

Company Registration No 02079614 (England and Wales)

H E GROUP LIMITED
DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE YEAR ENDED 31 MAY 2012

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COMPANIES HOUSE

H E GROUP LIMITED

DIRECTORS AND ADVISERS

Directors	H R Edeleanu M F Wright P A Durey
Secretary	M F Wright
Company number	02079614
Registered office	Whitewall Road Strood Rochester Kent ME2 4DZ
Registered auditors	McBrides Accountants LLP Nexus House 2 Cray Road Sidcup Kent DA14 5DA
Bankers	HSBC Bank plc Lakeview West Crossways Business Park Dartford Kent DA2 6QE
Solicitors	Ford Little 14 Park Road Sittingbourne Kent ME10 1DR

H E GROUP LIMITED

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H E GROUP LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MAY 2012

The directors present their report and financial statements for the year ended 31 May 2012

Principal activities and review of the business

The principal activity of the company during the year has been the hire and sale 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.

As we forecast last year, the group has continued to invest heavily in its fleet during 2011/12 having grown it from £23 million to almost £34 million in the space of a year. Resultant plant hire revenues have increased only marginally on the back of this increased capacity, whilst corresponding direct costs, including depreciation, have increased more rapidly leading to a gross profit of just under £2.0 million (2011 £4.7 million).

Profits on disposal of the group's second hand machines meanwhile have held up extremely well, as residuals on our three year old plant have been higher than originally expected. This has been fuelled by strong demand from around the world for our high quality Tier 3 machines, no doubt in anticipation of the more expensive (albeit with cleaner emissions) Tier 4 machines arriving later this year.

We are pleased to report our overall pre tax profit has held up well at £1.3 million (2011 £2.7 million).

The outlook in the construction industry remains uncertain, and the plant hire market in particular continues to be extremely competitive. We remain hopeful, however, that the government will eventually come through with concrete plans to invest in the country's infrastructure. In the meantime the Board is confident that the business can continue to be successfully managed through these difficult conditions given its market leading position and reputation in the industry, and its ability to raise funds from the sale of second hand plant when required.

The directors consider the liquidity of the business is much stronger than that indicated by its balance sheet due to its revolving nature and ongoing ability to raise funds from the sale of second hand plant. We expect to continue managing the size of the group's fleet to meet changing market conditions and the requirements of its customer base.

Overall the directors consider the year end financial positions of the group companies to be satisfactory.

H E GROUP LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2012

Financial risk management objectives

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

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

The company manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring it has sufficient liquid resources to meet the operating needs of the business

The company is exposed to fair value interest rate risk on its fixed rate borrowings and cash flow interest rate risk on bank overdrafts and loans

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

Results and dividends

The consolidated profit and loss account for the year is set out on page 6

No ordinary dividends were paid during the year

Preference dividends of £35,300 were paid during the year on the 400,000 preference shares which attract a fixed cumulative dividend of 7% per annum and a participating dividend payable on the attainment of certain profit levels. This is shown in the accounts as interest in accordance with FRS 25

Market value of land and buildings

The directors consider that the market value of freehold land and buildings is in the region of, but not less than the amount shown in the financial statements, but as these assets are used in the company's business and no disposals are envisaged, the excess is not quantified

Directors

The following directors have held office since 1 June 2011

H R Edeleanu

M F Wright

P A Durey

H E GROUP LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2012

Statement of directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit and loss of the group for that period. In preparing those financial statements, the directors are required to


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

The directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group 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 company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the group's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the group's auditors are aware of that information

On behalf of the board



H R Edeleanu

Director

22/11/12

H E GROUP LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF H E GROUP LIMITED

We have audited the group and parent company financial statements (the "financial statements") of H E Group Limited for the year ended 31 May 2012 set out on pages 6 to 29. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on pages 1 - 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and parent company's affairs as at 31 May 2012 and of the group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

H E GROUP LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF H E GROUP LIMITED

