

Registered number: 0052362

Hope's Auction Company Limited

Annual report

31 March 2019



Hope's Auction Company Limited

Company information

Directors	J B Peile G P Benson (appointed 2 May 2018) E J Wright I Grainger (appointed 18 March 2019) K Pears (appointed 10 December 2018)
Company secretary	B C Whitfield
Registered number	00052362
Registered office	Hope's Auction Mart Syke Road Wigton Cumbria CA7 9NS
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 Cumbria CA3 0BQ

Hope's Auction Company Limited

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Hope's Auction Company Limited

Strategic report Year ended 31 March 2019

Introduction

Your Board of Directors (Board) have pleasure in presenting the financial statements for the year to 31st of March 2019.

Since the last AGM there have been a number of changes to the Board. We would like to thank Jeff Dixon who retired as chairman, having given over 30 years of loyal service to the company and also to Ian Ritchie who served as managing director and left the company on the 3rd of June this year.

During this time we have also welcomed Ken Pears, Ian Grainger and James Illingworth to the Board of directors. Having a new board has required us to gain a deeper understanding of Hopes business including undertaking:

- An overall review of the business including the principal income streams and analysing the expenditure incurred across all departments;
- A robust assessment of all of the business assets and their value;
- A review of the timing that information is presented to you as members, hence the earlier than usual AGM;
- Forming a plan to enable the business to succeed into the future.

Our aim as a business is to provide first-class livestock auctioneering, land agency and other services to farmers and other customers in a manner that protects and grows shareholder value. After many years where shareholder value has been eroded achieving this aim will not be easy and will require focus, commitment and support from us all as a Board, staff and members alike.

Hope's Auction Company Limited

Strategic report (continued)

Year ended 31 March 2019

Business review

Going concern

One of the key ongoing responsibilities we have as a Board is to review the resources and funding available to the company. We then use this information to establish whether or not the company is likely to remain operational into the foreseeable future. The company prepares annual cash flow forecasts and regular management accounts to assist with its financial management. This information is regularly monitored and reviewed.

The company relies on external finance, principally from Clydesdale Bank who have supported the company through recent difficult trading years. After making enquiries, and reviewing annual cash flow forecasts against banking facilities available, the Board is confident that the company has adequate resources to continue in operation for the foreseeable future. For this reason, we continue to adopt the going concern basis in preparing the financial statements.

Principal Risks and Uncertainties

Management continually monitor the key risks facing the company together with assessing the controls used for managing risks. The directors agree policies for managing the risk arising from the company's financial instruments. These are as follows:

Economic Downturn – The company acknowledges the importance of maintaining close relationships with key customers in order to be able to identify the early signs of potential financial difficulties.

Competitor Pressure – The market in which the company operates, particularly livestock auctioneering is considered to be highly competitive with both other auction marts and alternative sale methods resulting in a risk of losing sales to key competitors. The company manages this risk by providing quality services and maintaining strong relationships with its key customers but acknowledges the sector as a whole is shrinking. To this end the company seeks to maximise income from its entire asset base as well as looking to consolidate its position within the livestock auctioneering sector.

Loss of Key Personnel – This would present significant operational difficulties for the company. Management seek to ensure that key personnel are appropriately remunerated to ensure that good performance is recognised.

Exposure to Bad Debts – Due to the nature of the market in which the company operates it faces significant risk in respect of its trade debtor balances. The company manages its risk through close monitoring of trading activities through the auction and insuring against the failure of key debtors.

Brexit – The prospect of leaving the EU could change trading conditions for many of our customers. The company continues to monitor this and other political events in order to assess and react to these risks.

