

STRAND HANSON LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

STRAND HANSON LIMITED

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STRAND HANSON LIMITED

Company Information

Directors	Rory Murphy James Harris Simon Wharmby Stuart Faulkner Simon Raggett Lord Anthony St. John
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Registered office	26 Mount Row London W1K 3SQ
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Auditors	Hazlewoods LLP Windsor House Bayshill Road Cheltenham GL50 3AT
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STRAND HANSON LIMITED

Strategic Report for the Year Ended 31 December 2018

The directors present their strategic report for the year ended 31 December 2018.

Principal activity

The principal activity of the company is the provision of corporate finance and related advisory services.

Fair review of the business

Markets in 2018 were, unsurprisingly, challenging, particularly in the final quarter, when it became clear that the Brexit process would not be smooth and uncertainty over the UK's ability to achieve the 29 March 2019 deadline surfaced. Primary markets were particularly affected, with the AIM Market of the London Stock Exchange seeing only 65 new admissions, a marked decline on 2017 (80).

A number of AIM IPOs were put on hold due to lack of investor appetite, set against this politico-economic backdrop, and a number of these have sought alternative, non-public market, interim finance, pending a return to more favourable economic conditions.

The AIM market remains a significant focus for the Company, with Strand Hanson advising clients on a range of transactions, including reverse takeovers, listings and secondary fundraisings across diverse sectors and geographies but with a continued focus on emerging markets, which remains a key area of expertise for the Company.

We continue to see dual listing opportunities from both Australia and Canada, with the concentration of capital in the latter focussing on the boom in cannabis and cannabis-derived products.

The Company recorded a pre-tax loss of £0.8 million (2017: profit £1.3 million) on turnover of £4.7 million, a 36 per cent. reduction on 2017.

M&A continues to be a significant service line for the Company and, during the year, transactions were undertaken for a mix of clients, encompassing public companies (as adviser to both bidders and targets), activist shareholders, entrepreneurial private companies and private equity and we expect to see that trend continue into 2019.

Our roster of retained AIM-listed clients increased slightly, with a focus on attracting and retaining higher calibre, more active and higher growth client companies. As at year end, we acted as retained adviser to 41 companies on AIM and have advised many of our retained clients on a number of ECM, DCM and M&A transactions during the year.

Whilst we have maintained our position as the top ranked adviser on AIM to Natural Resources and African focussed companies, we have expanded our sector focus, in particular in technology and pharma/healthcare where we have been increasingly active. We secured a good number of client wins during the period.

The Company has a relatively strong pipeline of ECM and M&A transactions in 2019 – however, for many of these transactions, completion will likely require a positive political and economic backdrop, and, in particular, Brexit induced volatility to be significantly reduced in the public markets. Strand Hanson continues to build its list of retained clients and the board of directors expects the corporate activity from within that portfolio to be of benefit in the short to medium term. We are encouraged by the general increase in corporate activity by our retained client base, at a time when the IPO, and wider equity funding, markets remain challenging.

Through Strand Ventures, we are continuing to develop our global strategic contacts and partnerships, which we believe enables us to diversify the Strand Hanson business, enhance our global reach and provide access to opportunities for investment and development in key emerging markets. We have made strong advances in this regard during the period under review, which we expect to benefit the Company over the longer term, as these projects progress.

STRAND HANSON LIMITED

Strategic Report for the Year Ended 31 December 2018

Financial instruments

Objectives and policies

The group does not use financial instruments to manage its risks.

Price risk, credit risk, liquidity risk and cash flow risk

Liquidity risk - The Company's principal liquidity risk is to ensure that it has sufficient liquid assets to meet the regulatory capital requirements of its authorisation with the Financial Conduct Authority. This is closely monitored on a monthly basis and unencumbered cash resources are retained in order to meet this requirement. The time to pay arrangement with HMRC is forecast to extinguish surplus cash resources. As such liquidity risk is heightened in 2019 and beyond.

Interest rate risk - The Company has net cash resources and is therefore not at risk from increases in interest rates. Surplus funds are placed in short term fixed rate deposits, which are reviewed at least monthly.

Credit risk - The Company's cash resources are held with one of the major UK clearing banks. The Company's debtors relate primarily to amounts outstanding in respect of fees billed to clients; non-payments are promptly pursued.

Price risk - The Company has no significant exposure to price risk, other than in respect to changes in the market value of its investments held for trading.

