

H&H Group plc

Annual Report & Accounts

Registered number 36006

30 June 2010

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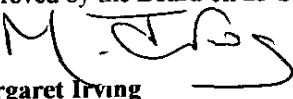
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Notice of meeting

Notice is hereby given that the One Hundred and Eighteenth Annual General Meeting of the Company will be held in the Shepherds Inn, Rosehill, Carlisle on 5 November 2010 at 11 30 am for the following purposes

- 1 To receive and consider the Accounts for the financial year ended 30 June 2010 together with the Directors' and Auditors' reports
- 2 To approve the payment of Directors' fees as set out in the Accounts
- 3 To declare a final dividend of 23 5 pence per share to be paid on 10 December 2010
- 4 To re-elect IC Lancaster as a Director
- 5 To re-appoint KPMG LLP as Auditors of the Company to hold office from the conclusion of the meeting at a remuneration to be fixed by the Directors

Approved by the Board on 23 September 2010 and signed on its behalf by


Margaret Irving
Company Secretary

Registered Office

Borderway Mart
Rosehill
Carlisle
CA1 2RS

Registered Number

36006

Notes

- 1 A member of the Company is entitled to appoint a proxy or proxies to attend and, on a poll, to vote instead of him or her. A proxy need not be a member of the Company. To be valid, forms of proxy must be completed, signed and deposited at the registered office of the Company - Borderway Mart, Rosehill, Carlisle - not less than 48 hours before the time appointed for the meeting. Proxy forms are available from the Company Secretary on request.
- 2 The following information is available for inspection during normal business hours at the registered office of the Company on any weekday from the date of this notice until the date of the Annual General Meeting and for at least 15 minutes before it begins

Register of interests of Directors in the share capital of the Company,

Copies of contracts of service under which certain Directors of the Company are employed

List of advisors

Auditors

KPMG LLP
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

Solicitors

Burnetts
6 Victoria Place
Carlisle
CA1 1ES

Bankers

Clydesdale Bank Plc
239 Kingstown Road
Kingstown Industrial Estate
Carlisle
CA3 0BQ

Taxation Advisors

Dodd & Co
Fifteen Rosehill
Montgomery Way
Rosehill Estate
Carlisle
CA1 2RW

Chairman's statement

The Group has had a successful year, not only in regard to pure profitability but also in terms of cooperation between the six companies which make up the business

Trading profit before tax increased from £977,000 to £1,370,000, a rise of more than 40% whilst overall profit before tax, including the sale of surplus land at Lockerbie, rose in total to £2,035,000

All six companies were in profit and the majority well in excess of budget figures

The heritage of the business is based around the Harrison & Hetherington mart business which continues to perform well against a background of falling numbers. The throughput for Harrison & Hetherington during the past 12 months was in excess of £100m and whilst considerable, it should be recognised that as livestock numbers continue to decline, future growth can only be driven by increasing our market share. Within this context, it is pleasing that the five other operating companies have contributed very significantly to the profits and account for 55% of the overall profits of the Group.

As supply has tightened prices for certain classes of stock have improved, supported by the weakness of the pound reducing imports and making UK exports more competitive. It is hoped that the provenance and quality of UK produced food will support demand and help maintain a profitable livestock sector in the UK which is so important for our livestock business.

There remains a focus on maintaining Harrison & Hetherington's position as the leading livestock marketing business in the UK and using this profile to help sell our services from other parts of the Group.

The work done by the Group in recent years to grow new business and diversify into non livestock areas leaves us with a well balanced portfolio of businesses able to withstand the ups and downs of the wider economy as well as the agricultural economy.

The general management structures of the companies are now well in place and coupled with an excellent back up from Group Services will allow senior management to continue to examine the possibilities of acquiring other businesses. Several negotiations have taken place in the past year, but have not as yet come to fruition.

The Group has a strong cash position and in consequence your Board recommend a final dividend of 23.5p an increase of 30% on the total dividend from last year.

Sales of shares by auction now take place on a regular quarterly basis, the value of shares during the year has continued to rise steadily with numerous additional shareholders taking an interest in the Company.

This has been a strong trading year and in consequence facilities are being improved at Lockerbie and a new large show hall and offices are under construction at Borderway. It is intended that further work will be carried out at Kirkby Stephen and Lockerbie during the next 12 months.

Your Group has a wonderfully dedicated workforce and I thank them for their continued splendid efforts.



Alan M Bowe
Chairman

23 September 2010

Chief Executive's report

Whilst the uncertainty surrounding the UK economy remains, the H&H Group has delivered a substantial increase in trading profit for the twelve months ending June 2010. Work undertaken by all the Group businesses over the last two years to improve systems, develop marketing and the opportunities for cross selling the various services the Group offers have all contributed to the final result which shows a trading profit in excess of £1 million for the first time.

The focus within the Group businesses is to further develop market share and develop profitable business across its trading area.

Financial overview

On an increased turnover of £9,516,000 (2009: £9,038,000) operating profit is £2,135,000 (2009: £1,960,000) producing a profit before tax of £2,035,000 (2009: £1,977,000). The profit before tax includes £665,000 from the sale of land at Lockerbie.

Earnings per share are 161.3p (2009: 68.1p) and with a recommended final dividend of 23.5p per share alongside the interim dividend paid of 6.5p per share, there will be a total dividend for the year of 30p per share (2009: 23p per share).

The average share price during the period was £14.74 (2009: £11.76), an increase of 25% over the year.

The continued profitability and property revaluation has resulted in shareholders' funds increasing to £13,674,000 (2009: £11,577,000).

Strategic overview

Our mission is to be profitable, sustainable and progressive in all our business endeavours for the mutual benefit of our shareholders, customers and staff, and to realise this mission, the Group's strategy embraces a number of business objectives:

- to deliver quality, innovative and value for money products and services to our customers
- to achieve consistent growth
- to maximise operational efficiency
- to exceed the expectations of our customers
- to provide challenging and rewarding employment
- to secure a healthy and safe working environment

Measurement of performance against strategy and the achievement of business objectives are by means of key performance indicators. Actual performance against key performance indicators for the twelve months to June 2010 is shown below, together with that for 2009 for comparative purposes.

	2010	2009
• Turnover growth	5.3%	3.6%
• Return on sales	22%	22%
• Earnings per share	161.3p	68.1p
• Return on capital employed*	15%	16%
• Gross interest cover	3.1x	2.25x
• Gearing	113%	148%

*Calculated as operating profit divided by net assets excluding pension liabilities

Chief Executive's report *(continued)*

Business overview

H&H Group plc (on a standalone basis)

- loss before tax £288 000 (and before profit on sale of fixed assets of £661 000) (2009: loss of £328 000)

Purely in the context of the parent company, the Group receives income by way of internal rent and Group Service charges and in respect of expenditure, carries a number of costs, such as insurance and pension contributions, which are not readily attributable to a specific company.