Hope's Auction Company Limited

Strategic report (continued) Year ended 31 March 2019

Financial performance and asset valuations

As stated above we have reviewed the value of all the assets in the business and in some cases have reduced their carrying value in the accounts. There have also been asset sales during and after the year end date of 31 March 2019. An update on these is as follows:

- During the year the biggest part of the old mart site was sold for £1.55 million. There were however costs associated with this, principally the demolition of the old mart and the purchase of mineral rights on the site. These costs are reflected within the loss on disposal of fixed asset figures in the profit and loss account of £344,837.
- Since the year end Fiddlers Park has been sold for £210,000 and we have offers on the old estate office at 13 High Street and the remainder of the old mart site. It is believed these sales will complete within the next couple of months.
- The other significant change in value of property which impacts on the profit and loss account is the write off of consultancy and planning costs incurred historically on land next to Wigton Bowling Club. These costs have been carried as an asset for a number of years. We have previously reported this land is subject to a Village Green application. Having no indication as to when or indeed if the Village Green matter will be resolved so have taken the decision to reduce the land back to agricultural value. These costs are shown as exceptional items in the profit and loss account.
- The values of other assets have been reviewed and in some cases reduced. These reductions in value are reflected as a reversal of previous upwards revaluations in the balance sheet, which we believe were unrealistic.

The reported loss before tax for the year is £773,870. Once this is adjusted for the above losses on disposal (£344,837) and exceptional items (£250,897) it brings the loss from continuing operations to £178,136. Whilst this is a significant improvement on the previous year where the figure was £344,098 it highlights the work that still needs done to bring the business back to profitability.

Losses incurred in the year and the revaluation of assets have been partially offset by a large reduction in the provision for deferred tax but have contributed to a reduction in the value of the balance sheet from £2,759,114 to £1,844,555.

Despite the reduction in the value of the balance sheet, at the year end the company had reduced its bank debt from £4.09 million to £2.56 million and still held the following property assets:

- Two acres of the old mart site (sold subject to contract);
- 13 High Street (sold subject to contract);
- Butchers field;
- Land at Low Houses;
- Land at Station Hill;
- Land at the Bowling Club;
- Fiddlers Park (sale completed for £210,000 since the year end);
- Land at Aspatria; and
- The new auction mart premises.

Hope's Auction Company Limited

Strategic report (continued) Year ended 31 March 2019

A plan for the future

The key areas for the business to focus on are increasing income and reducing costs.

We aim to consolidate the position of the livestock auction in a competitive market. By its nature the livestock auction draws people to the site. We need to use this footfall to exploit other commercial opportunities on the site and increase its use on none sale days. This will form a key strand of our drive to increase revenue generated from the company's assets.

Debt reduction still forms a key part to our plan and we will continue to review assets and assess their ability to generate income and capital growth against the ongoing cost of ownership.

The Board and management team will continue to focus on increasing efficiencies within the organisation by reviewing costs and procedures. To contribute to this and the future success of the business we have agreed to waive our directors fees for the year to 31 March 2019.

We have a new management structure in place with the managing director role being split between certain members of the Board, and the Mart and Land Agency managers.

We are committed and focused on what we need to achieve as a Company and although some decisions we take will not be universally popular, we are more than happy to discuss our reasoning with members.

In a nutshell we aim to 'Make Hopes great again' and thank all staff, customers and members for their continued support.

This report was approved by the board on 26 June 2019 and signed on its behalf by:



E J Wright
Director

Hope's Auction Company Limited

Directors' report Year ended 31 March 2019

The directors present their report and the financial statements for the year ended 31 March 2019.

Results and dividends

The loss for the year, after taxation, amounted to £583,607 (2018 - loss £2,058,377).

The directors do not recommend the payment of a final dividend (2018 - £nil).

Directors

The directors who served during the year, and changes since the year end were as follows:

J J Dixon (resigned 22 November 2018)
I Ritchie (resigned 3 June 2019)
J B Peile
K Stitchell (resigned 29 May 2018)
G P Benson (appointed 2 May 2018)
E J Wright
I Grainger (appointed 18 March 2019)
K Pears (appointed 10 December 2018)

Matters covered in the strategic report

Future developments and financial risk management objectives and policies, which would otherwise be disclosed in the directors' report are disclosed in the strategic report, as permitted by section 414C(11) of the Companies Act 2006.

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'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's auditor is aware of that information.