Approved by the Board on 30 September 2019 and signed on its behalf by:

Simon Raggett
Director

STRAND HANSON LIMITED

Directors' Report for the Year Ended 31 December 2018

The directors present their report and the financial statements for the year ended 31 December 2018.

Directors of the company

The directors who held office during the year were as follows:

Rory Murphy

James Harris

Simon Wharmby

Stuart Faulkner

Simon Raggett

Lord Anthony St. John

Going concern

In accordance with the Financial Reporting Council's 'Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009' the directors of all companies are required to provide disclosure regarding the adoption of the going concern basis of accounting.

The Company recorded a loss after taxation of £0.8 million (2017 - profit of £1.3 million).

The directors have considered the next twelve month period and they indicate that they believe that the Company will trade profitably. The directors believe that the Company's trading performance will be sufficient meet its liabilities as they fall due.

The directors therefore have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and have continued to adopt the going concern basis in preparing the financial statements. However, there can be no certainty with regards to the Company's revenue which relies on high value non-recurring transactions. There is hence an inherent uncertainty which could result in the Company not being able to settle its liabilities as they fall due and hence continue as a going concern.

Disclosure of information to the auditors

Each director has taken the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Reappointment of auditors

In accordance with the Company's articles, a resolution proposing that Hazlewoods LLP be reappointed as auditors of the company will be put to members at a General Meeting.

Approved by the Board on 30 September 2019 and signed on its behalf by:

Simon Raggett
Director

STRAND HANSON LIMITED

Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

STRAND HANSON LIMITED

Independent Auditor's Report to the Members of Strand Hanson Limited

Opinion

We have audited the financial statements of Strand Hanson Limited (the 'company') for the year ended 31 December 2018, which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies. 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).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss 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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the 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 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.

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.

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 this regard.

Opinion on other matter 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

STRAND HANSON LIMITED

Independent Auditor's Report to the Members of Strand Hanson Limited

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 Statement of Directors' Responsibilities set out on page 5, 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 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 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 Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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.

David Main (Senior Statutory Auditor)

For and on behalf of Hazlewoods LLP, Statutory Auditor

Windsor House

Bayshill Road

Cheltenham

GL50 3AT

30 September 2019

STRAND HANSON LIMITED**Profit and Loss Account for the Year Ended 31 December 2018**

	Note	2018 £	2017 £
Turnover	<u>3</u>	4,678,328	7,426,506
Cost of sales		<u>(844,454)</u>	<u>(1,481,966)</u>
Gross profit		3,833,874	5,944,540
Administrative expenses		<u>(4,679,092)</u>	<u>(4,673,156)</u>
Operating (loss)/profit	<u>4</u>	(845,218)	1,271,384
Dividends received		552	552
Other interest receivable and similar income		37,537	11,435
Interest payable and similar charges	<u>6</u>	<u>(2,033)</u>	<u>(2,178)</u>
(Loss)/profit before tax		<u>(809,162)</u>	<u>1,281,193</u>
(Loss)/profit for the financial year		<u><u>(809,162)</u></u>	<u><u>1,281,193</u></u>

The above results were derived from continuing operations.

The company has no other comprehensive income for the year.

The notes on pages 12 to 24 form an integral part of these financial statements.

STRAND HANSON LIMITED**(Registration number: 02780169)****Balance Sheet as at 31 December 2018**

	Note	2018 £	2017 £
Fixed assets			
Tangible assets	<u>10</u>	25,396	2,464
Investments	<u>11</u>	111	111
		<u>25,507</u>	<u>2,575</u>
Current assets			
Debtors	<u>12</u>	2,577,687	3,909,874
Investments	<u>13</u>	1,236,998	1,253,984
Cash at bank and in hand		<u>408,533</u>	<u>1,224,585</u>
		4,223,218	6,388,443
Creditors: Amounts falling due within one year	<u>14</u>	<u>(1,518,907)</u>	<u>(2,314,538)</u>
Net current assets		<u>2,704,311</u>	<u>4,073,905</u>
Total assets less current liabilities		2,729,818	4,076,480
Creditors: Amounts falling due after more than one year	<u>14</u>	<u>(854,861)</u>	<u>(1,392,361)</u>
Net assets		<u>1,874,957</u>	<u>2,684,119</u>
Capital and reserves			
Called up share capital	<u>17</u>	650,179	650,179
Share premium reserve	<u>18</u>	1,051,914	1,051,914
Capital redemption reserve	<u>18</u>	997,588	997,588
Other reserves	<u>18</u>	(798,515)	(798,515)
Profit and loss account	<u>18</u>	<u>(26,209)</u>	<u>782,953</u>
Total equity		<u>1,874,957</u>	<u>2,684,119</u>

Approved and authorised by the Board on 30 September 2019 and signed on its behalf by:

Simon Raggett
DirectorThe notes on pages 12 to 24 form an integral part of these financial statements.

