Company Registration No. 2079614 (England and Wales)

H E GROUP LIMITED

DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2009

H E GROUP LIMITED

DIRECTORS AND ADVISERS

Directors	H R Edeleanu M F Wright P A Durey
Secretary	M F Wright
Company number	2079614
Registered office	Whitewall Road Strood Rochester Kent ME2 4DZ
Registered auditors	HLB Vantis Audit Plc Nexus House 2 Cray Road Sidcup Kent DA14 5DA
Bankers	HSBC Plc Sun Pier Medway Street Chatham Kent ME4 4DN
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 2009

The directors present their report and financial statements for the year ended 31 May 2009.

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, Masterhitch Europe Limited which sells and manufactures excavator quick hitches, buckets and wearparts, Diggerland Limited which is a theme park operator and H E Construction Limited which specialises in construction projects. The company has further subsidiaries; Diggerworld Limited, Diggers Direct Limited, H E Services Limited and Hy-Tools Limited, all of which are dormant.

Having expanded the hire fleet to over £55 million in the previous year to take advantage of trade discounts and the anticipated level of demand from the 2012 Olympics and infrastructure projects, it became evident early in the second quarter that much of this increased demand was not going to materialise in the short term as a result of the downturn. This falling off in demand is clearly evident from the reduction in group turnover to £22.5 million (2008: £28.1 million) and reduction in gross profitability to 21.1% (2008: 29.8%). The Board therefore took the decision to reduce the level of debt in the business by contracting the fleet, whilst at the same time realising sufficient cash to sustain the company and its subsidiaries through what was shaping up to be a very difficult year.

The board's decision was vindicated as the downturn developed into a full blown recession and the demand for plant continued to fall. The fleet had to be contracted further and by the end of the financial year its book value had been reduced to just under £32 million through a mixture of disposals via the "International Plant Sales" division and plant auctions in the UK and Europe. Whilst an overall loss against book value of £1 million (2008: £2.5 million profit) was realised on these disposals, it is believed these losses were mitigated by the decision to act early.

Over the coming year it is expected that the fleet's size will be reduced further, and as it returns to equilibrium the plant sale side of the business is expected to return to profit. The company continues to enjoy the benefits of a strong Euro in the "International Plant Sales" division and an excellent reputation around the globe for good quality plant.

The plant hire business, operated by the subsidiary HE Services (Plant Hire) Limited, suffered similar setbacks contributing to the group's overall loss for the year. Notwithstanding a promising first quarter and being shortlisted for the presitgous Contract Journal award for "Plant Hirer of the Year", the gap between revenues and costs soon widened as the recession took hold, and the company had to carefully examine its spending to see where savings could be made. Amongst other initiatives, an agreement was made with all staff to adopt either a reduced working week or a reduction in their salaries until the economic situation improves. Due to these measures, we are pleased to report there were no significant redundancies in the year.

Masterhitch Europe Limited and Diggerland Limited have continued to perform in line with the directors' expectations, whilst H E Construction Services Limited has been mothballed having only ever traded on a tentative basis.

The board is confident that with the resources at its disposal, including the ability to sell plant when appropriate, the company and group can trade through the current recession and emerge on the other side ahead of the competition.

The directors consider the liquidity of the business is much stronger than that indicated by its balance sheet due to the revolving nature and ongoing annual disposal of large quantities of its second hand plant. Whilst the directors acknowledge that conditions in certain sectors of the UK market will remain tough in the year ahead, they expect to continue managing the size of the company'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 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.

Interim dividends of £100 per ordinary share were paid to the shareholder on 31 July 2008, 31 October 2008, 31 March 2009 and 30 April 2009 totalling £40,000 across the year.

On 14 November 2008 a preference dividend of £29,379 was paid on the 400,000 preference shares which attract a cumulative dividend of 7% per annum. 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 excess of 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 2008:

H R Edeleanu
M F Wright
P A Durey

Employee involvement
The group's policy is to consult and discuss with employees at meetings, matters likely to affect employees' interests.

Information of matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance.

Disabled persons
The group's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

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;
-state whether applicable accounting standards have been followed, subject to any material departures discussed and explained in the financial statements;
-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
30.11.09

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 2009 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 sections 495 and 496 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 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 group's and 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.

