HSS Financing plc

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

Interim Report 3M 2016

For the 14 weeks ended 2 April 2016

25 May 2016

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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 interim 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 interim 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 interim report.

These factors include, among others, those discussed under “Risk Factors” in our Annual Report dated 6 April 2016. 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;

- "Clearstream" are to Clearstream Banking, société anonyme;

- "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;

- "Euroclear" are to Euroclear Bank SA/NV;

- "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 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;
- "Notes Offering Memorandum" are to the legal document date 29 January 2014 within which the objectives, risks and terms of investment and other information relating to Notes was made available to qualified and eligible prospective investors;
- "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 13 week period ended 28 March 2015 and the 14 week period ended 2 April 2016 are presented in accordance with IFRS. 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.

As disclosed in the Notes Offering Memorandum and in the Prospectus produced for the IPO of HSS Hire Group plc dated 22 January 2015, from time to time, our fiscal year accounting period covers a 53 week period. The 53 week period ending 31 December 2016 will be the first 53 week period we will have reported on since 2009. The 53rd week is taken within Q1 of the reporting year to re-align quarter ends more closely with month ends. As a result January has 5 weeks, February has 4 weeks and March has 5 weeks, whereas for all other quarters we have reported on a 4 week, 4 week then a 5 week basis. Results for Q1 16 are therefore presented for a 14 week period, whilst the results for Q1 15 are presented, as previously reported, for a 13 week period. This will impact the direct comparability of results through the year.

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 20 April 2016 we announced that, after seven years with the Group, Steve Trowbridge, Chief Financial Officer, had stepped down from the Board to pursue new opportunities. On the same day Steve Bailey joined HSS as Interim Chief Financial Officer. Steve has joined the HSS Executive Committee and will attend Board meetings, but has not been appointed as an Executive Director of the Board.

Steve, 53, has over 30 years' experience working in, and leading, finance teams, having started his career with Coopers and Lybrand where he qualified in 1987. He held the position of Finance Director for The Co-Operative Food Group from 2011 to 2016 and prior to that was CFO at HJ Heinz Company Limited and Guoman & Thistle Hotels.

On the same day we also announced that Neil Sachdev, Non-Executive Director and Deputy Chairman, had informed the Board that due to increasing time commitments in other roles, he does not intend to stand for re-election at the Company's AGM on 15 June 2016 and will leave the Board on that date.

The Board will appoint a permanent Chief Financial Officer in due course.

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 13 week period ended 28 March 2015 and the 14 week period ended 2 April 2016 presented below have been extracted or derived from the unaudited consolidated financial statements of the Company as at and for the 13 week period ended 28 March 2015 and the 14 week period ended 2 April 2016, 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".

	13 week period / 14 week period ended	
(in millions of £)	**28 March 2015 (unaudited)**	**2 April 2016 (unaudited)**
Consolidated income statement data:		
Revenue	**72.5**	**84.3**
Cost of sales	(27.8)	(35.1)
Gross profit	**44.8**	**49.3**
Distribution costs	(9.6)	(10.9)
Administrative expenses	(32.5)	(36.5)
Other operating income	0.2	0.3
Operating profit	**2.9**	**2.2**
Finance income [(1)]	0.0	1.7
Finance expense[(2)]	(11.3)	(11.0)
Loss before tax	**(8.3)**	**(7.0)**
Income tax expense	(0.8)	(0.5)
Loss for the financial period	**(9.1)**	**(7.5)**

(in millions of £)	**As at 28 March 2015 (unaudited)**	**As at 2 April 2016 (unaudited)**
Consolidated balance sheet data:		
Intangible fixed assets	142.1	154.0
Tangible fixed assets	154.5	180.6
of which: materials and equipment held for hire	*124.3*	*139.3*
Deferred tax assets	2.5	1.9
Current assets	99.5	119.1
of which: trade receivables	*68.7*	*77.5*
Cash	*2.3*	*1.0*
Non-current assets	54.1	63.8
Total assets[(3)]	**452.6**	**519.5**
Current liabilities	(105.1)	(155.0)
of which: trade payables	*(50.1)*	*(33.6)*
Non-current liabilities	(398.9)	(437.2)
of which: provisions for liabilities and charges	*(11.5)*	*(13.3)*
Net liabilities	**(51.3)**	**(72.7)**

(in millions of £)	13 week period / 14 week period ended 28 March 2015 Company (unaudited)	2 April 2016 Company (unaudited)
Consolidated cash flow data:		
Net cash flows from operating activities before changes in hire equipment	**(2.6)**	**0.5**
Purchase of hire equipment	(11.7)	(4.9)
Cash generated from operations	**(14.2)**	**(4.3)**
Net interest paid	(12.3)	(5.5)
Income tax received/(paid)	-	-
Net cash (utilised)/generated from operating activities	**(26.5)**	**(9.8)**
Net cash used in investing activities	(4.1)	(4.4)
Net cash received from financing activities	21.0	9.1
Increase/(decrease) in cash	**(9.6)**	**(5.1)**

(in millions of £, except for percentages and ratios or unless otherwise noted)	As at and for the 13 week period / 14 week period ended 28 March 2015 (unaudited)	2 April 2016 (unaudited)
Other operating metrics:		
Number of trading branches[(4)]	283	329
Average revenue per trading branch (in '000 of £)[(5)]	266	262
Other historical financial data:		
Third-party debt[(6)]	169.9	235.0
Cash	2.3	1.0
Net third-party debt[(7)]	167.6	234.0
Capital expenditure[(8)]	19.3	9.6
EBITDA[(9)]	14.9	15.7
Adjusted EBITDA[(10)]	15.4	17.8

(1) Includes interest income related to our Subordinated Shareholder Loans.

(2) 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.

(3) Represents the aggregate of our intangible fixed assets, tangible fixed assets, deferred tax assets, derivative financial instruments and current and non-current assets.

(4) Number of trading branches is given at the end date of the period, and does not include our "dark" stores. As at 2 April 2016 we held leases to 83 "dark" stores, which are our closed branches awaiting disposal, of which approximately 61% are either fully or partially sublet.

(5) 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.

(6) 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 gross of debt issue costs.

