

H&H Motor Auctions Limited

**Directors' report and financial
statements**

Registered number 965589

30 June 2012

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Directors' report

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

Principal activities

The principal activity of the Company is that of auctioneers of motor vehicles

Business review

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

On 1 July 2012 the trade and assets of H&H Motor Auctions Limited were transferred to Harrison & Hetherington Limited

Dividends

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

Directors and Directors' interests

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

| | Ordinary shares of £1 each in H&H Group plc | |
|---------------|--|--------------------|
| | At 30 June 2012 | At 30 June 2011 |
| BE Richardson | 454 | 454 |
| IG Hall | - | - |
| DHJ Pritchard | 2,866 | 2,696 |

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

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

Political and charitable contributions

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

Disclosure of information to Auditor

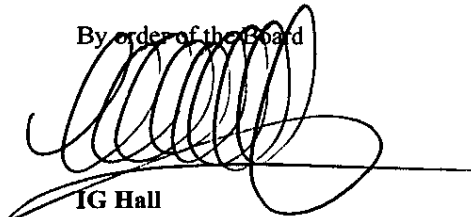
The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditor is unaware, and each Director has taken all the steps that he ought to have taken as a Director to make himself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

Directors' report *(continued)*

Independent auditor

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

By order of the Board



IG Hall
Director

Borderway Mart
Rosehill
Carlisle
CA1 2RS

26 October 2012

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

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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



KPMG LLP

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

Independent auditor's report to the members of H&H Motor Auctions Limited

We have audited the financial statements of H&H Motor Auctions Limited for the year ended 30 June 2012 set out on pages 6 to 15. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 June 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Independent auditor's report to the members of H&H Motor Auctions Limited*(continued)*

Matters on which we are required to report by exception

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

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



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

26 October 2012

Profit and Loss Account
for the year ended 30 June 2012

| | <i>Note</i> | 2012 £ | 2011 £ |
|---|-------------|------------------|------------------|
| Throughput (see below) | | 2,132,564 | 1,826,295 |
| Turnover | <i>1</i> | 284,227 | 225,994 |
| Administrative expenses | | 284,206 | (271,053) |
| Operating profit/(loss) | | 21 | (45,059) |
| Interest receivable | <i>5</i> | - | 28 |
| Profit/(loss) on ordinary activities before taxation | <i>2-5</i> | 21 | (45,031) |
| Tax on profit/(loss) on ordinary activities | <i>6</i> | (3,022) | - |
| Loss for the financial year | <i>11</i> | (3,001) | (45,031) |

Throughput represents the value of vehicles processed through the motor auction

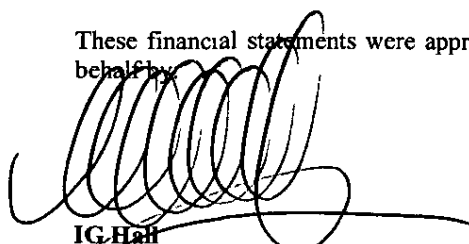
As detailed in note 16 the trade and assets of the company were transferred to another group company post year end

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

Balance Sheet
at 30 June 2012

| | <i>Note</i> | 2012 £ | £ | 2011 £ | £ |
|---|-------------|-----------------------------------|----------------|---------------------|---------|
| Fixed assets | | | | | |
| Tangible assets | 7 | | 56,252 | | 74,520 |
| Current assets | | | | | |
| Debtors | 8 | 51,928 | | 23,377 | |
| Cash at bank and in hand | | 249,331 | | 309,014 | |
| | | <hr/> | | <hr/> | |
| Creditors: amounts falling due within one year | 9 | 301,259 (40,658) | | 332,391 (87,057) | |
| | | <hr/> | | <hr/> | |
| Net current assets | | | 260,601 | | 245,334 |
| | | | <hr/> | | <hr/> |
| Net assets | | | 316,853 | | 319,854 |
| | | | <hr/> | | <hr/> |
| Capital and reserves | | | | | |
| Called up share capital | 10 | | 1,000 | | 1,000 |
| Profit and loss account | 11 | | 315,853 | | 318,854 |
| | | | <hr/> | | <hr/> |
| Shareholders' funds | | | 316,853 | | 319,854 |
| | | | <hr/> | | <hr/> |

These financial statements were approved by the Board of Directors on 26 October 2012 and were signed on its behalf by:



IG H&H
Director

Registered number 965589

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

| | 2012 £ | 2011 £ |
|---|----------------|-----------------|
| Loss for the financial year | (3,001) | (45,031) |
| Net reduction in shareholders' funds | (3,001) | (45,031) |
| Opening shareholders' funds | 319,854 | 364,885 |
| Closing shareholders' funds | 316,853 | 319,854 |

Notes

(forming part of the financial statements)

1 Accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules

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

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

Tangible fixed assets and depreciation

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

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

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease

Post-retirement benefits

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

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

Taxation

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

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

Notes (continued)

1 Accounting policies (continued)

Financial instruments

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

Classification of financial instruments issued by the Company

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

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

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

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

Dividends on shares presented within shareholders' funds

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

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers. The turnover and profit are attributable to the principal activity of the Company, and is earned entirely within the United Kingdom.