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 2009 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.

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.

HLB Vantis Audit plc

Brian Moleshead (Senior Statutory Auditor)
for and on behalf of HLB Vantis Audit Plc

30 November 2009

Chartered Accountants
Statutory Auditor

Nexus House
2 Cray Road
Sidcup
Kent
DA14 5DA

HLB vantis audit plc

H E GROUP LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MAY 2009

	Notes	2009 £	2008 £
Turnover	2	22,461,587	28,102,661
Cost of sales		(17,722,242)	(19,726,716)
Gross profit		4,739,345	8,375,945
Administrative expenses		(5,695,900)	(6,944,627)
Other operating income		225,418	188,313
Operating (loss)/profit	3	(731,137)	1,619,631
Profit on disposal of fixed assets		(1,065,745)	2,542,920
(Loss)/profit on ordinary activities before interest		(1,796,882)	4,162,551
Other interest receivable and similar income	4	80,251	95,021
Interest payable and similar charges	5	(2,335,330)	(2,119,623)
(Loss)/profit on ordinary activities before taxation		(4,051,961)	2,137,949
Tax on (loss)/profit on ordinary activities	6	1,112,000	(616,383)
(Loss)/profit on ordinary activities after taxation		(2,939,961)	1,521,566

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 2009

	Notes	Group 2009 £	Group 2008 £	Company 2009 £	Company 2008 £
Fixed assets					
Intangible assets	9	17,899	20,457	-	-
Tangible assets	10	36,408,650	59,806,662	36,384,244	59,774,113
Investments	11	-	-	201,022	201,022
		36,426,549	59,827,119	36,585,266	59,975,135
Current assets					
Stocks	12	1,014,209	1,035,225	335,436	327,197
Debtors	13	3,189,690	7,757,060	1,945,644	3,986,198
Cash at bank and in hand		1,403,890	277,259	1,101,063	176,293
		5,607,789	9,069,544	3,382,143	4,489,688
Creditors: amounts falling due within one year	14	(14,693,775)	(25,498,006)	(13,871,320)	(23,643,148)
Net current liabilities		(9,085,986)	(16,428,462)	(10,489,177)	(19,153,460)
Total assets less current liabilities		27,340,563	43,398,657	26,096,089	40,821,675
Creditors: amounts falling due after more than one year	15	(17,079,844)	(29,090,977)	(17,079,844)	(29,090,977)
Provisions for liabilities	16	(2,965,193)	(4,032,193)	(2,965,193)	(4,032,193)
		7,295,526	10,275,487	6,051,052	7,698,505
Capital and reserves					
Called up share capital	18	100	100	100	100
Profit and loss account	19	7,295,426	10,275,387	6,050,952	7,698,405
Shareholders' funds	20	7,295,526	10,275,487	6,051,052	7,698,505

Approved by the Board and authorised for issue on 30/11/09

H R Edeleanu
Director

Company Registration No. 2079614

H E GROUP LIMITED

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MAY 2009

		2009		2008
	£	£	£	£
Net cash inflow from operating activities		8,474,787		9,340,547
Returns on investments and servicing of finance				
Interest received	80,251		95,021	
Interest paid	(2,335,330)		(2,119,623)	
Net cash outflow for returns on investments and servicing of finance		(2,255,079)		(2,024,602)
Taxation		-		(7,370)
Capital expenditure				
Payments to acquire tangible assets	(205,187)		(3,147,760)	
Receipts from sales of tangible assets	26,130,784		14,298,242	
Net cash inflow for capital expenditure		25,925,597		11,150,482
Equity dividends paid		(40,000)		(40,000)
Net cash inflow before management of liquid resources and financing		32,105,305		18,419,057
Financing				
New long term bank loan	-		2,874,939	
Repayment of long term bank loan	(422,210)		(246,966)	
Capital element of hire purchase contracts	(30,633,789)		(20,644,080)	
Net cash outflow from financing		(31,055,999)		(18,016,107)
Increase in cash in the year		1,049,306		402,950