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

McBrides Accountants LLP

Brian Moleshead (Senior Statutory Auditor)
for and on behalf of McBrides Accountants LLP

27th November 2012

Chartered Accountants
Statutory Auditor

Nexus House
2 Cray Road
Sidcup
Kent
DA14 5DA

McBrides

H E GROUP LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MAY 2012

	Notes	2012 £	2011 £
Turnover	2	13,225,243	13,138,398
Cost of sales		(11,291,306)	(8,448,872)
Gross profit		1,933,937	4,689,526
Administrative expenses		(4,458,998)	(3,371,493)
Other operating income		324,328	285,304
Operating (loss)/profit	3	(2,200,733)	1,603,337
Profit on disposal of fixed assets		4,281,147	1,606,651
Profit on ordinary activities before interest		2,080,414	3,209,988
Interest receivable and similar income	4	50,893	51,217
Interest payable and similar charges	5	(754,139)	(538,860)
Profit on ordinary activities before taxation		1,377,168	2,722,345
Tax on profit on ordinary activities	6	(9,248)	(523,912)
Profit on ordinary activities after taxation		1,367,920	2,198,433

The profit and loss account has been prepared on the basis that all operations are continuing operations

There are no recognised gains and losses other than those passing through the profit and loss account

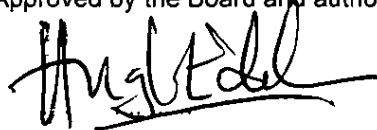
H E GROUP LIMITED

BALANCE SHEETS

AS AT 31 MAY 2012

	Notes	Group 2012 £	2011 £	Company 2012 £	2011 £
Fixed assets					
Tangible assets	8	40,661,912	27,741,524	40,660,420	27,737,262
Investments	9	-	-	23	23
		<u>40,661,912</u>	<u>27,741,524</u>	<u>40,660,443</u>	<u>27,737,285</u>
Current assets					
Stocks	10	603,593	728,169	45,613	-
Debtors	11	4,608,908	2,554,638	2,610,133	1,364,017
Cash at bank and in hand		1,166,835	449,335	1,013,255	300,070
		<u>6,379,336</u>	<u>3,732,142</u>	<u>3,669,001</u>	<u>1,664,087</u>
Creditors amounts falling due within one year	12	<u>(13,178,061)</u>	<u>(9,220,757)</u>	<u>(12,424,341)</u>	<u>(8,790,770)</u>
Net current liabilities		<u>(6,798,725)</u>	<u>(5,488,615)</u>	<u>(8,755,340)</u>	<u>(7,126,683)</u>
Total assets less current liabilities		<u>33,863,187</u>	<u>22,252,909</u>	<u>31,905,103</u>	<u>20,610,602</u>
Creditors amounts falling due after more than one year	13	<u>(19,054,275)</u>	<u>(9,121,381)</u>	<u>(19,054,275)</u>	<u>(9,121,381)</u>
Provisions for liabilities	14	<u>(3,437,868)</u>	<u>(3,128,404)</u>	<u>(3,437,868)</u>	<u>(3,128,404)</u>
		<u>11,371,044</u>	<u>10,003,124</u>	<u>9,412,960</u>	<u>8,360,817</u>
Capital and reserves					
Called up share capital	16	100	100	100	100
Profit and loss account	17	11,370,944	10,003,024	9,412,860	8,360,717
Shareholders' funds	18	<u>11,371,044</u>	<u>10,003,124</u>	<u>9,412,960</u>	<u>8,360,817</u>

