

Registration number: 02079614

H E Group Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 31 May 2020



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
Bridle 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 2020

The directors present their strategic report for the year ended 31 May 2020.

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

Prior to the first national lockdown in March 2020, the group had seen 9 months of pleasing turnover growth. Hire income was up 3% and hire numbers across our depots were good and fleet utilisation strong. When the national lockdown hit, sites closed, machines were off-hired in significant numbers and our fleet utilisation reduced considerably. The outcome of this was that overall group turnover finished only marginally ahead of the previous year at £20.9 million (2019: £20.7 million).

As we reach the Spring of 2021 and emerge from a third national lockdown our hire numbers have resumed their upward trajectory despite the continuing uncertainty in the wider economy and devastating impact of the Covid-19 pandemic.

Margins during the financial year suffered, however, as a direct result of increased depreciation on the fleet, rising from £9.8 million to £11.5 million. This increase in depreciation is due to the timing of acquisitions and disposals following the heavy fleet investment in 2018/19.

During the year we have continued to invest in our fleet to ensure it is up to date and of the high quality our customers expect. We have invested £7.7 million in new acquisitions and disposed of £14.6 million of plant at cost. We have worked hard to streamline the fleet which had a carrying value of £50.5 million (2019: £60.9 million) at the year end. The sale of our second hand machines has once again resulted in a healthy profit on disposal of around £2.2 million (2019: £2.6 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. We continue to benefit from the depreciation of Sterling as the uncertainty surrounding Brexit negotiations continues and we see our plant moving to the Eurozone and the world beyond.

After deducting overheads of £4.9 million (2019: £4.4 million) and adding back other operating income of £1.9 million (2019: 1.2 million), we are pleased to report an operating profit of £1.5 million (2019: £3.2 million). After net interest costs, profit before tax is £456,000 (2019: £2.4 million), which is a pleasing result after the most challenging end to a financial year in living memory.

H E Group Limited

Strategic Report for the Year Ended 31 May 2020

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 increased to £20.9 million from £20.7 million in the previous year.

Profit before tax

Through careful cost control and returns on our second hand plant sales, profit before tax is £456,000 (2019: £2.4 million).

Balance sheet

The balance sheet shows that the group's net assets at the year-end have held steady at £19.3 million.

Cash flow

The company saw a net cash inflow of £1.4 million (2019: £2.3 million inflow), reflecting the quantity of plant sales in the year.

Principal risks and uncertainties

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

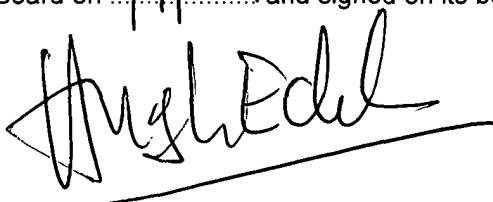
- Government policy and levels of public spending
- Economic conditions, and interest rates in particular
- Investor and consumer confidence

These factors are inextricably linked and as the outlook in the construction industry and the wider economy continues to be more uncertain than ever in the wake of Covid-19 and Brexit, 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 group's fleet to meet changing market conditions and the requirements of our customer base.

Approved by the Board on 1/4/2021 and signed on its behalf by:

H R Edeleanu
Director



H E Group Limited

Directors' Report for the Year Ended 31 May 2020

The directors present their report and the consolidated financial statements for the year ended 31 May 2020.

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 and post balance sheet events

As we approached the company's financial year end on 31 May 2020, the country was at the height of the first lockdown caused by Covid-19 and the year's results had already been adversely affected by the resultant fall in economic activity (see the fair review of the business in the Strategic Report). At the time of writing, business activity continues to be hampered by the pandemic but we are seeing signs of increasing confidence within the industry. We continue to monitor the situation closely in order to safeguard the well-being of the business and all stakeholders.

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

H E Group Limited

Directors' Report for the Year Ended 31 May 2020

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 1/4/2021 and signed on its behalf by:

H R Edeleanu
Director

A handwritten signature in black ink, appearing to read 'H R Edeleanu', written over a horizontal line.

