

Registration number: 02079614

# H E Group Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 31 May 2019



# **H E Group Limited**

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

**Directors**            H R Edeleanu  
                             P A Durey  
                             C J Luscombe

**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**              Santander UK  
                             Birdle Road  
                             Bootle  
                             Merseyside  
                             L30 4GB

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

## **H E Group Limited**

### **Strategic Report for the Year Ended 31 May 2019**

The directors present their strategic report for the year ended 31 May 2019.

#### **Principal activity**

The principal activity of the company is the hire of plant.

The company's trading subsidiaries at the year end were H E Services (Plant Hire) Limited, which hires plant and machinery and Masterhitch Europe Limited which sells and manufactures excavator quick hitches, buckets and wearparts. The company has further subsidiaries, all of which are dormant.

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

The 2018/19 financial year has been a difficult period in the plant hire sector, as a result of market pressures reducing hire rates and the ongoing uncertainty in the wider economy keeping the construction industry somewhat subdued.

Despite there being a larger fleet at the group's disposal, a fall in hire income reduced total turnover to around £20.7 million (2018: £21.3 million), as we strived to meet our customers' requirements on the basis of quality and reliability.

Whilst our costs have continued to be carefully managed, direct costs increased to £16.8 million (2018: £16.4 million) mainly as a result of an increase in depreciation on the enlarged fleet. The gross profit margin has therefore fallen to just under 19% (2018: £23%).

After deducting overheads of £4.4 million (2018: £4.3 million) and adding profits from fleet disposals of £2.6m (2018: £2.0m), we are pleased to report an operating profit of £3.2 million (2018: £3.5 million). Through rigorous credit control procedures we have once again achieved minimal bad debts of just 0.4% of plant hire turnover (2018: 0.6%).

As we forecast last year, the company has continued to invest heavily in keeping its fleet up to date during 2018/19 with some £33.5 million of new acquisitions and £11.7 million of disposals at cost, resulting in the net book value of the fleet increasing from £43 million to £61 million in the space of a year.

Profits on disposal of the company's second hand machines have held up extremely well with residuals on our three year old plant being particularly strong, as exacting buyers from around the world continue to recognise that ex-hire plant from the H E fleet is amongst the best available. We continue to benefit from the depreciation of Sterling and see our plant moving to the Eurozone and the world beyond. As noted above, the sale of second hand machines has yielded a profit on disposal of £2.6 million (2018: £2.0 million).

Finance costs have fallen 13%, which has helped us to achieve a very creditable profit before tax of almost £2.4 million (2018: £2.5 million).

The outlook in the construction industry and the wider economy continues to be uncertain, and the plant hire market in particular continues to be extremely competitive. We however, remain confident that our business can continue to be successfully managed through these challenging conditions given its market leading position and reputation in the industry, and our ability to continue offering our customers the most up to date and reliable excavator fleet in the UK.

## H E Group Limited

### Strategic Report for the Year Ended 31 May 2019

#### Key performance indicators

Management use a range of performance measures to monitor and manage the business. The KPIs used to determine the progress and performance are set out below:

##### Turnover

Turnover marginally decreased to £20.7 million from £21.3 million in the previous year.

##### Profit before tax

Through careful cost control and returns on our second hand plant sales, profit before tax is £2.4 million (2018: £2.5 million).

##### Balance sheet

The balance sheet shows that the group's net assets at the year-end have increased from £17.0 million to £19.3 million.

##### Cash flow

The company saw a net cash inflow of £2.3 million (2018: £1.8 million outflow), reflecting the quantity of plant sales in the year.

#### 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 as the outlook in the construction industry and the wider economy continues to be uncertain, we remain confident that our business can continue to be successfully managed through these challenging conditions. 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.

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 12/12/19 and signed on its behalf by:

H R Edeleanu  
Director



## H E Group Limited

### Directors' Report for the Year Ended 31 May 2019

The directors present their report and the for the year ended 31 May 2019.

#### Directors of the group

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

H R Edeleanu

P A Durey

C J Luscombe

#### Dividends

The directors are not recommending the payment of a final dividend.

#### Financial instruments

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, loans and hire purchase arrangements, 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.

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.

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.

#### Future developments

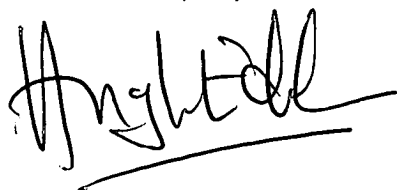
The directors anticipate the company will continue to operate within the scope of its existing activities for the foreseeable future.

#### 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 company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Approved by the Board on 12/12/19 and signed on its behalf by:

H R Edeleanu  
Director



## **H E Group Limited**

### **Statement of Directors' Responsibilities**

The directors are responsible for preparing the Annual 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the 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.

