

H&H Insurance Brokers Limited

**Directors' report and financial
statements**

Registered number 2200510

30 June 2012

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Directors' report

The Directors present their Directors' report and financial statements for the year ended 30 June 2012

Principal activities

The principal activity of the Company is insurance broking

Business review

The results of the Company are set out in the profit and loss account on page 6

Dividends

The Directors do not recommend the payment of a dividend (2011 £nil)

Directors and Directors' interests

The Directors who held office during the year and their interests in the shares of the parent Company, H&H Group plc, were as follows

	Ordinary shares of £1 each in H&H Group plc	
	At 30 June 2012	At 30 June 2011
BE Richardson	454	454
P Pugin	25	25
K Coulthard	-	-

None of the Directors who held office at the end of the financial year had any disclosable interest in the shares of the Company

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

Political and charitable contributions

The Company made no political contributions during the current or prior year. Donations to UK charities amounted to £nil (2011 £nil)

Disclosure of information to Auditor

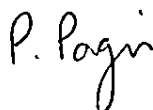
The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditor is unaware, and each Director has taken all the steps that he ought to have taken as a Director to make himself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

Directors' report *(continued)*

Independent auditor

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the Board



P Pagn
Director

Borderway Mart
Rosehill
Carlisle
CA1 2RS

29 October 2012

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 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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



KPMG LLP

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

Independent auditor's report to the members of H&H Insurance Brokers Limited

We have audited the financial statements of H&H Insurance Brokers Limited for the year ended 30 June 2012 set out on pages 6 to 15. 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 3, 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 APB's web-site at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 June 2012 and of its 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 auditor's report to the members of H&H Insurance Brokers Limited *(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, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



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

29 October 2012

Profit and Loss Account
for the year ended 30 June 2012

	<i>Note</i>	2012 £	2011 £
Turnover	<i>1</i>	1,079,391	928,194
Administration expenses		(952,077)	(774,837)
Operating profit		127,314	153,357
(Loss)/profit on sale of fixed assets		(89)	8,442
Profit on ordinary activities before taxation	<i>2-4</i>	127,225	161,799
Tax on profit on ordinary activities	<i>5</i>	(6,666)	(7,785)
Profit for the financial year	<i>11</i>	120,559	154,014

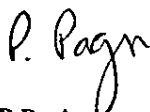
All of the results above derive from continuing activities

The company has no recognised gains or losses other than those shown above and therefore no separate statement of total recognised gains and losses has been presented

Balance Sheet
at 30 June 2012

	<i>Note</i>	2012		2011	
		£	£	£	£
Fixed assets					
Intangible assets	6		42,780		59,892
Tangible assets	7		137,025		112,804
			<hr/>		<hr/>
			179,805		172,696
Current assets					
Debtors	8	528,436		297,973	
Cash at bank and in hand		934,844		793,066	
		<hr/>		<hr/>	
Creditors: amounts falling due within one year	9	1,463,280 (645,983)		1,091,039 (387,192)	
		<hr/>		<hr/>	
Net current assets			817,297		703,847
			<hr/>		<hr/>
Total assets less current liabilities			997,102		876,543
			<hr/>		<hr/>
Net assets			997,102		876,543
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	10	100,000		100,000	
Profit and loss account	11	897,102		776,543	
		<hr/>		<hr/>	
Shareholders' funds			997,102		876,543
			<hr/>		<hr/>

These financial statements were approved by the Board of Directors on 29 October 2012 and were signed on its behalf by



P Pagn
 Director

Registered number 2200510

Reconciliation of Movements in Shareholders' Funds
for the year ended 30 June 2012

	2012 £	2011 £
Profit for the financial year	120,559	154,014
Net addition to shareholders' funds	120,559	154,014
Opening shareholders' funds	876,543	722,529
Closing shareholders' funds	997,102	876,543

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

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements

As the Company is a wholly owned subsidiary of H&H Group plc, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the Group (or investees of the Group qualifying as related parties) The consolidated financial statements of H&H Group plc, within which this Company is included, can be obtained from the address given in note 15

