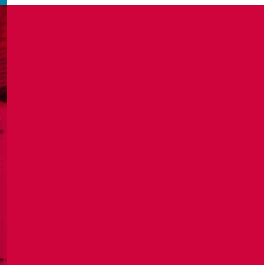


Our Heritage Your Future



**Annual Report
& Accounts**



**Year ending
June 2021**



Borderway, Rosehill, Carlisle, Cumbria CA1 2RS
t 01228 406200 | e info@borderway.com

Also operating Marts at:

Broughton-in-Furness, Kirkby Stephen, Lazonby,
Lockerbie, Middleton-in-Teesdale, Newcastleton,
Newtown St Boswells and Wooler

harrisonandhetherington.co.uk



Borderway, Rosehill, Carlisle, Cumbria CA1 2RS
t 01228 406260 | e info@hhlandestates.co.uk

Also at: Carlisle City, Cockermouth, Durham,
Keswick, Kendal, Newtown St Boswells and
Penrith

hhlandestates.co.uk



Borderway, Rosehill, Carlisle, Cumbria CA1 2RS
t 01228 406290 | e info@hhib.co.uk

Also at: Durham, Newtown St Boswells
and Ruthin

hhinsurancebrokers.co.uk



Southend Road, Penrith, Cumbria CA11 8JH
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Also at: Carlisle

hhreeds.co.uk



The Auction Centre, Rosehill, Carlisle, Cumbria CA1 2RS
t 01228 406320 | e enquiries@hhauctionrooms.co.uk

A Trading Name of **Harrison & Hetherington**

hhauctionrooms.co.uk

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

THE BOARD OF DIRECTORS

D M Harrison
M L Scott
C Lindsay (retired 21 May 2021)
A L Mallinson
L G Douglas (retired 6 May 2021)
R A Rankin
W Hamilton
J M Leveson

LIST OF ADVISORS

INDEPENDENT AUDITOR

UNW LLP
Chartered Accountants
Citygate
St James' Boulevard
Newcastle Upon Tyne
NE1 4JE

BANKERS

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

SOLICITORS

Burnetts
Victoria house
Wavell Drive
Rosehill Estate
Carlisle
CA1 2ST

Notice of Meeting

Notice is hereby given that the One Hundred and Twenty Ninth Annual General Meeting of the Company will be held on 12th November 2021 at 11.00 am in the showhall at Borderway Mart, Rosehill, Carlisle.

The following resolutions will be considered:

1. To receive and consider the Accounts for the financial year ended 30 June 2021 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 15 pence per share to be paid on 10 December 2021.
4. Proposal of special resolution – see page 4.
5. To re-elect D M Harrison as a Director.
6. To re-appoint UNW 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 21 September 2021 and signed on its behalf by:

Margaret Irving

Company Secretary

REGISTERED OFFICE

Borderway Mart
Rosehill
Carlisle
CA1 2RS

REGISTERED NUMBER

00036006

NOTES

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

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

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

Item 3

PURPOSE

At the AGM in 2020 an authority was renewed which allowed the Board the flexibility of issuing 400,000 shares for carrying out future acquisitions. The existing authority expires on 7 November 2021, the Shareholders are asked in the item below to renew the authority, on an annual basis to issue 400,000 shares by way of special resolution.

THAT THE FOLLOWING BE PASSED AS A SPECIAL RESOLUTION:

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

This authority shall expire on 11 November 2022, unless renewed, varied or revoked by the Company, on or prior to that date, save that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted, or Rights to be granted, and the Directors may allot shares or grant Rights in pursuance of any such offer or agreement, notwithstanding that the authority conferred by this Resolution has expired.

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

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

- (a) shall be limited to the allotment of equity securities up to an aggregate nominal amount of £400,000; and
- (b) shall expire on 11 November 2022 (unless renewed, varied or revoked by the Company on or prior to that date) save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry, and the Directors may allot equity securities in pursuance of any such offer or agreement, notwithstanding that this power has expired.

Chairman's Statement

Dear Shareholder,

The Group has performed well, despite the numerous challenges of working in a COVID restricted environment.

The Farmstock business has improved its market share. The uplift in values has helped to build confidence into the agri-industry, especially in the beef and sheep sectors. The initial success in online marketing and selling has continued as both the team and customers embrace this new way of trading. This is now making significant contributions to this business. The reputation of H&H continues to grow with some notable and prestigious pedigree and commercial dispersals.

In H&H Land & Estates, the land agency side has had another successful year. This team has grown and is now planning for the advice and support our clients will require ahead of future changes such as the new, government announced, Environmental Land Management Scheme.

After a complete restructure of our Estate Agency, a new approach has come into play and, with the help of the stamp duty holiday, it is now performing in line with budget predictions.

H&H Insurance Brokers has improved year on year, in relation to both retained and new business.

Sadly, H&H Reeds is the part of the business which has been hardest hit by the pandemic and further lockdowns, with quite a number of staff being on furlough for long periods of time.

I would like to thank all our staff for their dedication throughout another challenging year. I also recognise the continued support of our shareholders and customers.

On a personal note I have been pleased to see some return to normality at the sales and I'm very much looking forward to meeting as many of you as possible at our upcoming Agri Expo on 29th October.

Michael L Scott

Chairman

21 September 2021

The Group reported a profit before tax of £1,223,000 compared to a profit in the previous year of £330,000.

FINANCIAL OVERVIEW

On turnover of £14,694,000 (2020: £13,526,000) operating profit is £1,532,000 (2020: £742,000) producing a profit before tax of £1,223,000 (2020: £330,000).

Earnings per share are 69p (2020: 22p) with the board pleased to recommend a final dividend of 15p per share in addition to the interim dividend of 5p per share announced in December. This makes a total dividend for the year of 20p per share (2020: 5p).

The average share price during the year was £23.32 (2020: £24.58).

Total shareholders' funds have increased to £21,382,000 (2020: £19,359,000).

PRINCIPAL ACTIVITIES AND BUSINESS MODEL

The Group remains focused on our key expertise in Auctioneering, Land and Property, Estate Agency, Insurance, Printing, Signage, Graphic Design, Web Development and Digital Marketing, all 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 Land and Estates – chartered surveyors, land agents, valuers, quota brokers, residential sales and letting agents.

H&H Insurance Brokers – insurance brokers.

H&H Reeds – print, signage, graphic designers, website development and hosting, and digital marketing.

Our mission is to add value to and help protect the economies we serve. In fulfilling this we aim to be profitable, sustainable and progressive in all our business endeavours for the mutual benefit of our shareholders, customers and staff. 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 external, 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.

HARRISON & HETHERINGTON

This has been a strong and positive year in almost every respect, which, pleasingly, is reflected in the year-end financial results. With both volumes and prices up on prior years' the team has continued to excel in their field, resulting in outstanding profitability in the business.

This is a year where we have also instigated big changes within that team structure. We said goodbye and a heartfelt thank you to one of our most experienced directors, David Pritchard, and at the same time invested in the next generation of leaders. Developing and equipping them to drive this business forwards and secure its position for the long term.

H&H INSURANCE BROKERS

This business has bounced back strongly after last year's dip. Performances across the board exceeded expectations, particularly around new business targets. This resulted in a return to profitability but more importantly a secure base built with which to continue steady growth.

The team has continued to grow in number, experience and confidence and look set for another solid year.

