

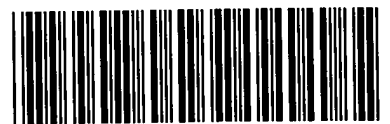


# Annual Report & Accounts 2015

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WEDNESDAY



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COMPANIES HOUSE

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**The Group operates as a holding company with  
a number of its companies operating across the  
auctioneering, property, financial and commercial services**

Harrison & Hetherington  
H&H Insurance Brokers  
H&H Land and Property  
H&H Auction Rooms

H&H James Sutherland  
H&H King  
H&H Finance  
H&H Reeds Printers

### **The Board of Directors**

Michael T E Cowen (Non-Executive Chairman)

Brian E Richardson (Chief Executive)  
Michael L Scott (Non-Executive Director)  
Adrian R Hill (Non-Executive Director)

Dawn M Harrison (Non-Executive Director)  
Ian C Lancaster (Non-Executive Director)  
Alasdair G Houston (Non-Executive Director)

Margaret Irving (Company Secretary)

### **List of Advisors**

#### **Auditors**

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

#### **Bankers**

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

#### **Solicitors**

Burnetts  
6 Victoria Place  
Carlisle  
CA1 1ES

#### **Taxation Advisors**

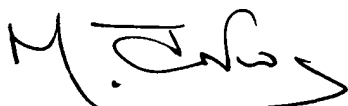
Dodd & Co  
Fifteen Rosehill  
Montgomery Way  
Rosehill Estate  
Carlisle  
CA1 2RW

## Notice of Meeting

Notice is hereby given that the One Hundred and Twenty Third Annual General Meeting of the Company will be held in the Shepherds Inn, Rosehill, Carlisle on 6 November 2015 at 11.30 am for the following purposes:

1. To receive and consider the Accounts for the financial year ended 30 June 2015 together with the Directors' and Auditor's reports.
2. To approve the payment of Directors' fees as set out in the Accounts.
3. To declare a final dividend of 25 pence per share to be paid on 4 December 2015.
4. Proposal of a special resolution - see page 4.
5. Proposal of a special resolution - That the Articles of Association of the Company be amended by deleting the present Article 18(A) and replacing it with the following new Article 18(A):  
"The number of Directors shall be not less than three, nor more than ten and Regulation 64 of Table A shall be read and modified accordingly".
6. To re-elect D M Harrison as a Director.
7. To elect A Douglas as a Director
8. 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 25 September 2015 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.

## **Item 4**

### **Purpose**

At the AGM in 2013 the Shareholders renewed an authority which allowed the Board the flexibility of issuing 400,000 shares for carrying out future acquisitions. The existing authority expires on 8 November 2015.

The Shareholders are asked in the item below to renew the authority to issue 400,000 shares for a further two years by way of special resolution.

### **THAT the following be passed as a special resolution:**

That, in accordance with Section 551 of the Companies Act 2006, the Directors of the Company be generally and unconditionally authorised to allot shares in the Company, or grant rights to subscribe for, or to convert any securities in the Company (**Rights**) up to an aggregate nominal amount of £400,000.

This authority shall expire on 6 November 2017, unless renewed, varied or revoked by the Company, on or prior to that date, save that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted, or Rights to be granted, and the Directors may allot shares or grant Rights in pursuance of any such offer or agreement, notwithstanding that the authority conferred by this Resolution has expired.

This authority revokes and replaces all unexercised authorities previously granted to the Directors, but without prejudice to any allotment of shares or grant of Rights already made or offered or agreed to be made pursuant to such authorities.

That, in accordance with Section 570 of the Companies Act 2006, the Directors be generally empowered to allot equity securities (as defined in Section 560 of the Companies Act 2006) pursuant to the authority conferred by this Resolution, up to a maximum aggregate nominal amount of £400,000, as if Section 561 of the Companies Act 2006 did not apply to any such allotment, provided that this power:

- (a) shall be limited to the allotment of equity securities up to an aggregate nominal amount of £400,000; and
- (b) shall expire on 6 November 2017 (unless renewed, varied or revoked by the Company on or prior to that date) save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry, and the Directors may allot equity securities in pursuance of any such offer or agreement, notwithstanding that this power has expired.

## Chairman's Statement

Our 2014/15 results show a profit before tax of £1.155 million with the results achieved against a backdrop of an extremely difficult time for UK Agriculture and livestock farmers in particular. H&H's financial position remains strong, with our balance sheet showing an increase in net assets to £16.995 million at the year end. I am pleased to report an average share price of £24.89 at our last share auction in August 2015.

At our 2014 AGM I took the opportunity to explain how we developed the long term strategy for the H&H Group. In the last 12 months we have made good progress. In July we secured a long lease of the car park development site at Montgomery Way here at Rosehill from Carlisle City Council, which we are now in advanced discussions to develop in conjunction with other local businesses. Our plans for the old motor auction site for offices are also progressing and talks are ongoing with potential tenants. We see property development at Rosehill as a logical ancillary direction for the company.

In my shareholder letter of 31 July 2015 I announced that an agreement had been reached to acquire John Swan & Son PLC which will add marts at St Boswells and Wooler to our Harrison & Hetherington business along with an extensive property portfolio. At the time of writing, the legal and financial process of this acquisition is ongoing, with the final completion date set for mid October. By combining the two businesses, we shall be running nine auction mart sites putting us in a strong position to best help our customers.

The expansion of H&H has resulted in the enlarged Group having over 270 employees. It is important for the company to recruit talented people who speak our customers' language and can build relationships with them. Our 2014 apprenticeship scheme was well oversubscribed demonstrating that H&H is deemed to be an attractive place to work.

The 2015 AGM will end my formal time with H&H. I have been connected to this company in various ways for over 45 years. I would like to thank farmers, clients, staff and shareholders for their time and forbearance.



**Michael TE Cowen**  
Chairman

25 September 2015

## Strategic Report

A profit before tax for the year of £1.155 million represents an 11% drop in profitability over the previous year. This follows the transfer of the Finance business in March 2014 where we saw turnover in the year drop by 50%, as the residual loan book was unwound and it was also a more challenging year for our non livestock auctioneering businesses.

### Financial Overview

On turnover of £13,515,000 (2014: £14,390,000) operating profit is £1,161,000 (2014: £1,724,000) producing a profit before tax of £1,155,000 (2014: £1,297,000).

Earnings per share are 84p (2014: 92p), with a recommended final dividend of 25p per share alongside the interim dividend paid of 8p per share, there will be a total dividend for the year of 33p per share (2014: 35p per share).

The average share price during the period was £25.21 (2014: £25.56).

Total shareholders' funds have marginally increased to £16,995,000 (2014: £16,369,000).