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 one and ten years based on the minimum period the Directors believe the Company will benefit from these investments

Tangible fixed assets and depreciation

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

Computer equipment	-	3 years (straight line)
Motor vehicles	-	4 years (straight line)
Office equipment	-	5 years (straight line)
Fixtures and fittings	-	15% (reducing balance)

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease

Post-retirement benefits

The Company operates a defined contribution pension scheme The assets of the scheme are held separately from those of the Company in an independently administered fund The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period

The Company also participates in a Group wide pension scheme providing benefits based on final pensionable pay The assets of the scheme are held separately from those of the Group The Company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period

Notes (continued)

1 Accounting policies (continued)

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

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

Financial instruments

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee

Classification of financial instruments issued by the Company

Following the adoption of FRS 25, financial instruments issued by the Company 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 services to customers. The turnover and profit is attributable to the principal activity of the Company, and is earned entirely within the United Kingdom. As the company acts as a broker for their clients, turnover represents the commission earned only

Notes (continued)

1 Accounting policies (continued)

Cash

Cash comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand

Client monies

The company 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.

2 Notes to the profit and loss account

	2012 £	2011 £
<i>Profit on ordinary activities before taxation is stated after charging/(crediting):</i>		
Depreciation – owned assets	44,823	29,720
Amortisation of goodwill	17,112	17,112
Hire of plant and machinery – rentals payable under operating leases	10,200	11,045
Profit on sale of fixed assets	89	(8,442)
	<hr/>	<hr/>
<i>Auditor's remuneration</i>		
Audit of these financial statements	1,200	1,200
	<hr/>	<hr/>

3 Remuneration of Directors

	2012 £	2011 £
Directors' emoluments	126,263	126,181
Contributions to money purchase pension schemes	4,314	3,535
	<hr/>	<hr/>
	130,577	129,716
	<hr/>	<hr/>

Two Directors (2011 two) had benefits accruing under the Group's money purchase pension scheme

4 Staff numbers and costs

The average number of persons employed by the Company (including Directors) during the year, analysed by category, was as follows

	Number of employees	
	2012	2011
Management	2	2
Sales	8	6
Administration	10	7
	<hr/>	<hr/>
	20	15
	<hr/>	<hr/>

Notes (continued)

4 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows

	2012 £	2011 £
Wages and salaries	497,217	396,812
Social security costs	51,093	40,575
Other pension costs (note 14)	13,312	11,898
	<u>561,622</u>	<u>449,285</u>

5 Taxation

Analysis of charge in year

	2012 £	2011 £
<i>UK corporation tax</i>		
Current tax on income for the period	6,667	7,782
Adjustment in respect of prior periods	(1)	3
	<u>6,666</u>	<u>7,785</u>

Factors affecting the tax charge for the current year

The current tax charge for the year is lower (2011 lower) than the standard rate of corporation tax for small companies in the UK 20% (2011 20.75%) The differences are explained below

	2012 £	2011 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	127,225	161,799
	<u>25,445</u>	<u>33,574</u>
Current tax at 20% (2011 20.75%)		
<i>Effects of</i>		
Expenses not deductible for tax purposes	1,178	1,148
Capital allowances for period (greater)/less than depreciation	2,225	(2,743)
Utilisation of group relief for no consideration	(22,181)	(24,197)
Adjustment in respect of prior periods	(1)	3
	<u>6,666</u>	<u>7,785</u>

Factors that may affect future tax charges

The company qualifies for small companies' relief which in the current year was 20%

Notes (continued)

6 Intangible fixed assets

	Goodwill £
<i>Cost</i>	
At beginning and end of year	277,023
<i>Amortisation</i>	
At beginning of year	217,131
Charge for the year	17,112
At end of year	234,243
<i>Net book value</i>	
At 30 June 2012	42,780
At 30 June 2011	59,892