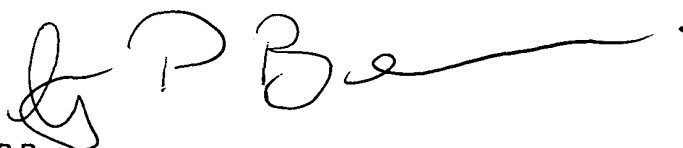
Post balance sheet events

There have been no significant events affecting the company 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.

This report was approved by the board on 26 June 2019 and signed on its behalf by:



G P Benson
Director

Hope's Auction Company Limited

Directors' responsibilities statement Year ended 31 March 2019

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

Company law requires the directors to prepare financial statements for each financial year. Under that law 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 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 accounting estimates that are reasonable and prudent;
- 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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Independent auditor's report to the members of Hope's Auction Company Limited

Opinion

We have audited the financial statements of Hope's Auction Company Limited ('the company') for the year ended 31 March 2019, which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of cash flows, the 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 company's affairs as at 31 March 2019 and of its loss 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 company 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



Independent auditor's report to the members of Hope's Auction Company Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 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 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 company and its environment obtained in the course of the audit, we have not identified material misstatements in the 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, 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.



Independent auditor's report to the members of Hope's Auction Company Limited (continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement on page 6, 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 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 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 financial statements.

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.

A handwritten signature in black ink, appearing to read 'Michael Morris'.

Michael Morris ACA FCCA (Senior Statutory Auditor)
for and on behalf of UNW LLP, Statutory Auditor
Chartered Accountants
Newcastle Upon Tyne

26 June 2019

Hope's Auction Company Limited

Profit and loss account Year ended 31 March 2019

	Note.	Continuing operations 2019 £	Discontin'd operations 2019 £	Total 2019 £	Continuing operations 2018 £	Discontinued operations 2018 £	Total 2018 £
Turnover	5	933,413	-	933,413	1,030,375	325,557	1,355,932
Cost of sales		(7,612)	-	(7,612)	(96,444)	-	(96,444)
Gross profit		925,801	-	925,801	933,931	325,557	1,259,488
Administrative expenses		(1,034,388)	-	(1,034,388)	(1,125,814)	(444,299)	(1,570,113)
Exceptional administrative expenses		(250,897)	-	(250,897)	(1,393,600)	-	(1,393,600)
Other operating income	6	73,401	-	73,401	77,546	-	77,546
Loss on disposal of tangible fixed assets		(344,837)	-	(344,837)	(75,755)	-	(75,755)
Operating loss	7	(630,920)	-	(630,920)	(1,583,692)	(118,742)	(1,702,434)
Interest receivable and similar income		29	-	29	52	-	52
Interest payable and similar expenses	11	(142,979)	-	(142,979)	(154,328)	(10,796)	(165,124)
Loss before tax		(773,870)	-	(773,870)	(1,737,968)	(129,538)	(1,867,506)
Tax on loss	12	190,263	-	190,263	(190,871)	-	(190,871)
Loss for the financial year		(583,607)	-	(583,607)	(1,928,839)	(129,538)	(2,058,377)

The notes on pages 16 to 32 form part of these financial statements.

Hope's Auction Company Limited

Statement of comprehensive income Year ended 31 March 2019

	Note	2019 £	2018 £
Loss for the financial year		<u>(583,607)</u>	<u>(2,058,377)</u>
Other comprehensive income			
Deferred tax movement on revaluation of fixed assets		398,151	437,614
Other comprehensive income for the year		<u>398,151</u>	<u>437,614</u>
Total comprehensive income for the year		<u><u>(185,456)</u></u>	<u><u>(1,620,763)</u></u>

The notes on pages 16 to 32 form part of these financial statements.