## **H E Group Limited**

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

#### **Opinion**

We have audited the financial statements of H E Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 May 2019, which comprise the Consolidated Profit and Loss Account, Consolidated Balance Sheet, Balance Sheet, Consolidated Statement of Changes in Equity, Statement of Changes in Equity, Consolidated Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 May 2019 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

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

#### **Conclusions relating to going concern**

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

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

#### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.



## **H E Group Limited**

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

We have nothing to report in this regard.

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

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

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

#### **Matters on which we are required to report by exception**

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

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.

#### **Responsibilities of directors**

As explained more fully in the Statement of Directors' Responsibilities (set out on page 5), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### **Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## H E Group Limited

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

#### Use of our report

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



Andrew Warren (Senior Statutory Auditor)

For and on behalf of McBrides Accountants LLP, Statutory Auditor

Nexus House  
Cray Road  
Sidcup  
Kent  
DA14 5DA

Date: 13/12/15

## H E Group Limited

### Consolidated Profit and Loss Account for the Year Ended 31 May 2019

	Note	2019 £	2018 £
Turnover	3	20,653,145	21,326,150
Cost of sales		<u>(16,820,756)</u>	<u>(16,424,382)</u>
Gross profit		3,832,389	4,901,768
Administrative expenses		(4,390,365)	(4,337,108)
Profit on disposal of fixed assets		2,550,397	1,956,614
Other operating income	4	<u>1,223,383</u>	<u>970,046</u>
Operating profit		3,215,804	3,491,320
Other interest receivable and similar income	6	63,525	64,336
Interest payable and similar charges	7	<u>(905,802)</u>	<u>(1,039,109)</u>
Profit before tax		2,373,527	2,516,547
Taxation	11	<u>(100,899)</u>	<u>(488,653)</u>
Profit for the financial year		<u><u>2,272,628</u></u>	<u><u>2,027,894</u></u>

No Statement of Comprehensive Income has been presented as there is no movement through other comprehensive income for the year.

The notes on pages 15 to 34 form an integral part of these financial statements.

# H E Group Limited

## (Registration number: 02079614) Consolidated Balance Sheet as at 31 May 2019

	Note	2019 £	2018 £
<b>Fixed assets</b>			
Tangible assets	12	68,514,557	50,350,820
<b>Current assets</b>			
Stocks	14	637,172	632,069
Debtors	15	4,262,907	4,374,806
Cash at bank and in hand		<u>187,033</u>	<u>52,093</u>
		5,087,112	5,058,968
Creditors: Amounts falling due within one year	17	<u>(27,012,936)</u>	<u>(21,689,986)</u>
Net current liabilities		<u>(21,925,824)</u>	<u>(16,631,018)</u>
Total assets less current liabilities		46,588,733	33,719,802
Creditors: Amounts falling due after more than one year	17	(24,188,258)	(13,687,483)
Provisions for liabilities	21	<u>(3,107,387)</u>	<u>(3,011,859)</u>
Net assets		<u>19,293,088</u>	<u>17,020,460</u>
<b>Capital and reserves</b>			
Called up share capital	19	100	100
Retained earnings		<u>19,292,988</u>	<u>17,020,360</u>
Total equity		<u>19,293,088</u>	<u>17,020,460</u>

Under the Companies Act 2006, s454, on a voluntary basis, the directors can amend these financial statements if they subsequently prove to be defective.

Approved and authorised by the Board on 12/12/19 and signed on its behalf by:

.....  
H R Edeleanu  
Director



**H E Group Limited**  
**(Registration number: 02079614)**  
**Balance Sheet as at 31 May 2019**

	Note	2019 £	2018 £
<b>Fixed assets</b>			
Tangible assets	12	68,455,960	50,272,691
Investments	13	<u>25</u>	<u>25</u>
		<u>68,455,985</u>	<u>50,272,716</u>
<b>Current assets</b>			
Debtors	15	695,942	961,768
Cash at bank and in hand		<u>160,601</u>	<u>50,489</u>
		856,543	1,012,257
<b>Creditors: Amounts falling due within one year</b>	17	<u>(27,529,310)</u>	<u>(21,505,395)</u>
<b>Net current liabilities</b>		<u>(26,672,767)</u>	<u>(20,493,138)</u>
<b>Total assets less current liabilities</b>		41,783,218	29,779,578
<b>Creditors: Amounts falling due after more than one year</b>	17	(24,188,258)	(13,687,483)
<b>Provisions for liabilities</b>	21	<u>(3,107,387)</u>	<u>(3,011,859)</u>
<b>Net assets</b>		<u>14,487,573</u>	<u>13,080,236</u>
<b>Capital and reserves</b>			
Called up share capital	19	100	100
Profit and loss account		<u>14,487,473</u>	<u>13,080,136</u>
<b>Total equity</b>		<u>14,487,573</u>	<u>13,080,236</u>

The company has taken the exemption in s408 from producing an individual Profit and Loss Account.

The company made a profit after tax for the financial year of £1,407,337 (2018 - profit of £1,563,661).

Under the companies Act 2006, s454, on a voluntary basis, the directors can amend these financial statements if they subsequently prove to be defective.