H E GROUP LIMITED

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MAY 2009

1	**Reconciliation of operating (loss)/profit to net cash inflow from operating activities**	**2009**	**2008**
		£	**£**
	Operating (loss)/profit	(731,137)	1,619,631
	Depreciation of tangible assets	8,429,577	9,693,362
	Amortisation of intangible assets	2,558	2,557
	Decrease/(increase) in stocks	21,016	(85,207)
	Decrease/(increase) in debtors	4,567,370	(772,828)
	Decrease in creditors within one year	(3,814,597)	(1,116,968)
	Net cash inflow from operating activities	8,474,787	9,340,547

2	**Analysis of net debt**	**1 June 2008**	**Cash flow**	**Other non-cash changes**	**31 May 2009**
		£	**£**	**£**	**£**
	Net cash:				
	Cash at bank and in hand	277,259	1,126,631	-	1,403,890
	Bank overdrafts	-	(77,325)	-	(77,325)
		277,259	1,049,306	-	1,326,565
	Finance leases	(44,789,474)	30,633,789	(12,022,907)	(26,178,592)
	Debts falling due within one year	(335,638)	(114,314)	-	(449,952)
	Debts falling due after one year	(3,890,909)	536,524	-	(3,354,385)
		(49,016,021)	31,055,999	(12,022,907)	(29,982,929)
	Net debt	(48,738,762)	32,105,305	(12,022,907)	(28,656,364)

3	**Reconciliation of net cash flow to movement in net debt**	**2009**	**2008**
		£	**£**
	Increase in cash in the year	1,049,306	402,950
	Cash outflow from decrease in debt	31,055,999	18,016,107
	Change in net debt resulting from cash flows	32,105,305	18,419,057
	New finance lease	(12,022,907)	(32,006,618)
	Movement in net debt in the year	20,082,398	(13,587,561)
	Opening net debt	(48,738,762)	(35,151,201)
	Closing net debt	(28,656,364)	(48,738,762)

4 Liquid resources

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 £12,022,907 (2008: £32,006,618).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2009

1 Accounting policies

1.1 Accounting convention and basis of preparation
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 pages 1 and 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.

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 2009. 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. Subsequent acquisitions have been consolidated using the acquisition method, with resultant goodwill being written off in accordance with the policy below.

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

1.5 Goodwill
Goodwill arising on consolidation of acquisitions is capitalised and amortised over a period of 10 years.

1 Accounting policies **(continued)**

1.6 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
Fixtures & 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 Rutland. 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.

1.7 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 straight line 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.

1.8 Investments

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

1.9 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.

1.10 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 Accounting policies (continued)

1.11 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.

1.12 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.

1.13 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

	2009	2008
	£	£
Operating (loss)/profit is stated after charging:		
Depreciation of intangible assets	2,558	2,557
Depreciation of tangible assets	8,429,577	9,693,362
Loss on foreign exchange transactions	83,390	2,377
Operating lease rentals		
- Plant and machinery	595,051	470,554
- Other assets	172,500	193,032
Fees payable to the company's auditor for the audit of the company's annual accounts	8,600	8,100
Fees payable to the company's auditor and its associates for other services:-		
- The audit of the company's subsidiaries	9,400	9,900
- Tax services	-	7,361
- Other	12,143	16,000

4 Investment income

	2009	2008
	£	£
Bank interest	6,928	2,535
Other interest	73,323	-
	80,251	2,535

5 Interest payable

	2009	2008
	£	£
On amounts payable to group companies	(134)	-
On bank overdrafts	5,426	9,269
On bank loans wholly repayable within five years	5,052	13,155
On loans repayable after five years	150,104	165,241
Hire purchase interest	2,075,559	1,724,371
Other interest	99,323	207,587
	2,335,330	2,119,623

6 Taxation

	2009	2008
	£	£
Domestic current year tax		
Adjustment for prior years	(45,000)	-
Current tax charge	(45,000)	-
Deferred tax		
Origination and reversal of timing differences	(1,067,000)	616,383
	(1,112,000)	616,383

Factors affecting the tax charge for the year		
(Loss)/profit on ordinary activities before taxation	(4,051,961)	2,137,949
(Loss)/profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28.00% (2008 - 28.00%)	(1,134,549)	598,626
Effects of:		
Disallowable expenditure	64,304	71,596
Disallowable expenditure relating to depreciation and profits on disposal	2,658,418	2,028,800
Capital allowances	(852,937)	(2,729,422)
Corporation tax over/under provision	(45,000)	-
Brought forward losses relieved	(763,919)	-
Chargeable disposals	28,683	30,400
	1,089,549	(598,626)
Current tax charge	(45,000)	-

Factors that may affect future tax charges:-

Based on current capital investment plans, the company expects to revert to its usual position of being able to claim capital allowances in excess of depreciation in future years at a similar rate to earlier years. This is due to the capital investments plans which are continually ongoing.