Approved by the Board and authorised for issue on 22/11/12



H R Edeleanu
Director

Company Registration No 02079614

H E GROUP LIMITED

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MAY 2012

	£	2012 £	£	2011 £
Net cash inflow from operating activities		851,146		7,086,471
Returns on investments and servicing of finance				
Interest received	50,893		51,217	
Interest paid	(754,139)		(538,860)	
Net cash outflow for returns on investments and servicing of finance		(703,246)		(487,643)
Taxation		(15,784)		(46,701)
Capital expenditure				
Payments to acquire tangible assets	(4,741,382)		(818,410)	
Receipts from sales of tangible assets	13,760,827		6,290,455	
Net cash inflow for capital expenditure		9,019,445		5,472,045
Net cash inflow before management of liquid resources and financing		9,151,561		12,024,172
Financing				
New long term bank loan	2,044,300		-	
Repayment of long term bank loan	(547,488)		(416,114)	
Capital element of hire purchase contracts	(9,998,719)		(11,068,709)	
Net cash outflow from financing		(8,501,907)		(11,484,823)
Increase in cash in the year		649,654		539,349

H E GROUP LIMITED

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MAY 2012

1	Reconciliation of operating (loss)/profit to net cash inflow from operating activities	2012	2011
		£	£
	Operating (loss)/profit	(2,200,733)	1,603,337
	Depreciation of tangible assets	6,147,358	3,760,122
	Decrease/(increase) in stocks	124,576	(87,558)
	(Increase)/Decrease in debtors	(2,054,270)	270,286
	(Decrease)/Increase in creditors within one year	(1,165,785)	1,540,284
	Net cash inflow from operating activities	851,146	7,086,471

2	Analysis of net debt	1 June 2011	Cash flow	Other non-cash changes	31 May 2012
		£	£	£	£
	Net cash				
	Cash at bank and in hand	449,335	717,500	-	1,166,835
	Bank overdrafts	(40,697)	(67,846)	-	(108,543)
		<u>408,638</u>	<u>649,654</u>	<u>-</u>	<u>1,058,292</u>
	Finance leases	(11,902,661)	9,998,719	(23,806,044)	(25,709,986)
	Debts falling due within one year	(423,096)	(224,214)	-	(647,310)
	Debts falling due after one year	(2,514,272)	(1,272,598)	-	(3,786,870)
		<u>(14,840,029)</u>	<u>8,501,907</u>	<u>(23,806,044)</u>	<u>(30,144,166)</u>
	Net debt	(14,431,391)	9,151,561	(23,806,044)	(29,085,874)

3	Reconciliation of net cash flow to movement in net debt	2012	2011
		£	£
	Increase in cash in the year	649,654	539,349
	Cash outflow from decrease in debt	8,501,907	11,484,823
	Change in net debt resulting from cash flows	9,151,561	12,024,172
	New finance lease	(23,806,044)	(8,866,666)
	Movement in net debt in the year	(14,654,483)	3,157,506
	Opening net debt	(14,431,391)	(17,588,897)
	Closing net debt	(29,085,874)	(14,431,391)

H E GROUP LIMITED

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2012

4 Cash flow relating to exceptional items

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

5 Major non-cash transactions

During the year the company entered into finance leases in respect of capital equipment with a capital value at the inception of the lease of £23,806,044 (2011 £8,866,666)

H E GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2012

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report on pages 1 to 3. This report also includes the group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments, and its exposures to credit risk and liquidity risk. The financial position of the group, its cash flows, liquidity position and borrowing facilities are described in the three primary statements on pages 6 to 8 and the notes to the financial statements.

The group operates in the construction industry which is particularly susceptible to the consequences of the current recession and liquidity squeeze. The specific matters affecting the group companies are described in the directors' review of the business on page 1. The directors have taken these factors into account in their overall assessment of the basis of preparation of the financial statements, and are of the opinion that funds sufficient for the group's ongoing requirements for the foreseeable future will be forthcoming from its bank and invoice discounting arrangements, and through the sale of second hand plant in accordance with its fleet management policy. Thus the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

1.3 Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 31 May 2012. As a result, a separate profit and loss account for the parent company is omitted from the group accounts by virtue of section 408 of the Companies Act 2006. The results of subsidiaries sold or acquired are included in the profit and loss account up to, or from the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

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

1.4 Turnover

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

1.5 Tangible fixed assets and depreciation

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

Freehold property	see below
Plant and machinery	17.5% written down value or 10% straight line
Fixtures & fittings	25% written down value
Motor vehicles	30% written down value

H E GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2012

1 Accounting policies

(continued)

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

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

1.6 Leasing and hire purchase commitments

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

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

1.7 Investments

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

1.8 Stock and work in progress

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

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

1.9 Pensions

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

1.10 Deferred taxation

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

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

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

H E GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2012

1 Accounting policies (continued)

1 11 Foreign currency translation

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

1 12 Invoice Discounting

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

2 Turnover

The turnover for the year was derived from the company's principal activity.