Approved and authorised by the Board on 12/12/19 and signed on its behalf by:



H R Edeleanu  
Director

## H E Group Limited

### Consolidated Statement of Changes in Equity for the Year Ended 31 May 2019

	Share capital £	Profit and loss account £	Total £	Total equity £
At 1 June 2018	100	17,020,360	17,020,460	17,020,460
Profit for the year	-	2,272,628	2,272,628	2,272,628
Total comprehensive income	-	2,272,628	2,272,628	2,272,628
At 31 May 2019	100	19,292,988	19,293,088	19,293,088

	Share capital £	Profit and loss account £	Total £	Total equity £
At 1 June 2017	100	14,992,466	14,992,566	14,992,566
Profit for the year	-	2,027,894	2,027,894	2,027,894
Total comprehensive income	-	2,027,894	2,027,894	2,027,894
At 31 May 2018	100	17,020,360	17,020,460	17,020,460

The notes on pages 15 to 34 form an integral part of these financial statements.

## H E Group Limited

### Statement of Changes in Equity for the Year Ended 31 May 2019

	Share capital £	Profit and loss account £	Total £
At 1 June 2018	100	13,080,136	13,080,236
Profit for the year	-	1,407,337	1,407,337
Total comprehensive income	-	1,407,337	1,407,337
At 31 May 2019	100	14,487,473	14,487,573

	Share capital £	Profit and loss account £	Total £
At 1 June 2017	100	11,516,475	11,516,575
Profit for the year	-	1,563,661	1,563,661
Total comprehensive income	-	1,563,661	1,563,661
At 31 May 2018	100	13,080,136	13,080,236

The notes on pages 15 to 34 form an integral part of these financial statements.

# H E Group Limited

## Consolidated Statement of Cash Flows for the Year Ended 31 May 2019

	Note	2019 £	2018 £
<b>Cash flows from operating activities</b>			
Profit for the year		2,272,628	2,027,894
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	5	9,915,757	8,904,755
Profit on disposal of property plant and equipment		(2,550,397)	(1,956,614)
Finance income	6	(63,525)	(64,336)
Finance costs	7	905,802	1,039,109
Corporation tax	11	<u>100,899</u>	<u>488,653</u>
		10,581,164	10,439,461
Working capital adjustments			
Increase in stock	14	(5,103)	(12,520)
Decrease in trade and other debtors	15	111,899	789
Increase/(decrease) in trade and other creditors	17	<u>893,624</u>	<u>(211,350)</u>
Cash generated from operations		11,581,584	10,216,380
Corporation tax paid	11	<u>(609,943)</u>	<u>(292,455)</u>
Net cash flow from operating activities		<u>10,971,641</u>	<u>9,923,925</u>
<b>Cash flows from investing activities</b>			
Interest received		63,525	64,336
Acquisitions of tangible fixed assets		(86,364)	(88,407)
Proceeds from sale of tangible fixed assets		<u>7,955,722</u>	<u>6,923,887</u>
Net cash flows from investing activities		<u>7,932,883</u>	<u>6,899,816</u>
<b>Cash flows from financing activities</b>			
Interest paid	7	(905,802)	(1,039,109)
Proceeds from bank borrowing draw downs		-	1,500,000
Repayment of bank borrowing		(562,949)	(1,685,812)
Payments to hire purchase creditors		<u>(15,181,218)</u>	<u>(17,381,881)</u>
Net cash flows from financing activities		<u>(16,649,969)</u>	<u>(18,606,802)</u>
Net increase/(decrease) in cash and cash equivalents		2,254,555	(1,783,061)
Cash and cash equivalents at 1 June		<u>(2,110,087)</u>	<u>(327,026)</u>
Cash and cash equivalents at 31 May	16	<u><u>144,468</u></u>	<u><u>(2,110,087)</u></u>

The notes on pages 15 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 2019**

### **1 General information**

The company is a private company limited by share capital, incorporated in England.

The principal activity of the individual company and group is disclosed in the Strategic Report.

The address of its registered office and principal place of business is:

Whitewall Road

Strood

Rochester

Kent

ME2 4DZ

### **2 Accounting policies**

#### **Summary of significant accounting policies and key accounting estimates**

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

#### **Basis of preparation**

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 - 'The Financial Reporting standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006.

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

#### **Basis of consolidation**

The consolidated financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 May 2019.

A subsidiary is an entity controlled by the company. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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.

Inter-company transactions, balances and unrealised gains on transactions between the company and its subsidiaries, which are related parties, are eliminated in full. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

## **H E Group Limited**

### **Notes to the Financial Statements for the Year Ended 31 May 2019**

#### **Going concern**

After reviewing the group's forecasts and projections, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. The group therefore continues to adopt the going concern basis in preparing its financial statements.

The group's business model enables it to generate cash quickly from the sale of second hand plant. For this reason, the directors consider the liquidity position to be much stronger than is suggested by the simple liquidity ratio drawn from its balance sheet.

