

Registration number: 02079614

# H E Group Limited

Annual Report and Consolidated Financial Statements  
for the Year Ended 31 May 2014

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## **H E Group Limited**

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**H E Group Limited**  
**Company Information**

**Directors** H R Edeleanu  
M F Wright  
P A Durey

**Company secretary** M F Wright

**Registered office** Whitewall Road  
Strood  
Rochester  
Kent  
ME2 4DZ

**Solicitors** Ford Little  
14 Park Road  
Sittingbourne  
Kent  
ME10 1DR

**Bankers** HSBC Bank plc  
Lakeview West  
Crossways Business Park  
Dartford  
Kent  
DA2 6QE

**Auditors** McBrides Accountants LLP  
Nexus House  
Cray Road  
Sidcup  
Kent  
DA14 5DA

## **H E Group Limited**

### **Strategic Report for the Year Ended 31 May 2014**

The directors present their strategic report for the year ended 31 May 2014.

#### **Business review**

##### ***Fair review of the business***

Turnover has continued to grow to around £18 million which is some 23% up on the previous year. We continue to compete at the top end of the market on the basis of quality and reliability. Revenues have been bolstered by some unexpected contract work contributing approximately £1.3 million to the turnover figure.

The increase in revenue has yielded a much improved operating profit of £1.1 million (2013: £2.5 million loss) on account of lower depreciation and interest costs on our hire fleet, which has stabilised at a carrying value of approximately £40 million.

We have continued to invest heavily in keeping the fleet up to date, with some £10 million of new acquisitions and a similar level of disposals. The sale of second hand machines has once again resulted in a profit on disposal of around £2.2 million as exacting buyers from around the world continue to recognise that ex-hire plant from the H E fleet is amongst the best available. As predicted last year, buyers are keen to acquire the last of our Tier 3 machines which, in certain parts of the world, afford greater flexibility and lower operating costs than their Tier 4 successors.

A similar level of disposals and reinvestment in the fleet is expected over the coming year as we aim to improve utilisation rates and keep our customers satisfied in what promises to be a more buoyant economic environment than we have seen in recent years.

**H E Group Limited**  
**Strategic Report for the Year Ended 31 May 2014**

..... **continued**

***Principal risks and uncertainties***

The company operates in the construction industry, which is inherently uncertain and subject to a number of uncontrollable factors including:-

- Government policy and levels of public spending
- Economic conditions, and interest rates in particular
- Investor and consumer confidence

These factors are inextricably linked and, whilst the outlook appears good at the moment, even the most respected industry commentators can rarely predict the future in construction with any reliability. H E Group's success over the years is predicated on a business model that enables it to generate cash quickly from the sale of second hand plant - this model has proven itself over the last three decades, not least during the recent financial crisis, from which we emerged healthy and intact where many of our competitors did not.

For this reason, the directors consider the liquidity of the company to be much stronger than is suggested by the simple liquidity ratio drawn from its balance sheet. We expect to continue managing the size of the company's fleet to meet changing market conditions and the requirements of our customer base.

Approved by the Board on 8/12/14 and signed on its behalf by:

.....  
H R Edeleanu  
Director



## **H E Group Limited**

### **Directors' Report for the Year Ended 31 May 2014**

The directors present their report and the consolidated financial statements for the year ended 31 May 2014.

#### **Directors of the company**

The directors who held office during the year were as follows:

H R Edeleanu

M F Wright

P A Durey

#### **Financial instruments**

##### ***Objectives and policies***

The company operates a treasury function which is responsible for managing the liquidity, interest and foreign currency risks associated with its activities.

The company's principal financial instruments include bank overdrafts and loans, the main purpose of which is to raise finance for its operations. In addition, the company has various other financial assets and liabilities such as trade debtors and trade creditors arising directly from operations.

The company manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring it has sufficient liquid resources to meet the operating needs of the business. The company is exposed to fair value interest rate risk on its fixed rate borrowings and cash flow interest rate risk on bank overdrafts and loans.

Investments of cash surpluses and borrowings are made through banks and institutions which must fulfil credit rating criteria approved by the Board. All customers who wish to trade on credit terms are subject to credit verification procedures and trade debtors are reviewed on a regular basis and provision is made for doubtful debts when necessary.

#### **Statement of directors' responsibilities**

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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company 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 and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

**H E Group Limited**  
**Directors' Report for the Year Ended 31 May 2014**

**..... continued**

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Disclosure of information to the auditor**

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and which they know the auditor is unaware of.

Approved by the Board on 8/12/14 and signed on its behalf by:

H R Edeleanu  
Director



## **Independent Auditor's Report to the Members of H E Group Limited**

We have audited the financial statements of H E Group Limited for the year ended 31 May 2014, set out on pages 8 to 35. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom 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 Statement of Directors' Responsibilities set out in the directors' report, 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**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Consolidated Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

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 31 May 2014 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.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and 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 E Group 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 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.