The geographical and class analysis of turnover is not disclosed as the markets in which the company operates are extremely competitive. The directors therefore consider disclosure would seriously prejudice the company's dealings in those areas.

3	Operating (loss)/profit	2012 £	2011 £
	Operating (loss)/profit is stated after charging		
	Depreciation of tangible assets	6,147,358	3,760,122
	Loss on foreign exchange transactions	6,413	916
	Operating lease rentals		
	- Plant and machinery	359,789	398,416
	- Other assets	427,546	358,008
	Fees payable to the company's auditor for the audit of the company's annual accounts	8,600	8,600
	Fees payable to the company's auditor and its associates for other services -		
	- The audit of the company's subsidiaries	7,400	7,400
	- Other	16,287	11,123
		<u> </u>	<u> </u>
4	Investment income	2012 £	2011 £
	Bank interest	10,194	1,129
	Other interest	40,699	50,088
		<u> </u>	<u> </u>
		50,893	51,217
		<u> </u>	<u> </u>

H E GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2012

5	Interest payable	2012 £	2011 £
	On bank overdrafts	9	122
	On bank loans wholly repayable within five years	30,295	9,039
	On bank loans repayable after five years	30,680	35,014
	Hire purchase interest	642,598	446,195
	Other interest	50,557	48,490
		<hr/>	<hr/>
		754,139	538,860
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H E GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2012

6	Taxation	2012 £	2011 £
	Domestic current year tax		
	U K corporation tax	-	316,000
	Adjustment for prior years	(300,216)	(3,299)
	Total current tax	(300,216)	312,701
	Deferred tax		
	Origination and reversal of timing differences	309,464	211,211
		<u>9,248</u>	<u>523,912</u>
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	<u>1,377,168</u>	<u>2,722,345</u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 24.00% (2011 - 26.00%)	<u>330,520</u>	<u>707,810</u>
	Effects of		
	Disallowable expenditure	4,430	35,702
	Disallowable expenditure relating to depreciation and profits on disposal	467,284	559,694
	Capital allowances	(1,103,974)	(822,255)
	Losses carried back	252,189	-
	Brought forward losses relieved	-	(193,382)
	Chargeable disposals	49,551	13,354
	Small companies relief	-	(604)
	Adjustment to previous periods	(300,216)	-
	Adjustment due to difference in tax rate	-	12,382
		<u>(630,736)</u>	<u>(395,109)</u>
	Current tax charge for the year	<u>(300,216)</u>	<u>312,701</u>

Factors that may affect future tax charges -

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

H E GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) **FOR THE YEAR ENDED 31 MAY 2012**

7 Profit for the financial year

As permitted by section 408 Companies Act 2006, the holding company's profit and loss account has not been included in these financial statements. The profit for the financial year is made up as follows:

	2012	2011
	£	£
Holding company's profit for the financial year	<u>1,052,143</u>	<u>1,594,453</u>