Harrison & Hetherington Limited

- profit before tax £639 000 (2009: profit before tax £709 000 (and before loss on sale of fixed assets of £10 000))

The business has enjoyed a 12 month period without the distraction of disease problems and movement restriction. Livestock prices in the first half of the financial year were relatively good, contributing to increased turnover. The second half of the year saw some softening of prices, particularly in the spring and early summer.

National statistics continue to show an overall reduction in sheep and cattle numbers, which has implications for all livestock businesses in the longer term. The proportion of livestock sold through live marts remains relatively constant, which is encouraging, despite the reduction in numbers.

The completion in 2009 of the roof area has significantly enhanced the facilities at Borderway, and an extensive refurbishment of penning has taken place. A major investment of over £1 million on a new larger showhall and cafeteria is currently being built, which will further enhance the site and maintain its position as the leading livestock marketing centre in the UK.

H&H Borderway Finance Limited (formerly Borderway Finance Limited)

- profit before tax £576 000 (and before profit on sale of fixed assets of £1 000) (2009: profit of £432 000 (and before loss on sale of fixed assets of £2 000))

At the start of the financial crisis in 2008, the business took action to hedge the borrowing to match the loan book and to ensure robust lending criteria were in place. This has allowed the business in the last year to improve profitability, and H&H Borderway Finance has delivered an outstanding result.

The business predominantly lends money for the purchase of motor vehicles, and the maintenance of lending levels against a background of reduced car sales demonstrates that the business continues to improve its market share within its operating area.

Tight control of lending underwriting has kept the level of provision at very low levels.

H&H Bowe Limited

- profit before tax £166 000 (and before amortisation of goodwill of £21 000) (2009: profit before tax £78 000 and before amortisation of goodwill of £21 000)

The business has seen a substantial increase in profitability coming from all areas of activity. The development of additional services for clients, such as planning and environmental work, has allowed the business to increase its customer base along with its offer to existing clients.

The property market has seen some increased activity, but the uncertainty with regard to the availability of finance has meant the volume of sales remaining at lower levels than prior to the financial crisis.

Chief Executive's report *(continued)*

Business overview *(continued)*

H&H Insurance Brokers Limited

- profit before tax £191 000 (and before amortisation of goodwill of £17 000 and profit on sale of fixed assets of £4 000) (2009 profit before tax £117 000 (and before amortisation of goodwill of £34 000 and loss on sale of fixed assets of £2 000))

Whilst the insurance market remains extremely competitive it is pleasing to report a significant increase in premium income and market share for H&H Insurance Brokers Limited. Following work in the previous year on improving the rural products on offer the business has focussed on marketing in the North West and across the UK.

Additional sales staff have been recruited to support the increased business and further development of our commercial insurance offering is also taking place.

H&H King Limited

- profit before tax £110 000 (and before amortisation of goodwill of £26 000 and profit on sale of fixed assets of £5 000) (2009 loss before tax £4 000 (and before amortisation of goodwill of £26 000))

Whilst the property market remains hesitant, there has been a recovery in the number of properties sold and ongoing development of the lettings part of the business. House prices have remained static during the period with supply and demand being fairly balanced. Work undertaken to market the business provided a good base to take advantage of the increased activity and has supported the return to profitability.

H&H Auction rooms has made progress following a strategy of reducing costs. This has allowed the business to generate a profit in this financial year and it is continuing to make progress in increasing the volume of goods it has available for auction.

H&H Motor Auctions Limited (formerly Borderway Motor Auctions)

- profit before tax £34 000 (2009 profit of £69 000)

After several years of the business delivering very consistent profits the last twelve months has seen lower throughput due to the Government Scrappage Scheme removing a considerable number of vehicles from the used car market. Whilst the scheme came to an end in the spring it will take time for the market to rebalance itself and volumes to return to previous levels. It is a great credit to the staff within the business that it has continued to be profitable during this period.

Work continues on developing a second site for a motor auction in the North East and it is hoped an announcement can be made on this before the end of the year.

Defined Benefit Pension Scheme

In accordance with Financial Reporting Standard FRS 17 the Pension Scheme's actuary has provided an updated valuation of the scheme as at the end of June 2010. As a result of the valuation and after taking into account ongoing contributions to the scheme by the Group, net finance costs and actuarial gains on the assets – the scheme deficit (net of deferred tax) is currently a manageable £794 000 (2009 £629 000).

Following the completion of the triennial valuation and in line with present legislation a recovery plan has been submitted to the Regulator to demonstrate how the scheme deficit will be cleared. The plan provides for ongoing payments into the scheme of £66 744 for the year ended 30 June 2010 and hereafter yearly contributions of £103 596 up until 2016. Assuming a return on investments of 6% and no change in actuarial assumptions this would clear the deficit at the end of the recovery period.

Chief Executive's report *(continued)*

Property matters

The option on surplus land at Lockerbie was exercised resulting in a profit on the sale of the land of £665 000. Work is presently ongoing to develop the retained area of the Lockerbie mart to enhance the offering to customers.

We continue to investigate suitable sites for relocating our motor auction in Carlisle which occupies its present site on a leasehold basis.

Principal risks

As with any business the Group is not immune to risks and uncertainties, and whilst few risks can be eliminated in their entirety, the executive led risk management committee meets regularly to maintain and review a full set of management procedures aimed at minimising the probability and the severity of specific risks which could impact upon our operating companies.

Across the Group one of the principal risks would be a decrease in the number of customers using our services and buying our products which, in turn, would have an adverse effect upon turnover and profitability. However, as part of our risk management procedures, there are measures in place to ensure that existing customers are retained and new customers gained.

Other risks which can be singled out are bad debt within our farmstock business (where there is credit insurance in place for primestock buyers), the possibility of an outbreak of a virulent animal disease and the consequences upon our farmstock business, and the failure of IT systems generally. FSA and DTI rules also continue to place a heavy burden upon our car finance subsidiary and our insurance brokerage operation, both of whom work tirelessly to remain compliant.

In addition, the Group's Health & Safety Committee has continued to meet throughout the year (with the security of our customers and our staff remaining a high priority) and we continue to maintain groupwide business continuity plans in an endeavour to be in a position to respond to an event beyond our immediate control and which could cause serious disruption to our operations.

Outlook

Whilst recognising the many challenges to our businesses and continued uncertainty over the broader economy, the diversity of the Group and our experienced staff makes us better positioned than most to be able to grow in the future. The ongoing investment in systems and people will allow us to further improve our efficiency and to grow market share.

Our healthy balance sheet with good financial controls in place allows us to take advantage of any opportunities that present themselves in the future.

Our people

The Group employs almost 200 staff and their contribution to this year's results is considerable. All our businesses require dedication and flexibility from staff and they are a first class team who have delivered a very good set of results and a high standard of service to our customers. I thank them all for their efforts in the year.

