



HSS Financing plc

£136,000,000 6.75% Senior Secured Notes due 2019

Interim Report 9M 2015

For the 39 weeks ended 26 September 2015

25 November 2015

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Forward-looking statements

This interim report contains “forward-looking statements” within the meaning of the securities laws of certain jurisdictions, including statements under the captions “Summary”, “Risk factors”, “Operating and financial review”, “Industry”, “Business” and in other sections of this annual report. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the words “believes”, “could”, “estimates”, “anticipates”, “expects”, “intends”, “may”, “will”, “plans”, “continue”, “ongoing”, “potential”, “predict”, “project”, “target”, “seek”, “should” or “would” or, in each case, their negative or other variations or comparable terminology or by discussions of strategies, plans, objectives, targets, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this annual report and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and dividend policy and the industry in which we operate.

By their nature, forward-looking statements involve known and unknown risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. You should not place undue reliance on these forward-looking statements. In addition, past performance of the Company cannot be relied on as a guide to future performance.

Many factors may cause our results of operations, financial condition, liquidity and the development of the industry in which we compete to differ materially from those expressed or implied by the forward-looking statements contained in this annual report.

These factors include, among others, those discussed under “Risk Factors” in our Annual Report dated 20 April 2015. Our most recent Annual Report can be obtained from our corporate website, www.hsshiregroup.com/investor-relations/senior-secured-notes/.

These risks and others described under “Risk factors” are not exhaustive. Other sections of this interim report describe additional factors that could adversely affect our results of operations, financial condition, liquidity and the development of the industry in which we operate. New risks can emerge from time to time, and it is not possible for us to predict all such risks, nor can we assess the impact of all such risks on our business or the extent to which any risks, or combination of risks and other factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, you should not rely on forward-looking statements as a prediction of actual results.

Any forward-looking statements are only made as of the date of this interim report and we do not intend, and do not assume any obligation, to update forward-looking statements set forth in this interim report. You should interpret all subsequent written or oral forward-looking statements attributable to us or to persons acting on our behalf as being qualified by the cautionary statements in this interim report. As a result, you should not place undue reliance on these forward-looking statements.

Certain definitions

Unless otherwise indicated or where the context otherwise requires, references to:

- “ABird” and “ABird Power Solutions” are to Abird Superior Limited and its wholly-owned subsidiary, Abird Limited, a provider of temporary power generation facilities and associated products and services, that we acquired on 31 October 2012;
- “All Seasons Hire” are to All Seasons Hire Limited, a specialist heating, ventilation and air-conditioning (“HVAC”) hire company, that we acquired on 8 May 2015;
- “Apex” are to Apex Generators Limited, a specialist generator hire business operating primarily across Scotland, that we acquired on 31 March 2014;
- “Collateral” are to the security interests securing the obligations of the Issuer and the Guarantors under the Notes, the Note Guarantees and the Revolving Credit Facility Agreement;
- “Company” are to Hero Acquisitions Limited, a private company limited by shares incorporated under the laws of England and Wales;
- “EU” are to the European Union;
- “Exponent” are to the investment funds managed by Exponent Private Equity LLP or, when otherwise indicated or where the context otherwise requires, Exponent Private Equity LLP in its own right;
- “Exponent Shareholders” are to Exponent Private Equity Partners GP II, LP, Exponent Havana Co-Investment Partners GP Limited and Exponent Private Equity Founder Partner GP II Limited;
- “Group” are to the Company and its consolidated subsidiaries and subsidiary undertakings;
- “Guarantors” are to the entities guaranteeing the obligations of the Issuer under the Notes;
- “Hampshire Bidco” are to Hampshire Bidco Limited, an intermediate holding company which was renamed from Havana Bidco Limited to Hampshire Bidco Limited on 23 May 2014. Hampshire Bidco Limited is a wholly owned subsidiary of Hampshire Midco Limited;
- “Hampshire Midco” are to Hampshire Midco Limited, an intermediate holding company which was renamed from Havana Midco Limited to Hampshire Midco Limited on 23 May 2014. Hampshire Midco Limited is a wholly owned subsidiary of Hampshire Topco Limited;
- “Hampshire Topco” are to Hampshire Topco Limited, our parent company as at 27 September 2014 and up until 21 January 2015 when HSS Hire Group plc became the new holding company of Hampshire Topco and its subsidiaries through a share for share exchange. Havana Topco Limited was renamed Hampshire Topco Limited on 23 May 2014;
- “HSS”, “our”, “us” and “we” are to the Company and its direct and indirect subsidiaries;
- “HSS Hire Group plc” are to HSS Hire Group plc, our new parent company incorporated on 7 January 2015 as a private company limited by shares in the United Kingdom and re-registered as a public limited company on 19 January 2015. The ordinary share capital of HSS Hire Group plc was admitted to the premium listing segment of the Official List of the UK Listing Authority and to trading on London Stock Exchange’s main market for listed securities under the ticker “HSS” on 9 February 2015;
- “IFRS” are to the International Financial Reporting Standards as adopted by the EU;

- “Indenture” are to the indenture governing the terms of the Notes among, amongst others, the Issuer, the Guarantors and the trustee in respect of the Notes, dated the Issue Date;
- “Intercreditor Agreement” are to the intercreditor agreement amongst, inter alia, the Issuer, the Guarantors, the trustee in respect of the Notes, the security agent and the facility agent under the Revolving Credit Facility Agreement and the other parties named therein, dated on or about the Issue Date;
- “IPO” are to the initial public offering and admission of the ordinary share capital of HSS Hire Group plc to the premium listing segment of the Official List of the UK Listing Authority and to trading on London Stock Exchange’s main market for listed securities under the ticker “HSS” on 9 February 2015;
- “Ireland” are to the Republic of Ireland;
- “Issue Date” are to 6 February 2014, the date on which the Notes were issued;
- “Issuer” are to HSS Financing plc, a wholly-owned subsidiary of the Company incorporated under the laws of England and Wales as a public limited company;
- “Note Guarantees” are to the senior secured guarantees of the Notes to be provided by all the Guarantors pursuant to the Indenture;
- “Notes” are to the Senior Secured Notes due 2019;
- “Proceeds Loan” are to the loan agreement entered into between Issuer, as lender, and the Company, as borrower, pursuant to which the Issuer on-lent the proceeds of the Notes to the Company on the Issue Date;
- “Revolving Credit Facility” are to the revolving credit facility made available pursuant to the Revolving Credit Facility Agreement;
- “Revolving Credit Facility Agreement” are to a revolving credit facility agreement governing a £60.0 million super senior revolving credit facility dated 30 January 2014;
- “Reorganisation Deed” are to the reorganisation deed between (among others) the HSS Hire Group plc, Hampshire Topco Limited, certain subsidiaries of Hampshire Topco Limited, Exponent Private Equity Partners GP II, LP, Exponent Havana Co-Investment Partners GP Limited, ESP 2006 Conduit LP, ESP 2008 Conduit LP, Exponent Private Equity Founder Partner GP II Limited and the executive directors of HSS Hire Group plc
- “SEC” are to the U.S. Securities and Exchange Commission;
- “Subordinated Shareholder Loans” are to the intercompany loans described in “Description of other indebtedness—Subordinated shareholder loans”;
- “TecServ” are to TecServ Cleaning Equipment Services Limited (formerly, Premiere FCM Limited), a specialist provider of cleaning equipment services, that we acquired on 22 November 2013;
- “UK GAAP” are to accounting practices generally accepted in the United Kingdom;
- “United States”, “US” and “U.S.” are to the United States of America;
- “U.S. Exchange Act” are to the U.S. Securities Exchange Act of 1934, as amended;
- “U.S. GAAP” are to accounting principles generally accepted in the United States;

- “UK” are to the United Kingdom;
- “UK Platforms” are to UK Platforms Ltd and its subsidiary, Access Rentals (UK) Limited, a provider of electric and diesel powered access products. We acquired UK Platforms on 28 June 2013; and
- “U.S. Securities Act” are to the U.S. Securities Act of 1933, as amended.

Presentation of financial and other information

IFRS financial information

The historical and other financial information presented in this interim report have primarily been derived from the historical consolidated financial statements of the Company, which are included elsewhere in this interim report. The Issuer was incorporated under the laws of England and Wales on 10 January 2014 and is a wholly-owned finance subsidiary of the Company. The Issuer has no material assets or liabilities other than those related to the Notes, the Proceeds Loan and the Revolving Credit Facility. Consequently, we have not provided herein financial statements for the Issuer.

Our consolidated financial statements as at and for the 39 week periods ended 27 September 2014 and 26 September 2015 are presented in accordance with IFRS. The results of operations for prior periods are not necessarily indicative of the results to be expected for the full year or any future period.

The Company gave notice that it had elected to apply IFRS in lieu of UK GAAP to its financial statements starting with the 52 weeks ended 27 December 2014 in accordance with Section 1.01 and Section 4.02 of the indenture governing the Notes on 15 April 2015.

We have not included financial information prepared in accordance with UK GAAP or US GAAP in this interim report. IFRS differs in certain significant respects from US GAAP. You should consult your own professional advisors for an understanding of the differences between IFRS, UK GAAP and US GAAP, and how those differences could affect the financial information contained in this interim report.

References in this interim report to “pound”, “pound sterling”, “UK pound” or “£” are to the lawful currency of the United Kingdom. The financial information and financial statements included in this interim report are presented in pound sterling.

Certain numerical figures included in this interim report have been rounded. Therefore, discrepancies in tables between totals and the sums of the amounts listed may occur due to such rounding.

Non-IFRS financial information

In addition to IFRS financial information, we have included certain non-IFRS financial measures and adjustments in this interim report, including Adjusted EBITA, EBITDA, Adjusted EBITDA, third-party debt, net third-party debt, capital expenditure and certain other financial measures and ratios. Non-IFRS financial measures are not required by or presented in accordance with IFRS. We have defined below each of the non-IFRS earnings measures and earnings adjustments that we have used in this interim report.

EBITDA based measures:

- “*Adjusted EBITA*” represents our Adjusted EBITDA (as defined herein) less depreciation;
- “*Adjusted EBITDA*” represents EBITDA adjusted to remove the effects of certain exceptional costs, which we believe are not indicative of our underlying operating performance; and
- “*EBITDA*” represents income or loss for the financial period before interest payable and similar charges, interest receivable and similar income, tax on ordinary activities, loss or profit on sale of fixed assets and depreciation and amortisation.

For reconciliations of these EBITDA-based measures, see “Summary consolidated financial and other data”.

Other non-IFRS measures:

- “*capital expenditure*” represents additions to our tangible fixed assets during the applicable periods as set forth in the notes entitled “Tangible Fixed Assets” to our financial statements included in this interim report;
- “*net third-party debt*” means total third-party debt (as defined below) less cash;
- “*return on assets*” is calculated by dividing Adjusted EBITA by the aggregate of average total assets (excluding intangible assets) for the period less average current liabilities (excluding amounts due to group undertakings) for the period. Average total assets and average current liabilities have been calculated based on the arithmetical average of the opening and closing balance sheet positions of assets and liabilities, respectively, for the applicable period; and
- “*third-party debt*” consists of (i) bank loans and other borrowings excluding debt issue costs, (ii) bank overdrafts, (iii) obligations under our finance leases and (iv) accrued interest.

We have presented these non-IFRS financial measures (1) as they are used by our management to monitor and report to our board members on our financial position for outstanding debt and available operating liquidity and (2) to represent similar measures that are widely used by certain investors, securities analysts and other interested parties as supplemental measures of financial position, financial performance and liquidity. We believe these measures enhance the investor’s understanding of our indebtedness and our ability to fund our ongoing operations, make capital expenditure and our ability to meet and service our obligations.

However, these non-IFRS financial measures are not measures determined based on UK GAAP, IFRS, US GAAP or any other internationally accepted accounting principles, and you should not consider such items as an alternative to the historical financial position or other indicators of our cash flow and forward position based on IFRS measures. The non-IFRS financial measures, as defined by us, may not be comparable to similarly titled measures as presented by other companies due to differences in the way our non-IFRS financial measures are calculated. The non-IFRS financial information contained in this interim report is not intended to comply with the reporting requirements of the SEC and will not be subject to review by the SEC. Even though the non-IFRS financial measures are used by management to assess our financial position and these types of measures are commonly used by investors, they have important limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of our position or results as reported under IFRS or UK GAAP.

Recent developments

On 25 September 2015, HSS Hire Group plc, the listed parent company of Hero Acquisitions Limited, announced that its Chief Executive Officer (“CEO”), Chris Davies, who was also a Director of Hero Acquisitions Limited, was stepping down after nine years at HSS. John Gill, the current Chief Operating Officer (“COO”) of HSS Hire Group plc, aged 48, assumed the CEO role immediately. Chris is remaining with the business until the end of the year to assist in a smooth handover. John joined the Company as Chief Financial Officer in 2009, and was appointed COO in 2014. Before joining HSS he was Finance Director at Screwfix Direct Ltd, a subsidiary of Kingfisher plc, and prior to that he held a number of roles at Kingfisher and GE Capital.

Under John’s leadership the Company’s strategy will continue to focus on the successful roll out of the new style local branches and the development of the Company’s pioneering logistics and distribution network, including the opening of the National Distribution Centre in the first half of 2016 as announced at the interim results in August.