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 2020, 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 2020 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the 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 6), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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. 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

1 April 2021

H E Group Limited

Consolidated Profit and Loss Account for the Year Ended 31 May 2020

	Note	2020 £	2019 £
Turnover	3	20,877,319	20,653,145
Cost of sales		<u>(18,558,504)</u>	<u>(16,820,756)</u>
Gross profit		2,318,815	3,832,389
Administrative expenses		(4,893,072)	(4,390,365)
Profit on disposal of fixed assets		2,212,337	2,550,397
Other operating income	4	<u>1,871,530</u>	<u>1,223,383</u>
Operating profit		1,509,610	3,215,804
Other interest receivable and similar income	6	59,229	63,525
Interest payable and similar charges	7	<u>(1,112,739)</u>	<u>(905,802)</u>
Profit before tax		456,100	2,373,527
Taxation	11	<u>(457,290)</u>	<u>(100,899)</u>
(Loss)/profit for the financial year		<u><u>(1,190)</u></u>	<u><u>2,272,628</u></u>

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

H E Group Limited

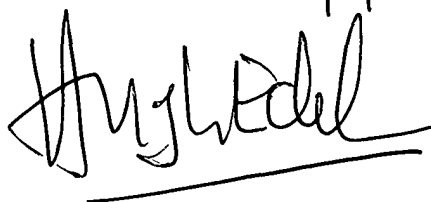
(Registration number: 02079614) Consolidated Balance Sheet as at 31 May 2020

	Note	2020 £	2019 £
Fixed assets			
Tangible assets	12	55,737,788	68,514,557
Investment property	13	<u>2,340,695</u>	<u>-</u>
		<u>58,078,483</u>	<u>68,514,557</u>
Current assets			
Stocks	15	723,894	637,172
Debtors	16	2,813,381	4,262,907
Cash at bank and in hand		<u>1,529,817</u>	<u>187,033</u>
		5,067,092	5,087,112
Creditors: Amounts falling due within one year	19	<u>(18,054,402)</u>	<u>(27,012,936)</u>
Net current liabilities		<u>(12,987,310)</u>	<u>(21,925,824)</u>
Total assets less current liabilities		45,091,173	46,588,733
Creditors: Amounts falling due after more than one year	19	(22,473,944)	(24,188,258)
Provisions for liabilities	23	<u>(3,325,331)</u>	<u>(3,107,387)</u>
Net assets		<u>19,291,898</u>	<u>19,293,088</u>
Capital and reserves			
Called up share capital	21	100	100
Retained earnings		<u>19,291,798</u>	<u>19,292,988</u>
Total equity		<u>19,291,898</u>	<u>19,293,088</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 1/4/2021 and signed on its behalf by:

H R Edeleanu
Director



The notes on pages 16 to 36 form an integral part of these financial statements.

H E Group Limited

(Registration number: 02079614)
Balance Sheet as at 31 May 2020

	Note	2020 £	2019 £
Fixed assets			
Tangible assets	12	55,689,996	68,455,960
Investment property	13	2,340,695	-
Investments	14	25	25
		<u>58,030,716</u>	<u>68,455,985</u>
Current assets			
Debtors	16	561,794	695,942
Cash at bank and in hand		259,920	160,601
		<u>821,714</u>	<u>856,543</u>
Creditors: Amounts falling due within one year	19	<u>(18,741,473)</u>	<u>(27,529,310)</u>
Net current liabilities		<u>(17,919,759)</u>	<u>(26,672,767)</u>
Total assets less current liabilities		40,110,957	41,783,218
Creditors: Amounts falling due after more than one year	19	(22,473,944)	(24,188,258)
Provisions for liabilities	23	<u>(3,325,331)</u>	<u>(3,107,387)</u>
Net assets		<u>14,311,682</u>	<u>14,487,573</u>
Capital and reserves			
Called up share capital	21	100	100
Profit and loss account		<u>14,311,582</u>	<u>14,487,473</u>
Total equity		<u>14,311,682</u>	<u>14,487,573</u>

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

The company made a loss after tax for the financial year of £175,891 (2019 - profit of £1,407,337).

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 1/4/2021 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 2020

	Share capital £	Profit and loss account £	Total £	Total equity £
At 1 June 2019	100	19,292,988	19,293,088	19,293,088
Loss for the year	-	(1,190)	(1,190)	(1,190)
Total comprehensive income	-	(1,190)	(1,190)	(1,190)
At 31 May 2020	100	19,291,798	19,291,898	19,291,898

	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

The notes on pages 16 to 36 form an integral part of these financial statements.