### Principal Activities and Business Model

The Group remains focused on our key expertise in Auctioneering, Land and Property, Insurance and Printing with a focus on the farming and rural economy.

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

H&H Group plc – holding Company.

Harrison & Hetherington – farmstock auctioneers, brokers and valuers.

H&H James Sutherland – asset valuers and auctioneers.

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

H&H Land and Property – chartered surveyors, land agents, valuers and quota brokers.

H&H Insurance Brokers – insurance brokers.

H&H King – residential sales and letting agents.

H&H Reeds Printers – printers.

H&H Auction Rooms – auctioneers and valuers of fine art and furniture.

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

## **Strategic Report** *(continued)*

### **Business Review and Results**

#### **Group**

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 as well as overseeing the management of the individual businesses and their development.

#### **Auctioneering – Harrison & Hetherington**

**Harrison & Hetherington** – The business has performed very well in the year against a more difficult year for our customers with generally lower prices for livestock and milk. Where we are able to monitor market share, we have seen an increase across our auctioneering business and the team is focused on maintaining and improving this in the future in all the sectors.

At the beginning of the financial year we trialled using electronic auctions in parallel with our some of our live auctions and this worked well and is now part of our pedigree sales programme. The business continued to look at technology to improve our efficiency and to spread our auctions to a wider audience.

There has been a more challenging market for livestock in the last year and this has impacted on the slaughter sector resulting in several business failures. Whilst not immune to the problem, the business carries insurance to protect itself as well as maintaining a robust credit control policy with all its customers.

We continue to invest in our sites and a new car park was opened in 2014 which has significantly helped traffic flow on our busiest days and will be important when other developments we are planning on the Rosehill estate are completed. A Biomass boiler and ancillary heating has also been installed at Borderway, which provides heat for the whole site.

**H&H Auction Rooms** – Whilst a relatively small part of the total auctioneering turnover, we continue to maintain busy weekly auctions and the auction room team also work closely with the Harrison & Hetherington team on machinery sales.

**H&H James Sutherland Auctioneers** – The business works predominantly with insolvency practitioners on valuations and auction sales via its electronic auction system and so its fortunes closely follow the activity in this sector. After a busy start to the year, the activity slowed and resulted in the business showing a loss for the year. Some cost reduction has taken place and we have seen a very significant improvement in activity at the start of the present financial year.

#### **Property – H&H Land and Property**

**H&H Land and Property** – The business has continued to focus on providing its professional services principally into the rural sector, with specialist areas such as environmental, renewables and planning. The two offices at Carlisle and Durham have been augmented by an office at the Middleton in Teesdale mart, which will aid our presence in the area.

In the last quarter of the financial year, there were changes to the senior management team that resulted in a transfer of some estate business. The new structure put in place after these changes has provided for a flatter management structure and the further development of the professional team.

Developing our team of professionals is important and we continue to bring in young staff who can complete their qualifications with us and build long term relations with the customer base.

Land sales in the first half of the year were affected by concerns over the independence referendum, with the Spring and Summer of 2015 seeing the market return to the levels of the previous year, albeit the level of activity being constrained by the reduction in farm income.

**H&H King** – After a slow first half of the year, there was a general uplift in the housing market in the second half, which was encouraging and has continued into the new financial year. There has been no house price inflation in Carlisle for several years but the volume of properties coming onto the market is increasing. We continue to look at opportunities to grow our estate agency and letting presence.



## **Strategic Report** *(continued)*

### **Financial**

**H&H Insurance Brokers** – In May, John Noone joined the business as Managing Director with the brief to continue to grow our insurance interests and develop market share, particularly in the farm rural sector and will be supported by Philip Pagin, who previously held the position, as Sales Director (Rural).

The business has had a more challenging year in a fiercely competitive sector with insurance rates generally remaining flat or even reducing. Against this background of static premiums there are less consumers changing their insurance provider. The business has continued to market itself strongly in the rural sector and has further developed its presence in the North East with a Durham base.

To better understand its customers, the business provides all customers the chance to provide feedback on its service via the independent Feefo web based system. To date, from those responding, we have received 100% good or excellent for customer service and products. This provides a firm base to build on and develop market share.

**H&H Finance** – In April 2014, this business was transferred to the Cumberland Building Society with them collecting the outstanding debtor book on our behalf whilst continuing to take on new business on their own account.

The arrangement has worked well and profits and cash from the remaining loans have flowed in as budgeted with minimal arrears and bad debt. During the year the company also paid back its money market loan significantly reducing the H&H Groups overall gearing.

The winding down of the loan book will continue for a further 3 years and turnover and profitability will progressively decrease from this sector over that time.

### **Printing**

**H&H Reeds Printers** – The Reeds print business is the largest in Cumbria and continues to provide a broad range of services to customers within the area, as well as further afield. The print sector remains extremely competitive, with competition from the internet and also a background of gradually declining volumes.

The business continues to focus on providing high service levels and bespoke products, which has helped retain its position within the local market. Whilst failing to generate a profit in the year, it has contributed cash to the group.

Work continues to reduce costs and improve efficiency and some changes to equipment in the coming year will aid this and improve both quality and cost efficiency.

### **Future Developments**

**John Swan & Son PLC** – In August, we made an offer for the entire share capital of John Swan & Son PLC, which was recommended by the Directors of John Swan. At the time of writing, the scheme of arrangement is progressing and we expect completion of the transaction in mid October.

John Swan consists of two auction marts at St Boswells and Wooler and, like H&H, has a history stretching back over a hundred years. The two auctions will be run as part of Harrison & Hetherington and we will look to build on the considerable livestock business being traded through the marts, as well as livestock trading across the Borders and Northumberland.

In addition to the livestock business, we will also incorporate our land agency and insurance offering into the area, building on the long-term relationships that John Swan has with its customers.

As part of the transaction, we will also acquire several property assets around the marts and Edinburgh, which we will be reviewing with a view to enhancing their value over time.

**General** – The Board continues to look at opportunities to develop our existing businesses and develop further profitable turnover. The H&H brand continues to develop and its reputation, particularly in the farming and rural sector, which is an important asset for the group to build on.

**Property** – In 2015, we secured the leasehold interest in the large car park site at Rosehill, which we intend to develop over the coming years into a mixture of retail, car parking and commercial development. We are also developing plans for the development of the former motor auction site into an office development that will further enhance the Rosehill estate.

## Strategic Report *(continued)*

### Our People

The Group employs almost 300 staff and this number will grow further in the coming year, with the acquisition of John Swan & Son PLC. All our staff have worked as part of a team to deliver the products and services we offer and deserve credit for their contribution to the overall success of the Group.