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

(in millions of £)	As at 28 March 2015 (unaudited)	2 April 2016 (unaudited)
Bank overdraft	6.1	5.8
Revolving credit facility	9.0	59.0
Obligations under finance leases	17.4	32.6
Accrued interest	1.4	1.6
Senior secured note	130.3	132.5
Debt issue costs	5.7	3.5
Total third-party debt	**169.9**	**235.0**

(7) We define net third-party debt as third-party debt less cash.

(8) 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.

(9) 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:

	13 week period / 14 week period ended	
	28 March 2015[1]	**2 April 2016**
	(unaudited)	**(unaudited)**
(in millions of £)		
Profit/(loss) for the financial year	(9.1)	(7.5)
Income tax (credit)/expense	0.8	0.5
Finance expense	11.3	11.0
Finance income	(0.0)	(1.7)
Depreciation, amortisation and hire stock disposals and write offs	11.9	13.6
EBITDA	**14.9**	**15.7**

(10) 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:

	13 week period / 14 week period ended	
	28 March 2015	**2 April 2016**
	(unaudited)	**(unaudited)**
(in millions of £)		
EBITDA	**14.9**	**15.7**
Exceptional costs (non-finance)[a]	0.5	2.0
Adjusted EBITDA	**15.4**	**17.8**

(a) Our exceptional costs include certain transaction, restructuring and redundancy costs. During the 14 week period ended 2 April 2016 the Group incurred costs of £2.0m (13 week period ended 28 March 2015: £0.5m) in relation to the restructuring of the business and its operations. Of the £2.0m incurred in 2016, £1.2m related to set-up costs of the NDEC as we accelerated its development and £0.1m related to the cost reduction plan, principally redundancies. The balance of these costs related to onerous leases on non-trading stores, totalling £0.7m for the 14 week period ended 2 April 2016 and £0.5m for the 13 week period ended 28 March 2015. Non-trading stores which are awaiting disposal 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". 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. 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 6 April 2016. 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 13 week period ended 28 March 2015 and the 14 week period ended 2 April 2016, has been extracted or derived from the unaudited consolidated financial statements of the Company as at and for the 13 week period ended 28 March 2015 and as at and for the 14 week period ended 2 April 2016, 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.

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 14 week period ended 2 April 2016, we generated approximately 10% 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 in February 2015 we 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 May 2016 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.

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.

No further dividend payments have been declared or made by either the Group or its parent undertakings 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 14 week period ended 2 April 2016 compared to the 13 week period ended 28 March 2015

The table below sets out our results for the 14 week period ended 2 April 2016 compared to the 13 week period ended 28 March 2015:

	13 week period / 14 week period ended		
	28 March 2015	**2 April 2016**	**Percentage change**
	(unaudited)		
(in millions of £)			
Revenue	**72.5**	**84.3**	**16.3%**
Cost of sales	(27.8)	(35.1)	26.3%
Gross profit	**44.8**	**49.3**	**10.0%**
Distribution costs	(9.6)	(10.9)	13.5%
Administrative expenses	(32.5)	(36.5)	12.3%
Other operating income	0.2	0.3	50.0%
Operating profit	**2.9**	**2.2**	**(24.1%)**
Finance income	0.0	1.7	NM(1)
Finance expense	(11.3)	(11.0)	(2.7%)
Loss before tax	**(8.3)**	**(7.0)**	**NM(1)**
Income tax expense	(0.8)	(0.5)	NM(1)
Loss for the financial period	**(9.1)**	**(7.5)**	**NM(1)**

(1) Not meaningful

Revenue

Our revenue for the 14 week period ended 2 April 2016 increased by £11.8 million, or 16.3%, from £72.5 million in the 13 week period ended 28 March 2015 to £84.3 million in the 14 week period ended 2 April 2016. This primarily reflects the 15.4% growth in our organic business from both new and existing customers. Within our core business, against our strongest quarter of revenue growth in

2015, revenues in HSS OneCall and HSS Training grew 62% and 40% respectively, whilst revenue from our hire business increased by 6%. In our specialist business, ABird, Apex and UK Platforms all delivered strong y-o-y performance with increased units on hire. We also benefitted from the inclusion of All Seasons Hire's results in the 14 week period ended 2 April 2016. All Seasons Hire was not included in the 13 week period ended 28 March 2015 because we did not acquire All Seasons Hire until 8 May 2015.

Cost of sales

Our cost of sales for the 14 week period ended 2 April 2016 increased by £7.3 million, or 26.3%, from £27.8 million in the 13 week period ended 28 March 2015 to £35.1 million in the 14 week period ended 2 April 2016. This primarily reflects the strong growth in our HSS OneCall (rehire) revenue, with the associated third-party supplier costs accounting for approximately £4.6 million of the increase. Increased depreciation charges, reflecting the capex through FY15 and the addition of All Seasons Hire in May 2015 (Q2), account for a further c. £1.2 million of the growth y-o-y. There was also a small increase in stock maintenance costs related to the acquisition of All Seasons Hire.

Gross profit

Our gross profit for the 14 week period ended 2 April 2016 increased by £4.5 million, or 10.0%, from £44.8 million in the 13 week period ended 28 March 2015 to £49.3 million in the 14 week period ended 2 April 2016.

Distribution costs

Our distribution costs for the 14 week period ended 2 April 2016 increased by £1.3 million, or 13.5%, from £9.6 million in the 13 week period ended 28 March 2015 to £10.9 million in the 14 week period ended 2 April 2016. This reflects the continued revenue growth in both our core and specialist businesses and also includes the Q1 results of All Seasons Hire which were not in the 13 week period ended 28 March 2015.

Administrative expenses

Our administrative expenses increased by £4.0 million, or 12.3%, to £36.5 million in the 14 week period ended 2 April 2016 from £32.5 million in the 13 week period ended 28 March 2015. The lower growth rate relative to revenue growth reflects the cost reduction actions principally taken in Q4 2015, offset by the inclusion of the Q1 results of All Seasons Hire which were not in the 13 week period ended 28 March 2015, increased amortisation charges (relating to software investment and the acquisition of All Seasons Hire in 2015) and continued growth in trading activity (revenue) and y-o-y inflation impacts on salary costs.

