HSS Financing plc

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

Interim Report Q1 2018

For the 13 weeks ended 31 March 2018

24 May 2018

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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 5 April 2018. Our most recent Annual Report can be obtained from our corporate website, www.hsshiregroup.com/investor-relations/senior-secured-notes/.

- changes in the macroeconomic environment;
- competition in our industry;
- the availability of funds for capital expenditures;
- unexpected periods of decline owing to macroeconomic, industry and operational factors;
- our inability to collect on customer contracts;
- the loss of our key suppliers;
- increased costs of our rental fleet maintenance and replacement;
- depressed market value of our rental fleet;
- decline in our service levels;
- damage to our brands or our reputation;
- insufficient insurance and increases in insurance premiums;
- our inability to effectively maintain or manage our property leaseholds;
- the ability and cost to comply with current or future laws and regulations;
- volatility in fuel costs;
- changes in currency and interest rates;
- loss of our key personnel;
- complaints and litigation;
- tax risks;
- disruptions in our information technology systems;

- our acquisitions may prove unsuccessful or strain our resources;
- risks related to our substantial indebtedness, our structure and our ability to meet our debt service obligations; and
- other factors discussed under “Risk factors”.

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 annual report and we do not intend, and do not assume any obligation, to update forward-looking statements set forth in this annual 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 annual 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*" 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 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 assets securing the obligations of the Issuer and the Guarantors under the Notes, the Note Guarantees and the Revolving Credit Facility Agreement. See "*Description of the Notes—Security*"*;*

"*Company*" are to Hero Acquisitions Limited, a private company limited by shares incorporated under the laws of England and Wales;

"*Customer Distribution Centre(s)*" or "*CDC(s)*" are to the locations across the United Kingdom from which we deliver items of our core hire equipment directly to customer sites, manage the collection of equipment from customer sites at the end of the hire period and undertake testing and repair of larger non-specialist equipment;

"*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;

"*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;

"*HSS Hire Group plc*", "*HSS*", "*we*", "*our*" *and* "*us*" are to HSS Hire Group plc, a private company limited by shares incorporated in the United Kingdom on 7 January 2015 and re-registered as a public limited company on 19 January 2015, and its direct and indirect subsidiaries. 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 the London Stock Exchange's main market for listed securities under the ticker "HSS" on 9 February 2015;

"*HSS OneCall*" are to our specialist equipment sourcing services;

"*HSS Training*" are to our specialist training services;

"*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 the Issuer, the Guarantors, the Trustee and the other parties named therein, to be dated the Issue Date;

"*Intercreditor Agreement*" are to the intercreditor agreement among the Issuer, the Guarantors, the Borrowers, the Trustee, the Security Agent, the facility agent under the Revolving Credit Facility Agreement and the other parties named therein, to be dated on or about the Issue Date;

"*Ireland*" are to the Republic of Ireland;

"*Issue Date*" are to 6 February 2014, the date on which the Notes are 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;

"*National Distribution and Engineering Centre*" or "*NDEC*" are to our previously operated operational centre in Cowley, Oxfordshire;

"*Network Reconfiguration*" are to the transformational change towards a more cost-effective supply chain model suited to our network size, which we have implemented after reassessing our business plan in a detailed strategic review in the second half of 2017;

"*Note Guarantees*" are to the senior secured guarantees of the Notes to be provided by all the Guarantors pursuant to the Indenture;

"*Notes*" are to the Senior Secured Notes due 2019;

"*Proceeds Loan*" are to the loan agreement to be 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 to be dated on or about the Issue Date;

"*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, a specialist provider of cleaning equipment services that we disposed of to a trade purchaser in November 2017;

"*UK*" are to the United Kingdom;

"*UK Platforms*" are to UK Platforms Ltd and its subsidiary, Access Rentals (UK) Limited, a provider of electric and diesel powered access products, that we acquired on 28 June 2013;

"*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; 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 31 March 2018 and the 13 week period ended 1 April 2017 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.

