HSS Financing plc

£200,000,000 6.75% Senior Secured Notes due 2019

Quarterly Report Q1 2014

For the 13 weeks ended 29 March 2014

3 June 2014

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Forward-looking statements

This quarterly 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 quarterly 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 quarterly 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.

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 quarterly report.

These factors include, among others, those discussed under “Risk Factors” in our Annual Report dated 25 April 2014. Our most recent Annual Report can be obtained from our corporate website, www.hsshiregroup.com.

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 quarterly report and we do not intend, and do not assume any obligation, to update forward-looking statements set forth in this quarterly 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 quarterly 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;
- "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;
- "HSS", "our", "us" and "we" are to the Company and its direct and indirect subsidiaries;
- "IFRS" are to the International Financial Reporting Standards as adopted by the EU;
- "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;
- "Notes" are to the Senior Secured Notes due 2019;
- "Revolving Credit Facility" are to the £60.0 million revolving credit facility made available pursuant to the Revolving Credit Facility Agreement;
- "Revolving Credit Facility Agreement" are to the revolving credit facility agreement governing the £60.0 million super senior revolving credit facility dated 30 January 2014;
- "SEC" are to the U.S. Securities and Exchange Commission;
- "Subordinated Shareholder Loans" are to the intercompany loans between Havana Midco Limited and the Company which mature in December 2022;
- "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, that we acquired 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

UK GAAP financial information

The historical and other financial information presented in this quarterly report have primarily been derived from the historical consolidated financial statements of the Company, which are included elsewhere in this quarterly 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.

Our consolidated financial statements as at and for the 13 week periods ended 30 March 2013 and 29 March 2014 are presented in accordance with UK GAAP. The results of operations for prior years are not necessarily indicative of the results to be expected for the full year or any future period.

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

References in this quarterly 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 quarterly report are presented in pound sterling.

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

Non-UK GAAP financial information

In addition to UK GAAP financial information, we have included certain non-UK GAAP financial measures and adjustments in this quarterly report, including Adjusted EBITA, EBITDA, Adjusted EBITDA, third-party debt, net third-party debt, capital expenditure and certain other financial measures and ratios. Non-UK GAAP financial measures are not required by or presented in accordance with UK GAAP. We have defined below each of the non-UK GAAP earnings measures and earnings adjustments that we have used in this quarterly 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-UK GAAP 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 quarterly report;
- "*net third-party debt*" means total third-party debt (as defined below) less cash; 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-UK GAAP 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. We have also presented adjusted third-party debt and pro forma cash interest expense measures, as we believe these measures more appropriately reflect to investors the financial position of and cost of debt to us in light of the present refinancing transactions.

However, these non-UK GAAP 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 UK GAAP measures. The non-UK GAAP 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-UK GAAP financial measures are calculated. The non-UK GAAP financial information contained in this quarterly 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-UK GAAP 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 UK GAAP.

Recent developments

On 31 March 2014, we acquired Apex Generators Ltd. Apex Generators is a specialist generator hire business operating primarily across Scotland with customers in the construction, house-building, event, industrial, marine and offshore sectors.

The acquisition was undertaken to support our existing specialist power division, which includes the ABird business and to enable us to serve a wider geographical area more effectively. It will also give both ABird and Apex greater ability to fulfil national power solution contracts. We plan to retain the Apex brand whilst investing in the business, which will include installing remote fleet management technology where possible to the Apex fleet. The acquisition was funded via drawings under our 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.

The historical consolidated profit and loss and balance sheet data as at and for the 13 week periods ended 30 March 2013 and 29 March 2014 presented below have been extracted or derived from the unaudited consolidated financial statements of the Company as at and for the 13 week periods ended 30 March 2013 and 29 March 2014, respectively which are included elsewhere in this quarterly report.

The results of operations and other financial and operating information for quarterly 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 quarterly report and discussed in "Presentation of financial and other information", and "Operating and financial review".

	13 week period ended	
(in millions of £)	**30 March 2013 (unaudited)**	**29 March 2014 (unaudited)**
Consolidated profit and loss data:		
Turnover	**48.6**	**62.9**
Cost of sales	(15.4)	(22.2)
Gross profit	**33.2**	**40.7**
Administrative expenses	(25.3)	(30.8)
Distribution expenses	(6.3)	(8.2)
Other operating income	0.3	0.3
Total operating profit	**1.8**	**2.1**
(Loss)/profit on sale of fixed assets	-	(0.0)
Profit on ordinary activities before interest and taxation	**1.8**	**2.0**
Interest receivable and similar income	0.0	0.0
Interest payable and similar charges[1]	(3.1)	(11.0)
Profit/(Loss) on ordinary activities before taxation	**(1.3)**	**(8.9)**
Tax on loss on ordinary activities	(0.7)	(0.7)
Loss for the period	**(2.0)**	**(9.6)**

(in millions of £)	**As at 30 March 2013 (unaudited)**	**As at 29 March 2014 (unaudited)**
Consolidated balance sheet data:		
Intangible fixed assets	110.9	108.5
Tangible fixed assets	66.4	108.7
of which: materials and equipment held for hire	*44.2*	*84.8*
Current assets	56.9	78.5
of which: trade debtors	*40.5*	*56.8*
Cash	*2.1*	*2.2*
Total assets[2]	**234.3**	**295.7**
Creditors: amounts falling due within one year	(42.8)	(66.0)
of which: trade creditors	*(15.7)*	*(32.9)*
Creditors: amounts falling due after more than one year	(217.4)	(263.4)
Provisions for liabilities and charges	(7.3)	(8.4)
Equity shareholders' deficit	**(33.2)**	**(42.0)**