**McBrides Accountants LLP**

Brian Moleshead (Senior Statutory Auditor)

For and on behalf of McBrides Accountants LLP, Statutory Auditor

Nexus House  
Cray Road  
Sidcup  
Kent  
DA14 5DA

9 December 2014

**H E Group Limited**  
**Consolidated Profit and Loss Account for the Year Ended 31 May 2014**

	Note	2014 £	2013 £
Turnover		18,154,632	14,794,229
Cost of sales		<u>(13,854,953)</u>	<u>(13,638,046)</u>
Gross profit		4,299,679	1,156,183
Administrative expenses		(3,651,940)	(4,124,657)
Other operating income		<u>489,860</u>	<u>449,558</u>
Group operating profit/(loss)	2	1,137,599	(2,518,916)
Profit on disposal of fixed assets		2,185,543	2,244,022
Other interest receivable and similar income	6	50,267	47,143
Interest payable and similar charges	7	<u>(1,391,105)</u>	<u>(1,415,943)</u>
Profit/(loss) on ordinary activities before taxation		1,982,304	(1,643,694)
Tax on profit/(loss) on ordinary activities	8	<u>(46,033)</u>	<u>500,058</u>
Profit/(loss) for the financial year attributable to members of the parent company	17	<u><u>1,936,271</u></u>	<u><u>(1,143,636)</u></u>

Turnover and operating profit derive wholly from continuing operations.

The group has no recognised gains or losses for the year other than the results above.

**H E Group Limited**  
**Consolidated Balance Sheet at 31 May 2014**

	Note	2014	2013
<b>Fixed assets</b>			
Tangible fixed assets	9	45,505,553	49,328,513
<b>Current assets</b>			
Stocks	11	999,456	671,956
Debtors	12	4,148,299	3,305,738
Cash at bank and in hand		<u>47,721</u>	<u>28,038</u>
		5,195,476	4,005,732
Creditors: Amounts falling due within one year	13	<u>(19,696,265)</u>	<u>(20,743,202)</u>
Net current liabilities		<u>(14,500,789)</u>	<u>(16,737,470)</u>
Total assets less current liabilities		31,004,764	32,591,043
Creditors: Amounts falling due after more than one year	14	(15,983,193)	(19,425,825)
Provisions for liabilities	15	<u>(2,857,892)</u>	<u>(2,937,810)</u>
Net assets		<u><u>12,163,679</u></u>	<u><u>10,227,408</u></u>
<b>Capital and reserves</b>			
Called up share capital	16	100	100
Profit and loss account	17	<u>12,163,579</u>	<u>10,227,308</u>
Shareholders' funds	18	<u><u>12,163,679</u></u>	<u><u>10,227,408</u></u>

Approved by the Board and authorised for issue on 8/12/14.

H R Edeleanu  
Director




**H E Group Limited**  
**(Registration number: 02079614)**  
**Balance Sheet at 31 May 2014**

	Note	2014 £	2013 £
<b>Fixed assets</b>			
Tangible fixed assets	9	45,501,464	49,327,394
Investments	10	<u>24</u>	<u>23</u>
		<u>45,501,488</u>	<u>49,327,417</u>
<b>Current assets</b>			
Stocks	11	400,000	-
Debtors	12	1,406,547	770,589
Cash at bank and in hand		<u>40,935</u>	<u>17,901</u>
		<u>1,847,482</u>	<u>788,490</u>
Creditors: Amounts falling due within one year	13	<u>(18,791,893)</u>	<u>(19,802,089)</u>
Net current liabilities		<u>(16,944,411)</u>	<u>(19,013,599)</u>
Total assets less current liabilities		28,557,077	30,313,818
Creditors: Amounts falling due after more than one year	14	(15,983,193)	(19,425,825)
Provisions for liabilities	15	<u>(2,857,892)</u>	<u>(2,937,810)</u>
Net assets		<u>9,715,992</u>	<u>7,950,183</u>
<b>Capital and reserves</b>			
Called up share capital	16	100	100
Profit and loss account	17	<u>9,715,892</u>	<u>7,950,083</u>
Shareholders' funds	18	<u>9,715,992</u>	<u>7,950,183</u>

Approved by the Board and authorised for issue on 8/12/14....

H R Edeleanu  
Director



# H E Group Limited

## Consolidated Cash Flow Statement for the Year Ended 31 May 2014

### Reconciliation of operating profit/loss to net cash flow from operating activities

	2014 £	2013 £
Operating profit/(loss)	1,137,599	(2,518,916)
Depreciation, amortisation and impairment charges	7,079,562	7,705,970
Increase in stocks	(327,500)	(68,363)
(Increase)/decrease in debtors	(842,561)	1,303,170
Increase in creditors	366,998	695,632
Net cash inflow from operating activities	<u>7,414,098</u>	<u>7,117,493</u>