People development through skills and leadership development training continues to be an important part of developing our staff and we continue to look at developing our HR functions across the Group. We continue to recruit apprentices within all our divisions and this is forming an increasingly important part of developing our own staff for the future.

### Key Performance Indicators

Measurement of performance against strategy and the achievement of business objectives is by means of key performance indicators. Actual performance against key performance indicators for the twelve months to June 2015 is shown below, together with that for 2014 for comparative purposes:

	2015	2014
▪ Turnover growth	<b>(6.1%)</b>	0.3%
▪ Return on sales	<b>9%</b>	12%
▪ Earnings per share	<b>84p</b>	92p
▪ Return on capital employed	<b>7%</b>	10%
▪ Gross interest cover	<b>5.5x</b>	4x
▪ Gearing	<b>39%</b>	73%

There has been a significant reduction in Gearing of the H&H Group in the year, principally as a result of our withdrawal from the motor finance market in March 2014. Whilst the inflow in cash from the winding down of the operation will continue, the acquisition of John Swan & Son PLC which is being acquired with mixture of cash and shares will increase borrowing and through this the gearing levels in the coming year.

### Principal Risks and Uncertainties

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 meets regularly with the individual businesses 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; this, 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 that can be singled out are bad debt within our Farmstock business (where there is credit insurance in place for some 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. FCA rules also continue to place a heavy requirement upon our insurance brokerage operation and our remaining motor finance book and we work diligently to remain compliant and also use third party consultancy support.

In addition, the Group's Health and Safety Committee has continued to meet throughout the year (with the security of our customers and our staff remaining a high priority) and the maintenance of Group wide business continuity plans continues 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.



**Brian Richardson**  
Chief Executive

25 September 2015

## Directors' Report

The Directors present their Directors' Report and Financial Statements for the year ended 30 June 2015.

### Dividends

The Directors have proposed a final ordinary dividend of 25 pence 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 27 pence per share in respect of the previous year ended 30 June 2014, together with an interim dividend of 8 pence per share in respect of the year ended 30 June 2015.

### 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 2015	At 30 June 2014
MTE Cowen	20,250	20,250
DM Harrison	4,366	4,366
AG Houston	1,842	1,842
IC Lancaster	7,604	6,690
ML Scott	5,729	5,650
BE Richardson	554	554
AR Hill	250	250
Trustee shareholdings		
Employees Trust Fund	208,000	208,000

MTE Cowen and DM Harrison were trustees of the Employees Trust Fund throughout the year.

DM Harrison, having served three years as a Director, resigns in accordance with the Articles of Association and, being eligible, offers herself for re-election.

According to the register of Directors' Interests, no right 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

1. The Audit Committee is chaired by IC Lancaster. The remaining members of the Committee are MTE Cowen and AG Houston. 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 IC Lancaster and ML Scott. 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 Contributions**

The Group made no political contributions during the year (2014: *nil*).

### **Disclosure of Information to the Auditor**

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 auditor is 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 auditor is aware of that information.

### **Auditor**

In accordance with section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditor 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 UK Corporate Governance Code. 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 eight 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.

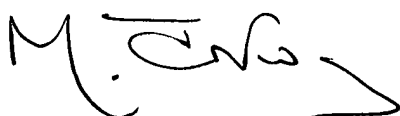
The health & safety of our staff, customers and visitors remains of utmost importance and our appointed safety, fire and first aid officers, are provided with training, access to appropriate equipment and opportunities to discuss their roles beyond legislative requirements.

Compliance with the requirements of the Financial Conduct 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

25 September 2015

## **Statement of Directors' Responsibilities in Respect of the Strategic Report, the Directors' Report and the Financial Statements**

The directors are responsible for preparing the Strategic Report, 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 auditor's 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 2015 set out on pages 16 to 45. 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (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 'Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **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 2015 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**

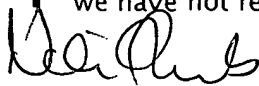
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Independent auditor's 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

25 September 2015



## Consolidated Profit and Loss Account

for the year ended 30 June 2015

	Note	2015 £000	2014 £000
<b>Turnover</b>	2	<b>13,515</b>	14,390
Operating costs		<b>(12,507)</b>	(12,797)
Other operating income	3	<b>153</b>	131
<b>Operating profit</b>		<b>1,161</b>	1,724
Transfer of trade	4	<b>217</b>	-
Profit on sale of fixed assets		<b>36</b>	42
Interest receivable		<b>1</b>	2
Interest payable	7	<b>(213)</b>	(433)
Other finance costs	8	<b>(47)</b>	(38)
<b>Profit on ordinary activities before taxation</b>	2-8	<b>1,155</b>	1,297
Tax on profit on ordinary activities	9	<b>(282)</b>	(341)
<b>Profit for the financial year</b>	21	<b>873</b>	956

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 2015

	Note	2015 £000	2014 £000
<b>Fixed assets</b>			
Intangible assets	12	1,571	1,723
Tangible assets	13	12,642	12,186
Investments	14	5	5
		<b>14,218</b>	<b>13,914</b>
<b>Current assets</b>			
Stocks	15	701	689
Debtors	16	11,778	17,424
		<b>12,479</b>	<b>18,113</b>
<b>Creditors:</b> amounts falling due within one year	17	<b>(8,937)</b>	<b>(14,520)</b>
<b>Net current assets</b>			
Due within one year		<b>855</b>	<b>(3,133)</b>
Debtors due after more than one year	16	<b>2,687</b>	<b>6,726</b>
<b>Net current assets</b>		<b>3,542</b>	<b>3,593</b>
Total assets less current liabilities		<b>17,760</b>	<b>17,507</b>
Creditors: amounts falling due after more than one year	18	<b>(189)</b>	<b>(429)</b>
Provisions for liabilities	19	<b>(62)</b>	<b>(39)</b>
<b>Net assets excluding pension liabilities</b>		<b>17,509</b>	<b>17,039</b>
<b>Pension liabilities</b>	24	<b>(514)</b>	<b>(670)</b>
<b>Net assets including pension liabilities</b>		<b>16,995</b>	<b>16,369</b>
<b>Capital and reserves</b>			
Called up share capital	20	<b>1,040</b>	<b>1,040</b>
Revaluation reserve	21	<b>3,427</b>	<b>3,429</b>
Profit and loss account	21	<b>12,528</b>	<b>11,900</b>
<b>Shareholders' funds</b>		<b>16,995</b>	<b>16,369</b>

These financial statements were approved by the Board of Directors on 25 September 2015 and were signed on its behalf by:



**Brian Richardson**  
Chief Executive



**Michael TE Cowen**  
Chairman

Registered number: 36006

# Company Balance Sheet

at 30 June 2015

	Note	2015 £000	2014 £000
<b>Fixed assets</b>			
Tangible assets	13	11,050	10,719
Investments	14	3,258	3,258
		<b>14,308</b>	<b>13,977</b>
<b>Current assets</b>			
Debtors	16	231	71
		<b>231</b>	<b>71</b>
<b>Creditors:</b> amounts falling due within one year	17	(8,327)	(7,589)
<b>Net current liabilities</b>		<b>(8,096)</b>	<b>(7,518)</b>
<b>Total assets less current liabilities</b>		<b>6,212</b>	<b>6,459</b>
<b>Creditors:</b> amounts falling due after more than one year	18	(174)	(393)
<b>Provisions for liabilities</b>	19	(12)	(12)
<b>Net assets excluding pension liabilities</b>		<b>6,038</b>	<b>6,054</b>
<b>Pension liabilities</b>	24	(514)	(670)
<b>Net assets including pension liabilities</b>		<b>5,524</b>	<b>5,384</b>
<b>Capital and reserves</b>			
Called up share capital	20	1,040	1,040
Revaluation reserve	21	3,427	3,429
Profit and loss account	21	1,057	915
<b>Shareholders' funds</b>		<b>5,524</b>	<b>5,384</b>

These financial statements were approved by the Board of Directors on 25 September 2015 and were signed on its behalf by:



**Brian Richardson**  
Chief Executive



**Michael TE Cowen**  
Chairman

Registered number: 36006

## Consolidated Cash Flow Statement

for the year ended 30 June 2015

	Note	2015 £000	2014 £000
<b>Cash flow statement</b>			
Cash flow from operating activities	25	<b>7,603</b>	5,887
Returns on investments and servicing of finance	26	<b>(210)</b>	(484)
Taxation		<b>(355)</b>	(305)
Capital expenditure	26	<b>(999)</b>	(306)
Acquisitions and disposals	26	<b>77</b>	-
Financing	26	<b>(6,867)</b>	(4,424)
Dividends paid on shares classified in shareholders' funds		<b>(364)</b>	(343)
<b>(Decrease)/increase in cash in the year</b>		<b>(1,115)</b>	25
<b>Reconciliation of net cash flow to movement in net debt</b>			
	27		
(Decrease)/increase in cash in the year		<b>(1,115)</b>	25
Decrease in debt and lease financing		<b>6,868</b>	4,424
Change in net debt resulting from cash flows		<b>5,753</b>	4,449
New finance leases			(6)
<b>Movement in net debt in the year</b>		<b>5,753</b>	4,443
<b>Net debt at the start of the year</b>		<b>(12,550)</b>	(16,993)
<b>Net debt at the end of the year</b>		<b>(6,797)</b>	(12,550)

## Consolidated Statement of Total Recognised Gains and Losses

for the year ended 30 June 2015

	2015 £000	2014 £000
<b>Profit for the financial year</b>	<b>873</b>	956
Actuarial gain/(loss) recognised in the pension scheme	<b>170</b>	(386)
Deferred tax arising on actuarial loss	<b>(53)</b>	89
Total recognised gains and losses relating to the financial year	<b>990</b>	659

## Note of Consolidated Historical Cost Profits and Losses

for the year ended 30 June 2015

	2015 £000	2014 £000
<b>Reported profit on ordinary activities before taxation</b>	<b>1,155</b>	1,297
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	<b>2</b>	3
<b>Historical cost profit on ordinary activities before taxation</b>	<b>1,157</b>	1,300
<b>Historical cost profit for the year retained after taxation and dividends</b>	<b>511</b>	616

## Reconciliation of Movements in Shareholders' Funds

for the year ended 30 June 2015

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	2014	<b>2015</b>	2014
	<b>£000</b>	£000	<b>£000</b>	£000
<b>Profit for the financial year</b>	<b>873</b>	956	<b>387</b>	314
Dividends on shares classified in shareholders' funds	<b>(364)</b>	(343)	<b>(364)</b>	(343)
<b>Retained profit/(loss)</b>	<b>509</b>	613	<b>23</b>	(29)
Net gains/(losses) in respect of FRS 17	<b>117</b>	(297)	<b>117</b>	(297)
Revaluation of land and buildings	-	-	-	-
<b>Net addition to/(reduction in) shareholders' funds</b>	<b>626</b>	316	<b>140</b>	(326)
Opening shareholders' funds	<b>16,369</b>	16,053	<b>5,384</b>	5,710
<b>Closing shareholders' funds</b>	<b>16,995</b>	16,369	<b>5,524</b>	5,384

## **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.

The company has taken advantage of the exemption under FRS 8 not to disclose transactions with other members of the group that are wholly owned.

The directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

#### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 30 June 2015. 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 twenty 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) 15% (reducing balance)
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**

Finance charges receivable in respect of finance loans are included in turnover.

The Group's treatment of finance contracts, where the Group is the provider of capital, is to credit the associated finance charges to turnover on a sum of digits (Rule of 78) basis.

Amounts due to the Group under finance contracts are included as a debtor at the amount of the net investments in the contract.

#### **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, i.e. 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. Where the Group acts as sales agent (for example in the marts, auction rooms and estate agency businesses) turnover represents the commission earned only.

#### **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	
	2015 £000	2014 £000	2015 £000	2014 £000	2015 £000	2014 £000
H&H Group	10	16	(377)	(257)	5,524	5,384
Harrison & Hetherington	5,613	5,375	813	638	4,844	4,186
H&H Finance	825	1,658	433	488	5,372	5,482
H&H Land and Property	2,662	2,657	291	359	1,543	1,281
H&H Insurance Brokers	1,410	1,466	197	258	750	875
H&H Reeds Printers	2,995	3,218	(86)	(26)	1,323	1,398
*Other subsidiaries	-	-	-	-	390	376
	<b>13,515</b>	<b>14,390</b>	<b>1,271</b>	<b>1,460</b>		
Amortisation of goodwill (note 12)			(152)	(205)		
Profit on sale of fixed assets			36	42		
Profit on ordinary activities before taxation			<b>1,155</b>	<b>1,297</b>		

\*Other subsidiaries include dormant companies.

Turnover and profit before taxation are shown after elimination of intra-group transactions.

### 3 Other operating income

	2015 £000	2014 £000
Rents receivable	<b>153</b>	<b>131</b>

## Notes (continued)

### 4 Notes to the profit and loss account

	2015 £000	2014 £000
<i>Profit on ordinary activities before taxation is stated after charging/(crediting):</i>		
Depreciation - owned assets	505	540
- leased assets	74	86
Amortisation of goodwill	152	205
Profit on disposal of fixed assets	(36)	(42)
Rentals payable for the hire of assets under operating leases	246	254
Transfer of trade	217	-

On 31 March 2015 H&H Land and Property entered into a transaction with two directors to transfer the ongoing trade with 9 customers. The gain recognised in the profit and loss account is the total consideration of £140,000 less direct transfer costs. The consideration is due in 8 equal instalments of £17,500 with £70,000 being due in over one year.