H E GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2012

8 Tangible fixed assets

Group

	Freehold property £	Plant and machinery £	Fixtures & fittings £	Motor vehicles £	Total £
Cost					
At 1 June 2011	4,057,996	34,939,808	1,260,417	229,010	40,487,231
Additions	2,752,480	25,710,103	23,749	61,094	28,547,426
Disposals	-	(17,266,277)	-	(23,810)	(17,290,087)
At 31 May 2012	<u>6,810,476</u>	<u>43,383,634</u>	<u>1,284,166</u>	<u>266,294</u>	<u>51,744,570</u>
Depreciation					
At 1 June 2011	31,066	11,522,399	1,022,673	169,569	12,745,707
On disposals	-	(7,790,216)	-	(20,191)	(7,810,407)
Charge for the year	<u>4,871</u>	<u>6,060,542</u>	<u>53,752</u>	<u>28,193</u>	<u>6,147,358</u>
At 31 May 2012	<u>35,937</u>	<u>9,792,725</u>	<u>1,076,425</u>	<u>177,571</u>	<u>11,082,658</u>
Net book value					
At 31 May 2012	<u>6,774,539</u>	<u>33,590,909</u>	<u>207,741</u>	<u>88,723</u>	<u>40,661,912</u>
At 31 May 2011	<u>4,026,930</u>	<u>23,417,409</u>	<u>237,744</u>	<u>59,441</u>	<u>27,741,524</u>

Included above are assets held under finance leases or hire purchase contracts as follows

	Plant and machinery £	Fixtures & fittings £	Motor vehicles £	Total £
Net book values				
At 31 May 2012	27,731,080	-	-	27,731,080
At 31 May 2011	<u>12,106,531</u>	<u>-</u>	<u>-</u>	<u>12,106,531</u>
Depreciation charge for the year				
31 May 2012	5,828,582	-	-	5,828,582
31 May 2011	<u>3,624,686</u>	<u>-</u>	<u>-</u>	<u>3,624,686</u>

H E GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2012

Tangible fixed assets (continued)

Company

	Freehold property £	Plant and machinery £	Fixtures & fittings £	Motor vehicles £	Total £
Cost					
At 1 June 2011	4,057,996	34,427,976	1,225,074	218,351	39,929,397
Additions	2,752,480	25,710,103	23,749	61,094	28,547,426
Disposals	-	(17,266,277)	-	(13,151)	(17,279,428)
At 31 May 2012	<u>6,810,476</u>	<u>42,871,802</u>	<u>1,248,823</u>	<u>266,294</u>	<u>51,197,395</u>
Depreciation					
At 1 June 2011	31,066	11,010,567	989,319	161,183	12,192,135
On disposals	-	(7,790,216)	-	(11,759)	(7,801,975)
Charge for the year	<u>4,871</u>	<u>6,060,542</u>	<u>53,255</u>	<u>28,147</u>	<u>6,146,815</u>
At 31 May 2012	<u>35,937</u>	<u>9,280,893</u>	<u>1,042,574</u>	<u>177,571</u>	<u>10,536,975</u>
Net book value					
At 31 May 2012	<u>6,774,539</u>	<u>33,590,909</u>	<u>206,249</u>	<u>88,723</u>	<u>40,660,420</u>
At 31 May 2011	<u>4,026,930</u>	<u>23,417,409</u>	<u>235,755</u>	<u>57,168</u>	<u>27,737,262</u>

Included above are assets held under finance leases or hire purchase contracts as follows

	Plant and machinery £	Fixtures & fittings £	Motor vehicles £	Total £
Net book values				
At 31 May 2012	27,731,080	-	-	27,731,080
At 31 May 2011	<u>12,106,531</u>	<u>-</u>	<u>-</u>	<u>12,106,531</u>
Depreciation charge for the year				
31 May 2012	5,828,582	-	-	5,828,582
31 May 2011	<u>3,624,686</u>	<u>-</u>	<u>-</u>	<u>3,624,686</u>

H E GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2012

9 Fixed asset investments Company

	Shares in group undertakings £
Cost and net book value	
At 1 June 2011 & at 31 May 2012	23
At 31 May 2011	23