7 (Loss)/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 (loss)/profit for the financial year is made up as follows:

	2009	2008
	£	£
Holding company's (loss)/profit for the financial year	(1,607,453)	619,572

8 Dividends

	2009	2008
Ordinary interim paid	40,000	40,000

9 Intangible fixed assets

Group

	Goodwill £
Cost	
At 1 June 2008 & at 31 May 2009	25,571
Amortisation	
At 1 June 2008	5,114
Charge for the year	2,558
At 31 May 2009	7,672
Net book value	
At 31 May 2009	17,899
At 31 May 2008	20,457

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2009

10 Tangible fixed assets

Group

	Freehold property	Plant and machinery	Fixtures & fittings	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 June 2008	4,067,854	69,724,205	1,113,503	179,871	75,085,433
Additions	55,142	11,857,777	143,945	171,230	12,228,094
Disposals	-	(39,848,918)	-	(64,750)	(39,913,668)
At 31 May 2009	4,122,996	41,733,064	1,257,448	286,351	47,399,859
Depreciation					
At 1 June 2008	16,453	14,532,543	647,555	82,220	15,278,771
On disposals	-	(12,706,352)	-	(10,787)	(12,717,139)
Charge for the year	4,870	8,224,740	134,781	65,186	8,429,577
At 31 May 2009	21,323	10,050,931	782,336	136,619	10,991,209
Net book value					
At 31 May 2009	4,101,673	31,682,133	475,112	149,732	36,408,650
At 31 May 2008	4,051,401	55,191,662	465,948	97,651	59,806,662

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 2009	27,038,718	-	-	27,038,718
At 31 May 2008	52,228,663	-	-	52,228,663
Depreciation charge for the year				
31 May 2009	8,192,923	-	-	8,192,923
31 May 2008	9,366,362	-	-	9,366,362

Tangible fixed assets (continued)
Company

	Freehold property £	Plant and machinery £	Fixtures & fittings £	Motor vehicles £	Total £
Cost					
At 1 June 2008	4,067,854	69,212,373	1,080,380	166,746	74,527,353
Additions	55,142	11,857,777	143,945	171,230	12,228,094
Disposals	-	(39,848,918)	-	(64,750)	(39,913,668)
At 31 May 2009	4,122,996	41,221,232	1,224,325	273,226	46,841,779
Depreciation					
At 1 June 2008	16,453	14,041,513	621,308	73,966	14,753,240
On disposals	-	(12,706,352)	-	(10,787)	(12,717,139)
Charge for the year	4,870	8,219,539	132,814	64,211	8,421,434
At 31 May 2009	21,323	9,554,700	754,122	127,390	10,457,535
Net book value					
At 31 May 2009	4,101,673	31,666,532	470,203	145,836	36,384,244
At 31 May 2008	4,051,401	55,170,860	459,072	92,780	59,774,113

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 2009	27,038,718	-	-	27,038,718
At 31 May 2008	52,228,663	-	-	52,228,663
Depreciation charge for the year				
31 May 2009	8,192,923	-	-	8,192,923
31 May 2008	9,366,362	-	-	9,366,362

11 Fixed asset investments

	Shares in group undertakings
	£
Cost and net book value	
At 1 June 2008 & at 31 May 2009	201,022

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
Diggerland 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

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
Diggerland Limited	Theme park operator
H E Construction Services Limited	Special construction projects
Diggers Direct Limited	Dormant
Diggerworld Limited	Dormant
H E Services Limited	Dormant
Hy-Tools Limited	Dormant

12 Stocks and work in progress

	Group 2009 £	Group 2008 £	Company 2009 £	Company 2008 £
Raw materials and consumables	355,642	383,670	-	-
Work in progress	142,569	187,983	-	-
Finished goods and goods for resale	515,998	463,572	335,436	327,197
	1,014,209	1,035,225	335,436	327,197