STRAND HANSON LIMITED
Statement of Changes in Equity for the Year Ended 31 December 2018

	Share capital £	Share premium £	Capital redemption reserve £	Other reserves £	Profit and loss account £	Total £
At 1 January 2017	650,179	1,051,914	997,588	(798,515)	(498,240)	1,402,926
Profit for the year	-	-	-	-	1,281,193	1,281,193
At 31 December 2017	650,179	1,051,914	997,588	(798,515)	782,953	2,684,119

	Share capital £	Share premium £	Capital redemption reserve £	Other reserves £	Profit and loss account £	Total £
At 1 January 2018	650,179	1,051,914	997,588	(798,515)	782,953	2,684,119
Loss for the year	-	-	-	-	(809,162)	(809,162)
At 31 December 2018	650,179	1,051,914	997,588	(798,515)	(26,209)	1,874,957

The notes on pages 12 to 24 form an integral part of these financial statements.

STRAND HANSON LIMITED

Statement of Cash Flows for the Year Ended 31 December 2018

	Note	2018 £	2017 £
Cash flows from operating activities			
(Loss)/profit for the year		(809,162)	1,281,193
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	<u>4</u>	12,559	4,323
Net movement in investment value		278,246	167,046
Profit from disposals of investments		(125,003)	(125,525)
Finance income		(38,089)	(11,987)
Finance costs	<u>6</u>	2,033	2,178
Foreign exchange losses		<u>(1,015)</u>	<u>18,436</u>
		(680,431)	1,335,664
Working capital adjustments			
Decrease/(increase) in trade and other debtors	<u>12</u>	1,178,762	(182,528)
Decrease in trade and other creditors	<u>14</u>	(1,037,624)	(449,885)
Acquisition of investments		(430,977)	(627,233)
Proceeds from sale of investments		<u>294,720</u>	<u>275,799</u>
Cash generated from operations		(675,550)	351,817
Income taxes received/(paid)		<u>60,091</u>	<u>(174,099)</u>
Net cash flow from operating activities		<u>(615,459)</u>	<u>177,718</u>
Cash flows from investing activities			
Interest received		37,537	1,382
Acquisitions of tangible assets		(35,491)	(4,927)
Dividend income		<u>552</u>	<u>552</u>
Net cash flows from investing activities		<u>2,598</u>	<u>(2,993)</u>
Cash flows from financing activities			
Interest paid		(2,033)	(2,178)
Payments for purchase of own shares		-	(150,000)
Related party loan movements		<u>(201,158)</u>	<u>(62,291)</u>
Net cash flows from financing activities		<u>(203,191)</u>	<u>(214,469)</u>
Net decrease in cash and cash equivalents		(816,052)	(39,744)
Cash and cash equivalents at 1 January		<u>1,224,585</u>	<u>1,264,329</u>
Cash and cash equivalents at 31 December		<u><u>408,533</u></u>	<u><u>1,224,585</u></u>

The notes on pages 12 to 24 form an integral part of these financial statements.

STRAND HANSON LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2018

1 General information

The company is a private company limited by share capital, incorporated in England and Wales.

The address of its registered office is:
26 Mount Row
London
W1K 3SQ

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis of preparation

These financial statements have been prepared using the historical cost convention except for, where disclosed in these accounting policies, certain items that are shown at fair value.

The presentational currency of the financial statements is Pounds Sterling, being the functional currency of the primary economic environment in which the company operates. Monetary amounts in these financial statements are rounded to the nearest Pound.

Going concern

In accordance with the Financial Reporting Council's 'Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009' the directors of all companies are required to provide disclosure regarding the adoption of the going concern basis of accounting.

The directors have considered the next twelve month period and they believe that the Company will trade profitably. The directors believe that the Company's trading performance will be sufficient to settle liabilities as they fall due.

