,471,474
Carrying amount	
At 30 June 2022	617,871
At 30 June 2021	772,338

The company had no intangible fixed assets at 30 June 2022 or 30 June 2021.

12 Tangible fixed assets

Group	Freehold land and buildings	Leasehold improvements	Assets under construction	Plant and machinery	Fixtures, fittings and equipment	Motor vehicles	Total
	£	£	£	£	£	£	£
Cost							
At 1 July 2021	2,146,013	78,818	1,084,479	1,361,040	612,302	720,102	6,002,754
Additions	-	-	62,667	685	6,430	87,703	157,485
Disposals	-	-	-	-	-	(71,035)	(71,035)
At 30 June 2022	2,146,013	78,818	1,147,146	1,361,725	618,732	736,770	6,089,204
Depreciation and impairment							
At 1 July 2021	1,120,725	12,612	-	1,196,816	553,289	425,223	3,308,665
Depreciation charged in the year	74,715	7,792	-	29,010	24,138	139,775	275,430
Eliminated in respect of disposals	-	-	-	-	-	(71,035)	(71,035)
At 30 June 2022	1,195,440	20,404	-	1,225,826	577,427	493,963	3,513,060
Carrying amount							
At 30 June 2022	950,573	58,414	1,147,146	135,899	41,305	242,807	2,576,144
At 30 June 2021	1,025,288	66,206	1,084,479	164,224	59,013	294,879	2,694,089

Freehold land is not depreciated.

Company	Freehold land and buildings	Assets under construction	Plant and machinery	Total
	£	£	£	£
Cost				
At 1 July 2021	2,146,013	1,084,479	217,558	3,448,050
Additions	-	62,667	-	62,667
At 30 June 2022	2,146,013	1,147,146	217,558	3,510,717
Depreciation and impairment				
At 1 July 2021	1,120,725	-	217,558	1,338,283
Depreciation charged in the year	74,715	-	-	74,715
At 30 June 2022	1,195,440	-	217,558	1,412,998
Carrying amount				
At 30 June 2022	950,573	1,147,146	-	2,097,719
At 30 June 2021	1,025,288	1,084,479	-	2,109,767

Freehold land is not depreciated.

13 Fixed asset investments

	Notes	Group 2022	Group 2021	Company 2022	Company 2021
		£	£	£	£
Investments in subsidiaries	14	-	-	5,589,732	5,589,732

Movements in fixed asset investments

Company	Shares in subsidiaries
	£
Cost or valuation	
At 1 July 2021 and 30 June 2022	5,589,732
Carrying amount	
At 30 June 2022	5,589,732
At 30 June 2021	5,589,732

14 Subsidiaries

Details of the company's subsidiaries at 30 June 2022 are as follows:

Name of undertaking	Registered office	Class of shares held	% Held Direct
Strachan Furniture Makers Limited	England and Wales	Ordinary	100.00
Convert-A-Room Limited	England and Wales	Ordinary	100.00

The registered office of all above named subsidiaries is 2 Dolphin Court, Stanningley Road, Bramley, Leeds, LS13 4UN.

15 Stocks

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Raw materials and consumables	367,291	269,107	-	-
Work in progress	23,164	2,838	-	-
Finished goods and goods for resale	-	10,672	-	-
	390,455	282,617	-	-

16 Debtors

	Group		Company	
	2022	2021	2022	2021
Amounts falling due within one year:	£	£	£	£
Trade debtors	121,260	98,845	-	-
Corporation tax recoverable	425	-	425	-
Other debtors	127,106	196,028	7,127	7,700
Prepayments and accrued income	267,000	318,414	6,951	5,791
	515,791	613,287	14,503	13,491
Amounts falling due after more than one year:				
Deferred tax asset (note 19)	19,000	-	-	-
Total debtors	534,791	613,287	14,503	13,491

17 Creditors: amounts falling due within one year

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Trade creditors	497,638	585,074	6,950	8,941
Corporation tax payable	182,779	180,837	40,207	37,060
Other taxation and social security	334,852	386,512	-	-
Other creditors	1,511,702	1,849,991	675,000	575,000
Accruals and deferred income	293,799	325,591	5,924	6,465
	2,820,770	3,328,005	728,081	627,466

18 Provisions for liabilities

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Warranty provision	254,650	254,650	-	-

Movements on provisions:

Group	Warranty provision £
At 1 July 2021	254,650
Additional provisions in the year	53,633
Utilisation of provision	(53,633)
At 30 June 2022	254,650

19 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the group and company, and movements thereon:

Group	Liabilities 2022 £	Liabilities 2021 £	Assets 2022 £	Assets 2021 £
Accelerated capital allowances	40,000	49,500	19,000	-

19 Deferred taxation (Continued)

Company	Liabilities 2022 £	Liabilities 2021 £	Assets 2022 £	Assets 2021 £
Accelerated capital allowances	40,000	17,000	-	-

Movements in the year:	Group 2022 £	Company 2022 £
Liability at 1 July 2021	49,500	17,000
(Credit)/charge to profit or loss	(24,055)	23,000
Effect of change in tax rate - profit or loss	(4,445)	-
Liability at 30 June 2022	21,000	40,000

20 Retirement benefit schemes

Defined contribution schemes	2022 £	2021 £
Charge to profit or loss in respect of defined contribution schemes	129,359	91,547

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

21 Share capital

	Group and company 2022 £	2021 £
Ordinary share capital		
Issued and fully paid		
547,874 Ordinary shares of £1 each	547,874	547,874

22 Controlling party

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

23 Cash generated from group operations

	2022	2021
	£	£
Profit for the year after tax	833,578	653,244
Adjustments for:		
Taxation charged	226,279	197,337
Investment income	(11,539)	(8,572)
Gain on disposal of tangible fixed assets	(13,283)	(9,470)
Amortisation and impairment of intangible assets	154,467	154,467
Depreciation and impairment of tangible fixed assets	275,430	251,841
Movements in working capital:		
Increase in stocks	(107,838)	(681)
Decrease/(increase) in debtors	97,921	(119,456)
(Decrease)/increase in creditors	(609,177)	803,841
Cash generated from operations	845,838	1,922,551

24 Analysis of changes in net funds - group

	1 July 2021	Cash flows	30 June 2022
	£	£	£
Cash at bank and in hand	4,086,160	(115,087)	3,971,073

25 Analysis of changes in net funds - company

	1 July 2021	Cash flows	30 June 2022
	£	£	£
Cash at bank and in hand	781,433	284,842	1,066,275