H&H LAND & ESTATES

Our Land Agency team performed exceptionally well through difficult trading conditions to finish the year ahead of both budget and prior year's results. The volume of work presents its own challenges with additional resource proving hard to come by. There are more challenges ahead, which also present opportunities, as the rural funding landscape of farming changes significantly over the coming years.

As noted in last year's report, we undertook a restructure of our Estate Agency team, appointing an experienced head to develop and lead a new business model. This has proven very successful with this business making positive contributions to the group for the first time in a while. This team is now well placed and motivated to continue building on this success and increase market share.

H&H REEDS

The trend that started in last year's report continued almost throughout the 2020/21 financial year. Namely the drastic reduction in the print sector as one lockdown led into another all the way through to April of this year. Whilst there was some flurry of activity during the summer of 2020, this was short lived, and the printing press became under-utilised once again. However, August of this year has seen activity pick up back to pre-COVID levels with positive signs across the various markets we service.

In contrast, both the signs and digital side of the business continued to perform strongly, with some significant contracts won which secure the future and underpin continued investment. More recently we have launched our digital marketing agency, building on our website development team with SEO (Search Engine Optimisation) specialisms and led by an experienced and proven player in this market.

FUTURE DEVELOPMENTS

OUR PEOPLE

We continue to develop good HR processes across the Group which include an appraisal system and training and development opportunities for all our people. As well as recruitment of experienced staff, the Group has a reputation for developing young new starters through apprenticeships and we continue to build on this across all the businesses. It is particularly pleasing to see the apprentices continue to move into more responsible positions within the operating companies.

During the last 12 months all of our people have helped develop a values and behaviours model, this is now being embodied into the way we operate and interact across the whole H&H family and with customers.

In addition to this the group has recently invested in bespoke management and leadership development for all levels of senior staff, building consistency, strength and longevity into the future of the group.

GENERAL

The board always looks at opportunities to develop and enhance the H&H brand.

We will continue to invest and grow both organically and through future acquisitions where they add value to the Group. We have already embraced digitisation across every business with more to come. As the world’s leaders look to discuss the green agenda, we already produce and use renewable energy, source sustainable paper supplies and are now including hybrid and electric cars in our fleet. There is more to be done here, with the ultimate aim of net zero, an audit is underway to determine our carbon footprint and explore potential actions.

We have, at last, good news to share with respect to the redevelopment plans at Newtown St Boswells. Outline planning was obtained earlier this year, however, seven months on, the Scottish Borders Council has yet to deliver the developer contribution agreement, adding further delays to this site moving forwards.

INVESTMENT PROPERTY

Dempsey Way at Rosehill continues to perform well, delivering returns and positive cash into the group after servicing of its debt.

The land at Riccarton continues its status quo; on the smaller site heads of agreement are in place with a student housing developer but progress is currently paused and on the larger portion there remains the potential for future housing developments. We continue to progress talks with the relevant parties on both parts.

KEY PERFORMANCE INDICATORS

Measurement of performance against strategy and the achievement of business objectives are by means of key performance indicators. Actual performance against key performance indicators for the twelve months to June 2021 is shown below, together with that for 2020 for comparative purposes:

	2021	2020
• Turnover growth	8.6%	-0.4%
• Return on sales	10.4%	5.5%
• Earnings per share	69p	22p
• Return on capital employed	7.3%	3.8%
• Gross interest cover	4.7x	1.6x
• Gearing	61%	72%

PRINCIPAL RISKS AND UNCERTAINTIES

As with any business the Group is not immune to risks and uncertainties; 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.

COVID-19

A global pandemic hit the UK during March 2020, forcing significant changes in working practices and all directors to strategically review their operations, this continued into the 2020/21 financial year.

During this year the impact of Covid-19 was felt predominantly through Reeds. However, all directors responded appropriately, ensuring our priorities were:

- Our people
- Cash preservation and generation
- Continued excellent customer service levels
- Compliance with all Government guidelines

This has been reviewed on an ongoing basis as the landscape continues to change and our strategies align accordingly. With continued profitable trading during this period we have built up significant headroom in our banking facilities and stress tested our projections, which together with the business exceeding its 2020/21 budgets and continuing to perform, gives a reasonable basis for continuing to adopt a going concern basis of accounting.

TRADING

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 designed to ensure that existing customers are retained, and new customers gained.

BREXIT

The ongoing impact of the decision of the UK to exit the EU will have short, medium and long-term implications for the business, particularly with the inevitable changes to the Common Agricultural Policy. We have continued to adapt to these changes both internally and externally in our advice to our customers, ensuring we do our bit to protect their livelihoods.

HEALTH & SAFETY

The Group's Health and Safety Committee has continued to meet, with the support and direction of our Health and Safety Co-ordinator, throughout the year (with the security of our customers and our staff remaining a high priority) and the maintenance of group wide business continuity plans continues in an endeavour to be in a position to respond to an event beyond our immediate control and which could cause serious disruption to our operations.

OTHER

Other risks which can be singled out are bad debt within our Farmstock business where credit control and procedures are being significantly tightened, the possibility of an outbreak of a virulent animal disease and the resultant 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, however, we work diligently to remain compliant and also use third party consultancy support.

STATEMENT BY THE DIRECTORS RELATING TO THEIR STATUTORY DUTIES UNDER SECTION 172 (1) OF THE COMPANIES ACT 2006

The directors act in the way they consider, in good faith, would be most likely to promote the success of the group for the long term benefit of its shareholders and in doing so have regard to the:

- Likely consequences of any decisions in the long term
- Interests of the group's employees
- Need to foster the group's business relationships with suppliers, customers and others
- Impact of the group's operations on the community and environment
- Desirability of the group maintaining a reputation for high standards of business conduct
- Need to act fairly as between members of the group.

EMPLOYEES

The overriding objective set by the group is to secure the longevity of the business for the benefit of the employees. In addition, the health, safety, wellbeing and development of our employees are prime considerations in the way we operate, and we have training, processes, and support packages to assist in this regard. Information on business performance, recent developments, and prospects is regularly communicated via company bulletins and regular team meetings.

BUSINESS RELATIONSHIPS

The group has strong, longstanding customer and client relationships, based upon the quality of delivery, and providing expertise at every stage of the transaction.

ENVIRONMENT

The board believes that sustainability is an essential business practice. Our Environmental Policy has been updated and is being implemented throughout the Group Companies. Within our printing business, H&H Reeds, we continue to be ISO 14001 accredited which is an internationally recognised EMS standard. We comply with all the criteria required to attain and exceed that standard and have been nominated as a finalist in the in-Cumbria Awards for the best Green/Ethical business. We are part of a scheme operating in conjunction with the Woodland Trust to ensure our paper requirements are a carbon positive process through the planting of natural deciduous woodland in the UK.

The group's energy use and associated carbon emissions during the year were as follows:

- The annual quantity of emissions, in tonnes of carbon dioxide, resulting from activities involving the combustion of gas or the consumption of fuel for the purposes of transport was 257 tonnes;
- The annual quantity of emissions, in tonnes of carbon dioxide, resulting from the purchase of electricity by the group for its own use, including for the purposes of transport was 226 tonnes; in addition the group saved 7 tonnes due to electricity generated by solar panels.
- The annual quantity of emissions, in tonnes of carbon dioxide, resulting from the purchase of biomass wood pellets by the group for its own use, was 5 tonnes, a saving of 59 tonnes for the equivalent kWh of gas.
- The annual amount of energy consumed from activities for which the group is responsible involving the combustion of gas, the consumption of fuel for the purposes of transport and the annual quantity of energy consumed resulting from the purchase of electricity was 2,449,074kWh; and
- The intensity ratio tonnes CO₂e per employee was 1.39.