Hope's Auction Company Limited

Balance sheet At 31 March 2019

	Note	2019 £	2018 £
Fixed assets			
Intangible assets	14	14,646	17,230
Tangible assets	15	3,899,302	6,430,275
Investments	16	32,637	32,625
		<u>3,946,585</u>	<u>6,480,130</u>
Current assets			
Stocks	17	16,707	200
Debtors	18	708,046	1,311,412
Cash at bank and in hand		14,692	50,326
		<u>739,445</u>	<u>1,361,938</u>
Creditors: amounts falling due within one year	19	(2,825,366)	(2,006,243)
Net current liabilities		<u>(2,085,921)</u>	<u>(644,305)</u>
Total assets less current liabilities		<u>1,860,664</u>	<u>5,835,825</u>
Creditors: amounts falling due after more than one year	20	(10,709)	(2,482,897)
Provisions for liabilities			
Deferred tax	23	(5,400)	(593,814)
Net assets		<u><u>1,844,555</u></u>	<u><u>2,759,114</u></u>
Capital and reserves			
Called up share capital	24	255,000	255,000
Revaluation reserve	25	797,133	2,892,662
Profit and loss account	25	792,422	(388,548)
Total equity		<u><u>1,844,555</u></u>	<u><u>2,759,114</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 26 June 2019.


G P Benson
Director

Company registered number: 00052362

The notes on pages 16 to 32 form part of these financial statements.

Hope's Auction Company Limited

Statement of changes in equity Year ended 31 March 2019

	Called up share capital £	Revaluation reserve £	Profit and loss account £	Total equity £
At 1 April 2017	255,000	4,941,621	(566,744)	4,629,877
Loss for the year	-	-	(2,058,377)	(2,058,377)
Transfers between reserves - realised gains	-	(1,798,959)	1,798,959	-
Deferred tax movement	-	-	437,614	437,614
Revaluation of properties	-	(250,000)	-	(250,000)
At 1 April 2018	255,000	2,892,662	(388,548)	2,759,114
Loss for the year	-	-	(583,607)	(583,607)
Transfers between reserves - realised gains	-	(1,366,426)	1,366,426	-
Deferred tax movement	-	-	398,151	398,151
Revaluation of properties (see note 15)	-	(729,103)	-	(729,103)
At 31 March 2019	255,000	797,133	792,422	1,844,555

The notes on pages 16 to 32 form part of these financial statements.

Hope's Auction Company Limited

Statement of cash flows Year ended 31 March 2019

	2019 £	2018 £
Cash flows from operating activities		
Loss for the financial year	(583,607)	(2,058,377)
Adjustments for:		
Amortisation of intangible assets	2,584	3,041
Depreciation of tangible assets	41,253	136,898
Impairments of fixed assets	230,897	1,393,600
Loss on disposal of tangible assets	342,048	75,754
Interest paid	142,979	165,124
Interest received	(29)	(52)
Taxation charge	(190,263)	190,871
(Increase)/decrease in stocks	(16,507)	22,379
Decrease/(increase) in debtors	603,366	(257,886)
(Decrease) in creditors	(88,706)	(151,867)
Net cash generated from operating activities	484,015	(480,515)
Cash flows from investing activities		
Purchase of tangible fixed assets	(367,048)	(67,227)
Sale of tangible fixed assets	1,554,709	2,001,650
Sale of fixed asset investments	-	10,000
Interest received	29	52
Net cash from investing activities	1,187,690	1,944,475
Cash flows from financing activities		
Repayment of loans	(1,201,334)	(845,054)
Repayment of/new finance leases	(33,115)	(85,551)
Interest paid	(142,979)	(165,124)
Net cash used in financing activities	(1,377,428)	(1,095,729)
Net increase in cash and cash equivalents	294,277	368,231
Cash and cash equivalents at beginning of year	(1,587,680)	(1,955,911)
Cash and cash equivalents at the end of year	(1,293,403)	(1,587,680)

Hope's Auction Company Limited

Statement of cash flows (continued) Year ended 31 March 2019

	2019 £	2018 £
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	14,692	50,326
Bank overdrafts	(1,308,095)	(1,638,006)
	<u>(1,293,403)</u>	<u>(1,587,680)</u>

The notes on pages 16 to 32 form part of these financial statements.

Hope's Auction Company Limited

Notes to the financial statements Year ended 31 March 2019

1. General information

Hope's Auction Company Limited ("the company") provides livestock auctioneer and land valuation services.

The company is a private 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.