### Cash flow statement

	2014 £	2013 £
Net cash inflow from operating activities	<u>7,414,098</u>	<u>7,117,493</u>
<b>Returns on investments and servicing of finance</b>		
Interest received	50,267	47,143
HP and finance lease interest	(1,232,054)	(1,276,996)
Interest paid	<u>(159,051)</u>	<u>(138,947)</u>
	<u>(1,340,838)</u>	<u>(1,368,800)</u>
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(63,713)	(2,121,690)
Sale of tangible fixed assets	9,085,872	8,896,058
	<u>9,022,159</u>	<u>6,774,368</u>
Net cash inflow before management of liquid resources and financing	<u>15,095,419</u>	<u>12,523,061</u>
<b>Financing</b>		
Repayment of loans and borrowings	(657,015)	(638,466)
Repayment of capital element of finance leases and HP contracts	<u>(14,717,927)</u>	<u>(14,839,800)</u>
	<u>(15,374,942)</u>	<u>(15,478,266)</u>
Decrease in cash	<u>(279,523)</u>	<u>(2,955,205)</u>

The notes on pages 14 to 35 form an integral part of these financial statements.

## H E Group Limited

### Consolidated Cash Flow Statement for the Year Ended 31 May 2014

..... *continued*

#### Analysis of net debt

	At 1 June 2013 £	Cash flow £	Other non-cash changes £	At 31 May 2014 £
Cash at bank and in hand	28,038	19,683	-	47,721
Bank overdraft	(1,924,951)	(299,206)	-	(2,224,157)
	<u>(1,896,913)</u>	<u>(279,523)</u>	<u>-</u>	<u>(2,176,436)</u>
Debt due within one year	(660,554)	100,230	-	(560,324)
Debt due after more than one year	(3,135,160)	556,785	-	(2,578,375)
Finance leases and hire purchase contracts	(31,773,103)	14,717,927	(10,093,218)	(27,148,394)
Net debt	<u>(37,465,730)</u>	<u>15,095,419</u>	<u>(10,093,218)</u>	<u>(32,463,529)</u>

#### Reconciliation of net cash flow to movement in net debt

	Note	2014 £	2013 £
Decrease in cash		(279,523)	(2,955,205)
Cash outflow from repayment of loans		657,015	638,466
Cash outflow from repayment of capital element of finance leases and hire purchase contracts		<u>14,717,927</u>	<u>14,839,800</u>
Change in net debt resulting from cash flows		15,095,419	12,523,061
 New finance leases		<u>(10,093,218)</u>	<u>(20,902,917)</u>
Movement in net debt		5,002,201	(8,379,856)
Net debt at 1 June		<u>(37,465,730)</u>	<u>(29,085,874)</u>
Net debt at 31 May		<u>(32,463,529)</u>	<u>(37,465,730)</u>

The notes on pages 14 to 35 form an integral part of these financial statements.

## **H E Group Limited**

### **Consolidated Cash Flow Statement for the Year Ended 31 May 2014**

**..... continued**

#### **Cash flow relating to exceptional items**

The cash inflows included within receipts from sales of tangible assets represent those received for which the profit on disposal is shown as an exceptional item within the profit and loss account.

#### **Major non-cash transactions**

During the year the company entered into finance leases in respect of capital equipment with a capital value at the inception of the lease of £10,093,218 (2013: £20,902,917).

The notes on pages 14 to 35 form an integral part of these financial statements.

# **H E Group Limited**

## **Notes to the Financial Statements for the Year Ended 31 May 2014**

### **1 Accounting policies**

#### **Basis of preparation**

The financial statements have been prepared under the historical cost convention.

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 2 and 3. This report, together with the accompanying Directors' Report, also includes the group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments, and its exposures to credit risk and liquidity risk. The financial position of the group, its cash flows, liquidity position and borrowing facilities are described in the three primary statements on pages 8 to 13 and the notes to the financial statements.

#### **Basis of consolidation**

The results of subsidiaries sold or acquired are included in the profit and loss account up to, or from the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

The accounts of H E Services (Plant Hire) Limited and Masterhitch Europe Limited have been consolidated using the merger method of accounting as the original group emerged from a reconstruction whereby the ultimate shareholding and control of each entity was not changed as a result.

No profit and loss account is presented for the company as permitted by Section 408 of the Companies Act 2006. Its profit for the financial year was £1,765,809 (2013 - £1,462,777 loss).

#### **Going concern**

The group operates in the construction industry which is particularly susceptible to the consequences of the recent recession and liquidity squeeze. The specific matters affecting the group companies are described in the directors' fair review of the business on page 2. The directors have taken these factors into account in their overall assessment of the basis of preparation of the financial statements, and are of the opinion that funds sufficient for the group's ongoing requirements for the foreseeable future will be forthcoming from its bank and invoice discounting arrangements, and through the sale of second hand plant in accordance with its fleet management policy. Thus the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

#### **Turnover**

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

## **H E Group Limited**

### **Notes to the Financial Statements for the Year Ended 31 May 2014**

**..... continued**

#### **Depreciation**

Tangible fixed assets other than freehold land are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

<b>Asset class</b>	<b>Depreciation method and rate</b>
Freehold property	see below
Plant and machinery	17.5% written down value or 10% straight line
Fixtures and fittings	25% written down value
Motor vehicles	30% written down value

Freehold property comprises predominantly the company's freehold land and buildings as its Strood headquarters together with smaller sites at Castleford, Droitwich and Okehampton. Land is not depreciated, and nor are freehold buildings on the basis that the estimated lives are deemed to be so long and the estimated residual values so high that any charge for depreciation would not be considered material. Freehold property also includes some minor property improvements that are depreciated at 2% straight line per annum, which accounts for the small depreciation charge shown in the financial statements.