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies

Company	Country of registration or incorporation	Shares held	
		Class	%
Subsidiary undertakings			
H E Services (Plant Hire) Limited	England	Ordinary	100
Masterhitch Europe Limited	England	Ordinary	100
H E Construction Services Limited	England	Ordinary	100
Diggers Direct Limited	England	Ordinary	100
Diggerworld Limited	England	Ordinary	100
H E Services Limited	England	Ordinary	100
Hy-Tools Limited	England	Ordinary	100
Diggerland Limited	England	Ordinary	100

The principal activity of these undertakings for the last relevant financial year was as follows

	Principal activity
H E Services (Plant Hire) Limited	Hire of equipment
Masterhitch Europe Limited	Excavator hitches and buckets
H E Construction Services Limited	Dormant
Diggers Direct Limited	Dormant
Diggerworld Limited	Dormant
H E Services Limited	Dormant
Hy-Tools Limited	Dormant
Diggerland Limited	Dormant

H E GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2012

10 Stocks and work in progress

	Group 2012 £	2011 £	Company 2012 £	2011 £
Raw materials and consumables	350,723	368,927	-	-
Work in progress	91,985	135,109	-	-
Finished goods and goods for resale	160,885	224,133	45,613	-
	<u>603,593</u>	<u>728,169</u>	<u>45,613</u>	<u>-</u>

11 Debtors

	Group 2012 £	2011 £	Company 2012 £	2011 £
Trade debtors	4,284,171	2,301,098	1,976,515	58,680
Amounts owed by group undertakings	-	-	354,820	718,021
Other debtors	189,314	83,301	153,936	439,627
Prepayments and accrued income	135,423	170,239	124,862	147,689
	<u>4,608,908</u>	<u>2,554,638</u>	<u>2,610,133</u>	<u>1,364,017</u>

Within the company other debtors includes amounts owed by related undertakings of £100,139 (2011 £53,613) and VAT recoverable of £nil (2011 £381,014)

Within the group other debtors includes amounts owed by related undertakings of £114,438 (2011 £78,262)

H E GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2012

12 Creditors amounts falling due within one year

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Bank loans and overdrafts	755,853	463,793	755,853	463,793
Net obligations under finance lease and hire purchase contracts	10,442,581	5,295,552	10,442,581	5,295,552
Trade creditors	499,332	2,062,792	260,249	1,814,185
Amounts owed to group undertakings	-	-	96,481	210,773
Corporation tax	-	316,000	-	300,000
Taxes and social security costs	664,234	138,297	187,863	50,584
Other creditors	368,780	285,977	338,158	253,987
Accruals and deferred income	447,281	658,346	343,156	401,896
	<u>13,178,061</u>	<u>9,220,757</u>	<u>12,424,341</u>	<u>8,790,770</u>

Bank loans and overdrafts are secured and details are given in the long term creditors note

Other creditors for the group includes amounts owed to related undertakings of £10,500 (2011 £13,497)

Obligations under hire purchase contracts are secured on the assets concerned

At the balance sheet date the company and group owed £237,611 (2011 £4,284,924) 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 £237,611 (2011 £4,284,924) has been allocated to short term and long term hire purchase liabilities in the proportions of £59,403 (2011 £1,428,308) and £178,208 (2011 £2,856,616) respectively.

H E GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2012

13 Creditors amounts falling due after more than one year

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Bank loans	3,386,870	2,114,272	3,386,870	2,114,272
Net obligations under hire purchase agreements	15,267,405	6,607,109	15,267,405	6,607,109
Preference shares classed as a financial liability	400,000	400,000	400,000	400,000
	<u>19,054,275</u>	<u>9,121,381</u>	<u>19,054,275</u>	<u>9,121,381</u>
Loan maturity analysis				
In more than one year but not more than two years	670,955	430,215	670,955	430,215
In more than two years but not more than five years	1,517,997	1,093,419	1,517,997	1,093,419
In more than five years	1,197,918	590,638	1,197,918	590,638
	<u>3,386,870</u>	<u>2,114,272</u>	<u>3,386,870</u>	<u>2,114,272</u>
Net obligations under hire purchase contracts				
Repayable within one year	10,442,581	5,295,552	10,442,581	5,295,552
Repayable between one and five years	15,267,405	6,607,109	15,267,405	6,607,109
	<u>25,709,986</u>	<u>11,902,661</u>	<u>25,709,986</u>	<u>11,902,661</u>