2. Statement of compliance

The financial statements have been prepared in accordance 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

The financial statements are prepared on a going concern basis and under the historical cost convention. They are presented in pounds sterling.

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 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.

3.2 Going concern

The company meets its day to day working capital requirement through operating cash flows supported by bank finance facilities. The directors have considered the present outlook for the business and, having regard for the challenges it faces, have prepared forecasts and projections which take account of reasonable changes in trading performance and cost control. These forecasts show that the company has sufficient financial resources and should be able to continue meeting its liabilities as they fall due in the normal course of business for the foreseeable future.

Notwithstanding the company's operating losses in recent years, after making enquiries and having regard for the factors set out in the strategic report, the Board of Directors has a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to prepare the financial statements on a going concern basis.

Hope's Auction Company Limited

Notes to the financial statements Year ended 31 March 2019

3. Accounting policies (continued)

3.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Auction

Turnover represents commissions earned, stated net of value added tax, from the sale of livestock and machinery, recognised at point of sale.

Land Agency and Estate Agency

Turnover represents fee receivable, stated net of value added tax, in connection with the sale, purchase and letting of land and properties, recognised on exchange of contracts.

Hotel

Turnover represents sales, exclusive of value added tax, of goods and services provided to customers during the year, after making due allowance payments in advance, recognised when rooms are occupied and food and beverages sold.

Farm

Turnover represents income derived from farming activities recognised on an accruals basis.

3.4 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the company but are presented separately due to their size or incidence.

3.5 Intangible fixed assets

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

Computer software	-	15% reducing balance
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Asset residual values and useful lives are reviewed at the end of each reporting period, and adjusted if appropriate. The effect of any change is accounted for prospectively.

Hope's Auction Company Limited

Notes to the financial statements Year ended 31 March 2019

3. Accounting policies (continued)

3.6 Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, less accumulated depreciation and accumulated impairment losses. Cost includes the purchase price plus any further costs directly attributable to making the asset operate as intended.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost less estimated residual value of each asset on a systematic basis over its expected useful life as follows:

Freehold property	-	2% straight line
Motor vehicles	-	25% reducing balance
plant, machinery, fixtures & fittings	-	15% reducing balance/ 5% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of significant change since the last reporting date.

3.7 Leases

Assets held under finance leases and hire purchase contracts, which confer rights and obligations on the company similar to those attached to owned assets, are capitalised as tangible fixed assets at the fair value of the leased asset (or, if lower, the present value of the minimum lease payments as determined at the inception of the lease) and are depreciated over the shorter of the lease term and their useful lives. The capital elements of future lease obligations are recorded as liabilities, and the interest elements are charged to the profit and loss account over the period of the leases to produce a constant periodic rate of charge on the remaining balance of the liability.

Leases that do not confer rights and obligations approximating to ownership are classified as operating leases. Rental payments under operating leases are charged to the profit and loss account on a straight-line basis over the lease term, even if payments are not made on such a basis.

3.8 Fixed asset investments

Investments in unlisted investments, which are not subsidiary undertakings, are measured at fair value unless the fair value cannot be reliably measured. Where the fair value cannot be reliably measured the investment will be measured at cost less accumulated impairment losses.

3.9 Stocks

Stocks are stated at the lower of cost or estimated selling price less costs to complete and sell. Cost is determined using the first-in first-out (FIFO) method and includes the purchase price (including taxes and duties) and transport and handling costs directly attributable to bringing the stock to its present location.

Provision is made as necessary for damaged, obsolete or slow-moving items.

Hope's Auction Company Limited

Notes to the financial statements Year ended 31 March 2019

3. Accounting policies (continued)

3.10 Financial instruments

The company only enters into financial instruments transactions that result in the recognition of basic debt financial assets and liabilities like trade and other accounts receivable and payable, cash and bank balances and loans to or from related parties. All such instruments are due within one year, and are measured, initially and subsequently at the transaction price.

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.

3.11 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 employee's entitlement to the benefit accrues.

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.