	13 week period ended	
(in millions of £)	**30 March 2013 Company (unaudited)**	**29 March 2014 Company (unaudited)**
Consolidated cash flow data:		
Net cash inflow from operating activities	**5.5**	**6.9**
Net cash outflow from returns on investments and servicing of finance	(0.1)	(9.1)
Taxation (paid)/received	-	(0.7)
Net cash outflow from capital expenditure and financial	(4.0)	(9.6)

(in millions of £)	13 week period ended 30 March 2013 Company (unaudited)	13 week period ended 29 March 2014 Company (unaudited)
investment		
Net cash outflow from acquisitions and disposals	-	(2.0)
Net cash inflow/(outflow) before use of liquid resources and financing	**1.4**	**(14.5)**
Net cash inflow from management of liquid resources	-	-
Net cash inflow/(outflow) from financing	(0.4)	7.8
Increase/(decrease) in cash	**1.1**	**(6.8)**

(in millions of £, except for percentages and ratios or unless otherwise noted)	As at and for the 13 week period ended 30 March 2013 (unaudited)	As at and for the 13 week period ended 29 March 2014 (unaudited)
Other operating metrics:		
Number of trading branches(3)	233	249
Average turnover per trading branch (in '000 of £)(4)	213	258
Other historical financial data:		
Third-party debt(5)	141.0	216.3
Cash	2.1	2.2
Net third-party debt(6)	138.9	214.2
Capital expenditure(7)	6.1	16.1
EBITDA(8)	9.4	12.5
Adjusted EBITDA(9)	10.3	13.6

(1) Includes interest expense related to our Subordinated Shareholder Loans, as well as interest payable under our prior senior facilities agreements. This item also includes amortisation of issue costs (£6.4 million in the 13 week period ended 29 March 2014, £6.1 million of which relates to the accelerated amortisation of debt issue costs relating to our previous senior facilities as a result of the refinancing, and £0.2 million in the 13 week period ended 30 March 2013).

(2) Represents the aggregate of our intangible fixed assets, tangible fixed assets, investments and current assets.

(3) Number of trading branches is given at the end date of the period, and includes branches acquired as part of historic acquisitions, but does not include our "dark" stores. As at 30 December 2013 we held leases to 95 "dark" stores, which are our closed branches awaiting disposal, of which approximately 52% are either fully or partially sublet. As at 29 March 2014 we held leases to 91 "dark" stores, which are our closed branches awaiting disposal, of which approximately 58% are either fully or partially sublet.

(4) Average turnover per trading branch represents the turnover 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 loans and other borrowings excluding debt issue costs, (ii) bank overdrafts, (iii) obligations under our finance leases and (iv) accrued interest.

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

(in millions of £)	As at 30 March 2013 (unaudited)	As at 29 March 2014 (unaudited)
Bank overdraft	3.5	6.1
Obligations under finance leases	4.9	8.3
Accrued interest	2.5	1.9
Senior secured notes	-	200.0
Bank and other borrowings	130.0	-
Total third-party debt	**141.0**	**216.3**

(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 quarterly 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-UK GAAP financial information". EBITDA is not a measure of performance under UK GAAP 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 UK GAAP.

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

	13 week period ended	
	30 March 2013	29 March 2014
	(unaudited)	(unaudited)
(in millions of £)		
Loss for the financial period.....................	(2.0)	(9.6)
Tax on ordinary activities..........................	0.7	0.7
Interest payable and similar charges	3.1	11.0
Interest receivable and similar income......	(0.0)	(0.0)
Loss/(profit) on sale of fixed assets	-	0.0
Depreciation and amortisation	7.5	10.4
EBITDA..	**9.4**	**12.5**

(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 UK GAAP 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 UK GAAP.

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-UK GAAP 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 quarterly report.

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

	13 week period ended	
	30 March 2013	29 March 2014
	(unaudited)	(unaudited)
(in millions of £)		
EBITDA..	**9.4**	**12.5**
Exceptional costs[10]................................	1.0	1.2
Adjusted EBITDA..................................	**10.3**	**13.6**

(10) Our exceptional costs include certain transaction, restructuring and redundancy costs. Transaction costs consist of fees and expenses relating to our acquisitions. Restructuring costs 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. Redundancy costs consist of severance and related costs associated with the rationalisation of our operations. EBITDA and exceptional costs above do not include exceptional costs relating to our interest payable.

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 25 April 2014. 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 data presented in this discussion and analysis for the 13 week periods ended 30 March 2013 and 29 March 2014 has been extracted or derived from the unaudited consolidated financial statements of the Company as at and for the 13 week periods ended 30 March 2013 and 29 March 2014, respectively, including the related notes thereto, which are included elsewhere in this quarterly 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 quarterly report. The following discussion should also be read in conjunction with the sections entitled "Summary consolidated financial and other 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 quarterly 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 UK GAAP, but have been prepared on the basis of UK GAAP 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 UK GAAP.

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 tools 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 generates 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 31 March 2014 and is therefore not included in this quarterly report, was Apex Generators. Apex Generators is a specialist generator hire business operating primarily across Scotland, with customers in the construction, house-building, event, industrial, marine and offshore sectors. The acquisition was undertaken to support our existing specialist power division, which includes the ABird business and to enable us to serve a wider geographical area more effectively. It will also give both ABird and Apex greater ability to fulfil national power solution contracts.

Seasonality and cyclicality

The seasonality and cyclicality 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 13 week period ended 29 March 2014, we generated 8.5% of our turnover 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.

Description of key profit and loss account items

Turnover

Turnover represents our amounts receivable in respect of goods and services supplied, reduced by trade discounts that we offer and excluding value added tax. Where turnover relates to hire activities, revenue is recognised on a straight line basis over the period of hire. Revenue in respect of other items is recognised at the point of sale when a right to consideration arises. Turnover also includes revenue from customers in compensation for damage to and loss of our hire stock assets, payments received for the delivery of equipment and revenue from the training courses that we provide.

