

Registration number 02079614

H E Group Limited

Directors' Report and Consolidated Financial Statements
for the Year Ended 31 May 2013



H E Group Limited

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H E Group Limited

Company Information

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

H E Group Limited
Directors' Report for the Year Ended 31 May 2013

The directors present their report and the consolidated financial statements for the year ended 31 May 2013

Directors of the company

The directors who held office during the year were as follows

H R Edeleanu

M F Wright

P A Durey

Principal activity

The principal activity of the group is 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

Business review

Fair review of the business

Plant hire has been more buoyant than expected with revenues up some 12% on the previous year at £14.8 million (2012: £13.2 million). However a larger fleet and a shortfall in second hand disposals (see reasons below) meant that depreciation costs are 25% higher than last year and so the group's operating loss has increased to £2.5 million (2012: £2.2 million) accordingly.

The group has continued to invest heavily in the rebuilding of its hire fleet following the recent recession and acquired £23 million of new plant in the year. The latest machines are being fitted with our new Quickhitch 'The Hooker', manufactured by our subsidiary Masterhitch Europe Limited, and this is expected to generate significant interest in the industry. The design and testing of 'The Hooker' delayed our second hand disposal programme during the year which in turn yielded a lower than expected profit of £2.24 million (2012: £4.28 million). Interest charges have also risen significantly as the hire fleet has grown, and the combined effect of all the factors above is that we are reporting a pre-tax loss of £1.64 million (2012: £1.38 million profit) for the year.

The worldwide demand for our high quality machines remains strong however, and we expect to get back on track with our second hand disposal programme during 2013/14. We anticipate second hand plant values to be helped along by the increase in cost of buying newly manufactured Tier 4 plant, and this should also help to boost our core hire business as cash conscious customers switch to hiring our machines instead of either purchasing new or hiring outdated plant from our competitors.

The outlook in the construction industry is inherently uncertain although it is now looking more positive than it has done for some time. Whilst the impact of the government's newly announced infrastructure investment is not anticipated to come through until 2015, we remain confident that our 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.

H E Group Limited
Directors' Report for the Year Ended 31 May 2013

..... continued

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.

Financial Instruments, Principal risks and uncertainties

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 results for the year are set out on page 7.

No ordinary dividends were paid during the year.

Preference dividends of £27,923 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.

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

H E Group Limited
Directors' Report for the Year Ended 31 May 2013

..... continued

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to

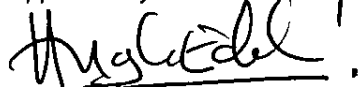
- select suitable accounting policies and apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Disclosure of information to the auditors

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

Approved by the Board on 2/12/13 and signed on its behalf by



H R Edeleanu
Director

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

We have audited the financial statements of H E Group Limited for the year ended 31 May 2013, set out on pages 7 to 31. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' 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 of the parent company's affairs as at 31 May 2013 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.

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.

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

..... continued

Matters on which we are required to report by exception

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

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

McBrides Accountants LLP

Brian Moleshead (Senior Statutory Auditor)

For and on behalf of McBrides Accountants LLP, Statutory Auditor

Nexus House
2 Cray Road
Sidcup
Kent
DA14 5DA

Date *4th December 2013*

H E Group Limited
Consolidated Profit and Loss Account for the Year Ended 31 May 2013

	Note	2013 £	2012 £
Turnover		14,794,229	13,225,243
Cost of sales		<u>(13,638,046)</u>	<u>(11,291,306)</u>
Gross profit		1,156,183	1,933,937
Administrative expenses		(4,124,657)	(4,458,998)
Other operating income		<u>449,558</u>	<u>324,328</u>
Group operating loss	2	(2,518,916)	(2,200,733)
Profit on disposal of fixed assets		2,244,022	4,281,147
Other interest receivable and similar income	4	47,143	50,893
Interest payable and similar charges	5	<u>(1,415,943)</u>	<u>(754,139)</u>
(Loss)/profit on ordinary activities before taxation		(1,643,694)	1,377,168
Tax on (loss)/profit on ordinary activities	6	<u>500,058</u>	<u>(9,248)</u>
(Loss)/profit for the financial year attributable to members of the parent company	16	<u><u>(1,143,636)</u></u>	<u><u>1,367,920</u></u>

Turnover and operating profit derive wholly from continuing operations

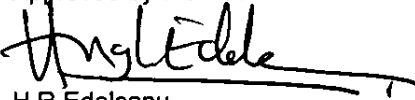
The group has no recognised gains or losses for the year other than the results above

