Annual Report & Accounts 2014

First in the Field...

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Contents

H&H GROUP plc

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 Second Annual General Meeting of the Company will be held in the Shepherds Inn, Rosehill, Carlisle on 7 November 2014 at 11.30 am for the following purposes:

1. To receive and consider the Accounts for the financial year ended 30 June 2014 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 27 pence per share to be paid on 5 December 2014.

4. To re-elect M L Scott as a Director.

5. To re-elect M T E Cowen as a Director.

6. To re-elect A G Houston as a Director.

7. To re-appoint KPMG LLP as Auditors of the Company to hold office from the conclusion of the meeting at a remuneration to be fixed by the Directors.

Approved by the Board on 23 September 2014 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.

Chairman's Statement

This is my first report since taking over as Chairman of the H&H Group plc at the AGM last year and I am pleased to be able to report that the H&H Group has had another successful year with a profit before tax of £1.297 million, a 28% increase on the previous year.

The H&H Group's heritage remains largely focused on the agricultural and rural economy with these interests spreading into the commercial markets through our involvements in the print, insurance and property sectors.

In my time as Chairman I have been impressed by the dedication of all the staff led by a solid management team. To support them we have a strong Board which, as well as reviewing progress and results, is focused on developing and creating a long term sustainable strategy so the business can remain successful in an ever changing business environment.

As a business we are not immune to the changes in the wider economy and in the Chief Executive's strategic review of the business you will read a more detailed report on how the business is performing and some of the changes in the last year.

One major change was to withdraw from the motor finance business. We have been involved in this sector for 16 years and it has contributed significantly to the profitability of the Group during that time. In recent years, particularly since the financial turmoil caused by the banking crisis, this sector became more difficult for us to operate in. In the coming two years we will substantially repay all of the bank borrowing connected with this business and therefore have much greater resources to invest further in our businesses and opportunities in our sectors. We are delighted that the business has been transferred to the Cumberland Building Society; another local employer.

After the year end we also decided that the Motor Auction was no longer sustainable as a separate business having sustained losses for several years. We will continue to sell vehicles through the Harrison & Hetherington machinery sale at a more targeted level.

Whilst these decisions are never taken lightly, they were needed to maintain the success of the business and will allow us to focus on the remaining parts of our Group and develop other areas of growth. This will be considerably aided with the significant reduction in gearing as a result of withdrawing from the motor finance sector, providing the Group with significant financial resources for development.

The Board is focused on developing the longer term strategy for the H&H Group and reviewing how we can develop and grow the sectors in which we operate along with our property assets. We will also be reviewing the use of IT and the internet to enhance our offering to customers.

We have seen good support of our shares in the year and are fortunate that in many cases our shareholders are also our customers which has been the case over many years and helps keep us very focused on delivering a profitable and sustainable future for the H&H business.

I have spent time in the last year speaking with our staff and managers and thank them all for the hard work and commitment to the business.

Michael TE Cowen
Chairman

23 September 2014

Strategic Report

A profit for the year of £1.297 million before tax, a 28% increase on the previous years result demonstrates continued progress in improving the performance of the Group businesses and consolidating the growth in turnover of previous years.

In April we announced the transfer of future H&H Borderway Finance business to the Cumberland Building Society. This has enabled the Group to exit the motor finance sector with its high borrowing requirements and tightening regulatory regime. After the year end we also closed our motor auction business after several years of losses. We will now incorporate vehicle trading into our successful Harrison & Hetherington machinery sales.

Financial Overview
On turnover of £14,390,000 *(2013: £14,348,000)* operating profit is £1,724,000 *(2013: £1,639,000)* producing a profit before tax of £1,297,000 *(2013: £1,015,000).*

Earnings per share are 92p *(2013: 61p)*, and with a recommended final dividend of 27p per share alongside the interim dividend paid of 8p per share, there will be a total dividend for the year of 35p per share *(2013: 33p per share).*

The average share price during the period was £25.56 *(2013: £25.73).*

Total shareholder funds have increased to £16,396,000 *(2013: £16,053,000)* despite an increase in the pension liabilities.

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 Motor Auctions – motor vehicle auctioneers.

H&H Finance (formerly H&H Borderway Finance) – providers of finance for new and used motor vehicles.

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

H&H Insurance Brokers – insurance brokers.

H&H King – residential 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

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 continued to perform well and for those livestock sectors where there is reliable data, we have seen increases in our market share. Investment in previous years to update and enhance our facilities at our mart sites continues to be well received by buyers and vendors and all the staff work hard to make sure everyone is made welcome.

Our income is largely from commission and so is driven by national market trends for livestock prices. In 2013/14 we have seen the inevitable ups and downs in various markets but the price for beef animals and its knock on effect with store cattle has been concerning although we are now starting to see some recovery in this sector.

Whilst total throughput is largely unchanged from the previous year, the profitability of the business is 1.6% higher supported with tight control of costs and the ongoing work to derive additional income from our sites, principally Borderway, which is available for other events.

We continue to look at using the internet to provide a broader audience for what we do and will be trialling some electronic auction technology later in the year.