We are permitted under the UK Companies Act of 2006 to prepare our financial statements up to a date that is seven days before or after the applicable accounting reference date for the period. Although our audited financial statements refer to fiscal years ended 31 December, our fiscal year is usually made up of a 52 week period, and as a result does not always correspond to a calendar year ended 31 December. Additionally, from time to time, our fiscal year accounting period covers a 53 week period, which impacts the comparability of results. For the 52 week period in 2015, the period ran from 28 December 2014 to 26 December 2015, for the 53 week period in 2016, the period ran from 27 December 2015 to 31 December 2016 and for the 52 week period in 2017, the period ran from 1 January 2017 to 30 December 2017.

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.

Other non-IFRS financial information

In addition to IFRS financial information, summary unaudited financial data and pro forma financial information and adjustments, we have included certain other non-IFRS financial measures and adjustments in this annual report, including third-party debt, net third-party debt, capital expenditure, EBITDA, Adjusted EBITA and certain other financial measures and ratios. Such other non-IFRS financial measures and ratios are not required by or presented in accordance with IFRS. We have defined below certain of the non-IFRS measures and ratios that we have used in this annual report, including the pro forma EBITDA-based measure that gives pro forma effect to certain cost saving measures.

EBITDA-based measures:

- "*EBITDA*" represents profit or loss for the financial period before finance expense, finance income, income tax expense/credit movement in derivative financial instruments, depreciation, amortisation and hire stock disposals and write offs; and

- "*Adjusted EBITDA*" represents EBITDA adjusted to remove the effects of certain exceptional costs, which we believe are not indicative of our underlying operating performance;

- "*Adjusted EBITA*" represents our Adjusted EBITDA (as defined herein) less depreciation; and

- "*pro forma Adjusted EBITDA*" represents Adjusted EBITDA adjusted to give pro forma effect to certain cost saving measures as if they had been implemented on 1 January 2017.

For reconciliations of these EBITDA-based measures, see "*Summary—Summary consolidated financial and other data*".

Other accounts-based non-IFRS measures:

- "*capital expenditure*" represents additions to our property, plant and equipment during the applicable periods as set forth in the notes entitled "*Segmental reporting*" to our financial statements included in this annual 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 overdrafts, (ii) borrowings under our Existing Revolving Credit Facility, (iii) obligations under our finance leases, (iv) accrued interest, (v) Existing Notes and (vi) unamortised debt issue costs.

However, these non-IFRS financial measures are not measures determined based on 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 annual 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.

Recent developments

Network Reconfiguration

In February of this year we announced the results of our strategic review, including the details relating to the Network Reconfiguration. This included our expected cost savings from the change, mainly including fees no longer payable to a third party logistics provider in connection with the NDEC amounting to approximately £14 million, minus approximately £3 million of related costs. We also announced a £41 million provision for exceptional costs, including a non-cash impairment of related assets of £7 million. This is expected to lead to a net cash outflow of approximately £3 million in 2018, after giving effect to cost savings, followed by net cash inflows of approximately £8 million annually in the following seven years, again after giving effect to cost savings.

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 31 March 2018 and as at and for the 13 week period ended 1 April 2017 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 31 March 2018 and as at and for the 13 week period ended 1 April 2017, 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 ended	
	31 March 2018	**Restated 1 April 2017**
(in millions of £)	**(unaudited)**	**(unaudited)**
Consolidated income statement data:		
Revenue	**84.4**	**80.2**
Cost of sales	(39.2)	(38.6)
Gross profit	**45.2**	**41.6**
Distribution costs	(10.8)	(11.7)
Administrative expenses	(33.9)	(38.8)
Other operating income	0.1	0.2
Operating profit / (loss)	**0.6**	**(8.7)**
Finance income (1)	2.0	1.8
Finance expense(2)	(12.3)	(11.0)
Loss before tax	**(9.7)**	**(17.9)**
Income tax expense	(0.2)	(0.1)
Loss for the financial period	**(9.9)**	**(18.0)**