We continue to focus on the development of the staff through training in practical skills development and management. Earlier in 2010 we launched the leadership and Development programme to formally support the identification and development of future leader within the business and presently have thirteen staff undertaking this 2 year programme.

Chief Executive's report *(continued)*

Post year end events

A major development at Carlisle has been undertaken to provide a new show hall and exhibition area, new cafeteria and additional office space. The work on the site started in June and is expected to be completed by the end of the year with the total investment expected to be £1.1 million.



Brian Richardson
Chief Executive

23 September 2010

Directors' report

The Directors present their Directors' report and financial statements for the year ended 30 June 2010

Principal activities

The principal activities of the Group during the year were as follows

H&H Group plc – holding Company

Harrison & Hetherington Limited – farmstock auctioneers, brokers and valuers

H&H Borderway Finance Limited – providers of finance for new and used motor vehicles

H&H Bowe Limited – chartered surveyors, land agents, valuers and quota brokers

H&H Insurance Brokers Limited – insurance brokers

H&H King Limited – residential and letting agents and auctioneers and valuers of fine art and furniture

H&H Motor Auctions Limited – motor vehicle auctioneers

Business review

A review of business during the year, comments on likely future developments and principal risks are given in the Chairman's statement and Chief Executive's report, on pages 4 and 5 to 9 respectively, which also address the requirements of the Enhanced Business Review.

Dividends

The Directors have proposed a final ordinary dividend of 23.5p per share in respect of the current financial year. This has not been included within creditors as it was not approved before the year end.

Dividends paid during the year comprise a final dividend of 16.5p per share in respect of the previous year ended 30 June 2009, together with an interim dividend of 6.5p per share in respect of the year ended 30 June 2010.

Market value of land and buildings

In the opinion of the Directors, the market value of land and buildings of the Group is not significantly different from the net book value.

Policy and practice on payment of creditors

Whilst the Group does not follow any code or standard on payment practice, it was the Group's policy for the year ended 30 June 2010 to pay suppliers for liabilities incurred by the Group in accordance with the terms of payment agreed with each individual supplier. When disputes arise, attempts are made to resolve them promptly and amicably to ensure delays in payment are kept to a minimum.

Directors' report *(continued)*

Directors and Directors' interests

The Directors who held office at the end of the financial year and their interests in the shares of the Company according to the register of Directors' interests were as follows

Ordinary shares of £1 each in H&H Group plc		
	At 30 June 2010	At 30 June 2009
AM Bowe	4,403	3,778
MIE Cowen	15,650	14,000
DM Harrison	4,366	4,366
AG Houston	972	972
IC Lancaster	5,290	5,290
ML Scott	4,000	2,500
BE Richardson	454	250
Trustee shareholdings		
Employees Trust Fund	208,000	208,000

MIE Cowen and DM Harrison were trustees of the Employee Trust Fund throughout the year

IC Lancaster, having served three years as a Director, resigns in accordance with the Articles of Association and being eligible offers himself for re-election

According to the register of Directors' interests, no rights to subscribe for shares in or debentures of Group companies were granted to any of the Directors or their immediate families or exercised by them during the financial year

Board committees

There are three permanent committees of the Board

- 1 The Audit Committee is chaired by IC Lancaster. The remaining members of the Committee are AM Bowe and MIE Cowen. All members are non-executive Directors. Their terms of reference include the review of the Annual and Interim Report and Accounts issued to shareholders, the accounting policies of the Group, compliance with Financial Reporting Standards, internal controls and the planning, scope and conclusions of the external Auditors' programme.
- 2 The Remuneration Committee is chaired by DM Harrison. The remaining members of the Committee are AM Bowe and IC Lancaster. All members are non-executive Directors. Their duties are to review and recommend the basic salary, benefits in kind, terms and conditions of employment including performance related payments and pension benefits of executive Directors and senior executives.
- 3 Due to the size of the Board, the Nomination Committee comprises the entire Board.

Directors' report *(continued)*

Political and charitable contributions

The Group made no political contributions during the year (2009 nil). Donations to UK charities amounted to £1,566 (2009 £2,758). In addition, the Group continued to provide donations and sponsorship to the agricultural industry and local community which amounted to £13,653 (2009 £10,372) in the year.

Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

In accordance with section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

Corporate governance

Although not obligatory, the Group operates within the spirit of the Code of Best Practice set out in the Combined Code on Corporate Governance June 2008. The Board remains committed to the principles of good corporate governance and to achieving high standards of business integrity and professionalism across the Group. Compliance with the Code has also taken into account the needs and resources of the Group.

The Board and Directors

At the date of this report, the board had seven members: the non-executive Chairman, five non-executive directors and the Chief Executive. No individual or group of individuals dominates the Board's decision-making, and collectively, the non-executive Directors bring a wide range of experience and expertise as they all currently occupy substantive positions in commercial and public life.

The roles of the Chairman and Chief Executive are clearly defined: the Chairman is responsible for ensuring that the Board fulfils its responsibilities to develop the strategy and direction of the business and for providing overall leadership; he is also responsible for chairing the board meetings, the annual general meeting and the nomination committee. The Chief Executive is responsible for the day-to-day running of the operations, and with the support of the group executive management team, for implementing the Board's strategy.

The Board met seven times during the year. It has a formal schedule of matters specifically reserved to it for decision, including corporate strategy, approval of budgets and ongoing financial results, new Board appointments, proposals for dividend payments and capital expenditure projects. Directors are sent a pack of board papers prior to each Board meeting, and with access to the chief executive and company secretary, are therefore provided with full and timely access to all relevant information, ensuring effective leadership and control of the Group for the benefit of shareholders, customers and staff.

The articles of association of the Group require that non-executive directors present themselves for re-election at intervals of no more than three years.

Directors' report *(continued)*

Internal control

The Directors acknowledge their responsibility for the system of internal control and the management of all forms of business risk which continues to be an important factor in the protection of value for our shareholders. Any system can only be designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against failing to achieve objectives or material misstatement or loss.

The Board delegates risk assessment and the identification of mitigating action to the individual operating company management teams with the assistance of the Group Accountant. A wide range of corporate policies deal, amongst other things, with corporate governance, management accounting, financial reporting, environment and social responsibility, health and safety, information technology, and risk management generally. In addition, the individual operating company boards provide monthly reports on performance and engage in regular dialogue with the Chief Executive on progress.

Key business risks are identified and evaluated and the effectiveness of financial controls and processes is monitored. Any changes in the status and control of risks are notified to the board.

The audit committee reviews the adequacy of internal financial controls and deals with matters raised by the external auditors and reports to the board accordingly. The external auditors have the opportunity for direct access to the Committee without the executive Directors being present.