Ensuring buyers can pay for the stock they purchase remains a challenge for the whole livestock auctioneering sector. Whilst not immune to these problems we maintain a very strong focus on credit control which has proved successful in us avoiding some of the issues other marts have seen.

H&H Auction Rooms – Whilst a relatively small part of the total auctioneering turnover, a change in the management of the operation in January has seen a growth in lots sold and people attending the auctions with general weekly household sales, very much the focus.

H&H James Sutherland Auctioneers – This business with its base in Newcastle, works mainly on behalf of Insolvency Practitioners in valuing and selling property when a business restructuring or insolvency has taken place. Despite the difficulties in the economy, insolvencies have been running at lower levels as banks have tended to support businesses for longer. This has meant a reduced level of activity compared to previous years, although the last quarter of the 2013 financial year and the first quarter of 2014 have seen increased turnover.

All auctions are run electronically via the internet on a timed basis and we continue to look at how we can use this technology in other parts of our business.

H&H Motor Auctions – Over recent years we have seen an ongoing national decline in the number of vehicles sold via auction and increasing competition from national operators. It was against this background and continuing losses that we decided to close the business after the year end. We will continue to market vehicles, particularly light commercials, through the monthly machinery auction as well as the successful H&H classic car auction.

Property – H&H Land and Property

H&H Land and Property – Work has continued to develop turnover and increase the geographical coverage of the business. There is also a strategy of developing the specialist areas of advice such as planning and renewables and this, together with developing the traditional land agency business has led to a 9.6% increase in turnover.

Property sales remain relatively quiet and this has been further compounded over the last 3 months whilst the debate about Scottish Independence has been taking place.

The business continues to invest in supporting staff through their qualifications and has a good balance of experience providing a base for future growth.

H&H King – The Estate Agency business saw an increased level of activity in the first 6 months of the financial year, its best for several years. Unfortunately this momentum dropped away in the second half of the year as new lending rules came into force and the general property market slowed with Cumbria being one of the few areas to show no increase in price over the year. Income ended the year 7% higher than the previous year.

Financial

H&H Insurance Brokers – The full integration of the John Pieri business along with development of new business allowed for premium income to grow 8.2% in the year. The focus remains on the agricultural market with opportunities to grow the customer base utilising the H&H brand which is well known, particularly in the livestock sector. Alongside this we have also increased our offering in the commercial and private lines markets and have good potential to grow these further in the future.

We have traditionally provided insurance for pedigree animals sold through the auctions but have struggled in recent years to compete in this sector. In Autumn 2014 we will, in conjunction with a new underwriter, be re-launching our livestock insurance offering under the branding ***in-Livestock*** with more competitive rates and this will be backed by dedicated staff.

H&H Borderway Finance – On the 1 April 2014 the business was transferred to the Cumberland Building Society ("CBS") along with the majority of the staff and assets of the business. CBS will write all new business and they are much better positioned to do this with access to cheaper funding and an existing compliance regime overseen by the FCA.

A contract is in place with the CBS for them to collect the existing book of business at the time of the transfer on our behalf and as these loans are repaid it will allow repayment of loans as well as continuing to release profit to H&H over the lifetime of these loans.

The business has been profitable whilst it was part of the H&H Group but in recent years it was becoming more difficult for it to compete in a market dominated by national lenders with access to cheaper finance.

Profits for the finance business were 20% higher in the 2013/14 financial year and the business will continue to deliver profits to the Group, albeit on a reducing basis as the loan book reduces, for several more years. At the financial year end a money market loan was in place of £6.63 million, which we expect to be repaid by the middle of 2015 with further receipts being used to reduce the Groups general borrowing.

Printing

H&H Reeds Printers – The last year has seen a recovery in the print market as businesses have spent more on promotion. Competition has remained strong and we have been careful not to chase business at any cost and have seen an increase in gross margin over the year. This coupled with tight control of costs in the last year has allowed us to report a significant improvement in the business. Whilst still reporting a small loss the business has generated cash for the group and we expect further improvement in the results for the coming financial year.

To support this, some further changes to the cost structure have been made and we have also reorganised how the sales function will operate in 2014/15. In 2014 we launched a new electronic ordering portal for larger customers and would hope to build on this in the coming year, strengthening our relationship with these customers.

The business remains focused on producing high quality print for customers backed up by first class customer service and competitive pricing.

Future Developments

There is a focus within all the businesses to look at opportunities for profitable growth whist developing operational efficiency to make sure we are leaders in the areas we operate in. As well as organic growth and increasing market share we will also consider potential strategic acquisitions where they can add value.

The transfer of the H&H Borderway Finance business will allow for a reduction in lending over the next 18 months as loans to customers are repaid putting the H&H Group in a strong position when considering potential investments in the future.

After the year end we have started to develop the Borderway site at the rear of the motor auction to extend the car parking for customers which is particularly important when we hold special events such as the Borderway Agri Expo and the Dairy event.

The company has a large portfolio of property and we will continue to look at ways of developing surplus assets and enhancing our existing sites.