An impairment review is carried out annually and full provision is made in the accounts for any impairment.

#### **Fixed asset investments**

Investments in subsidiaries are included in the parent company balance sheet at cost less amounts written off.

#### **Stock and work in progress**

Stock and work in progress are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Cost is determined on a first-in first-out basis.

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

## **H E Group Limited**

### **Notes to the Financial Statements for the Year Ended 31 May 2014**

**..... continued**

#### **Deferred tax**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exception:

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

#### **Invoice discounting**

The group has arrangements for invoice discounting its debts. In line with Financial Reporting Standard No 5, the separate presentation method is adopted.

#### **Foreign currency**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of transaction. All differences are taken to the profit and loss account.

#### **Hire purchase and leasing**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a 'rule of 78' basis.

#### **Financial instruments**

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Where shares are issued, any component that creates a financial liability of the group is presented as a liability in the balance sheet. The corresponding dividends relating to the liability component are charged as interest expense in the profit and loss account.

#### **Pensions**

The Group operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable. The assets of the scheme are held separately from those of the group companies.

## H E Group Limited

### Notes to the Financial Statements for the Year Ended 31 May 2014

..... *continued*

#### 2 Operating profit/(loss)

Operating profit/(loss) is stated after charging:

	2014 £	2013 £
Operating leases - plant and machinery	517,516	515,611
Operating leases - other assets	90,000	152,375
Foreign currency gains	(52,716)	(7,267)
Depreciation of owned assets	327,802	302,472
Depreciation of assets held under finance lease and hire purchase contracts	6,751,760	7,403,498
Auditor's remuneration	<u>16,480</u>	<u>16,000</u>

#### 3 Auditor's remuneration

	2014 £	2013 £
Audit of the financial statements	<u>16,480</u>	<u>16,000</u>

£8,858 (2013 - £8,600) of the fee for auditing the financial statements relates to the company.

#### 4 Particulars of employees

The average number of persons employed by the group (including directors) during the year, analysed by category was as follows:

	2014 No.	2013 No.
Production staff	93	81
Administrative staff	74	70
Management staff	<u>5</u>	<u>5</u>
	<u>172</u>	<u>156</u>

## H E Group Limited

### Notes to the Financial Statements for the Year Ended 31 May 2014

..... *continued*

The aggregate payroll costs were as follows:

	2014 £	2013 £
Wages and salaries	4,190,123	4,121,132
Social security costs	242,275	237,517
Staff pensions	19,494	18,264
	<u>4,451,892</u>	<u>4,376,913</u>

#### 5 Directors' remuneration

The directors' remuneration for the year was as follows:

	2014 £	2013 £
Remuneration (including benefits in kind)	110,385	118,994
Company contributions paid to money purchase schemes	19,494	18,264
	<u>129,879</u>	<u>137,258</u>

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2014 No.	2013 No.
Accruing benefits under money purchase pension scheme	<u>2</u>	<u>2</u>

#### 6 Other interest receivable and similar income

	2014 £	2013 £
Bank interest receivable	878	4,665
Other interest receivable	49,389	42,478
Group interest receivable	<u>50,267</u>	<u>47,143</u>

# H E Group Limited

## Notes to the Financial Statements for the Year Ended 31 May 2014

..... *continued*

### 7 Interest payable and similar charges

	2014 £	2013 £
Interest on bank overdrafts	7	-
Interest on bank loans	71,448	90,000
Other interest payable	87,596	48,947
Hire purchase interest	1,232,054	1,276,996
Group interest payable and similar charges	<u>1,391,105</u>	<u>1,415,943</u>

### 8 Taxation

#### Tax on profit/(loss) on ordinary activities

	2014 £	2013 £
<b>Current tax</b>		
Corporation tax charge	125,951	-
<b>Deferred tax</b>		
Origination and reversal of timing differences	<u>(79,918)</u>	<u>(500,058)</u>
Total tax on profit/(loss) on ordinary activities	<u>46,033</u>	<u>(500,058)</u>

## H E Group Limited

### Notes to the Financial Statements for the Year Ended 31 May 2014

..... *continued*

#### Factors affecting current tax charge for the year

Tax on profit/(loss) on ordinary activities for the year is lower than (2013 - higher than) the standard rate of corporation tax in the UK of 23% (2013 - 23%).