H E Group Limited
Consolidated Balance Sheet at 31 May 2013

	Note	2013	2012
Fixed assets			
Tangible fixed assets	7	49,328,513	40,661,912
Current assets			
Stocks	9	671,956	603,593
Debtors	10	3,305,738	4,608,908
Cash at bank and in hand		28,038	1,166,835
		<u>4,005,732</u>	<u>6,379,336</u>
Creditors Amounts falling due within one year	11	(20,743,202)	(13,178,061)
Net current liabilities		<u>(16,737,470)</u>	<u>(6,798,725)</u>
Total assets less current liabilities		32,591,043	33,863,187
Creditors Amounts falling due after more than one year	12	(19,425,825)	(19,054,275)
Provisions for liabilities	13	(2,937,810)	(3,437,868)
Net assets		<u>10,227,408</u>	<u>11,371,044</u>
Capital and reserves			
Called up share capital	15	100	100
Profit and loss account	16	10,227,308	11,370,944
Shareholders' funds	17	<u>10,227,408</u>	<u>11,371,044</u>

Approved by the Board and authorised for issue on

2/12/2013

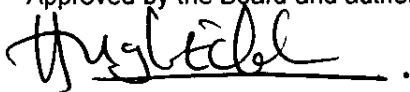


H R Edeleanu
Director

H E Group Limited
(Registration number: 02079614)
Balance Sheet at 31 May 2013

	Note	2013 £	2012 £
Fixed assets			
Tangible fixed assets	7	49,327,394	40,660,420
Investments	8	23	23
		<u>49,327,417</u>	<u>40,660,443</u>
Current assets			
Stocks	9	-	45,613
Debtors	10	770,589	2,610,133
Cash at bank and in hand		17,901	1,013,255
		<u>788,490</u>	<u>3,669,001</u>
Creditors Amounts falling due within one year	11	(19,802,089)	(12,424,341)
Net current liabilities		<u>(19,013,599)</u>	<u>(8,755,340)</u>
Total assets less current liabilities		30,313,818	31,905,103
Creditors Amounts falling due after more than one year	12	(19,425,825)	(19,054,275)
Provisions for liabilities	13	(2,937,810)	(3,437,868)
Net assets		<u>7,950,183</u>	<u>9,412,960</u>
Capital and reserves			
Called up share capital	15	100	100
Profit and loss account	16	7,950,083	9,412,860
Shareholders' funds	17	<u>7,950,183</u>	<u>9,412,960</u>

Approved by the Board and authorised for issue on



H R Edeleanu
Director

2/12/2013

H E Group Limited
Consolidated Cash Flow Statement for the Year Ended 31 May 2013

Cash flow statement

	2013 £	2012 £
Net cash inflow from operating activities	<u>7,117,493</u>	<u>851,146</u>
Returns on investments and servicing of finance		
Interest received	47,143	50,893
HP and finance lease interest	(1,276,996)	(642,598)
Interest paid	<u>(138,947)</u>	<u>(111,541)</u>
	<u>(1,368,800)</u>	<u>(703,246)</u>
Tax paid	<u>-</u>	<u>(15,784)</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(2,121,690)	(4,741,382)
Sale of tangible fixed assets	<u>8,896,058</u>	<u>13,760,827</u>
	<u>6,774,368</u>	<u>9,019,445</u>
Net cash inflow before management of liquid resources and financing	<u>12,523,061</u>	<u>9,151,561</u>
Financing		
Value of new loans obtained during the period	-	2,044,300
Repayment of loans and borrowings	(638,466)	(547,488)
Repayment of capital element of finance leases and HP contracts	<u>(14,839,800)</u>	<u>(9,998,719)</u>
	<u>(15,478,266)</u>	<u>(8,501,907)</u>
(Decrease)/increase in cash	<u>(2,955,205)</u>	<u>649,654</u>

Reconciliation of operating loss to net cash flow from operating activities

	2013 £	2012 £
Operating loss	(2,518,916)	(2,200,733)
Depreciation, amortisation and impairment charges	7,705,970	6,147,358
(Increase)/decrease in stocks	(68,363)	124,576
Decrease/(increase) in debtors	1,303,170	(2,054,270)
Increase/(decrease) in creditors	<u>695,632</u>	<u>(1,165,785)</u>
Net cash inflow from operating activities	<u>7,117,493</u>	<u>851,146</u>