On 30 April 2015 H&H Insurance Brokers entered into a transaction with an employee to transfer the ongoing trade with 54 customers. The gain recognised in the profit and loss account is the total consideration of £84,924 less direct transfer costs.

	2015 £000	2014 £000
<i>Auditors' remuneration:</i>		
Audit of these financial statements	4	4
Amounts receivable by auditors and their associates in respect of:		
Audit of financial statements of subsidiaries pursuant to such legislation	22	22
Other services	80	2

**Notes** *(continued)*

**5 Remuneration of Directors**

	<b>2015</b> <b>£000</b>	2014 £000
Directors' emoluments		
- Fees	<b>62</b>	64
- Other emoluments	<b>173</b>	151
- Company contributions to money purchase pension schemes	<b>6</b>	6
- Benefits in kind	<b>15</b>	18
	<b>256</b>	239

The emoluments of the highest paid Director were £184,201 (2014: £162,197). Company pension contributions of £6,283 (2014: £6,010) were made to a personal pension scheme on his behalf.

One director (2014: one) had benefits accruing under the Group's money purchase pension scheme.

**6 Staff numbers and costs**

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

	<b>Group and Company Number of Employees</b>	
	<b>2015</b>	2014
Management	<b>14</b>	16
Professional	<b>21</b>	17
Sales	<b>34</b>	34
Administration	<b>60</b>	62
Operations	<b>57</b>	58
	<b>186</b>	187

In addition, 87 (2014: 86) part-time staff were employed.

## **Notes** *(continued)*

### **6 Staff numbers and costs** *(continued)*

The aggregate payroll costs of these persons were as follows:

	<b>2015</b> <b>£000</b>	2014 £000
Wages and salaries	<b>5,581</b>	5,623
Social security costs	<b>544</b>	556
Other pension costs (note 24)	<b>189</b>	178
	<b>6,314</b>	6,357

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**

	<b>2015</b> <b>£000</b>	2014 £000
On bank overdrafts	<b>128</b>	115
On bank loans	<b>10</b>	14
On committed money market loans	<b>66</b>	283
Finance charges payable in respect of finance lease and hire purchase contracts	<b>9</b>	21
	<b>213</b>	433

### **8 Other finance costs**

	<b>2015</b> <b>£000</b>	2014 £000
Expected returns on pension scheme net assets (note 24)	<b>873</b>	855
Interest on pension scheme liabilities (note 24)	<b>(920)</b>	(893)
	<b>(47)</b>	(38)

## Notes (continued)

### 9 Taxation

#### Analysis of charge in year

	2015 £000	2014 £000
<b>UK corporation tax</b>		
Current tax on income for the year	225	352
Adjustment in respect of prior years	3	2
Total current tax	228	354
<b>Deferred tax</b>		
Origination/reversal of timing differences (note 19)	54	(13)
Tax on profit on ordinary activities	282	341

#### Factors affecting the tax charge for the current year

The current tax charge for the year is lower (2014: higher) than the standard rate of corporation tax in the UK, 20.75% (2014: 22.5%). The differences are explained below:

	2015 £000	2014 £000
<b>Current tax reconciliation:</b>		
Profit on ordinary activities before tax	1,155	1,297
Current tax at 20.75% (2014: 22.5%)	240	292
<b>Effects of:</b>		
Expenses not deductible for tax purposes	29	40
Capital allowances for period (in excess of)/less than depreciation	(30)	36
Other timing differences	(1)	1
Marginal rate tax	-	(2)
Adjustment to tax charge in respect of prior years	3	2
Adjustment in respect of prior year due to loss carried back	(1)	-
FRS 17 pension scheme adjustments	(12)	(15)
Total current tax charge (see above)	228	354

#### Factors that may affect future tax charges

The Company has no unutilised trading losses to carry forward (2014: £nil).

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. In the Budget on 8 July 2015, the Chancellor announced additional planned reductions to 18% by 2020. This will reduce the company's future tax charge accordingly. The deferred tax liability at 30 June 2015 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

## Notes (continued)

### 10 Profit for the financial year

The result dealt with in the accounts of the parent Company was a profit of £387,000 (2014: £314,000).

### 11 Dividends

The aggregate amount of dividends comprises:

	<b>2015 £000</b>	<b>2014 £000</b>
Final dividend paid in respect of prior year but not recognised as liabilities in that year	<b>281</b>	260
Interim dividend paid in respect of the current year	<b>83</b>	83
Aggregate amount of dividends paid in the financial year	<b>364</b>	343

The aggregate amount of dividends proposed and recognised as a liability as at the year end is £nil (2014: £nil).

### 12 Intangible fixed assets

	<b>Goodwill £000</b>
<b>Group</b>	
<b>Cost</b>	
At beginning and end of year	3,096
<b>Amortisation</b>	
At beginning of year	1,373
Charge in year	152
<b>At end of year</b>	<b>1,525</b>
<b>Net book value</b>	
<b>At 30 June 2015</b>	<b>1,571</b>
At 30 June 2014	1,723

## Notes (continued)

### 13 Tangible fixed assets

<b>Group</b>	<b>Freehold land and buildings £000</b>	<b>Motor vehicles £000</b>	<b>Plant, fittings and computers £000</b>	<b>Total £000</b>
<b>Cost or valuation</b>				
At beginning of year	10,239	895	3,255	14,389
Additions	411	362	371	1,144
Disposals	-	(300)	(108)	(408)
<b>At end of year</b>	<b>10,650</b>	<b>957</b>	<b>3,518</b>	<b>15,125</b>
<b>Depreciation</b>				
At beginning of year	85	408	1,710	2,203
Charge for year	19	209	351	579
Disposals	-	(198)	(101)	(299)
<b>At end of year</b>	<b>104</b>	<b>419</b>	<b>1,960</b>	<b>2,483</b>
<b>Net book value At 30 June 2015</b>	<b>10,546</b>	<b>538</b>	<b>1,558</b>	<b>12,642</b>
At 30 June 2014	10,154	487	1,545	12,186

Included in the total NBV of plant, fittings and computers is £420,000 (2014: £494,000) in respect of assets held under finance lease and similar hire purchase contracts. Depreciation for the year on these assets was £74,000 (2014: £86,000).