QUANTIFICATION AND REPORTING METHODOLOGY

We have followed the 2019 HM Government Environmental Reporting Guidelines. We have also used the GHG Reporting Protocol – Corporate Standard and have used the 2021 UK Government Conversion Factors for Company Reporting.

INTENSITY MEASUREMENT

The chosen intensity measurement ration is total gross emissions in metric tonnes CO₂e per employee.

This report was approved by the board on 21 September 2021 and signed on its behalf by:

Richard A Rankin
Chief Executive

Directors' Report

The directors present their report and the financial statements for the year ended 30 June 2021.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £742,000 (2020 - £175,000).

The Directors have proposed a final ordinary dividend of 15 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 an interim dividend of 5p per share in respect of the previous year ended 30 June 2020, plus an interim dividend of 5p per share in respect of this year ended 30 June 2021.

DIRECTORS

The directors who served during the year and their interests in the Group's issued share capital were:

Ordinary shares of £1 each in H&H Group plc

	At 30 June 2021	At 30 June 2020
D M Harrison	4,366	4,366
M L Scott	6,200	6,200
C Lindsay (retired 21 May 2021)	1,208	1,208
A L Mallinson	250	250
L G Douglas (retired 6 May 2021)	10,387	350
R A Rankin	550	350
W Hamilton	822	722
J M Leveson	250	250
Trustee shareholdings	211,322	210,572

EMPLOYEES TRUST FUND

ML Scott, C Lindsay and DM Harrison were trustees of the Employees Trust Fund throughout the year.

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

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

BOARD COMMITTEES

1. The members of the Audit Committee are AL Mallinson and JM Leveson. 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 auditor's programme.
2. The Remuneration Committee is chaired by DM Harrison. The remaining members of the Committee are W Hamilton 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 (2020: £nil).

EMPLOYEE INVOLVEMENT

The Group is committed to the development of employee consultation and thereby to the greater involvement of employees in the group's operations. Consultation is achieved both on a formal basis in conjunction with works committees and through informal briefing sessions with groups of employees.

EMPLOYEES

The group employs 199 full time staff with an additional 82 part time staff.

It is the Group's policy to work towards true equality of opportunity for employees and applicants for employment regardless of race, nationality, ethnic origin, religion, gender, sexual orientation or marital status. Applications for employment by disabled persons are always fully and fairly considered, having regards to the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the group continues and the appropriate training is arranged.

MATTERS COVERED IN THE STRATEGIC REPORT

The following information, which would otherwise be disclosed in the director's report is instead disclosed in the strategic report, as permitted by section 414c(11) of the Companies Act 2006:

- future developments
- financial risk management objectives and policies

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company and the Group's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company and the Group's auditor is aware of that information.

POST BALANCE SHEET EVENTS

There have been no significant events affecting the Group since the year end.

AUDITOR

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

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 six members: the non-executive chairman, four 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 nine 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, proposal 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 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 and safety of our staff, customers and visitors remain 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.

This report was approved by the board on 21 September 2021 and signed on its behalf by:

Margaret Irving
Company Secretary

The directors are responsible for preparing the Group strategic report, the directors' report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report to the Members of H&H Group plc



OPINION

We have audited the financial statements of H&H Group plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 30 June 2021, which comprise the Group Profit and Loss Account, the Group Statement of Comprehensive Income, the Group and company Balance Sheets, the Group Statement of Cash Flows, the Group and company Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 June 2021 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

OTHER INFORMATION

The other information comprises the information included in the annual report other than the financial statements and our Auditor's Report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Group Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' Responsibilities Statement set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Group financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We identified areas of law and regulations that could reasonably be expected to have a material effect on the financial statements from our general and sector experience and through discussions with the directors and other management (as required by auditing standards) and from inspection of the company's legal correspondence and we discussed with the directors and other management the policies and procedures in place regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

Firstly, the company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly the company is subject to many other laws and regulations where the consequences of noncompliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect; health and safety, employment law and certain aspects of company legislation, recognising the nature of the company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Through these procedures, we did not become aware of any actual or suspected noncompliance that was sufficiently significant to our audit or material.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

USE OF OUR REPORT

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

**Michael Morris FCA FCCA (Senior Statutory Auditor)
for and on behalf of UNW LLP, Statutory Auditor**

Chartered Accountants
Newcastle upon Tyne
Date: 21 September 2021

Consolidated Profit and Loss Account

Year ended 30 June 2021

	Note	2021 £000	2020 £000
Turnover	5	14,694	13,526
Gross profit		14,694	13,526
Administrative expenses		(13,898)	(13,658)
Other operating income	6	736	874
Operating profit	7	1,532	742
Interest receivable and similar income		15	30
Interest payable and similar expenses		(324)	(442)
Profit/(Loss) before tax		1,223	330
Tax on profit/(loss)	12	(481)	(155)
Profit/(Loss) for the financial year		742	175

The notes on pages 26 to 50 form part of these financial statements.

Consolidated Statement of Comprehensive Income

Year ended 30 June 2021

	Note	2021 £000	2020 £000
Profit for the financial year		742	175
Other comprehensive income			
Unrealised surplus on revaluation of tangible fixed assets	15	904	-
Actuarial gain on defined benefit schemes	27	782	2,451
Movement on deferred tax relating to pension losses	24	(297)	(437)
Other comprehensive income for the year		1,389	2,014
Total comprehensive income for the year		2,131	2,189

The notes on pages 26 to 50 form part of these financial statements.

Consolidated Balance Sheet

At 30 June 2021

	Note	2021 £000	2020 £000
Fixed assets			
Intangible assets	14	732	1,255
Tangible assets	15	14,761	14,114
Investments	16	5	5
Investment property	17	10,186	10,031
		25,684	25,405
Current assets			
Stocks	18	360	202
Debtors	19	12,738	11,870
		13,098	12,072
Creditors: amounts falling due within one year	20	(12,672)	(11,620)
Net current assets		426	452
Total assets less current liabilities		26,110	25,857
Creditors: amounts falling due after more than one year	21	(5,252)	(6,542)
Provisions for liabilities			
Deferred tax	24	(1,596)	(1,148)
Pension liability	27	2,120	1,192
Net assets		21,382	19,359
Capital and reserves			
Called up share capital	25	1,078	1,078
Revaluation reserve	26	4,697	3,793
Other reserves	26	866	866
Profit and loss account	26	14,741	13,622
Total equity		21,382	19,359

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 21 September 2021.

Richard A Rankin
Chief Executive

Michael L Scott
Chairman

Company Balance Sheet

At 30 June 2021

	Note	2021 £000	2020 £000
Fixed assets			
Intangible assets	14	78	93
Tangible assets	15	10,907	10,238
Investments	16	11,140	11,691
Investment property	17	6,416	6,805
		28,541	28,827
Current assets			
Debtors	19	2,085	1,493
		2,085	1,493
Creditors: amounts falling due within one year	20	(12,768)	(12,028)
Net current liabilities		(10,683)	(10,535)
Total assets less current liabilities		17,858	18,292
Creditors: amounts falling due after more than one year	21	(5,218)	(6,484)
Provisions for liabilities			
Deferred taxation	24	(923)	(659)
Pension liability	27	2,120	1,192
Net assets		13,837	12,341
Capital and reserves			
Called up share capital	25	1,078	1,078
Revaluation reserve	26	796	42
Other reserves	26	866	866
Profit and loss account brought forward		10,355	8,294
Profit for the year		371	47
Other changes in the profit and loss account		371	2,014
Profit and loss account carried forward		11,097	10,355
Shareholders' funds		13,837	12,341

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 21 September 2021.