7 Tangible fixed assets

	Computer equipment £	Motor vehicles £	Office equipment and fittings £	Total £
<i>Cost</i>				
At beginning and end of year	16,264	105,949	16,534	138,747
Additions	7,488	61,511	631	69,630
Disposals	(1,513)	-	-	(1,513)
	22,239	167,460	17,165	206,864
<i>Depreciation</i>				
At beginning of year	10,431	14,123	1,389	25,943
Charge for year	4,470	36,862	3,491	44,823
On disposals	(927)	-	-	(927)
At end of year	13,974	50,985	4,880	69,839
<i>Net book value</i>				
At 30 June 2012	8,265	116,475	12,285	137,025
At 30 June 2011	5,833	91,826	15,145	112,804

Notes (continued)

8 Debtors

	2012 £	2011 £
Trade debtors	503,225	269,820
Prepayments and accrued income	25,061	28,153
Tax and social security	150	-
	<u>528,436</u>	<u>297,973</u>

There is an unrecognised deferred tax asset of £568 in relation to fixed asset timing differences

9 Creditors: amounts falling due within one year

	2012 £	2011 £
Trade creditors	521,947	275,598
Amounts owed to Group undertakings	80,071	68,378
Corporation tax	6,667	7,782
Accruals and deferred income	37,298	35,434
	<u>645,983</u>	<u>387,192</u>

At 30 June 2012 the company was holding £462,508 (2011 £726,754) on behalf of its clients. This cash balance has been excluded from the cash balance and offset against the trade creditors balance as it relates to monies due to trade creditors from clients.

10 Called up share capital

	2012 £	2011 £
<i>Allotted, called up and fully paid</i>		
100,000 (2011 100,000) ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>

11 Profit and loss account

	2012 £	2011 £
At beginning of year	776,543	622,529
Profit for the year	<u>120,559</u>	<u>154,014</u>
At end of year	<u>897,102</u>	<u>776,543</u>

Notes (continued)

12 Contingent liabilities

At 30 June 2012 the Company was party to a Group composite banking arrangement under which overdrafts and cash balances can be offset. The company and its fellow group undertakings have cross guarantee arrangements in connection with bank facilities. The total Group liability under these arrangements at 30 June 2012 amounted to £17,360,000 (2011 £18,905,000). This includes £13,250,000 (2011 £15,300,000) in respect of Money Market Loans that are also secured by charges over certain of the Group's freehold property and finance assets.

13 Commitments

The Company had no contracted capital commitments at the end of the current or previous year.

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

	2012 Land and buildings £	Other £	2011 Land and Buildings £	Other £
Operating leases which expire				
In one year	-	-	-	-
In the second to fifth year inclusive	-	7,565	-	11,381
	<u>-</u>	<u>7,565</u>	<u>-</u>	<u>11,381</u>

14 Pension scheme

All employees are eligible to join the Group pension schemes. The Group operates a funded defined benefit scheme which became paid up with effect from 28 February 2001, i.e. members are earning no further benefits. Details of the scheme are disclosed in the financial statements of H & H Group plc.

As the Company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement benefits', the scheme has been accounted for, in these financial statements as if the scheme was a defined contribution scheme. No contributions have been made in the year (2011 £nil).

The latest full actuarial valuation was carried out at 30 June 2010 and updated for FRS 17 purposes to 30 June 2012 by a qualified independent actuary. The deficit at the year end before deferred tax is £150,000 (2011 £741,000).

The Group also operates a Group personal pension scheme and a stakeholder pension scheme. Charges for these schemes in the accounts for the year relate to contributions made during the year, and amounted to £13,312 (2011 £11,898). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

15 Ultimate parent Company

The Company is a subsidiary undertaking of, and is controlled by, H&H Group plc incorporated in England and Wales. Results of the Company are consolidated only in the accounts of H&H Group plc. Consolidated accounts of H&H Group plc are available from the Group at Borderway Mart, Rosehill, Carlisle, CA1 2RS.