H E Group Limited

Statement of Changes in Equity for the Year Ended 31 May 2020

	Share capital £	Profit and loss account £	Total £
At 1 June 2019	100	14,487,473	14,487,573
Loss for the year	-	(175,891)	(175,891)
Total comprehensive income	-	(175,891)	(175,891)
At 31 May 2020	100	14,311,582	14,311,682

	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

The notes on pages 16 to 36 form an integral part of these financial statements.

H E Group Limited

Consolidated Statement of Cash Flows for the Year Ended 31 May 2020

	Note	2020 £	2019 £
Cash flows from operating activities			
(Loss)/profit for the year		(1,190)	2,272,628
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	5	11,611,409	9,915,757
Profit on disposal of property plant and equipment		(2,219,004)	(2,550,397)
Finance income	6	(59,229)	(63,525)
Finance costs	7	1,112,739	905,802
Corporation tax	11	457,290	100,899
		<u>10,902,015</u>	<u>10,581,164</u>
Working capital adjustments			
Increase in stock	15	(86,722)	(5,103)
Decrease in trade and other debtors	16	1,449,526	111,899
(Decrease)/increase in trade and other creditors	19	(1,260,677)	893,624
Cash generated from operations		11,004,142	11,581,584
Corporation tax paid	11	-	(609,943)
Net cash flow from operating activities		<u>11,004,142</u>	<u>10,971,641</u>
Cash flows from investing activities			
Interest received		59,229	63,525
Acquisitions of tangible fixed assets		(72,261)	(86,364)
Proceeds from sale of tangible fixed assets		<u>8,869,858</u>	<u>7,955,722</u>
Net cash flows from investing activities		<u>8,856,826</u>	<u>7,932,883</u>
Cash flows from financing activities			
Interest paid	7	(1,112,739)	(905,802)
Proceeds from bank borrowing draw downs		330,000	-
Repayment of bank borrowing		(317,679)	(562,949)
Payments to hire purchase creditors		<u>(17,375,201)</u>	<u>(15,181,218)</u>
Net cash flows from financing activities		<u>(18,475,619)</u>	<u>(16,649,969)</u>
Net increase in cash and cash equivalents		1,385,349	2,254,555
Cash and cash equivalents at 1 June		<u>144,468</u>	<u>(2,110,087)</u>
Cash and cash equivalents at 31 May	17	<u>1,529,817</u>	<u>144,468</u>

The notes on pages 16 to 36 form an integral part of these financial statements.

H E Group Limited

Notes to the Financial Statements for the Year Ended 31 May 2020

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 2020.

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 2020

Going concern

After reviewing the company's forecasts and projections and taking into account the risks and uncertainties detailed in the Strategic and Directors' reports, 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.

Government grants

The company has adopted the accrual model for accounting for government grants. Grants relating to revenue are recognised in income on a systematic basis over the same period as the related costs for which the grant is intended to compensate. Grants relating to assets are recognised in income on a systematic basis over the expected useful life of the asset.

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.

H E Group Limited

Notes to the Financial Statements for the Year Ended 31 May 2020

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.

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:

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 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.

Investment property

Investment properties are measured at fair value at each reporting date with changes in fair value recognised in profit or loss. Properties are valued by the directors using local indices, rental yields and with reference, where appropriate, to external valuations applying RICS methodologies.

H E Group Limited

Notes to the Financial Statements for the Year Ended 31 May 2020

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 2020

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 2020

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:

	2020 £	2019 £
Sale of goods	152,446	143,936
Rendering of services	20,629,402	20,418,553
Other revenue	95,471	90,656
	<u>20,877,319</u>	<u>20,653,145</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:

	2020 £	2019 £
Grants & subsidies	500,003	-
Rental income	1,371,527	1,223,383
	<u>1,871,530</u>	<u>1,223,383</u>

5 Operating profit

Arrived at after charging/(crediting)

	2020 £	2019 £
Depreciation expense	11,611,409	9,915,757
Foreign exchange gains	1,573	10,263
Profit on disposal of property, plant and equipment	<u>(2,219,004)</u>	<u>(2,550,397)</u>

6 Other interest receivable and similar income

	2020 £	2019 £
Interest income on bank deposits	6,333	35
Other finance income	52,896	63,490
	<u>59,229</u>	<u>63,525</u>