Other operating income

Our other operating income increased by £0.1 million to £0.3 million in the 14 week period ended 2 April 2016 from £0.2 million in the 13 week period ended 28 March 2015, due to higher rental income on our portfolio of "dark" stores (non-trading properties) that were being sublet in the period.

Operating profit

Our operating profit for the 14 week period ended 2 April 2016 decreased by £0.7 million, from £2.9 million in the 13 week period ended 28 March 2015 to £2.2 million in the 14 week period ended 2 April 2016.

Finance income

We report £1.7 million of finance income in the 14 week period ended 2 April 2016 compared to negligible interest income on our cash balances in the 13 week period ended 28 March 2015. This increase arose as a result of the post IPO funds flow following the IPO of parent company HSS Hire Group plc and the corresponding intercompany interest receivable.

Finance expense

Our finance expense for the 14 week period ended 2 April 2016 decreased by £0.3 million, or 2.7%, from £11.3 million in the 13 week period ended 28 March 2015 to £11.0 million in the 14 week period ended 2 April 2016. The finance expense for the 13 week period ended 28 March 2015 included a £4.3 million early redemption charge on the Notes, whilst the finance expense for the 14 week period ended 2 April 2016 reflects the interest charges on the larger amounts owed to group undertakings as a result of the post IPO funds flow.

Loss before tax

We reported a loss before tax of £7.0 million for the 14 week period ended 2 April 2016, £1.3 million less than the loss before tax of £8.3 million reported in the 13 week period ended 28 March 2015.

Income expense

We reported a tax expense of £0.5 million for the 14 week period ended 2 April 2016, compared to a tax expense of £0.8 million in the 13 week period ended 28 March 2015.

Loss for the financial period

We reported a loss of £7.5 million for the 14 week period ended 2 April 2016 compared to a loss of £9.1 million for the 13 week period ended 28 March 2015.

Cash flows

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

	13 week period / 14 week period ended	
	28 March 2015	**2 April 2016**
	Company	**Company**
	(unaudited)	
(in millions of £)		
Net cash flows from operating activities before changes in hire equipment	**(2.6)**	**0.5**
Purchase of hire equipment	(11.7)	(4.9)
Cash utilised by operations	**(14.2)**	**(4.3)**
Net interest paid	(12.3)	(5.5)
Income tax paid	-	-
Net cash utilised in operating activities	**(26.5)**	**(9.8)**
Net cash used in investing activities	(4.1)	(4.4)
Net cash used in financing activities	21.0	9.1
Decrease in cash	**(9.6)**	**(5.1)**

Net cash flow from operating activities before changes in hire equipment

Our net cash flow from operating activities before changes in hire equipment changed by £3.1 million to a £0.5 million inflow for the 14 week period ended 2 April 2016 from a £2.6 million outflow for the 13 week period ended 28 March 2015. This change resulted from the small growth in EBITDA period on period, together with lower investment in net working capital.

Cash utilised by operations

Our cash utilised by operations decreased by £9.9 million to £4.3 million for the 14 week period ended 2 April 2016 compared to £14.2 million for the 13 week period ended 28 March 2015. This decrease resulted from a £6.8 million decrease in purchases of hire equipment, together with the net cash inflow from operating activities before changes in hire equipment.

Net cash utilised in operating activities

Our net cash utilised in operating activities was £9.8 million in the 14 week period ended 2 April 2016, a £16.7 million decrease from the net cash utilised in operating activities of £26.5 million in the 13 week period ended 28 March 2015. This change reflects the lower cash utilised by operations together with net interest paid being £6.8 million lower in the 14 week period ended 2 April 2016. Net interest paid in the 13 week period ended 28 March 2015 was higher due to a £4.3 million redemption premium on the portion of the Notes that was redeemed using IPO proceeds in February 2015 and the higher weighted average interest rate on borrowings in the period.

Net cash used in investing activities

Our net cash used in investing activities was £4.4 million for the 14 week period ending 2 April 2016, a £0.3 million increase on the £4.1 million used in the 13 week period ending 28 March 2015. This increase reflects the non-hire stock capital expenditure cash settled in the 14 week period ended 2 April 2016, slightly offset by the deferred consideration paid in the 13 week period ended 28 March 2015 in respect of the UK Platforms acquisition. This non hire stock capital expenditure reflects the continued investment in non-hire property, plant equipment and software to support growth across the business, particularly the expansion of our local branch network.

Net cash used in financing activities

Our net cash used in financing activities was a £9.1 million inflow for the 14 week period ending 2 April 2016, an £11.9 million decrease on the £21.0 million inflow in the 13 week period ending 28 March 2015. The 13 week period ending 28 March 2015 principally reflects the impact of the post IPO funds flow from HSS Hire Group plc into the group and the subsequent partial repayment of the Notes and the drawn Revolving Credit Facility, whilst the 14 week period ending 2 April 2016 reflects the net drawings on the Revolving Credit Facility and the capital repayments of the finance leases.

Capital expenditures

Our capital expenditure incurred during the 14 week period ended 2 April 2016 and the 13 week period ended 28 March 2015 are set out below:

	13 week period / 14 week period ended	
	28 March 2015	**2 April 2016**
	Company	**Company**
	(unaudited)	
(in millions of £)		
Hire stock capital expenditure	15.6	6.1
Non hire stock capital expenditure	3.6	3.5
Total capital expenditures	**19.3**	**9.6**

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, vehicle trackers, signage, equipment racking, leasehold property improvements and capitalised dilapidations at the inception of a new property lease. We believe that approximately three quarters of our hire stock capital expenditure relates to the replacement of equipment that has either been lost by our customers or reached the end of its useful life and approximately two fifths of our non-hire capital expenditure relates to ongoing maintenance of our property and IT infrastructure.

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.

	13 week period / 14 week period ended	
	28 March 2015	**2 April 2016**
(in millions of £)	**Group**	**Group**
	(unaudited)	
Non-current		
Notes	130.3	132.5
Amounts due to group undertakings	246.6	273.2
	376.9	**405.7**
Current		
Revolving credit facility	9.0	59.0
Bank overdraft	6.1	5.8
Amounts due to group undertakings	5.8	8.0
	20.9	**72.9**

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 2 April 2016.