#### **Critical accounting judgements and key sources of estimation uncertainty**

In the application of the group's accounting policies, management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historic experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Specifically, judgements and estimates are required in determining the useful economic lives of fixed assets, the valuation of stock and the recoverability of trade debtors.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### **Revenue recognition**

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the group's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts and after eliminating sales within the group.

The group recognises revenue when:

- the amount of revenue can be reliably measured;
- it is probable that future economic benefits will flow to the entity;
- and specific criteria have been met for each of the group's activities.

#### **Lessor - operating leases**

Leases of property where the company retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rent from operating leases is recognised in profit and loss on a straight line basis over the lease term.

#### **Foreign currency transactions and balances**

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into sterling at the rates prevailing on the reporting period date. All differences are taken to the profit and loss account.

#### **Tax**

Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current corporation tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date.

## H E Group Limited

### Notes to the Financial Statements for the Year Ended 31 May 2019

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the group. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

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.

#### **Tangible assets**

Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

#### **Depreciation**

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

<b>Asset class</b>	<b>Depreciation method and rate</b>
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 group's freehold land and buildings at its Strood headquarters together with smaller sites at Castleford, Droitwich and Okehampton. Land is not depreciated, 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.

## **H E Group Limited**

### **Notes to the Financial Statements for the Year Ended 31 May 2019**

#### **Financial instruments**

##### ***Classification***

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Financial assets are classified as financial assets at fair value through profit or loss, loans and debtors, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The company determines the classification of its financial assets at initial recognition.

Financial liabilities are classified as financial liabilities at fair value through profit and loss, loans and borrowings, trade and other creditors, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The company determines the classification of its financial liabilities at initial recognition.

##### ***Recognition and measurement***

All financial instruments are recognised initially at fair value plus transaction costs. Thereafter financial instruments are stated at amortised cost using the effective interest rate method (less impairment where appropriate) unless the effect of discounting would be immaterial in which case they are stated at cost (less impairment where appropriate). The exception to this are those financial instruments where it is a requirement to continue recording them at fair value through profit and loss.

##### ***Impairment***

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been affected.

#### **Investments**

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

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

#### **Trade and other debtors**

Trade and other debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment, except where the effect of discounting would be immaterial. In such cases debtors are stated at transaction price less impairment losses. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the transaction.

## **H E Group Limited**

### **Notes to the Financial Statements for the Year Ended 31 May 2019**

#### **Stock**

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first-in, first-out (FIFO) method.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, stocks are assessed for impairment. If stocks are impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

#### **Trade and other creditors**

Trade and other creditors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, except where the effect of discounting would be immaterial. In such cases creditors are stated at transaction price.

#### **Borrowings**

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the profit and loss account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

#### **Leases**

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Hire purchase contracts are treated the same as finance leases.

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. Hire purchase repayments are apportioned between finance costs in profit and loss and a reduction of lease obligations in the balance sheet so as to obtain a constant periodic rate of interest on the remaining balance of the liability.

#### **Share capital**

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

#### **Dividends**

Dividend distributions to the company's shareholders are recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

## H E Group Limited

### Notes to the Financial Statements for the Year Ended 31 May 2019

#### Defined contribution pension obligation

Contributions to defined contribution plans are recognised as an employee benefit expense in the period when they are due. The assets of such plans are held separately from those of the group.

#### 3 Revenue

The analysis of the group's revenue for the year from continuing operations is as follows:

	2019 £	2018 £
Sale of goods	143,936	273,889
Rendering of services	20,418,553	20,981,532
Grants received	90,656	70,729
	<u>20,653,145</u>	<u>21,326,150</u>

Turnover has not been analysed by class of business and geographical market since the markets in which the group operate are extremely competitive and the directors consider disclosure would seriously prejudice the group's dealings in those areas.

#### 4 Other operating income

The analysis of the group's other operating income for the year is as follows:

	2019 £	2018 £
Rental income	<u>1,223,383</u>	<u>970,046</u>

#### 5 Operating profit

Arrived at after charging/(crediting)

	2019 £	2018 £
Depreciation expense	9,915,757	8,904,755
Foreign exchange gains/(losses)	10,263	(16,771)
Profit on disposal of property, plant and equipment	<u>(2,550,397)</u>	<u>(1,956,614)</u>

#### 6 Other interest receivable and similar income

	2019 £	2018 £
Interest income on bank deposits	35	13
Other finance income	<u>63,490</u>	<u>64,323</u>
	<u>63,525</u>	<u>64,336</u>

# H E Group Limited

## Notes to the Financial Statements for the Year Ended 31 May 2019

### 7 Interest payable and similar expenses

	2019 £	2018 £
Hire purchase interest	742,675	887,860
Interest on bank overdrafts and borrowings	122,746	123,249
Interest expense on other finance liabilities	40,381	28,000
	<u>905,802</u>	<u>1,039,109</u>