H E Group Limited

Notes to the Financial Statements for the Year Ended 31 May 2020

7 Interest payable and similar expenses

	2020 £	2019 £
Hire purchase interest	991,713	742,675
Interest on bank overdrafts and borrowings	89,291	122,746
Interest expense on other finance liabilities	31,735	40,381
	<u>1,112,739</u>	<u>905,802</u>

8 Staff costs

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

	2020 £	2019 £
Wages and salaries	5,521,455	5,306,618
Social security costs	382,269	370,175
Pension costs, defined contribution scheme	73,872	51,350
	<u>5,977,596</u>	<u>5,728,143</u>

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

	2020 No.	2019 No.
Production	96	92
Administration and support	92	85
Management	5	5
	<u>193</u>	<u>182</u>

9 Directors' remuneration

The directors' remuneration for the year was as follows:

	2020 £	2019 £
Remuneration	129,188	114,147
Contributions paid to money purchase schemes	1,994	1,358
	<u>131,182</u>	<u>115,505</u>

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

	2020 No.	2019 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 2020

10 Auditors' remuneration

	2020 £	2019 £
Audit of the financial statements	<u>18,740</u>	<u>18,740</u>

11 Taxation

Tax charged/(credited) in the income statement

	2020 £	2019 £
Current taxation		
UK corporation tax	239,346	-
UK corporation tax adjustment to prior periods	<u>-</u>	<u>5,371</u>
	239,346	5,371
Deferred taxation		
Arising from origination and reversal of timing differences	<u>217,944</u>	<u>95,528</u>
Tax expense in the income statement	<u>457,290</u>	<u>100,899</u>

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2019 - lower than the standard rate of corporation tax in the UK) of 19% (2019 - 19%).

The differences are reconciled below:

	2020 £	2019 £
Profit before tax	<u>456,100</u>	<u>2,373,527</u>
Corporation tax at standard rate	86,659	450,970
Effect of expense not deductible in determining taxable profit (tax loss)	10,832	8,479
Effect of tax losses	(38,082)	42,040
Deferred tax movement for the year	217,944	95,528
Increase (decrease) in UK current tax from adjustment for prior periods	-	5,371
Tax increase (decrease) from effect of capital allowances and depreciation	175,160	(501,514)
Chargeable gains	<u>4,777</u>	<u>25</u>
Total tax charge	<u>457,290</u>	<u>100,899</u>

H E Group Limited

Notes to the Financial Statements for the Year Ended 31 May 2020

Deferred tax

Group

Deferred tax assets and liabilities

	Liability £
2020	
Difference between accumulated depreciation and amortisation and capital allowances	3,325,331
Tax losses carried forward	-
	<u>3,325,331</u>

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

Company

Deferred tax assets and liabilities

	Liability £
2020	
Difference between accumulated depreciation and amortisation and capital allowances	3,325,331
Tax losses carried forward	-
	<u>3,325,331</u>

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

Deferred tax is measured at 19% (2019: 17%).

Based on current capital investment plans the group expects to continue to claim capital allowances in excess of depreciation at a similar level to the current year.

H E Group Limited

Notes to the Financial Statements for the Year Ended 31 May 2020

12 Tangible assets

Group

	Freehold land and buildings £	Furniture, fittings and equipment £	Motor vehicles £	Plant and machinery £	Total £
Cost or valuation					
At 1 June 2019	7,125,476	1,267,865	691,906	89,638,794	98,724,041
Additions	-	116,966	-	7,709,223	7,826,189
Disposals	-	-	(56,275)	(14,716,098)	(14,772,373)
Transfers to investment property	(2,340,695)	-	-	-	(2,340,695)
At 31 May 2020	<u>4,784,781</u>	<u>1,384,831</u>	<u>635,631</u>	<u>82,631,919</u>	<u>89,437,162</u>
Depreciation					
At 1 June 2019	70,026	913,929	524,719	28,700,810	30,209,484
Charge for the year	4,873	55,891	49,208	11,501,437	11,611,409
Eliminated on disposal	-	-	(48,236)	(8,073,283)	(8,121,519)
At 31 May 2020	<u>74,899</u>	<u>969,820</u>	<u>525,691</u>	<u>32,128,964</u>	<u>33,699,374</u>
Carrying amount					
At 31 May 2020	<u>4,709,882</u>	<u>415,011</u>	<u>109,940</u>	<u>50,502,955</u>	<u>55,737,788</u>
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>