	As at 31 March 2018	**As at 1 April 2017**
	(unaudited)	**(unaudited)**
(in millions of £)		
Consolidated balance sheet data:		
Intangible fixed assets	151.4	155.2
Tangible fixed assets	143.0	174.1
of which: materials and equipment held for hire	*112.4*	*130.2*
Deferred tax assets	0.1	0.7
Non-current assets	77.8	70.5
Current assets	117.4	120.5
of which: trade receivables	*102.8*	*75.3*
Cash	*9.7*	*7.2*
Total assets(3)	**489.7**	**520.9**
Current liabilities	(170.4)	(159.0)
of which: trade payables	*(75.3)*	*(46.9)*
Non-current liabilities	(529.9)	(477.7)
of which: provisions for liabilities and charges	*(36.7)*	*(13.9)*
Net liabilities	**(210.6)**	**(115.9)**

(in millions of £)	13 week period ended 31 March 2018 (unaudited)	13 week period ended 1 April 2017 (unaudited)
Consolidated cash flow data:		
Net cash flows from operating activities before changes in hire equipment	**13.4**	**7.9**
Purchase of hire equipment	(3.0)	(6.5)
Cash generated from operations	**10.4**	**1.4**
Net interest paid	(5.9)	(5.5)
Income tax paid	-	-
Net cash utilised in operating activities	**4.4**	**(4.1)**
Net cash used in investing activities	(0.6)	(2.7)
Net cash received from financing activities	3.7	11.6
Increase/(decrease) in cash	**7.5**	**4.8**

(in millions of £, except for percentages and ratios or unless otherwise noted)	As at and for the 13 week period ended 31 March 2018 (unaudited)	As at and for the 13 week period ended 1 April 2017 (unaudited)
Other operating metrics:		
Number of trading branches[(4)]	252	280
Average revenue per trading branch (in '000 of £)[(5)]	334	284
Other historical financial data:		
Third-party debt[(6)]	233.6	233.9
Cash	9.7	7.2
Net third-party debt[(7)]	223.9	226.7
Capital expenditure[(8)]	4.0	8.5
EBITDA[(9)]	13.3	5.2
Adjusted EBITDA[(10)]	13.9	8.5

(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 31 March 2018 we held leases to 79 "dark" stores, which are our closed branches awaiting disposal, of which approximately 30% 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. Since 1 January 2017 revenue in our management accounts has been reported net of rebates and credit notes (consistent with statutory reported revenue), revenue figures for the prior year are therefore restated on the same basis.

(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 31 March 2018 (unaudited)	As at 1 April 2017 (unaudited)
Bank overdraft	-	-
Revolving credit facility	74.0	68.5
Obligations under finance leases	23.8	27.9
Accrued interest	1.6	1.6
Senior secured note	134.1	133.5
Debt issue costs	1.8	2.5
Total third-party debt	**235.3**	**233.9**

(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. For this purpose depreciation includes the net book value of hire stock losses and write offs, and the net book value of other fixed asset disposals less the proceeds on those disposals.

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 ended	
	31 March 2018[1]	**1 April 2017**
	(unaudited)	**(unaudited)**
(in millions of £)		
Profit/(loss) for the financial year	(9.9)	(18.0)
Income tax (credit)/expense	-	0.1
Finance expense	12.3	11.0
Finance income	(2.0)	(1.8)
Depreciation, amortisation and disposals and write offs	12.7	13.9
EBITDA..	**13.1**	**5.2**

(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 ended	
	31 March 2018	**1 April 2017**
	(unaudited)	**(unaudited)**
(in millions of £)		
EBITDA..	**13.3**	**2.0**
Exceptional items[a].................................	0.6	6.5
Adjusted EBITDA..................................	**13.9**	**8.5**

a) Our net exceptional items costs include costs relating to closed branches which we also call "dark" stores, asset impairments, one off costs incurred to deliver our cost reduction programme and sub-let rental income on onerous leases. During the 13 week period ended 31 March 2018 the Group incurred net exceptional costs of £0.7 million (13 week period ended 1 April 2017: £6.5 million) in relation to the restructuring of the business and its operations. Of the £6.5 million net exceptional costs incurred in 13 weeks ended 1 April 2017, £3.5 million related to onerous leases on dark stores, £3.3 million related to the impairment of related property, plant and equipment, and £0.2 million related to sub-let rental income on onerous leases. Of the £0.7 million incurred in the 13 weeks ended 31 March 2018, £0.4 million related to onerous leases in dark stores, £0.3 million related to the cost reduction programme and £0.1 million related to sub-let rental income on onerous leases. 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 5 April 2018. 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 31 March 2018 and the 13 week period ended 1 April 2017, has been extracted or derived from the unaudited consolidated financial statements of the Company as at and for the 13 week period ended 31 March 2018 and the 13 week period ended 1 April 2017, 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. Historically, 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 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.