The directors therefore have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and have continued to adopt the going concern basis in preparing the financial statements. However there can be no certainty with regards to the Company's revenue which relies in part on high value non-recurring transactions. There is hence an inherent uncertainty which could result in the Company not being able to achieve at least a break even result and hence being able to settle its liabilities as they fall due and continue as a going concern.

Exemption from preparing group accounts

The company is exempt from the requirement to prepare group accounts under section 405 of the Companies Act 2006 since its subsidiary undertakings can be excluded from consolidation by virtue of being dormant and immaterial to the group.

STRAND HANSON LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2018

Critical accounting judgements and key sources of estimation uncertainty

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

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

Warrants

The directors have made key assumptions regarding the valuations of warrants to acquire shares in a number of companies whose shares are traded on the AIM of the London Stock Exchange. The directors have carried out a detailed review of warrant instruments held, applying the Black-Scholes valuation methodology. For warrants where the underlying company has published announcements outlining positive progress in the natural resource exploration giving greater certainty over future economic in flow of benefits a value is recognised in the financial statements. For the warrant instruments with no such public announcement and in view of the fact that the warrants relate to investments in small AIM listed companies, a number of which were pre-revenue as at the balance sheet date and in the field of natural resource exploration, the directors have taken the view that the fair value of the warrants at the balance sheet date is not material to the financial statements and therefore no value has been attributed.

Unquoted Investments

The directors have also made key assumptions regarding the valuations of unquoted investments. The directors have considered the fair value of each unquoted investment and consider them to be materially fairly stated either at original cost or after making full provisions for impairment. The valuation of the unquoted investments at the reporting date is shown in note 13.

Revenue recognition

Turnover comprises the fair value of the consideration received or receivable for the provision of services in the ordinary course of the company's activities and from the sale of trade investments. Turnover is shown net of Value Added Tax.

The company recognises revenue when the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity; and specific criteria have been met for each of the company's activities.

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a charge attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates taxable income.

STRAND HANSON LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2018

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Tangible assets

Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Land and buildings leasehold	4 3/4 years on cost
Computer equipment	2 years on cost
Fixtures, fittings and equipment	2 to 4 years on cost

Investments

Investments in equity shares which are publicly traded or where the fair value can be measured reliably are initially measured at cost, with changes in fair value recognised in profit or loss. Investments in equity shares which are not publicly traded and where fair value cannot be measured reliably are measured at cost less impairment.

Interest income on debt securities, where applicable, is recognised in income using the effective interest method. Dividends on equity securities are recognised in income when receivable.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Trade debtors

Trade debtors are amounts due from customers for services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. All debtors are repayable within one year and are hence included at the undiscounted amount of the cash expected to be received. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and all are repayable within one year and hence are included at the undiscounted amount of cash expected to be paid.

STRAND HANSON LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2018

Leases

Rentals payable under operating leases are charged against income on a straight line basis over the lease term. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

Rental income from operating leases is recognised on a straight line basis over the term of the lease.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Other reserves

Other reserves comprises a capital redemption reserve, following share buy backs in prior years.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

Financial instruments

Classification

Financial instruments are classified and accounted for according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Where shares are issued, any component that creates a financial liability of the company is presented as a liability on the balance sheet. The corresponding dividends relating to the liability component are charged as interest expenses in the profit and loss account.

Recognition and measurement

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 balance sheet when, and only when, there exists a legally enforceable right to set off the recognised amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

STRAND HANSON LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2018

Impairment

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

A non-financial asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

3 Revenue

An analysis of turnover by geographical location is given below:

	2018 £	2017 £
Geographical segment		
UK	2,415,763	5,839,080
Europe	859,285	318,510
Africa	190,532	326,503
Rest of World	1,212,748	942,413
	<u>4,678,328</u>	<u>7,426,506</u>

An analysis of operating profit/(loss) by class of business is given below:

	2018 £	2017 £
Class of business		
Advisory services profit/(loss)	(691,974)	1,312,905
Security trading loss	<u>(153,244)</u>	<u>(41,521)</u>
Operating profit/(loss)	<u>(845,218)</u>	<u>1,271,384</u>

STRAND HANSON LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2018

3 Revenue (continued)

The operating profit/(loss) arising from security trading is comprised of:

	2018 £	2017 £
Security trading		
Realised gain/(loss) arising during the year	170,120	125,525
Unrealised movements (quoted fair value movements and unquoted impairment provisions)	(323,364)	(167,046)
Operating profit/(loss)	<u>(153,244)</u>	<u>(41,521)</u>