Richard A Rankin
Chief Executive

Michael L Scott
Chairman

Company registered number: 00036006

The notes on pages 26 to 50 form part of these financial statements.

Consolidated Statement of Changes in Equity

Year ended 30 June 2021

	Called up share capital	Revaluation reserve	Other reserves	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 July 2019	1,078	3,793	866	11,433	17,170
Comprehensive income for the year					
Profit for the year	-	-	-	175	175
Actuarial gains on pension scheme, net of deferred tax	-	-	-	2,014	2,014
Other comprehensive income for the year	-	-	-	2,014	2,014
Total comprehensive income for the year	-	-	-	2,189	2,189
Total transactions with owners	-	-	-	-	-
At 1 July 2020	1,078	3,793	866	13,622	19,359
Comprehensive income for the year					
Profit for the year	-	-	-	742	742
Actuarial gains on pension scheme, net of deferred tax	-	-	-	485	485
Surplus on revaluation of freehold property	-	904	-	-	904
Other comprehensive income for the year	-	904	-	485	1,389
Total comprehensive income for the year	-	904	-	1,227	2,131
Dividends	-	-	-	(108)	(108)
Total transactions with owners	-	-	-	(108)	(108)
At 30 June 2021	1,078	4,697	866	14,741	21,382

The notes on pages 26 to 50 form part of these financial statements.

Company Statement of Changes in Equity

Year ended 30 June 2021

	Called up share capital	Revaluation reserve	Other reserves	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 July 2019	1,078	42	866	8,294	10,280
Comprehensive income for the year					
Profit for the year	-	-	-	47	47
Actuarial gains on pension scheme, net of deferred tax	-	-	-	2,014	2,014
Other comprehensive income for the year	-	-	-	2,014	2,014
Total comprehensive income for the year	-	-	-	2,061	2,061
At 1 July 2020	1,078	42	866	10,355	12,341
Comprehensive income for the year					
Profit for the year	-	-	-	371	371
Actuarial gains on pension scheme, net of deferred tax	-	-	-	479	479
Surplus on revaluation of freehold property	-	754	-	-	754
Total comprehensive income for the year	-	754	-	850	1,604
Dividends	-	-	-	(108)	(108)
Total transactions with owners	-	-	-	(108)	(108)
At 30 June 2021	1,078	796	866	11,097	13,837

The notes on pages 26 to 50 form part of these financial statements.

Consolidated Statement of Cash Flows

Year ended 30 June 2021

Note	2021 £000	2020 £000
Cash flows from operating activities		
Profit for the financial year	742	175
Adjustments for:		
Amortisation of intangible assets	320	277
Depreciation of tangible assets	506	502
Impairment of intangible fixed assets	228	25
Loss on disposal of tangible assets	129	-
Interest paid	324	442
Interest received	(15)	(30)
Taxation charge	481	155
(Increase) / decrease in stocks	(158)	6
(Increase) / decrease in debtors	(1,087)	182
Increase in creditors	448	139
Increase / (decrease) in provisions	-	(50)
Investment property revaluations	2	-
Corporation tax paid	(79)	(6)
Contribution to defined benefit pension scheme	(146)	(158)
Net cash generated from operating activities	1,695	1,659
Cash flows from investing activities		
Purchase of intangible fixed assets	(43)	(118)
Sale of intangible fixed assets	3	-
Purchase of tangible fixed assets	(375)	(378)
Sale of tangible fixed assets	-	48
Purchase of investment properties	(157)	(94)
Acquisition of subsidiaries, net of cash received	-	(28)
Interest received	15	30
Net cash from investing activities	(557)	(540)
Cash flows from financing activities		
Repayment of loans	(1,261)	(305)
Other new loans	-	250
Repayment of / (new) finance leases	(26)	51
Dividends paid	(108)	-
Interest paid	(324)	(442)
Net cash used in financing activities	(1,719)	(446)
Net (decrease)/increase in cash and cash equivalents	(581)	673
Cash and cash equivalents at beginning of year	(6,637)	(7,310)
Cash and cash equivalents at the end of year	(7,218)	(6,637)
Cash and cash equivalents at the end of year comprise:		
Bank overdrafts	(7,218)	(6,637)

Consolidated Analysis of Net Debt

Year ended 30 June 2021

	At 1 July 2020 £000	Cash flows	At 30 June 2021 £000
Bank overdrafts	(6,637)	(581)	(7,218)
Debt due after 1 year	(5,591)	1,198	(4,393)
Debt due within 1 year	(1,900)	63	(1,837)
Finance leases	(76)	25	(51)
	<u>(14,204)</u>	<u>705</u>	<u>(13,499)</u>

The notes on pages 26 to 50 form part of these financial statements.

1 GENERAL INFORMATION

H&H Group plc ('the company') is a company limited by shares, incorporated and domiciled in the United Kingdom. The address of the registered office is given in the company information page of these financial statements. The nature of the company's and its groups operations and principal activities are set out in the group strategic report on page 2.

2 STATEMENT OF COMPLIANCE

These financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Companies Act 2006.

3. ACCOUNTING POLICIES

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

3.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

These financial statements comprise the consolidated (group) financial statements and the company's separate financial statements. However, as permitted by section 408 of the Companies Act 2006, the separate profit and loss account of the company is not presented.

The financial statements are prepared on a going concern basis and under the historical cost convention, as modified by the measurement of certain financial assets and liabilities at fair value. They are presented in pounds sterling, which is the functional currency of the company.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the group's and the company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

Reduced disclosures

FRS 102 allows a qualifying entity certain disclosure exemptions. The company meets the definition of a qualifying entity and has taken advantage of the exemption relating to the preparation of a cash flow statement and analysis of net debt statement as the equivalent disclosure is provided on a consolidated basis in these financial statements.

3.2 BASIS OF CONSOLIDATION

The consolidated financial statements present the results of the company and its own subsidiaries ('the group') as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In the parent company financial statements investments in subsidiaries are stated at cost less impairment.

3.3 GOING CONCERN

The group meets its day to day working capital requirements through an overdraft facility and various bank facilities. The bank facilities were renewed in September 2021 and having reviewed these facilities and the group's forecasts and projections, which take account of reasonably possible changes in trading performance, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future, they continue to adopt the going concern basis in preparing the financial statements.

As noted in the strategic report, in light of global events which persist at the date of approval of these financial statements, the directors have also taken measures to counter the potential impact of Covid-19 on the group's operations and the resultant impact on financial headroom. Contingency plans have been implemented to mitigate the risk of employee absence and supply chain failure through working practices designed to protect employees' welfare and through advance purchase of the group's key supply requirements for the coming months. In addition, whilst the UK government have announced a series of funding measures to assist businesses, the directors believe they have adequate cash within the group and will not need to access these funds.

Whilst the risks in this regard cannot be completely mitigated and therefore some level of future uncertainty remains, the directors have adopted measures and assessed the financial implications of associated factors outside their control and do not consider the residual uncertainties to be material to the group's ability to continue meeting its liabilities as they fall due in the foreseeable future.

3.4 REVENUE

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.

3.5 INTANGIBLE FIXED ASSETS

Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose. Goodwill is amortised on a straight line basis over its useful life. Goodwill has no residual value.

