

Registration number: 02079614

H E Group Limited

Annual Report and Consolidated Financial Statements
for the Year Ended 31 May 2015

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H E Group Limited

Contents

Company Information	1
Strategic Report	2 to 3
Directors' Report	4 to 5
Independent Auditor's Report	6 to 7
Consolidated Profit and Loss Account	8
Consolidated Balance Sheet	9
Balance Sheet	10
Consolidated Cash Flow Statement	11 to 13
Notes to the Financial Statements	14 to 34

H E Group Limited
Company Information

Directors	H R Edeleanu P A Durey
Company secretary	C J Luscombe
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 2015

The directors present their strategic report for the year ended 31 May 2015.

Business review

Fair review of the business

Turnover has continued to grow to around £19.5 million which is some 7% up on the previous year. We continue to compete at the top end of the plant hire market on the basis of quality and reliability of our fleet.

Increased demand in construction means that costs are continuing to rise, including labour rates and the cost of updating our fleet. Whilst we have worked hard to minimise the impact of rising costs, margins have been adversely affected and our overheads have increased resulting in the company's operating profit falling to £772,500 (2014 - £1,137,599). Our reputation for offering the most up to date hire fleet on the market remains integral to our business strategy, and this strategy is expected to yield improved operating results in the longer term.

We have therefore invested heavily in the fleet this year, with some £18 million of new acquisitions and £10 million of disposals (at cost). The book value of the hire fleet has therefore expanded by around £4 million. The sale of second hand machines has once again resulted in a profit on disposal of around £1.9 million (2014 - £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. Whilst the weakness in the Euro has made second hand sales to EU customers more difficult, buyers from outside the Eurozone have remained 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.

Overall we have achieved a healthy pre-tax profit of £1.305 million (2014 - £1.982 million), which is very pleasing in what continues to be a challenging market place.

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.

H E Group Limited
Strategic Report for the Year Ended 31 May 2015

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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 10/12/15 and signed on its behalf by:

H R Edleanu
Director

H E Group Limited

Directors' Report for the Year Ended 31 May 2015

The directors present their report and the consolidated financial statements for the year ended 31 May 2015.

Directors of the company

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

H R Edeleanu

M F Wright (Resigned 31 May 2015)

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 2015

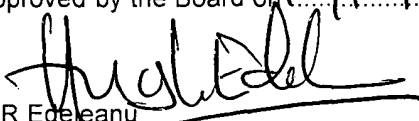
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The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company 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 10/12/15 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 2015, set out on pages 8 to 34. 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 2015 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

Date: *14th December 2015*

H E Group Limited
Consolidated Profit and Loss Account for the Year Ended 31 May 2015

	Note	2015 £	2014 £
Turnover		19,472,576	18,154,632
Cost of sales		<u>(15,356,466)</u>	<u>(13,854,953)</u>
Gross profit		4,116,110	4,299,679
Administrative expenses		(4,062,853)	(3,651,940)
Other operating income		<u>719,243</u>	<u>489,860</u>
Group operating profit	2	772,500	1,137,599
Profit on disposal of fixed assets		1,904,708	2,185,543
Other interest receivable and similar income	6	52,859	50,267
Interest payable and similar charges	7	<u>(1,424,857)</u>	<u>(1,391,105)</u>
Profit on ordinary activities before taxation		1,305,210	1,982,304
Tax on profit on ordinary activities	8	<u>(260,425)</u>	<u>(46,033)</u>
Profit for the financial year attributable to members of the parent company	17	<u><u>1,044,785</u></u>	<u><u>1,936,271</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 2015