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

<b>Land and Buildings</b>	<b>Group and Company</b>	
	<b>2015 £000</b>	<b>2014 £000</b>
At 2014 open market value	<b>10,650</b>	10,239
Aggregate depreciation thereon	<b>(104)</b>	(85)
Net book value	<b>10,546</b>	10,154
Historical cost of revalued assets	<b>7,286</b>	6,875
Aggregate depreciation thereon	<b>(167)</b>	(150)
Historical cost net book value	<b>7,119</b>	6,725

All of the Group's freehold land and buildings were valued at June 2013 at existing use value or market value as appropriate by Hyde Harrington, Chartered Surveyors, in accordance with the RICS Professional Standards, March 2013, the UK VS2 (Valuations for Financial Statements), the Valuations for Financial Statements under UK GAAP, as set out in FRS 15.

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



## Notes (continued)

### 13 Tangible fixed assets (continued)

Land and buildings includes an amount of £9,900,605 which is not depreciated (2014: £9,489,646) (Group and Company).

	Freehold land and buildings	Plant, fittings and computers	Total
Company	£000	£000	£000
<b>Cost or valuation</b>			
At beginning of year	10,239	1,043	11,282
Additions	411	61	472
Disposals	-	(43)	(43)
<b>At end of year</b>	<b>10,650</b>	<b>1,061</b>	<b>11,711</b>
<b>Depreciation</b>			
At beginning of year	91	472	563
Charge for year	21	105	126
On disposals	-	(28)	(28)
<b>At end of year</b>	<b>112</b>	<b>549</b>	<b>661</b>
<b>Net book value</b>			
<b>At 30 June 2015</b>	<b>10,538</b>	<b>512</b>	<b>11,050</b>
At 30 June 2014	10,148	571	10,719

Included in the total NBV of plant, fittings and computers is £351,000 (2014: £413,000) in respect of assets held under finance lease and similar hire purchase contracts. Depreciation for the year on these assets was £62,000 (2014: £73,000).

### 14 Fixed asset investments

#### Group

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

## Notes (continued)

### 14 Fixed asset investments (continued)

#### Company

	<b>Subsidiary undertaking</b> £000	<b>Other investments</b> £000	<b>Total</b> £000
<b>Cost</b>			
At beginning of year	3,253	5	3,258
Additions	15	-	15
<b>At end of year</b>	<b>3,268</b>	<b>5</b>	<b>3,273</b>
<b>Provisions</b>			
At beginning of year	-	-	-
Impairment	15	-	15
	<b>15</b>	<b>-</b>	<b>15</b>
<b>Net book value</b>			
<b>At 30 June 2015</b>	<b>3,253</b>	<b>5</b>	<b>3,258</b>
At 30 June 2014	3,253	5	3,258

	<b>Country of incorporation</b>	<b>Class and percentage of shares held</b> %
<b>Subsidiary undertakings</b>		
Harrison & Hetherington Limited <sup>1</sup>	England	100.0
Beacon Borderway Limited <sup>2</sup>	England	100.0
Borderway Farmstock Limited <sup>2</sup>	England	100.0
H&H Finance Limited <sup>1</sup>	England	100.0
H&H Land and Property Limited <sup>1</sup>	England	100.0
H&H Insurance Brokers Limited <sup>1</sup>	England	100.0
H&H King Limited <sup>2</sup>	England	100.0
H&H Motor Auctions Limited <sup>2</sup>	England	100.0
Harrison & Hetherington (Scotland) Limited <sup>2</sup>	Scotland	100.0
H&H Borderway Limited <sup>2</sup>	England	100.0
A&D Printers Limited <sup>2</sup>	England	100.0
H&H Reeds Printers Limited <sup>1</sup>	England	100.0*

	<b>Company</b>	
	<b>2015</b>	2014
	<b>£</b>	<b>£</b>
<b>Other investments (Group and Company)</b>		
Other unlisted investments	<b>4,500</b>	4,500

<sup>1</sup> See strategic report (page 6) for principal activities.

<sup>2</sup> Dormant throughout current year

\* Held indirectly through ownership of A&D Printers Limited

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

## Notes (continued)

### 15 Stocks

	<b>Group</b>	
	<b>2015</b>	2014
	<b>£000</b>	£000
Work in progress	<b>523</b>	511
Raw materials and finished goods	<b>178</b>	178
	<b>701</b>	689

### 16 Debtors

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	2014	<b>2015</b>	2014
	<b>£000</b>	£000	<b>£000</b>	£000
Trade debtors	<b>5,823</b>	4,816	<b>25</b>	22
Amounts receivable on finance contracts by:				
- Harrison & Hetherington Limited	<b>22</b>	28	-	-
- H&H Borderway Finance Limited	<b>5,248</b>	12,071	-	-
Prepayments and accrued income	<b>685</b>	509	<b>206</b>	49
	<b>11,778</b>	17,424	<b>231</b>	71

#### Finance contracts debtors analysis:

	<b>Group</b>	
	<b>2015</b>	2014
	<b>£000</b>	£000
<b>Net investment in</b>		
Hire purchase	<b>4,929</b>	11,380
Other finance debtors	<b>341</b>	719
	<b>5,270</b>	12,099

	<b>Group</b>	
	<b>2015</b>	2014
	<b>£000</b>	£000
Of which the amount due after more than one year	<b>2,687</b>	6,726
Original asset value of vehicles on which hire purchase and finance lease agreements were made during the year		5,729
Aggregate capital rentals received	<b>6,404</b>	9,229

## Notes (continued)

### 17 Creditors: amounts falling due within one year

	Group		Company	
	2015 £000	2014 £000	2015 £000	2014 £000
Bank overdrafts	6,368	5,253	1,402	1,280
Bank loan	123	120	123	120
Committed money market loans	-	6,630	-	-
Trade creditors	1,042	980	-	-
Amounts owed to Group undertakings	-	-	6,553	5,923
Corporation tax	224	352	10	10
Other taxation and social security	451	474	5	10
Accruals and deferred income	612	593	138	150
Obligations under finance leases and hire purchase contracts	117	118	96	96
	<b>8,937</b>	<b>14,520</b>	<b>8,327</b>	<b>7,589</b>

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 2015, the group was holding £1,386,565 (2014: £1,106,476) 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 2015, £nil (2014: £4,000,000) of the committed money market loans were covered by these instruments. At 30 June 2015, the fair value of the Group and Company's obligations under the instruments was £nil (2014: £4,331).