Our People

We talk a lot about the physical assets of the business but of course our greatest strength is our people and H&H has a very committed and hardworking team. We have many long standing staff in the business and in recent years we have taken on several apprentices which has brought new ideas and focused us on training and developing all staff so they can reach their potential. With changes to H&H Borderway Finance and H&H Motor Auctions, it has been a year of change and upheaval for some staff and I appreciate the difficulties this can cause.

My thanks as always go to all our staff for their hardwork and commitment to H&H.

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 2014 is shown below, together with that for 2013 for comparative purposes:

	2014	2013
• Turnover growth	**0.3%**	1.5%
• Return on sales	**12%**	11%
• Earnings per share	**92p**	61p
• Return on capital employed	**11%**	10%
• Gross interest cover	**4x**	2.7x
• Gearing	**73%**	101%

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 which, in turn, would have an adverse effect upon turnover and profitability. However, as part of our risk management procedures, there are measures in place to ensure that existing customers are retained and new customers gained.

Other risks which can be singled out are bad debt within our Farmstock business (where there is credit insurance in place for 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 the highest 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

23 September 2014

Directors' Report

The Directors present their Directors' Report and Financial Statements for the year ended 30 June 2014.

Dividends

The Directors have proposed a final ordinary dividend of 27 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 25 pence per share in respect of the previous year ended 30 June 2013, together with an interim dividend of 8 pence per share in respect of the year ended 30 June 2014.

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 2014	At 30 June 2013
AM Bowe (retired 20 December 2013)	-	4,803
MTE Cowen	**20,250**	19,704
DM Harrison	**4,366**	4,366
AG Houston	**1,842**	1,442
IC Lancaster	**6,690**	6,490
ML Scott	**5,650**	5,450
BE Richardson	**554**	504
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.

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

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

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

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

Board committees

There are three permanent commitees of the Board:

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.

Political contributions

The Group made no political contributions during the year *(2013: 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 five 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.

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

23 September 2014

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 their 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 2014 set out on pages 16 to 46. 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 14, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, 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.

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 2014 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.

Matters on which we are required to report by exception

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

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

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

23 September 2014

Consolidated Profit and Loss Account

for the year ended 30 June 2014

	Note	2014 £000	2013 £000
Turnover	*2*	**14,390**	14,348
Operating costs		**(12,797)**	(12,840)
Other operating income	*4*	**131**	131
Operating profit		**1,724**	1,639
Profit on sale of fixed assets		**42**	6
Interest receivable		**2**	1
Interest payable	*8*	**(433)**	(617)
Other finance costs	*9*	**(38)**	(14)
Profit on ordinary activities before taxation	*2-9*	**1,297**	1,015
Tax on profit on ordinary activities	*10*	**(341)**	(378)
Profit for the financial year	*22*	**956**	637

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 2014

	Note	2014 £000	2014 £000	2013 £000	2013 £000
Fixed assets					
Intangible assets	*13*		**1,723**		2,006
Tangible assets	*14*		**12,186**		12,375
Investments	*15*		**5**		90
			13,914		14,471
Current assets					
Stocks	*16*	**689**		705	
Debtors	*17*	**17,424**		21,303	
		18,113		22,008	
Creditors: amounts falling due within one year	*18*	**(14,520)**		(19,030)	
Net current assets					
Due within one year		**(3,133)**		(6,585)	
Debtors due after more than one year	*17*	**6,726**		9,563	
Net current assets			**3,593**		2,978
Total assets less current liabilities			**17,507**		17,449
Creditors: amounts falling due after more than one year	*19*		**(429)**		(667)
Provisions for liabilities	*20*		**(39)**		(305)
Net assets excluding pension liabilities			**17,039**		16,477
Pension liabilities	*25*		**(670)**		(424)
Net assets including pension liabilities			**16,369**		16,053
Capital and reserves					
Called up share capital	*21*		**1,040**		1,040
Revaluation reserve	*22*		**3,429**		3,432
Profit and loss account	*22*		**11,900**		11,581
Shareholders' funds			**16,369**		16,053

These financial statements were approved by the Board of Directors on 23 September 2014 and were signed on its behalf by:

Brian Richardson
Chief Executive

Michael TE Cowen
Chairman

Registered number: 36006

Company Balance Sheet
at 30 June 2014

	Note	2014 £000	2014 £000	2013 £000	2013 £000
Fixed assets					
Tangible assets	*14*		**10,719**		10,682
Investments	*15*		**3,258**		3,424
			13,977		14,106
Current assets					
Debtors	*17*	**71**		40	
Cash at bank and in hand		-		-	
		71		40	
Creditors: amounts falling due within one year	*18*	**(7,589)**		(7,152)	
Net current liabilities			**(7,518)**		(7,112)
Total assets less current liabilities			**6,459**		6,994
Creditors: amounts falling due after more than one year	*19*		**(393)**		(610)
Provisions for liabilities	*20*		**(12)**		(250)
Net assets excluding pension liabilities			**6,054**		6,134
Pension liabilities	*25*		**(670)**		(424)
Net assets including pension liabilities			**5,384**		5,710
Capital and reserves					
Called up share capital	*21*		**1,040**		1,040
Revaluation reserve	*22*		**3,429**		3,432
Profit and loss account	*22*		**915**		1,238
Shareholders' funds			**5,384**		5,710