The Company has obtained additional commitments under the Revolving Credit Facility Agreement (the “Additional Facility Commitments” as described in “Description of other indebtedness—Revolving Credit Facility”) thereby giving extra flexibility to continue pursuing its strategic objectives of responsible and measured growth principally through the successful local branch rollout and the evolution of its existing logistics and distribution network. These previously uncommitted facilities, total £20.0 million and have the same margin and termination date as per the Revolving Credit Facility Agreement. As permitted by the indenture governing the Notes the Company (through certain subsidiaries) has also securitised a number of its existing assets, the proceeds from which will be used to partially repay drawings under the Revolving Credit Facility.

Summary consolidated financial and other data

The following tables present our summary historical consolidated financial information and other data for the periods ended and as at the dates indicated below.

Historical consolidated financial and other data presented in accordance with IFRS

The historical consolidated income statement, balance sheet and cashflow data as at and for the 39 week periods ended 27 September 2014 and 26 September 2015 presented below have been extracted or derived from the unaudited consolidated financial statements of the Company as at and for the 39 week periods ended 27 September 2014 and 26 September 2015, including the related notes thereto, which are included elsewhere in this interim report.

The results of operations and other financial and operating information for prior interim periods are not necessarily indicative of the results to be expected for the full year or any future period. This financial information should be read in conjunction with the consolidated financial statements and accompanying notes included elsewhere in this interim report and discussed in "Presentation of financial and other information", and "Operating and financial review".

(in millions of £)	39 week period ended	
	27 September 2014 (unaudited)	26 September 2015 (unaudited)
Consolidated income statement data:		
Revenue.....	208.5	230.8
Cost of sales	(75.7)	(87.2)
Gross profit	132.8	143.6
Distribution costs	(26.2)	(30.4)
Administrative expenses.....	(86.0)	(105.6)
Other operating income.....	0.9	0.6
Operating profit	21.5	8.2
Finance income.....	0.0	0.0
Finance expense ⁽¹⁾	(23.2)	(25.6)
Movement in derivative financial instruments.....	(1.2)	-
Loss before tax.....	(2.9)	(17.3)
Income tax expense	(1.3)	-
Loss for the financial period.....	(4.2)	(17.3)

(in millions of £)	As at	As at
	27 September 2014 (unaudited)	26 September 2015 (unaudited)
Consolidated balance sheet data:		
Intangible fixed assets.....	141.8	152.8
Tangible fixed assets.....	143.2	183.4
<i>of which: materials and equipment held for hire</i>	<i>117.2</i>	<i>146.7</i>
Deferred tax assets	-	2.5
Current assets.....	96.0	114.0
<i>of which: trade receivables.....</i>	<i>68.3</i>	<i>79.9</i>
Cash	5.2	2.3
Non-current assets	-	60.7
Total assets⁽²⁾.....	381.0	513.4
Current liabilities.....	(116.3)	(155.6)
<i>of which: trade payables.....</i>	<i>(54.4)</i>	<i>(58.0)</i>
Non-current liabilities.....	(285.3)	(417.4)
<i>of which: provisions for liabilities and charges.....</i>	<i>(16.2)</i>	<i>(16.6)</i>
Net liabilities.....	(20.6)	(59.5)

	39 week period ended	
	27 September 2014	26 September 2015
	Company (unaudited)	Company (unaudited)
(in millions of £)		
Consolidated cash flow data:		
Net cash flows from operating activities before		
changes in hire equipment	45.0	30.5
Purchase of hire equipment	(33.3)	(51.8)
Cash generated by / (utilised in) operations	11.7	(21.3)
Net interest paid	(17.3)	(17.6)
Income tax received/(paid)	(0.7)	1.1
Net cash utilised in operating activities	(6.4)	(37.8)
Net cash used in investing activities	(16.7)	(23.6)
Net cash received from financing activities	22.6	49.5
Decrease in cash	(0.5)	(11.9)

	As at and for the 39 week period ended	
	27 September 2014	26 September 2015
	(unaudited)	(unaudited)
(in millions of £, except for percentages and ratios or unless otherwise noted)		
Other operating metrics:		
Number of trading branches ⁽³⁾	257	318
Average revenue per trading branch (in '000 of £) ⁽⁴⁾	830	791
Other historical financial data:		
Third-party debt ⁽⁵⁾	235.4	212.6
Cash	5.2	2.3
Net third-party debt ⁽⁶⁾	230.2	210.4
Capital expenditure ⁽⁷⁾	68.0	71.2
EBITDA ⁽⁸⁾	50.5	47.3
Adjusted EBITDA ⁽⁹⁾	51.7	51.4

- (1) Includes interest expense related to our Subordinated Shareholder Loans, as well as interest payable on the Senior Secured Notes and under our prior senior facilities agreements.
- (2) Represents the aggregate of our intangible fixed assets, tangible fixed assets, deferred tax assets, derivative financial instruments and current assets.
- (3) Number of trading branches is given at the end date of the period, and does not include our "dark" stores. As at 26 September 2015 we held leases to 79 "dark" stores, which are our closed branches awaiting disposal, of which approximately 67% are either fully or partially sublet.
- (4) Average revenue per trading branch represents the management account revenue for the relevant period divided by the average number of trading branches in operation during that period.
- (5) We define third-party debt as debt from our (i) bank overdrafts, (ii) revolving credit facilities (iii) obligations under our finance leases (iv) accrued interest, (v) term loans excluding debt issue costs, and (vi) senior secured notes excluding debt issue costs.

The following table presents the breakdown of our total third-party debt for the periods indicated.

	As at	
	27 September 2014	26 September 2015
	(unaudited)	(unaudited)
(in millions of £)		
Bank overdraft	2.8	8.4
Revolving credit facility	18.0	47.0
Obligations under finance leases	12.3	19.9
Accrued interest	2.3	1.4
Senior secured note	193.6	130.9
Debt issue costs	6.4	5.1
Total third-party debt	235.4	212.6

- (6) We define net third-party debt as third-party debt less cash.
- (7) Capital expenditure represents additions to our tangible fixed assets during the applicable periods as set forth in the notes entitled "Tangible Fixed Assets" to our financial statements included in this interim report.

- (8) We define EBITDA as income or loss for the financial period before interest payable and similar charges, interest receivable and similar income, tax on ordinary activities, loss or profit on sale of fixed assets and depreciation and amortisation. In evaluating EBITDA, you should be aware that, as an analytical tool, EBITDA is subject to certain limitations. See "Presentation of financial and other information—Non-IFRS financial information". EBITDA is not a measure of performance under IFRS and you should not consider EBITDA as an alternative to (a) operating profit or net profit for the period as a measure of our operating performance, (b) net cash flows from operating activities as a measure of our ability to meet our cash needs or (c) any other measures of performance under IFRS.

The following table provides a reconciliation of EBITDA to income (loss) for the periods indicated:

	39 week period ended	
	27 September 2014	26 September 2015
(in millions of £)	(unaudited)	(unaudited)
Profit/(loss) for the financial year	(4.2)	(17.3)
Income tax expense	1.3	-
Movement in derivative financial instruments	1.2	-
Finance expense	23.2	25.6
Finance income	(0.0)	(0.0)
Depreciation, amortisation and hire stock disposals and write offs	29.0	39.1
EBITDA	50.5	47.3

- (9) We define Adjusted EBITDA as EBITDA adjusted to remove the effects of certain exceptional costs, which we believe are not indicative of our underlying operating performance. Adjusted EBITDA is not a measure of performance under IFRS and you should not consider Adjusted EBITDA as an alternative to (a) operating profit or net profit for the period as a measure of our operating performance, (b) net cash flows from operating activities as a measure of our ability to meet our cash needs or (c) any other measures of performance under IFRS.

In evaluating Adjusted EBITDA, you should be aware that, as an analytical tool, Adjusted EBITDA is subject to certain limitations. See "Presentation of financial and other information—Non-IFRS financial information". In addition, you should be aware that we are likely to incur expenses similar to the adjustments in this presentation in the future and that certain of these items could be considered recurring in nature. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. For further information, see the discussions on exceptional items in our financial statements included elsewhere in this interim report.

The following table provides a reconciliation of Adjusted EBITDA to EBITDA for the periods indicated:

	39 week period ended	
	27 September 2014	26 September 2015
(in millions of £)	(unaudited)	(unaudited)
EBITDA	50.5	47.3
Exceptional costs (non-finance) ^(a)	1.2	4.1
Adjusted EBITDA	51.7	51.4

- (a) Our exceptional costs (non-finance) include certain transaction and restructuring costs. Transaction costs in 2014 consist of fees and expenses relating to our acquisition of Apex in March 2014. Transaction costs in 2015 consist of fees and expenses relating to the acquisition of All Seasons Hire in May 2015. Restructuring costs (in both periods) consist of the cost of "dark" stores which are closed branches awaiting disposal. These branches were mainly closed as part of restructuring and efficiency improvement programmes undertaken between 2004 and 2008. These costs are primarily made up of lease expenses, as well as upfront costs of lease surrenders where we have chosen to reduce the ongoing exposure under leases in exchange for an upfront termination payment. For more information on operating lease commitments related to our "dark" stores, see "Operating and financial review—Contractual obligations". EBITDA and exceptional costs above do not include exceptional costs relating to our interest payable. Restructuring costs in 2015 also include £1.6m in respect of a cost rebasing programme being undertaken across the Group. For more information on our exceptional costs, see note (4) of our financial statements included elsewhere in this interim report.

Risk factors

For risks related to our business, financial profile and structure and the Notes, please see the risk factors disclosed in our latest Annual Report dated 20 April 2015. We believe there have been no material changes to these risk factors in this financial period.

Operating and financial review

The historical consolidated profit and loss account and cash flow data presented in this discussion and analysis for the 39 week periods ended 27 September 2014 and 26 September 2015, has been extracted or derived from the unaudited consolidated financial statements of the Company as at and for the 39 week periods ended 27 September 2014 and 26 September 2015, including the related notes thereto, which are included elsewhere in this interim report.

The following discussion should be read together with, and is qualified by reference to, our financial statements, and the related notes thereto, included in this interim report. The following discussion should also be read in conjunction with the sections entitled "Summary consolidated financial data". Except for the historical information contained herein, the discussions in this section contain forward-looking statements that reflect our plans, estimates and beliefs and involve risks and uncertainties. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and elsewhere in this interim report, particularly in "Forward-looking statements" and "Risk factors".

Some of the measures used in this discussion and analysis are not measurements of financial performance under IFRS, but have been prepared on the basis of IFRS amounts, and should not be considered an alternative to cash flow from operating activities, as a measure of liquidity or an alternative to operating profit/(loss) or profit/(loss) for the period as indicators of our operating performance or any other measures of performance derived in accordance with IFRS.

Key factors affecting our results of operations

We consider the following factors to be the key factors affecting our results of operation:

Customers

Our revenue and cash flows are affected by our ability to retain existing business and generate new business from existing and new customers, and the terms at which we are able to retain or generate business. We have developed a strong reputation as a leading service provider in the United Kingdom and Ireland and this visibility and reputation, combined with our existing customer base, gives us a strong platform from which to win new business. Additionally, our extensive offering enables us to cross sell our core and specialist products and services to our customers allowing us, we believe, to meet their requirements to a greater extent.

We believe that a strong relationship with customers can lead to increased revenue and account profitability. Because of the generally flexible nature of our business arrangements with our customers, the factors that influence the terms on which we retain business from our existing customers are the same factors that influence the terms on which we win new business. We have won new customers and been successful in maintaining the loyalty of our existing customers by capitalising on our knowledge of our customers' requirements and processes together with our ability to offer value added services. These include equipment maintenance and management and the integration of our IT systems with the internal ordering and billing systems of certain of our large customers, thereby also enabling them to reduce their administrative costs. Due to our size and scale combined with our reputation for consistency and high levels of service, we have also been able to collaborate with some of our customers to develop an innovative supply chain model whereby our customers promote us as a preferred supplier to their sub-contractor base. We have successfully implemented this model with some of our leading customers including Sainsbury's and Heathrow Airports Limited.

In any period, the mix of our customers also impacts our results of operation. Our customers range from our key accounts, who typically represent our higher volume customers with recurring hire needs, to our local cash customers, who typically represent our higher margin customers. Our strategy over the last several years has been to increase the proportion of our revenue derived from our key accounts, which has helped us achieve higher sales volumes although at slightly lower margins. A number of our key account customers have been with us for over 15 years. By continuing

to increase our key account customer base, we have been able to achieve repeat business as these customers tend to remain loyal to providers, like us, which provide consistently high levels of service.

Trends in customer demand also impact our financial results. Our largest revenue source is hire revenue, which represents payments received from our customers in return for their use of our equipment. We also generate revenues from our rehire activities primarily through our HSS OneCall operations. Unlike under our hire operations, under our rehire operations, we incur third-party supplier costs in connection with the procurement of tool and equipment for rehire. As a result, our rehire operations typically deliver lower EBITDA margins than our hire operations. On the other hand, we do not incur capital expenditure in respect of supply of equipment under our rehire operations which, in comparison to our hire operations, typically generate higher cash flows. As a result, if customer demand for our hire products increases in a particular period, we would typically generate higher EBITDA margins. On the other hand, if customer demand for our rehire products increases in a particular period, we would generate lower EBITDA margins during that period, although we may benefit from higher cash flows during that period. We have also grown our market share and customer base by penetrating new and attractive market segments with no or low levels of penetration by equipment hire companies (for example, the cleaning and ground care segments).