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. In 2016, we benefitted from entering into a major contract with Amey, an infrastructure company, which we mobilised in the first quarter of 2016. 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. In order to minimise our exposure to fraud, we have set up an internal investigation team, maintain strict credit control over our diversified customer base and provide our new staff with training in this area.

Trends in customer demand also impact our financial results. Our largest revenue source is rental and related revenue, which represents the rental income earned from owned tools and equipment, including powered access, power generation and HVAC assets, together with directly related revenue such as resale (fuel and other consumables), transport and other ancillary revenue streams. We also generate revenue from services through our HSS OneCall and HSS Training brands. Unlike under our rental 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 rental 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 rental operations, typically generate higher cash flows. As a result, if customer demand for our rental and related 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 integrated one-stop-shop supply chain solutions 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 and CDC network to meet customer demand. Where we identified a potential shortfall, historically our hub-and-spoke network distribution model allowed us to move equipment efficiently within twenty-four hours across our network. As a result, our branch and CDC network allowed us to share a floating inventory of hire stock between our locations and, in turn, drives increases in availability. In 2016, we started a programme to centralise and industrialise our high volume engineering into a single facility, the NDEC. This facility consolidated repetitive processes into one production facility with rigorous quality and safety key performance indicators and was supported by regional engineering expertise for larger specialist hire fleet and lower transactional volume products and a retail-like logistics network for separate branch and customer distribution centre replenishment. The implementation followed a phased approach and we actively delayed the original roll-out plan to incorporate our Scottish network in the first quarter of 2017. The longer implementation impacted our hire volumes in the second half of the year and as a result our profitability was lower than forecasted. Furthermore, the transition to the NDEC temporarily impacted the availability of our hire tools and equipment thereby reducing our fulfilment rates, which impacted our core rental revenue performance towards the end of 2016 and in the first half of 2017, particularly among smaller and medium sized customers, due to interruptions in availability of our hire tools and equipment during the period of transition. Post transition the expected benefits of capital efficiency of through improved engineering reducing hire fleet in maintenance and more reliable fulfilment to the CDCs and local branches were achieved, thereby positively affecting our results of operations.

After reassessing our business plan in a detailed strategic review in the second half of 2017, we decided to move back to a more cost-effective supply chain model suited to our network size (the "Network Reconfiguration"). We believe that the Network Reconfiguration will help us to reduce internal distribution movements, enable us to utilise excess capacity in the network and improve our productivity and asset utilisation. 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 revenue flow, profitability and return on assets. For example, the utilisation rate of our core fleet has increased from 43% for the twelve months ended 30 March 2013 to 50% for the twelve months ended 30 December 2017. Similarly, the utilisation rate of our specialist fleet has increased from 51% for the twelve months ended 30 March 2013 to 73% for the twelve months ended 30 December 2017. 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 centered on retaining sufficient flexibility in response to customer demand. However, the implementation of the Network Reconfiguration has led to decreasing return on assets in 2017. Our return on assets for the 53 week period ended 31 December 2016 was 14.3% and this dropped to 1.6% for the 52 week period ended 30 December 2017. In the 52 week period ended 31 March 2018 this has improved to 7.8%. We expect to return to historic levels of return on assets once the benefits of the Network Reconfiguration are fully realised.

Pricing

We devote considerable attention to the pricing of our products and services, and use a dynamic pricing model with the ability to adjust list prices subject to market conditions and customer demand. 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.

Investments in our operating model, 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. Some examples are discussed below.