	Note	2015	2014
Fixed assets			
Tangible fixed assets	9	50,138,030	45,505,553
Current assets			
Stocks	11	882,400	999,456
Debtors	12	3,854,491	4,148,299
Cash at bank and in hand		28,994	47,721
		<u>4,765,885</u>	<u>5,195,476</u>
Creditors: Amounts falling due within one year	13	<u>(20,895,352)</u>	<u>(19,696,265)</u>
Net current liabilities		<u>(16,129,467)</u>	<u>(14,500,789)</u>
Total assets less current liabilities		34,008,563	31,004,764
Creditors: Amounts falling due after more than one year	14	(17,608,270)	(15,983,193)
Provisions for liabilities	15	<u>(3,191,829)</u>	<u>(2,857,892)</u>
Net assets		<u>13,208,464</u>	<u>12,163,679</u>
Capital and reserves			
Called up share capital	16	100	100
Profit and loss account	17	<u>13,208,364</u>	<u>12,163,579</u>
Shareholders' funds	18	<u>13,208,464</u>	<u>12,163,679</u>

Approved by the Board and authorised for issue on

10/12/15

H R Edeleanu
Director

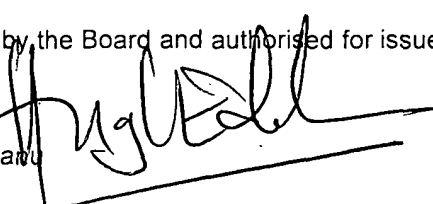
H E Group Limited
(Registration number: 02079614)
Balance Sheet at 31 May 2015

	Note	2015 £	2014 £
Fixed assets			
Tangible fixed assets	9	50,121,615	45,501,464
Investments	10	25	24
		<u>50,121,640</u>	<u>45,501,488</u>
Current assets			
Stocks	11	-	400,000
Debtors	12	1,406,057	1,406,547
Cash at bank and in hand		28,980	40,935
		<u>1,435,037</u>	<u>1,847,482</u>
Creditors: Amounts falling due within one year	13	(20,231,150)	(18,791,893)
Net current liabilities		<u>(18,796,113)</u>	<u>(16,944,411)</u>
Total assets less current liabilities		31,325,527	28,557,077
Creditors: Amounts falling due after more than one year	14	(17,608,270)	(15,983,193)
Provisions for liabilities	15	(3,191,829)	(2,857,892)
Net assets		<u>10,525,428</u>	<u>9,715,992</u>
Capital and reserves			
Called up share capital	16	100	100
Profit and loss account	17	10,525,328	9,715,892
Shareholders' funds	18	<u>10,525,428</u>	<u>9,715,992</u>

Approved by the Board and authorised for issue on

10/12/15

H R Edeleanu
Director



H E Group Limited
Consolidated Cash Flow Statement for the Year Ended 31 May 2015

Reconciliation of operating profit to net cash flow from operating activities

	2015 £	2014 £
Operating profit	772,500	1,137,599
Depreciation, amortisation and impairment charges	8,111,910	7,079,562
Decrease/(increase) in stocks	117,056	(327,500)
Decrease/(increase) in debtors	367,320	(842,561)
Increase in creditors	1,193,897	366,998
Net cash inflow from operating activities	<u>10,562,683</u>	<u>7,414,098</u>

Cash flow statement

	2015 £	2014 £
Net cash inflow from operating activities	<u>10,562,683</u>	<u>7,414,098</u>
Returns on investments and servicing of finance		
Interest received	52,859	50,267
HP and finance lease interest	(1,227,028)	(1,232,054)
Interest paid	(197,829)	(159,051)
	<u>(1,371,998)</u>	<u>(1,340,838)</u>
Tax paid	<u>(125,951)</u>	<u>-</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(77,385)	(63,713)
Sale of tangible fixed assets	7,791,288	9,085,872
	<u>7,713,903</u>	<u>9,022,159</u>
Net cash inflow before management of liquid resources and financing	<u>16,778,637</u>	<u>15,095,419</u>
Financing		
Value of new loans obtained during the period	1,885,000	-
Repayment of loans and borrowings	(750,986)	(657,015)
Repayment of capital element of finance leases and HP contracts	(17,503,963)	(14,717,927)
	<u>(16,369,949)</u>	<u>(15,374,942)</u>
Increase/(decrease) in cash	<u>408,688</u>	<u>(279,523)</u>

The notes on pages 14 to 34 form an integral part of these financial statements.