These financial statements were approved by the Board of Directors on 23 September 2014 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 2014

	Note	2014 £000	2013 £000
Cash flow statement			
Cash flow from operating activities	*26*	**5,887**	4,344
Returns on investments and servicing of finance	*27*	**(484)**	(636)
Taxation		**(305)**	(556)
Capital expenditure	*27*	**(306)**	(660)
Acquisitions and disposals	*27*	**-**	(576)
Financing	*27*	**(4,424)**	(2,741)
Dividends paid on shares classified in shareholders' funds		**(343)**	(343)
Increase/(Decrease) in cash in the year		**25**	(1,168)
Reconciliation of net cash flow to movement in net debt	*28*		
Increase/(Decrease) in cash in the year		**25**	(1,168)
Decrease in debt and lease financing		**4,424**	2,741
Change in net debt resulting from cash flows		**4,449**	1,573
New finance leases		**(6)**	-
Loans and finance leases acquired with subsidiary		**-**	(4)
Movement in net debt in the year		**4,444**	1,569
Net debt at the start of the year		**(16,993)**	(18,562)
Net debt at the end of the year		**(12,550)**	(16,993)

Consolidated Statement of Total Recognised Gains and Losses

for the year ended 30 June 2014

	2014 £000	2013 £000
Profit for the financial year	**956**	637
Actuarial loss recognised in the pension scheme	**(386)**	(490)
Deferred tax arising on actuarial gain	**89**	111
Unrealised deficit on revaluation of properties	**-**	(3)
Total recognised gains and losses relating to the financial year	**659**	255

Note of Consolidated Historical Cost Profits and Losses

for the year ended 30 June 2014

	2014 £000	2013 £000
Reported profit on ordinary activities before taxation	**1,297**	1,015
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	**3**	3
Historical cost profit on ordinary activities before taxation	**1,300**	1,018
Historical cost profit for the year retained after taxation and dividends	**616**	297

Reconciliation of Movements in Shareholders' Funds
for the year ended 30 June 2014

	Group		Company	
	2014	2013	**2014**	2013
	£000	£000	**£000**	£000
Profit for the financial year	**956**	637	**314**	466
Dividends on shares classified in shareholders' funds	**(343)**	(343)	**(343)**	(343)
Retained profit/(loss)	**613**	294	**(29)**	123
Net losses in respect of FRS 17	**(297)**	(379)	**(297)**	(379)
Revaluation of land & buildings	**-**	(3)	**-**	(3)
Net addition to/(reduction in) shareholders' funds	**316**	(88)	**(326)**	(259)
Opening shareholders' funds	**16,053**	16,141	**5,710**	5,969
Closing shareholders' funds	**16,369**	16,053	**5,384**	5,710

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 2014. 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
Tangibles 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.

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, ie members are earning no further benefit.

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

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

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.

2 Analysis of turnover and profit/(loss)

	Turnover		Profit/(loss) before taxation		Net assets	
	2014 £000	2013 £000	**2014 £000**	2013 £000	**2014 £000**	2013 £000
H&H Group	**16**	11	**(257)**	(227)	**5,384**	5,710
Harrison & Hetherington	**5,375**	5,334	**638**	641	**4,186**	3,718
H&H Finance	**1,658**	1,974	**488**	409	**5,482**	5,130
H&H Land and Property	**2,657**	2,448	**359**	259	**1,281**	973
H&H Insurance Brokers	**1,466**	1,361	**258**	250	**875**	1,223
H&H Reeds Printers	**3,218**	3,220	**(26)**	(136)	**1,398**	1,403
*Other subsidiaries	**-**	-	**-**	-	**376**	378
	14,390	14,348	**1,460**	1,196		
Amortisation of goodwill (note 12)			**(205)**	(187)		
Profit on sale of fixed assets			**42**	6		
Profit on ordinary activities before taxation			**1,297**	1,015		

*Other subsidiaries include dormant companies.
Turnover and profit before taxation are shown after elimination of intra-group transactions.

3 Transfer of assets

On 31 March 2014 H&H Group and H&H Finance (formally H&H Borderway Finance) entered into a transaction with Cumberland Building Society to sell the net assets (excluding current debtor book) and business of H&H Finance to the Cumberland Building Society. H&H Finance retained ownership of the existing finance book and will therefore continue to trade until this book is fully repaid.

The results for H&H Finance are included in note 2. It is anticipated that turnover from this entity will reduce over the next 5 years.

As a result of this transaction the money market loan (see note 18) will also unwind and is expected to be repaid in the next 12 months.

The assets transferred under this agreement were as follows.