### 18 Creditors: amounts falling due after more than one year

	Group		Company	
	2015 £000	2014 £000	2015 £000	2014 £000
Bank loans	61	185	61	185
Obligations under finance lease and hire purchase contracts	128	244	113	208
	<b>189</b>	<b>429</b>	<b>174</b>	<b>393</b>

**Notes** *(continued)*

**18 Creditors: amounts falling due after more than one year** *(continued)*

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	2014	<b>2015</b>	2014
	<b>£000</b>	£000	<b>£000</b>	£000
Within one year	<b>117</b>	118	<b>96</b>	96
In the second to fifth years	<b>128</b>	244	<b>113</b>	208
Over five years	-	-	-	-
	<b>245</b>	362	<b>209</b>	304

The maturity of debt is as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	2014	<b>2015</b>	2014
	<b>£000</b>	£000	<b>£000</b>	£000
Within one year	<b>6,490</b>	12,121	<b>1,621</b>	1,496
In the second to fifth years	<b>189</b>	429	<b>174</b>	393
Over five years	-	-	-	-
	<b>6,679</b>	12,550	<b>1,795</b>	1,889

**19 Provisions for liabilities**

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	2014	<b>2015</b>	2014
	<b>£000</b>	£000	<b>£000</b>	£000
Deferred tax	<b>62</b>	27	-	-
Contingent consideration	-	12	-	12
	<b>62</b>	39	-	12

The movements in contingent consideration are as follows:

	<b>2015</b>	2014
	<b>£000</b>	£000
At beginning of year	<b>12</b>	250
Utilised during year	<b>(12)</b>	(159)
Adjustment to contingent consideration	-	(79)
At end of year	-	12

## Notes (continued)

### 19 Provisions for liabilities (continued)

The movements in deferred tax are as follows:

	At beginning of year	Profit & loss account (credit)/ charge	Amounts included in STRGL	At end of year
	£000	£000	£000	£000
Provision for liabilities	27	35	-	62
Pensions (see note 24)	(200)	19	53	(128)
	(173)	54	53	(66)

The elements of deferred tax are as follows:

	2015 £000	2014 £000
Difference between accumulated depreciation and capital allowances	98	66
Other timing differences	(3)	(4)
Tax losses	(33)	(35)
Deferred tax liability	62	27

The elements of unprovided deferred tax are as follows:

	Group		Company	
	2015 £000	2014 £000	2015 £000	2014 £000
Difference between accumulated depreciation and capital allowances	-	-	(6)	(12)
Unused tax losses	-	-	(34)	(35)
	-	-	(40)	(47)

These assets have not been recognised as their future recoverability against taxable profits cannot be foreseen with reasonable certainty. 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 £686,000 (2014: £686,000).

### 20 Called up share capital

	2015 £000	2014 £000
<b>Allotted, called up and fully paid</b>		
1,040,000 ordinary shares of £1 each	1,040	1,040

## Notes (continued)

### 21 Reserves

<b>Group</b>	<b>Revaluation reserve £000</b>	<b>Profit and loss account £000</b>
At the beginning of year	3,429	11,900
Profit for the year	-	873
Dividends on shares classified in shareholders' funds	-	(364)
Actuarial gain recognised in the pension scheme	-	170
Deferred tax arising on loss in the pension scheme	-	(53)
Transfers	(2)	2
<b>At end of year</b>	<b>3,427</b>	<b>12,528</b>
	<b>2015 £000</b>	<b>2014 £000</b>
Profit and loss reserve excluding pension liabilities	13,042	12,570
Pension liabilities	(514)	(670)
Profit and loss reserve including pension liabilities	12,528	11,900
<b>Company</b>	<b>Revaluation reserve £000</b>	<b>Profit and loss account £000</b>
At beginning of year	3,429	915
Profit for the year	-	387
Dividends on shares classified in shareholders' funds	-	(364)
Actuarial loss recognised in the pension scheme	-	170
Deferred tax arising on loss in the pension scheme	-	(53)
Transfers	(2)	2
<b>At end of year</b>	<b>3,427</b>	<b>1,057</b>
	<b>2015 £000</b>	<b>2014 £000</b>
Profit and loss reserve excluding pension liabilities	1,571	1,585
Pension liabilities (note 24)	(514)	(670)
Profit and loss reserve including pension liabilities	1,057	915

## Notes (continued)

### 22 Contingent liabilities

At 30 June 2015 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.

### 23 Commitments

The Group and the Company had contracted capital commitments of £nil at the end of the current year (2014: nil).

Annual commitments under non-cancellable operating leases are as follows:

	2015		2014	
	Land and Buildings £000	Other £000	Land and Buildings £000	Other £000
<b>Group</b>				
Operating leases which expire:				
Within one year	-	40	11	5
In the second to fifth years inclusive	87	5	87	47
Over five years	69	-	69	-
	<u>156</u>	<u>45</u>	<u>167</u>	<u>52</u>
	2015		2014	
	Land and Buildings £000	Other £000	Land and Buildings £000	Other £000
<b>Company</b>				
Operating leases which expire:				
Over five years	27	-	27	-
	<u>27</u>	<u>-</u>	<u>27</u>	<u>-</u>

### 24 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 £189,000 (2014: £178,000).

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. This 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 30 June 2013 and updated to 30 June 2015 to take account of the requirements of FRS 17.



## Notes (continued)

### 24 Pension scheme (continued)

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

	<b>Group and Company</b>	
	<b>2015</b>	2014
	<b>£000</b>	£000
Present value of funded defined benefit obligations	<b>(22,483)</b>	(21,466)
Fair value of plan assets	<b>21,841</b>	20,596
Deficit	<b>(642)</b>	(870)
Related deferred tax asset	<b>128</b>	200
Net liability	<b>(514)</b>	(670)

#### *Movements in present value of defined benefit obligation*

	<b>Group and Company</b>	
	<b>2015</b>	2014
	<b>£000</b>	£000
At 1 July	<b>21,466</b>	18,899
Interest cost	<b>920</b>	893
Actuarial losses	<b>728</b>	2,356
Benefits paid	<b>(631)</b>	(682)
At 30 June	<b>22,483</b>	21,466

#### *Movements in fair value of plan assets*

	<b>Group and Company</b>	
	<b>2015</b>	2014
	<b>£000</b>	£000
At 1 July	<b>20,596</b>	18,349
Expected return on plan assets	<b>873</b>	855
Actuarial gains	<b>898</b>	1,970
Contributions by employer	<b>105</b>	104
Benefits paid	<b>(631)</b>	(682)
At 30 June	<b>21,841</b>	20,596

## Notes (continued)

### 24 Pension scheme (continued)

Expense recognised in the profit and loss account

	<b>Group and Company</b>	
	<b>2015</b>	2014
	<b>£000</b>	£000
Interest on defined benefit pension plan obligation	<b>(920)</b>	(893)
Expected return on defined benefit pension plan assets	<b>873</b>	855
<b>Total</b>	<b>(47)</b>	(38)

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

	<b>Group and Company</b>	
	<b>2015</b>	2014
	<b>£000</b>	£000
Other finance costs	<b>(47)</b>	(38)

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

	<b>Group and Company</b>	
	<b>2015</b>	2014
	<b>£000</b>	£000
Actual return less expected return on scheme assets	<b>898</b>	1,970
Changes in assumptions underlying the present value of scheme liabilities	<b>(728)</b>	(2,356)
Actuarial loss recognised in statement of total recognised gains and losses	<b>170</b>	(386)

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 £1,030,000 (2014: £860,000) (Company £1,030,000 (2014: £860,000)).