Other intangible fixed assets

Other intangible fixed assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is provided on assets so as to write off the cost of each asset over its estimated useful life as follows:

Brand	- 10 years straight line
Computer software	- 5 years straight line

Useful lives are reviewed at the end of each reporting period, and adjusted if appropriate. The effect of any change is accounted for prospectively.

3.6 TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost, less accumulated depreciation and accumulated impairment losses.

Depreciation is not charged on freehold land or assets under construction. Depreciation on other tangible fixed assets is provided at rates calculated to write off the cost of those assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold property	- 50 years straight line
Leasehold improvements	- life of lease
Motor vehicles	- 4 years straight line
Office equipment	- 5 years straight line
Computer equipment	- 3 years straight line
Plant and equipment	- 15 years straight line & 15% reducing balance
Fixtures and fittings	- 15% reducing balance

Asset residual values and useful lives are reviewed at the end of each reporting period, adjusted if appropriate. The effect of any change is accounted for prospectively.

Revaluation

Freehold land and buildings are stated at fair value less any subsequent accumulated depreciation and impairment losses. Gains on revaluation are recognised in other comprehensive income and accumulated in the revaluation reserve. However, the increase is recognised in profit or loss to the extent that it revises a revaluation decrease previously recognised in the profit or loss.

Losses arising on revaluation are recognised in other comprehensive income to the extent of any previously recognised revaluation increase in accumulated equity, in respect of that asset. Any excess is recognised in profit or loss.

3.7 INVESTMENT PROPERTY

Investment property is carried at fair value determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the statement of comprehensive income.

3.8 STOCKS

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

3.9 FINANCIAL INSTRUMENTS

Basic debt financial instruments

The company's basic debt financial instruments, including cash and bank balances and trade, intercompany and other debtors and creditors, are all due within one year and are measured, initially, and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received.

At the end of each reporting period debt financial assets are assessed for impairment, and their carrying value reduced if necessary. Any impairment charge is recognised in the profit and loss account.

3.10 EMPLOYEE BENEFITS

Short term benefits

Short-term benefits, including holiday pay and other similar non-monetary benefits are recognised as an expense in the period in which the service is received.

Defined contribution pension plan

The company operates a defined contribution pension plan for its employees. Contributions are recognised as an expense when they fall due. Amounts due but not yet paid are included within creditors on the balance sheet.

The assets of the plan are held separately from the company in independently administered funds.

Defined benefit pension plan

A defined benefit plan is post-employment benefit plan other than a defined contribution plan. The entity's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan asset is deducted. The entity determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability (asset) taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of entity's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The entity recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in the profit or loss.

Remeasurements of the net defined benefit liability / asset is recognised in other comprehensive income in the period in which it occurs.

Share based payments

The company provides share-based payment arrangements to certain employees. Equity settled arrangements are measured at fair value at the date of the grant. To the extent material, the fair value (excluding the effect of non-market based vesting conditions) is expensed on a straight line basis over the vesting period. The amount recognised as an expense is adjusted to reflect the actual number of shares that are expected to vest.

Where equity-settled share based payments are modified, and are of benefit to the employee, the incremental fair value is recognised over the period from the date of modification to the date of vesting. Settlements and cancellations are treated as an acceleration of vesting and the unvested amount is recognised immediately in the profit and loss account.

The company has no cash-settled arrangements.

3.11 OPERATING LEASES: THE GROUP AS LESSEE

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

3.12 LEASED ASSETS

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the group. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to profit or loss so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

3.13 GOVERNMENT GRANTS

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Consolidated Profit and Loss Account in the same period as the related expenditure.

3.14 IMPAIRMENT OF FIXED ASSETS AND GOODWILL

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

3.15 CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

3.16 PROVISIONS FOR LIABILITIES

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

3.17 DIVIDENDS

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at the annual general meeting.

3.18 CURRENT AND DEFERRED TAXATION

The taxation expense for the year comprises current and deferred tax and is recognised in the profit and loss account except to the extent that it relates to items recognised in other comprehensive income, or directly in equity, in which case the tax expense is also recognised in other comprehensive income or directly in equity.

Current tax is the amount of income tax payable in respect of the taxable profit for the current or past reporting periods. It is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax represents the future tax consequences of transactions and events recognised in the financial statements of current and previous periods. It is recognised in respect of all timing differences, with certain exceptions. Timing differences arise from the inclusion of transactions and events in the financial statements in periods different from those in which they are assessed for tax.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of timing differences.

4 JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including the expectations of future events that are believed to be reasonable under the circumstances.

Significant judgments in applying the entity's accounting policies

No significant judgments were required in the process of applying the group's accounting policies for these financial statements.

Key sources of estimation uncertainty

Useful lives of fixed assets: The annual depreciation and amortisation charges for tangible and intangible fixed assets is sensitive to changes in the estimated useful lives and the residual values of the assets, which are re-assessed annually and amended to reflect current estimates. There have been no changes in the estimation bases during the current reporting period.

Recoverability of trade debtors: An assessment as to the ability of the group to recover trade debtors is made at each financial period end. A provision is made for any amounts that are not considered to be recoverable. Due to the nature of this provision an estimate is made as to the amounts that will be recoverable which involves judgment based on knowledge of the customer and the level of uncertainty as to whether the customer has sufficient funds to pay these amounts.

Valuation of WIP: An assessment as to the ability of the group to recover the value of WIP for above its carrying value is made at each financial period end. The provision levels are considered and adjusted as necessary to account for any amounts that are not considered to be recoverable. Due to the nature of this provision an estimate is made as to the amounts that will be recoverable which involves judgment based on knowledge of the WIP held and relationship with the client.

Valuation and classification of land & buildings: The group holds significant value in land and buildings. In line with accounting policies set out in note 3 land and buildings are classified as either investment properties or property, plant and equipment based on both current usage and the directors planned usage in the future. The use of each element of land and buildings also impacts the assessment of fair value in line with the assumptions in note 15. The valuation of land and buildings was performed by an independent valuer and is based on the condition of assets as at 30 June 2021. These valuations include significant estimates on the likelihood of favourable outcomes on planning applications. An assessment of the valuation based on the market conditions and the condition of the land & buildings is taken by the directors between formal independent valuations.

5. ANALYSIS OF TURNOVER

	2021 £000	2020 £000
H&H Group Limited	83	66
Harrison & Hetherington Limited	8,392	7,330
H&H Finance Limited	-	1
H&H Land & Estates Limited	3,188	2,809
H&H Insurance Brokers Limited	1,505	1,302
H&H Reeds Printers Limited*	1,336	2,009
H&H Dotcom Limited	190	9
	14,694	13,526

* All turnover is generated from services with the exception of H&H Reeds Printers Limited whose turnover that relates to the provision of goods. Turnover above is shown after the elimination of intra-group transactions.