(in millions of £)	**Within 1 year**	**Between 1 and 5 years**	**More than 5 years**	**Total**
		(unaudited)		
Borrowings[(1)]	9.2	435.3	174.6	619.1
Finance lease obligations[(2)]	14.4	18.2	-	32.6
Total	**23.5**	**453.5**	**174.6**	**651.7**

(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 is 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 2 April 2016 the Group held leases to 83 ''dark'' stores, which are its closed branches awaiting disposal, of which approximately 61% are either fully or partially sublet.

(in millions of £)	Within 1 year	Between 1 and 5 years	More than 5 years	Total
		(unaudited)		
Operating lease obligations............	23.2	59.2	30.6	113.0

Off balance sheet arrangements

From time to time, we undertake forward purchases in support of our electricity requirements. As at 25 May 2016, we had not made any forward purchases.

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 November 2015 the Company requested additional commitments of £20.0 million under the Revolving Credit Facility Agreement (the "Additional Facility Commitments"). The existing lenders agreed to provide the Additional Facility Commitments.

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.

Subordinated shareholder loans

Our subordinated shareholder loans ("Subordinated Shareholder Loans") represent certain intercompany loans between other group undertakings and the Company with an aggregate nominal amount of £281.3 million as at 2 April 2016. The Subordinated Shareholder Loans were due to mature in 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 14 weeks ended 2 April 2016

Registered number 06209511

Hero Acquisitions Limited

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Hero Acquisitions Limited

Consolidated income statement

	Note	**14 weeks ended 2 April 2016 (unaudited) £000s**	13 weeks ended 28 March 2015 (unaudited) £000s
Revenue	2	**84,348**	72,504
Cost of sales		**(35,060)**	(27,751)
Gross profit		**49,288**	44,753
Distribution costs		**(10,873)**	(9,592)
Administrative expenses		**(36,484)**	(32,453)
Other operating income	3	**256**	225
Operating profit		**2,187**	2,933
Adjusted EBITDA(1)	2	**17,773**	15,404
Less: Exceptional items (non-finance)	4	**(2,034)**	(536)
Less: Depreciation and amortisation(1)		**(13,552)**	(11,935)
Operating profit		**2,187**	2,933
Finance income	5	**1,741**	1
Finance expense	5	**(10,967)**	(11,267)
Loss before tax		**(7,039)**	(8,333)
Adjusted loss before tax		**(4,191)**	(3,151)
Less: Exceptional items (non-finance)	4	**(2,034)**	(536)
Less: Exceptional items (finance)	4	**-**	(4,320)
Less: Amortisation	6	**(814)**	(326)
Loss before tax		**(7,039)**	(8,333)
Income tax expense		**(480)**	(750)
Loss for the financial period		**(7,519)**	(9,083)
Loss attributable to:			
Owners of the company		**(7,519)**	(9,083)

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

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

Hero Acquisitions Limited

Consolidated statement of comprehensive income

	14 weeks ended 2 April 2016 (unaudited) £000s	13 weeks ended 28 March 2015 (unaudited) £000s
Loss for the financial period	**(7,519)**	(9,083)
Items that may be reclassified to profit or loss:		
Foreign currency translation differences arising on consolidation of foreign operations	**793**	(602)
Other comprehensive profit / (loss) for the period, net of tax	**793**	(602)
Total comprehensive loss for the period	**(6,726)**	(9,685)
Attributable to owners of the Company	**(6,726)**	(9,685)

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

Hero Acquisitions Limited

Consolidated statement of financial position

	Note	2 April 2016 (unaudited) £000s	28 March 2015 (unaudited) £000s
ASSETS			
Non-current assets			
Intangible assets	6	**154,007**	142,063
Property, plant and equipment	7	**180,570**	154,535
Deferred tax assets	14	**1,900**	2,462
Trade and other receivables	9	**63,848**	54,092
		400,325	353,152
Current assets			
Inventories	8	**8,974**	6,669
Trade and other receivables	9	**109,190**	90,467
Cash	10	**985**	2,347
		119,149	99,483
Total assets		**519,474**	452,635
LIABILITIES			
Current liabilities			
Trade and other payables	11	**(77,342)**	(79,306)
Borrowings	12	**(72,864)**	(20,937)
Provisions	13	**(4,059)**	(3,522)
Current tax liabilities		**(1,000)**	(1,312)
		(155,265)	(105,077)
Non-current liabilities			
Trade and other payables	11	**(18,196)**	(10,501)
Borrowings	12	**(405,669)**	(376,868)
Provisions	13	**(10,934)**	(10,358)
Deferred tax liabilities	14	**(2,114)**	(1,154)
		(436,913)	(398,881)
Total liabilities		**(592,178)**	(503,958)
Net liabilities		**(72,704)**	(51,323)
EQUITY			
Share capital	15	**8,591**	8,591
Share premium		**-**	-
Retained deficit		**(81,295)**	(59,914)
Total deficit attributable to owners of the company		**(72,704)**	(51,323)

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

Hero Acquisitions Limited

Consolidated statement of changes in equity

	Note	Share capital	Share premium	Accumulated deficit	Total equity
		£000s	£000s	£000s	£000s
At 26 December 2015		8,591	-	(74,569)	(65,978)
Total comprehensive loss for the period					
Loss for the period		-	-	(7,519)	(7,519)
Foreign currency translation differences arising on consolidation of foreign operations		-	-	793	793
Total comprehensive loss for the period		-	-	(6,726)	(6,726)
At 2 April 2016		**8,591**	**-**	**(81,295)**	**(72,704)**

		Share capital	Share premium	Accumulated deficit	Total equity
		£000s	£000s	£000s	£000s
At 27 December 2014		14,222	143,068	(172,428)	(15,138)
Total comprehensive profit for the period					
Profit for the period		-	-	(9,083)	(9,083)
Foreign currency translation differences arising on consolidation of foreign operations		-	-	(602)	(602)
Total comprehensive profit for the period		-	-	(9,685)	(9,685)
Transactions with owners recorded directly in equity					
Bonus issue of shares capitalised out of reserves	19	80,591	-	(80,591)	-
Capital reduction	19	(86,222)	(143,068)	229,290	-
Dividends paid to immediate parent company	19	-	-	(26,500)	(26,500)
At 28 March 2015		8,591	-	(59,914)	(51,323)