The differences are reconciled below:

	2014 £	2013 £
Profit/(loss) on ordinary activities before taxation	1,982,304	(1,643,694)
Corporation tax at standard rate	455,930	(378,050)
Capital allowances	(1,262,428)	(923,219)
Changes in tax rate	(2,915)	-
Disallowable expenditure relating to depreciation and profits on disposal	1,132,370	1,263,571
Disallowable expenditure	9,876	25,095
Chargeable disposals	5,655	12,603
Tax losses brought forward	(210,567)	-
Small companies relief	(1,970)	-
Total current tax	125,951	-

#### Factors that may affect future tax charges

Based on current capital investment plans, the company expects to claim capital allowances in excess of depreciation in future years at a similar rate to the current year. This is due to the continued capital investment plans which are ongoing.

## H E Group Limited

### Notes to the Financial Statements for the Year Ended 31 May 2014

..... *continued*

#### 9 Tangible fixed assets

##### Group

	Freehold land and buildings £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
<b>Cost or valuation</b>					
At 1 June 2013	6,810,476	55,405,181	1,284,425	307,775	63,807,857
Additions	-	10,132,970	1,111	22,850	10,156,931
Disposals	-	(11,113,754)	-	(77,541)	(11,191,295)
At 31 May 2014	6,810,476	54,424,397	1,285,536	253,084	62,773,493
<b>Depreciation</b>					
At 1 June 2013	40,806	13,166,356	1,130,471	141,711	14,479,344
Charge for the year	4,870	6,984,773	38,480	51,439	7,079,562
Eliminated on disposals	-	(4,254,194)	-	(36,772)	(4,290,966)
At 31 May 2014	45,676	15,896,935	1,168,951	156,378	17,267,940
<b>Net book value</b>					
At 31 May 2014	6,764,800	38,527,462	116,585	96,706	45,505,553
At 31 May 2013	6,769,670	42,238,825	153,954	166,064	49,328,513

##### Leased assets

Included within the net book value of tangible fixed assets is £30,638,474 (2013 - £37,139,434) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £6,751,760 (2013 - £7,403,498).

## H E Group Limited

### Notes to the Financial Statements for the Year Ended 31 May 2014

..... *continued*

#### Company

	Freehold land and buildings £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
<b>Cost or valuation</b>					
At 1 June 2013	6,810,476	54,893,349	1,249,082	307,775	63,260,682
Additions	-	10,129,070	1,111	22,850	10,153,031
Disposals	-	(11,113,754)	-	(77,541)	(11,191,295)
At 31 May 2014	<u>6,810,476</u>	<u>53,908,665</u>	<u>1,250,193</u>	<u>253,084</u>	<u>62,222,418</u>
<b>Depreciation</b>					
At 1 June 2013	40,806	12,654,524	1,096,247	141,711	13,933,288
Charge for the year	4,870	6,984,123	38,200	51,439	7,078,632
Eliminated on disposals	-	(4,254,194)	-	(36,772)	(4,290,966)
At 31 May 2014	<u>45,676</u>	<u>15,384,453</u>	<u>1,134,447</u>	<u>156,378</u>	<u>16,720,954</u>
<b>Net book value</b>					
At 31 May 2014	<u>6,764,800</u>	<u>38,524,212</u>	<u>115,746</u>	<u>96,706</u>	<u>45,501,464</u>
At 31 May 2013	<u>6,769,670</u>	<u>42,238,825</u>	<u>152,835</u>	<u>166,064</u>	<u>49,327,394</u>

#### Leased assets

Included within the net book value of tangible fixed assets is £30,638,474 (2013 - £37,139,434) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £6,751,760 (2013 - £7,403,498).

#### 10 Investments held as fixed assets

##### Company

	2014 £	2013 £
Shares in group undertakings and participating interests	<u>24</u>	<u>23</u>

# H E Group Limited

## Notes to the Financial Statements for the Year Ended 31 May 2014

..... *continued*

### Shares in group undertakings and participating interests

	Subsidiary undertakings £	Total £
<b>Cost</b>		
At 1 June 2013	23	23
Additions	1	1
At 31 May 2014	24	24
<b>Net book value</b>		
At 31 May 2014	24	24
At 31 May 2013	23	23

### Details of undertakings

Details of the investments in which the group holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Holding	Shares held	Principal activity
<b>Subsidiary undertakings</b>			
H E Services (Plant Hire) Limited	Ordinary	100%	Hire of equipment
Masterhitch Europe Limited	Ordinary	100%	Excavator hitches and buckets
H E Construction Services Limited	Ordinary	100%	Dormant
Diggers Direct Limited	Ordinary	100%	Dormant
Diggerworld Limited	Ordinary	100%	Dormant
H E Services Limited	Ordinary	100%	Dormant
Hy-Tools limited	Ordinary	100%	Dormant
Diggerland Limited	Ordinary	100%	Dormant
Buyadigger Limited	Ordinary	50%	Dormant