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 expenses

Distribution expenses 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 expenses 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.

(Loss)/profit on sale of fixed assets

Profit or loss on sale of fixed assets represents the accelerated write off of previously capitalised expenditure, such as of fixtures and fittings, at properties that we no longer occupy. This line item does not represent the profit or loss resulting from the sale of our hire stock assets.

Interest receivable and similar income

Interest receivable and similar income represents interest earned on our deposits with financial institutions.

Interest payable and similar charges

Interest payable and similar charges represent 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.

Tax on profit/(loss) on ordinary activities

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 13 week period ended 29 March 2014 compared to the 13 week period ended 30 March 2013

The table below sets out our results for the 13 week period ended 29 March 2014 compared to the 13 week period ended 30 March 2013:

	13 week period ended		
	30 March 2013	**29 March 2014**	**Percentage change**
	(unaudited)		
(in millions of £)			
Turnover	**48.6**	**62.9**	**29.4%**
Cost of sales	(15.4)	(22.2)	44.2%
Gross profit	**33.2**	**40.7**	**22.6%**
Administrative expenses	(25.3)	(30.8)	21.7%
Distribution expenses	(6.3)	(8.2)	30.2%
Other operating income	0.3	0.3	NM(1)
Total operating profit	**1.8**	**2.1**	16.7%
(Loss) on sale of fixed assets	-	(0.0)	NM(1)
Profit on ordinary activities before interest and taxation	**1.8**	**2.0**	11.1%
Interest receivable and similar income	0.0	0.0	NM(1)
Interest payable and similar charges	(3.1)	(11.0)	NM(1)
(Loss) on ordinary activities before taxation	**(1.3)**	**(8.9)**	NM(1)
Tax on profit/(loss) on ordinary activities	(0.7)	(0.7)	NM(1)
(Loss) for the financial period	**(2.0)**	**(9.6)**	NM(1)

(1) Not meaningful

Turnover

Our turnover for the 13 week period ended 29 March 2014 increased by £14.3 million, or 29.4%, from £48.6 million in the 13 week period ended 30 March 2013 to £62.9 million in the 13 week period ended 29 March 2014. More than half of this increase (17.5%) was due to growth in our organic revenue driven by an increase in demand from our existing customers and by our newly acquired customers. Our key and regional account customers in particular accounted for much of the growth, while a strong performance was also seen from ABird, our power solutions business. ABird benefitted from investments made in 2013 in expanding its hire fleet, increasing its depot network and the deployment of remote fleet management technology. Our HSS OneCall (rehire) business and our HSS Training business continued to deliver strong growth during the period, representing an increase in turnover of 84.9% and 14.2% respectively for the 13 week period ended 29 March 2014 compared to the 13 week period ended 30 March 2013. Turnover from our hire business increased by 20.0%, driven by greater demand from our key account customers and further investment in the depth of our hire fleet to support these requirements. We also benefitted from growth through the acquisitions of UK Platforms and TecServ during this period which together resulted in revenue growth of 11.9%.

Cost of sales

Our cost of sales for the 13 week period ended 29 March 2014 increased by £6.8 million, or 44.2%, from £15.4 million in the 13 week period ended 30 March 2013 to £22.2 million in the 13 week period ended 29 March 2014. This increase was due in part to the strong growth in our HSS OneCall (rehire) revenue, with the associated third-party supplier costs accounting for £3.8 million of the increase. The remaining increase was due primarily to the acquisition of UK Platforms in June 2013 and TecServ in November 2013, and the resultant increase in stock maintenance and depreciation costs due to the increased size of our hire fleet.

Gross profit

Our gross profit for the 13 week period ended 29 March 2014 increased by £7.5 million, or 22.6%, from £33.2 million in the 13 week period ended 30 March 2013 to £40.7 million in the 13 week period ended 29 March 2014.

Administrative expenses

Our administrative expenses increased by £5.5 million, or 21.7%, to £30.8 million in the 13 week period ended 29 March 2014 from £25.3 million in the 13 week period ended 30 March 2013. This was in part due to £1.3 million of additional administrative expenses relating to the acquisitions of UK Platforms and TecServ, representing expenses associated with rent, depot staff and central support. Administrative expenses also grew due to increased levels of business activity and inflationary pressures on our costs related to salaries (driven by an increase in our total number of employees and cost per employee) and properties (as we continued to expand our branch network through 2013 and 2014). Four new branches were opened during the quarter (Southend, Salisbury, Weybridge and Edmonton), to add to those opened during 2013. We also made additional investment during the period in marketing initiatives to promote further growth. In addition, to support the increase in demand for training programmes from our customers, we incurred additional costs related to the salaries of training professionals and administration overhead.

Distribution expenses

Our distribution expenses for the 13 week period ended 29 March 2014 increased by £1.9 million, or 30.2%, from £6.3 million in the 13 week period ended 30 March 2013 to £8.2 million in the 13 week period ended 29 March 2014. This was principally due to the acquisition of UK Platforms and TecServ, which together accounted for £1.4 million of the increase. The remaining increase represented increased expenses to support the growth in volume in both our hire business and in ABird.

Other operating income

Other operating income of £0.3 million in the 13 week period ended 29 March 2014 was in line with that of the 13 week period ended 30 March 2013, as the number of our 'dark' stores (non-trading properties) being sub-let was broadly similar.

Total operating profit

Our total operating profit for the 13 week period ended 29 March 2014 increased by £0.3 million, from £1.8 million in the 13 week period ended 30 March 2013 to £2.1 million in the 13 week period ended 29 March 2014.

(Loss) on sale of fixed assets

We incurred a negligible loss on the sale of fixed assets for the 13 week period ended 29 March 2014, relating to the accelerated write-off of previously capitalised assets (such as fixtures and fittings) at leasehold properties that we no longer occupy. This compares to a neutral result for the 13 week period ended 30 March 2013.