H E Group Limited
Consolidated Cash Flow Statement for the Year Ended 31 May 2015

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Analysis of net debt

	At 1 June 2014 £	Cash flow £	Other non-cash changes £	At 31 May 2015 £
Cash at bank and in hand	47,721	(18,727)	-	28,994
Bank overdraft	(2,224,157)	427,415	-	(1,796,742)
	<u>(2,176,436)</u>	<u>408,688</u>	<u>-</u>	<u>(1,767,748)</u>
Debt due within one year	(560,324)	(345,928)	-	(906,252)
Debt due after more than one year	(2,578,375)	(788,086)	-	(3,366,461)
Finance leases and hire purchase contracts	(27,148,394)	17,503,963	(18,553,582)	(28,198,013)
Net debt	<u>(32,463,529)</u>	<u>16,778,637</u>	<u>(18,553,582)</u>	<u>(34,238,474)</u>

Reconciliation of net cash flow to movement in net debt

	Note	2015 £	2014 £
Increase/(decrease) in cash		408,688	(279,523)
Cash inflow from increase in loans		(1,885,000)	-
Cash outflow from repayment of loans		750,986	657,015
Cash outflow from repayment of capital element of finance leases and hire purchase contracts		<u>17,503,963</u>	<u>14,717,927</u>
Change in net debt resulting from cash flows		16,778,637	15,095,419
New finance leases		<u>(18,553,582)</u>	<u>(10,093,218)</u>
Movement in net debt		(1,774,945)	5,002,201
Net debt at 1 June		<u>(32,463,529)</u>	<u>(37,465,730)</u>
Net debt at 31 May		<u>(34,238,474)</u>	<u>(32,463,529)</u>

The notes on pages 14 to 34 form an integral part of these financial statements.

H E Group Limited

Consolidated Cash Flow Statement for the Year Ended 31 May 2015

..... 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 £18,553,582 (2014 - £10,093,218).

The notes on pages 14 to 34 form an integral part of these financial statements.

H E Group Limited
Notes to the Financial Statements for the Year Ended 31 May 2015

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 was formed 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 £809,436 (2014 - £1,765,809).

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 2015

..... *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:

Asset class	Depreciation method and rate
Freehold property	see below
Plant and machinery	17.5% or 30% 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 of 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.

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.

H E Group Limited

Notes to the Financial Statements for the Year Ended 31 May 2015

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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.

2 Operating profit

Operating profit is stated after charging:

	2015 £	2014 £
Operating leases - plant and machinery	488,390	517,516
Operating leases - other assets	52,367	90,000
Foreign currency losses/(gains)	30,764	(52,716)
Depreciation of owned assets	294,101	327,802
Depreciation of assets held under finance lease and hire purchase contracts	7,817,809	6,751,760
Auditor's remuneration	<u>16,975</u>	<u>16,480</u>

H E Group Limited

Notes to the Financial Statements for the Year Ended 31 May 2015

..... *continued*

3 Auditor's remuneration

	2015 £	2014 £
Audit of the financial statements	<u>16,975</u>	<u>16,480</u>

£9,123 (2014 - £8,858) 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:

	2015 No.	2014 No.
Production staff	103	93
Administrative staff	85	74
Management staff	<u>5</u>	<u>5</u>
	<u>193</u>	<u>172</u>

H E Group Limited

Notes to the Financial Statements for the Year Ended 31 May 2015

..... continued

The aggregate payroll costs were as follows:

	2015 £	2014 £
Wages and salaries	5,167,334	4,190,123
Social security costs	305,676	242,275
Staff pensions	19,430	19,494
	<u>5,492,440</u>	<u>4,451,892</u>

5 Directors' remuneration

The directors' remuneration for the year was as follows:

	2015 £	2014 £
Remuneration (including benefits in kind)	108,381	110,385
Company contributions paid to money purchase schemes	<u>19,430</u>	<u>19,494</u>