# H E Group Limited

## Notes to the Financial Statements for the Year Ended 31 May 2014

..... *continued*

### 11 Stocks

	Group		Company	
	2014 £	2013 £	2014 £	2013 £
Raw materials	344,697	473,747	-	-
Work in progress	150,123	67,340	-	-
Finished goods	504,636	130,869	400,000	-
	<u>999,456</u>	<u>671,956</u>	<u>400,000</u>	<u>-</u>

### 12 Debtors

	Group		Company	
	2014 £	2013 £	2014 £	2013 £
Trade debtors	3,746,073	3,108,945	217,341	75,514
Amounts owed by group undertakings	-	-	484,167	544,612
Other debtors	259,500	63,718	571,243	25,321
Prepayments and accrued income	142,726	133,075	133,796	125,142
	<u>4,148,299</u>	<u>3,305,738</u>	<u>1,406,547</u>	<u>770,589</u>

## H E Group Limited

### Notes to the Financial Statements for the Year Ended 31 May 2014

..... *continued*

#### 13 Creditors: Amounts falling due within one year

	Group		Company	
	2014 £	2013 £	2014 £	2013 £
Bank loans and overdrafts	2,784,481	2,585,505	747,159	668,761
Obligations under finance lease and hire purchase contracts	13,743,576	15,482,438	13,743,576	15,482,438
Trade creditors	587,473	639,696	223,763	340,478
Amounts owed to group undertakings	-	-	2,197,162	2,018,009
Corporation tax	125,951	-	80,930	-
Other taxes and social security	400,771	898,120	10,205	271,303
Other creditors	1,498,321	721,656	1,435,967	686,695
Accruals and deferred income	555,692	415,787	353,131	334,405
	<u>19,696,265</u>	<u>20,743,202</u>	<u>18,791,893</u>	<u>19,802,089</u>

## H E Group Limited

### Notes to the Financial Statements for the Year Ended 31 May 2014

..... *continued*

Creditors amounts falling due within one year includes the following liabilities, on which security has been given by the group/company:

#### Group

	2014 £	2013 £
Bank loans and overdrafts	2,784,481	2,585,505
Obligations under finance lease and hire purchase contracts	13,743,576	15,482,438
	<u>16,528,057</u>	<u>18,067,943</u>

#### Company

	2014 £	2013 £
Bank loans and overdrafts	747,159	668,761
Obligations under finance lease and hire purchase contracts	13,743,576	15,482,438
	<u>14,490,735</u>	<u>16,151,199</u>

Within bank loans and overdrafts for the group is an invoice discounting creditor of £2,037,322 (2013: £1,916,744) which is secured by a fixed and floating charge over the undertaking and all property and assets, present and future, including goodwill, book debts, uncalled capital, buildings, fixtures, fixed plant and machinery. The nature of the remaining amount secured within bank loans and overdrafts for the company and group is detailed in the long term creditors note.

Bank loans and overdrafts are secured and details are given in note 14 to the accounts.

Obligations under hire purchase contracts are secured on the assets concerned.

At the balance sheet date the company and group owed £7,234,150 (2013: £nil) to suppliers of its heavy plant and diggers under normal trade credit terms which was refinanced under hire purchase contracts after the year end. All of the plant was in use at the balance sheet date. To reflect the substance of these transactions in the accounts, a total amount of £7,234,150 (2013: £nil) has been allocated to short term and long term hire purchase liabilities in the proportions of £2,000,999 (2013: £nil) and £5,233,151 (2013: £nil) respectively.

## H E Group Limited

### Notes to the Financial Statements for the Year Ended 31 May 2014

..... *continued*

#### 14 Creditors: Amounts falling due after more than one year

	Group		Company	
	2014 £	2013 £	2014 £	2013 £
Preference shares	400,000	400,000	400,000	400,000
Bank loans and overdrafts	2,178,375	2,735,160	2,178,375	2,735,160
Obligations under finance lease and hire purchase contracts	13,404,818	16,290,665	13,404,818	16,290,665
	<u>15,983,193</u>	<u>19,425,825</u>	<u>15,983,193</u>	<u>19,425,825</u>

Creditors amounts falling due after more than one year includes the following liabilities, on which security has been given by the group/company:

#### Group

	2014 £	2013 £
Bank loans and overdrafts	2,178,375	2,735,160
Obligations under finance lease and hire purchase contracts	13,404,818	16,290,665
	<u>15,583,193</u>	<u>19,025,825</u>

#### Company

	2014 £	2013 £
Bank loans and overdrafts	2,178,375	2,735,160
Obligations under finance lease and hire purchase contracts	13,404,818	16,290,665
	<u>15,583,193</u>	<u>19,025,825</u>

## H E Group Limited

### Notes to the Financial Statements for the Year Ended 31 May 2014

..... **continued**

Bank loans and overdrafts for the company and group include bank loans of £2,728,436 (2013: £3,263,683) due to HSBC (including short term elements), and terms of repayment are monthly instalments representing principal and interest and the agreed rates of interest on the loans are either base rate plus 1% or base rate plus 2.3% per annum. The security given by the company and group is:

- a) First legal charge over the group's headquarters at Whitewall Road, Strood.
- b) First legal mortgage over the freehold property lying adjacent to the group's headquarters.
- c) Unlimited multilateral guarantee given by Masterhitch Europe Limited and H E Services (Plant Hire) Limited.
- d) Fixed and floating charges over certain other assets of the company, and those of H E Services (Plant Hire) Limited and Masterhitch Europe Limited.
- e) Parallel charge over a property owned by H R Edeleanu.