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

Consolidated statement of cash flows

	Note	**14 weeks ended 2 April 2016 (unaudited)**	13 weeks ended 28 March 2015 (unaudited)
Cash flows from operating activities		**£000s**	£000s
Loss before income tax		**(7,039)**	(8,333)
Adjustments for:			
– Amortisation		**814**	326
– Depreciation		**9,642**	9,868
– Accelerated depreciation relating to hire stock customer losses, hire stock write offs and other asset disposals		**3,087**	1,740
– Loss on disposal of property, plant and equipment		**9**	1
– Finance income		**(1,741)**	(1)
– Finance expense		**10,967**	11,267
Changes in working capital (excluding the effects of acquisitions and exchange differences on consolidation):			
– Inventories		**121**	154
– Trade and other receivables		**(5,335)**	(1,155)
– Trade and other payables		**(10,321)**	(15,432)
– Provisions		**(40)**	(1,012)
Net cash flows from operating activities before changes in hire equipment		**164**	(2,577)
Purchase of hire equipment		**(4,844)**	(11,655)
Cash (utilised)/generated by operations		**(4,680)**	(14,232)
Net interest paid		**(5,508)**	(12,300)
Income tax received/(paid)		**-**	-
Net cash utilised in operating activities		**(10,188)**	(26,532)
Cash flows from investing activities			
Purchases of non hire property, plant, equipment and software		**(4,069)**	(4,083)
Net cash used in investing activities		**(4,069)**	(4,083)
Cash flows from financing activities			
Proceeds from borrowings (third parties)		**17,000**	17,972
Proceeds from borrowings (group undertakings)		**-**	116,000
Repayments of borrowings		**(4,000)**	(84,500)
Capital element of finance lease payments		**(3,851)**	(1,963)
Dividends paid		**-**	(26,500)
Net cash received from financing activities		**9,149**	21,009
Net decrease in cash		**(5,108)**	(9,606)
Cash at the start of the period		**276**	5,858
Cash at the end of the period		**(4,832)**	(3,748)

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

Notes to the Company 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) Functional and presentational currency

These unaudited interim financial statements are presented in pounds Sterling (£), which is the Group's functional and 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 26 December 2015. 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.

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.

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.

Notes to the Company 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 falling due as detailed in note 12, 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 re-measured 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 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 and 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.

Notes to the Company 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 presentational 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 & 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.

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 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 TecServ Cleaning Equipment Services Limited and Apex Generators Limited as having useful economic lives of 10 years. In May 2015 the Group acquired All Seasons Hire Limited. The directors have assessed the brand and customer relationship intangible assets recognised on acquisitions to have useful economic lives of 10 and 12 years respectively.

1) Accounting policies (continued)

j) Intangible assets (continued)

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 charged to 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.

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.

Impairment provisions are recognised when there is objective evidence that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivables. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Notes to the Company financial statements (continued)

1) Accounting policies (continued)

n) Cash

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with maturities of three months or less and bank overdrafts. In the statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

o) Share capital

Ordinary shares
Ordinary shares are classified as equity. 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.

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 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.

Notes to the Company financial statements (continued)

1. Accounting policies (continued)

t) Finance income and expense

Finance income comprises interest receivable 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.

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.

1. Accounting policies (continued)

v) Employee benefits (continued)

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, including compensation for damaged or lost hire stock, 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.

Notes to the Company 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.

Notes to the Company financial statements (continued)

2. Segmental reporting

As explained in Note 1 i), 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, and to customers 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.

	14 weeks ended 2 April 2016 (unaudited)		
	HSS Core £000s	HSS Specialist £000s	Total £000s
Total revenue from external customers	**71,938**	**12,410**	**84,348**
Adjusted EBITDA	**10,571**	**7,202**	**17,773**
Depreciation and amortisation	(10,174)	(3,378)	(13,552)
Exceptional items (note 4)	(2,000)	(34)	(2,034)
Segment operating (loss)/profit	**(1,603)**	**3,790**	**2,187**
Finance income			1,741
Adjusted finance expense			(10,967)
Exceptional finance expense (note 4)			-
Loss before tax			**(7,039)**
Income tax credit			(480)
Loss after tax			**(7,519)**
Total assets	**427,574**	**91,900**	**519,474**
Total liabilities	**(522,628)**	**(69,550)**	**(592,178)**
Additions to non-current assets in the period (including acquisitions)			
Intangible assets	850	25	875
Property, plant and equipment - additions	6,913	2,672	9,585
Total	**7,763**	**2,697**	**10,460**

Notes to the Company financial statements (continued)

2. Segmental reporting (continued)

	13 week period ended 28 March 2015 (unaudited)		
	HSS Core £000s	HSS Specialist £000s	Total £000s
Total revenue from external customers	62,051	10,453	72,504
Adjusted EBITDA	10,073	5,331	15,404
Depreciation and amortisation	(8,511)	(3,424)	(11,935)
Exceptional items (note 4)	(536)	-	(536)
Segment operating profit	1,026	1,907	2,933
Finance income			1
Finance expense			(11,267)
Movement in derivative financial instruments			-
Loss before tax			(8,333)
Income tax expense			(750)
Profit after tax			(9,083)
Total assets	366,490	86,145	452,635
Total liabilities	437,869	66,089	503,958
Additions to non-current assets in the period (including acquisitions)			
Intangible assets	447	-	447
Property, plant and equipment			
- additions	13,499	5,770	19,269
Total	13,946	5,770	19,716

3. Other operating income

	14 weeks ended 2 April 2016 (unaudited) £000s	13 weeks ended 28 March 2015 (unaudited) £000s
Property rental income	**256**	225
	256	225

Notes to the Company 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.