Profit on ordinary activities before interest and taxation

Our profit on ordinary activities before interest and taxation for the 13 week period ended 29 March 2014 increased by £0.2 million, from £1.8 million in the 13 week period ended 30 March 2013 to £2.0 million in the 13 week period ended 29 March 2014.

Interest receivable and similar income

Our interest receivable and similar income was a negligible amount for both the 13 week period ended 29 March 2014 and the 13 week period ended 30 March 2013.

Interest payable and similar charges

Our interest payable and similar charges for the 13 week period ended 29 March 2014 increased by £7.9 million, from £3.1 million in the 13 week period ended 30 March 2013 to £11.0 million in the 13 week period ended 29 March 2014, primarily due to £6.1 million of accelerated debt issuance costs as the new financing structure was put in place. These costs related to the previous capital structure and were being amortised over the life of the underlying term loans. The remainder of the increase largely relates to the additional borrowing taken out in June 2013 to acquire UK Platforms.

Loss on ordinary activities before taxation

We reported a loss of £8.9 million on ordinary activities before taxation for the 13 week period ended 29 March 2014 compared to a loss of £1.3 million for the 13 week period ended 30 March 2013.

Tax on profit/(loss) on ordinary activities

Our tax on loss on ordinary activities for the 13 week period ended 29 March 2014 was the same as for the 13 week period ended 30 March 2013, as the increase in EBITDA was offset by the accelerated debt issuance costs.

Loss for the financial period

We reported a loss of £9.6 million for the 13 week period ended 29 March 2014 compared to a loss of £2.0 million for the 13 week period ended 30 March 2013.

EBITDA

Our EBITDA for the 13 week period ended 29 March 2014 increased by £3.1 million or 33.0%, from £9.4 million in the 13 week period ended 30 March 2013 to £12.5 million in the 13 week period ended 29 March 2014. Revenue growth of 29.4% converted to a faster growth in EBITDA as our business benefitted from economies of scale in administrative expenses, the largest part of our cost base.

Cash flows

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

	13 week period ended	
	30 March 2013	**29 March 2014**
	(unaudited)	
(in millions of £)		
Net cash inflow from operating activities......	**5.5**	**6.9**
Net cash outflow from returns on investments and servicing of finance	(0.1)	(9.1)
Taxation (paid)/received....................................	-	(0.7)
Net cash outflow from capital expenditure and financial investment.................................	(4.0)	(9.6)
Net cash outflow from acquisitions and disposals...	-	(2.0)
Net cash inflow/(outflow) before use of liquid resources and financing	**1.4**	**(14.5)**
Net cash inflow from management of liquid resources..	-	-
Net cash inflow/(outflow) from financing	(0.4)	7.8
Increase/(decrease) in cash	**1.1**	**(6.8)**

Net cash flow from operating activities

Our net cash inflow from operating activities increased by £1.4 million, or 25%, to £6.9 million for the 13 week period ended 29 March 2014 from £5.5 million for the 13 week period ended 30 March 2013.

This movement reflects the increase in EBITDA which was partially offset by an investment in working capital as trade debtors grew as a result of the strong revenue during the period.

Net cash flow from return on investments and servicing of finance

Our net cash outflow from return on investments and servicing of finance increased by £9.0 million to £9.1 million for the 13 week period ended 29 March 2014 from £0.1 million for the 13 week period ended 30 March 2013. This increase resulted from a timing difference in interest paid on the former bank facility, combined with the issue costs of the Senior Secured notes.

Net cash flow from capital expenditure and financial investment

Our net cash outflow from capital expenditure and financial investment increased by £5.6 million to £9.6 million for the 13 week period ended 29 March 2014 from £4.0 million for the 13 week period ended 30 March 2013. This increase resulted primarily from the expansion of the HSS hire fleet to meet growing customer demand and to support our new branch openings. In addition during the period we invested in the deployment of remote fleet management technology in the ABird fleet and secondary guarding equipment (Activ Shield bar) in the UK Platforms fleet.

Net cash flow from acquisitions and disposals

Our net cash outflow from acquisitions and disposals increased to £2.0 million for the 13 week period ended 29 March 2014, compared to no outflow for the 13 week period ended 30 March 2013. This increase mainly resulted from a deferred payment made on the 2013 acquisition of UK Platforms.

Net cash flow from financing

Our net cash inflow from financing was £7.8 million for the 13 week period ended 29 March 2014 compared to a £0.4 million outflow for the 13 week period ended 30 March 2013. This change reflects the net impact of the refinancing (issuance of Senior Secured notes and repayment of bank facilities and shareholder financing) completed in February 2014.

Capital expenditures

Our capital expenditure incurred during the 13 week period ended 30 March 2013 and the 13 week period ended 29 March 2014 are set out below.

	13 week period ended	
	30 March 2013	**29 March 2014**
	(unaudited)	
(in millions of £)		
Hire stock capital expenditure	4.7	14.5
Non hire stock capital expenditure	1.4	1.6
Total capital expenditures	**6.1**	**16.1**

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. The increase in hire stock expenditure in 2014 reflects targeted expenditure to increase the depth of the core hire fleet, new branch openings and investment to meet identified demand in ABird and UK Platforms. Reported expenditure in 2013 did not include UK Platforms, which was only acquired in June 2013.

Working Capital

The main components of our working capital are trade debtors 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.

Off balance sheet arrangements

From time to time, we undertake forward purchases in support of our electricity requirements. As at 29 March 2014, we had made forward purchases of 100% of our estimated April 2014 requirements and 50% of our estimated May to September 2014 requirements. No purchases have been made for periods beyond this date.

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 UK GAAP 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 turnover 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.