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

	2015 No.	2014 No.
Accruing benefits under money purchase pension scheme	<u>2</u>	<u>2</u>

6 Other interest receivable and similar income

	2015 £	2014 £
Bank interest receivable	-	878
Other interest receivable	<u>52,859</u>	<u>49,389</u>
Group interest receivable	<u>52,859</u>	<u>50,267</u>

H E Group Limited

Notes to the Financial Statements for the Year Ended 31 May 2015

..... continued

7 Interest payable and similar charges

	2015 £	2014 £
Interest on bank overdrafts	-	7
Interest on bank loans	117,957	71,448
Other interest payable	79,872	87,596
Hire purchase interest	1,227,028	1,232,054
Group interest payable and similar charges	<u>1,424,857</u>	<u>1,391,105</u>

8 Taxation

Tax on profit on ordinary activities

	2015 £	2014 £
Current tax		
Corporation tax (credit)/charge	(73,512)	125,951
Deferred tax		
Origination and reversal of timing differences	<u>333,937</u>	<u>(79,918)</u>
Total tax on profit on ordinary activities	<u>260,425</u>	<u>46,033</u>

H E Group Limited

Notes to the Financial Statements for the Year Ended 31 May 2015

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Factors affecting current tax charge for the year

Tax on profit on ordinary activities for the year is lower than (2014 - lower than) the standard rate of corporation tax in the UK of 21% (2014 - 23%).

The differences are reconciled below:

	2015 £	2014 £
Profit on ordinary activities before taxation	1,305,210	1,982,304
Corporation tax at standard rate	274,094	455,930
Capital allowances	(1,667,776)	(1,262,428)
Changes in tax rate	(5,462)	(2,915)
Disallowable expenditure relating to depreciation and profits on disposal	1,315,585	1,132,370
Disallowable expenditure	6,855	9,876
Chargeable disposals	3,192	5,655
Tax losses brought forward	-	(210,567)
Small companies relief	-	(1,970)
Total current tax	(73,512)	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 2015

..... continued

9 Tangible fixed assets

Group

	Freehold land and buildings £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
Cost or valuation					
At 1 June 2014	6,810,476	54,424,397	1,285,536	253,084	62,773,493
Additions	-	17,893,200	12,343	725,424	18,630,967
Disposals	-	(9,886,133)	-	(108,565)	(9,994,698)
At 31 May 2015	6,810,476	62,431,464	1,297,879	869,943	71,409,762
Depreciation					
At 1 June 2014	45,676	15,896,935	1,168,951	156,378	17,267,940
Charge for the year	4,870	7,873,582	30,342	203,116	8,111,910
Eliminated on disposals	-	(4,023,866)	-	(84,252)	(4,108,118)
At 31 May 2015	50,546	19,746,651	1,199,293	275,242	21,271,732
Net book value					
At 31 May 2015	6,759,930	42,684,813	98,586	594,701	50,138,030
At 31 May 2014	6,764,800	38,527,462	116,585	96,706	45,505,553

Leased assets

Included within the net book value of tangible fixed assets is £37,427,585 (2014 - £30,638,474) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £7,817,809 (2014 - £6,751,760).

H E Group Limited

Notes to the Financial Statements for the Year Ended 31 May 2015

..... *continued*

Company

	Freehold land and buildings £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
Cost or valuation					
At 1 June 2014	6,810,476	53,908,665	1,250,193	253,084	62,222,418
Additions	-	17,881,350	8,843	725,424	18,615,617
Disposals	-	(9,886,133)	-	(108,565)	(9,994,698)
At 31 May 2015	6,810,476	61,903,882	1,259,036	869,943	70,843,337
Depreciation					
At 1 June 2014	45,676	15,384,453	1,134,447	156,378	16,720,954
Charge for the year	4,870	7,871,132	29,768	203,116	8,108,886
Eliminated on disposals	-	(4,023,866)	-	(84,252)	(4,108,118)
At 31 May 2015	50,546	19,231,719	1,164,215	275,242	20,721,722
Net book value					
At 31 May 2015	6,759,930	42,672,163	94,821	594,701	50,121,615
At 31 May 2014	6,764,800	38,524,212	115,746	96,706	45,501,464

Leased assets

Included within the net book value of tangible fixed assets is £37,427,585 (2014 - £30,638,474) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £7,817,809 (2014 - £6,751,760).