H E Group Limited
Consolidated Cash Flow Statement for the Year Ended 31 May 2013
..... *continued*

Analysis of net debt

	At 1 June 2012 £	Cash flow £	Other non-cash changes £	At 31 May 2013 £
Cash at bank and in hand	1,166,835	(1,138,797)	-	28,038
Bank overdraft	(108,543)	(1,816,408)	-	(1,924,951)
	<u>1,058,292</u>	<u>(2,955,205)</u>	<u>-</u>	<u>(1,896,913)</u>
Debt due within one year	(647,310)	(13,244)	-	(660,554)
Debt due after more than one year	(3,786,870)	651,710	-	(3,135,160)
Finance leases and hire purchase contracts	(25,709,986)	14,839,800	(20,902,917)	(31,773,103)
Net debt	<u>(29,085,874)</u>	<u>12,523,061</u>	<u>(20,902,917)</u>	<u>(37,465,730)</u>

Reconciliation of net cash flow to movement in net debt

	Note	2013 £	2012 £
(Decrease)/increase in cash		(2,955,205)	649,654
Cash inflow from increase in loans		-	(2,044,300)
Cash outflow from repayment of loans		638,466	547,488
Cash outflow from repayment of capital element of finance leases and hire purchase contracts		<u>14,839,800</u>	<u>9,998,719</u>
Change in net debt resulting from cash flows		12,523,061	9,151,561
 New finance leases		<u>(20,902,917)</u>	<u>(23,806,044)</u>
Movement in net debt		(8,379,856)	(14,654,483)
Net debt at 1 June		<u>(29,085,874)</u>	<u>(14,431,391)</u>
Net debt at 31 May		<u>(37,465,730)</u>	<u>(29,085,874)</u>

Cash flow relating to exceptional items

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

Major non-cash transactions

During the year the company entered into finance leases in respect of capital equipment with a capital value at the inception of the lease of £20,902,917 (2012 £23,806,044)

The notes on pages 12 to 31 form an integral part of these financial statements

H E Group Limited
Notes to the Financial Statements for the Year Ended 31 May 2013

1 Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report on pages 2 to 4. 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 7 to 10 and the notes to the financial statements.

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

Basis of consolidation

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

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

No profit and loss account is presented for the company as permitted by Section 408 of the Companies Act 2006. Its loss for the financial year was £1,462,777 (2012 - £1,052,143 profit).

Turnover

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

H E Group Limited

Notes to the Financial Statements for the Year Ended 31 May 2013

..... continued

Depreciation

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

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

Freehold property comprises predominantly the company's freehold land and buildings 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.

Fixed asset investments

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

Stock and work in progress

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

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

Deferred tax

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

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

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

Invoice Discounting

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

H E Group Limited

Notes to the Financial Statements for the Year Ended 31 May 2013

..... continued

Foreign currency

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

Hire purchase and leasing

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

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

Financial instruments

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

Pensions

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

2 Operating loss

Operating loss is stated after charging

	2013 £	2012 £
Operating leases - plant and machinery	515,611	359,789
Operating leases - other assets	152,375	175,500
Foreign currency (gains)/losses	(7,267)	6,413
Depreciation of owned assets	302,472	318,776
Depreciation of assets held under finance lease and hire purchase contracts	7,403,498	5,828,582
Auditor's remuneration	16,000	16,000

H E Group Limited

Notes to the Financial Statements for the Year Ended 31 May 2013

..... *continued*

3 Auditor's remuneration

	2013 £	2012 £
Audit of the financial statements	<u>16,000</u>	<u>16,000</u>

£8,600 (2012 - £8,600) of the fee for auditing the financial statements relates to the company

4 Other interest receivable and similar income

	2013 £	2012 £
Bank interest receivable	4,665	10,194
Other interest receivable	<u>42,478</u>	<u>40,699</u>
Group interest receivable	<u><u>47,143</u></u>	<u><u>50,893</u></u>

5 Interest payable and similar charges

	2013 £	2012 £
Interest on bank overdrafts	-	9
Interest on bank loans	90,000	60,975
Other interest payable	48,947	50,557
Hire purchase interest	<u>1,276,996</u>	<u>642,598</u>
Group interest payable and similar charges	<u><u>1,415,943</u></u>	<u><u>754,139</u></u>