Goodwill impairment

Our purchased goodwill represents the difference between the cost of an acquired entity and the aggregate of the fair value of acquired entity's identifiable assets and liabilities. It is stated at cost less accumulated amortisation and, where appropriate, impairment in value. In accordance with FRS 10, we capitalise goodwill arising on acquisition as an intangible asset.

Where such goodwill is regarded as having a limited estimated useful economic life, we amortise it through our profit and loss account on a straight line basis over its life. Currently, we are amortising goodwill over management's estimate of its life, over periods of 20 years. An impairment review is required in the financial year following the financial year in which the acquisition is made, and thereafter only where there is an indication or triggering event that the goodwill may be impaired. When required, we assess the need for any impairment write down by comparing the carrying value of the asset against the higher of realisable value and the value in use. Value in use is determined by an assessment of the realisable value of future net cash flows expected to be generated by the asset, as determined by our operating budget for future periods.

Such calculations require assumptions relating to the appropriate discount factors and long term growth prevalent in particular markets as well as short term business performance. Our Directors draw upon experience as well as external resources in making these assumptions.

Tangible fixed assets and depreciation

We state tangible fixed assets, excluding materials and equipment held for hire, at cost or fair value (when we acquire such assets as part of a business acquisition) less depreciation and, when appropriate, provision for impairment. We provide depreciation at rates calculated to write off the cost of fixed assets on a straight line basis over the expected useful economic life of the assets concerned.

Useful economic lives of assets have been established using historical experience and an assessment of the nature of the assets involved. Useful economic lives are reviewed on a regular basis. When required, we assess the need for any impairment write down by comparing the carrying value of the asset against the higher of realisable value and the value in use, in a similar manner to that set out above for goodwill.

Business Combinations

FRS 7 'Fair values in acquisition accounting' requires the identifiable assets and liabilities of the acquired entity to be included in the consolidated financial statements of the acquirer at their fair value at the date of acquisition. The judgments made in determining the estimated fair value assigned to each identifiable asset and liability acquired, as well as the estimated life of the goodwill arising, can materially impact the net income of the periods subsequent to the acquisition through goodwill amortization, and in certain instances through impairment charges, if the goodwill becomes impaired in the future. These judgments also impact on the carrying value of the assets acquired and the related goodwill arising on acquisition.

Provisions

In relation to leasehold properties, we make provision for known and anticipated dilapidations and wear and tear obligations where (i) we have a present obligation as a result of past events, (ii) it is probable that a transfer of economic benefits will be required to settle the obligations and (iii) a reliable estimate can be made of the amount of the obligation. In addition, where unavoidable costs of a lease exceed the economic benefit expected to be received from it, we make a provision for the expected obligation under the lease, after taking into account actions taken by the directors to minimize the future cash outflow.

In determining the level of provision required, the Group assesses the likelihood of mitigating future lease costs as a result of break clauses in leases, or the likelihood of subletting the property to third parties.

Bad debt provision

The Group monitors the risk profile of debtors regularly and makes a provision for amounts that may not be recoverable. When a trade receivable is not collectable it is written off against the bad debt provision.

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Hero Acquisitions Limited

Quarterly report and financial statements
13 week period ended 29 March 2014

Registered number 06209511

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Hero Acquisitions Limited

Consolidated Profit and loss account

	Note	13 weeks ended 30 March 2013 (unaudited) £'000	13 weeks ended 29 March 2014 (unaudited) £'000
Turnover		48,595	62,914
Cost of sales		(15,435)	(22,204)
Gross profit		**33,160**	**40,710**
Administrative expenses		(25,279)	(30,810)
Distribution expenses		(6,302)	(8,179)
Other operating income		264	334
Operating profit		**1,843**	**2,055**
Earnings before interest, tax, depreciation and amortisation ("Adjusted EBITDA")		**10,346**	**13,644**
less: Exceptional items	2	(959)	(1,158)
less: Depreciation and amortisation		(7,544)	(10,431)
Total operating profit		**1,843**	**2,055**
Loss on sale of fixed assets		-	(29)
Profit on ordinary activities before interest and taxation		**1,843**	**2,026**
Interest receivable and similar income	3	2	1
Non-cash interest payable		(1,310)	(2,343)
Interest on other loans - accrued or paid		(1,839)	(2,421)
Acceleration of previous debt issuance costs due to refinancing		-	(6,107)
Termination cost due to refinancing		-	(87)
Interest payable and similar charges	4	(3,149)	(10,958)
Loss on ordinary activities before taxation		**(1,304)**	**(8,931)**
Tax on ordinary activities		(713)	(713)
Loss for the financial period		**(2,017)**	**(9,644)**

The notes on pages F-8 to F-17 form part of these financial statements.

Hero Acquisitions Limited

Consolidated Statement of total recognised gains and losses

	Note	13 weeks ended 30 March 2013 (unaudited) £'000	13 weeks ended 29 March 2014 (unaudited) £'000
Loss for the financial period		**(2,017)**	**(9,644)**
Foreign currency translation differences		133	(14)
Total recognised losses relating to the period		**(1,884)**	**(9,658)**

The notes on pages F-8 to F-17 form part of these financial statements.

Hero Acquisitions Limited

Consolidated Balance sheet

	Note	13 weeks ended 30 March 2013 (unaudited) £'000	13 weeks ended 29 March 2014 (unaudited) £'000
Fixed assets			
Goodwill	5	110,926	108,490
Tangible fixed assets	6	66,425	108,654
		177,351	**217,144**
Current assets			
Stock		3,595	5,348
Debtors	7	51,207	71,029
Cash at bank and in hand		2,099	2,165
		56,901	**78,542**
Creditors - amounts falling due within one year	8	(42,756)	(65,964)
Net current assets		**14,145**	**12,578**
Total assets less current liabilities		191,496	229,722
Creditors - amounts falling due after more than one year	9	(217,407)	(263,372)
Provisions for liabilities	11	(7,313)	(8,369)
Net liabilities		**(33,224)**	**(42,019)**
Capital and reserves			
Called up share capital		14,222	14,222
Share premium account		143,068	143,068
Profit and loss account		(190,514)	(199,309)
Equity shareholders' deficit		**(33,224)**	**(42,019)**

The notes on pages F-8 to F-17 form part of these financial statements.