Cash

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

Notes (continued)

2 Notes to the profit and loss account

| | 2012 £ | 2011 £ |
|--|-----------|-----------|
| <i>Loss on ordinary activities before taxation is stated after charging.</i> | | |
| Depreciation – owned assets | 24,258 | 21,678 |
| Hire of other assets – rentals payable under operating leases | 648 | 6,212 |
| <i>Auditor's remuneration</i> | | |
| Audit of these financial statements | 1,200 | 1,200 |

3 Remuneration of Directors

| | 2012 £ | 2011 £ |
|---|-----------|-----------|
| Directors' emoluments | 49,490 | 47,208 |
| Contributions to money purchase pension schemes | 3,858 | 3,754 |
| | 53,348 | 50,962 |

One director (2011 one) had benefits accruing under the Group's money purchase pension scheme

4 Staff numbers and costs

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

| | Number of employees | |
|----------------|---------------------|------|
| | 2012 | 2011 |
| Management | 1 | 1 |
| Sales | 1 | 2 |
| Administration | 2 | 1 |
| Operations | 1 | 1 |
| | 5 | 5 |

In addition, 6 (2011 7) part-time staff were employed

The aggregate payroll costs of these persons were as follows

| | £ | £ |
|-------------------------------|---------|---------|
| Wages and salaries | 128,585 | 116,722 |
| Social security costs | 12,205 | 9,949 |
| Other pension costs (note 14) | 4,856 | 4,404 |
| | 145,646 | 131,075 |

Notes (continued)

5 Interest receivable

| | 2012 £ | 2011 £ |
|---------------|-----------|-----------|
| Bank interest | - | 28 |

6 Taxation

Analysis of charge in year

| | 2012 £ | 2011 £ |
|--------------------------------------|-----------|-----------|
| <i>UK corporation tax</i> | | |
| Current tax on income for the year | 3,022 | - |
| Tax on profit on ordinary activities | 3,022 | - |

Factors affecting the tax charge for the current year

The current tax charge for the year is higher (2011 higher) than the standard rate of corporation tax for small companies in the UK 20% (2011 27.5%) The differences are explained below

| | 2012 £ | 2011 £ |
|--|-----------|-----------|
| <i>Current tax reconciliation</i> | | |
| (Loss)/profit on ordinary activities before tax | 21 | (45,031) |
| Current tax at 20% (2011 27.5%) | 4 | (12,385) |
| <i>Effects of</i> | | |
| Expenses not deductible/Income not taxable | - | (949) |
| Capital allowances for year less than depreciation | 3,018 | 2,238 |
| Surrender of Group relief for no consideration | - | 11,096 |
| Total current tax charge (see above) | 3,022 | - |

Notes (continued)

7 Tangible fixed assets

| | Assets in the course of construction £ | Motor vehicles £ | Computer equipment £ | Fixtures and fittings £ | Leasehold improvements £ | Total £ |
|-----------------------|---|------------------------|----------------------------|-------------------------------|--------------------------------|------------|
| Cost | | | | | | |
| At beginning of year | 24,216 | 33,900 | 7,164 | 8,714 | 33,131 | 107,125 |
| Additions | 2,789 | 15,100 | - | - | 2,880 | 20,769 |
| Disposals | (27,005) | (5,500) | - | - | - | (32,505) |
| At end of year | - | 43,500 | 7,164 | 8,714 | 36,011 | 95,389 |
| Depreciation | | | | | | |
| At beginning of year | 16,216 | 3,538 | 4,385 | 6,421 | 2,045 | 32,605 |
| Charge for year | - | 10,925 | 1,021 | 420 | 11,892 | 24,258 |
| Disposals | (16,216) | (1,510) | - | - | - | (17,726) |
| At end of year | - | 12,953 | 5,406 | 6,841 | 13,937 | 39,137 |
| Net book value | | | | | | |
| At 30 June 2012 | - | 30,547 | 1,758 | 1,873 | 22,074 | 56,252 |
| At 30 June 2011 | 8,000 | 30,362 | 2,779 | 2,293 | 31,086 | 74,520 |

8 Debtors

| | 2012 £ | 2011 £ |
|------------------------------------|---------------|---------------|
| Trade debtors | 13,485 | 8,613 |
| Prepayments and accrued income | 15,154 | 14,764 |
| Amounts owed by group undertakings | 23,289 | - |
| | <u>51,928</u> | <u>23,377</u> |

There is an unrecognised deferred tax asset of £225 (2011 £2,833) in relation to fixed asset timing differences

9 Creditors: amounts falling due within one year

| | 2012 £ | 2011 £ |
|------------------------------------|---------------|---------------|
| Amounts owed to Group undertakings | 21,457 | 68,455 |
| Corporation tax | 3,022 | - |
| VAT payable | 11,213 | 14,430 |
| Accruals and deferred income | 4,966 | 4,172 |
| | <u>40,658</u> | <u>87,057</u> |

Notes (continued)

10 Called up share capital

| | 2012 £ | 2011 £ |
|---|-----------|-----------|
| <i>Allotted, called up and fully paid</i> | | |
| 1,000 ordinary shares of £1 each | 1,000 | 1,000 |

11 Profit and loss account

| | 2012 £ | 2011 £ |
|----------------------|-----------|-----------|
| At beginning of year | 318,854 | 363,885 |
| Loss for the year | (3,001) | (45,031) |
| At end of year | 315,853 | 318,854 |

12 Contingent liabilities

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

13 Commitments

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

The Company has annual commitments relating to operating leases in respect of office equipment which expire within two to three years totalling £475 (2011 £512).

14 Pension scheme

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

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

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

The Group also operates a Group Personal Pension Scheme and a Stakeholder Pension Scheme. Charges for these schemes in the accounts for the year relate to contributions made during the year, and amounted to £4,856 (2011 £4,404). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

Notes *(continued)*

15 Ultimate parent company

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

16 Post balance sheet events

On 1 July 2012 the trade and assets of H&H Motor Auctions Limited were transferred to Harrison & Hetherington Limited.