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:

	2020 £	2019 £
Plant and machinery	42,721,440	50,001,684
Motor vehicles	<u>8,007</u>	<u>61,734</u>
	<u>42,729,447</u>	<u>50,063,418</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 2020

Company

	Freehold land and buildings £	Furniture, fittings and equipment £	Motor vehicles £	Plant and machinery £	Total £
Cost or valuation					
At 1 June 2019	7,125,476	1,221,297	691,906	89,042,412	98,081,091
Additions	-	116,966	-	7,704,723	7,821,689
Disposals	-	-	(56,275)	(14,596,098)	(14,652,373)
Transfers to investment property	<u>(2,340,695)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,340,695)</u>
At 31 May 2020	<u>4,784,781</u>	<u>1,338,263</u>	<u>635,631</u>	<u>82,151,037</u>	<u>88,909,712</u>
Depreciation					
At 1 June 2019	70,026	872,084	524,719	28,158,302	29,625,131
Charge for the year	4,873	54,711	49,208	11,487,312	11,596,104
Eliminated on disposal	<u>-</u>	<u>-</u>	<u>(48,236)</u>	<u>(7,953,283)</u>	<u>(8,001,519)</u>
At 31 May 2020	<u>74,899</u>	<u>926,795</u>	<u>525,691</u>	<u>31,692,331</u>	<u>33,219,716</u>
Carrying amount					
At 31 May 2020	<u>4,709,882</u>	<u>411,468</u>	<u>109,940</u>	<u>50,458,706</u>	<u>55,689,996</u>
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>

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:

	2020 £	2019 £
Plant and machinery	42,721,440	50,001,684
Motor vehicles	8,007	61,734
	<u>42,729,447</u>	<u>50,063,418</u>

H E Group Limited

Notes to the Financial Statements for the Year Ended 31 May 2020

13 Investment properties

Group

	2020 £
Transfers from freehold land and buildings	<u>2,340,695</u>

Company

	2020 £
Transfers from freehold land and buildings	<u>2,340,695</u>

The directors have reclassified certain let properties from 'tangible assets' to 'investment property'. The properties have been transferred at their current carrying value, which in the opinion of the directors is not materially different to fair value.

14 Investments

Company

	2020 £	2019 £
Investments in subsidiaries	<u>25</u>	<u>25</u>

Subsidiaries

Cost or valuation

At 1 June 2019 and 31 May 2020	<u>25</u>
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Carrying amount

At 31 May 2020	<u>25</u>
At 31 May 2019	<u>25</u>

H E Group Limited

Notes to the Financial Statements for the Year Ended 31 May 2020

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	
			2020	2019
Subsidiary undertakings				
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%

15 Stock

	Group		Company	
	2020 £	2019 £	2020 £	2019 £
Work in progress	92,276	108,697	-	-
Finished goods	210,476	173,632	-	-
Raw materials	421,142	354,843	-	-
	<u>723,894</u>	<u>637,172</u>	<u>-</u>	<u>-</u>

H E Group Limited

Notes to the Financial Statements for the Year Ended 31 May 2020

16 Debtors

	Group		Company	
	2020 £	2019 £	2020 £	2019 £
Trade debtors	2,447,907	3,874,403	116,330	265,417
Amounts due from group undertakings	-	-	109,650	77,822
Other debtors	168,991	178,320	159,926	168,547
Prepayments and accrued income	196,483	210,184	175,888	184,156
Total current trade and other debtors	<u>2,813,381</u>	<u>4,262,907</u>	<u>561,794</u>	<u>695,942</u>

An impairment loss of £35,984 (2019: £55,276) was recognised against trade debtors.

17 Cash and cash equivalents

	Group		Company	
	2020 £	2019 £	2020 £	2019 £
Cash at bank	1,529,817	187,033	259,920	160,601
Bank overdrafts	-	(42,565)	-	-
Cash and cash equivalents in statement of cash flows	<u>1,529,817</u>	<u>144,468</u>	<u>259,920</u>	<u>160,601</u>

H E Group Limited

Notes to the Financial Statements for the Year Ended 31 May 2020

18 Analysis of changes in net debt

Group:

At the beginning of the year the group had net debt of £44,409,757, comprising bank borrowings (£1,841,262), hire purchase liabilities (£42,712,963), and less net cash (£144,468).