Availability

We believe that the availability of our hire tools and equipment is a key driver of our sales. We have focused on increasing availability in terms of the range of products that we offer and in terms of speed of delivery. In terms of the range of products that we offer, we seek to ensure that our hire fleet comprises equipment in sufficient quantities to meet demand. We manage this through ongoing assessment of the quantity of equipment on hire, future orders placed by customers, quantity of our offline equipment (i.e., equipment awaiting test or repair), prevailing levels of equipment write off and customer loss, and any rehire opportunities. If we identify a shortfall in our hire fleet, we procure additional equipment to add to our hire fleet. Our broad product range has historically enabled us to attract repeat business from our existing customers and maintain customer loyalty. In terms of delivery, we increase the availability of our hire fleet through our ability to respond promptly to customer orders. We constantly monitor stock levels to ensure that our equipment is well distributed throughout our branch network to meet customer demand. Where we identify a potential shortfall, our hub and spoke distribution model allows us to move equipment efficiently within twenty four hours across our network. As a result, our branch network allows us to share a floating inventory of hire stock between our locations and, in turn, drives increases in availability. We have also continued to complement the internal sourcing of the tools and equipment required by our customers with the external sourcing of products from third parties through our HSS OneCall business.

Availability of our hire stock also impacts our utilisation rates. We measure utilisation as the percentage of available time that an item of hire stock is out on hire. As demand for our products approaches available supply, our utilisation rates rise, which favourably impacts our revenues, profitability and return on assets. We are led by trends in customer demand in planning our hire fleet and in organising the supply and delivery of equipment to our customers. Our approach to expenditure on hire fleet has centred on retaining sufficient flexibility in response to customer demand. This approach has enabled us to deliver an industry-leading return on assets.

Pricing

We devote considerable attention to the pricing of our products and services. We typically set prices for our products as a discount to list prices as is standard in our industry. While offering lower discounts to our customers can result in higher margins for us, it can also prompt some of our customers to move their business to a competitor. In order to find a balance between optimising our margins and retaining our customer base, we have developed a structured and disciplined approach to pricing. In the first instance, we agree a set of prices with our customers which are recorded in our operating system. In general, longer term contracts are offered lower prices and higher discounts than short term contracts. As a result, our key and regional customers typically benefit from better pricing terms owing to volume discounts and the longer term nature of their contracts. We maintain a strict scrutiny of and closely track the discounts that we offer. We have also developed a clear hierarchy of authority within our company for the approval of discounts based on the importance and revenue contribution of the customer. All of these measures have helped us to maintain a strong pricing

discipline, which we believe enables us to maximise our margins. While price remains a key factor, we believe that the availability and quality of our hire fleet and our high service levels are stronger drivers of our financial performance.

Operational productivity and efficiency

Our competitiveness and long term profitability depend, to a significant degree, on our ability to control costs (including costs of rehire and resale, distribution, labour and stock maintenance), capital expenditures and working capital, and maintain efficient operations. We implement various initiatives designed to reduce costs and working capital needs on a continual basis in order to optimise our profitability and cash flow generation.

This strategy to achieve operational excellence is supported by our investment in processes and technologies that enable us to operate our business in a more efficient manner. For example, we have recently introduced a workplace management system to plan and monitor employee rotas and work shift assignments, to maximise the efficiency of our employees. We have continued to improve our distribution network, constantly adjusting delivery vehicle capacity at each of our distribution centres to increase the number of deliveries and collections achieved per vehicle. We have also recently implemented a new management process for the spare parts that we require to maintain our tools and equipment, which is expected to significantly shorten the lead time required for obtaining these spare parts. We expect that this process will continue to improve the productivity of our maintenance personnel, while also increasing the speed at which equipment can be made available, thereby reducing the amount of capital tied up in equipment that is awaiting test or repair.

In addition to these initiatives, we are focused on inventory management and capacity utilisation, while continuing to control levels of capital expenditure and working capital.

Acquisitions

From time to time, we acquire providers of hire fleets and specialist services that complement our current offering to broaden the range of our hire products and services and increase our presence in existing and new markets, which impacts our financial performance. Through our strategic acquisitions, we believe we have historically been able to increase our capacity and make available to our customers a more expansive and comprehensive range of hire products and services.

Our most recent acquisition, which completed on 8 May 2015 was All Seasons Hire. All Seasons Hire is a specialist heating, ventilation and air-conditioning (“HVAC”) hire company headquartered in Andover with satellite operations in Dartford and Birmingham.

All Seasons Hire specialises in the supply and installation of temporary, large-scale heating and cooling equipment, including emergency boilers for facilities such as schools and hospitals, and backup cooling equipment for use by facilities including data centres. All Seasons Hire also offers smaller scale air-conditioning and heating equipment for use in offices and other buildings, complementing HSS’ existing range.

All Seasons Hire’s product range is highly complementary to our existing smaller-scale heating and air conditioning rental business and is a strong addition to our Specialist division. Large-scale temporary heating and cooling capabilities are particularly valuable for facilities management clients and this acquisition will strengthen our position as a one of the major HVAC rental companies in the UK.

Seasonality and cyclicalities

The seasonality and cyclicalities of the equipment rental industry results in variable demand for our products. We typically experience higher demand between July and November of each year and, as a result, we tend to generate slightly higher revenues during the second half of each fiscal year as compared to the first half of the year. We typically experience a slowdown in demand during Christmas, which partially offsets the increase in our revenues during the second half of the year. We also experience seasonality impacts as a result of the nature of our hire fleet and the distribution of our product categories. A small proportion of our product categories are in demand during different times of the year. Lighting and heating equipment, for instance, typically experience higher levels of

demand during the winter season, while gardening and landscaping products experience higher levels of demand in the spring and summer seasons. Weather patterns can exacerbate these trends with particularly cold, hot or wet periods driving higher or lower demand among our product categories.

Due to our focus on the “maintain” and “operate” markets as opposed to the “new build construction” market, our revenue and operating results are not significantly dependent on activity in the commercial construction industry in the United Kingdom. As a result, our operations are not materially impacted by cyclical trends experienced in the “new build construction” market.

Currency translation

Our reporting currency is the pound sterling. However, a small proportion of our assets, liabilities, revenues and costs are denominated in euros. For the 39 week period ended 26 September 2015, we generated approximately 9% of our revenue in euros. Fluctuations in the value of the euro with respect to the pound therefore have had, and may continue to have, an impact on our financial condition and results of operations as reported in pounds.

Liquidity and capital resources

Toward the end of the 2014 financial year, we commenced work on the initial public offering of the newly incorporated ultimate parent company of Hero Acquisitions Limited, HSS Hire Group plc.

HSS Hire Group Limited was incorporated as a private company limited by shares in the United Kingdom on 7 January 2015 and re-registered as a public limited company (HSS Hire Group plc) on 19 January 2015.

On incorporation the share capital of HSS Hire Group Limited was £50,001 divided into 1 ordinary share of £1.00 each and 50,000 redeemable preference shares of £1.00 each.

Pursuant to the Company entering into a Reorganisation Deed on 21 January 2015 HSS Hire Group plc replaced Hampshire Topco Limited as the holding company of Hampshire Topco Limited and its subsidiaries, immediately following determination of the Offer Price on 3 February 2015, through a share for share exchange.

As part of the reorganisation, Exponent and the Exponent shareholders, the holders of shareholder loan notes in Hampshire Midco, transferred all of their interests in the loan notes to Hampshire Topco Limited in consideration for the issue of ordinary shares in Hampshire Topco Limited. Such shares in Hampshire Topco Limited were subsequently exchanged for shares in HSS Hire Group plc as part of the reorganisation. Immediately following the determination of the Offer Price on 3 February 2015, an aggregate loan note balance of approximately £86,000,000 was converted into ordinary shares. In addition, at the same date, the 50,000 preference shares were redeemed.

The initial public offering and admission of the ordinary share capital of HSS Hire Group plc to the premium listing segment of the Official List of the UK Listing Authority and to trading on London Stock Exchange’s main market for listed securities under the ticker “HSS” occurred on 9 February 2015.

Following the IPO we have used approximately £89.0 million of the IPO proceeds of the primary equity offering to reduce net third party debt in the Company and its subsidiaries. The main reduction in third party net debt was the repayment of £64.0 million of the principal amount of the Notes on 12 February 2015 together with a redemption premium and accrued interest on the repaid portion of the Notes of approximately £4.5 million. As at 25 November 2015 the outstanding principal amount of Senior Secured Notes is therefore £136.0 million.

A further £20.5 million of the IPO proceeds was used to repay amounts drawn under the revolving credit facility. These repayments were made during February 2015.

The Company has obtained additional commitments under the Revolving Credit Facility Agreement (the “Additional Facility Commitments” as described in “Description of other indebtedness—Revolving Credit Facility”) thereby giving extra flexibility to continue pursuing its strategic objectives of responsible and measured growth principally through the successful local branch rollout and the

evolution of its existing logistics and distribution network. These previously uncommitted facilities, total £20.0 million and have the same margin and termination date as per the Revolving Credit Facility Agreement. As permitted by the indenture governing the Notes the Company (through certain subsidiaries) has also securitised a number of its existing assets, the proceeds from which will be used to partially repay drawings under the Revolving Credit Facility.

Capital Restructuring

The above-mentioned IPO was completed in February 2015. As part of the IPO process, the Company passed special resolutions giving effect to the capital reorganisation outlined in the consolidated statement of changes in equity.

On 9 February, the Group, its ultimate parent company and its previous ultimate parent company executed a number of board approved loans, which allowed the Group to discharge existing loans as well as to effect the early redemption of £64.0 million of the Notes.

On 10 February, the following intra group dividends were paid in full from distributable reserves:

- HSS Hire Service Group Limited paid an interim 2015 dividend of £8.5 million to its immediate parent company, HSS Hire Service Finance Limited;
- HSS Hire Service Finance Limited paid an interim 2015 dividend of £83.5 million to its immediate parent company, HSS Hire Service Holdings Limited;
- HSS Hire Service Holdings Limited paid an interim 2015 dividend of £80.6 million to its immediate parent company, Hero Acquisitions Limited; and
- Following the capital reorganisation of Hero Acquisitions Limited, it paid an interim 2015 dividend of £26.5 million to its immediate parent company, Hampshire Bidco Limited.

On 1 October 2015 the ultimate parent company of the Group, HSS Hire Group plc paid an interim dividend of £0.9m. No further dividend payments have been declared or made by the Group during the relevant period.

Description of key income statement items

Revenue

Revenue represents amounts receivable in respect of goods and services supplied, reduced by trade discounts that we offer and excluding value added tax. Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods and services supplied, stated net of discounts, rebates, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured when it is probable.

Cost of sales

Cost of sales represents direct costs incurred in the provision of our services including, among others, costs of:

- hiring equipment from third parties, which is then rehired to our customers;
- resale, representing the purchase cost of diesel and gas supplied to our customers, other hire related consumables and any other items purchased and subsequently resold to our customers;
- customer training courses operated by third parties on our behalf;
- depreciation of our hire fleet; and

- stock maintenance, representing the costs associated with the testing and repair of our hire fleet.

Administrative expenses

Administrative expenses represent the overhead costs of the business, including:

- branch based costs such as costs associated with our sales employees, rent and business rates, depreciation (other than of hire fleet) and utilities;
- costs associated with our field based sales employees;
- costs associated with our customer contact centre including the cost of salaries, rent and utilities;
- the cost of our head office functions including those of our IT, finance, human resource functions; and
- amortisation of goodwill arising from acquisitions.

Exceptional items classified as administrative expenses relate primarily to the costs of our “dark” stores (unoccupied properties), which we do not use and which do not generate rental income through sublet or otherwise. They also relate to certain of our restructuring costs.

Distribution costs

Distribution costs represent the costs associated with the operation of our delivery vehicle fleet such as the cost of lease, fuel and insurance, and the payment of salaries to the drivers that we employ. It also represents the costs associated with third-party haulage and freight. Exceptional items classified as distribution costs relate primarily to certain of our restructuring costs.

Other operating income

This represents rental income earned through the sublet of properties that are surplus to our requirements. The operating costs associated with these sublet properties are treated as an ongoing item (not an exceptional item) under our administrative expenses.

Finance expense

Finance expense represents the charges (accrued or paid) associated with our bank loans and overdrafts, loans from our parent companies and finance leases. This line item also represents the amortisation of any costs associated with the raising of finance that have been capitalised and spread over the life of the facility. Costs classified as exceptional relate to costs incurred in the early termination of our financing instruments such as our interest rate swaps.

Income Tax credit / (expense)

Tax is based on the results for the accounting period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting periods.