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

	<b>Group and Company</b>	
	<b>2015</b>	2014
	<b>Fair value</b>	Fair value
	<b>£000</b>	£000
Bonds and Gilts	<b>2,289</b>	1,936
Insurance policy	<b>19,542</b>	18,578
Other	<b>10</b>	82
	<b>21,841</b>	20,596
Actual return on plan assets	<b>1,771</b>	2,825

## Notes (continued)

### 24 Pension scheme (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:

	<b>Group and Company</b>	
	<b>2015</b>	<b>2014</b>
Discount rate applied to scheme liabilities	<b>3.8%</b>	4.35%
Expected rate of return on plan assets	<b>3.8%</b>	4.29%
Future salary increases	<b>3.25%</b>	3.45%
Inflation assumption	<b>3.25%</b>	3.45%

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 2015 is as follows:

- Base table: 'SIPA'
- Future mortality improvements: continuous Mortality Investigation (CMI) model for 2012 with a long term rate of mortality improvement of 1.5% pa.

Average life expectations

	<b>2015</b>	<b>2014</b>
Male retiring at reporting date at age 65 (in years)	<b>22.7</b>	22.9
Male retiring at reporting date +20 years at age 65 (in years)	<b>24.4</b>	24.9
Female retiring at reporting date at age 65 (in years)	<b>25.0</b>	25.6
Female retiring at reporting date +20 years at age 65	<b>26.9</b>	27.5

Members are assumed to retire at the earliest age at which they can take full pension unreduced. Members are assumed to opt to take 85% of the maximum tax free cash by commutation at retirement.

## Notes (continued)

### 24 Pension scheme (continued)

#### History of plans

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

#### Group and Company

##### Balance sheet

	<b>2015</b>	2014	2013	2012	2011
	<b>£000</b>	£000	£000	£000	£000
Present value of scheme liabilities	<b>(22,483)</b>	(21,466)	(18,899)	(20,043)	(16,189)
Fair value of scheme assets	<b>21,841</b>	20,596	18,349	19,893	15,448
Deficit	<b>(642)</b>	(870)	(550)	(150)	(741)

#### History of experience gains and losses:

	<b>2015</b>	2014	2013	2012	2011
	<b>£000</b>	£000	£000	£000	£000
Actual return less expected return on scheme assets:					
Amount (£000)	<b>(898)</b>	(1,970)	1,928	(4,025)	(6,750)
Percentage of year end scheme assets	<b>4%</b>	10%	(10%)	20%	44%
Experience (gains) and losses on scheme liabilities:					
Amount (£000)	-	626	-	-	6,547
Percentage of year end present value of scheme liabilities	<b>0%</b>	3%	0%	0%	40%
Total amount recognised in statement of total recognised gains and losses:					
Amount (£000)	<b>170</b>	(386)	(490)	535	313
Percentage of year end present value of scheme liabilities	<b>1%</b>	(2%)	(3%)	3%	2%

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 30 June 2013 and updated to 30 June 2015 to take account of the requirements of FRS 17.

The Group expects to contribute approximately £109,000 to its defined benefit plans in the next financial year (Company: £103,600).

## Notes (continued)

### 25 Reconciliation of operating profit to operating cash flows

	2015 £000	2014 £000
Group operating profit	1,161	1,724
Depreciation, amortisation and impairment charges	731	831
(Decrease)/increase in stocks	(12)	16
(Increase)/decrease in debtors	(1,043)	238
Decrease in amounts receivable on finance contracts	6,829	3,571
(Increase)/decrease in creditors	54	(229)
Contributions to defined benefit scheme	(105)	(104)
Decrease in provisions	(12)	(160)
Net cash inflow from operating activities	<u>7,603</u>	<u>5,887</u>

### 26 Analysis of cash flows

	2015 £000	2014 £000
<b>Returns on investment and servicing of finance</b>		
Interest received	1	2
Interest paid	(205)	(466)
Finance lease interest paid	(6)	(20)
	<u>(210)</u>	<u>(484)</u>
<b>Capital expenditure</b>		
Purchase of tangible fixed assets	(1,144)	(608)
Sale of tangible fixed assets	145	206
Purchase of intangible fixed assets	-	(1)
Sale of investments	-	97
	<u>(999)</u>	<u>(306)</u>
<b>Acquisition and disposals</b>		
Purchase of subsidiary undertaking	-	-
Net cash acquired with subsidiary undertaking	-	-
Transfer of trade	77	-
	<u>77</u>	<u>-</u>
<b>Financing</b>		
Capital element of finance lease rental payments	(117)	(136)
Repayment of loans and borrowings	(120)	(118)
Repayment of committed money market loans	(6,630)	(4,170)
	<u>(6,867)</u>	<u>(4,424)</u>

## Notes (continued)

### 27 Analysis of net debt

	At beginning of year £000	Cash flow £000	Other non cash changes £000	At end of year £000
Overdrafts	(5,253)	(1,115)	-	<b>(6,368)</b>
	(5,253)	(1,115)	-	<b>(6,368)</b>
Debt due after one year	(185)	185	(61)	<b>(61)</b>
Debt due within one year	(6,750)	6,566	61	<b>(123)</b>
Finance leases	(362)	117	-	<b>(245)</b>
	(7,297)	6,868	-	<b>(429)</b>
<b>Total</b>	<b>(12,550)</b>	<b>5,753</b>	<b>-</b>	<b>(6,797)</b>

### 28 Post balance sheet event

Following the year end, the Company submitted an offer to acquire John Swan and Sons plc for £8.3m. The offer includes the option for a share-for-share exchange with H&H Group plc or cash. Bank funding has been secured to cover the cash element of the acquisition. A decision on whether to accept the offer is expected to be made by the shareholders of John Swan and Sons plc in mid-October.

### 29 Related party disclosures

The company has taken advantage of the exemption under FRS 8 not to disclose transactions with other members of the group.



## **The Board of Directors**

Left to right:

Ian C Lancaster (*Non-Executive Director*)

Dawn Harrison (*Non-Executive Director*)

Alasdair G Houston (*Non-Executive Director*)

Adrian R Hill (*Non-Executive Director*)

Michael L Scott (*Non-Executive Director*)

Brian E Richardson (*Chief Executive*)

Michael T E Cowen (*Non-Executive Chairman*)

Margaret Irving (*Company Secretary*)

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