- Supply chain model: As part of a significant branch expansion planned from 2015, we made significant investments in further centralising our network and established of our National Distribution and Engineering Centre ("NDEC"), which we opened in March 2016, and focused on the testing and maintenance of our fast moving core hire fleet and the consolidation of repetitive processes into one production facility. During the set-up and roll-in phase, we incurred significant implementation costs, including a dedicated project team, warehouse design, running of the original branch and distribution network in parallel with the NDEC and non-recurring transitional and rectification costs. Certain of these costs were recognised as an exceptional expense in order to better reflect the underlying results of the business, having an impact on Adjusted EBITDA and Adjusted EBITA. However, after reassessing our business plan in a detailed strategic review in the second half of 2017, we decided to move back to a more cost-effective supply chain model suited to our network size (the "Network Reconfiguration"). The NDEC has been closed as of 3 April 2018. Testing of fast moving core hire fleet has been moved back into the branch and CDC network with engineering consolidated into 8 CDCs, assisting with continued high product utilisation and capital efficiency. The fulfilment of hire stock to branches is now being completed by the CDCs overnight, with rebalancing of the stock across England, Wales and Scotland being performed through a new low cost cross-dock capability. This cross-dock capability has been fully implemented as of 3 April 2018. We expect that the Network Reconfiguration will reduce our cost base as a result of fees no longer payable to a third party logistics provider in connection with the NDEC. See "*Summary—Recent Developments—Network Reconfiguration*". In addition, we expect that the Network Reconfiguration will lead to improved availability and annualised cost savings of approximately £11 million through a reduction in internal distribution movements, utilisation of excess capacity in the network and improved productivity and asset utilisation. See "*Summary—Recent Developments—Network Reconfiguration*.

- Branch and distribution centre closure: The restructuring costs associated with these non-trading locations comprised onerous leases and dilapidation costs, which have been included in administrative expenses. Associated redundancy costs have been allocated to cost of sales, distribution costs and administrative expenses, as applicable.

Acquisitions and divestitures

From time to time, we acquire providers of hire fleets and specialist products and 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. From time to time, we also make divestments as part of our strategy. Our significant acquisitions and dispositions in the last five years include:

- UK Platforms: On 28 June 2013, we acquired UK Platforms Limited and its subsidiary, Access Rentals (UK) Limited, a provider of electric and diesel powered access products, including scissor lifts, boom lifts and telehandlers. UK Platforms' fleet of powered access equipment has enabled us to offer our customers a wider range of powered access equipment and more comprehensive services.

- MTS and TecServ: We acquired two smaller businesses which are the Irish division of Mobile Traffic Solutions ("MTS") in August 2013 and TecServ in the United Kingdom in November 2013. MTS is a specialist provider of traffic management equipment, supplying traffic and crowd management solutions for hire or purchase to major road contractors, local authorities and event companies throughout Ireland. We have combined the operations of the Irish division of MTS with that of our Irish subsidiary to grow our offering in Ireland. TecServ is a specialist provider of maintenance services for cleaning services, and complemented our Reintec business, which we launched in 2011, to provide fully-outsourced cleaning equipment. Both TecServ and Reintec were sold to a trade purchaser in November 2017.

- Apex: On 31 March 2014, we acquired Apex Generators Ltd, a specialist generator hire business operating primarily across Scotland with customers in the construction, house-building, event, industrial, marine and offshore sectors. This acquisition has enabled us to support our existing specialist power division, which includes the ABird business, and to better service a wider geographical area. It also gives both ABird and Apex greater ability to fulfil national power solution contracts.

- MTS UK: In October 2014 we bought the trade and assets of MTS UK's portable variable messaging sign ("pVMS") hire business, which principally comprises pVMS assets. This acquisition has further expanded the range of products we offer to our event, traffic management and road maintenance customers.

- All Seasons Hire: On 8 May 2015, we acquired All Seasons Hire, a specialist HVAC hire company. This acquisition has enabled us to offer our customers access to temporary bespoke chillers and boilers, typically used in managing heating and cooling during complex building moves and maintenance.

- TecServ and Reintec: In November 2017, we divested our TecServ and Reintec businesses, in order to focus on our core business and customer groups.

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 revenue and cash flow 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 the Christmas season, which partially offsets the increase in our revenue during the second half of the year. The timing of Easter and whether or not it falls into the first quarter of our financial year can also impact our results for such period. We also experience seasonality impacts as a result of the nature of our hire fleet and the distribution of our product lines. A small proportion of our product lines 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 lines.