10 Investments held as fixed assets

Company

	2015 £	2014 £
Shares in group undertakings and participating interests	25	24

H E Group Limited

Notes to the Financial Statements for the Year Ended 31 May 2015

..... continued

Shares in group undertakings and participating interests

	Subsidiary undertakings £	Total £
Cost		
At 1 June 2014	24	24
Additions	1	1
At 31 May 2015	25	25
Net book value		
At 31 May 2015	25	25
At 31 May 2014	24	24

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
Subsidiary undertakings			
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	100%	Dormant

11 Stocks

	Group		Company	
	2015 £	2014 £	2015 £	2014 £
Raw materials	532,979	344,697	-	-
Work in progress	189,752	150,123	-	-
Finished goods	159,669	504,636	-	400,000
	882,400	999,456	-	400,000

H E Group Limited

Notes to the Financial Statements for the Year Ended 31 May 2015

..... *continued*

12 Debtors

	Group		Company	
	2015 £	2014 £	2015 £	2014 £
Trade debtors	3,369,018	3,746,073	302,135	217,341
Amounts owed by group undertakings	-	-	704,062	484,167
Other debtors	349,372	259,500	271,697	571,243
Prepayments and accrued income	136,101	142,726	128,163	133,796
	<u>3,854,491</u>	<u>4,148,299</u>	<u>1,406,057</u>	<u>1,406,547</u>

13 Creditors: Amounts falling due within one year

	Group		Company	
	2015 £	2014 £	2015 £	2014 £
Bank loans and overdrafts	2,702,994	2,784,481	941,425	747,159
Obligations under finance lease and hire purchase contracts	13,956,204	13,743,576	13,956,204	13,743,576
Trade creditors	608,822	587,473	279,540	223,763
Amounts owed to group undertakings	-	-	2,203,735	2,197,162
Corporation tax	-	125,951	-	80,930
Other taxes and social security	832,453	400,771	356,122	10,205
Other creditors	2,119,224	1,498,321	2,088,667	1,435,967
Accruals and deferred income	675,655	555,692	405,457	353,131
	<u>20,895,352</u>	<u>19,696,265</u>	<u>20,231,150</u>	<u>18,791,893</u>

H E Group Limited

Notes to the Financial Statements for the Year Ended 31 May 2015

..... *continued*

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

Group

	2015 £	2014 £
Bank loans and overdrafts	2,702,994	2,784,481
Obligations under finance lease and hire purchase contracts	13,956,204	13,743,576
	<u>16,659,198</u>	<u>16,528,057</u>

Company

	2015 £	2014 £
Bank loans and overdrafts	941,425	747,159
Obligations under finance lease and hire purchase contracts	13,956,204	13,743,576
	<u>14,897,629</u>	<u>14,490,735</u>

Within bank loans and overdrafts for the group is an invoice discounting creditor of £1,754,984 (2014 - £2,037,322) 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 £7,426,165 (2014 - £7,234,150) 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 £7,426,165 (2014 - £7,234,150) has been allocated to short term and long term hire purchase liabilities in the proportions of £2,475,388 (2014 - £2,000,999) and £4,950,777 (2014 - £5,233,151) respectively.