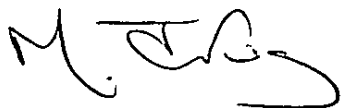
The health & safety of our staff, customers and visitors remains of utmost importance and our appointed safety, fire and first aid officers, are provided with training, access to appropriate equipment and opportunities to discuss their roles beyond legislative requirements.

Compliance with the requirements of the Financial Services Authority, the Department for Business Innovation and Skills and various other professional and regulatory bodies complements the existing internal control systems across the Group.

Relations with Shareholders

The Board values the opinions of shareholders and as such, encourages the occasion of the Annual General Meeting as an opportunity for individual shareholders to share their views.

By order of the Board



Margaret Irving
Company Secretary

23 September 2010

Statement of Directors' responsibilities in respect of the Directors' report and the financial statements

The directors are responsible for preparing the 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 they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 parent company and of the Group's profit or loss for that period. In preparing each of the group and parent company financial statements the directors are required to

- select suitable accounting policies and then apply them consistently
- make judgments and 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
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



KPMG LLP

Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX
United Kingdom

Independent auditors' report to the members of H&H Group plc

We have audited the financial statements of H&H Group plc for the year ended 30 June 2010 set out on pages 17 to 44. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 14, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2010 and of the group's profit for the year then ended
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

Independent auditors' report to the members of H&H Group plc (*continued*)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if in our opinion

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



Nick Plumb (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

23 September 2010

Consolidated Profit and Loss Account
for the year ended 30 June 2010

	<i>Note</i>	2010 £000 Excluding profit on disposal of land	2010 £000 Profit on disposal of land	2010 £000 Total	2009 £000
Turnover	2	9,516	-	9,516	9 038
Operating costs		(7,459)	-	(7,459)	(7 150)
Other operating income	3	78	-	78	72
Operating profit		2,135	-	2,135	1 960
Profit/(loss) on sale of fixed assets		6	665	671	(15)
Interest receivable		6	-	6	12
Interest payable	7	(695)	-	(695)	(882)
Other finance costs	8	(82)	-	(82)	(98)
Profit on ordinary activities before taxation	2-8	1,370	665	2,035	977
Tax on profit on ordinary activities	9	(205)	(153)	(358)	(269)
Profit for the financial year	19	1,165	512	1,677	708


The Group's turnover and operating profit for both the current and preceding financial years derive from continuing operations

Consolidated Balance Sheet
at 30 June 2010

	Note	2010 £000	2009 £000
Fixed assets			
Intangible assets	12	263	327
Tangible assets	13	8,058	7,068
Investments	14	5	5
		<u>8,326</u>	<u>7,400</u>
Current assets			
Stocks	15	267	301
Debtors	16	23,877	23,806
		<u>24,144</u>	<u>24,107</u>
Creditors, amounts falling due within one year	17	<u>(18,002)</u>	<u>(19,301)</u>
Due within one year		(5,957)	(7,461)
Debtors due after more than one year	16	12,099	12,267
		<u>6,142</u>	<u>4,806</u>
Net current assets			
		<u>6,142</u>	<u>4,806</u>
Net assets excluding pension liabilities		<u>14,468</u>	<u>12,206</u>
Pension liabilities	22	<u>(794)</u>	<u>(629)</u>
Net assets including pension liabilities		<u>13,674</u>	<u>11,577</u>
Capital and reserves			
Called up share capital	18	1,040	1,040
Revaluation reserve	19	3,444	2,633
Profit and loss account	19	9,190	7,904
		<u>13,674</u>	<u>11,577</u>
Shareholders' funds		<u>13,674</u>	<u>11,577</u>

These financial statements were approved by the Board of Directors on 23 September 2010 and were signed on its behalf by


Brian Richardson
Chief Executive


Alan Bowe
Chairman

Registered number 36006

Company Balance Sheet
at 30 June 2010

	<i>Note</i>	2010		2009
		£000	£000	£000
Fixed assets				
Tangible assets	13		7,406	6,394
Investments	14		121	121
			<hr/>	<hr/>
			7,527	6,515
Current assets				
Debtors	16	116		1,097
Cash at bank and in hand		122		-
		<hr/>		<hr/>
		238		1,097
Creditors amounts falling due within one year	17	(902)		(1,720)
		<hr/>		<hr/>
Net current liabilities			(664)	(623)
			<hr/>	<hr/>
Net assets excluding pension liabilities			6,863	5,892
Pension liabilities	22	(794)		(629)
		<hr/>		<hr/>
Net assets including pension liabilities			6,069	5,263
			<hr/>	<hr/>
Capital and reserves				
Called up share capital	18	1,040		1,040
Revaluation reserve	19	3,444		2,633
Profit and loss account	19	1,585		1,590
		<hr/>		<hr/>
Shareholders' funds			6,069	5,263
			<hr/>	<hr/>

These financial statements were approved by the Board of Directors on 23 September 2010 and were signed on its behalf by



Brian Richardson
Chief Executive



Alan Bowe
Chairman

Registered number 36006

Consolidated Cash Flow Statement
for the year ended 30 June 2010

	<i>Note</i>	2010 £000	2009 £000
Cash flow statement			
Cash flow from operating activities	23	2,429	2 800
Returns on investments and servicing of finance	24	(689)	(870)
Taxation		(246)	(278)
Capital expenditure	24	258	(410)
Financial investment	24	142	1 306
Dividends paid on shares classified in shareholders funds		(239)	(208)
Increase in cash in the year		1,655	2 340
Reconciliation of net cash flow to movement in net debt			
	25		
Change in net debt resulting from cash flows		1,655	2 340
Movement in net debt in the year		1,655	2 340
Net debt at the start of the year		(17,092)	(19 432)
Net debt at the end of the year		(15,437)	(17 092)

Consolidated Statement of Total Recognised Gains and Losses
for the year ended 30 June 2010

	2010 £000	2009 £000
Profit for the financial year	1,677	708
Actuarial loss recognised in the pension scheme	(215)	(43)
Deferred tax arising on loss in the pension scheme	60	12
Unrealised surplus on revaluation of properties	814	-
	<hr/>	<hr/>
Total recognised gains and losses relating to the financial year	2,336	677
	<hr/>	<hr/>

Note of Consolidated Historical Cost Profits and Losses
for the year ended 30 June 2010

	2010 £000	2009 £000
Reported profit on ordinary activities before taxation	2,035	977
Realisation of property revaluation gains of previous years	-	-
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	3	2
	<hr/>	<hr/>
Historical cost profit on ordinary activities before taxation	2,038	979
	<hr/>	<hr/>
Historical cost profit for the year retained after taxation and dividends	1,441	502
	<hr/>	<hr/>

Reconciliation of Movements in Shareholders' Funds

for the year ended 30 June 2010

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Profit/(loss) for the financial year	1 677	708	386	(329)
Dividends on shares classified in shareholders' funds	(239)	(208)	(239)	(208)
Retained profit/(loss)	1 438	500	147	(537)
Net losses in respect of FRS 17	(155)	(31)	(155)	(31)
Revaluation of land and buildings	814	-	814	-
Net addition to /(reduction in) shareholders' funds	2,097	469	806	(568)
Opening shareholders' funds	11,577	11 108	5,263	5 831
Closing shareholders' funds	13,674	11 577	6,069	5 263

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules modified to include the revaluation of land and buildings

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 30 June 2010. The acquisition method of accounting has been adopted. Under this method the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Under section s408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life which is a period of between five and fifteen years based on the minimum period the Directors believe the Group will benefit from these investments.