Interest rates and repayment terms on hire purchase contracts are on normal commercial terms. The bank loans include £3,782,906 (2011 £2,169,346) due to HSBC (including short term elements), and terms of repayment are monthly instalments representing principal and interest and the agreed rates of interest on the loans are either base rate plus 1% or base rate plus 2.3% per annum. The security given by the group is

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

Bank loans also include £251,274 (2011 £368,023) due to Bank of Ireland (including short term element). This is repayable in monthly instalments representing principal and interest and the rate of interest during the year was 2.1%. This is secured by a chattel mortgage dated 22 June 2007 over the plant which the loan was used to purchase.

H E GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2012

13 Creditors amounts falling due after more than one year

(continued)

The preference shares are due in more than five years

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

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

14 Provisions for liabilities

Group

Deferred
taxation
£

Balance at 1 June 2011	3,128,404
Profit and loss account	309,464
	<hr/>
Balance at 31 May 2012	3,437,868
	<hr/>

Company

Balance at 1 June 2011	3,128,404
Profit and loss account	309,464
	<hr/>
Balance at 31 May 2012	3,437,868
	<hr/>

The deferred tax liability is made up as follows

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Accelerated capital allowances	3,437,868	3,128,404	3,437,868	3,128,404
	<hr/>	<hr/>	<hr/>	<hr/>

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

Deferred tax has been calculated at 24% (2011 26%)

H E GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2012

15 Pension and other post-retirement benefit commitments

Defined contribution

	2012 £	2011 £
Contributions payable by the group for the year	16,889	20,291

16 Share capital

	2012 £	2011 £
Allotted, called up and fully paid		
100 Ordinary of £1 each	100	100

17 Statement of movements on profit and loss account Group

	Profit and loss account £
Balance at 1 June 2011	10,003,024
Profit for the year	1,367,920
Balance at 31 May 2012	11,370,944

Company

	Profit and loss account £
Balance at 1 June 2011	8,360,717
Profit for the year	1,052,143
Balance at 31 May 2012	9,412,860

H E GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2012

18 Reconciliation of movements in shareholders' funds	2012	2011
	£	£
Group		
Profit for the financial year	1,367,920	2,198,433
Opening shareholders' funds	10,003,124	7,804,691
	<u> </u>	<u> </u>
Closing shareholders' funds	11,371,044	10,003,124
	<u> </u>	<u> </u>
Company	2012	2011
	£	£
Profit for the financial year	1,052,143	1,594,453
Opening shareholders' funds	8,360,817	6,766,364
	<u> </u>	<u> </u>
Closing shareholders' funds	9,412,960	8,360,817
	<u> </u>	<u> </u>

H E GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2012

19 Financial commitments

At 31 May 2012 the group had annual commitments under non-cancellable operating leases as follows

	Land and buildings		Other	
	2012	2011	2012	2011
	£	£	£	£
Expiry date				
Within one year	15,833	25,000	-	75,687
Between two and five years	179,707	117,000	430,715	69,743
In over five years	67,500	102,500	-	-
	<u>263,040</u>	<u>244,500</u>	<u>430,715</u>	<u>145,430</u>

At 31 May 2012 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings		Other	
	2012	2011	2012	2011
	£	£	£	£
Expiry date				
Within one year	15,000	25,000	-	-
Between two and five years	117,000	117,000	-	-
In over five years	67,500	67,500	-	-
	<u>199,500</u>	<u>209,500</u>	<u>-</u>	<u>-</u>

20 Directors' remuneration

	2012	2011
	£	£
Remuneration for qualifying services	127,438	128,039
Company pension contributions to defined contribution schemes	16,889	20,291
	<u>144,327</u>	<u>148,330</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2011 - 2)