6 Taxation

Tax on (loss)/profit on ordinary activities

	2013 £	2012 £
Current tax		
Adjustments in respect of previous years	-	(300,216)
Deferred tax		
Origination and reversal of timing differences	<u>(500,058)</u>	<u>309,464</u>
Total tax on (loss)/profit on ordinary activities	<u><u>(500,058)</u></u>	<u><u>9,248</u></u>

H E Group Limited

Notes to the Financial Statements for the Year Ended 31 May 2013

..... *continued*

Factors affecting current tax charge for the year

Tax on (loss)/profit on ordinary activities for the year is higher than (2012 - lower than) the standard rate of corporation tax in the UK of 23% (2012 - 24%)

The differences are reconciled below

	2013 £	2012 £
(Loss)/profit on ordinary activities before taxation	<u>(1,643,694)</u>	<u>1,377,168</u>
Corporation tax at standard rate	(378,050)	330,520
Capital allowances	(923,219)	(1,103,974)
Disallowable expenditure relating to depreciation and profits on disposal	1,263,571	467,284
Disallowable expenditure	25,095	4,430
Adjustment to previous period	-	(300,216)
Chargeable disposals	12,603	49,551
Losses carried back	-	252,189
Total current tax	<u>-</u>	<u>(300,216)</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 Financial Statements for the Year Ended 31 May 2013

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7 Tangible fixed assets

Group

	Freehold land and buildings £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
Cost or valuation					
At 1 June 2012	6,810,476	43,383,634	1,284,166	266,294	51,744,570
Additions	-	22,900,647	259	123,701	23,024,607
Disposals	-	(10,879,100)	-	(82,220)	(10,961,320)
At 31 May 2013	<u>6,810,476</u>	<u>55,405,181</u>	<u>1,284,425</u>	<u>307,775</u>	<u>63,807,857</u>
Depreciation					
At 1 June 2012	35,937	9,792,725	1,076,425	177,571	11,082,658
Charge for the year	4,869	7,607,762	54,046	39,293	7,705,970
Eliminated on disposals	-	(4,234,131)	-	(75,153)	(4,309,284)
At 31 May 2013	<u>40,806</u>	<u>13,166,356</u>	<u>1,130,471</u>	<u>141,711</u>	<u>14,479,344</u>
Net book value					
At 31 May 2013	<u>6,769,670</u>	<u>42,238,825</u>	<u>153,954</u>	<u>166,064</u>	<u>49,328,513</u>
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>

Leased assets

Included within the net book value of tangible fixed assets is £37,139,434 (2012 - £27,731,080) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £7,403,498 (2012 - £5,828,582)

H E Group Limited

Notes to the Financial Statements for the Year Ended 31 May 2013

..... continued

Company

	Freehold land and buildings £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
Cost or valuation					
At 1 June 2012	6,810,476	42,871,802	1,248,823	266,294	51,197,395
Additions	-	22,900,647	259	123,701	23,024,607
Disposals	-	(10,879,100)	-	(82,220)	(10,961,320)
At 31 May 2013	6,810,476	54,893,349	1,249,082	307,775	63,260,682
Depreciation					
At 1 June 2012	35,937	9,280,893	1,042,574	177,571	10,536,975
Charge for the year	4,869	7,607,762	53,673	39,293	7,705,597
Eliminated on disposals	-	(4,234,131)	-	(75,153)	(4,309,284)
At 31 May 2013	40,806	12,654,524	1,096,247	141,711	13,933,288
Net book value					
At 31 May 2013	6,769,670	42,238,825	152,835	166,064	49,327,394
At 31 May 2012	6,774,539	33,590,909	206,249	88,723	40,660,420

Leased assets

Included within the net book value of tangible fixed assets is £37,139,434 (2012 - £27,731,080) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £7,403,498 (2012 - £5,828,582)

8 Investments held as fixed assets

Company

	2013 £	2012 £
Shares in group undertakings and participating interests	23	23

H E Group Limited

Notes to the Financial Statements for the Year Ended 31 May 2013

..... *continued*

Shares in group undertakings and participating interests

	Subsidiary undertakings £	Total £
Cost		
At 1 June 2012	23	23
At 31 May 2013	23	23
Net book value		
At 31 May 2013	23	23
At 31 May 2012	23	23