Results of operations

The 39 week period ended 26 September 2015 compared to the 39 week period ended 27 September 2014

The table below sets out our results for the 39 week period ended 26 September 2015 compared to the 39 week period ended 27 September 2014:

	39 week period ended		Percentage change
	27 September 2014	26 September 2015	
	(unaudited)		
(in millions of £)			
Revenue	208.5	230.8	10.7%
Cost of sales	(75.7)	(87.2)	15.2%
Gross profit	132.8	143.6	8.1%
Distribution costs	(26.2)	(30.4)	16.0%
Administrative expenses	(86.0)	(105.6)	22.8%
Other operating income.....	0.9	0.6	(33.3%)
Operating profit	21.5	8.2	(61.9%)
Finance income.....	0.0	0.0	NM ⁽¹⁾
Finance expense.....	(23.2)	(25.6)	10.3%
Movement in derivative financial instruments	(1.2)	-	NM ⁽¹⁾
Loss before tax	(2.9)	(17.3)	NM ⁽¹⁾
Income tax expense	(1.3)	-	NM ⁽¹⁾
Loss for the financial period	(4.2)	(17.3)	NM ⁽¹⁾

(1) Not meaningful

Revenue

Our revenue for the 39 week period ended 26 September 2015 increased by £22.3 million, or 10.7%, from £208.5 million in the 39 week period ended 27 September 2014 to £230.8 million in the 39 week period ended 26 September 2015. The majority (9.3%) of this increase was due to growth in our organic business (both core and specialist) across all geographies and from new and existing customers. Within the core business HSS Training revenues grew 28.5%, HSS OneCall revenues grew 10.9% and hire revenues were up 5.5% period on period. Within the specialist businesses, ABird / Apex and UK Platforms all continued to deliver strong revenue growth performance against the prior period. We also benefitted from the inclusion of Apex's results for the entire 39 week period ended 26 September 2015 and All Seasons Hire's results for the 20 week period ended 26 September 2015. Apex was included for 26 weeks in the 39 week period ended 27 September 2014 because we did not acquire Apex until 31 March 2014. All Seasons Hire was not included in the 39 weeks period ended 27 September 2014 because we did not acquire it until 8 May 2015.

Cost of sales

Our cost of sales for the 39 week period ended 26 September 2015 increased by £11.5 million, or 15.2%, from £75.7 million in the 39 week period ended 27 September 2014 to £87.2 million in the 39 week period ended 26 September 2015. The majority of this movement reflects the investment in our hire fleet and local branch rollout through Q4 FY14 and the 39 week period ended 27 September 2015 and the resulting increase in depreciation charges. Our stock maintenance costs (salary and material costs) also grew due to the investment in our hire fleet and our increased levels of trading activity.

Gross profit

Our gross profit for the 39 week period ended 26 September 2015 increased by £10.8 million, or 8.1%, from £132.8 million in the 39 week period ended 27 September 2014 to £143.6 million in the 39 week period ended 26 September 2015.

Distribution costs

Our distribution costs for the 39 week period ended 26 September 2015 increased by £4.2 million, or 16.0%, from £26.2 million in the 39 week period ended 27 September 2014 to £30.4 million in the 39 week period ended 26 September 2015. This movement was due to the period on period growth in both our core and specialist businesses. Distribution costs for the 39 week period ended 26 September 2015 also include the Q1 FY15 costs for Apex and the costs for All Seasons Hire for the 20 week period ended 26 September 2015, comparators for which were not present in the 39 week period ended 27 September 2014.

Administrative expenses

Our administrative expenses increased by £19.6 million, or 22.8%, to £105.6 million in the 39 week period ended 26 September 2015 from £86.0 million in the 39 week period ended 27 September 2014. This increase reflects our continued investment in new sales colleagues and associated branch rent & rates incurred as part of our local branch rollout strategy, together with the Q1 FY15 costs of Apex and the administrative expenses of All Seasons Hire since acquisition, comparators for which were not present in the 39 week period ended 27 September 2014. Inflationary pressures on our salary costs and, more recently restructuring costs relating to a cost rebasing programme being undertaken across the group also increased our administrative expenses.

Other operating income

Our other operating income decreased by £0.3 million to £0.6 million in the 39 week period ended 26 September 2015 from £0.9 million in the 39 week period ended 27 September 2014, due to lower rental income on the shrinking portfolio of “dark” stores (non-trading properties) that were being sublet in the period.

Operating profit

Our operating profit for the 39 week period ended 26 September 2015 decreased by £13.3 million, from £21.5 million in the 39 week period ended 27 September 2014 to £8.2 million in the 39 week period ended 26 September 2015 reflecting the increased operating costs incurred in the period.

Finance income

As in the 39 week period ended 27 September 2014, we received negligible interest income on our cash balances in the 39 week period ended 26 September 2015.

Finance expense

Our finance expense for the 39 week period ended 26 September 2015 increased by £2.4 million, or 10.3%, from £23.2 million in the 39 week period ended 27 September 2014 to £25.6 million in the 39 week period ended 26 September 2015. This growth reflects the £4.3 million early redemption premium paid on the Notes in February 2015 and the higher net interest balances payable to parent companies as a result of the post IPO funds flow. These increases were partially offset by lower interest payable on the Notes following the partial redemption made in February 2015. The finance expenses for the 39 week period ended 27 September 2014 also include £6.6 million of accelerated debt issue costs in relation to the refinance of existing borrowings through the issue of the Notes in February 2014.

Movement in derivative financial instruments

There was no movement in derivative financial instruments in the 39 week period ended 26 September 2015. The £1.2 million charge in the 39 week period ended 27 September 2014 reflected a change in fair value.

Loss before tax

The reported loss before tax for the 39 week period ended 26 September 2015 increased by £14.4 million, from £2.9 million in the 39 week period ended 27 September 2014 to £17.3 million in the 39 week period ended 26 September 2015.

Income tax expense

We reported a nil tax expense for the 39 week period ended 26 September 2015, compared to a tax expense of £1.3 million in the 39 week period ended 27 September 2014.

Loss for the financial period

We reported a loss of £17.3 million for the 39 week period ended 26 September 2015 compared to a loss of £4.2 million for the 39 week period ended 27 September 2014.

Cash flows

The following table presents, for the periods indicated, our consolidated cash flows:

	39 week period ended	
	27 September 2014	26 September 2015
	Company	Company
	(unaudited)	
(in millions of £)		
Net cash flows from operating activities before changes in hire equipment	45.0	30.5
Purchase of hire equipment	(33.3)	(51.8)
Cash generated by / (utilised in) operations .	11.7	(21.3)
Net interest paid	(17.3)	(17.6)
Income tax received / (paid)	(0.7)	1.1
Net cash utilised in operating activities	(6.4)	(37.8)
Net cash used in investing activities	(16.7)	(23.6)
Net cash received from financing activities	22.6	49.5
Decrease in cash	(0.5)	(11.9)

Net cash flow from operating activities before changes in hire equipment

Our net cash inflow from operating activities before changes in hire equipment decreased by £14.5 million to £30.5 million for the 39 week period ended 26 September 2015 from £45.0 million for the 39 week period ended 27 September 2014. This decrease resulted primarily from a net £11.3 million movement in working capital, principally reflecting a net decrease in trade creditors in the 39 week period ended 27 September 2015, compared to a £9.4 million increase in trade creditors in the 39 week period ended 26 September 2014. This movement reflects the net settling of capex creditors from 2014 and early 2015 in the 39 week period ended 27 September 2015.

Cash generated by / utilised by operations

We utilised £21.3 million of cash in our operations in the 39 week period ended 26 September 2015, compared to the 39 week period ended 27 September 2014 when we generated £11.7 million cash

from operations. This £33.0 million movement reflects the £18.5 million increase in purchases of hire equipment as hire equipment creditor balances from 2014 and early 2015 were settled together with the reduced cashflow generated from operating activities before changes in hire equipment.

Net cash utilised in operating activities

Our net cash utilised in operating activities was £37.8 million in the 39 week period ended 26 September 2015, a £31.4 million increase on the net cash utilised of £6.4 million in the 39 week period ended 27 September 2014. This increase primarily reflects the move from generating cash from operations in the 39 week period ended 27 September 2014 to utilising cash in the 39 week period ended 26 September 2015. Net interest paid was slightly higher at £17.6 million in the 39 week period ended 26 September 2015, £0.3 million higher than in the 39 week period ended 27 September 2014.

Net cash used in investing activities

Our net cash used in investing activities was £23.6 million for the 39 week period ending 26 September 2015, a £6.9 million increase on the £16.7 million used in the 39 week period ending 27 September 2014. This increase reflects the acquisition of All Seasons Hire in May 2015 together with higher non hire stock capital expenditure (mainly software investment in our new ecommerce platform and property to support the local branch rollout) in the 39 week period ended 26 September 2015, partially offset by the deferred consideration for UK Platforms paid in the 39 week period ended 27 September 2014.

Net cash received from financing activities

Our net cash received from financing activities was £49.5 million in the 39 week period ending 26 September 2015, a £26.9 million increase on the net £22.6 million inflow in the 39 week period ending 27 September 2014. This increase primarily reflects the impact of the post IPO funds flow from HSS Hire Group plc into the Group, the subsequent partial repayment of the Notes and the net draw down on the Revolving Credit Facility over the period. In the 39 week period ending 27 September 2014 the proceeds from the Notes were raised in the Group and used to refinance existing borrowings.

Capital expenditures

Our capital expenditure incurred during the 39 week periods ended 26 September 2015 and 27 September 2014 are set out below:

	39 week period ended	
	27 September 2014	26 September 2015
	Company	Company
	(unaudited)	
(in millions of £)		
Hire stock capital expenditure	60.5	57.4
Non hire stock capital expenditure	7.4	13.8
Total capital expenditures	68.0	71.2

We categorise our capital expenditures as hire stock and non-hire stock capital expenditures. Hire stock capital expenditures relate to purchases of hire stock assets whereas non hire stock capital expenditures relate to expenditures on, for example, the development of IT systems, vehicle trackers, signage, equipment racking and leasehold property improvements.

Working Capital

The main components of our working capital are trade debtor balances, representing amounts owed by our account customers, and trade creditor balances, representing amounts owed to our suppliers in respect of our hire stock purchases, third-party equipment hire and other expenses, where we obtain deferred payment terms. Other than in respect of timing effects on the payment of hire stock

purchases, we do not typically experience significant movements in our working capital between accounting periods. In addition, within working capital, we account for stocks of consumables and fuel held for resale, and stocks of spare parts used to repair our equipment. We do not typically experience material movements in these stock balances between accounting periods. Other working capital balances include amounts owed or due in respect of taxes, prepayments and accruals. A large proportion of our leasehold properties require quarterly rental payments (treated as prepayments). Value added tax and corporation tax also require quarterly payments. These payments may impact our working capital movements between accounting periods.

Borrowings

The table below presents a breakdown of the Group's interest-bearing loans and borrowings as at the dates indicated.

(in millions of £)	39 week period ended	
	27 September 2014	26 September 2015
	Group	Group
	(unaudited)	
Non-current		
Notes	193.6	130.9
Amounts due to group undertakings	68.3	257.3
	261.9	388.3
Current		
Revolving credit facility.....	18.0	47.0
Bank overdraft.....	2.8	8.4
Amounts due to group undertakings	2.6	9.6
	23.4	64.9

See "Description of other indebtedness" for a description of the Group's indebtedness.

Contractual obligations

The following table summarises the Group's material contractual obligations as at 26 September 2015.

(in millions of £)	Within 1 year	Between 1 and 5 years	More than 5 years	Total
	(unaudited)			
Non-Current Borrowings ⁽¹⁾	9.2	434.2	178.3	621.7
Finance lease obligations ⁽²⁾	7.4	12.5	-	19.9
Total	16.5	446.7	178.3	641.5

(1) Maturity profile of nominal values and interest (includes amounts owed to group undertakings)

(2) Finance lease obligations represent hire equipment acquired under the Group's finance lease facilities in respect of its core HSS Hire and specialist businesses.

The Group's future operating lease commitments represent its operating leases in respect of the land and buildings, and vehicles that it leases, which are set out in the following table. These include lease obligations in respect of the Group's "dark" stores, the majority of which will lapse in the next four years. As at 26 September 2015 the Group held leases to 79 "dark" stores, which are its closed branches awaiting disposal, of which approximately 67% are either fully or partially sublet.

(in millions of £)	<u>Within 1 year</u>	<u>Between 1 and 5 years</u>	<u>More than 5 years</u>	<u>Total</u>
		(unaudited)		
Operating lease obligations.....	22.2	57.0	25.9	105.1

Off balance sheet arrangements

From time to time, we undertake forward purchases in support of our electricity requirements. As at 25 November 2015, we had made forward purchases of 20% of our estimated December 2015 requirements and 30% of our estimated January, February and March 2016 requirements.

Financial risk management

Market risk is the potential loss arising from adverse changes in market rates and consists of risks relating to foreign exchange rates, interest rates and market prices. We are not exposed to market price risk as we do not own assets the value of which is determined by market prices. We have been exposed to limited foreign exchange risk, as we have historically entered into limited foreign currency transactions and as we do not own extensive trading subsidiaries outside the United Kingdom.

We have been and, following the offering and the use of proceeds therefrom, will continue to be exposed to interest rate risk primarily in relation to our debt service obligations under our Revolving Credit Facility. The drawings under our Revolving Credit Facility will expose us to interest rate risks relating to fluctuations in LIBOR. We may seek to enter into an interest rate swap to hedge our exposure under the Revolving Credit Facility but no assurances can be made that we will be able to enter into a new interest rate swap on acceptable terms, or at all.

Selected critical judgments and estimates

The preparation of financial information in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial information and the reported amounts of revenue and expenses during the years then ended. Management bases its estimates on historical experience and various other assumptions that are considered to be reasonable in the particular circumstances.