### 8 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2019 £	2018 £
Wages and salaries	5,306,618	5,345,823
Social security costs	370,175	369,630
Pension costs, defined contribution scheme	51,350	26,022
	<u>5,728,143</u>	<u>5,741,475</u>

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

	2019 No.	2018 No.
Production	92	92
Administration and support	85	83
Management	5	5
	<u>182</u>	<u>180</u>

### 9 Directors' remuneration

The directors' remuneration for the year was as follows:

	2019 £	2018 £
Remuneration	114,147	110,709
Contributions paid to money purchase schemes	1,358	675
	<u>115,505</u>	<u>111,384</u>

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

	2019 No.	2018 No.
Accruing benefits under money purchase pension scheme	<u>2</u>	<u>2</u>

# H E Group Limited

## Notes to the Financial Statements for the Year Ended 31 May 2019

### 10 Auditors' remuneration

	2019 £	2018 £
Audit of the financial statements	<u>18,740</u>	<u>18,000</u>

### 11 Taxation

Tax charged/(credited) in the income statement

	2019 £	2018 £
<b>Current taxation</b>		
UK corporation tax	-	604,572
UK corporation tax adjustment to prior periods	<u>5,371</u>	<u>2,886</u>
	5,371	607,458

#### Deferred taxation

Arising from origination and reversal of timing differences	<u>95,528</u>	<u>(118,805)</u>
Tax expense in the income statement	<u>100,899</u>	<u>488,653</u>

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2018 - higher than the standard rate of corporation tax in the UK) of 19% (2018 - 19%).

The differences are reconciled below:

	2019 £	2018 £
Profit before tax	<u>2,373,527</u>	<u>2,516,547</u>
Corporation tax at standard rate	450,970	478,144
Effect of expense not deductible in determining taxable profit (tax loss)	8,479	21,268
Effect of tax losses	42,040	-
Deferred tax movement for the year	95,528	(118,805)
Increase (decrease) in UK current tax from adjustment for prior periods	5,371	2,886
Tax increase (decrease) from effect of capital allowances and depreciation	(501,514)	103,072
Chargeable gains	<u>25</u>	<u>2,088</u>
Total tax charge	<u>100,899</u>	<u>488,653</u>



# H E Group Limited

## Notes to the Financial Statements for the Year Ended 31 May 2019

### Deferred tax

#### Group

Deferred tax assets and liabilities

	Liability £
<b>2019</b>	
Difference between accumulated depreciation and amortisation and capital allowances	3,145,002
Tax losses carried forward	<u>(37,615)</u>
	<u><u>3,107,387</u></u>

	Liability £
<b>2018</b>	
Difference between accumulated depreciation and amortisation and capital allowances	3,011,859
Tax losses carried forward	<u>-</u>
	<u><u>3,011,859</u></u>

#### Company

Deferred tax assets and liabilities

	Liability £
<b>2019</b>	
Difference between accumulated depreciation and amortisation and capital allowances	3,145,002
Tax losses carried forward	<u>(37,615)</u>
	<u><u>3,107,387</u></u>

	Liability £
<b>2018</b>	
Difference between accumulated depreciation and amortisation and capital allowances	3,011,859
Tax losses carried forward	<u>-</u>
	<u><u>3,011,859</u></u>

Subject to any future changes in law, the UK corporation tax rate will remain at 19% until 31 March 2020 reducing to 17% with effect from 1 April 2020.

The deferred tax balance is measured at 17%.

Based on current capital investment plans the company expects future timing differences between depreciation and capital allowances to remain at a similar level to the current year.

# H E Group Limited

## Notes to the Financial Statements for the Year Ended 31 May 2019

### 12 Tangible assets

#### Group

	Freehold land and buildings £	Furniture, fittings and equipment £	Motor vehicles £	Plant and machinery £	Total £
<b>Cost or valuation</b>					
At 1 June 2018	7,125,476	1,711,886	691,906	67,851,220	77,380,488
Additions	-	2,636	-	33,482,183	33,484,819
Disposals	-	(446,657)	-	(11,694,609)	(12,141,266)
At 31 May 2019	<u>7,125,476</u>	<u>1,267,865</u>	<u>691,906</u>	<u>89,638,794</u>	<u>98,724,041</u>
<b>Depreciation</b>					
At 1 June 2018	65,156	1,300,269	453,066	25,211,177	27,029,668
Charge for the year	4,870	55,323	71,653	9,783,911	9,915,757
Eliminated on disposal	-	(441,663)	-	(6,294,278)	(6,735,941)
At 31 May 2019	<u>70,026</u>	<u>913,929</u>	<u>524,719</u>	<u>28,700,810</u>	<u>30,209,484</u>
<b>Carrying amount</b>					
At 31 May 2019	<u>7,055,450</u>	<u>353,936</u>	<u>167,187</u>	<u>60,937,984</u>	<u>68,514,557</u>
At 31 May 2018	<u>7,060,320</u>	<u>411,617</u>	<u>238,840</u>	<u>42,640,043</u>	<u>50,350,820</u>

#### Assets held under finance leases and hire purchase contracts

The net carrying amount of tangible assets includes the following amounts in respect of assets held under finance leases and hire purchase contracts:

	2019 £	2018 £
Plant and machinery	50,001,684	35,632,477
Motor vehicles	61,734	118,941
	<u>50,063,418</u>	<u>35,751,418</u>

The company has pledged two of its properties at Droitwich and Okehampton as security in relation to personal debts of key management and personnel.