Details of undertakings

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

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

9 Stocks

	Group		Company	
	2013 £	2012 £	2013 £	2012 £
Stocks	506,414	379,046	-	-
Work in progress	67,340	91,985	-	-
Finished goods	98,202	132,562	-	45,613
	<u>671,956</u>	<u>603,593</u>	<u>-</u>	<u>45,613</u>

H E Group Limited

Notes to the Financial Statements for the Year Ended 31 May 2013

..... continued

10 Debtors

	Group		Company	
	2013 £	2012 £	2013 £	2012 £
Trade debtors	3,108,945	4,284,171	75,514	1,976,515
Amounts owed by group undertakings	-	-	544,612	354,820
Other debtors	63,718	189,314	25,321	153,936
Prepayments and accrued income	133,075	135,423	125,142	124,862
	<u>3,305,738</u>	<u>4,608,908</u>	<u>770,589</u>	<u>2,610,133</u>

Within the company other debtors includes amounts owed by related undertakings of £8,682 (2012 £100,139)

Within the group other debtors includes amounts owed by related undertakings of £38,575 (2012 £114,438)

11 Creditors: Amounts falling due within one year

	Group		Company	
	2013 £	2012 £	2013 £	2012 £
Bank loans and overdrafts	2,585,505	755,853	668,761	755,853
Obligations under finance lease and hire purchase contracts	15,482,438	10,442,581	15,482,438	10,442,581
Trade creditors	639,696	499,332	340,478	260,249
Amounts owed to group undertakings	-	-	2,018,009	96,481
Other taxes and social security	898,120	664,234	271,303	187,863
Other creditors	721,656	368,780	686,695	338,158
Accruals and deferred income	415,787	447,281	334,405	343,156
	<u>20,743,202</u>	<u>13,178,061</u>	<u>19,802,089</u>	<u>12,424,341</u>

H E Group Limited

Notes to the Financial Statements for the Year Ended 31 May 2013

..... *continued*

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

Group

	2013 £	2012 £
Bank loans and overdrafts	2,585,505	755,853
Obligations under finance lease and hire purchase contracts	15,482,438	10,442,581
	<u>18,067,943</u>	<u>11,198,434</u>

Company

	2013 £	2012 £
Bank loans and overdrafts	668,761	755,853
Obligations under finance lease and hire purchase contracts	15,482,438	10,442,581
	<u>16,151,199</u>	<u>11,198,434</u>

Within bank loans and overdrafts for the group is an invoice discounting creditor of £1,916,744 (2012 £nil) which is secured by a fixed and floating charge over the undertaking and all property and assets, present and future, including goodwill, bookdebts, uncalled capital, buildings, fixtures, fixed plant and machinery. The nature of the remaining amount secured within bank loans and overdrafts for the company and group is detailed in the long term creditors note.

Other creditors for the company and group includes amounts owed to related undertakings of £500,766 (2012 £250,198).

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

At the balance sheet date the company and group owed £nil (2012 £237,611) 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 (2012 £237,611) has been allocated to short term and long term hire purchase liabilities in the proportions of £nil (2012 £59,403) and £nil (2012 £178,208) respectively.

H E Group Limited

Notes to the Financial Statements for the Year Ended 31 May 2013

..... *continued*

12 Creditors' Amounts falling due after more than one year

	Group		Company	
	2013 £	2012 £	2013 £	2012 £
Preference shares	400,000	400,000	400,000	400,000
Bank loans and overdrafts	2,735,160	3,386,870	2,735,160	3,386,870
Obligations under finance lease and hire purchase contracts	<u>16,290,665</u>	<u>15,267,405</u>	<u>16,290,665</u>	<u>15,267,405</u>
	<u>19,425,825</u>	<u>19,054,275</u>	<u>19,425,825</u>	<u>19,054,275</u>

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

Group

	2013 £	2012 £
Bank loans and overdrafts	2,735,160	3,386,870
Obligations under finance lease and hire purchase contracts	<u>16,290,665</u>	<u>15,267,405</u>
	<u>19,025,825</u>	<u>18,654,275</u>

Company

	2013 £	2012 £
Bank loans and overdrafts	2,735,160	3,386,870
Obligations under finance lease and hire purchase contracts	<u>16,290,665</u>	<u>15,267,405</u>
	<u>19,025,825</u>	<u>18,654,275</u>

H E Group Limited

Notes to the Financial Statements for the Year Ended 31 May 2013

..... continued

Bank loans and overdrafts for the company and group include bank loans of £3,263,683 (2012 £3,782,906) due to HSBC (including short term elements), and terms of repayment are monthly instalments representing principal and interest and the agreed rates of interest on the loans are either base rate plus 1% or base rate plus 2 3% per annum. The security given by the company and group is

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

Bank loans and overdrafts also include bank loans of £132,033 (2012 £251,274) due to Bank of Ireland (including short term element). This is repayable in monthly instalments representing principal and interest and the rate of interest during the year was 2 1%. This is secured by a chattel mortgage dated 22 June 2007 over the plant which the loan was used to purchase.