3.12 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 consequence of transactions and events recognised in the financial statements of current and previous periods, and arises from 'timing differences' (where transactions or events are included in the financial statements in periods different from those in which they are assessed for tax). Deferred tax is recognised in respect of all timing differences, except that 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 the timing differences.

Hope's Auction Company Limited

Notes to the financial statements Year ended 31 March 2019

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 expectations of future events that are believed to be reasonably under the circumstances.

Establishing useful economic lives for depreciation purposes of property, plant and equipment

Long-lived assets, consisting primarily of property, plant and equipment, comprise a significant proportion of the total fixed assets. The annual depreciation charge depends primarily on the estimated useful lives in light of prospective economic utilisation and physical condition of assets concerned. Changes in asset useful lives can have significant impact on depreciation charges for the period.

Providing for doubtful debts

The company establishes a provision for receivables that are not estimated to be recoverable. When assessing recoverability the directors consider factors such as the aging of receivables, past experience of recoverability, and the credit profile of individual or groups of customers.

5. Turnover

The whole of the turnover is attributable to livestock, machinery etc., auctioneering and land agency services. All turnover arose within the United Kingdom.

6. Other operating income

	2019 £	2018 £
Sundry income	2,780	2,633
Net rents receivable	70,621	74,913
	<u>73,401</u>	<u>77,546</u>

7. Operating loss

The operating loss is stated after charging:

	2019 £	2018 £
Depreciation of tangible fixed assets	41,253	136,898
Impairment of tangible fixed assets	230,897	1,643,600
Amortisation of intangible assets, including goodwill	2,584	3,041
Loss/(profit) on disposal	342,048	75,754
Cost of stock recognised as an expense	-	79,755
	<u></u>	<u></u>

Hope's Auction Company Limited

Notes to the financial statements Year ended 31 March 2019

8. Auditor's remuneration

	2019	2018
	£	£
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	<u>11,845</u>	<u>11,500</u>

9. Employees

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

	2019	2018
	£	£
Wages and salaries	484,985	692,189
Social security costs	42,821	51,016
Cost of defined contribution scheme	23,654	29,377
	<u>551,460</u>	<u>772,582</u>

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

	2019	2018
	No.	No.
Auction staff	16	15
Hotel Staff	-	16
Administrative staff	5	8
Directors	1	1
Estate and land agency staff	3	7
	<u>25</u>	<u>47</u>

Hope's Auction Company Limited

Notes to the financial statements Year ended 31 March 2019

10. Directors' remuneration

	2019 £	2018 £
Directors' emoluments	68,000	99,308
Company contributions to defined contribution pension schemes	9,750	17,443
	<u>77,750</u>	<u>116,751</u>

During the year retirement benefits were accruing to 1 director (2018 -1) in respect of defined contribution pension schemes.

11. Interest payable and similar expenses

	2019 £	2018 £
Bank interest payable	136,322	144,796
Finance leases and hire purchase contracts	6,657	20,328
	<u>142,979</u>	<u>165,124</u>

12. Taxation

	2019 £	2018 £
Corporation tax		
Adjustments in respect of previous periods	-	(108,716)
Total current tax	<u>-</u>	<u>(108,716)</u>
Deferred tax		
Origination and reversal of timing differences	(190,263)	299,587
Total deferred tax	<u>(190,263)</u>	<u>299,587</u>
Taxation on (loss)/profit on ordinary activities	<u>(190,263)</u>	<u>190,871</u>

Hope's Auction Company Limited

Notes to the financial statements Year ended 31 March 2019

12. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018 -higher than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £	2018 £
Loss on ordinary activities before tax	<u>(773,870)</u>	<u>(1,867,506)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 -19%)	(147,035)	(354,826)
Effects of:		
Expenses not deductible for tax purposes	4,760	1,087
Adjustment in respect of fixed asset valuation (non-qualifying assets)	(47,988)	317,962
Adjustments to tax charge in respect of prior periods	-	(14,636)
Adjustment in respect of previous years	-	(108,716)
Unrelieved tax losses carried forward	-	350,000
Total tax charge for the year	<u>(190,263)</u>	<u>190,871</u>

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

13. Exceptional items

	2019 £	2018 £
Impairment charge	230,897	1,393,600
Legal settlement	20,000	-

The current and prior year exceptional administrative expense relates to an impairment charge (see note 15).

in the current year there is an additional exceptional administrative expense which relates to a legal settlement.