On the subsequent disposal or termination of a business the profit or loss on disposal or termination is calculated after charging the unamortised amount of any related goodwill.

Tangible fixed assets and depreciation

Tangible fixed assets are valued at historical cost with the exception of freehold land and buildings which are revalued.

Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets over their estimated useful economic lives as follows:

Freehold land	-	nil
Freehold buildings (office developments)	-	50 years (straight line)
Leasehold improvements	-	Life of lease
Plant and machinery	-	15 years (straight line)
Motor vehicles	-	4 years (straight line)
Fixtures and fittings	-	15% (reducing balance)
Office equipment	-	5 years (straight line)
Computer hardware	-	3 years (straight line)
Computer software	-	5 years (straight line)

The freehold land and buildings, excluding the office development, have been valued as a whole and hence the building element is indistinguishable from the land element. The building element of this valuation is deemed by the Directors to be negligible and therefore no depreciation has been charged on it.

Notes (continued)

1 Accounting policies (continued)

Investments

In the Company's financial statements investments in subsidiary undertakings are stated at cost less amounts written off

Leases

Income

The Group's treatment of finance leases and hire purchase contracts where the Group is the provider of capital is to credit the associated finance charges to the profit and loss account included in Turnover on a sum of digits basis

Amounts due to the Group under finance leases and hire purchase contracts are included as a debtor at the amount of the net investment in the contract ie the net of future receipts from customers less future finance charges

Expenditure

Assets acquired by the Group under finance leases and lease purchase contracts are capitalised in the balance sheet and a corresponding creditor is included in creditors falling due within and after one year as appropriate Finance interest is charged to the profit and loss account on a straight line basis Rental charges under operating leases are charged to the profit and loss account in the period in which they fall due

Post retirement benefits

The Group operates defined contribution pension schemes The assets of the schemes are held separately from those of the Group in independently administered funds The amount charged to the profit and loss account represents the contributions payable to the schemes in respect of the accounting period

The Group also operates a pension scheme providing benefits based on final pensionable pay The assets of the scheme are held separately from those of the Group

Pension scheme assets are measured using market values Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full The movement in the scheme surplus or deficit is split between operating charges finance items and in the statement of total recognised gains and losses actuarial gains and losses

The defined benefit scheme became paid-up with effect from 28 February 2001 ie members are earning no further benefit

Stocks and work in progress

Stocks are stated at the lower of cost and net realisable value Work in progress represents unbilled work stated at cost plus attributable overheads

Insurance debtors and creditors

In the normal course of business settlement is required to be made with insurance companies on the basis of the net settlement due to or from the Company in question rather than the amounts due to or from the individual parties which it represents Insurance debtors and creditors reflect the treatment required by FRS 5 which precludes assets and liabilities being offset unless net settlement is legally enforceable

Notes (continued)

1 Accounting policies (continued)

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised without discounting in respect of all timing differences between the treatment of certain items for taxation purposes and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

Classification of financial instruments issued by the Group

Following the adoption of FRS 25 financial instruments issued by the Group are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions

- a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company and
- b) where the instrument will or may be settled in the Company's own equity instruments it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy) are dealt with as appropriations in the reconciliation of movements in shareholders' funds

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services (including lease finance – see above) to third party customers

Cash and liquid resources

Cash for the purpose of the cash flow statement comprises cash in hand and deposits repayable on demand less overdrafts payable on demand

Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to, their carrying values or traded in an active market

The group is required to hold monies on behalf of its clients. These are held in separate bank accounts. They have been excluded from the cash at bank and in hand balance and offset against the corresponding creditor balance

Notes (continued)

2 Analysis of turnover and profit/(loss)

	Turnover		Profit/(loss) before taxation		Net assets/(liabilities)	
	2010 £000	2009 £000	2010 £000	2009 £000	2010 £000	2009 £000
H&H Group	8	5	(288)	(328)	6,069	5,263
Harrison & Hetherington	4,104	4,020	639	709	2,226	1,770
H&H Borderway Finance	2,441	2,474	576	432	3,875	3,444
H&H Bowe	1,248	946	166	78	528	393
H&H Insurance Brokers	795	721	191	117	723	554
H&H King	676	590	110	(4)	(10)	(90)
H&H Motor Auctions	244	282	34	69	365	338
	<u>9,516</u>	<u>9,038</u>	<u>1,428</u>	<u>1,073</u>		
Amortisation of goodwill (note 12)			(64)	(81)		
Profit/(loss) on sale of fixed assets			671	(15)		
Profit on ordinary activities before taxation			<u>2,035</u>	<u>977</u>		

The figures above are shown before accounting for dividends payable within the Group

3 Other operating income

	2010 £000	2009 £000
Rents receivable	<u>78</u>	<u>72</u>

Notes (continued)

4 Notes to the profit and loss account

	2010 £000	2009 £000
<i>Profit on ordinary activities before taxation is stated after charging/(crediting)</i>		
Depreciation – owned assets	237	225
Amortisation of goodwill	64	81
(Profit)/loss on disposal of fixed assets	(679)	15
Rentals payable for the hire of other assets under operating leases	131	113
	<u> </u>	<u> </u>
<i>Auditors' remuneration</i>		
Audit of these financial statements	9	9
Amounts receivable by auditors and their associates in respect of Audit of financial statements of subsidiaries pursuant to such legislation Other services	12 3	12 3
	<u> </u>	<u> </u>

5 Remuneration of Directors

	2010 £000	2009 £000
Directors' emoluments		
- Fees	45	44
- Other emoluments	125	99
- Company contributions to money purchase pension schemes	5	5
- Benefits in kind	24	14
	<u> </u>	<u> </u>
	199	162
	<u> </u>	<u> </u>

The emoluments of the highest paid Director were £143,638 (2009: £107,096). Company pension contributions of £4,893 (2009: £4,750) were made to a personal pension scheme on his behalf.