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

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

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
After more than five years by instalments	<u>1,116,066</u>	<u>1,197,918</u>	<u>1,116,066</u>	<u>1,197,918</u>

Preference shares classified as financial liabilities

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

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

H E Group Limited

Notes to the Financial Statements for the Year Ended 31 May 2013

..... continued

Obligations under finance leases and HP contracts

Amounts repayable

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
In one year or less on demand	15,482,438	10,442,581	15,482,438	10,442,581
Between two and five years	16,290,665	15,267,405	16,290,665	15,267,405
	<u>31,773,103</u>	<u>25,709,986</u>	<u>31,773,103</u>	<u>25,709,986</u>

13 Provisions

Group

	Deferred tax	Total
	£	£
At 1 June 2012	3,437,868	3,437,868
Credited to the profit and loss account	(500,058)	(500,058)
At 31 May 2013	<u>2,937,810</u>	<u>2,937,810</u>

Analysis of deferred tax

	2013	2012
	£	£
Accelerated capital allowances	<u>2,937,810</u>	<u>3,437,868</u>

Company

	Deferred tax	Total
	£	£
At 1 June 2012	3,437,868	3,437,868
Credited to the profit and loss account	(500,058)	(500,058)
At 31 May 2013	<u>2,937,810</u>	<u>2,937,810</u>

H E Group Limited

Notes to the Financial Statements for the Year Ended 31 May 2013

..... *continued*

Analysis of deferred tax

	2013 £	2012 £
Accelerated capital allowances	<u>2,937,810</u>	<u>3,437,868</u>

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

Deferred tax has been calculated at 23% (2012 24%)

14 Pension schemes

Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £18,264 (2012 - £16,889)

15 Share capital

Allotted, called up and fully paid shares

	2013		2012	
	No	£	No	£
Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

H E Group Limited

Notes to the Financial Statements for the Year Ended 31 May 2013

..... continued

16 Reserves

Group

	Profit and loss account £	Total £
At 1 June 2012	11,370,944	11,370,944
Loss for the year	<u>(1,143,636)</u>	<u>(1,143,636)</u>
At 31 May 2013	<u>10,227,308</u>	<u>10,227,308</u>

Company

	Profit and loss account £	Total £
At 1 June 2012	9,412,860	9,412,860
Loss for the year	<u>(1,462,777)</u>	<u>(1,462,777)</u>
At 31 May 2013	<u>7,950,083</u>	<u>7,950,083</u>

17 Reconciliation of movement in shareholders' funds

Group

	2013 £	2012 £
(Loss)/profit attributable to the members of the group	<u>(1,143,636)</u>	1,367,920
Net (reduction)/addition to shareholders' funds	<u>(1,143,636)</u>	1,367,920
Shareholders' funds at 1 June	<u>11,371,044</u>	10,003,124
Shareholders' funds at 31 May	<u>10,227,408</u>	<u>11,371,044</u>

H E Group Limited

Notes to the Financial Statements for the Year Ended 31 May 2013

..... *continued*

Company

	2013 £	2012 £
(Loss)/profit attributable to the members of the company	<u>(1,462,777)</u>	<u>1,052,143</u>
Net (reduction)/addition to shareholders' funds	(1,462,777)	1,052,143
Shareholders' funds at 1 June	<u>9,412,960</u>	<u>8,360,817</u>
Shareholders' funds at 31 May	<u><u>7,950,183</u></u>	<u><u>9,412,960</u></u>

H E Group Limited

Notes to the Financial Statements for the Year Ended 31 May 2013

..... *continued*

18 Commitments

Operating lease commitments

Group

As at 31 May 2013 the group had annual commitments under non-cancellable operating leases as follows

Operating leases which expire

	2013 £	2012 £
Land and buildings		
Within one year	67,000	15,833
Within two and five years	25,000	179,707
Over five years	67,500	67,500
	<u>159,500</u>	<u>263,040</u>
Other		
Within one year	42,808	-
Within two and five years	456,480	430,715
	<u>499,288</u>	<u>430,715</u>