4 Operating profit

Arrived at after charging/(crediting):

	2018 £	2017 £
Depreciation expense	12,559	4,323
Foreign exchange (gains)/losses	(1,015)	18,436
Operating lease expense	312,697	323,222
Operating lease expense - plant and machinery	<u>15,046</u>	<u>16,594</u>

5 Auditors' remuneration

	2018 £	2017 £
Audit of the financial statements	14,000	13,400
All other non-audit services	<u>28,744</u>	<u>24,159</u>
Auditors remuneration	<u>42,744</u>	<u>37,559</u>

6 Interest payable and similar expenses

	2018 £	2017 £
Interest expense on other finance liabilities	<u>2,033</u>	<u>2,178</u>

STRAND HANSON LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2018

7 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2018 £	2017 £
Wages and salaries	2,545,023	2,645,898
Social security costs	308,335	327,383
Pension costs, defined contribution scheme	170,270	151,451
	<u>3,023,628</u>	<u>3,124,732</u>

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2018 No.	2017 No.
Fee earning staff	16	17
Administration and support	5	5
	<u>21</u>	<u>22</u>

8 Directors' remuneration

The directors' remuneration for the year was as follows:

	2018 £	2017 £
Remuneration	1,131,979	1,144,723
Contributions paid to money purchase schemes	65,625	52,500
	<u>1,197,604</u>	<u>1,197,223</u>

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2018 No.	2017 No.
Accruing benefits under money purchase pension scheme	3	2

In respect of the highest paid director:

	2018 £	2017 £
Remuneration	408,144	408,767

STRAND HANSON LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2018

8 Directors' remuneration (continued)

Key management compensation

	2018 £	2017 £
Salaries and other short term employee benefits	1,606,488	1,577,362
Other long-term benefits	110,396	95,500
	<u>1,716,884</u>	<u>1,672,862</u>

9 Taxation

Tax charged in the profit and loss account

	2018 £	2017 £
Current taxation	-	-

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2017 - lower than the standard rate of corporation tax in the UK) of 19% (2017 - 19.25%).

The differences are reconciled below:

	2018 £	2017 £
(Loss)/profit before tax	<u>(809,162)</u>	<u>1,281,193</u>
Corporation tax at standard rate	(153,741)	246,630
Effect of expense not deductible in determining taxable profit (tax loss)	7,642	39,039
Effect of tax losses utilised	-	(231,689)
Tax decrease from effect of capital allowances and depreciation	(4,790)	(839)
Release of deferred tax asset	4,673	(50,833)
Tax increase from effect of unrelieved tax losses carried forward	153,453	-
Other tax effects for reconciliation between accounting profit and tax expense (income)	<u>(7,237)</u>	<u>(2,308)</u>
Total tax charge/(credit)	<u>-</u>	<u>-</u>

Deferred tax

No deferred tax asset is recognised due to the uncertainty surrounding future profits of the Company.

There are £1,435,000 of unused tax losses (2017 - £710,000) for which no deferred tax asset is recognised in the Balance Sheet.

STRAND HANSON LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2018

10 Tangible assets

	Leasehold land and buildings £	Furniture, fittings and equipment £	Computer equipment £	Total £
Cost				
At 1 January 2018	109,079	408,148	160,432	677,659
Additions	-	-	35,491	35,491
Disposals	(71,868)	-	-	(71,868)
At 31 December 2018	37,211	408,148	195,923	641,282
Depreciation				
At 1 January 2018	109,079	408,148	157,968	675,195
Charge for the year	-	-	12,559	12,559
Eliminated on disposal	(71,868)	-	-	(71,868)
At 31 December 2018	37,211	408,148	170,527	615,886
Carrying amount				
At 31 December 2018	-	-	25,396	25,396
At 31 December 2017	-	-	2,464	2,464

11 Investments in subsidiaries

	2018 £	2017 £
Investments in subsidiaries	111	111
Subsidiaries		£
Cost and carrying amount		
At 1 January 2018 and 31 December 2018		111

STRAND HANSON LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2018

11 Investments in subsidiaries (continued)

Details of undertakings

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Registered office	Holding	Proportion of voting rights and shares held	
			2018	2017
Subsidiary undertakings				
Strand Hanson Securities Limited	England and Wales	Ordinary	100%	100%
Strand Hanson (Pty) Limited		Ordinary	100%	100%
	South Africa			

Both Subsidiary undertakings are dormant. In the opinion of the directors, the aggregate value of the Company's investments is not less than the amount included in the balance sheet.