6. OTHER OPERATING INCOME

	2021 £000	2020 £000
Other operating income	365	333
Government grants receivable	368	427
Sundry income	-	105
Profit on disposal of tangible assets	3	9
	736	874

7. OPERATING PROFIT

The operating profit is stated after charging:

	2021 £000	2020 £000
Depreciation of tangible fixed assets	506	502
Amortisation of goodwill	281	228
Amortisation of intangible assets	320	49
Rentals payable for the hire of assets under operating leases	135	84
Impairment of intangible assets	243	25

8. AUDITOR'S REMUNERATION

	2021 £000	2020 £000
Audit of these financial statements	6	6
Fees payable to the Group's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries	25	24

9. EMPLOYEES

Staff costs, including directors' remuneration, were as follows:

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Wages and salaries	6,951	6,635	583	459
Social security costs	643	597	66	54
Other pension cost (note 27)	243	254	17	15
	7,837	7,486	666	528

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

The average monthly number of employees, including the directors, during the year was as follows:

	Group 2021 No.	Group 2020 No.	Company 2021 No.	Company 2020 No.
Management	16	21	16	21
Professional	19	23	19	23
Sales	48	47	48	47
Administration	66	77	66	77
Operations	50	53	50	53
	199	221	199	221

In addition, 82 (2020: 83) part time staff were employed.

10. DIRECTORS' REMUNERATION

	2021 £000	2020 £000
Directors' emoluments	179	161
Company contributions to defined contribution pension schemes	5	6
Amounts paid to third parties in respect of directors' services	75	52
	259	219

During the year retirement benefits were accruing to 1 director (2020 - 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £179,000 (2020 - £147,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £5,344 (2020 - £5,000).

11. INTEREST PAYABLE AND SIMILAR CHARGES

	2021 £000	2020 £000
On bank overdrafts	125	160
On bank loans	150	233
On hire purchase agreements	3	3
Net interest expense on net defined benefit liabilities (see note 27)	46	46
	324	442

12. TAXATION

	2021 £000	2020 £000
Corporation tax		
Current tax on profits for the year	331	50
Adjustments in respect of previous periods	-	(2)
	331	48
Deferred tax		
Origination and reversal of timing differences	(98)	77
Adjustments in respect of previous periods	(48)	(19)
Effects of tax rate changes	296	49
Total deferred tax	150	107
Taxation on profit on ordinary activities	481	155

12. TAXATION (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2020 - lower than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £000	2020 £000
Profit on ordinary activities before tax	1,223	330
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	232	63
Effects of:		
Non-deductible expenses	130	55
Tax rate changes	296	-
Adjustments to tax charge in respect of prior periods	(47)	(21)
Non-taxable income	(2)	49
Other	(128)	9
Total tax charge for the year	481	155

13. DIVIDENDS

	2021 £000	2020 £000
Dividends on ordinary share capital	108	-

14. INTANGIBLE ASSETS

Group

	Patents £000	Brand £000	Computer Software £000	Goodwill £000	Total £000
Cost					
At 1 July 2020	5	63	396	6,630	7,094
Additions	-	-	43	-	43
Disposals	-	-	(50)	-	(50)
At 30 June 2021	5	63	389	6,630	7,087
Amortisation					
At 1 July 2020	-	28	308	5,503	5,839
Charge for the year	-	6	33	281	320
On disposals	-	-	(32)	-	(32)
Impairment charge	5	-	-	223	228
At 30 June 2021	5	34	309	6,007	6,355
Net book value At 30 June 2021	-	29	80	623	732
At 30 June 2020	5	35	88	1,127	1,255

During the year an impairment review of goodwill has been carried out and it has been concluded that an impairment charge of £223,000 has been processed in relation to loss making businesses/divisions.

Company

	Computer Software £000	Goodwill £000	Total £000
Cost			
At 1 July 2020	39	109	148
Additions	11	-	11
At 30 June 2021	50	109	159
Amortisation			
At 1 July 2020	32	23	55
Charge for the year	3	23	26
At 30 June 2021	35	46	81
Net book value At 30 June 2021	15	63	78
At 30 June 2020	7	86	93

15. TANGIBLE FIXED ASSETS

Group

	Freehold Property £000	Motor Vehicles £000	Plant Fittings & Computers £000	Total £000
Cost or valuation				
At 1 July 2020	13,025	876	3,685	17,586
Additions	5	143	227	375
Disposals	(65)	(157)	(112)	(334)
Revaluations	904	-	-	904
At 30 June 2021	13,869	862	3,800	18,531
Depreciation				
At 1 July 2020	427	550	2,495	3,472
Charge for the year	83	158	265	506
Disposals	-	(133)	(75)	(208)
At 30 June 2021	510	575	2,685	3,770
Net book value				
At 30 June 2021	13,359	287	1,115	14,761
At 30 June 2020	12,598	326	1,190	14,114

At 30 June 2021, the freehold land and buildings were valued by external valuers (Hyde Harrington Limited).

The fair value was measured using RICS Professional Standards, January 2014. Key assumptions of this calculation are shown below:

Fair value has been assessed on the following basis:

- Operational, non specialised properties to existing value;
- Operational, specialised properties to depreciated replacement cost;
- Surplus properties or those held for investment at market value.

The historical cost net book value is £8,684,000 (2020: £8,679,000).

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2021 £000	2020 £000
Plant and machinery	78	145

15. TANGIBLE FIXED ASSETS (continued)

Company

	Freehold Property £000	Plant Fittings & Computers £000	Total £000
Cost or valuation			
At 1 July 2020	10,114	984	11,098
Additions	-	72	72
Disposals	(65)	(75)	(140)
Revaluations	754	-	754
At 30 June 2021	10,803	981	11,784
Depreciation			
At 1 July 2020	71	789	860
Charge for the year	23	40	63
Disposals	-	(46)	(46)
At 30 June 2021	94	783	877
Net book value			
At 30 June 2021	10,709	198	10,907
At 30 June 2020	10,044	194	10,238

16. FIXED ASSET INVESTMENTS

Group

	Other Investments £000
Cost and net book value	
At 1 July 2020	5
At 30 June 2021	5

16. FIXED ASSET INVESTMENTS (continued)

Company

	Investments in Subsidiary Companies £000	Other Investments £000	Total £000
Cost			
At 1 July 2020	12,619	5	12,624
At 30 June 2021	12,619	5	12,624
Impairment			
At 1 July 2020	933	-	933
Charge for the period	551	-	551
At 30 June 2021	1,484	-	1,484
Net book value			
At 30 June 2021	11,135	5	11,140
At 30 June 2020	11,686	5	11,691

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Principal activity	Class of shares	Holding
Harrison & Hetherington Limited	Auctioneering	Ordinary	100%
H&H Finance Limited	Finance provider	Ordinary	100%
H&H Land and Estates Limited	Estate and land agency	Ordinary	100%
Harrison & Hetherington (Scotland) Limited	Dormant	Ordinary	100%
H&H Borderway Limited	Dormant	Ordinary	100%
A&D Printers Limited	Dormant	Ordinary	100%
H&H Reeds Printers Limited*	Printing	Ordinary	100%
H&H Insurance Brokers Limited	Insurance broker	Ordinary	100%
John Swan & Sons Limited	Dormant	Ordinary	100%
John Swan Limited**	Dormant	Ordinary	100%
H&H Dotcom Limited	Web design	Ordinary	100%

* Held indirectly through ownership of A&D Printers Limited

** Held indirectly through ownership of John Swan & Sons Limited

All subsidiaries have the same registered address as H&H Group plc, which is shown on the company information page except for:

Harrison & Hetherington (Scotland) Limited - Sydney Place Mart, Lockerbie, Dumfriesshire, DG11 2JA.

John Swan & Sons Limited and John Swan Limited - Auction Mart, Newtown St Boswells, Melrose, Roxburghshire, TD6 0PP.

17. INVESTMENT PROPERTY

Group

	Freehold Investment Property £000
Valuation	
At 1 July 2020	10,031
Additions at cost	157
Investment property revaluation	(2)
At 30 June 2021	10,186

The investment properties were valued by external valuers (Hyde Harrington Limited) at 30 June 2021.