# H E Group Limited

## Notes to the Financial Statements for the Year Ended 31 May 2019

### Company

	Freehold land and buildings £	Furniture, fittings and equipment £	Motor vehicles £	Plant and machinery £	Total £
<b>Cost or valuation</b>					
At 1 June 2018	7,125,476	1,665,318	691,906	67,254,838	76,737,538
Additions	-	2,636	-	33,482,183	33,484,819
Disposals	-	(446,657)	-	(11,694,609)	(12,141,266)
At 31 May 2019	<u>7,125,476</u>	<u>1,221,297</u>	<u>691,906</u>	<u>89,042,412</u>	<u>98,081,091</u>
<b>Depreciation</b>					
At 1 June 2018	65,156	1,259,998	453,066	24,686,627	26,464,847
Charge for the year	4,870	53,749	71,653	9,765,953	9,896,225
Eliminated on disposal	-	(441,663)	-	(6,294,278)	(6,735,941)
At 31 May 2019	<u>70,026</u>	<u>872,084</u>	<u>524,719</u>	<u>28,158,302</u>	<u>29,625,131</u>
<b>Carrying amount</b>					
At 31 May 2019	<u>7,055,450</u>	<u>349,213</u>	<u>167,187</u>	<u>60,884,110</u>	<u>68,455,960</u>
At 31 May 2018	<u>7,060,320</u>	<u>405,320</u>	<u>238,840</u>	<u>42,568,211</u>	<u>50,272,691</u>

### Assets held under finance leases and hire purchase contracts

The net carrying amount of tangible assets includes the following amounts in respect of assets held under finance leases and hire purchase contracts:

	2019 £	2018 £
Plant and machinery	50,001,684	35,632,477
Motor vehicles	61,734	118,941
	<u>50,063,418</u>	<u>35,751,418</u>

## H E Group Limited

### Notes to the Financial Statements for the Year Ended 31 May 2019

#### 13 Investments

##### Company

	2019 £	2018 £
Investments in subsidiaries	<u>25</u>	<u>25</u>

##### Subsidiaries

##### Cost or valuation

At 1 June 2018	<u>25</u>
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##### Carrying amount

At 31 May 2019	<u>25</u>
At 31 May 2018	<u>25</u>

#### Details of undertakings

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

Undertaking	Country of incorporation	Holding	Proportion of voting rights and shares held	
			2019	2018
<b>Subsidiary undertakings</b>				
H E Services (Plant Hire) Limited	England	Ordinary	100%	100%
Masterhitch Europe Limited	England	Ordinary	100%	100%
H E Construction Services Limited	England	Ordinary	100%	100%
Diggers Direct Limited	England	Ordinary	100%	100%
Diggerworld Limited	England	Ordinary	100%	100%
H E Services Limited	England	Ordinary	100%	100%
Hy-Tools Limited	England	Ordinary	100%	100%
Diggerland Limited	England	Ordinary	100%	100%
Buyadigger Limited	England	Ordinary	100%	100%

# H E Group Limited

## Notes to the Financial Statements for the Year Ended 31 May 2019

### 14 Stock

	Group		Company	
	2019 £	2018 £	2019 £	2018 £
Work in progress	108,697	136,611	-	-
Finished goods	173,632	134,678	-	-
Raw materials	354,843	360,780	-	-
	<u>637,172</u>	<u>632,069</u>	<u>-</u>	<u>-</u>

### Group

The cost of stocks recognised as an expense in the year amounted to £749,988 (2018 - £515,507).

### 15 Debtors

	Group		Company	
	2019 £	2018 £	2019 £	2018 £
Trade debtors	3,874,403	4,099,611	265,417	198,948
Amounts due from group undertakings	-	-	77,822	397,330
Other debtors	178,320	96,393	168,547	211,961
Prepayments and accrued income	<u>210,184</u>	<u>178,802</u>	<u>184,156</u>	<u>153,529</u>
Total current trade and other debtors	<u>4,262,907</u>	<u>4,374,806</u>	<u>695,942</u>	<u>961,768</u>

An impairment loss of £55,276 (2018 - £81,053) was recognised against trade debtors.