12 Debtors

	2018 £	2017 £
Trade debtors	663,190	1,552,513
Other debtors	1,457,828	1,625,914
Prepayments	315,560	381,595
Corporation tax asset	141,109	349,852
	<u>2,577,687</u>	<u>3,909,874</u>

Included within other debtors is £75,000 (2017 - £nil) relating to a loan which is not due to be received until after one year.

13 Current asset investments

	2018 £	2017 £
Other investments	1,036,998	1,053,984
Warrants at fair value	200,000	200,000
	<u>1,236,998</u>	<u>1,253,984</u>

Current asset investments combine shares which are quoted on AIM, a market operated by the London Stock Exchange plc of £798,874 (2017 - £724,100), unquoted investments of £238,124 (2017 - £329,884) and warrants to acquire shares in companies whose shares are quoted on AIM.

STRAND HANSON LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2018

14 Creditors

	Note	2018 £	2017 £
Due within one year			
Loans and borrowings	<u>15</u>	310,902	457,757
Trade creditors		369,302	573,983
Social security and other taxes		501,006	762,189
Other creditors		72,331	197,738
Accrued expenses		114,771	161,524
Corporation tax liability		150,595	161,347
		<u>1,518,907</u>	<u>2,314,538</u>
Due after one year			
Social security and other taxes		635,540	1,035,140
Corporation tax liability		219,321	357,221
		<u>854,861</u>	<u>1,392,361</u>

15 Loans and borrowings

	Note	2018 £	2017 £
Current loans and borrowings			
Loans from Directors	<u>20</u>	<u>310,902</u>	<u>457,757</u>

16 Pension and other schemes

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £170,270 (2017 - £151,451). Contributions totalling £72,208 (2017 - £47,615) were payable to the scheme at the end of the year and are included in creditors.

17 Share capital

Allotted, called up and fully paid shares

	2018		2017	
	No.	£	No.	£
Ordinary shares of £0.80 each	812,724	650,179	812,724	650,179

STRAND HANSON LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2018

18 Reserves

Capital redemption reserve

Represents the nominal value of shares that have been redeemed.

Other reserves

The treasury reserves represents the cost of shares in the company repurchased and held by the company in treasury. The number of shares held in treasury at 31 December 2018 was 151,855 (2017 - 151,855).

19 Obligations under operating leases

The total of future minimum lease payments is as follows:

	2018 £	2017 £
Not later than one year	280,133	286,315
Later than one year and not later than five years	454,782	718,620
	<u>734,915</u>	<u>1,004,935</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £327,743 (2017 - £339,816).

20 Related party transactions

Directors' advance and credits

During the year four of the directors advanced/(received) loans to/(from) the company. The loans are interest free and repayable on demand.

The amounts owed to/(by) each director at each period end were as follows:

	2018 £	2017 £
James Harris	95,279	98,800
Rory Murphy	215,623	358,957
Simon Raggett	(424,210)	(410,406)
Stuart Faulkner	<u>(172,081)</u>	<u>(131,581)</u>

The maximum balance owed to the company by Simon Raggett during the year was £424,210 (2017 - £425,406).

The maximum balance owed to the company by Stuart Faulkner during the year was £172,081 (2017 - £131,581).

STRAND HANSON LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2018

20 Related party transactions (continued)

Other related party transactions

During the year the company made the following related party transactions:

Key Management Personnel

Key management personnel are considered to be the board of directors and certain other senior staff including the managing director and chief operating officer. Details of loan relationships with directors are disclosed within this note. For details of directors remuneration, please see note 8.

Angela Hallett

(shareholder)

The loan which was outstanding throughout the year is interest free and repayable on demand. At the balance sheet date the amount due from Angela Hallett was £75,417 (2017 - £75,417).

Hon. Robert Hanson

(former shareholder and director)

During 2015, 71,396 shares were purchased from Hon. Robert Hanson for total consideration of £600,000. In 2015, £3,000 of stamp duty paid on this transaction. Also in 2015, an agreement was entered into for a name licencing fee at a cost to the group of £15,000 per annum for four years. £15,000 (2017 - £15,000) is included in profit and loss relating to this. At the balance sheet date the amount due to Hon. Robert Hanson was £nil (2017 - £150,000).

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