H E GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2012

21 Employees

Number of employees

The average monthly number of employees (including directors) during the year was

	2012 Number	2011 Number
Production staff	76	82
Administrative staff	73	54
Management staff	5	5
	<u>154</u>	<u>141</u>

Employment costs

	2012 £	2011 £
Wages and salaries	3,682,860	3,470,949
Social security costs	247,247	208,783
Other pension costs	16,889	20,291
	<u>3,946,996</u>	<u>3,700,023</u>

22 Control

During the current and previous year, the company was under the control of H R Edeleanu, who directly controls 100% of the issued ordinary share capital

H E GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2012

23 Related party relationships and transactions

Loans to directors

Included in other creditors due less than one year is a loan due to H R Edeleanu totalling £32,595 (2011 £32,595) The loan is interest free and repayable on demand

Group

The group has engaged in transactions with HE Solar LLP, the HE SAS Pension Fund and H R Edeleanu's sole proprietorship All of these entities are under the control of H R Edeleanu, although none of them are part of the group HE Group Limited is a minority member in HE Solar LLP, and is allocated a share of the LLP's annual profit or loss at the discretion of the members

Sales of £9,708 (2011 £54,497) to the proprietorship during the year There were no outstanding trading balances at the year end In addition, the proprietorship made an interest free working capital loan to the group during the year of £239,698 which remained outstanding at the year end

During the year the group paid rent and rates expenses totalling £101,500 (2011 £116,500) to the HE SAS Pension Fund, and incurred interest of £nil (2011 £2,996) At the year end the amount owed to the scheme was £10,500 (2011 £13,497)

The preference shares detailed in note 13 are owned by members of H R Edeleanu's family and a dividend (disclosed as interest) of £35,300 (2011 £30,039) was paid in the year

The group charged £94,732 (2011 £nil) to HE Solar LLP during the year for the rental of equipment The balance outstanding at the year end was £725 which was included in other debtors There is also a balance in other debtors of £55,953 (2011 £nil) owed to the group at the year end comprising of loans made to HE Solar LLP during the year of £174,479 (2011 £nil) less LLP losses of £118,526 (2011 £nil) allocated to HE Group Limited, which have been charged to the group's profit and loss account in the year

The group also transacted with Allsafety Limited, an independently owned company outside of the group, that operates the "Diggerland" trade H R Edeleanu owns the rights to the Diggerland name, and the group provides support to Allsafety Limited, such that Allsafety Limited is deemed to be a related party of the group

The group provided services totalling £599,769 (2011 £566,383) to Allsafety Limited during the year, and received advertising and marketing support for which the group was in turn charged £75,000 (2011 £75,000) The Group was owed £60,760 (2011 £78,262) at the year end

H E GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2012

23 Related party relationships and transactions

(continued)

Company

Sales of £9,708 (2011 £42,190) were made to the proprietorship during the year. There were no outstanding trading balances at the year end. In addition, the proprietorship made an interest free working capital loan to the company during the year of £239,698 which remained outstanding at the year end.

During the year the company paid rent and rates expenses totalling £67,500 (2011 £82,500) to the HE SAS Pension Fund, and incurred interest of £nil (2011 £2,038). At the year end the amount owed to the scheme was £10,500 (2011 £12,539).

The company charged £94,732 (2011 £nil) to HE Solar LLP during the year for the rental of equipment. The balance outstanding at the year end was £725 which was included in other debtors. There is also a balance in other debtors of £55,953 (2011 £nil) owed to the company at the year end comprising of loans made to HE Solar LLP during the year of £174,479 (2011 £nil) less LLP losses of £118,526 (2011 £nil) allocated to HE Group Limited, which have been charged to the company's profit and loss account in the year.

The company provided services totalling £415,157 (2011 £466,557) to Allsafety Limited during the year, and received advertising and marketing support for which the company was in turn charged £75,000 (2011 £75,000). HE Group was owed £46,461 (2011 £53,613) at the year end.