H E Group Limited

Notes to the Financial Statements for the Year Ended 31 May 2015

..... *continued*

14 Creditors: Amounts falling due after more than one year

	Group		Company	
	2015 £	2014 £	2015 £	2014 £
Preference shares	400,000	400,000	400,000	400,000
Bank loans and overdrafts	2,966,461	2,178,375	2,966,461	2,178,375
Obligations under finance lease and hire purchase contracts	14,241,809	13,404,818	14,241,809	13,404,818
	<u>17,608,270</u>	<u>15,983,193</u>	<u>17,608,270</u>	<u>15,983,193</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

	2015 £	2014 £
Bank loans and overdrafts	2,966,461	2,178,375
Obligations under finance lease and hire purchase contracts	14,241,809	13,404,818
	<u>17,208,270</u>	<u>15,583,193</u>

Company

	2015 £	2014 £
Bank loans and overdrafts	2,966,461	2,178,375
Obligations under finance lease and hire purchase contracts	14,241,809	13,404,818
	<u>17,208,270</u>	<u>15,583,193</u>

H E Group Limited

Notes to the Financial Statements for the Year Ended 31 May 2015

..... **continued**

Bank loans and overdrafts for the company and group include bank loans of £2,178,383 (2014: £2,728,436) 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 £nil (2014: £10,263) due to Bank of Ireland (including short term element). This was repayable in monthly instalments representing principal and interest and the rate of interest during the year was 2.1%. This was secured by a chattel mortgage dated 22 June 2007, now satisfied, 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	
	2015	2014	2015	2014
	£	£	£	£
After more than five years by instalments	<u>640,239</u>	<u>726,836</u>	<u>640,239</u>	<u>726,836</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 2015

..... continued

Obligations under finance leases and HP contracts

Amounts repayable:

	Group		Company	
	2015 £	2014 £	2015 £	2014 £
In one year or less on demand	13,956,204	13,743,576	13,956,204	13,743,576
Between two and five years	14,241,809	13,404,818	14,241,809	13,404,818
	<u>28,198,013</u>	<u>27,148,394</u>	<u>28,198,013</u>	<u>27,148,394</u>

15 Provisions

Group

	Deferred tax £	Total £
At 1 June 2014	2,857,892	2,857,892
Charged to the profit and loss account	333,937	333,937
At 31 May 2015	<u>3,191,829</u>	<u>3,191,829</u>

Analysis of deferred tax

	2015 £	2014 £
Accelerated capital allowances	3,191,829	3,100,669
Tax losses	-	(242,777)
	<u>3,191,829</u>	<u>2,857,892</u>

H E Group Limited

Notes to the Financial Statements for the Year Ended 31 May 2015

..... continued

Company

	Deferred tax £	Total £
At 1 June 2014	2,857,892	2,857,892
Charged to the profit and loss account	<u>333,937</u>	<u>333,937</u>
At 31 May 2015	<u><u>3,191,829</u></u>	<u><u>3,191,829</u></u>

Analysis of deferred tax

	2015 £	2014 £
Accelerated capital allowances	3,191,829	3,100,669
Tax losses available	<u>-</u>	<u>(242,777)</u>
	<u><u>3,191,829</u></u>	<u><u>2,857,892</u></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% (2014 - 20%).

16 Share capital

Allotted, called up and fully paid shares

	2015		2014	
	No.	£	No.	£
Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

H E Group Limited

Notes to the Financial Statements for the Year Ended 31 May 2015

..... *continued*

17 Reserves

Group

	Profit and loss account £	Total £
At 1 June 2014	12,163,579	12,163,579
Profit for the year	<u>1,044,785</u>	<u>1,044,785</u>
At 31 May 2015	<u><u>13,208,364</u></u>	<u><u>13,208,364</u></u>

Company

	Profit and loss account £	Total £
At 1 June 2014	9,715,892	9,715,892
Profit for the year	<u>809,436</u>	<u>809,436</u>
At 31 May 2015	<u><u>10,525,328</u></u>	<u><u>10,525,328</u></u>