Actual results may differ from these estimates. The judgments, estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of this revision and future periods if the revision affects both current and future periods.

The following are the key areas of our accounting policies in which management made judgments or key assumptions concerning the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of goodwill, intangible assets and property, plant and equipment

These assets are reviewed annually or more frequently if there is an indication of impairment to ensure that they are not carried above their estimated recoverable amounts. To assess if any impairment exists, estimates are made of the future cash flows expected to result from the use of the asset and its eventual disposal. Actual outcomes could vary from such estimates of discounted future cash flows.

Onerous lease provision

When an onerous lease has been identified the costs of exiting the lease and leaving the leased property are estimated by management and provided for. The actual costs of exiting the lease could vary from the estimates.

Provisions for dilapidations

Management estimate and make provision for costs that will be incurred in returning a leased property to the condition that it was in at the inception of the lease. The actual costs of the work that needs to be completed could vary from the estimates.

Income taxes

Estimates may be required in determining the level of current and deferred income tax assets and liabilities, which the directors believe are reasonable and adequately recognise any income tax related uncertainties. Various factors may have favourable or adverse effects on the income tax assets or liabilities. These include changes in tax legislation, tax rates and allowances, future levels of spending, the Group's level of future earnings and estimated future taxable profits.

Useful economic life of assets

The Group's policy for applying useful economic lives and residual values of assets has been determined through applying historical experience and taking into consideration the nature of assets and their intended use.

Description of other indebtedness

Our significant outstanding indebtedness, in addition to the Notes, is summarised below.

Revolving Credit Facility

In connection with the offering of the Notes, the Company and the other Guarantors and the Issuer entered into a £60.0 million super senior revolving credit facility agreement dated 30 January 2014 (the “Revolving Credit Facility Agreement”) with, among others, Barclays Bank PLC, as facility agent and U.S. Bank Trustees Limited, as security agent.

The Revolving Credit Facility may be utilised by any current or future borrower under the Revolving Credit Facility Agreement in Euros, U.S. Dollars, Sterling or any other readily available and agreed currency by the drawing of cash advances or the issue of letters of credit and ancillary facilities. The Revolving Credit Facility may be applied towards the Restricted Group’s (being the Company and its restricted subsidiaries) working capital and general corporate purposes.

In addition, the Company may elect to request additional commitments under the Revolving Credit Facility Agreement (the “Additional Facility Commitments”). The total amount of such indebtedness that may be incurred by way of Additional Facility Commitments shall not exceed £20.0 million, provided that such Additional Facility Commitments will not cause the total commitments under the Revolving Credit Facility Agreement to exceed 100% of Relevant Consolidated EBITDA (being Consolidated EBITDA at the end of the most recent testing period under the Revolving Credit Facility Agreement adjusted on a pro forma basis as per the calculation of Consolidated Leverage Ratio in the Indenture) as at the date on which the notice relating to the Additional Facility Commitments is delivered to the Senior Agent. The Company and the lenders may agree to certain terms in relation to the Additional Facility Commitments, including the margin and the termination date (each subject to parameters as set out in the Revolving Credit Facility Agreement) and the availability period.

The Revolving Credit Facility may be utilised from the Issue Date until the date falling one month prior to the maturity date of the Revolving Credit Facility in respect of the facility and in relation to any additional facility thereunder, the date specified in the applicable additional facility notice.

As at 25 November 2015 the Company has obtained additional commitments under the Revolving Credit Facility Agreement (the “Additional Facility Commitments” as described in “Description of other indebtedness—Revolving Credit Facility”) thereby giving extra flexibility to continue pursuing its strategic objectives of responsible and measured growth principally through the successful local branch rollout and the evolution of its existing logistics and distribution network. These previously uncommitted facilities total £20.0 million and have the same margin and termination date as per the Revolving Credit Facility Agreement. As permitted by the indenture governing the Notes the Company (through certain subsidiaries) has also securitised a number of its existing assets, the proceeds from which will be used to partially repay drawings under the Revolving Credit Facility.

Subordinated shareholder loans

Our subordinated shareholder loans (“Subordinated Shareholder Loans”) represent certain intercompany loans between HSS Hire Group plc, Hampshire Topco Limited, Hampshire Bidco Limited and the Group in an aggregate amount of £266.9 million as at 26 September 2015. The Subordinated Shareholder Loans are due to mature between January 2020 and December 2022.

Intercreditor Agreement

To establish the relative rights of certain of our creditors under our financing arrangements, the Company and certain of its subsidiaries (including the Guarantors) entered into the Intercreditor Agreement on 30 January 2014 with, among others, the Security Agent, the lenders under our Revolving Credit Facility (the “Senior Lenders”), and the senior agent under the Revolving Credit Facility. The Intercreditor Agreement is governed by English law and sets out, among other things, the

relative ranking of certain indebtedness of our debtors, the relative ranking of certain security granted by our debtors, when payments can be made in respect of debt of our debtors, when enforcement action can be taken in respect of that indebtedness, the terms pursuant to which certain of that indebtedness will be subordinated upon the occurrence of certain insolvency events and revenue provisions.

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Hero Acquisitions Limited

**Interim statements
For the 39 weeks ended 26 September 2015**

Registered number 06209511

Hero Acquisitions Limited

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Hero Acquisitions Limited

Unaudited consolidated income statement

		39 weeks ended 26 September 2015 £000s	39 weeks ended 27 September 2014 £000s
Revenue	2	230,772	208,484
Cost of sales		(87,201)	(75,676)
Gross profit		143,571	132,808
Distribution costs		(30,382)	(26,234)
Administrative expenses		(105,574)	(85,955)
Other operating income	3	632	873
Operating profit		8,247	21,492
Adjusted EBITDA ⁽¹⁾	2	51,417	51,671
Less: Exceptional items (non-finance)	4	(4,078)	(1,151)
Less: Depreciation and amortisation ⁽¹⁾		(39,092)	(29,028)
Operating profit		8,247	21,492
Finance income	5	41	4
Finance expense	5	(25,626)	(23,249)
Movement in derivative financial instruments	4	-	(1,154)
Loss before tax		(17,338)	(2,907)
Adjusted loss before tax		(8,940)	6,019
Less: Exceptional items (non-finance)	4	(4,078)	(1,151)
Less: Exceptional items (finance)	4	(4,320)	(7,775)
Loss before tax		(17,338)	(2,907)
Income tax expense		-	(1,256)
Loss for the financial year		(17,338)	(4,163)
Loss attributable to:			
Owners of the company		(17,338)	(4,163)

(1) Adjusted EBITDA is defined as operating profit before interest, tax, depreciation and amortisation and exceptional items. For this purpose depreciation and amortisation includes hire stock asset disposals, hire stock write offs and customer losses.

The notes on pages F-8 to F-30 form part of these interim financial statements.

Hero Acquisitions Limited

Unaudited consolidated statement of other comprehensive income

	39 weeks ended 26 September 2015 £000s	39 weeks ended 27 September 2014 £000s
Loss for the financial period	(17,338)	(4,163)
<i>Items that may be reclassified to profit or loss:</i>		
Foreign currency translation differences arising on consolidation of foreign operations	(570)	(504)
Other comprehensive loss for the year, net of tax	(570)	(504)
Total comprehensive loss for the year	(17,908)	(4,667)
Attributable to owners of the Company	(17,908)	(4,667)

The notes on pages F-8 to F-30 form part of these interim financial statements.

Hero Acquisitions Limited

Unaudited consolidated statement of financial position

		26 September 2015	27 September 2014
	<i>Note</i>	£000s	£000s
ASSETS			
Non-current assets			
Intangible assets	6	152,819	141,808
Property, plant and equipment	7	183,433	143,178
Deferred tax assets	14	2,462	-
Trade and other receivables	9	60,682	-
		399,396	284,986
Current assets			
Inventories	8	8,083	6,072
Trade and other receivables	9	103,652	84,700
Cash	10	2,275	5,193
		114,010	95,965
Total assets		513,406	380,951
LIABILITIES			
Current liabilities			
Trade and other payables	11	(89,728)	(91,103)
Borrowings	12	(64,910)	(23,364)
Current tax liabilities		(945)	(1,821)
		(155,583)	(116,288)
Non-current liabilities			
Trade and other payables	11	(12,492)	(7,172)
Borrowings	12	(388,256)	(261,898)
Provisions	13	(14,840)	(15,166)
Deferred tax liabilities	14	(1,781)	(1,030)
		(417,369)	(285,266)
Total liabilities		(572,952)	(401,554)
Net liabilities		(59,546)	(20,603)
EQUITY			
Share capital	15	8,591	14,222
Share premium		-	143,068
Retained deficit		(68,137)	(177,893)
Total deficit attributable to owners of the company		(59,546)	(20,603)

The notes on pages F-8 to F-30 form part of these interim financial statements.

Hero Acquisitions Limited

Unaudited consolidated statement of changes in equity

	Note	Share capital £000s	Share premium £000s	Accumulated deficit £000s	Total equity £000s
At 27 December 2014					
Total comprehensive loss for the period					
Loss for the period		-	-	(17,338)	(17,338)
Foreign currency translation differences arising on consolidation of foreign operations		-	-	(570)	(570)
Total comprehensive loss for the period					
Transactions with owners recorded directly in equity					
Ultimate parent company IPO related bonus issue	15, 21	80,591	-	(80,591)	-
Ultimate parent company IPO related capital reorganisation	15, 21	(86,222)	(143,068)	229,290	-
Dividends paid to immediate parent company	21	-	-	(26,500)	(26,500)
At 26 September 2015					
		8,591	-	(68,137)	(59,546)
At 28 December 2013					
Total comprehensive loss for the period					
Loss for the period		-	-	(4,163)	(4,163)
consolidation of foreign operations		-	-	(504)	(504)
Total comprehensive loss for the period					
Transactions with owners recorded directly in equity					
At 27 September 2014					
		14,222	143,068	(177,893)	(20,603)

The notes on pages F-8 to F-30 form part of these interim financial statements.

Hero Acquisitions Limited

Unaudited consolidated statement of cash flows

	<i>Note</i>	39 weeks ended 26 September 2015	39 weeks ended 27 September 2014
		£000s	£000s
Cash flows from operating activities			
Loss before income tax		(17,338)	(2,907)
Adjustments for:			
– Amortisation		1,765	1,026
– Depreciation		29,503	22,525
– Loss on hire stock asset disposals, hire stock write offs and customer losses and equipment		7,997	5,448
		(173)	29
– Loss on financial instruments at fair value through profit or loss		-	1,154
– finance income		(41)	(4)
– finance expense		25,626	23,249
– Inventories		(1,260)	(199)
– Trade and other receivables		(13,194)	(15,340)
– Trade and other payables		(1,117)	9,426
– Provisions		(1,267)	544
Net cash flows from operating activities before changes in hire equipment		30,501	44,950
Purchase of hire equipment		(51,775)	(33,268)
Cash generated from operations		(21,274)	11,682
Net interest paid		(17,597)	(17,331)
Income tax received/(paid)		1,086	(713)
Net cash utilised in operating activities		(37,785)	(6,362)
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	18	(11,011)	(6,854)
Purchases of non hire property, plant, equipment and software		(12,638)	(9,849)
Net cash used in investing activities		(23,649)	(16,703)
Cash flows from financing activities			
Proceeds from borrowings (third parties)		48,000	218,000
Proceeds from borrowings (group undertakings)		118,909	-
Repayments of borrowings		(84,500)	(192,005)
Capital element of finance lease payments		(6,412)	(3,394)
Dividends paid to immediate parent company	21	(26,500)	-
Net cash received from financing activities		49,497	22,601
Net decrease in cash		(11,938)	(464)
Cash at the start of the period		5,858	2,871
Cash at the end of the period	10	(6,080)	2,407

The notes on pages F-8 to F-30 form part of these interim financial statements.

Hero Acquisitions Limited

Notes forming part of the unaudited interim financial statements

1. Accounting policies

a) Reporting entity

The Company is incorporated and domiciled in the United Kingdom.

These consolidated unaudited interim financial statements comprise the Company and its subsidiaries (the Group).

The Group is primarily involved in providing tool and equipment hire and related services in the United Kingdom and the Republic of Ireland.

b) Presentational currency

These unaudited interim financial statements are presented in pounds Sterling (£), which is the Group's presentational currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

c) Basis of preparation

These unaudited interim financial statements have been prepared on a historical cost basis, with the exception of derivative financial instruments which are measured at fair value on each reporting date.

These unaudited interim financial statements include all normal recurring adjustments that are, in the opinion of management, necessary for a fair presentation of the periods presented, and have been prepared applying the accounting policies and presentation that were applied in the Groups audited consolidated financial statements for the year ended 27 December 2014. They do not include all the information required for full annual financial statements.

The accounting policies set out below have been applied consistently to all periods presented in these unaudited interim financial statements.

d) Critical accounting estimates and judgements

In preparing these unaudited interim financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amount of assets, liabilities, income, expenses and other disclosures. The estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an ongoing basis.

Changes in accounting estimates may be necessary if there are changes in the circumstances on which the estimate was based, or as a result of new information or further information. Such changes are recognised in the period in which the estimate is revised.

Key assumptions about the future and key sources of estimation uncertainty that have a risk of causing a material adjustment to the carrying value of assets and liabilities over the next year are set out below.