Hero Acquisitions Limited
Consolidated Cash flow statement

	Note	13 weeks ended 30 March 2013 (unaudited) £’000	13 weeks ended 29 March 2014 (unaudited) £’000
Net cash inflow from operating activities	12	**5,531**	**6,855**
Net cash outflow from returns on investments and servicing of finance	13	(86)	(9,074)
Taxation paid		-	(713)
Net cash outflow from capital expenditure and financial investment	16	(4,010)	(9,567)
Net cash outflow from acquisitions and disposals	14	-	(2,036)
Net outflow before use of liquid resources and financing		**1,435**	**(14,535)**
Net inflow from management of liquid resources		-	-
Net cash (outflow) / inflow from financing	15	(365)	7,770
Increase / (decrease) in cash		**1,070**	**(6,765)**
Reconciliation to net debt			
Net debt at beginning of period		(220,540)	(254,155)
Increase / (decrease) in cash		**1,070**	**(6,765)**
Repayment of shareholder financing		-	29,000
Senior Secured notes		-	(200,000)
New finance leases		(155)	(139)
Repayment of finance leases		365	225
Repayment of term loans		-	163,005
Shareholder financing		(1,881)	(1,815)
Non cash interest		-	(380)
Debt issue costs		(234)	227
Net debt at period end	17	**(221,375)**	**(270,797)**

The notes on pages F-8 to F-17 form part of these financial statements.

1. Principal accounting policies

Basis of preparation

The financial statements have been prepared in accordance with the historical cost convention and are in accordance with applicable accounting standards, being those aspects of UK GAAP applicable to the contents of those interim financial statements.

These unaudited interim 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 31 December 2013. They do not include all the information required for full annual financial statements.

After making enquiries, the directors have confirmed that the company will continue to be supported by the group and have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

Set out below is a summary of the accounting policies which have been applied.

Basis of consolidation

The group accounts consolidate the accounts of Hero Acquisitions Limited and all its subsidiary undertakings. The results of subsidiaries acquired are included in the consolidated profit and loss account from the date control passes.

On acquisition of a subsidiary, all of the subsidiary's assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date. All changes to those assets and liabilities, and the resulting gains and losses, which arise after the group has gained control of the subsidiary, are dealt with in the post-acquisition profit and loss account.

Goodwill

Purchased goodwill represents the difference between the cost of an acquired entity and the aggregate of the fair value of that entity's identifiable assets and liabilities. It is stated at cost less accumulated amortisation and, where appropriate, impairment in value. In accordance with Financial Reporting Standard No. 10, goodwill arising on acquisition is capitalised as an intangible asset.

Where such goodwill is regarded as having a limited estimated useful economic life, it is amortised through the profit and loss account on a straight-line basis over its life. Goodwill is currently being amortised over periods of 20 years. The need for any impairment write down is assessed by the comparison of the carrying value of the asset against the higher of realisable value and the value in use.

Investments

Investments are included in the balance sheet at cost less amounts written-off, representing impairment in value. Impairment charges are recorded if events or changes in circumstances indicate that the carrying value may not be recoverable.

Capital instruments

Finance costs on debt are allocated to periods over the terms of the debt at a constant rate of return on the carrying amount. Debt is initially recorded in the balance sheet based on the net proceeds received. Issue costs are spread forward in the profit and loss account over the term of the debt.

Tangible fixed assets and depreciation

Tangible fixed assets, excluding materials and equipment held for hire, are stated at cost, or fair value when acquired as part of a business acquisition, less depreciation and, when appropriate, provision for impairment. Depreciation is provided at rates calculated to write-off the cost of fixed assets on a straight line basis over the expected useful economic lives of the assets concerned. Useful economic lives are reassessed and depreciation estimates revised as deemed appropriate. The annual rates used from the date of purchase are:

Leasehold properties with less than fifty years unexpired	Over unexpired period of lease
Freehold buildings and long leasehold properties Freehold land is not depreciated	Over 50 years
Fixtures, fittings, plant & machinery and office equipment	2 to 10 years

Materials and equipment held for hire purposes are valued at cost less an amount, based on varying rates, according to normal working lives of between one and ten years, computed on the basis of cost, to cover depreciation, to write the assets down to nil, and to cover wastage and obsolescence. 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. Materials and equipment held for hire are classified as fixed assets.

Stock

Other materials, equipment and the stock of spares, included in stock, are stated at the lower of cost and net realisable value.

Operating leases

Operating lease rentals are charged to the profit and loss account in the period to which they relate. Rent free periods, or any inducements to enter into operating lease agreements are released to the profit and loss account over the period to the date on which the rent is first expected to be adjusted to the prevailing market rent.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of transaction. Monetary assets and liabilities denominated in foreign currencies, held at the year end, are translated at year end exchange rates. Any resulting gain or loss is dealt with in the profit and loss account.

The results of overseas operations are translated at the average rates of exchange during the year and the balance sheet is translated into sterling at the rate of exchange ruling on the balance sheet date. Exchange differences which arise from translation of the opening net assets are taken to reserves.

Finance leases

Assets acquired under finance leases are capitalised and are reported at cost. The equivalent liability is categorised as appropriate under creditors due within or after one year. Finance charges are allocated to accounting periods over the period of the lease to approximate a constant rate of return on the outstanding balance. Repayments are apportioned between finance charges and reduction of the liability.