18 Reconciliation of movement in shareholders' funds

Group

	2015 £	2014 £
Profit attributable to the members of the group	<u>1,044,785</u>	<u>1,936,271</u>
Net addition to shareholders' funds	<u>1,044,785</u>	<u>1,936,271</u>
Shareholders' funds at 1 June	<u>12,163,679</u>	<u>10,227,408</u>
Shareholders' funds at 31 May	<u><u>13,208,464</u></u>	<u><u>12,163,679</u></u>

H E Group Limited

Notes to the Financial Statements for the Year Ended 31 May 2015

..... *continued*

Company

	2015 £	2014 £
Profit attributable to the members of the company	<u>809,436</u>	<u>1,765,809</u>
Net addition to shareholders' funds	809,436	1,765,809
Shareholders' funds at 1 June	<u>9,715,992</u>	<u>7,950,183</u>
Shareholders' funds at 31 May	<u><u>10,525,428</u></u>	<u><u>9,715,992</u></u>

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 £19,430 (2014 - £19,494).

H E Group Limited

Notes to the Financial Statements for the Year Ended 31 May 2015

..... continued

20 Commitments

Operating lease commitments

Group

As at 31 May 2015 the group had annual commitments under non-cancellable operating leases as follows:

Operating leases which expire:

	2015 £	2014 £
Land and buildings		
Within one year	12,000	-
Within two and five years	87,000	134,000
Over five years	55,000	55,000
	<u>154,000</u>	<u>189,000</u>
Other		
Within one year	68,482	88,742
Within two and five years	337,224	172,668
	<u>405,706</u>	<u>261,410</u>

Company

As at 31 May 2015 the company had annual commitments under non-cancellable operating leases as follows:

Operating leases which expire:

	2015 £	2014 £
Land and buildings		
Within one year	-	-
Within two and five years	-	35,000
Over five years	55,000	55,000
	<u>55,000</u>	<u>90,000</u>

H E Group Limited

Notes to the Financial Statements for the Year Ended 31 May 2015

..... 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)

The company has pledged two of its properties at Droitwich and Okehampton as security in relation to personal debts of H R Edeleanu.

In addition, H R Edeleanu has made loans to the company. At the balance sheet date the amount due to H R Edeleanu was £32,595 (2014 - £32,595).

L M Edeleanu

(Close family of H R Edeleanu)

During the year L M Edeleanu advanced £nil (2014 - £40,000) to the group 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 (2014 - £120,000).

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 (2014 - £28,000) was paid in the year. At the balance sheet date the amount due to I D Edeleanu was £58,378 (2014 - £30,378).

H R Edeleanu's proprietorship

(An entity under the control of H R Edeleanu)

During the year sales of £32,813 (2014 - £17,813) were made to the proprietorship in respect of the rental of equipment. Rents and rates were paid to the proprietorship totalling £35,977 (2014 - £36,237).

At the year end the proprietorship owed £32,400 (2014 - £nil) to the group.

During the year the proprietorship advanced further working capital loans to the company of £644,204. At the balance sheet date the amount due to H R Edeleanu's proprietorship was £1,603,069 (2014 - £958,865).

H E 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 (2014 - £91,000) to the H E SAS Pension Fund. At the balance sheet date the amount due to H E SAS Pension Fund was £58,500 (2014 - £75,000).

H E Group Limited

Notes to the Financial Statements for the Year Ended 31 May 2015

..... continued

H E Solar LLP

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

During the year the group charged £134,731 (2014 - £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 £153,754 (2014 - £nil).

At the beginning of the year, there was an amount owed to the group of £13,114 included in other debtors in respect of loans advanced to the LLP. The brought forward loan was recovered in full during the year, new loans were advanced of £1,911 (2014 - £18,178) and LLP profits were due of £2,955 (2014 - loss of £6,425). At the balance sheet date the amount due from H E Solar LLP was £4,866 (2014 - £13,114).

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 £558,594 (2014 - £555,424) to Allsafety Limited and received advertising and marketing support for which the group was in turn charged £35,000 (2014 - £75,000). At the balance sheet date the amount due from Allsafety Limited was £33,974 (2014 - £123,261).

22 Control

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