Impairment of goodwill, intangible assets and property, plant and equipment

These assets are reviewed annually or more frequently if there is an indication of impairment to ensure that they are not carried above their estimated recoverable amounts. To assess if any impairment exists, estimates are made of the future cash flows expected to result from the use of the asset and its eventual disposal. Actual outcomes could vary from such estimates of discounted future cash flows.

Onerous lease provision

When an onerous lease has been identified the costs of exiting the lease and leaving the leased property are estimated by management and provided for. The actual costs of exiting the lease could vary from the estimates.

Fair value of acquired assets

When the Group acquires an entity the fair value of the acquired tangible and intangible assets needs to be estimated by management.

Useful economic life of assets

The Group's policy for applying useful economic lives and residual values of assets has been determined through applying historical experience and taking into consideration the nature of assets and their intended use.

Hero Acquisitions Limited

Notes forming part of the unaudited interim financial statements (continued)

1. Accounting policies (continued)

e) Going concern

Note 16 includes the Group's objectives, policies and processes for capital management and for financial risk management including market risk, credit risk and liquidity risk.

The directors have also considered the adequacy of the Group's debt facilities with specific regard to the following factors:

- there is no requirement to redeem any of the Senior Secured Notes until 1 August 2019
- the financial covenants relating to the revolving credit facility secured by the Group, and as detailed in note 16.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, and senior debt and interest repayments, show that the Group is expected to be able to operate within the level of its current facilities for the foreseeable future.

After reviewing the above, taking into account current and future developments and principal risks and uncertainties, and making appropriate enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing these unaudited interim financial statements.

f) Basis of consolidation

Subsidiaries are all entities over which the Company has control. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date, any gains or losses arising from such re-measurement are recognised in the profit or loss.

Any contingent consideration is measured at fair value at the acquisition date. If the contingent consideration is classified as equity then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of contingent consideration are recognised in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation.

g) Segment reporting

IFRS 8 *Operating segments* requires operating segments to be reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the management team, including the Chief Executive Officer, Chief Operating Officer and Chief Financial Officer.

For management purposes, the Group is organised into segments based on services provided, and information is provided to the management team on these segments for the purposes of resource allocation and segment performance management and monitoring.

The management team considers there to be two reportable segments:

- **HSS Core** – the provision of tool and equipment hire and related services
- **HSS Specialist** - the provision of generator, climate control, powered access, cleaning hire equipment and the provision of cleaning maintenance services, under specialist brands

All trading activity and operations are in the United Kingdom and the Republic of Ireland.

Hero Acquisitions Limited

Notes forming part of the unaudited interim financial statements (continued)

1. Accounting policies (continued)

h) Foreign currency translation

Foreign currency transactions are translated into Sterling, the Group's functional currency, using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign currency translation gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Foreign currency translation gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within finance income or finance expense. All other foreign currency translation gains and losses are presented in the income statement within administrative expenses.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's functional currency, Sterling, at foreign currency exchange rates ruling at the reporting date.

The revenues and expenses of foreign operations are translated at an average rate for the period, which approximates the foreign currency exchange rates ruling at the dates of the transactions. Exchange differences arising from the translation of foreign operations are reported in other comprehensive income.

i) Property, plant and equipment

Land and buildings comprise leasehold and freehold retail outlets, workshops and offices, and are stated at cost, less depreciation or provision for impairment where appropriate. Land is not depreciated and depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

- | | |
|---|--------------------------------|
| - Leasehold properties with less than fifty years unexpired | Over unexpired period of lease |
| - Freehold buildings and long leasehold properties | Over fifty years |
| - Plant and machinery | Two to ten years |
| - Materials and equipment held for hire | Two to ten years |

Materials and equipment held for hire purposes are stated at cost, less depreciation or provision for impairment where appropriate. Materials and equipment are written off over their useful economic life to the asset's residual value which is estimated at between ten percent of cost and nil. Profits or losses arising when customers are invoiced for loss of equipment held for hire purposes are calculated by reference to average written down values.

Gains and losses on disposals of materials and equipment held for hire are calculated as the difference between the proceeds received and the carrying amount of the asset and are recognised in profit or loss.

j) Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the difference between the fair value of the consideration transferred and the fair value of the acquired assets, liabilities and contingent liabilities.

Impairment of goodwill

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units (CGUs), or groups of CGUs that is expected to benefit from the synergies of the combination. A CGU is the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash flows of other assets or CGUs.

Goodwill impairment reviews are undertaken annually. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Hero Acquisitions Limited

Notes forming part of the unaudited interim financial statements (continued)

1. Accounting policies (continued)

j) Intangible assets (continued)

Intangible assets acquired on acquisition

When an acquisition is completed intangible assets are separately identified from goodwill and measured at fair value. Brands are valued using the relief from royalty method. Customer relationships are valued using the excess of earnings method.

The HSS brand was first established in the late 1950's, and therefore given its longevity the directors consider the HSS brand to have an indefinite life and it is not therefore amortised, but instead subjected to annual impairment testing using the relief from royalty methodology to calculate the fair value of the brand.

All other brands and customer relationships are amortised over their useful economic life. The directors have assessed the brands of ABird, UK Platforms, TecServ and Apex and estimated that they have useful economic lives of 20 years. The directors have estimated the customer relationship intangible assets recognised on the acquisition of Hero Acquisitions Limited, TecServ Cleaning Equipment Services Limited and Apex Generators Limited as having useful economic lives of 10 years.

Software development costs

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed four years.

Other intangible assets

Other intangible assets that are acquired by the Group that have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses. Other intangible assets are amortised over their useful economic life, and the amortisation charge is included in administrative expenses.

Impairment of intangible assets (excluding goodwill)

Impairment reviews are undertaken whenever events or changes in circumstances indicate their carrying value may not be recoverable. If the fair value of an intangible asset is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. Where an impairment loss subsequently reverses, the carrying amount is increased to the revised estimate, but restricted so that the increased amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. Any impairment losses or reversals are recognised immediately in the income statement.

k) Derivative financial instruments

Historically the Group has used a derivative financial instrument to manage its exposure to interest rate risk. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

A derivative is presented as a non-current asset or non-current liability if the remaining maturity of the instrument is more than one year and is not expected to be realised or settled within one year. Where this is not the case, derivatives are presented as current assets or current liabilities.

Hero Acquisitions Limited

Notes forming part of the unaudited interim financial statements (continued)

1. Accounting policies (continued)

l) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Provision is made for those inventory items where the net realisable value is estimated to be lower than cost. Net realisable value is based on both historical experience and assumptions regarding estimated future sales value.

m) Trade receivables

Trade and other receivables are recognised initially at fair value, which is deemed to be the transaction price. Subsequently, trade and other receivables are measured at amortised cost using the effective interest method, less any provision for impairment.

n) Cash

In the statement of cash flows, cash includes cash in hand, deposits held at call with banks and bank overdrafts. In the statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

o) Share capital

Share capital

Financial instruments used by the Group are classified as equity only to the extent that they do not meet the definition of a financial asset or a financial liability. The Group's ordinary shares and preference shares are classified as equity instruments. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Share premium

The amount subscribed for share capital in excess of nominal value, less any costs directly attributable to the issue of new shares

Retained earnings/accumulated deficit

Cumulative net gains and losses recognised in the income statement.

Dividends

Dividends on ordinary share capital are recognised as a liability in the Group's financial statements in the period in which they are declared by the Company. In the case of interim dividends, these are considered to be declared when they are paid and in the case of final dividends these are declared when authorised by the shareholders.

p) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognised initially at fair value and subsequently measured at amortised cost. Trade payables are classified as current liabilities if payment is due within one year or less, otherwise they are presented as non-current liabilities.

q) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

r) Cost of sales, distribution costs and administrative expenses

Cost of sales includes direct costs associated with the Group's principal business of equipment hire. Such costs include hire stock rehire, cost of reselling plant and equipment, maintenance, depreciation, amortisation and asset write off and disposals. Distribution expenses comprise vehicle costs and transport wages. Administrative expenses comprise principally staff and property costs and costs of acquisitions.

Hero Acquisitions Limited

Notes forming part of the unaudited interim financial statements (continued)

1. Accounting policies (continued)

s) Earnings before interest, taxation, depreciation and amortisation (EBITDA) and Adjusted EBITDA

EBITDA and Adjusted EBITDA are non-IFRS and non-Generally Accepted Accounting Policy (GAAP) performance measures used by management to assess the operating performance of the Group. EBITDA is defined as operating profit before interest, tax, depreciation, amortisation and hire stock disposals and write offs. Exceptional items are excluded from EBITDA to calculate Adjusted EBITDA. The directors primarily use the Adjusted EBITDA measure when making decisions about the Group's activities. As these are non-GAAP measures, Adjusted EBITDA and Adjusted operating profit measures used by other entities may not be calculated in the same way and are hence not directly comparable.

t) Finance income and expense

Finance income comprises interest received on cash balances.

Finance expense comprises interest payable on borrowings, interest payable on finance leases, amortisation and write off of debt issuance costs and the unwinding of the discount on non-current provisions.

Interest is recognised in profit or loss as it accrues, using the effective interest rate. Interest payable on borrowings includes a charge in respect of attributable transaction costs, which are recognised in profit or loss over the period of the borrowings on an effective interest basis. The interest expense component of finance lease payments is recognised in the income statement using the lease's implicit interest rate.

u) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the statement of financial position. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liabilities where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Hero Acquisitions Limited

Notes forming part of the unaudited interim financial statements (continued)

1. Accounting policies (continued)

v) Employee benefits

Short term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Pension obligations

The Group operates employee optional stakeholder retirement and death benefit schemes. Both employee and employers are required to make contributions with the employers' contributions for each employee determined by the level of contribution made by the employee and the employee's length of service within the Group or subsidiary company. The employer's contributions are charged to profit and loss in the year in which the contributions are due.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 *Provisions, contingent liabilities and contingent assets* (IAS 37) and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 1 year after the end of the reporting period are discounted to their present value.

w) Provisions

Provisions for onerous leases, restructuring costs and legal claims are recognised when:

- the Group has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated

Provisions for dilapidation are recognised in full when the related facilities are installed. A corresponding amount equivalent to the provision is also recognised as part of the cost of the related property. The amount recognised is the estimated cost of dilapidations, discounted to its net present value, and is reassessed each year in accordance with local conditions and requirements. Changes in the estimated timing of dilapidations or dilapidations cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to property, plant and equipment. The unwinding of the discount on the dilapidations provision is included as a finance expense.

Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

x) Revenue recognition

The Group's activities consist of supplying hire and equipment services within the UK and the Republic of Ireland. Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods and services supplied, stated net of discounts, rebates, returns and value added taxes.

The Group recognises revenue when the amount of revenue can be reliably measured when it is probable that future economic benefits will flow to the entity. Revenue is recognised as follows:

- | | |
|--|---|
| - hire activities | over the period of hire on a straight line basis |
| - damaged/lost hire stock compensation | when the loss or damage is identified |
| - training and support services | when a right to consideration arises on the delivery of the training course |

Revenue arising from the sale of ex-hire fleet assets, fuel and consumables is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

Hero Acquisitions Limited

Notes forming part of the unaudited interim financial statements (continued)

1. Accounting policies (continued)

y) Leases

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have transferred to the Group, and hire purchase contracts are capitalised in the balance sheet and are depreciated over the shorter of useful life and lease term with any impairment being recognised in accumulated depreciation. Leased assets are recorded at an amount equal to the lower of its fair value and the present value of the minimum lease payments at the inception of finance leases. The capital elements of future obligations under leases and hire purchase contracts are included in liabilities in the statement of financial position and analysed between current and non-current amounts. The interest elements of the obligations are charged to the income statement over the periods of the leases and hire purchase contracts so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Operating lease rentals are charged to the income statement on a straight-line basis over the lease term.

Lease incentives are recorded as a liability and then recognised over the lease term on straight line basis in the income statement as a reduction of rental expense.

z) Exceptional items

Exceptional items are disclosed separately in the income statement where it is necessary to do so to provide further understanding of the financial performance of the Group. Exceptional items are items of income or expense that have been shown separately due to the significance of their nature or amount and include acquisition costs, fair value movements on derivative financial instruments, restructuring costs and accelerated debt issuance costs.

aa) Credit note provision

The Group makes provision for credit notes raised after the end of the reporting period that relate to customer invoices raised before the end of the period, net of any impairment charges relating to the customer invoices.

bb) Fair value measurement

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Set out below is an analysis of the valuation method of the Group's financial instruments:

The different levels in the fair value hierarchy have been defined as follows:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within level 1 that are observable, for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Fair values have been determined for measurement purposes based on the following methods:

Derivative instruments (level 2)

The fair values of interest rate swaps are calculated as the present value of the estimated future cash flows based on the terms and maturity of each contract and using market interest rates as applicable for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty where appropriate.

The fair value of interest rate swap contracts are calculated by management based on external valuations received from the Group's bankers and is based on anticipated future interest yields.

Hero Acquisitions Limited

Notes forming part of the unaudited interim financial statements (continued)

2. Segmental reporting

As explained in note 1g, the management team considers the operating and reportable segments to be HSS Core and HSS Specialist. All segment revenue, operating profit, assets and liabilities are attributable to the principal activity of the Group being the provision of tool and equipment hire and related services in the United Kingdom and the Republic of Ireland. The group has no single external customers that provide more than 10% of the group's turnover.