Bank loans and overdrafts also include bank loans of £10,263 (2013: £132,033) due to Bank of Ireland (including short term element). This is repayable in monthly instalments representing principal and interest and the rate of interest during the year was 2.1%. This is secured by a chattel mortgage dated 22 June 2007 over the plant which the loan was used to purchase.

Obligations under hire purchase contracts are secured on the assets concerned.

Included in creditors are the following amounts due after more than five years:

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
After more than five years by instalments	<u>726,836</u>	<u>1,116,066</u>	<u>726,836</u>	<u>1,116,066</u>

#### **Preference shares classified as financial liabilities**

There are 400,000 Ordinary A shares of £1 which are redeemable at par on one month's notice by the company at any time, but which in any event must be redeemed at par by 15 November 2025.

The shares carry a basic cumulative dividend of 7% per annum and a participating dividend only payable on the attainment of certain profit levels. All dividends due for the period on these shares, whether paid or accrued, are included within the company's interest charge for the year in accordance with FRS 25.

# H E Group Limited

## Notes to the Financial Statements for the Year Ended 31 May 2014

..... *continued*

### Obligations under finance leases and HP contracts

#### Amounts repayable:

	Group		Company	
	2014 £	2013 £	2014 £	2013 £
In one year or less on demand	13,743,576	15,482,438	13,743,576	15,482,438
Between two and five years	13,404,818	16,290,665	13,404,818	16,290,665
	<u>27,148,394</u>	<u>31,773,103</u>	<u>27,148,394</u>	<u>31,773,103</u>

### 15 Provisions

#### Group

	Deferred tax £	Total £
At 1 June 2013	2,937,810	2,937,810
Credited to the profit and loss account	(79,918)	(79,918)
At 31 May 2014	<u>2,857,892</u>	<u>2,857,892</u>

#### Analysis of deferred tax

	2014 £	2013 £
Accelerated capital allowances	3,100,669	2,937,810
Tax losses	(242,777)	-
	<u>2,857,892</u>	<u>2,937,810</u>

#### Company

	Deferred tax £	Total £
At 1 June 2013	2,937,810	2,937,810
Credited to the profit and loss account	(79,918)	(79,918)
At 31 May 2014	<u>2,857,892</u>	<u>2,857,892</u>

## H E Group Limited

### Notes to the Financial Statements for the Year Ended 31 May 2014

..... *continued*

#### Analysis of deferred tax

	2014 £	2013 £
Accelerated capital allowances	3,100,669	2,937,810
Tax losses available	<u>(242,777)</u>	<u>-</u>
	<u>2,857,892</u>	<u>2,937,810</u>

In accordance with Financial Reporting Standard No 19 "Deferred Tax", provision in both the Group and the Company has been made in full for deferred tax liabilities arising from timing differences between the recognition of gains and losses in the financial statements and their recognition in the company's tax computation.

Deferred tax has been calculated at 20% (2013: 23%).

#### 16 Share capital

##### Allotted, called up and fully paid shares

	2014		2013	
	No.	£	No.	£
Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

#### 17 Reserves

##### Group

	Profit and loss account £	Total £
At 1 June 2013	10,227,308	10,227,308
Profit for the year	<u>1,936,271</u>	<u>1,936,271</u>
At 31 May 2014	<u>12,163,579</u>	<u>12,163,579</u>

# H E Group Limited

## Notes to the Financial Statements for the Year Ended 31 May 2014

..... *continued*

### Company

	Profit and loss account £	Total £
At 1 June 2013	7,950,083	7,950,083
Profit for the year	<u>1,765,809</u>	<u>1,765,809</u>
At 31 May 2014	<u><u>9,715,892</u></u>	<u><u>9,715,892</u></u>

### 18 Reconciliation of movement in shareholders' funds

#### Group

	2014 £	2013 £
Profit/(loss) attributable to the members of the group	<u>1,936,271</u>	<u>(1,143,636)</u>
Net addition/(reduction) to shareholders' funds	<u>1,936,271</u>	<u>(1,143,636)</u>
Shareholders' funds at 1 June	<u>10,227,408</u>	<u>11,371,044</u>
Shareholders' funds at 31 May	<u><u>12,163,679</u></u>	<u><u>10,227,408</u></u>

#### Company

	2014 £	2013 £
Profit/(loss) attributable to the members of the company	<u>1,765,809</u>	<u>(1,462,777)</u>
Net addition/(reduction) to shareholders' funds	<u>1,765,809</u>	<u>(1,462,777)</u>
Shareholders' funds at 1 June	<u>7,950,183</u>	<u>9,412,960</u>
Shareholders' funds at 31 May	<u><u>9,715,992</u></u>	<u><u>7,950,183</u></u>

## **H E Group Limited**

### **Notes to the Financial Statements for the Year Ended 31 May 2014**

**..... continued**

#### **19 Pension schemes**

##### **Defined contribution pension scheme**

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £19,494 (2013 - £18,264).