Notes (continued)

6 Staff numbers and costs

The average number of persons employed by the Group and Company (including Directors and part time employees) during the year analysed by category was as follows

	Group and Company Number of employees	
	2010	2009
Management	15	15
Professional	14	11
Sales	27	26
Administration	65	53
Operations	76	76
	<u>197</u>	<u>181</u>

The aggregate payroll costs of these persons were as follows

	2010 £000	2009 £000
Wages and salaries	3,441	3 160
Social security costs	348	319
Other pension costs (note 22)	108	107
	<u>3,897</u>	<u>3 586</u>

All employment contracts rest with H&H Group plc the parent Company however payroll costs are recharged to trading subsidiaries as appropriate

7 Interest payable

	2010 £000	2009 £000
On bank overdrafts	3	55
On committed money market loans	692	827
	<u>695</u>	<u>882</u>

8 Other finance costs

	2010 £000	2009 £000
Expected returns on pension scheme net assets	390	352
Interest on pension scheme liabilities	(472)	(450)
	<u>(82)</u>	<u>(98)</u>

Notes (continued)

9 Taxation

Analysis of charge in year

	2010 £000	2009 £000
UK corporation tax		
Current tax on income for the year	542	278
Adjustment in respect of prior years	(180)	-
Total current tax	362	278
Deferred tax		
Origination/reversal of timing differences	(4)	(9)
Tax on profit on ordinary activities	358	269

Factors affecting the tax charge for the current year

The current tax charge for the year is lower (2009 higher) than the standard rate of corporation tax in the UK 28% (2009 28%). The differences are explained below

	2010 £000	2009 £000
Current tax reconciliation		
Profit on ordinary activities before tax	2,035	977
Current tax at 28% (2009 28%)	570	274
Effects of		
Expenses not deductible for tax purposes	20	17
Capital allowances for period (in excess of)/less than depreciation	(42)	8
Utilisation of tax losses	-	(17)
Other timing differences	4	-
Marginal rate tax	(14)	(13)
Adjustment to tax charge in respect of prior years	(180)	-
FRS 17 pension scheme adjustments	4	9
Total current tax charge (see above)	362	278

Factors that may affect future tax charges

The Company has no unutilised trading losses to carry forward (2009 £nil)

The UK corporation tax rate is expected to change from 28% to 27% from 1 April 2011. Any timing differences which reverse before 1 April 2011 will be charged/credited at 28% and any timing differences which exist at 1 April 2011 will reverse at 27%. The directors do not expect this to have a material impact on the financial statements

10 Profit/(loss) for the financial year

The result dealt with in the accounts of the parent Company was a profit of £386,000 (2009 loss of £329,000)

Notes (continued)

11 Dividends

The aggregate amount of dividends comprises

	2010 £000	2009 £000
Final dividend paid in respect of prior year but not recognised as liabilities in that year	171	140
Interim dividend paid in respect of the current year	68	68
Aggregate amount of dividends paid in the financial year	<u>239</u>	<u>208</u>

The aggregate amount of dividends proposed and recognised as liabilities as at the year end is £nil (2009 £nil)

12 Intangible fixed assets

	Goodwill £000
Group	
<i>Cost</i>	
At beginning and end of year	<u>981</u>
<i>Amortisation</i>	
At beginning of year	654
Charge in year	64
At end of year	<u>718</u>
<i>Net book value</i>	
At 30 June 2010	<u>263</u>
At 30 June 2009	<u>327</u>

Notes (continued)

13 Tangible fixed assets

	Freehold land and buildings £000	Motor vehicles £000	Plant, fittings and computers £000	Total £000
Group				
<i>Cost or valuation</i>				
At beginning of year	6 360	459	1 124	7 943
Additions	186	160	117	463
Disposals	(11)	(122)	(80)	(213)
Revaluation	766	-	-	766
At end of year	7,301	497	1,161	8,959
<i>Depreciation</i>				
At beginning of year	38	220	617	875
Charge for year	19	89	129	237
Disposals	-	(89)	(74)	(163)
Revaluation	(48)	-	-	(48)
At end of year	9	220	672	901
<i>Net book value</i>				
At 30 June 2010	7,292	277	489	8,058
At 30 June 2009	6 322	239	507	7 068

The following information relates to tangible fixed assets carried on the basis of revaluations in accordance with FRS 15

Land and buildings	Group and Company	
	2010 £000	2009 £000
At 2010/2007 open market value	7,301	6 192
Aggregate depreciation thereon	(9)	(38)
Net book value	7,292	6 154
Historical cost of revalued assets	3,932	3 589
Aggregate depreciation thereon	(84)	(68)
Historical cost net book value	3,848	3 521

All of the Group's freehold land and buildings were revalued in June 2010 and the surplus of £814 000 taken to the revaluation reserve. The properties were valued at existing use value or market value as appropriate by Walton Goodland Chartered Surveyors in accordance with the RICS Appraisal and Valuation Standards 5th Edition.

Other tangible fixed assets including additions subsequent to the revaluation of land and buildings, are included at cost.

Land and buildings include an amount of £6 563,724 which is not depreciated (2009 £5,498 450)

Notes (continued)

13 Tangible fixed assets (continued)

Company	Freehold land and buildings £000	Plant, fittings and computers £000	Total £000
<i>Cost or valuation</i>			
At beginning of year	6 360	175	6 535
Additions	186	88	274
Disposals	(11)	(89)	(100)
Revaluation	766	-	766
At end of year	7,301	174	7,475
<i>Depreciation</i>			
At beginning of year	38	103	141
Charge for year	19	26	45
On disposals	-	(69)	(69)
Revaluation	(48)	-	(48)
At end of year	9	60	69
<i>Net book value</i>			
At 30 June 2010	7,292	114	7,406
At 30 June 2009	6 322	72	6 394

14 Fixed asset investments

Group

	Other investments £000	Total £000
<i>Cost and net book value</i>		
At beginning and end of year	5	5

Company

	Subsidiary undertaking £000	Other investments £000	Total £000
<i>Cost and net book value</i>			
At beginning and end of year	116	5	121

Notes (continued)

14 Fixed asset investments (continued)

	Country of incorporation	Class and percentage of shares held %	Company	
			2010 £	2009 £
<i>Subsidiary undertakings</i>				
Harrison & Hetherington Limited ¹	England	100.0	100	100
Beacon Borderway Limited ²	England	100.0	100	100
Borderway Farmstock Limited ²	England	100.0	100	100
H&H Borderway Finance Limited ¹	England	100.0	1,000	1,000
H&H Bowe Limited ¹	England	100.0	100	100
H&H Insurance Brokers Limited ¹	England	100.0	113,715	113,715
H&H King Limited ¹	England	100.0	100	100
H&H Motor Auctions Limited ¹	England	100.0	1,000	1,000
Harrison & Hetherington (Scotland) Limited ²	Scotland	100.0	100	100
H&H Borderway Limited ²	England	100.0	100	100
<i>Other investments</i>				
Other unlisted investments			4,500	4,500
			120,915	120,915

¹ See Directors' report (page 10) for principal activities

² Dormant throughout current and prior year

Other unlisted investments consist of ordinary shares in companies at cost less provisions for diminution in value