	39 weeks ended 26 September 2015		
	HSS Core £000s	HSS Specialist £000s	Total £000s
Total revenue from external customers	196,587	34,185	230,772
Adjusted EBITDA	33,534	17,883	51,417
Depreciation and amortisation	(28,787)	(10,305)	(39,092)
Exceptional items (non-finance)	(3,655)	(423)	(4,078)
Segment operating (loss)/profit	1,092	7,155	8,247
Finance income			41
Adjusted finance expense			(21,306)
Exceptional finance expense			(4,320)
Movement in derivative financial instruments			-
Loss before tax			(17,338)
Income tax expense			-
Loss after tax			(17,338)
Total assets	399,635	113,771	513,406
Total liabilities	534,865	38,087	572,952
Additions to non-current assets in the period (including acquisitions)			
Intangible assets	3,440	9,202	12,642
Property, plant and equipment	49,293	24,827	74,120
Total	52,733	34,029	86,762

Hero Acquisitions Limited

Notes forming part of the unaudited interim financial statements (continued)

2. Segmental reporting (continued)

	39 weeks ended 27 September 2014		
	HSS Core £000s	HSS Specialist £000s	Total £000s
Total revenue from external customers	<u>181,677</u>	<u>26,807</u>	<u>208,484</u>
Adjusted EBITDA	38,139	13,532	51,671
Depreciation and amortisation	(21,319)	(7,709)	(29,028)
Exceptional items (non-finance)	(1,702)	551	(1,151)
Segment operating profit	<u>15,118</u>	<u>6,374</u>	<u>21,492</u>
Finance income			4
Adjusted finance expense			(16,628)
Exceptional finance expense			(6,621)
Movement in derivative financial instruments			(1,154)
Loss before tax			<u>(2,907)</u>
Income tax expense			<u>(1,256)</u>
Loss after tax			<u>(4,163)</u>
Total assets	<u>300,224</u>	<u>80,727</u>	<u>380,951</u>
Total liabilities	<u>366,318</u>	<u>35,236</u>	<u>401,554</u>
Additions to non-current assets in the period (including acquisitions)			
Intangible assets	2,405	5,129	7,534
Property, plant and equipment	44,171	27,391	71,562
Total	<u>46,576</u>	<u>32,520</u>	<u>79,096</u>

3. Other operating income

	39 weeks ended 26 September 2015 £000s	39 weeks ended 27 September 2014 £000s
Property rental income	<u>632</u>	873
	<u>632</u>	<u>873</u>

Hero Acquisitions Limited

Notes forming part of the unaudited interim financial statements (continued)

4. Exceptional items

Items of income or expense have been shown as exceptional either because of their size or nature or because they are non-recurring. An analysis of the amount presented as exceptional items in the consolidated income statement is given below.

	39 weeks ended 26 September 2015 £000s	39 weeks ended 27 September 2014 £000s
<i>Restructuring and acquisition costs</i>		
Included in administrative expenses	4,078	1,151
	4,078	1,151
<i>Refinancing costs</i>		
Included in finance expense	4,320	6,621
	4,320	6,621
<i>Fair value movement on derivative financial instruments</i>		
Included in finance expense	-	1,154
	-	1,154
Exceptional items	8,398	8,926

Restructuring costs

During the periods presented in these unaudited interim financial statements the Group has incurred costs in relation to the restructuring of the business and its operations. The costs included in administrative expenses are associated with a cost rebasing programme being undertaken across the group, of £1.6m (39 weeks ended 27 September 2014: Nil), with non-trading stores (including onerous leases and dilapidations), of £1.8 million (39 weeks ended 27 September 2014: £1.0 million) and costs associated with acquisitions in the period of £0.6 million (39 weeks ended 27 September 2014: £0.2 million).

Refinancing costs

In the period ended 27 September 2014 the Group incurred costs associated with restructuring its debt. These costs were in relation to the acceleration of the write off of previous debt issuance costs, and are net of £0.5 million received in relation to the early cancellation of an interest rate swap. In the period ended 26 September 2015 £4.3 million was charged to the income statement relating to the early partial redemption of the senior secured note using part of the funds raised from the IPO.

Fair value movement on derivative financial instruments

The Group took out an interest rate swap in 2012 to fix LIBOR interest at 0.959% in respect of £120 million of the senior debt which was due to expire on 26 November 2016. The movements in the fair value of the interest rate swap have been taken to profit and loss and presented as exceptional items. The interest rate swap was cancelled in the period ended 27 September 2014 as part of the 2014 debt restructuring hence there is no similar charge in the period ended 26 September 2015.

Hero Acquisitions Limited

Notes forming part of the unaudited interim financial statements (continued)

5. Finance income and expense

	39 weeks ended 26 September 2015 £000s	39 weeks ended 27 September 2014 £000s
Interest received on cash deposits	(41)	(4)
Finance income	(41)	(4)
Bank loans and overdrafts	851	995
Interest on amounts due to group undertakings	10,803	5,175
Senior secured notes	7,422	8,655
Finance leases	1,015	731
Interest unwind on discounted provisions	212	165
Debt issue costs	1,003	907
Bond redemption premium	4,320	-
Debt break fees and acceleration of issue costs	-	6,621
Finance expense	25,626	23,249
Net finance expense	25,585	23,245

The bond redemption premium charged to the income statement in 2015 relates to the early partial redemption of the senior secured note using part of the funds raised from the IPO.

The debt break fees and issue costs charged to the income statement in 2014 arose as a result of the bond issue and refinancing undertaken.

Hero Acquisitions Limited

Notes forming part of the unaudited interim financial statements (continued)

6. Intangible assets

	Goodwill £000s	Customer relationships £000s	Brands £000s	Software £000s	Total £000s
Cost					
At 27 December 2014	135,039	1,200	1,610	10,032	147,881
Additions	-	-	-	3,440	3,440
Acquired on acquisition	7,226	1,344	632	-	9,202
Disposals	-	-	-	-	-
At 26 September 2015	142,265	2,544	2,242	13,472	160,523
Amortisation					
At 27 December 2014	-	101	109	5,729	5,939
Charge for the period	-	120	87	1,558	1,765
Disposals	-	-	-	-	-
At 26 September 2015	-	221	196	7,287	7,704
Net book value					
At 26 September 2015	142,265	2,323	2,046	6,185	152,819

Details of intangible assets acquired in the period are provided in note 18.

	Goodwill £000s	Customer relationships £000s	Brands £000s	Software £000s	Total £000s
Cost					
At 28 December 2013	131,100	300	1,320	7,084	139,804
Additions	-	-	-	2,405	2,405
Acquired on acquisition	3,939	900	290	-	5,129
Disposals	-	-	-	(21)	(21)
At 27 September 2014	135,039	1,200	1,610	9,468	147,317
Amortisation					
At 28 December 2013	-	3	48	4,432	4,483
Charge for the period	-	67	57	902	1,026
Disposals	-	-	-	-	-
At 27 September 2014	-	70	105	5,334	5,509
Net book value					
At 27 September 2014	135,039	1,130	1,505	4,134	141,808

All goodwill arising on business combinations has been allocated to the CGUs that are expected to benefit from those business combinations. The Group tests goodwill and indefinite life brands annually for impairment.

Analysis of goodwill by cash generating units

	Goodwill £000s	Total £000s
Allocated to		
HSS Core	123,729	123,729
Powered access	4,114	4,114
Climate control	8,369	8,369
Power generation	6,053	6,053
At 26 September 2015	142,265	142,265

Hero Acquisitions Limited

Notes forming part of the unaudited interim financial statements (continued)

7. Property, plant and equipment

	Land and Buildings £000s	Plant and Machinery £000s	Materials and Equipment held for hire £000s	Total £000s
Cost				
At 29 December 2014	49,984	51,122	222,577	323,683
Foreign exchange differences	(6)	(65)	(806)	(877)
Additions	8,545	5,294	57,371	71,210
Acquired on acquisition	32	179	2,699	2,910
Disposals	(110)	(117)	(19,506)	(19,733)
At 26 September 2015	58,445	56,413	262,335	377,193
Accumulated depreciation				
At 29 December 2014	31,533	41,136	103,802	176,471
Foreign exchange differences	-	(54)	(536)	(590)
Charge for the period	2,811	2,791	23,901	29,503
Disposals	-	(115)	(11,509)	(11,624)
At 26 September 2015	34,344	43,758	115,658	193,760
Net book value				
At 26 September 2015	24,101	12,655	146,677	183,433
At 29 December 2014	18,451	9,986	118,775	147,212
Cost				
At 28 December 2013	43,836	46,237	169,514	259,587
Foreign exchange differences	(5)	(73)	(781)	(859)
Additions	3,870	3,572	60,527	67,969
Acquired on acquisition	-	109	3,484	3,593
Disposals	(25)	(2)	(16,772)	(16,799)
At 27 September 2014	47,676	49,843	215,972	313,492
Accumulated depreciation				
At 28 December 2013	28,411	38,594	92,705	159,710
Foreign exchange differences	-	(52)	(529)	(581)
Charge for the period	2,479	2,099	17,947	22,525
Disposals	(1)	(15)	(11,325)	(11,341)
At 27 September 2014	30,889	40,626	98,798	170,313
Net book value				
At 27 September 2014	16,787	9,217	117,174	143,178
At 28 December 2013	15,425	7,643	76,809	99,877

The net book value of materials and equipment held for hire includes an amount of £19.3 million (27 September 2014: £11.7 million) in respect of assets held under finance leases. The depreciation charge for assets held under finance leases in the period ended 26 September 2015 was £3.4 million (period ended 27 September 2014: £2.9 million).

Hero Acquisitions Limited

Notes forming part of the unaudited interim financial statements (continued)

8. Inventories

	26 September 2015 £000s	27 September 2014 £000s
Goods for resale	6,852	5,112
Spares	2,728	2,140
Total inventories	9,580	7,252
Provision for impairment	(1,497)	(1,180)
Inventories	8,083	6,072
	Period ended 26 September 2015	Period ended 27 September 2014
	£000s	£000s
Provision for impairment of inventories		
Balance at the beginning of the period	1,457	1,180
Utilisation of provisions	(24)	-
Impairment provisions recognised during the period	64	-
Balance at the end of the period	1,497	1,180

The cost of inventories recognised as an expense and included in cost of sales in the period is £10.8 million (period ended 27 September 2014: £9.0 million).

9. Trade and other receivables

	26 September 2015 £000s	27 September 2014 £000s
Non-current		
Amounts due from group undertakings (note 19)	60,682	-
	60,682	-
Current		
Gross trade receivables	83,430	71,621
Less provision for impairment	(3,572)	(3,371)
Net trade receivables	79,858	68,250
Other debtors	325	766
Prepayments and accrued income	18,438	14,360
Corporation tax	750	167
Amounts due from group undertakings (note 19)	4,281	1,157
	103,652	84,700

The provision for impairment of trade receivables is estimated based upon past default experience and the directors' assessment of the current economic environment, and includes provisions for credit notes raised after year end for customer invoices issued before year end (see note 1aa). The creation and release of bad debt receivables provision is charged/ (credited) to administrative expenses in the income statement, and the credit note provision is charged/ (credited) to revenue.

Hero Acquisitions Limited

Notes forming part of the unaudited interim financial statements (continued)

9. Trade and other receivables (continued)

The following table details the movements in the provision for impairment of trade receivables.

	Period ended 26 September 2015	Period ended 27 September 2014
	£000s	£000s
Balance at the beginning of the period	(3,514)	(2,610)
Movement in provision	(58)	(761)
Balance at the end of the period	(3,572)	(3,371)

10. Cash

	26 September 2015 £000s	27 September 2014 £000s
Cash and cash equivalents	(6,080)	2,407

The Group's banking arrangements are subject to a master netting arrangement with their principal bankers. The net balance of a portfolio of accounts, some of which may be in overdraft and some may be in credit, represents the balance held.

11. Trade and other payables

	26 September 2015 £000s	27 September 2014 £000s
Current		
Obligations under finance leases	7,366	5,127
Trade payables	58,045	54,420
Other taxes and social security costs	6,541	7,392
Other creditors	3,383	2,681
Accrued interest on borrowings	1,435	2,309
Accruals and deferred income	12,958	19,174
	89,728	91,103
Non-current		
Obligations under finance lease	12,492	7,172
	12,492	7,172

Hero Acquisitions Limited

Notes forming part of the unaudited interim financial statements (continued)

12. Borrowings

	26 September 2015 £000s	27 September 2014 £000s
Current		
Revolving credit facility	47,000	18,000
Bank overdraft	8,355	2,786
Amounts due to group undertakings	9,555	2,578
	<u>64,910</u>	<u>23,364</u>
Non-current		
Senior secured note	130,947	193,599
Amounts due to group undertakings	257,309	68,299
	<u>388,256</u>	<u>261,898</u>
Nominal value of the Group's loans		
	26 September 2015 £000s	27 September 2014 £000s
Secured senior note	136,000	200,000
Amounts due to group undertakings	266,864	70,877
	<u>402,864</u>	<u>270,877</u>

As referred to in note 21, as part of the IPO the Group executed a number of board approved loans which fall due for repayment in 2020, and carry fixed interest rates of 10% and 6.75%. The secured senior note is a 6.75% fixed rate bond maturing in 2019, is listed on the Luxembourg stock exchange, and is secured by liens on certain assets.