At the end of the year the group had net debt of £33,415,456, comprising bank borrowings (£1,853,583), hire purchase liabilities (£33,091,690), and less net cash (£1,529,817).

The reduction in net debt of £10,994,301 comprises an increase in net cash (£1,385,349) plus repayment of hire purchase liabilities (£17,375,201) less a net increase in bank borrowings (£12,321), and less the non-cash changes attributable to new assets financed on hire purchase (£7,753,928). All cash changes noted here are also detailed in the cash flow statement on page 15.

Company:

At the beginning of the year the company had net debt of £44,393,624 comprising bank borrowings (£1,841,262), hire purchase liabilities (£42,712,963), and less net cash (£160,601).

At the end of the year the company had net debt of £34,685,353, comprising bank borrowings (£1,853,583), hire purchase liabilities (£33,091,690), and less net cash (£259,920).

The reduction in net debt of £9,708,271 comprises an increase in net cash (£99,319) plus repayment of hire purchase liabilities (£17,375,201) less a net increase in bank borrowings (£12,321), and less the non-cash changes attributable to new assets financed on hire purchase (£7,753,928).

19 Creditors

	Note	Group		Company	
		2020 £	2019 £	2020 £	2019 £
Due within one year					
Loans and borrowings	20	12,471,329	20,408,532	12,471,329	20,365,967
Trade creditors		479,410	577,797	316,007	247,377
Amounts due to group undertakings		-	-	2,050,008	1,762,577
Social security and other taxes		1,005,606	2,143,567	77,660	1,570,449
Other creditors		3,357,487	3,199,170	3,274,807	3,142,538
Accruals and deferred income		501,224	683,870	349,929	440,402
Corporation tax liability	11	239,346	-	201,733	-
		<u>18,054,402</u>	<u>27,012,936</u>	<u>18,741,473</u>	<u>27,529,310</u>
Due after one year					
Loans and borrowings	20	<u>22,473,944</u>	<u>24,188,258</u>	<u>22,473,944</u>	<u>24,188,258</u>

H E Group Limited

Notes to the Financial Statements for the Year Ended 31 May 2020

20 Loans and borrowings

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Non-current loans and borrowings				
Bank borrowings	1,295,697	1,112,500	1,295,697	1,112,500
Hire purchase contracts	20,778,247	22,675,758	20,778,247	22,675,758
Preference shares classified as liabilities	400,000	400,000	400,000	400,000
	<u>22,473,944</u>	<u>24,188,258</u>	<u>22,473,944</u>	<u>24,188,258</u>

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Current loans and borrowings				
Bank borrowings	157,886	328,762	157,886	328,762
Bank overdrafts	-	42,565	-	-
Hire purchase contracts	<u>12,313,443</u>	<u>20,037,205</u>	<u>12,313,443</u>	<u>20,037,205</u>
	<u>12,471,329</u>	<u>20,408,532</u>	<u>12,471,329</u>	<u>20,365,967</u>

Group and Company

Bank borrowings

Bank borrowings include bank loans of £1,137,500 (including short term elements) due to Santander (2019 - £1,262,500), 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 new asset backed loans of £316,083 due to Shawbrook (including short term elements), and terms of repayment are monthly instalments representing principal and interest at a fixed rate of 7.2%.

Prior to being settled during the year, bank loans and overdrafts included asset backed loans of £nil (2019 - £178,762) due to Lombard (including short term elements), and terms of repayment were monthly instalments representing principal and interest at a fixed rate of 5.752%.

H E Group Limited

Notes to the Financial Statements for the Year Ended 31 May 2020

Other borrowings

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

At the balance sheet date the company owed £nil (2019 - £15,179,522) 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 £nil (2019 - £15,179,522) has been allocated to short term and long term hire purchase liabilities in the proportions of £nil (2019 - £5,654,081) and £nil (2019 - £9,525,441) 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 company's interest charge for the year.

There were dividends in arrears (in accruals) at the year end of £209,495 (2019 - £177,760) in relation to amounts due from 15 November 2012 onwards.

21 Share capital

Allotted, called up and fully paid shares

	2020		2019	
	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.