13 Debtors

	Group 2009 £	Group 2008 £	Company 2009 £	Company 2008 £
Trade debtors	2,825,469	5,768,087	57,905	160,392
Amounts owed by group undertakings	-	-	1,524,045	1,216,288
Other debtors	55,477	1,828,504	166,065	2,487,071
Prepayments and accrued income	308,744	160,469	197,629	122,447
	3,189,690	7,757,060	1,945,644	3,986,198

Within the company other debtors includes amounts owed by related undertakings of £21,887 (2008: £20,936) and VAT recoverable of £139,179 (2008: £2,466,135).

Within the group other debtors includes amounts owed by related undertakings of £42,754 (2008: £143,967) and VAT recoverable of £Nil (2008: £1,674,537).

14 Creditors : amounts falling due within one year

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
Bank loans and overdrafts	527,277	335,638	468,071	335,638
Net obligations under hire purchase contracts	12,453,133	19,589,406	12,453,133	19,589,406
Trade creditors	263,769	965,771	57,963	312,782
Amounts owed to group undertakings	-	-	-	91,445
Corporation tax	-	45,000	-	45,000
Taxes and social security costs	286,307	167,441	9,073	37,620
Other creditors	610,596	3,097,659	569,413	2,607,967
Accruals and deferred income	552,693	1,297,091	313,667	623,290
	14,693,775	25,498,006	13,871,320	23,643,148

The bank overdraft is secured and details are given in the long term creditors note.

Other creditors for the group includes amounts owed to related undertakings of £83,155 (2008: £2,822).

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

At the balance sheet date the company and group owed £2,070,578 (2008: £5,096,050) 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 £2,070,578 (2008: £5,096,050) has been allocated to short term and long term hire purchase liabilities in the proportions of £690,193 (2008: £1,698,683) and £1,380,385 (2008: £3,397,367) respectively.

H E GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2009

15 Creditors : amounts falling due after more than one year

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
Bank loans	2,954,385	3,490,909	2,954,385	3,490,909
Net obligations under hire purchase agreements	13,725,459	25,200,068	13,725,459	25,200,068
Preference shares classed as a financial liability	400,000	400,000	400,000	400,000
	17,079,844	29,090,977	17,079,844	29,090,977
Loan maturity analysis				
In more than one year but not more than two years	415,192	355,502	415,192	355,502
In more than two years but not more than five years	1,287,861	856,977	1,287,861	856,977
In more than five years	1,251,332	2,278,430	1,251,332	2,278,430
	2,954,385	3,490,909	2,954,385	3,490,909
Net obligations under hire purchase contracts				
Repayable within one year	12,453,133	19,589,406	12,453,133	19,589,406
Repayable between one and five years	13,725,459	25,200,068	13,725,459	25,200,068
	26,178,592	44,789,474	26,178,592	44,789,474

15 Creditors : amounts falling due after more than one year (continued)

Interest rates and repayment terms on hire purchase contracts are on normal commercial terms.

The bank loans include £2,810,006 (2008: £3,132,521) 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 base rate plus 1% or 1.5% per annum. The security given by the company is:

a) First legal charge over the freehold property known as Whitewall Road, Strood.

b) Unlimited multilateral guarantee dated 27 March 2002 given by Masterhitch Europe Limited and H E Services (Plant Hire) Limited.

c) Fixed charge over book debts and a floating charge over all other assets given by the company and Masterhitch Europe Limited.

d) Parallel charge over a property owned by H R Edeleanu.

e) A fixed equitable charge over all present and future freehold and leasehold property of H E Group Limited.

Bank loans also include £594,331 (2008: £694,026) due to Bank of Ireland (including short term element). This is repayable in monthly instalments representing principal and interest and the agreed rate of interest varies between 7.35% and 6.6%. This is secured by a chattel mortgage dated 22 June 2007 over the plant which the loan was used to purchase.

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.