	14 weeks ended 2 April 2016 (unaudited) £000s	13 weeks ended 28 March 2015 (unaudited) £000s
Restructuring and Acquisition costs		
Included in administrative expenses	**2,034**	536
	2,034	536
Exceptional items (non-finance)	**2,034**	536
Refinancing costs		
Included in finance expense	**-**	4,320
	-	4,320
Exceptional items (finance)	**-**	4,320
Total exceptional items	**2,034**	4,856

Restructuring costs
During the 14 weeks ended 2 April 2016 the Group incurred costs of £2.0m (13 weeks ended 28 March 2015: £0.5m) in relation to the restructuring of the business and its operations. Of the £2.0m incurred in 2016 £1.2m related to set-up costs of the NDEC as we accelerated its development and £0.1m related to the cost reduction plan, principally redundancies. The balance of these costs related to onerous leases on non-trading stores, totalling £0.7m for the 14 weeks ended 2 April 2016 and £0.5m for 13 weeks ended 28 March 2015.

Refinancing costs
On 12 February 2015 the Group, made an early redemption of £64m of its 6.75% senior secured notes as described in note 19. This gave rise to a bond redemption premium of £4.3m.

5. Finance income and expense

	14 weeks ended 2 April 2016 (unaudited) £000s	13 weeks ended 28 March 2015 (unaudited) £000s
Interest on amounts due from group undertakings	**(1,740)**	-
Interest received on cash deposits	**(1)**	(1)
Finance income	**(1,741)**	(1)
Bank loans and overdrafts	**505**	264
Interest on amounts due to group undertakings	**7,265**	3,124
Senior secured notes	**2,465**	2,845
Finance leases	**435**	325
Interest unwind on discounted provisions	**23**	55
Debt issue cost	**274**	334
Bond redemption premium	**-**	4,320
Finance expense	**10,967**	11,267
Net finance expense	**9,226**	11,266

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.

6. Intangible assets

	Goodwill £000s	Customer relationships £000s	Brands £000s	Software £000s	Total £000s
Cost					
At 26 December 2015	142,519	2,544	2,242	14,997	162,302
Additions	-	-	-	875	875
At 2 April 2016	142,519	2,544	2,242	15,872	163,177
Amortisation					
At 26 December 2015	-	256	232	7,868	8,356
Charge for the period	-	60	41	713	814
At 2 April 2016	-	316	273	8,581	9,170
Net book value					
At 2 April 2016	**142,519**	**2,228**	**1,969**	**7,291**	**154,007**
At 26 December 2015	142,519	2,288	2,010	7,129	153,946

6. Intangible assets (continued)

	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	-	-	-	447	447
At 28 March 2015	135,039	1,200	1,610	10,479	148,328
Amortisation					
At 27 December 2014	-	101	109	5,729	5,939
Charge for the period	-	30	20	276	326
At 28 March 2015	-	131	129	6,005	6,265
Net book value					
At 28 March 2015	**135,039**	**1,069**	**1,481**	**4,474**	**142,063**
At 27 December 2014	135,039	1,099	1,501	4,303	141,942

All goodwill arising on business combinations has been allocated to those Cash Generating Units 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 (CGUs)

	Goodwill £000s	Total £000s
Allocated to		
HSS Core	125,331	125,331
Powered access	4,114	4,114
Climate control	7,021	7,021
Power generation	6,053	6,053
At 2 April 2016	**142,519**	**142,519**

	Goodwill £000s	Total £000s
Allocated to		
HSS Core	124,872	124,872
Powered access	4,114	4,114
Power generation	6,053	6,053
At 28 March 2015	**135,039**	**135,039**

Notes to the Company financial statements (continued)

7. Property, plant and equipment

	Land & Buildings £000s	Plant & Machinery £000s	Materials & Equipment held for hire £000s	Total £000s
Cost				
At 26 December 2015	63,313	55,876	256,238	375,427
Foreign exchange differences	13	106	1,120	1,239
Additions	2,842	680	6,063	9,585
Disposals	(174)	(23)	(4,842)	(5,039)
At 2 April 2016	65,994	56,639	258,579	381,212
Accumulated depreciation				
At 26 December 2015	35,258	44,016	112,948	192,222
Foreign exchange differences	-	73	648	721
Charge for the period	2,013	193	7,436	9,642
Disposals	(165)	(23)	(1,755)	(1,943)
At 2 April 2016	37,106	44,259	119,277	200,642
Net book value				
At 2 April 2016	**28,888**	**12,380**	**139,302**	**180,570**
At 26 December 2015	28,055	11,860	143,290	183,205

	Land & Buildings £000s	Plant & Machinery £000s	Materials & Equipment held for hire £000s	Total £000s
Cost				
At 27 December 2014	49,984	51,122	222,577	323,683
Foreign exchange differences	(7)	(82)	(865)	(954)
Additions	1,940	1,696	15,633	19,269
Disposals	-	(1)	(4,236)	(4,237)
At 28 March 2015	51,917	52,735	233,109	337,761
Accumulated depreciation				
At 27 December 2014	31,533	41,136	103,802	176,471
Foreign exchange differences	-	(58)	(559)	(617)
Charge for the period	1,027	801	8,040	9,868
Disposals	-	-	(2,496)	(2,496)
At 28 March 2015	32,560	41,879	108,787	183,226
Net book value				
At 28 March 2015	19,358	10,856	124,322	154,535
At 27 December 2014	18,451	9,986	118,775	147,212

The net book value of materials and equipment held for hire includes an amount of £42.2m (28 March 2015: £20.5m) in respect of assets held under finance leases. The depreciation charge for assets held under finance leases in the 14 weeks ended 2 April 2016 was £1.9m (13 weeks ended 28 March 2015: £1.2m).

Notes to the Company financial statements (continued)

8. Inventories

	2 April 2016 (unaudited) £000s	28 March 2015 (unaudited) £000s
Goods for resale	**5,867**	5,526
Spares	**3,472**	2,600
Total inventories	**9,339**	8,126
Provision for impairment	**(365)**	(1,457)
Inventories	**8,974**	6,669

Provision for impairment of inventories	2 April 2016 (unaudited) £000s	28 March 2015 (unaudited) £000s
Balance at the beginning of the year	**340**	1,457
Impairment provisions recognised during the period	**25**	-
Balance at the end of the year	**365**	1,457

The cost of inventories recognised as an expense and included in cost of sales is £7.6m (13 weeks ended 28 March 2015: £6.9m).