Hope's Auction Company Limited

Notes to the financial statements Year ended 31 March 2019

14. Intangible assets

	Computer software £
Cost	
At 1 April 2018	62,631
At 31 March 2019	<u>62,631</u>
Amortisation	
At 1 April 2018	45,401
Charge for the year	2,584
At 31 March 2019	<u>47,985</u>
Net book value	
At 31 March 2019	<u>14,646</u>
At 31 March 2018	<u>17,230</u>

Hope's Auction Company Limited

Notes to the financial statements Year ended 31 March 2019

15. Tangible fixed assets

	Freehold property £	Plant, machinery, fixtures and fittings £	Motor vehicles £	Total £
Cost or valuation				
At 1 April 2018	8,735,613	359,305	102,073	9,196,991
Additions	362,955	4,093	-	367,048
Disposals	(2,222,537)	-	-	(2,222,537)
At 31 March 2019	6,876,031	363,398	102,073	7,341,502
Depreciation				
At 1 April 2018	2,580,600	141,532	44,584	2,766,716
Charge for the year	-	26,881	14,372	41,253
Disposals	(325,769)	-	-	(325,769)
Impairment charge	960,000	-	-	960,000
At 31 March 2019	3,214,831	168,413	58,956	3,442,200
Net book value				
At 31 March 2019	3,661,200	194,985	43,117	3,899,302
At 31 March 2018	6,155,013	217,773	57,489	6,430,275

Freehold land and buildings are stated at fair value as of 1 April 2014. The last valuation for land and buildings was performed as at 1 April 2014 by Edwin Thompson LLP, a qualified professional valuer, in accordance with RICS Valuation Professional Standards, published by the Royal Institute of Chartered Surveyors.

An external valuation of the new auction mart was carried out by Edwin Thompson LLP during the year.

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

	2019 £	2018 £
Plant and machinery	-	107,375
Motor vehicles	31,296	49,873
	31,296	157,248

Hope's Auction Company Limited

Notes to the financial statements Year ended 31 March 2019

16. Fixed asset investments

	Unlisted investments £
Cost or valuation	
At 1 April 2018	32,625
Additions	12
At 31 March 2019	<u>32,637</u>

17. Stocks

	2019 £	2018 £
Livestock and consumables	<u>16,707</u>	<u>200</u>

18. Debtors

	2019 £	2018 £
Trade debtors	608,831	1,225,761
Other debtors	5,513	8,105
Prepayments and accrued income	93,702	77,546
	<u>708,046</u>	<u>1,311,412</u>

Trade debtors are stated after a doubtful debts provision of £nil (2018 - £nil). The bad debts charge for the year, included within administrative expenses totalled £6,193 (2018 - £4,576).

Hope's Auction Company Limited

Notes to the financial statements Year ended 31 March 2019

19. Creditors: amounts falling due within one year

	2019 £	2018 £
Bank overdrafts	1,308,095	1,638,006
Bank loans	1,254,192	-
Trade creditors	26,592	51,597
Other taxation and social security	6,611	13,589
Obligations under finance lease and hire purchase contracts	16,802	33,255
Other creditors	3,365	13,736
Accruals and deferred income	209,709	256,060
	<u>2,825,366</u>	<u>2,006,243</u>

Included in creditors falling due within one year are liabilities totalling £2,584,089 (2018 - £1,671,261) which are secured by a debenture that creates a fixed and floating charge over the assets of the company.

20. Creditors: amounts falling due after more than one year

	2019 £	2018 £
Bank loans	-	2,455,526
Net obligations under finance leases and hire purchase contracts	2,709	19,371
Share capital treated as debt	8,000	8,000
	<u>10,709</u>	<u>2,482,897</u>

Included in creditors falling due after more than one year are liabilities totalling £2,709 (2018 - £2,474,897) which are secured by a debenture that creates a fixed and floating charge over the assets of the company.