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 or Ireland. As a result, our operations are less impacted by cyclical trends experienced in the "new-build construction" market.

Currency translation

Our reporting currency is the pound sterling. However, a small proportion of our assets, liabilities, revenues and costs are denominated in euros. For the 39 week period ended 30 September 2017, we generated approximately 8.8% 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.

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.

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.

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;
- head office cost 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.

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 income

Finance income represents interest receivable on cash balances.

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

13 week period ended 31 March 2018 compared to the 13 week period ended 1 April 2017

The table below sets out our results 13 week period ended 31 March 2018 compared to the 13 week period ended 1 April 2017. The results for the 13 week period were restated to include an impairment of property, plant and equipment of £3.3 million:

	13 week period ended		
	31 March 2018	**Restated 1 April 2017**	**Percentage change**
	(unaudited)		
(in millions of £)			
Revenue	**84.4**	**80.2**	**5.2%**
Cost of sales	(39.2)	(38.6)	(1.6%)
Gross profit	**45.2**	**41.6**	**8.7%**
Distribution costs	(10.8)	(11.7)	7.7%
Administrative expenses	(33.9)	(42.1)	19.5%
Other operating income	0.1	0.2	(50.0%)
Operating profit / (loss)	**0.6**	**(12.0)**	**NM(1)**
Finance income	2.0	1.8	11.1%
Finance expense	(12.3)	(11.0)	11.8%
Loss before tax	**(9.7)**	**(21.2)**	**NM(1)**
Income tax expense	(0.2)	(0.1)	NM(1)
Loss for the financial period	**(9.9)**	**(21.3)**	**NM(1)**

(1) Not meaningful

Revenue

Our revenue for the 13 week period ended 31 March 2018 increased by £4.2 million, or 5.2%, from £80.2 million in the 13 week period ended 1 April 2017 to £84.4 million in the 13 week period ended 31 March 2018. Our Services businesses (mainly HSS OneCall and HSS Training) continued to grow strongly up 14.4% compared to the prior year, whilst our Rental revenues were up 2.3% year on year.

Cost of sales

Our cost of sales for the 13 week period ended 31 March 2018 increased by £0.6 million, or 1.6%, from £38.6 million in the 13 week period ended 1 April 2017 to £39.2 million in the 13 week period ended 31 March 2018. This is driven by the continued growth in HSS OneCall (rehire) revenue and the associated third-party supplier costs, partially offset by savings in our stock maintenance costs which were impacted by the establishment of the NDEC in the comparative period.

Gross profit

Our gross profit for the 13 week period ended 31 March 2018 increased by £3.6 million, or 8.7%, from £41.6 million in the 13 week period ended 1 April 2017 to £45.2 million in the 13 week period ended 31 March 2018.

Distribution costs

Our distribution costs for the 13 week period ended 31 March 2018 decreased by £0.9 million, or 7.7%, from £11.7 million in the 13 week period ended 1 April 2017 to £10.8 million in the 13 week period ended 31 March 2018. The main driver of this reduction has been efficiency improvements following the establishment of the NDEC which adversely impacted performance in the comparative period.

Administrative expenses

Our administrative expenses decreased by £4.9 million, or 19.5%, to £33.9 million in the 13 week period ended 31 March 2018 from £42.1 million in the 13 week period ended 1 April 2017. This movement mainly reflects the reduction in exceptional items, principally relating to onerous leases, asset impairment and the cost reduction programme, which were £6.8 million in the 13 week period ended 1 April 2017 compared to £0.7 million in the 13 week period ended 31 March 2018, a decrease of £6.1 million.

Other operating income

Our other operating income for the 13 week period ended 31 March 2018 decreased by £0.1 million, or 50%, from £0.2 million in the 13 week period ended 1 April 2017 to £0.1 million in the 13 week period ended 31 March 2018. This relates to rental income on and properties within our portfolio of “dark” stores (non-trading properties) that were being sublet in the period.

Operating (loss) / profit

We generated an operating profit of £0.6m for the 13 week period ended 31 March 2018, compared to an operating loss of £12.0 million in the 13 week period ended 1 April 2017.