16 Provisions for liabilities

Group

	Deferred taxation
	£
Balance at 1 June 2008	4,032,193
Profit and loss account	(1,067,000)
Balance at 31 May 2009	2,965,193

Company

Balance at 1 June 2008	4,032,193
Profit and loss acount	(1,067,000)
Balance at 31 May 2009	2,965,193

The deferred tax liability is made up as follows:

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
Accelerated capital allowances	2,965,193	4,036,471	2,965,193	4,036,471
Tax losses available	-	(4,278)	-	(4,278)
	2,965,193	4,032,193	2,965,193	4,032,193

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 28% (2008: 28%).

17 Pension and other post-retirement benefit commitments

Defined contribution

	2009	2008
	£	£
Contributions payable by the group for the year	16,704	15,630

18 Share capital

	2009	2008
	£	£
Authorised		
100,000 Ordinary of £1 each	100,000	100,000
Allotted, called up and fully paid		
100 Ordinary of £1 each	100	100

19 Statement of movements on profit and loss account

Group

	Profit and loss account
	£
Balance at 1 June 2008	10,275,387
Loss for the year	(2,939,961)
Dividends paid	(40,000)
Balance at 31 May 2009	7,295,426

Company

	Profit and loss account
	£
Balance at 1 June 2008	7,698,405
Loss for the year	(1,607,453)
Dividends paid	(40,000)
Balance at 31 May 2009	6,050,952

20 Reconciliation of movements in shareholders' funds

Group	**2009** £	**2008** £
(Loss)/Profit for the financial year	(2,939,961)	1,521,566
Dividends	(40,000)	(40,000)
Net (depletion in)/addition to shareholders' funds	(2,979,961)	1,481,566
Opening shareholders' funds	10,275,487	8,793,921
Closing shareholders' funds	7,295,526	10,275,487

Company	**2009** £	**2008** £
(Loss)/Profit for the financial year	(1,607,453)	619,572
Dividends	(40,000)	(40,000)
Net (depletion in)/addition to shareholders' funds	(1,647,453)	579,572
Opening shareholders' funds	7,698,505	7,118,933
Closing shareholders' funds	6,051,052	7,698,505

21 Financial commitments

At 31 May 2009 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2009	2008	2009	2008
	£	£	£	£
Expiry date:				
Within one year	-	-	34,728	26,231
Between two and five years	351,278	44,000	387,463	338,097
In over five years	102,500	158,500	-	-
	453,778	202,500	422,191	364,328

At 31 May 2009 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2009	2008	2009	2008
	£	£	£	£
Expiry date:				
Between two and five years	43,000	-	-	-
In over five years	92,500	112,500	-	-
	135,500	112,500	-	-

22 Directors' emoluments

	2009	2008
	£	£
Emoluments for qualifying services	134,517	157,994
Company pension contributions to money purchase schemes	16,704	15,630
	151,221	173,624

23 Employees

Number of employees

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

	2009 Number	2008 Number
Production staff	194	183
Administrative staff	122	111
Management staff	5	6
	321	300

Employment costs	2009 £	2008 £
Wages and salaries	5,590,746	7,366,026
Social security costs	432,619	570,899
Other pension costs	16,704	15,630
	6,040,069	7,952,555

24 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.

25 Related party transactions

During the year the group engaged in transactions with HE Services (Ireland) Limited, 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.

During the year the group made sales of £200,048 (2008: £522,840) to HE Services (Ireland) Limited and £46,426 (2008: £Nil) to H R Edeleanu's proprietorship.

At the year end the group was owed £20,867 (2008: £143,967) by HE Services (Ireland) Limited, after providing for bad debts of £162,080 (2008: £Nil). There was also a debtor balance of £21,887 (2008: £2,822 creditor balance) owed by H R Edeleanu's Proprietorship.

During the year the group paid rent and rates expenses totalling £182,500 (2008: £182,500) to the HE SAS Pension Fund, and owed £83,155 (2008: £7,050) to the scheme at the year end.

Members of H R Edeleanu's family received a total of £40,103 (2008: £41,998) in respect of services to the group. Included in other creditors due less than one year are loans from H R Edeleanu and members of his family totalling £97,689 (2008: £500,000). These loans are interest free and repayable on demand.

The preference shares disclosed in note 15 are owned by members of H R Edeleanu's family and a dividend (disclosed as interest) of £29,379 (2008: £28,077) was paid in the year.

During the year a director, M F Wright, bought a used car from the company at a market value of £25,000.