Company

As at 31 May 2013 the company had annual commitments under non-cancellable operating leases as follows

Operating leases which expire

	2013 £	2012 £
Land and buildings		
Within one year	67,000	15,000
Within two and five years	-	117,000
Over five years	67,500	67,500
	<u>134,500</u>	<u>199,500</u>

H E Group Limited
Notes to the Financial Statements for the Year Ended 31 May 2013

..... *continued*

19 Directors' remuneration

The directors' remuneration for the year was as follows

	2013 £	2012 £
Remuneration	118,994	127,438
Company contributions paid to money purchase schemes	<u>18,264</u>	<u>16,889</u>

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

	2013 No.	2012 No.
Accruing benefits under money purchase pension scheme	<u>2</u>	<u>2</u>

20 Particulars of employees

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

	2013 No.	2012 No.
Production staff	81	77
Administrative staff	70	72
Management staff	<u>5</u>	<u>5</u>
	<u>156</u>	<u>154</u>

The aggregate payroll costs were as follows

	2013 £	2012 £
Wages and salaries	4,121,132	3,682,860
Social security costs	237,517	247,247
Staff pensions	<u>18,264</u>	<u>16,889</u>
	<u>4,376,913</u>	<u>3,946,996</u>

H E Group Limited

Notes to the Financial Statements for the Year Ended 31 May 2013

..... continued

21 Related party transactions

Other related party transactions

During the year the group made the following related party transactions

H R Edeleanu

(Director and 100% shareholder in the company)

At the beginning of the year there was a loan due to H R Edeleanu of £32,595 included in other creditors. During the year, there were no movements on the loan. The loan is interest free and repayable on demand. At the balance sheet date the amount due to H R Edeleanu was £32,595 (2012 - £32,595)

L M Edeleanu

(Close family of H R Edeleanu)

During the year L M Edeleanu advanced £80,000 (2012 - £nil) to the company as a working capital loan. The loan is interest free and repayable on demand. At the balance sheet date the amount due to L M Edeleanu was £80,000 (2012 - £nil)

I D Edeleanu

(Close family of H R Edeleanu)

The preference shares detailed in note 12 are owned by I D Edeleanu and a dividend (disclosed as interest) of £27,923 (2012 - £35,300) was paid in the year. At the balance sheet date the amount due to I D Edeleanu was £15,189 (2012 - £15,265)

H R Edeleanu's proprietorship

(An entity under the control of H R Edeleanu)

During the year sales of £30,956 (2012 - £9,708) were made to the proprietorship in respect of the rental of equipment.

The company paid rents and rates to the proprietorship totalling £86,984 (2012 - £108,977) during the year. There was an amount outstanding at the year end of £82,146 (2012 - £nil) in this regard.

At the beginning of the year, there was a working capital loan due to the proprietorship of £239,698. During the year, the proprietorship made net advances of £153,172. The balance outstanding in respect of working capital loans was £392,870 at the year end.

At the balance sheet date the amount due to H R Edeleanu's proprietorship was £475,016 (2012 - £239,698)

HE SAS Pension Fund

(An entity under the control of H R Edeleanu)

During the year the group paid rent and rates expenses totalling £86,333 (2012 - £101,500) to the H E SAS Pension Fund. At the balance sheet date the amount due to HE SAS Pension Fund was £23,250 (2012 - £10,500)

H E Group Limited

Notes to the Financial Statements for the Year Ended 31 May 2013

..... continued

H E Solar LLP

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

During the year the company charged £94,732 (2012 £94,732) to H E Solar LLP for the rental of equipment. The balance outstanding at the year end in respect of this trading activity was £nil (2012 £725) which was included in other debtors.

At the beginning of the year, there was an amount owed to the company of £55,953 included in other debtors in respect of loans advanced to the LLP. During the year, there have been further loan advances to H E Solar LLP of £39,621 less LLP losses incurred of £94,213. At the balance sheet date the amount due from H E Solar LLP was £1,361 (2012 - £55,953).

Allsafety Limited

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

During the year, the group provided services totalling £463,218 (2012 £599,769) to Allsafety Limited and received advertising and marketing support for which the group was in turn charged £75,000 (2012 £75,000). At the balance sheet date the amount due from Allsafety Limited was £37,214 (2012 - £60,760).

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

22 Control

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