9. Trade and other receivables

Non-current	2 April 2016 (unaudited) £000s	28 March 2015 (unaudited) £000s
Amounts due from group undertakings	**63,848**	54,092
	63,848	54,092

Current	2 April 2016 (unaudited) £000s	28 March 2015 (unaudited) £000s
Gross trade receivables	**82,000**	72,827
Less provision for impairment	**(4,473)**	(4,110)
Net trade receivables	**77,527**	68,717
Other debtors	**366**	178
Prepayments and accrued income	**25,091**	16,316
Corporation tax	**-**	747
Amounts due from group undertakings	**6,206**	4,509
	109,190	90,467

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.

Notes to the Company financial statements (continued)

9. Trade and other receivables (continued)

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

	2 April 2016 (unaudited) £000s	28 March 2015 (unaudited) £000s
Balance at the beginning of the period	**(3,816)**	(3,514)
Movement in provision	**(657)**	(596)
Balance at the end of the period	**(4,473)**	(4,110)

10. Cash

	2 April 2016 (unaudited) £000s	28 March 2015 (unaudited) £000s
Cash (statement of financial position)	**985**	2,347
Bank overdrafts	**(5,818)**	(6,095)
Cash and cash equivalents	**(4,833)**	(3,748)

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

	2 April 2016 (unaudited) £000s	28 March 2015 (unaudited) £000s
Current		
Obligations under finance leases	**14,366**	6,892
Trade payables	**33,591**	50,148
Other taxes and social security costs	**6,361**	4,823
Other creditors	**1,667**	1,529
Accrued interest on borrowings	**1,602**	1,419
Accruals and deferred income	**19,755**	14,495
	77,342	79,306

	2 April 2016 (unaudited) £000s	28 March 2015 (unaudited) £000s
Non-current		
Obligations under finance lease	**18,196**	10,501
	18,196	10,501

Notes to the Company financial statements (continued)

12. Borrowings

	2 April 2016 (unaudited) £000s	28 March 2015 (unaudited) £000s
Current		
Revolving credit facility	**59,000**	9,000
Bank overdraft	**5,818**	6,095
Amounts due to group undertakings	**8,046**	5,842
	72,864	20,937
Non-current		
Senior secured note	**132,463**	130,278
Amounts due to group undertakings	**273,206**	246,590
	405,669	376,868

The nominal value of the Group's loans at each reporting date is as follows:

	2 April 2016 (unaudited) £000s	28 March 2015 (unaudited) £000s
Secured senior note	**136,000**	136,000
Amounts due to group undertakings	**281,252**	252,432
	417,252	388,432

The Group's Super Senior RCF and Senior Secured Notes are both secured on a shared basis by a first ranking lien over certain assets (comprising substantially all material assets of the Group). The Super Senior RCF shares its security with the Senior Secured Notes but shall get priority over any enforcement proceeds via a payment waterfall.

Non current amounts due to group undertakings fall due in 2022 (2014: falling due in 2022). The secured senior note is a 6.75% fixed rate bond maturing in 2019, and is listed on the Luxembourg stock exchange.

The interest rates on the Group's variable interest loans are as follows:

	2 April 2016 (unaudited) % above LIBOR	28 March 2015 (unaudited) % above LIBOR
Amounts due to group undertakings	-	-
Revolving credit facility	**2.00%**	2.50%

The interest rates on the Group's fixed interest loans are as follows:

	2 April 2016 (unaudited) Fixed rate	28 March 2015 (unaudited) Fixed rate
Secured senior note	**6.75%**	6.75%
Amounts due to group undertakings	**10% & 6.75%**	10% & 6.75%

12. Borrowings (continued)

The Group's borrowings have the following maturity profile:

	2 April 2016 (unaudited) £000s	28 March 2015 (unaudited) £000s
Less than one year	**9,180**	9,180
Two to five years	**435,316**	168,130
Over five years	**174,628**	430,850
	619,124	608,160
Less interest cash flows:		
Senior secured note	**(36,720)**	(41,310)
Amounts due to group undertakings	**(165,152)**	(178,418)
Total principal cash flows	**417,252**	388,432

The Group has undrawn committed borrowing facilities of £26.9m at 2 April 2016 (28 March 2015: £44.9m).

13. Provisions

	Non-trading stores £000s	Dilapidations £000s	Other £000s	Total £000s
At 26 December 2015	4,537	10,136	-	14,673
Additions	762	337	-	1,100
Utilised during the period	(220)	(99)	-	(319)
Unwind of provision	16	8	-	23
Released	(424)	(60)	-	(484)
At 2 April 2016	**4,671**	**10,322**	**-**	**14,993**
Of which:				
Current	**1,056**	**3,003**	**-**	**4,059**
Non current	**3,615**	**7,319**	**-**	**10,934**
	4,671	**10,322**	**-**	**14,993**
At 27 December 2014	7,017	7,854	21	14,892
Additions	-	150	-	150
Utilised during the period	(823)	(394)	-	(1,217)
Unwind of provision	31	24	-	55
At 28 March 2015	6,225	7,634	21	13,880
Of which:				
Current	1,548	1,954	21	3,522
Non current	4,677	5,680	-	10,358
	6,225	7,634	21	13,880

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 makes use of, and are expected to arise over periods of up to 8 years. The comparative balance sheet has been amended to reflect the current element of the provisions, previously treated as non current liabilities.

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.