Provisions

In relation to leasehold properties, the company makes provision for known and anticipated dilapidations and wear and tear obligations where the company has a present obligation as a result of past events and where it is probable that a transfer of economic benefits will be required to settle the obligation and where a reliable estimate can be made of the amount of the obligation. In addition, where unavoidable costs of a lease exceed the economic benefit expected to be received from it, a provision is made for the expected obligation under the lease, after taking into account actions taken by the directors to minimise the future cash outflow.

Pension costs

The group operates an employees' optional stakeholder retirement and death benefit scheme. Both employee and employer are required to make contributions with the employer's contribution for each employee determined by the level of contribution made by the employee and the employee's length of service within the group. The company's contributions are charged against profits in the year in which the contributions are due.

Turnover

Turnover represents the amounts receivable by the group in respect of goods and services supplied, reduced by trade discounts and excluding value added tax. Where turnover relates to hire activities, revenue is recognised on a straight-line basis over the period of hire. Revenue in respect of other items is recognised at the point of sale when a right to consideration arises. Turnover also includes revenue from customers in compensation for damage to and loss of hire stock assets. The group's activities consist of providing tool and equipment hire and ancillary services, principally in the UK.

Deferred taxation

Deferred taxation is provided on a full provision basis, without discounting, on all timing differences, which have arisen but not reversed, at the balance sheet date. Except where otherwise required by Accounting Standards, no timing differences are recognised in respect of:

(a) property revaluation surpluses where there is no commitment to sell the asset;

(b) gains on sale of assets where those gains have been rolled over into replacement assets;

(c) additional tax which would arise if profits of overseas subsidiaries were distributed; and

(d) deferred tax assets except to the extent that it is more likely than not that they will be recovered.

Derivatives and other financial instruments

The interest differential amounts due to / from the company on interest rate swaps are accrued until settlement date and are recognised within interest expense.

2. Exceptional items

	13 weeks ended 30 March 2013 (unaudited) £'000	13 weeks ended 29 March 2014 (unaudited) £'000
Included in administrative expenses		
- Redundancy costs relating to rationalisation of operations	203	-
- Professional fees relating to rationalisation of operations	1	-
- Costs of non-trading stores	754	1,158
	959	1,158

Included within costs of non-trading stores in the 13 week period ended 29 March 2014 are £338,857 of early surrender payments.

3. Interest receivable

	13 weeks ended 30 March 2013 (unaudited) £'000	13 weeks ended 29 March 2014 (unaudited) £'000
Short term deposit and other bank interest	2	1

4. Interest payable

	13 weeks ended 30 March 2013 (unaudited) £'000	13 weeks ended 29 March 2014 (unaudited) £'000
Senior secured note interest	-	1,923
Bank loans and overdrafts	1,864	594
Group companies	963	1,833
Finance leases	88	170
Amortisation of issue costs	234	244
Acceleration of previous debt issuance costs with refinancing	-	6,107
Termination costs associated with refinancing	-	87
	3,149	10,958

5. Goodwill

	13 weeks ended 30 March 2013 (unaudited) £'000	13 weeks ended 29 March 2014 (unaudited) £'000
Cost		
At 30 December 2012 / 29 December 2013	243,138	248,677
Additions	-	36
At 30 March 2013 / 29 March 2014	243,138	248,713
Accumulated amortisation		
At 30 December 2012 / 29 December 2013	130,278	138,186
Charge for the period	1,934	2,037
At 30 March 2013 / 29 March 2014	132,212	140,223
Net book amount		
At 30 March 2013 / 29 March 2014	110,926	108,490
At 29 December 2012 / 28 December 2013	112,860	110,491

Hero Acquisitions Limited

Notes forming part of the unaudited quarterly report and financial statements

6. Tangible fixed assets

	Land & Buildings £'000	Plant & Machinery £'000	Materials & Equipment held for hire £'000	Total £'000
Cost				
At 30 December 2012	**35,507**	**49,631**	**136,520**	**221,658**
FX differences	1	28	295	324
Additions	683	752	4,712	6,147
Disposals	-	-	(2,078)	(2,078)
At 30 March 2013	**36,191**	**50,411**	**139,449**	**226,051**
Accumulated depreciation				
At 30 December 2012	**22,665**	**40,390**	**92,867**	**155,922**
FX differences	-	19	200	219
Charge for the period	475	803	3,689	4,967
Disposals	-	-	(1,482)	(1,482)
At 30 March 2013	**23,140**	**41,212**	**95,274**	**159,626**
Net book amounts				
At 30 March 2013	**13,051**	**9,199**	**44,175**	**66,425**
At 29 December 2012	**12,842**	**9,241**	**43,653**	**65,736**

	Land & Buildings £'000	Plant & Machinery £'000	Materials & Equipment held for hire £'000	Total £'000
Cost				
At 29 December 2013	**38,110**	**54,286**	**203,569**	**295,965**
FX differences	(1)	(13)	(136)	(150)
Additions	492	1,099	14,497	16,088
Disposals	(25)	(23)	(3,162)	(3,210)
At 29 March 2014	**38,576**	**55,349**	**214,768**	**308,693**
Accumulated depreciation				
At 29 December 2013	**24,647**	**43,990**	**126,287**	**194,924**
FX differences	-	(9)	(94)	(103)
Charge for the period	549	920	5,922	7,391
Disposals	(1)	(15)	(2,157)	(2,173)
At 29 March 2014	**25,195**	**44,886**	**129,958**	**200,039**
Net book amounts				
At 29 March 2014	**13,381**	**10,463**	**84,810**	**108,654**
At 28 December 2013	**13,463**	**10,296**	**77,282**	**101,041**