## H E Group Limited

### Notes to the Financial Statements for the Year Ended 31 May 2014

..... *continued*

#### 20 Commitments

##### Operating lease commitments

###### Group

As at 31 May 2014 the group had annual commitments under non-cancellable operating leases as follows:

Operating leases which expire:

	2014 £	2013 £
<b>Land and buildings</b>		
Within one year	-	67,000
Within two and five years	134,000	25,000
Over five years	55,000	67,500
	<u>189,000</u>	<u>159,500</u>
<b>Other</b>		
Within one year	88,742	42,808
Within two and five years	172,668	456,480
	<u>261,410</u>	<u>499,288</u>

###### Company

As at 31 May 2014 the company had annual commitments under non-cancellable operating leases as follows:

Operating leases which expire:

	2014 £	2013 £
<b>Land and buildings</b>		
Within one year	-	67,000
Within two and five years	35,000	-
Over five years	55,000	67,500
	<u>90,000</u>	<u>134,500</u>

## **H E Group Limited**

### **Notes to the Financial Statements for the Year Ended 31 May 2014**

**..... continued**

#### **21 Related party transactions**

##### **Other related party transactions**

During the year the group made the following related party transactions:

##### **H R Edeleanu**

(Director and 100% shareholder in the company)

At the beginning of the year there was a loan due to H R Edeleanu of £32,595 included in other creditors. No further advances were made during the year. The loan is interest free and repayable on demand. At the balance sheet date the amount due to H R Edeleanu was £32,595 (2013 - £32,595).

##### **L M Edeleanu**

(Close family of H R Edeleanu)

During the year L M Edeleanu advanced £40,000 (2013: £80,000) to the company as a working capital loan. The loan is interest free and repayable on demand. At the balance sheet date the amount due to L M Edeleanu was £120,000 (2013 - £80,000).

##### **I D Edeleanu**

(Close family of H R Edeleanu)

The preference shares detailed in note 14 are owned by I D Edeleanu and a dividend (disclosed as interest) of £28,000 (2013: £27,923) was paid in the year. At the balance sheet date the amount due to I D Edeleanu was £45,000 (2013 - £15,189).

##### **M F Wright**

(Director)

During the year the company sold a motor vehicle to M F Wright at market value of £24,645. In addition M F Wright made advances to the company of £5,355 (2013: £nil). At the balance sheet date the amount due to M F Wright was £5,355 (2013 - £nil).

##### **H R Edeleanu's proprietorship**

(An entity under the control of H R Edeleanu)

During the year sales of £17,813 (2013: £30,956) were made to the proprietorship in respect of the rental of equipment.

The company paid rents and rates to the proprietorship totalling £36,237 (2013: £86,984) during the year. There was an amount outstanding at the year end of £nil (2013: £82,146) in this regard.

At the beginning of the year, there was a working capital loan due to the proprietorship of £392,870. During the year, further advances were made to the company of £565,995. At the balance sheet date the amount due to H R Edeleanu's proprietorship was £958,865 (2013 - £392,870).

##### **HE SAS Pension Fund**

(An entity under the control of H R Edeleanu)

During the year the group paid rent and rates expenses totalling £91,000 (2013: £86,333) to the H E SAS Pension Fund. At the balance sheet date the amount due to HE SAS Pension Fund was £75,000 (2013 - £23,250).

## **H E Group Limited**

### **Notes to the Financial Statements for the Year Ended 31 May 2014**

**..... continued**

#### **H E Solar LLP**

(A partnership of which H E Group is a designated member)

During the year the company charged £94,732 (2013: £94,732) to H E Solar LLP for the rental of equipment. The balance outstanding at the year end in respect of this trading activity was £nil (2013: £nil).

At the beginning of the year, there was an amount owed to the company of £1,361 included in other debtors in respect of loans advanced to the LLP. During the year, there have been further loan advances to H E Solar LLP of £18,178 less LLP losses incurred of £6,425. At the balance sheet date the amount due from H E Solar LLP was £13,114 (2013 - £1,361).

#### **Allsafety Limited**

(An entity which operates the "Diggerland" trade, the rights of which are owned by H R Edeleanu)

During the year, the group provided services totalling £555,424 (2013: £463,218) to Allsafety Limited and received advertising and marketing support for which the group was in turn charged £75,000 (2013: £75,000). At the balance sheet date the amount due from Allsafety Limited was £123,261 (2013 - £37,214).

The company has taken advantage of the exemption in FRS8 "Related Party Disclosures" from disclosing transactions with other members of the group.

## **22 Control**

The company is controlled by H R Edeleanu, a director who owns 100% of the called up share capital.