Finance income

We report £2.0 million of finance income in the 13 week period ended 31 March 2018, an increase of £0.2 million on the £1.8 million of finance income recorded in the 13 week period ended 1 April 2017. This increase reflects the growth in the amounts owed by group undertakings and the corresponding non-cash settled intercompany interest receivable.

Finance expense

Our finance expense for the 13 week period ended 31 March 2018 grew by 11.8% or £1.3 million to £12.3 million from £11.0 million in the 13 week period ended 1 April 2017. This reflects the growth in the amounts owed to group undertakings following the funding of the losses made during 2017 and the corresponding non-cash settled intercompany interest payable.

Loss before tax

We reported a loss before tax of £9.7 million for the 13 week period ended 31 March 2018, a £11.5 million reduction on the loss before tax of £21.2 million reported in the 13 week period ended 1 April 2017.

Income tax expense

We reported a tax expense of £0.2 million for the 13 week period ended 31 March 2018, compared to a tax expense of £0.1 million in the 13 week period ended 1 April 2017.

Loss for the financial period

We reported a loss of £9.9 million for the 13 week period ended 31 March 2018 compared to a loss of £21.3 million for the 13 week period ended 1 April 2017.

Cash flows

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

	13 week period ended	
	31 March 2018	**1 April 2017**
	(unaudited)	
(in millions of £)		
Net cash flows from operating activities before changes in hire equipment	**13.4**	**7.9**
Purchase of hire equipment	(3.0)	(6.5)
Cash generated from operations	**10.4**	**1.4**
Net interest paid	(5.9)	(5.5)
Income tax paid	-	-
Net cash generated from / (utilised in) operating activities	**4.4**	**(4.1)**
Net cash used in investing activities	(0.6)	(2.7)
Net cash received from financing activities	3.7	11.6
Increase in cash	**7.5**	**4.8**

Net cash flow from operating activities before changes in hire equipment

Our net cash flow from operating activities before changes in hire equipment increased by £5.5 million to a £13.4 million inflow for the 13 week period ended 31 March 2018 from a £7.9 million inflow for the 13 week period ended 1 April 2017. This change reflects the increase in EBITDA period on period.

Cash generated from operations

We moved from generating £1.4 million of cash in operations in the 13 week period ended 1 April 2017 to generating £10.4 million of cash from operations in the 13 week period ended 31 March 2018. This £9.0 million increase reflects the increase in EBITDA as mentioned above offset by a reduction in capex payments.

Net cash generated from operating activities

Our net cash generated from operating activities was £4.4 million in the 13 week period ended 31 March 2018, compared to £4.1 million cash utilisation in the 13 week period ended 1 April 2017. This movement reflects the higher cash generated from operations in the 13 week period ended 31 March 2018 compared to the cash generated in the 13 week period ended 1 April 2017, offset by a small increase in the net interest paid.

Net cash used in investing activities

Our net cash used in investing activities was £0.6 million for the 13 week period ended 31 March 2018, a £2.1 million reduction on the £2.7 million used in the 13 week period ended 1 April 2017. This decrease reflects the lower levels of non-hire stock capital expenditure cash settled in the 13 week period ended 31 March 2018 compared to the significant investments made in the comparative period to support the establishment of the NDEC.

Net cash received from financing activities

Our net cash received from financing activities was £3.7 million for the 13 week period ended 31 March 2018, a £7.9 million decrease from the £11.6 million generated in the 13 week period ended 1 April 2017. The net cash generated in the 13 week period ended 31 March 2018 principally reflects the net increase in drawings on the RCF less finance lease repayments over the period. The net cash generated in the 13 week period ended 1 April 2017 included the funds flow post the December 2016 equity placing by HSS Hire Group plc, which moved £12.5 million of cash into the Group.

Capital expenditures

Our capital expenditure incurred during the 13 week period ended 31 March 2018 and the 13 week period ended 1 April 2017 is set out below:

	13 week period ended	
	31 March 2018	**1 April 2017**
	(unaudited)	
(in millions of £)		
Hire stock capital expenditure	3.5	6.8
Non hire stock capital expenditure	0.5	1.7
Total capital expenditures	**4.0**	**8.5**

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 (which we typically finance through a combination of cash and finance leases) whereas non-hire stock capital expenditures relate to expenditures on, for example, the purchase and maintenance of IT software, vehicle trackers, signage, equipment racking, leasehold property improvements and capitalised dilapidations at the inception of a new property lease.