7. Debtors

	13 weeks ended 30 March 2013 (unaudited) £'000	13 weeks ended 29 March 2014 (unaudited) £'000
Trade debtors	40,498	56,845
Due from group undertakings	291	1,136
Other debtors	767	326
Prepayments and accrued income	9,484	12,555
Corporation tax	167	167
	51,207	71,029

8. Creditors: amounts falling due within one year

	13 weeks ended 30 March 2013 (unaudited) £'000	13 weeks ended 29 March 2014 (unaudited) £'000
Bank overdraft	3,523	6,059
Trade creditors	15,722	32,933
Due to parent undertakings	1,827	2,917
Corporation tax	847	709
Other taxes and social security costs	4,675	5,727
Other creditors	1,427	1,028
Obligations under finance lease	2,169	3,531
Accrued interest	2,533	1,923
Accruals and deferred income	9,658	11,137
Bank and other borrowings	375	-
	42,756	65,964

9. Creditors: amounts falling due after more than one year

	13 weeks ended 30 March 2013 (unaudited) £'000	13 weeks ended 29 March 2014 (unaudited) £'000
Senior secured notes	-	193,571
Bank and other borrowings	124,404	-
Shareholder financing - due to parent undertakings	90,245	64,991
Obligations under finance leases	2,758	4,810
	217,407	263,372

Included within bank and other borrowings at 30 March 2013 are unamortised debt issue costs under FRS4 of £5,221,000. Included within senior secured notes at 29 March 2014 are unamortised debt issue costs under FRS4 of £6,429,000.

10. Finance leases

The group's future minimum payments under finance leases are as follows:

	13 weeks ended 30 March 2013 (unaudited) £'000	13 weeks ended 29 March 2014 (unaudited) £'000
Within one year	2,018	3,569
In more than one year, but not more than two years	1,658	2,808
In more than two years, but not more than five years	1,251	1,964
	4,927	8,341

11. Provisions for liabilities and charges

	Properties £'000	Deferred tax £'000	Total £'000
At 30 December 2012	6,760	603	7,363
Utilised during the period	(122)	-	(122)
Charged to the profit and loss account	72	-	72
At 30 March 2013	6,710	603	7,313

	Properties £'000	Deferred tax £'000	Total £'000
At 29 December 2013	7,978	398	8,376
Utilised during the period	(177)	-	(177)
Charged to the profit and loss account	170	-	170
At 29 March 2014	7,971	398	8,369

12. Reconciliation of operating profit to net cash flow from operating activities

	13 weeks ended 30 March 2013 (unaudited) £'000	13 weeks ended 29 March 2014 (unaudited) £'000
Operating profit	1,843	2,055
Depreciation	4,967	7,391
Net book value of hire stock disposals	596	1,005
Amortisation of goodwill	1,934	2,037
Decrease in stock	158	69
Decrease / (Increase) in debtors	41	(2,815)
Decrease in provisions	(50)	(7)
Decrease in creditors	(3,986)	(2,913)
Exchange adjustments	28	33
Net cash inflow from operating activities	5,531	6,855

13. Returns from investment and servicing of finance

	13 weeks ended 30 March 2013 (unaudited) £'000	13 weeks ended 29 March 2014 (unaudited) £'000
Interest paid on bank loans	-	(2,110)
Interest paid on finance leases	(88)	(170)
Interest received	2	2
Issue costs of Senior Secured notes	-	(6,745)
Break fees	-	(51)
	(86)	(9,074)

14. Acquisitions and disposals

	13 weeks ended 30 March 2013 (unaudited) £'000	13 weeks ended 29 March 2014 (unaudited) £'000
Purchase of subsidiary undertakings	-	(2,036)
	-	(2,036)

Amounts in the 13 weeks ended 29 March 2014 relate to £2,000,000 of deferred consideration in respect of the acquisition of UK Platforms in 2013 and additional costs arising on acquisitions made in the financial year ended December 2013.

15. Financing

	13 weeks ended 30 March 2013 (unaudited) £'000	13 weeks ended 29 March 2014 (unaudited) £'000
Repayment of bank loans	-	(163,005)
Repayment of shareholder financing	-	(29,000)
Senior Secured notes taken out	-	200,000
Capital element of finance leases repaid	(365)	(225)
	(365)	7,770

16. Capital expenditure

	13 weeks ended 30 March 2013 (unaudited) £'000	13 weeks ended 29 March 2014 (unaudited) £'000
Purchase of fixed assets	(4,010)	(9,567)
	(4,010)	(9,567)

17. Movement in net debt

	At 30 December 2012 £'000	Acquisitions £'000	Cashflow £'000	Other non-cash items £'000	At 29 March 2013 £'000
Cash at bank and in hand	1,525	-	574	-	2,099
Bank overdraft	(4,019)	-	496	-	(3,523)
	(2,494)	-	1,070	-	(1,424)
Finance leases	(5,137)	-	365	(155)	(4,927)
Term loans	(130,000)	-	-	-	(130,000)
Issue costs	5,455	-	-	(234)	5,221
Shareholder financing	(88,364)	-	-	(1,881)	(90,245)
	(220,540)	-	1,435	(2,270)	(221,375)

	At 28 December 2013 £'000	Acquisitions £'000	Cashflow £'000	Other non-cash items £'000	At 30 March 2014 £'000
Cash at bank and in hand	2,871	-	(706)	-	2,165
Bank overdraft	-	-	(6,059)	-	(6,059)
	2,871	-	(6,765)	-	(3,894)
Finance leases	(8,427)	-	225	(139)	(8,341)
Term loans	(162,625)	-	163,005	(380)	-
Senior secured notes	-	-	(200,000)	-	(200,000)
Issue costs	6,202	-	6,597	(6,370)	6,429
Shareholder financing	(92,176)	-	29,000	(1,815)	(64,991)
	(254,155)	-	(7,938)	(8,704)	(270,797)