15 Stocks

	Group	
	2010 £000	2009 £000
Work in progress	235	265
Livestock	24	23
Stock of goods	8	13
	267	301

	Group		Company	
	2010	2009	2010	2009
	£000	£000	£000	£000
Trade debtors	2,714	2 588	2	-
Amounts receivable on finance contracts by				
- Harrison & Hetherington Limited	50	55	-	-
- H&H Borderway Finance Limited	20,085	20 227	-	-
Other debtors	-	104	-	67
Prepayments and accrued income	1,028	832	114	21
Amount owed by group undertakings	-	-	-	1 009
	<u>23,877</u>	<u>23 806</u>	<u>116</u>	<u>1 097</u>

	2010 £000	2009 £000
Net investment in		
Hire purchase	18,894	18,879
Finance leases	19	43
Other finance debtors	1,255	1,407
	<u>20,168</u>	<u>20,329</u>
	<u><u>20,168</u></u>	<u><u>20,329</u></u>

	2010 £000	2009 £000
Of which the amount due after more than one year	12,099	12,267
	<u>12,099</u>	<u>12,267</u>
Original asset value of vehicles on which hire purchase and finance lease agreements were made during the year	12,076	11,072

Notes (continued)

16 Debtors (continued)

The Group has an unrecognised deferred tax asset of £68 000 (2009 £14 000) and the Company has an unrecognised deferred tax asset of £75 000 (2009 £24 000) in respect of tax losses and other items available to carry forward. These assets have not been recognised as their future recoverability against taxable profits cannot be foreseen with reasonable certainty.

The elements of unprovided deferred tax are as follows:

	Group		Company	
	2010	2009	2010	2009
	£000	£000	£000	£000
Difference between accumulated depreciation and capital allowances	18	14	(2)	(6)
Other timing differences	(13)	(10)	-	-
Unused tax losses	(73)	(18)	(73)	(18)
	<u>(68)</u>	<u>(14)</u>	<u>(75)</u>	<u>(24)</u>

No deferred tax liability has been recognised on the revaluation of land and buildings as at the balance sheet date there were no binding commitments to sell these properties.

The amount of tax which would become payable only if the properties were sold without it being possible to claim rollover relief is estimated at £600,000 (2009 £400 000).

Following the adoption of FRS 17 a deferred tax asset of £308 000 (2009 £244 000) has been recognised in relation to the deficit on the defined benefit pension scheme at 30 June 2010 (see note 22).

Notes (continued)

17 Creditors' amounts falling due within one year

	Group		Company	
	2010	2009	2010	2009
	£000	£000	£000	£000
Bank overdrafts	437	1 092	-	571
Committed money market loans	15,000	16 000	-	-
Trade creditors	864	632	-	-
Amounts owed to Group undertakings	-	-	358	433
Corporation tax	833	720	452	452
Other taxation and social security	186	265	3	1
Accruals and deferred income	682	592	89	263
	<u>18,002</u>	<u>19 301</u>	<u>902</u>	<u>1 720</u>

The bank overdrafts and committed money market loans are secured by cross guarantees and debentures and charges over certain of the Group's freehold property and finance assets.

At 30 June 2010 the group was holding £895 008 on behalf of its clients. This cash balance has been excluded from the cash at bank and in hand balance and has been offset against the associated creditor balance.

Fair value of assets and liabilities

The Group and Company has derivative financial instruments that it has not recognised at fair value as follows:

Interest rate swap

The Group and Company have entered into interest rate swap agreements with Clydesdale Bank. At 30 June 2010 all £15,000,000 of the committed money market loans were covered by these instruments. At 30 June 2010 the fair value of the Group and Company's obligations under the instruments were £192,566 (2009: £302 727).

18 Called up share capital

	2010	2009
	£000	£000
<i>Authorised</i>		
3 000 000 ordinary shares of £1 each	<u>3,000</u>	<u>3 000</u>
<i>Allotted, called up and fully paid</i>		
1 040 000 ordinary shares of £1 each	<u>1,040</u>	<u>1 040</u>

Notes (continued)

19 Reserves

Group	Revaluation reserve £000	Profit and loss account £000
At the beginning of year	2 633	7 904
Profit for the year	-	1 677
Dividends on shares classified in shareholders' funds	-	(239)
Actuarial loss recognised in the pension scheme	-	(215)
Deferred tax arising on loss in the pension scheme	-	60
Transfers	(3)	3
Revaluation of property	814	-
At end of year	3,444	9,190
	2010	2009
	£000	£000
Profit and loss reserve excluding pension liabilities	9,984	8 533
Pension liabilities	(794)	(629)
Profit and loss reserve including pension liabilities	9,190	7 904
Company	Revaluation Reserve £000	Profit and loss account £000
At beginning of year	2 633	1 590
Profit for the year	-	386
Dividends on shares classified in shareholders' funds	-	(239)
Actuarial loss recognised in the pension scheme	-	(215)
Deferred tax arising on loss in the pension scheme	-	60
Transfers	(3)	3
Revaluation of property	814	-
At end of year	3,444	1,585

Notes (continued)

19 Reserves (continued)

	2010 £000	2009 £000
Profit and loss reserve excluding pension liabilities	2,379	2,219
Pension liabilities	(794)	(629)
Profit and loss reserve including pension liabilities	<u>1,585</u>	<u>1,590</u>

20 Contingent liabilities

At 30 June 2010 the Company was party to unlimited cross guarantees with its subsidiary undertakings

The Company has given an indemnity for personal guarantees made by the Directors of the wholly owned subsidiary H&H Insurance Brokers Limited to insurance companies under certain agency agreements

21 Commitments

The Group and the Company had contracted capital commitments of £898,000 at the end of the current year (2009 £nil)

Annual commitments under non-cancellable operating leases are as follows

	2010		2009	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Group				
Operating leases which expire				
Within one year	2	39	2	1
In the second to fifth years inclusive	12	27	14	57
Over five years	51	-	51	-
	<u>65</u>	<u>66</u>	<u>67</u>	<u>58</u>
Company				
Operating leases which expire				
In the one year inclusive	-	4	-	4
	<u>-</u>	<u>4</u>	<u>-</u>	<u>4</u>

Notes (continued)

22 Pension scheme

Group and Company

The Group operates two defined contribution pension schemes: a self invested pension plan for executive Directors and a Group scheme available for employees. The pension cost charge for the period represents contributions payable by the Group to the schemes and amounted to £108,000 (2009: £107,215).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

The Group also operates a pension scheme providing benefits based on final pensionable pay. The scheme became paid up with effect from 28 February 2001 and members are earning no further benefits. The latest full actuarial valuation was carried out at 1 July 2007 by a qualified independent actuary.

It has been agreed that an employer contribution will apply in future years.