	Net book value	Proceeds	Profit/(loss)
	£000	£000	£000
Motor vehicles	34	34	-
Computer hardware	3	3	-
Computer software	18	18	-
	55	55	-

4 Other operating income

	2014	2013
	£000	£000
Rents receivable	131	131

5 Notes to the profit and loss account

	2014 £000	2013 £000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation – owned assets	**540**	529
– leased assets	**86**	109
Amortisation of goodwill	**205**	187
Profit on disposal of fixed assets	**42**	6
Rentals payable for the hire of assets under operating leases	**254**	242
Auditors' remuneration:		
Audit of these financial statements	**4**	5
Amounts receivable by auditors and their associates in respect of:		
Audit of financial statements of subsidiaries pursuant to such legislation	**22**	20
Other services	**2**	2

6 Remuneration of Directors

	2014 £000	2013 £000
Directors' emoluments		
- Fees	**64**	61
- Other emoluments	**151**	179
- Company contributions to money purchase pension schemes	**6**	8
- Benefits in kind	**18**	18
	239	266

The emoluments of the highest paid Director were £162,197 (2013: £190,650). Company pension contributions of £6,010 (2013: £7,608) were made to a personal pension scheme on his behalf.

One director (2013: one) had benefits accruing under the Group's money purchase pension scheme.

7 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:

	Group and Company Number of employees	
	2014	2013
Management	**16**	18
Professional	**17**	18
Sales	**34**	38
Administration	**62**	66
Operations	**58**	62
	187	202

In addition 86 (2013: 87) part-time staff were employed.
The aggregate payroll costs of these persons were as follows:

	2014 £000	2013 £000
Wages and salaries	**5,623**	5,638
Social security costs	**556**	562
Other pension costs (note 25)	**178**	166
	6,357	6,366

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

8 Interest payable

	2014 £000	2013 £000
On bank overdrafts	**115**	112
On bank loans	**14**	20
On committed money market loans	**283**	458
Finance charges payable in respect of finance lease and hire purchase contracts	**21**	27
	433	617

9 Other finance costs

	2014 £000	2013 £000
Expected returns on pension scheme net assets (note 25)	**855**	818
Interest on pension scheme liabilities (note 25)	**(893)**	(832)
	(38)	(14)

10 Taxation

Analysis of charge in year

	2014 £000	2013 £000
UK corporation tax		
Current tax on income for the year	**352**	299
Adjustment in respect of prior years	**2**	32
Total current tax	**354**	331
Deferred tax		
Origination/reversal of timing differences	**(13)**	47
Tax on profit on ordinary activities	**341**	378

Factors affecting the tax charge for the current year

The current tax charge for the year is higher (2013: higher) than the standard rate of corporation tax in the UK 22.5% (2013: 23.7%). The differences are explained below:

	2014 £000	2013 £000
Current tax reconciliation		
Profit on ordinary activities before tax	**1,297**	1,015
Current tax at 22.5% (2013: 23.7%)	**292**	241
Effects of:		
Expenses not deductible for tax purposes	**40**	36
Capital allowances for period less than depreciation	**36**	28
Other timing differences	**1**	(4)
Marginal rate tax	**(2)**	(4)
Adjustment to tax charge in respect of prior years	**2**	32
Adjustment in respect of prior year due to loss carried back	**-**	23
FRS 17 pension scheme adjustments	**(15)**	(21)
Total current tax charge (see above)	**354**	331

Factors that may affect future tax charges

The Company has no unutilised trading losses to carry forward *(2013: £nil).*

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 30 June 2014 has been calculated based on the rate at which the deferred tax is expected to reverse.

11 Profit for the financial year

The result dealt with in the accounts of the parent Company was a profit of £314,000 *(2013: £466,000).*

12 Dividends

The aggregate amount of dividends comprises:

	2014 £000	2013 £000
Final dividend paid in respect of prior year but not recognised as liabilities in that year	**260**	260
Interim dividend paid in respect of the current year	**83**	83
Aggregate amount of dividends paid in the financial year	**343**	343

The aggregate amount of dividends proposed and recognised as a liability as at the year end is £nil *(2013: £nil).*

13 Intangible fixed assets

	Goodwill £000
Group	
Cost	
At beginning of year	3,174
Additions	1
Adjustment to contingent consideration	(79)
At end of year	**3,096**
Amortisation	
At beginning of year	1,168
Charge in year	205
At end of year	**1,373**
Net book value	
At 30 June 2014	**1,723**
At 30 June 2013	2,006

14 Tangible fixed assets

Group	Freehold land and buildings £000	Motor vehicles £000	Plant, fittings & computers £000	Total £000
Cost or valuation				
At beginning of year	10,097	938	3,330	14,365
Additions	150	322	126	598
Disposals	(8)	(365)	(201)	(574)
At end of year	**10,239**	**895**	**3,255**	**14,389**
Depreciation				
At beginning of year	66	426	1,498	1,990
Charge for year	19	220	387	626
Disposals	-	(238)	(175)	(413)
At end of year	**85**	**408**	**1,710**	**2,203**
Net book value				
At 30 June 2014	**10,154**	**487**	**1,545**	**12,186**
At 30 June 2013	10,031	512	1,832	12,375

Included in the total NBV of plant, fittings and computers is £494,000 *(2013: £616,000)* in respect of assets held under finance lease and similar hire purchase contracts. Depreciation for the year on these assets was £86,000 *(2013: £109,000).*

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

Land and buildings	**Group and Company**	
	2014 £000	2013 £000
At 2013 open market value	**10,239**	10,097
Aggregate depreciation thereon	**(85)**	(66)
Net book value	**10,154**	10,031
Historical cost of revalued assets	**6,875**	6,733
Aggregate depreciation thereon	**(150)**	(134)
Historical cost net book value	**6,725**	6,599

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.