Notes to the Company 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	Derivative financial instruments	Property, plant and equipment and other items	Acquired intangible assets	Total
	£000s	£000s	£000s	£000s	£000s
At 26 December 2015 and at 2 April 2016	1,900	-	(1,265)	(849)	(214)
Deferred tax assets	1,900	-	-		1,900
Deferred tax liabilities	-	-	(1,265)	(849)	(2,114)
At 26 December 2015 and at 2 April 2016	**1,900**	**-**	**(1,265)**	**(849)**	**(214)**
At 27 December 2014 and at 28 March 2015	2,400	-	(461)	(631)	1,308
Deferred tax assets	2,400	-	62	-	2,462
Deferred tax liabilities	-	-	(523)	(631)	(1,154)
At 27 December 2014 and at 28 March 2015	**2,400**	**-**	**(461)**	**(631)**	**1,308**

15. Share capital

Nominal value of ordinary shares

	Ordinary shares of £1 each	'A' Ordinary shares of £0.0001 each	Total
	£000s	£000s	£000s
At 26 December 2015	8,496	95	8,591
At 2 April 2016	8,496	95	8,591

	Note	Ordinary shares of £1 each	'A' Ordinary shares of £0.0001 each	Total
		£000s	£000s	£000s
At 27 December 2014		14,208	14	14,222
Bonus issue of shares capitalised out of reserves	26	80,510	81	80,591
Capital reduction	26	(86,222)	-	(86,222)
At 28 March 2015		**8,496**	**95**	**8,591**

15. Share capital (continued)

Number of ordinary shares

		Ordinary shares of £1 each	'A' Ordinary shares of £0.0001 each	Total
		Number	Number	Number
At 26 December 2015		8,496,112	953,884,022	962,380,134
At 2 April 2016		8,496,112	953,884,022	962,380,134

		Ordinary shares of £1 each	'A' Ordinary shares of £0.0001 each	Total
		Number	Number	Number
At 27 December 2014		14,207,723	143,082,605	157,290,328
Bonus issue of shares capitalised out of reserves	26	80,510,419	810,801,417	891,311,836
Capital reduction	26	(86,222,030)	-	(86,222,030)
At 28 March 2015		**8,496,112**	**953,884,022**	**962,380,134**

The voting rights and restrictions attached to the Ordinary and ‘A’ Ordinary shares 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.

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. On 9 February 2015 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 loan notes as well as to effect an early redemption of £64 million of its 6.75% senior secured notes as summarised in Note 16.

The Group’s fixed rate borrowings are now principally the Senior Secured notes and amounts owed to group undertakings. In addition the Group enters into finance leases in respect of hire stock assets and these carry a fixed rate of interest set at lease inception.

16. Financial instruments (continued)

Interest rate risk (continued)
The Group is only exposed to interest rate risk on its variable interest borrowings, such as the Revolving credit facility, the Group's overdraft and other short term borrowings. Given the most recent inflation report from the Bank of England (May 2016) which indicates that the market-implied path for the UK Bank Rate is now lower than reported in the February 2016 report, and is not currently expected to reach 0.8% until Q2 2019, the directors do not consider this to be a significant risk to the Group. The directors will continue to monitor developments in market interest rates on a regular basis.

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.

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 2 April 2016 is a minimum EBITDA of £35 million on a rolling twelve month basis (at 28 March 2015 a minimum EBITDA of £35 million).

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. For the year ended 26 December 2015 EBITDA was £65.2 million and adjusted EBITDA was £70.9 million.

Notes to the Company financial statements (continued)

16. Financial instruments (continued)

Fair value

All financial assets at the balance sheet dates which comprise trade and other receivables, and cash and cash equivalents are classified as loans and receivables.

All financial liabilities at the balance sheet date which comprise trade and other payables, obligations under finance leases, and borrowings are classified as financial liabilities at amortised cost.

17. Commitments and contingencies

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

	2 April 2016 (unaudited) £000s	28 March 2015 (unaudited) £000s
Land and buildings		
Within one year	**15,530**	15,605
Between two and five years	**46,981**	47,677
After five years	**30,566**	30,291
	93,077	93,573
Other		
Within one year	**7,685**	6,373
Between two and five years	**12,260**	9,839
	19,945	16,212
	113,022	109,785

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

Sub-lease rental income	**2 April 2016 (unaudited) £000s**	28 March 2015 (unaudited) £000s
Within one year	**829**	658
Between two and five years	**1,552**	1,470
After five years	**327**	363
	2,708	2,491

Notes to the Company financial statements (continued)

18. Related party transactions

By virtue of its majority shareholding the Group's ultimate parent entity is Exponent Private Equity LLP.

At 2 April 2016 the group owed £82.7m (28 March 2015: £74.6m) to Hampshire Bidco Limited, the Company's immediate holding company, of which £3.2m is classified as current (28 March 2015: £2.9m) and £79.4m (28 March 2015: £71.7m) is non-current.

At 2 April 2016 the group owed £100.3m, classified as non-current (28 March 2015: £87.8m) to Hampshire Topco Limited, the Company's intermediate holding company. At 2 April 2016, Hampshire Topco owed the group £3.8m (2014: £nil).

At 2 April 2016 the group owed £98.3m to HSS Hire Group Plc, the Company's ultimate holding company in which it is consolidated, of which £4.8m is classified as current and £93.5m is non-current.

At 2 April 2016 the group was owed £66.3m (2014: £58.6m) by Hampshire Midco Limited, the Company's intermediate holding company, of which £2.4m is classified as current (8 March 2015: £nil) and £63.8m is non-current (28 March 2015: £58.6m).

During the period the Group paid interest of £7.3m (2015: nil) to other group companies.

During the period the Group received interest of £1.7m (2015: £3.1m) from other group companies.

19. Capital reconstruction

In February 2015 HSS Hire Group Plc undertook an IPO resulting in £103m of gross proceeds being raised. As part of the IPO process, the Company passed special resolutions giving effect to the capital reconstruction outlined below.

A bonus issue of Ordinary and A Ordinary shares was made out of reserves totalling £80.6m

A capital reduction was undertaken, under which the share premium of the company of £143.1m was reduced to nil, and £86.2m of the ordinary £1 shares were cancelled and extinguished, the reduction monies arising being credited to distributable reserves.

On 9 February, the Group, HSS Hire Group Plc and Hampshire Topco Limited 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 16.

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

- HSS Hire Service Holdings Ltd paid an interim 2015 dividend of £80.6m to its immediate parent company Hero Acquisitions Limited; and.
- Following the capital reconstruction of Hero Acquisitions Limited, it paid an interim 2015 dividend of £26.5m to its immediate parent company Hampshire Bidco Limited.