22 Obligations under leases and hire purchase contracts

Group

Hire purchase contracts

The total of future minimum lease payments is as follows:

	2020	2019
	£	£
Not later than one year	12,313,443	20,037,205
Later than one year and not later than five years	<u>20,778,247</u>	<u>22,675,758</u>
	<u>33,091,690</u>	<u>42,712,963</u>

H E Group Limited

Notes to the Financial Statements for the Year Ended 31 May 2020

Operating leases

The total of future minimum lease payments is as follows:

	2020 £	2019 £
Not later than one year	882,206	785,037
Later than one year and not later than five years	1,025,687	940,058
	<u>1,907,893</u>	<u>1,725,095</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £972,326 (2019 - £960,800).

Operating leases - receivable

The total of future minimum lease payments is as follows:

	2020 £	2019 £
Not later than one year	966,454	851,408
Later than one year and not later than five years	2,521,965	2,134,372
Later than five years	3,418,561	2,009,971
	<u>6,906,980</u>	<u>4,995,751</u>

Company

Hire purchase contracts

The total of future minimum lease payments is as follows:

	2020 £	2019 £
Not later than one year	12,313,443	20,037,205
Later than one year and not later than five years	20,778,247	22,675,758
	<u>33,091,690</u>	<u>42,712,963</u>

Operating leases

The total of future minimum lease payments is as follows:

	2020 £	2019 £
Not later than one year	223,167	222,000
Later than one year and not later than five years	68,375	253,333
	<u>291,542</u>	<u>475,333</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £272,292 (2019 - £251,600).

H E Group Limited

Notes to the Financial Statements for the Year Ended 31 May 2020

Operating leases - receivable

The total of future minimum lease payments is as follows:

	2020 £	2019 £
Not later than one year	966,454	851,408
Later than one year and not later than five years	2,521,965	2,134,372
Later than five years	<u>3,418,561</u>	<u>2,009,971</u>
	<u>6,906,980</u>	<u>4,995,751</u>

23 Deferred tax and other provisions

Group

	Deferred tax £	Total £
At 1 June 2019	3,107,387	3,107,387
Increase (decrease) in existing provisions	<u>217,944</u>	<u>217,944</u>
At 31 May 2020	<u>3,325,331</u>	<u>3,325,331</u>

Company

	Deferred tax £	Total £
At 1 June 2019	3,107,387	3,107,387
Increase (decrease) in existing provisions	<u>217,944</u>	<u>217,944</u>
At 31 May 2020	<u>3,325,331</u>	<u>3,325,331</u>

24 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 £73,872 (2019 - £51,350).

25 Related party transactions

Group

Income and receivables from related parties

	Key management £	Other related parties £
2020		
Rendering of services	<u>34,593</u>	<u>834,087</u>
Amounts receivable from related party	<u>1,800</u>	<u>61,000</u>

H E Group Limited

Notes to the Financial Statements for the Year Ended 31 May 2020

	Key management £	Other related parties £
2019		
Rendering of services	43,993	786,457
Amounts receivable from related party	<u>6,600</u>	<u>21,325</u>

Expenditure with and payables to related parties

	Key management £	Other related parties £
2020		
Receipt of services	4,977	376,336
Leases	162,000	118,292
	<u>166,977</u>	<u>494,628</u>
Amounts payable to related party	<u>4,596</u>	<u>64,067</u>

	Key management £	Other related parties £
2019		
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>

Loans to related parties

	Other related parties £	Total £
2020		
At start of period	63,120	63,120
Advanced	16,949	16,949
Repaid	<u>(63,120)</u>	<u>(63,120)</u>
At end of period	<u>16,949</u>	<u>16,949</u>

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

H E Group Limited

Notes to the Financial Statements for the Year Ended 31 May 2020

Loans from related parties

	Key management £	Other related parties £	Total £
2020			
At start of period	1,907,307	784,092	2,691,399
Advanced	112,685	85,001	197,686
Repaid	-	(83,078)	(83,078)
At end of period	<u>2,019,992</u>	<u>786,015</u>	<u>2,806,007</u>
	Key management £	Other related parties £	Total £
2019			
At start of period	1,553,997	1,008,527	2,562,524
Advanced	353,310	-	353,310
Repaid	-	(224,435)	(224,435)
At end of period	<u>1,907,307</u>	<u>784,092</u>	<u>2,691,399</u>

Terms of loans from related parties

Loans from key management are interest free.

Loans from other related parties include an amount of £665,283 (2019: £748,361) 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.

26 Parent and ultimate parent undertaking

The ultimate controlling party is H R Edeleanu.