14 Tangible fixed assets *(continued)*

Land and buildings include an amount of £9,489,646 which is not depreciated *(2013: £9,344,012).* (Group and Company).

	Freehold land and buildings £000	Plant, fittings and computers £000	Total £000
Company			
Cost or valuation			
At beginning of year	10,097	1,072	11,169
Additions	150	59	209
Disposals	(8)	(88)	(96)
At end of year	**10,239**	**1,043**	**11,282**
Depreciation			
At beginning of year	70	417	487
Charge for year	21	121	142
On disposals	-	(66)	(66)
At end of year	**91**	**472**	**563**
Net book value			
At 30 June 2014	**10,148**	**571**	**10,719**
At 30 June 2013	10,027	655	10,682

Included in the total NBV of plant, fittings and computers is £413,000 *(2013: £486,000)* in respect of assets held under finance lease and similar hire purchase contracts. Depreciation for the year on these assets was £73,000 *(2013: £86,000).*

15 Fixed asset investments

Group	Other investments £000	Total £000
Cost and net book value		
At beginning of year	90	90
Disposals	(85)	(85)
At end of year	5	5

Company	Subsidiary undertaking £000	Other investments £000	Total £000
Cost and net book value			
At beginning of year	3,334	90	3,424
Additions	1	-	1
Disposals	-	(85)	(85)
Adjustment to contingent consideration	(82)	-	(82)
At end of year	**3,253**	**5**	**3,258**

15 Fixed asset investments *(continued)*

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

	Company	
	2014	2013
	£	£
Other investments		
Investment in shares in Penrith Farmers & Kidds PLC	-	85,944
Other unlisted investments	**4,500**	4,500
	4,500	90,444

1 See Strategic report (page 5) for principal activities.
2 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.

16 Stocks

	Group	
	2014	2013
	£000	£000
Work in progress	**511**	514
Raw materials and finished goods	**178**	191
	689	705

17 Debtors

	Group		Company	
	2014	2013	**2014**	2013
	£000	£000	**£000**	£000
Trade debtors	**4,816**	4,679	**22**	20
Amounts receivable on finance contracts by:				
- Harrison & Hetherington Limited	**28**	33	**-**	-
- H&H Borderway Finance Limited	**12,071**	15,637	**-**	-
Prepayments and accrued income	**509**	954	**49**	20
	17,424	21,303	**71**	40

Finance contracts debtors analysis:

	Group	
	2014	2013
	£000	£000
Net investment in		
Hire purchase	**11,380**	14,712
Other finance debtors	**719**	958
	12,099	15,670

	Group	
	2014	2013
	£000	£000
Of which the amount due after more than one year	**6,726**	9,563
Original asset value of vehicles on which hire purchase and finance lease agreements were made during the year	**5,729**	8,238
Aggregate capital rentals received	**9,229**	10,183

18 Creditors: amounts falling due within one year

	Group		Company	
	2014	2013	**2014**	2013
	£000	£000	**£000**	£000
Bank overdrafts	**5,253**	5,278	**1,280**	1,438
Bank loan	**120**	118	**120**	118
Committed money market loans	**6,630**	10,800	**-**	-
Trade creditors	**980**	1,231	**-**	-
Amounts owed to Group undertakings	**-**	-	**5,923**	5,370
Corporation tax	**352**	305	**10**	10
Other taxation and social security	**474**	318	**10**	4
Accruals and deferred income	**593**	850	**150**	116
Obligations under finance leases and hire purchase contracts	**118**	130	**96**	96
	14,520	19,030	**7,589**	7,152

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 2014 the group was holding £1,106,476 *(2013: £1,114,495)* 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 2014 £4,000,000 *(2013: £9,500,000)* of the committed money market loans were covered by these instruments. At 30 June 2014 the fair value of the Group and Company's obligations under the instruments were £4,331 *(2013: £41,257).*

19 Creditors: amounts falling due after more than one year

	Group		Company	
	2014	2013	**2014**	2013
	£000	£000	**£000**	£000
Bank loans	**185**	305	**185**	305
Obligations under finance lease and hire purchase contracts	**244**	362	**208**	305
	429	667	**393**	610

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

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

	Group		Company	
	2014 £000	2013 £000	**2014 £000**	2013 £000
Within one year	**118**	130	**96**	96
In the second to fifth years	**244**	362	**208**	305
Over five years	**-**	-	**-**	-
	362	492	**304**	401

The maturity of debt is as follows:

	Group		Company	
	2014 £000	2013 £000	**2014 £000**	2013 £000
Within one year	**12,119**	16,326	**1,495**	1,556
In the second to fifth years	**429**	667	**393**	610
Over five years	**-**	-	**-**	-
	12,548	16,993	**1,888**	2,166

20 Provisions for liabilities

	Group		**Company**	
	2014 £000	2013 £000	**2014 £000**	2013 £000
Deferred tax	**27**	55	**-**	-
Contingent consideration	**12**	250	**12**	250
	39	305	**12**	250

20 Provisions for liabilities *(continued)*

The movements in contingent considerations are as follows:

	2014 £000	2013 £000
At the beginning of year	**250**	40
Arising on acquisitions in year	**-**	230
Utilised during year	**(159)**	(20)
Adjustment to contingent consideration	**(79)**	-
At end of year	**12**	250

The movements in deferred tax are as follows:

	At beginning of year £000	**Profit & loss account (credit)/ charge £000**	**Amounts included in STRGL £000**	**At end of year £000**
Provision for liabilities	55	(28)	-	**27**
Pensions (see note 25)	(126)	15	(89)	**(200)**
	(71)	(13)	(89)	**173**

The elements of deferred taxation are as follows:

	2014 £000	2013 £000
Difference between accumulated depreciation and capital allowances	**66**	98
Other timing differences	**(4)**	(4)
Tax losses	**(35)**	(39)
Deferred tax liability	**27**	55

20 Provisions for liabilities *(continued)*

The elements of unprovided deferred tax are as follows:

	Group		Company	
	2014	2013	**2014**	2013
	£000	£000	**£000**	£000
Difference between accumulated depreciation and capital allowances	**-**	-	**(12)**	(18)
Unused tax losses	**-**	-	**(35)**	(38)
	-	-	**(47)**	(56)

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 *(2013: £790,000).*

In addition to the above, a deferred tax asset of £200,000 *(2013: £126,000)* has been recognised in relation to the deficit on the defined benefit pension scheme at 30 June 2014 (see note 25).

21 Called up share capital

	2014 £000	2013 £000
Allotted, called up and fully paid		
1,040,000 ordinary shares of £1each	**1,040**	1,040

22 Reserves

Group	**Revaluation reserve £000**	**Profit and loss account £000**
At the beginning of year	3,432	11,581
Profit for the year	-	956
Dividends on shares classified in shareholders' funds	-	(343)
Actuarial loss recognised in the pension scheme	-	(386)
Deferred tax arising on loss in the pension scheme	-	89
Transfers	(3)	3
At end of year	**3,429**	**11,900**

	2014 £000	2013 £000
Profit and loss reserve excluding pension liabilities	**12,570**	12,005
Pension liabilities	**(670)**	(424)
Profit and loss reserve including pension liabilities	**11,900**	11,581

Company	**Revaluation reserve £000**	**Profit and loss account £000**
At beginning of year	3,432	1,238
Profit for the year	-	314
Dividends on shares classified in shareholders' funds	-	(343)
Actuarial loss recognised in the pension scheme	-	(386)
Deferred tax arising on loss in the pension scheme	-	89
Transfers	(3)	3
At end of year	**3,429**	**915**

22 Reserves *(continued)*

	2014 £000	2013 £000
Profit and loss reserve excluding pension liabilities	**1,585**	1,662
Pension liabilities (note 25)	**(670)**	(424)
Profit and loss reserve including pension liabilities	**915**	1,238

23 Contingent liabilities

At 30 June 2014 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.

24 Commitments

The Group and the Company had contracted capital commitments of £nil at the end of the current year *(2013: nil)*.

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

Group	**2014 Land and buildings £000**	**Other £000**	2013 Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	**11**	**5**	-	11
In the second to fifth years inclusive	**87**	**47**	97	57
Over five years	**69**	**-**	68	1
	167	**52**	165	69

Company	**2014 Land and buildings £000**	**Other Buildings £000**	2013 Land and buildings £000	Other buildings £000
Operating leases which expire:				
Over five years	27	-	-	-

25 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 £178,000 *(2013: £166,000).*

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 2010 and updated to 30 June 2014 to take account of the requirements of FRS 17.

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

	Group and Company	
	2014	2013
	£000	£000
Present value of funded defined benefit obligations	**(21,466)**	(18,899)
Fair value of plan assets	**20,596**	18,349
Deficit	**(870)**	(550)
Related deferred tax asset	**200**	126
Net liability	**(670)**	(424)

Movements in present value of defined benefit obligation

	Group and Company	
	2014	2013
	£000	£000
At 1 July	**18,899**	20,043
Interest cost	**893**	832
Actuarial losses/(gains)	**2,356**	(1,438)
Benefits paid	**(682)**	(538)
At 30 June	**21,466**	18,899

Movements in fair value of plan assets

	Group and Company	
	2014	2013
	£000	£000
At 1 July	**18,349**	19,893
Expected return on plan assets	**855**	818
Actuarial gains/(losses)	**1,970**	(1,928)
Contributions by employer	**104**	104
Benefits paid	**(682)**	(538)
At 30 June	**20,596**	18,349

25 Pension scheme *(continued)*

Expense recognised in the profit and loss account

	Group and Company	
	2014	2013
	£000	£000
Interest on defined benefit pension plan obligation	**(893)**	(832)
Expected return on defined benefit pension plan assets	**855**	818
Total	**(38)**	(14)

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

	Group	
	2014	2013
	£000	£000
Other finance costs	**(38)**	(14)

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

	2014	**2013**
	£000	£000
Actual return less expected return on scheme assets	**1,970**	(1,928)
Changes in assumptions underlying the present value of scheme liabilities	**(2,356)**	1,438
Actuarial loss recognised in statement of total recognised gains and losses	**(386)**	(490)

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 £860,000 *(2013: £1,246,000)* (Company £860,000 *(2013: £1,246,000))*.