### 16 Cash and cash equivalents

	Group		Company	
	2019 £	2018 £	2019 £	2018 £
Cash at bank	187,033	52,093	160,601	50,489
Bank overdrafts	<u>(42,565)</u>	<u>(2,162,180)</u>	<u>-</u>	<u>(62,452)</u>
Cash and cash equivalents in statement of cash flows	<u>144,468</u>	<u>(2,110,087)</u>	<u>160,601</u>	<u>(11,963)</u>

# H E Group Limited

## Notes to the Financial Statements for the Year Ended 31 May 2019

### 17 Creditors

		Group		Company	
	Note	2019 £	2018 £	2019 £	2018 £
<b>Due within one year</b>					
Loans and borrowings	18	20,408,532	15,374,634	20,365,967	13,274,906
Trade creditors		577,797	1,187,114	247,377	657,043
Amounts due to group undertakings		-	-	1,762,577	3,349,560
Social security and other taxes		2,143,567	482,407	1,570,449	14,288
Other creditors		3,199,170	3,026,582	3,142,538	2,972,133
Accruals and deferred income		683,870	1,014,677	440,402	743,315
Corporation tax liability	11	-	604,572	-	494,150
		<u>27,012,936</u>	<u>21,689,986</u>	<u>27,529,310</u>	<u>21,505,395</u>
<b>Due after one year</b>					
Loans and borrowings	18	<u>24,188,258</u>	<u>13,687,483</u>	<u>24,188,258</u>	<u>13,687,483</u>

### 18 Loans and borrowings

	Group		Company	
	2019 £	2018 £	2019 £	2018 £
<b>Non-current loans and borrowings</b>				
Bank borrowings	1,112,500	1,441,262	1,112,500	1,441,262
Hire purchase liabilities	22,675,758	11,846,221	22,675,758	11,846,221
Preference shares classified as liabilities	400,000	400,000	400,000	400,000
	<u>24,188,258</u>	<u>13,687,483</u>	<u>24,188,258</u>	<u>13,687,483</u>

	Group		Company	
	2019 £	2018 £	2019 £	2018 £
<b>Current loans and borrowings</b>				
Bank borrowings	328,762	562,949	328,762	562,949
Bank overdrafts	42,565	2,162,180	-	62,452
Hire purchase liabilities	<u>20,037,205</u>	<u>12,649,505</u>	<u>20,037,205</u>	<u>12,649,505</u>
	<u>20,408,532</u>	<u>15,374,634</u>	<u>20,365,967</u>	<u>13,274,906</u>

## **H E Group Limited**

### **Notes to the Financial Statements for the Year Ended 31 May 2019**

#### **Group and Company**

##### **Bank borrowings**

Bank borrowings include bank loans of £1,262,500 (including short term elements) due to Santander (2018 - £1,412,500), and terms of repayment are monthly instalments representing principal and interest and the agreed rate of interest on the loan is LIBOR plus 1.83 percentage points. The security given by the company is a fixed legal mortgage over the company's headquarters at Whitewall Road, Strood.

Bank loans and overdrafts also include asset backed loans of £178,762 (2018 - £591,711) due to Lombard (including short term elements), and terms of repayment are monthly instalments representing principal and interest at a fixed rate of 5.752%.

##### **Other borrowings**

Hire purchase and finance lease agreements are secured against the assets concerned.

Hire purchase arrangements for our hire fleet are with a variety of lenders and in nearly all circumstances are for three years. As a plant hire business, any hire purchase agreements in relation to fleet items must include sub-hire clauses where the sub-hire period is restricted to 90 days in accordance with the industry norm.

At the balance sheet date the company owed £15,179,522 (2018 - £377,008) 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 £15,179,522 (2018 - £377,008) has been allocated to short term and long term hire purchase liabilities in the proportions of £5,654,081 (2018 - £125,669) and £9,525,441 (2018 - £251,339) respectively.

##### **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 group's interest charge for the year.

There were dividends in arrears (in accruals) at the year end of £177,760 (2018 - £137,378) in relation to amounts due from 15 November 2012 onwards.

## H E Group Limited

### Notes to the Financial Statements for the Year Ended 31 May 2019

#### 19 Share capital

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

	2019		2018	
	No.	£	No.	£
Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

##### Rights, preferences and restrictions

Ordinary shares have the following rights, preferences and restrictions:

The holders of Ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company. All Ordinary shares rank equally with regard to the company's residual assets.

#### 20 Obligations under leases and hire purchase contracts

##### Group

##### Hire purchase contracts

The total of future minimum lease payments is as follows:

	2019 £	2018 £
Not later than one year	20,037,205	12,649,505
Later than one year and not later than five years	<u>22,675,758</u>	<u>11,846,221</u>
	<u>42,712,963</u>	<u>24,495,726</u>

##### Operating leases

The total of future minimum lease payments is as follows:

	2019 £	2018 £
Not later than one year	785,037	859,541
Later than one year and not later than five years	<u>940,058</u>	<u>1,231,489</u>
	<u>1,725,095</u>	<u>2,091,030</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £960,800 (2018 - £838,240).