Hope's Auction Company Limited

Notes to the financial statements Year ended 31 March 2019

21. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2019 £	2018 £
Within one year	17,472	35,141
Between 1-2 years	3,462	17,472
2 - 5 years	-	3,462
Less: future interest payable	(1,423)	(3,449)
	<u>19,511</u>	<u>52,626</u>

Hire purchase agreements of £19,511 (2018 - £48,643) are secured by the company.

Hope's Auction Company Limited

Notes to the financial statements Year ended 31 March 2019

22. Financial instruments

	2019 £	2018 £
Financial assets		
Financial assets that are debt instruments measured at amortised cost (see below)	<u>629,036</u>	<u>1,284,192</u>
Financial liabilities		
Financial liabilities measured at amortised cost - loans, overdrafts and hire purchase	2,581,798	4,146,158
Financial liabilities measured at amortised cost - other (see below)	219,666	321,393
	<u>2,801,464</u>	<u>4,467,551</u>

Financial assets that are debt instruments measured at amortised cost comprise cash, trade and other debtors (see note 18).

Financial liabilities measured at amortised cost comprise trade and other creditors and accruals (see note 19).

Hope's Auction Company Limited

Notes to the financial statements Year ended 31 March 2019

23. Deferred taxation

	2019 £
At beginning of year	(593,814)
Charged to profit or loss	190,263
Utilised in year	398,151
At end of year	(5,400)

The provision for deferred taxation is made up as follows:

	2019 £	2018 £
Accelerated capital allowances	(97,954)	(85,954)
Tax losses carried forward	97,954	85,954
Revaluation reserve	(5,400)	(403,551)
Rolled over gain	-	(190,263)
	<u>(5,400)</u>	<u>(593,814)</u>

The company had approximately £2,805,555 of trading losses carried forward at 31 March 2019 (2018 - £2,564,000), available for offset against future profits. A deferred tax asset has been recognised to the extent as to which these losses can be recovered with reasonable certainty.

24. Share capital

	2019 £	2018 £
Shares classified as equity		
Allotted, called up and fully paid		
255,000 (2018 -255,000) Ordinary shares of £1.0000 each	<u>255,000</u>	<u>255,000</u>
	2019 £	2018 £
Shares classified as debt		
Allotted, called up and fully paid		
120,000 (2018 -120,000) Preference shares of £0.0667 each	<u>8,000</u>	<u>8,000</u>

Hope's Auction Company Limited

Notes to the financial statements Year ended 31 March 2019

24. Share capital (continued)

Preference share capital has been issued on the terms that it is, at the option of the company, is liable to be redeemed at par on such terms and in such manner as the company before the issues of the shares may be special resolution determine.

The company has one class of ordinary shares which carry voting rights but no right to fixed income.

25. Reserves

Revaluation reserve

The revaluation reserve is a non distributive reserve and represents previous upwards revaluations of tangible fixed assets.

Profit and loss account

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

26. Pension commitments

The company operates a defined benefit contribution scheme. The assets of the scheme are held separately from those of the company in an independent administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £23,654 (2018 - £29,377). Contributions totalling £nil (2018 - £nil) were payable to the fund at the balance sheet date and are included within creditors.

27. Commitments under operating leases

At 31 March 2019 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £	2018 £
Not later than 1 year	4,200	4,200
Later than 1 year and not later than 5 years	5,250	9,450
	<u>9,450</u>	<u>13,650</u>

Hope's Auction Company Limited

Notes to the financial statements Year ended 31 March 2019

28. Related party transactions

Commissions charged in relation to sale of livestock at the mart to related parties were £7,159 (2018 - £17,255).

Purchases of £2,550 were made in the year from Marrs Benson Limited, a company which G P Benson is a director of.

Key management personnel

Key management personnel comprises the executive directors as well as members of the senior management board. Their aggregate remuneration for the year to 31 March 2019 was, wages and salaries - £68,000 (2018 - £120,801), employer pension contributions £9,750 (2018 - £17,443).

29. Controlling party

The company is controlled by the directors.