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

	Group and Company	
	2014	2013
	Fair value	Fair value
	£000	£000
Bonds and Gilts	**1,936**	1,894
Insurance policy	**18,578**	16,443
Other	**82**	12
	20,596	18,349
Actual return on plan assets	**2,825**	(1,110)

25 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:

	Group and Company	
	2014	2013
Discount rate applied to scheme liabilities	**4.35%**	4.8%
Expected rate of return on plan assets	**4.29%**	4.72%
Future salary increases	**3.45%**	3.4%
Inflation assumption	**3.45%**	3.4%

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 2014 is as follows:

- Base table: 'S1 year of birth'
- Future mortality improvements: long cohort improvements from 2003 with a minimum improvement rate of 1% per annum.

Average life expectations

	2014	2013
	%	%
Male retiring at reporting date at age 65 (in years)	**22.9**	22.8
Male retiring at reporting date +20 years at age 65 (in years)	**24.9**	24.8
Female retiring at reporting date at age 65 (in years)	**25.6**	25.5
Female retiring at reporting date +20 years at age 65 (in years)	**27.5**	27.4

Members are assumed to retire at the earliest age at which they can take full pension unreduced. Members are assumed to opt to take 75% of the maximum tax free cash by commutation at retirement.

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

	Long term rate of return 2014	Long term rate of return 2013	Long term rate of return 2012	Long term rate of return 2011	Long term rate of return 2010
Insurance policy	**4.35%**	4.8%	4.2%	5.5%	5.3%
Other (cash on deposit)	**0.5%**	0.5%	0.5%	0.5%	1.0%
Bonds	**4.2%**	4.5%	4.3%	5.5%	5.3%
Equities and properties	**n/a**	n/a	n/a	n/a	6.3%

25 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

	2014	2013	2012	2011	2010
	£000	£000	£000	£000	£000
Present value of scheme liabilities	**(21,466)**	(18,899)	(20,043)	(16,189)	(9,733)
Fair value of scheme assets	**20,596**	18,349	19,893	15,448	8,631
Deficit	**(870)**	(550)	(150)	(741)	(1,102)

History of experience gains and losses

	2014	2013	2012	2011	2010
Actual return less expect return on scheme assets:					
Amount (£000)	**(1,970)**	1,928	(4,025)	(6,750)	(1,198)
Percentage of year end scheme assets	**10%**	(10%)	20%	44%	14%
Experience (gains) and losses on scheme liabilities:					
Amount (£000)	**626**	-	-	6,547	-
Percentage of year end present value of scheme liabilities	**3%**	0%	0%	40%	0%
Total amount recognised in statement of total recognised gains and losses:					
Amount (£000)	**(386)**	(490)	535	313	(215)
Percentage of year end present value of scheme liabilities	**(2%)**	(3%)	3%	2%	(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 2010 and updated to 30 June 2014 to take account of the requirements of FRS 17.

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

26 Reconciliation of operating profit to operating cash flows

	2014 £000	2013 £000
Group operating profit	**1,724**	1,639
Depreciation, amortisation and impairment charges	**831**	825
Increase/(Decrease) in stocks	**16**	(142)
Decrease in debtors	**238**	575
Decrease in amounts receivable on finance contracts	**3,571**	1,886
Increase/(Decrease) in creditors	**229**	(337)
Contributions to defined benefit scheme	**(104)**	(104)
Decrease in provisions	**(160)**	-
Loss on revaluation of land and property	**-**	2
Net cash inflow from operating activities	**5,887**	4,344

27 Analysis of cash flows

	2014 £000	2013 £000
Returns on investment and servicing of finance		
Interest received	**2**	1
Interest paid	**(466)**	(609)
Finance lease interest paid	**(20)**	(28)
	(484)	(636)
Capital expenditure		
Purchase of tangible fixed assets	**(608)**	(684)
Sale of tangible fixed assets	**206**	91
Purchase of intangible fixed assets	**(1)**	-
Sale/(purchase) of investments	**97**	(67)
	(306)	(660)
Acquisition and disposals		
Purchase of subsidiary undertaking	**-**	(690)
Net cash acquired with subsidiary undertaking	**-**	114
	-	(576)
Financing		
Capital element of finance lease rental payments	**(136)**	(176)
Repayment of loans and borrowings	**(118)**	(115)
Repayment of committed money market loans	**(4,170)**	(2,450)
	(4,424)	(2,741)

28 Analysis of net debt

	At beginning of year	Cash flow	Other non cash changes	At end of year
	£000	£000	£000	£000
Overdrafts	(5,278)	25	-	**(5,253)**
	(5,278)	25	-	**(5,253)**
Debt due after one year	(305)	-	120	**(185)**
Debt due within one year	(10,918)	4,288	(120)	**(6,750)**
Finance leases	(492)	136	(6)	**(362)**
	(11,715)	4,424	(6)	**(7,297)**
Total	(16,993)	4,449	(6)	**(12,550)**

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.

NOTES

NOTES

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)*