Interest rates on the Group's variable interest loan

	26 September 2015 % above LIBOR	27 September 2014 % above LIBOR
Amounts due to group undertakings	3.75%	-
Revolving credit facility	2.00%	2.50%

Interest rates on the Group's fixed interest loans

	26 September 2015 Fixed rate	27 September 2014 Fixed rate
Secured senior note	6.75%	6.75%
Amounts due to group undertakings	10% & 6.75%	10.00%

After the balance sheet date the group has obtained additional commitments under its revolving credit facility. Please refer to post balance sheet event note 20.

Hero Acquisitions Limited

Notes forming part of the unaudited interim financial statements (continued)

12. Borrowings (continued)

The Group's borrowings have the following maturity profile:

	26 September 2015 £000s	27 September 2014 £000s
Less than one year	9,180	13,500
Two to five years	434,223	54,000
Over five years	178,262	360,090
	621,665	427,590
Less interest cash flows:		
Senior secured note	(41,310)	(67,500)
Amounts due to group undertakings	(177,491)	(89,213)
Total principal cash flows	402,864	270,877

13. Provisions

	Non-trading stores £000s	Dilapidations £000s	Other £000s	Total £000s
At 27 December 2014	7,017	7,854	21	14,892
Additions		1,587		1,587
Utilised during the period	(1,156)	(695)		(1,851)
Unwind of provision	137	75		212
At 26 September 2015	5,998	8,822	21	14,840
At 28 December 2013	9,308	5,610	21	14,939
Additions	132	1,512	-	1,644
Utilised during the period	(2,582)	-	-	(2,582)
Unwind of provision	93	72	-	165
At 27 September 2014	6,951	7,194	21	14,166

Provisions for non-trading stores relate to property provisions for the current value of contractual liabilities the Group has in respect of leasehold premises. These liabilities are for future rent and rates payments on premises the Group no longer operationally uses, and are expected to arise over periods of up to 8 years.

The dilapidations provisions represent dilapidation costs in respect of the Group's leasehold properties, and will therefore arise over the lease lives of the Groups properties. There are inherent uncertainties in measuring the provisions of the future outflows.

Hero Acquisitions Limited

Notes forming part of the unaudited interim financial statements (continued)

14. Deferred tax

Deferred tax is provided in full on taxable temporary differences under the liability method using applicable tax rates. Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

	Tax losses £000s	Derivative financial instruments £000s	Property, plant and equipment and other items £000s	Acquired intangible assets £000s	Total £000s
Deferred tax assets	2,400	-	62	-	2,462
Deferred tax liabilities	-	-	(523)	(632)	(1,155)
At 27 December 2014	2,400	-	(461)	(632)	1,307
Arising on Acquisition	-	-	(231)	(395)	(626)
At 27 September 2015	2,400	-	(692)	(1,027)	681
Deferred tax assets	2,400	-	62	-	2,462
Deferred tax liabilities	-	-	(754)	(1,027)	(1,781)
At 27 September 2015	2,400	-	(692)	(1,027)	681
Deferred tax assets	-	-	-	-	-
Deferred tax liabilities	-	(248)	(150)	(315)	(713)
At 28 December 2013	-	(248)	(150)	(315)	(713)
Arising on Acquisition	-	-	-	(317)	(317)
At 26 September 2014	-	(248)	(150)	(632)	(1,030)
Deferred tax assets	-	-	-	-	-
Deferred tax liabilities	-	(248)	(150)	(632)	(1,030)
At 26 September 2014	-	(248)	(150)	(632)	(1,030)

15. Share capital

Nominal value of ordinary shares

	Ordinary shares of £1 each £000s	A Ordinary shares at £0.0001 each £000s	Total £000s
At 27 December 2014	14,208	14	14,222
IPO related bonus issue (note 21)	80,510	81	80,591
IPO related capital reorganisation (note 21)	(86,222)	-	(86,222)
At 26 September 2015	8,496	95	8,591

	Ordinary shares of £1 each £000s	A Ordinary shares at £0.0001 each £000s	Total £000s
At 28 December 2013	14,208	14	14,222
Issued during the period	-	-	-
At 27 September 2014	14,208	14	14,222

Hero Acquisitions Limited

Notes forming part of the unaudited interim financial statements (continued)

15. Share capital (continued)

Number of ordinary shares

	Ordinary shares of £1 each Number	A Ordinary shares of £0.0001 each Number	Total Number
At 27 December 2014	14,207,723	143,082,605	157,290,328
IPO related bonus issue (note 21)	80,510,419	810,801,417	891,311,836
IPO related capital reorganisation (note 21)	(86,222,030)	-	(86,222,030)
At 26 September 2015	8,496,112	953,884,022	962,380,134

	Ordinary shares of £1 each Number	A Ordinary shares of £0.0001 each Number	Total Number
At 28 December 2013	14,207,723	143,082,605	157,290,328
Issued during the period	-	-	-
At 27 December 2014	14,207,723	143,082,605	157,290,328

The voting rights and restrictions attached to the Ordinary and A Ordinary are as described in the Articles of Association of Hero Acquisitions Limited, and in summary the holders of Ordinary and A Ordinary shares are entitled to dividend distributions in proportion to the number of shares held, and all shares rank pari passu for voting rights. As disclosed in the consolidated changes in equity statement, an interim dividend of £26,500,000 was proposed and paid to Hampshire Bidco Ltd on 10 February 2015. Further details of the capital reorganisation are disclosed in note 21

16. Financial instruments

Financial risk management

The Group holds and uses financial instruments to finance its operations and to manage its interest rate and liquidity risks. The Group primarily finances its operations using share capital, revenue and borrowings.

The Group's activities expose it to a variety of financial risks: market risk (interest rate risk and foreign exchange risk), credit risk and liquidity risk.

Risk management is carried out under policies approved by the board of directors. Financial risk management is carried out by the Chief Financial Officer under a policy approved by the board. The board approves written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and liquidity risk and receives regular reports on such matters.

The Group does not engage in trading or speculative activities using derivative financial instruments.

Market risk

Market risk is the risk that changes in prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments.

Interest rate risk

Interest rate risk is the risk of a change in the Group's cash flows due to a change in interest rates. The Group completed a refinancing in February 2014 and the Group's borrowings are now principally fixed rate notes. The Group is only exposed to interest rate risk on its variable interest borrowings such as the Group's overdraft and other short term borrowings, and given the low value of these balances the directors do not consider this to be a significant risk to the Group.

Foreign exchange risk

Foreign exchange risk is the risk of a change in the Group's cash flows due to a change in foreign currency exchange rate. The Group is exposed to foreign currency exchange rate risk on the cash flows and carrying values of its Republic of Ireland subsidiaries. Given the relative small size of the Republic of Ireland operations compared to the Group the directors do not consider this to be a significant risk to the Group.

Hero Acquisitions Limited

Notes forming part of the unaudited interim financial statements (continued)

16. Financial instruments (continued)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counter party to a financial instrument fail to meet its contractual obligations, and arises principally from the Group's receivables from customers.

The directors consider the Group's credit risk from cash, cash equivalents and deposits to be low as the Group only enters transactions with banks or financial institutions with a credit rating of A or above.

The Group has policies in place to manage potential credit risk from trade receivables. Customer credit terms are determined using independent ratings agency data and regularly updated to reflect any changes in customer circumstances or trading conditions. If no independent rating is available an internal assessment is made of the credit quality of the customer, taking into account their financial position and past trading history of the Group. The directors do not expect any significant losses of receivables that have not been provided for as shown in note 9.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group finance department regularly monitors forecasts of the Groups liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (note 12) at all times so that borrowing limits or covenants on borrowing facilities are not breached.

The financial covenant in place on the Group's revolving credit facility at 26 September 2015 is a minimum EBITDA of £35 million on a rolling twelve month basis.

Capital Management

The Group relies on capital for organic and acquisitive growth, the purchase of rental equipment to replace equipment that has reached the end of its useful economic life and to secure and establish new rental locations and branches.

The Group defines capital as equity as shown in the statement of financial position plus net debt (total borrowings less cash) and seeks to return an acceptable return on gross capital.

The Group manages its capital structure using a number of measures and taking into account its future strategic plans. Such measures include ensuring the Group maintains sufficient liquidity and compliance with a bank covenant. In addition to the cash that the Group has generated from its operations, over recent years it has renegotiated its debt structure including the issue of a fixed interest rate bond, fixed term loan notes and secured shorter term bank borrowing through a revolving credit facility.

The principal bank covenant is to maintain a rolling EBITDA of £35 million on a rolling basis. For the 52 week period ended 27 December 2014 EBITDA was £69.4 million and adjusted EBITDA was £71.2 million.

Fair value

Financial assets comprise trade and other receivables, cash and cash equivalents and derivative financial instruments.

Financial liabilities comprise trade and other payables, obligations under finance leases, borrowings and derivative financial instruments.

Hero Acquisitions Limited

Notes forming part of the unaudited interim financial statements (continued)

17. Commitments and contingencies

The Group's commitments under non-cancellable operating leases are set out below:

	26 September 2015 £000s	27 September 2014 £000s
Land and buildings		
Within one year	15,180	15,657
Between two and five years	45,433	48,903
After five years	25,920	32,662
	86,533	97,221
Other		
Within one year	6,975	6,031
Between two and five years	11,569	8,466
	18,544	14,497
	105,077	111,718

The Group's future minimum sub-lease rental income expected to be received under non-cancellable operating leases is as follows:

	26 September 2015 £000s	27 September 2014 £000s
Sub-lease rental income		
Within one year	982	1,082
Between two and five years	2,039	2,742
After five years	574	850
	3,595	4,674

18. Business combinations

Acquisitions in the period

On 8 May 2015, the Group acquired the entire share capital of All Seasons Hire Limited, one of the leading heating, ventilation and air-conditioning ("HVAC") hire companies in the UK. The primary reason for the acquisition was to acquire a specialist HVAC hire business. The main factor leading to the recognition of goodwill was the expected operational efficiencies through economies of scale. Management are in the process of completing a valuation of the intangible and tangible assets and liabilities that have been acquired, and therefore at 26 September 2015 the valuation of intangible assets is included within goodwill.

The details of the provisional estimated fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	Fair value £000s
Intangible assets	1,976
Property, plant and equipment	2,910
Trade and other receivables	1,351
Cash at bank and in hand	317
Creditors and provisions	(2,544)
Net assets acquired	4,010
Goodwill	6,788
Total consideration	10,798
Satisfied by	
Cash	10,798

In addition a further immaterial acquisition was made in the period ended 26 September 2015, and this gave rise to goodwill of £438,000.

Hero Acquisitions Limited

Notes forming part of the unaudited interim financial statements (continued)

19. Related party transactions

At 26 September 2015, the group owed £78.3m (2014: £70.9m) to Hampshire Bidco Limited, the Company's immediate holding company, of which £2.9m is current (2014: £2.6m) and £75.4m is non-current (2014: £68.3m).

At 26 September 2015, the group owed £93.4m (2014: £nil) to Hampshire Topco Limited, the Company's previous ultimate holding company, now the Company's intermediate holding company. At 26 September 2015, Hampshire Topco Limited owed the group £2.5m (2014: £nil).

At 26 September 2015, the group owed £95.1m to HSS Hire Group plc, the Company's ultimate holding company.

At 26 September 2015, the group was owed £62.5m (2014: £1.1m) by Hampshire Midco Limited, the Company's intermediate holding company, of which £1.8m is current (2014: £1.1m) and £60.7m is non-current (2014: £nil).

During the period the Group paid interest of £10.8m (2014: £5.2m) to other group companies.

20. Events after the reporting date

On the 25 November 2015 Hero Acquisitions Limited obtained £20.0m of additional commitments under its revolving credit facility agreement. These previously uncommitted facilities, have the same margin and termination date as per the initial revolving credit facility. As permitted by the indenture governing the Notes the Company has also securitised a number of its existing assets, the proceeds from which will be used to partially repay drawings under the revolving credit facility.

On 1 October 2015 the ultimate parent company of the Group, HSS Hire Group Plc paid an interim dividend of £0.9m.

21. Capital restructuring

As explained in note 1e, in February 2015 the Group's ultimate parent company undertook an IPO resulting in £103 million of gross proceeds being raised. As part of the IPO process, the Company passed special resolutions giving effect to the capital reorganisation outlined in the consolidated statement of changes in equity.

On 9 February, the Group, its ultimate parent company and its previous ultimate parent company executed a number of board approved loans which allowed the Group to discharge existing loans as well as to effect the early redemption of £64 million of its 6.75% bond as summarised in note 12.

On 10 February the following intra group dividends were paid in full from distributable reserves:

- HSS Hire Service Group Limited paid an interim 2015 dividend of £8.5 million to its immediate parent company HSS Hire Service Finance Limited;
- HSS Hire Service Finance Ltd paid an interim 2015 dividend of £83.5 million to its immediate parent company HSS Hire Service Holdings Limited;
- HSS Hire Service Holdings Ltd paid an interim 2015 dividend of £80.6 million to its immediate parent company Hero Acquisitions Limited; and
- Following the capital reorganisation of Hero Acquisitions Limited, it paid an interim 2015 dividend of £26.5 million to its immediate parent company Hampshire Bidco Limited