The historic cost net book value is £8,013,000 (2020: £7,856,000).

Company

	Freehold Investment Property £000
Valuation	
At 1 July 2020	6,805
Additions at cost	94
Investment property revaluation	(483)
At 30 June 2021	6,416

The investment properties were valued by external valuers (Hyde Harrington Limited) at 30 June 2021.

The historic cost net book value is £6,856,000 (2020: £6,762,000).

18. STOCKS

	Group 2021 £000	Group 2020 £000
Raw materials and consumables	212	202
Finished goods and goods for resale	148	-
	360	202

An impairment loss of £nil (2020 - £nil) was recognised in operating costs against stock during the year due to slow-moving and obsolete stock.

19. DEBTORS

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
<i>Due within one year</i>				
Trade debtors	11,502	10,687	49	47
Amounts owed by group undertakings	-	-	1,861	1,300
Prepayments and accrued income	686	590	175	46
Amounts recoverable on long term contracts	550	493	-	-
Grants receivable	-	100	-	100
	12,738	11,870	2,085	1,493

Group trade debtors are stated after provisions for impairment of £1,224,000 (2020: £787,000)

20. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group	Group	Company	Company
	2021	2020	2021	2020
	£000	£000	£000	£000
Bank overdrafts	7,218	6,637	1,640	1,996
Bank loans	337	400	337	399
Other loans	1,500	1,500	-	-
Trade creditors	1,703	1,373	-	-
Amounts owed to group undertakings	-	-	10,461	9,214
Corporation tax	287	36	-	2
Other taxation and social security	498	772	17	98
Obligations under finance lease and hire purchase contracts	18	24	-	-
Accruals and deferred income	1,111	878	313	319
	12,672	11,620	12,768	12,028

The bank overdrafts and bank loan are secured by cross guarantees and debentures and charges over certain freehold property and finance assets owned by the group.

At 30 June 2021 the group was holding £744,377 (2020: £463,454) on behalf of its clients. This cash balance has been excluded from cash at bank and in hand balance, and has been offset against the associated creditor balance.

21. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group	Group	Company	Company
	2021	2020	2021	2020
	£000	£000	£000	£000
Bank loans	4,393	5,591	4,392	5,586
Net obligations under finance leases and hire purchase contracts	33	53	-	-
Accruals and deferred income	826	898	826	898
	5,252	6,542	5,218	6,484

Hire purchase liabilities are secured over the assets to which they relate to.

22. LOANS

This note provides information about the contractual terms of the company and groups' interest bearing loans and borrowings, which are measured at amortised cost.

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
<i>Amounts falling due within one year</i>				
Bank loans	337	400	337	399
Other loans	1,500	1,500	-	-
	1,837	1,900	337	399
<i>Amounts falling due 1-2 years</i>				
Bank loans	348	404	347	399
<i>Amounts falling due 2-5 years</i>				
Bank loans	4,045	5,187	4,045	5,187
	6,230	7,491	4,729	5,985

Bank loans comprise a £4.9m term loan refinanced during the year, repayable by quarterly instalments over 5 years to November 2025 and subject to interest at a fixed rate of 3.1% over the Bank of England base rate.

The loan is secured by fixed and floating charges over the assets of the company and group companies through cross guarantees.

23. HIRE PURCHASE AND FINANCE LEASES

Minimum lease payments under hire purchase fall due as follows:

	2021 £000	2020 £000
Within one year	20	24
Between 1-5 years	34	54
Less: future finance charges	(3)	(1)
	51	77

24. DEFERRED TAXATION

Group

	2021 £000	2020 £000
At beginning of year	(1,148)	(602)
Charged to profit and loss account	(151)	(109)
Charged to other comprehensive income	(297)	(437)
At end of year	(1,596)	(1,148)

Company

	2021 £000	2020 £000
At beginning of year	(659)	(143)
Charged to profit and loss account	39	(79)
Charged to other comprehensive income	(303)	(437)
At end of year	(923)	(659)

The provision for deferred taxation is made up as follows:

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Accelerated capital allowances	(292)	(145)	8	(61)
Employee benefits	(273)	(226)	(268)	(226)
Unused tax losses	30	35	2	14
Other	(1,061)	(812)	(665)	(386)
	(1,596)	(1,148)	(923)	(659)

25. SHARE CAPITAL

	2021 £000	2020 £000
<i>Allotted, called up and fully paid</i>		
1,078,453 (2020 - 1,078,453) Ordinary shares of £1.00 each	1,078	1,078

26. RESERVES

Revaluation Reserve

The revaluation reserve represents the gain on the revaluation of freehold land and buildings. The gain arising year on year, net of the associate deferred tax provision, has been transferred to this separate reserve. Excess depreciation, net of movements in the associated deferred tax provision, are transferred to/from the revaluation reserve and the profit and loss reserve in the statement of changes in equity.

Other Reserves

This is the share premium account which includes any premium on the issued share capital. Any transaction costs associated with the issue of share capital are deducted from this reserve.

Profit and Loss Account

The profit and loss reserve represents cumulative profits and losses, net of dividends paid and other adjustments.

27. PENSION COMMITMENTS

The group operates two defined contribution pension schemes; a self invested 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 £243,000 (2020: £254,000).

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

The group also operates two defined benefit pension schemes providing benefits based on final pensionable pay.

Group and company scheme

The Harrison & Hetherington Limited Senior Staff Pension and Assurance Scheme which 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 2021.

The amounts recognised in the balance sheet are as follows:

	2021 £000	2020 £000
Defined benefit obligation	(22,598)	(25,118)
Plan assets	25,101	27,668
Net pension asset	2,503	2,550

Movements in the present value of the defined benefit obligation were as follows:

	2021 £000	2020 £000
Opening defined benefit obligation	25,118	24,552
Interest expense	366	552
Remeasurement: actuarial losses	(1,448)	1,103
Benefits paid	(1,438)	(1,089)
Past service cost	-	-
Closing defined benefit obligation	22,598	25,118

Changes in the fair value of scheme assets were as follows:

	2021 £000	2020 £000
Opening fair value of scheme assets	27,668	23,720
Interest income	404	534
Administration costs incurred	(19)	-
Remeasurement: return on plan assets less interest income	(1,525)	4,378
Contributions by employer	11	125
Benefits paid	(1,438)	(1,089)
Closing fair value of scheme assets	25,101	27,668

27. PENSION COMMITMENTS (continued)

The amounts recognised in the profit or loss are as follows:

	2021 £000	2020 £000
Net interest expense on net defined benefit liability	(38)	18
Past service cost expense	19	-
Total expense recognised in profit or loss	(19)	18

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

	2021 %	2020 %
Deferred annuity policies	54	53
Guaranteed annuity policies	35	34
Growth	6	7
Matching	5	6
	2021 £000	2020 £000
Actual return on plan assets	(1,093)	4,912

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

	2021 %	2020 %
Discount rate	1.90	1.50
Future salary increases	2.25	2.75
Retail prices index	2.95	2.75

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65 year old to live for a number of years as follows:

- Current pensioner aged 65: 21.3 years (male), 23.2 years (female)
- Future retiree upon reaching 65: 23.0 years (male), 25.1 years (female)

Group and Company Scheme

The John Swan Limited Retirement Benefits Scheme, previously run by a subsidiary of the company, transferred to the company in the year. The scheme was closed to new members and to future accrual for existing members on 30 April 2012.