## H E Group Limited

### Notes to the Financial Statements for the Year Ended 31 May 2019

#### Operating leases - receivable

The total of future minimum lease payments is as follows:

	2019 £	2018 £
Not later than one year	851,408	605,635
Later than one year and not later than five years	2,134,372	1,110,789
Later than five years	2,009,971	1,306,813
	<u>4,995,751</u>	<u>3,023,237</u>

#### Company

#### Hire purchase contracts

The total of future minimum lease payments is as follows:

	2019 £	2018 £
Not later than one year	20,037,205	12,649,505
Later than one year and not later than five years	22,675,758	11,846,221
	<u>42,712,963</u>	<u>24,495,726</u>

#### Operating leases

The total of future minimum lease payments is as follows:

	2019 £	2018 £
Not later than one year	222,000	197,119
Later than one year and not later than five years	253,333	303,667
	<u>475,333</u>	<u>500,786</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £251,600 (2018 - £156,600).

#### Operating leases - receivable

The total of future minimum lease payments is as follows:

	2019 £	2018 £
Not later than one year	851,408	605,635
Later than one year and not later than five years	2,134,372	1,110,789
Later than five years	2,009,971	1,306,813
	<u>4,995,751</u>	<u>3,023,237</u>

## H E Group Limited

### Notes to the Financial Statements for the Year Ended 31 May 2019

#### 21 Deferred tax and other provisions

##### Group

	Deferred tax £	Total £
At 1 June 2018	3,011,859	3,011,859
Increase (decrease) in existing provisions	<u>95,528</u>	<u>95,528</u>
At 31 May 2019	<u><u>3,107,387</u></u>	<u><u>3,107,387</u></u>

##### Company

	Deferred tax £	Total £
At 1 June 2018	3,011,859	3,011,859
Increase (decrease) in existing provisions	<u>95,528</u>	<u>95,528</u>
At 31 May 2019	<u><u>3,107,387</u></u>	<u><u>3,107,387</u></u>

#### 22 Pension and other 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 £51,350 (2018 - £26,022).

#### 23 Related party transactions

##### Group

##### Income and receivables from related parties

	Key management £	Other related parties £
<b>2019</b>		
Rendering of services	<u>43,993</u>	<u>786,457</u>
Amounts receivable from related party	<u><u>6,600</u></u>	<u><u>21,325</u></u>
	Key management £	Other related parties £
<b>2018</b>		
Rendering of services	<u>39,995</u>	<u>742,171</u>
Amounts receivable from related party	<u><u>-</u></u>	<u><u>38,754</u></u>

# H E Group Limited

## Notes to the Financial Statements for the Year Ended 31 May 2019

### Expenditure with and payables to related parties

	Key management £	Other related parties £
<b>2019</b>		
Receipt of services	20,997	79,131
Leases	162,000	72,000
	<u>182,997</u>	<u>151,131</u>

Amounts payable to related party	<u>23,796</u>	<u>3,333</u>
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	Key management £	Other related parties £
<b>2018</b>		
Receipt of services	20,997	65,644
Leases	60,333	57,000
	<u>81,330</u>	<u>122,644</u>

Amounts payable to related party	<u>24,000</u>	<u>13,107</u>
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### Loans to related parties

	Other related parties £
<b>2019</b>	
At start of period	10,550
Advanced	63,120
Repaid	<u>(10,550)</u>
At end of period	<u>63,120</u>

	Other related parties £
<b>2018</b>	
At start of period	14,398
Advanced	10,550
Repaid	<u>(14,398)</u>
At end of period	<u>10,550</u>

### Loans from related parties

	Key management £	Other related parties £
<b>2019</b>		
At start of period	1,553,997	1,008,527
Advanced	353,310	-
Repaid	<u>-</u>	<u>(224,435)</u>
At end of period	<u>1,907,307</u>	<u>784,092</u>

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### Notes to the Financial Statements for the Year Ended 31 May 2019

<b>2018</b>	<b>Key management £</b>	<b>Other related parties £</b>
At start of period	1,342,624	526,749
Advanced	233,212	1,228,731
Repaid	<u>(21,839)</u>	<u>(746,953)</u>
At end of period	<u>1,553,997</u>	<u>1,008,527</u>

#### **Terms of loans from related parties**

Loans from key management are interest free.

Loans from other related parties include an amount of £748,361 (2018 – £773,918) on which interest is charged at 1 percentage point above base with the remaining loans in this category being interest free.

All loans above are repayable on demand.

## **24 Financial instruments**

### **Group**

#### **Categorisation of financial instruments**

	<b>2019 £</b>	<b>2018 £</b>
Financial assets that are debt instruments measured at amortised cost	<u>3,965,447</u>	<u>4,149,715</u>
Financial liabilities measured at amortised cost	<u>48,420,228</u>	<u>31,246,657</u>

### **Company**

#### **Categorisation of financial instruments**

	<b>2019 £</b>	<b>2018 £</b>
Financial assets that are debt instruments measured at amortised cost	<u>427,358</u>	<u>646,382</u>
Financial liabilities measured at amortised cost	<u>49,747,118</u>	<u>33,921,648</u>

## **25 Control**

The ultimate controlling party is H R Edeleanu.