	Group and Company	
	2010	2009
	£000	£000
Present value of funded defined benefit obligations	(9,733)	(7,887)
Fair value of plan assets	8,631	7,014
Deficit	(1,102)	(873)
Related deferred tax asset	308	244
Net liability	(794)	(629)

Movements in present value of defined benefit obligation

	Group and Company	
	2010	2009
	£000	£000
At 1 July	7,887	7,554
Interest cost	472	450
Actuarial losses	1,413	-
Benefits paid	(39)	(117)
At 30 June	9,733	7,887

Movements in fair value of plan assets

	Group and Company	
	2010	2009
	£000	£000
At 1 July	7,014	6,755
Expected return on plan assets	390	352
Actuarial gains/(losses)	1,198	(43)
Contributions by employer	68	67
Benefits paid	(39)	(117)
At 30 June	8,631	7,014

Notes (continued)

22 Pension schemes (continued)

Expense recognised in the profit and loss account

	Group and Company	
	2010	2009
	£000	£000
Interest on defined benefit pension plan obligation	(472)	(450)
Expected return on defined benefit pension plan assets	390	352
Total	(82)	(98)

The expense is recognised in the following line items in the profit and loss account

	Group	
	2010	2009
	£000	£000
Other finance costs	(82)	(98)

Analysis of amount recognised in statement of total recognised gains and losses

	2010	2009
	£000	£000
Actual return less expected return on scheme assets	1,198	(43)
Changes in assumptions underlying the present value of scheme liabilities	(1,413)	-
Actuarial loss recognised in statement of total recognised gains and losses	(215)	(43)

Cumulative actuarial gains reported in the consolidated statement of total recognised gains and losses for accounting periods ending on or after 22 June 2002 and subsequently included by prior year adjustment under paragraph 96 of FRS 17 are £888 000 (2009 £1 103 000) Company £888 000 (2009 £1 103,000)

The fair value of the plan assets and the return on those assets were as follows

	Group and Company	
	2010	2009
	Fair value	Fair value
	£000	£000
Equities and Property	505	312
Bonds	594	83
Insurance policy	7,441	5 951
Other	91	668
	8,631	7 014
Actual return on plan assets	1,588	309

Notes (continued)

22 Pension schemes (continued)

The fair value of the scheme's assets which are not intended to be realised in the short term and may be subject to significant change before they are realised and the present value of the scheme's liabilities which are derived from cash flow projections over long periods and thus inherently uncertain were

The expected return on assets is a weighted average of the individual asset categories and their expected rates of return which are determined by consideration of historical experience and current market factors. The rate of increase in pensions in payment and deferred pensions is in accordance with the scheme rules.

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows

	Group and Company	
	2010	2009
	%	%
Discount rate applied to scheme liabilities	5.3%	6.0%
Expected rate of return on plan assets	5.3%	5.5%
Future salary increases	3.4%	n/a
Inflation assumption	3.4%	3.5%

The rate of increase in pensions in payment and deferred pensions is in accordance with scheme rules.

The assumptions used by the actuary are chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The mortality assumption adopted for the purposes of the calculations as at 30 June 2010 is as follows:

- Base table 92 series
- Future mortality improvements: medium cohort projections from 1992 onwards

Average life expectations

	2010	2009
	%	%
Male retiring at reporting date at age 65 (in years)	22.1	22.1
Male retiring at reporting date +20 years at age 65 (in years)	23.2	23.1

Members are assumed to retire at the earliest age at which they can take full pension un-reduced. Members are assumed to opt to take 50% of the maximum cash by commutation at retirement.

The expected rates of return on the assets in the scheme were

	Long term rate of return 2010	Long term rate of return 2009	Long term rate of return 2008	Long term rate of return 2007	Long term rate of return 2006
Insurance policy	5.3%	6.0%	5.4%	5.4%	5.4%
Other (cash on deposit)	1.0%	1.0%	4.0%	4.0%	4.0%
Equities and properties	6.3%	6.5%	6.5%	n/a	n/a
Bonds	5.3%	6.0%	6.0%	n/a	n/a

Notes (continued)

22 Pension scheme (continued)

History of plans

In accordance with FRS 17 95C the Group has chosen not to restate the corresponding amounts for the first of the previous four accounting periods for the effect of using the current bid-price rather than the mid-market price

The history of the plans for the current and prior periods is as follows

Group and Company

Balance sheet

	2010 £000	2009 £000	2008 £000	2007 £000	2006 £000
Present value of scheme liabilities	(9,733)	(7 887)	(7 554)	(7 779)	(7 772)
Fair value of scheme assets	8,631	7 014	6 755	6 598	6 267
Deficit	<u>(1,102)</u>	<u>(873)</u>	<u>(799)</u>	<u>(1 181)</u>	<u>(1 505)</u>

History of experience gains and losses

	2010	2009	2008	2007	2006
Difference between the expected and actual return on scheme assets					
Amount (£000)	(1,198)	(43)	(331)	410	27
Percentage of year end scheme assets	14%	1%	5%	6%	0%
Experience gains and losses on scheme liabilities					
Amount (£000)	-	-	470	-	-
Percentage of year end present value of scheme liabilities	0%	0%	6%	0%	0%
Total amount recognised in statement of total recognised gains and losses					
Amount (£000)	(215)	(43)	281	236	27
Percentage of year end present value of scheme liabilities	2%	(1%)	4%	3%	0%

The defined benefit scheme became paid up with effect from 28 February 2001 i.e. members are earning no further benefits and no further members are being admitted. The last full actuarial valuation of this scheme was carried out by a qualified independent actuary as at 1 July 2007 and updated to 30 June 2010 to take account of the requirements of FRS 17.

The Group expects to contribute approximately £103 600 to its defined benefit plans in the next financial year (Company £103 600).

Notes (continued)

23 Reconciliation of operating profit to operating cash flows

	2010 £000	2009 £000
Group operating profit	2,135	1,960
Depreciation, amortisation and impairment charges	301	306
Decrease in stocks	34	18
(Increase)/decrease in debtors	(280)	424
Increase in creditors	310	159
Movement in pension/I RS 17	(71)	(67)
Net cash inflow from operating activities	2,429	2,800

24 Analysis of cash flows

	2010 £000	2009 £000
Returns on investment and servicing of finance		
Interest received	6	12
Interest paid	(695)	(882)
	(689)	(870)
Capital expenditure		
Purchase of tangible fixed assets	(472)	(451)
Sale of tangible fixed assets	730	41
	258	(410)
Financial investment		
Investment in subsidiary undertaking finance contracts	142	1,306

25 Analysis of net debt

	At beginning of year £000	Cash flow £000	Non cash £000	At end of year £000
Bank overdrafts	(1,092)	655	-	(437)
Committed money market loans	(16,000)	1,000	-	(15,000)
Total	(17,092)	1,655	-	(15,437)

Notes *(continued)*

26 Related party disclosures

There are no material related party transactions in either the current or previous year