The assets of the defined benefit scheme are held separately from those of the company in an independently administered fund. Contributions to the scheme are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The last full actuarial valuations of this scheme was carried out by a qualified independent actuary as at 30 June 2021.

Notes to the Financial Statements

continued

27. PENSION COMMITMENTS (continued)

The amounts recognised in the balance sheet are as follows:

	2021 £000	2020 £000
Defined benefit obligation	(8,091)	(8,773)
Plan assets	7,708	7,415
Net pension liability	(383)	(1,358)

Movements in the present value of the defined benefit obligation were as follows:

	2021 £000	2020 £000
Opening defined benefit obligation	8,773	8,104
Interest expense	130	181
Remeasurement: actuarial losses	(632)	954
Benefits paid	(180)	(466)
Past service cost	-	-
Closing defined benefit obligation	8,091	8,773

Changes in the fair value of scheme assets were as follows:

	2021 £000	2020 £000
Opening fair value of scheme assets	7,415	7,549
Interest income	111	169
Remeasurement: return on plan assets less interest income	210	130
Contributions by employer	152	33
Benefits paid	(180)	(466)
Closing fair value of scheme assets	7,708	7,415

The amounts recognised in the profit or loss are as follows:

	2021 £000	2020 £000
Net interest on net defined benefit liability	19	12
Past service cost expense	-	-
Total expense recognised in the profit or loss	19	12

27. PENSION COMMITMENTS (continued)

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

	2021 %	2020 %
Pooled investment vehicles	93	92
Insurance policies	6	7
Cash and cash deposits	1	1
	2021 £000	2020 £000
Actual return on plan assets	321	299

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

	2021 %	2020 %
Discount rate	1.90	1.50
Retail price inflation	2.95	2.75
Consumer price inflation	2.25	2.10
Pension increases - RPI maximum 5%	2.85	2.75

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65 year old to live for a number of years as follows:

- Current pensioner aged 65: 21.3 years (male), 23.2 years (female)
- Future retiree upon reaching 65: 23.0 years (male), 25.1 years (female)

28. COMMITMENTS UNDER OPERATING LEASES

At 30 June 2021 the Group and the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

Group

	2021 £000	2020 £000
Not later than 1 year	118	110
Later than 1 year and not later than 5 years	270	233
Later than 5 years	178	115
	566	458

The company had no commitments under the non-cancellable operating leases as at the balance sheet date.

29. CONTINGENT LIABILITIES

At 30 June 2021 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.

30. RELATED PARTIES

The group has a related party relationship with its subsidiaries. Transactions between the company and its subsidiaries have been eliminated on consolidation.

Due to the nature of the group's activities, certain directors and their related business regularly enter into transactions with the group on normal commercial terms.

Transactions with key management personnel

Total compensation of key management personnel (including the directors) in the year amounted to £1,105,618 (2020: £829,549).

31. CONTROLLING PARTY

In the opinion of the directors there is no controlling party.

The directors make the key decisions within the group on behalf of the shareholders.

The Board of Directors



Michael L Scott
(Non Executive Chairman)



Richard A Rankin
(Chief Executive)



John Leveson
(Non Executive Director)



Dawn Harrison
(Non Executive Director)



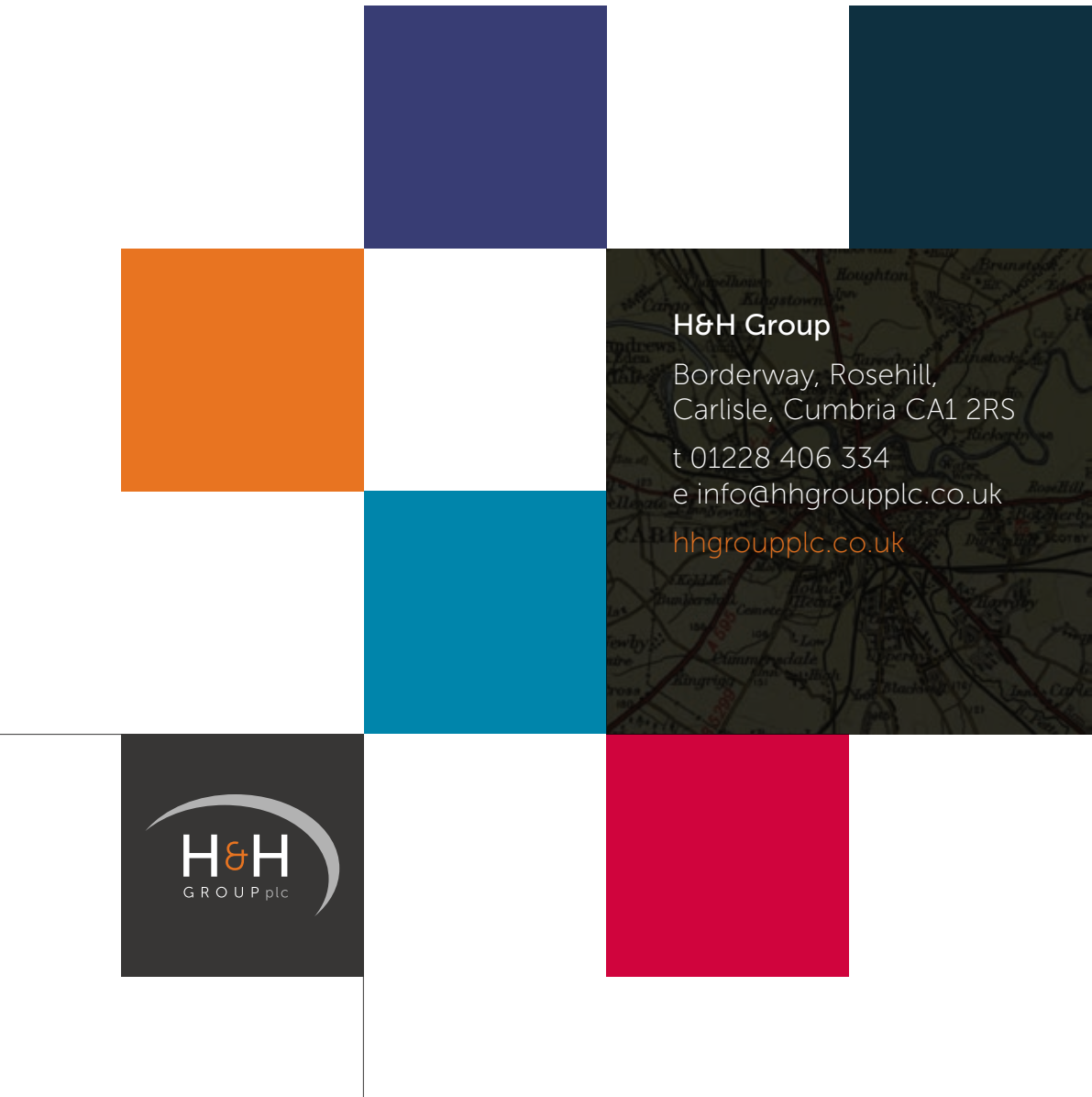
Lynne Mallinson
(Non Executive Director)



Will B Hamilton
(Non Executive Director)



Margaret Irving
(Company Secretary)

A decorative graphic consisting of a grid of colored squares (dark blue, orange, white, light blue, red) and a background map of the Carlisle area. The map shows streets, rivers, and place names like Kingstown, Rosehill, and Carlisle.

H&H Group

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