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. Also included within working capital are provisions for onerous leases, dilapidations and onerous contracts. The change in working capital for the 13 week period ended 31 March 2018 was £0.2 million inflow compared to a £3.5 million inflow for the 13 week period ended 1 April 2017.

Borrowings

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

	13week period ended	
(in millions of £)	**31 March 2018**	**1 April 2017**
	(unaudited)	
Non-current		
Notes	134.1	133.5
Amounts due to group undertakings	343.6	314.1
	477.7	**447.6**

(in millions of £)	13week period ended 31 March 2018	1 April 2017
	(unaudited)	
Current		
Revolving credit facility	74.0	68.5
Bank overdraft	-	-
Amounts due to group undertakings	6.1	4.7
	80.1	**73.2**

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 31 March 2018.

(in millions of £)	Within 1 year	Between 1 and 5 years	More than 5 years	Total
		(unaudited)		
Borrowings[1]	9.2	158.7	583.5	751.4
Finance lease obligations[2]	12.2	13.0	0.1	25.3
Total	**21.4**	**171.7**	**583.6**	**776.7**

(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 31 March 20188 the Group held leases to 79 ''dark'' stores, which are its closed branches awaiting disposal, of which approximately 30% 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	23.9	60.7	33.8	118.4

Off balance sheet arrangements

From time to time, we undertake forward purchases in support of our electricity requirements. As at 25 May 2018, 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

For a discussion of our critical accounting estimates and judgments see and note 1(f) of our financial statements as at and for the 52 week period ended 30 December 2017.

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.

On 13 February 2018 the Company agreed an amendment to the Revolving Credit Facility, with the expiry of the facility extended from 6 February 2019 until 6 July 2019.

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 £316.8 million as at 31 March 2018. 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 financial statements
For the 13 weeks ended 31 March 2018

Registered number 06209511

Contents

Unaudited condensed consolidated income statement

	Note	**13 weeks ended 31 March 2018 £000s**	*Restated* 13 weeks ended 1 April 2017 £000s
Revenue	3	**84,430**	80,167
Cost of sales		**(39,258)**	(38,586)
Gross profit		**45,172**	41,581
Distribution costs		**(10,778)**	(11,659)
Administrative expenses		**(33,910)**	(42,135)
Other operating income	4	**111**	225
Adjusted EBITDA(1)	3, 14	**13,931**	8,463
Less: Depreciation(1)		**(11,758)**	(12,906)
Adjusted EBITA(1)	3, 14	**2,173**	(4,443)
Less: Exceptional items	4	**(654)**	(6,540)
Less: Amortisation(1)	6	**(924)**	(1,005)
Operating profit/(loss)		**595**	(11,988)
Finance income	5	**2,008**	1,839
Finance expense	5	**(12,294)**	(11,043)
Adjusted loss before tax		**(8,113)**	(13,647)
Less: Exceptional items	4	**(654)**	(6,540)
Less: Amortisation	6	**(924)**	(1,005)
Loss before tax		**(9,691)**	(21,192)
Income tax expense		**(223)**	(140)
Loss for the financial period		**(9,914)**	(21,332)
Loss attributable to:			
Owners of the company		**(9,914)**	(21,332)

(1) Adjusted EBITDA is defined as operating profit before depreciation, amortisation, and exceptional items. For this purpose depreciation includes the net book value of hire stock losses and write offs, and the net book value of other fixed asset disposals less the proceeds on those disposals. Adjusted EBITA is defined as operating profit before amortisation and exceptional items.

The notes on pages F-8 to F-23 form part of these condensed consolidated financial statements.

Hero Acquisitions Limited

Unaudited condensed consolidated statement of comprehensive income

	13 weeks ended 31 March 2018 £000s	*Restated* 13 weeks ended 1 April 2017 £000s
Loss for the financial period	**(9,914)**	(21,332)
Items that may be reclassified to profit or loss:		
Foreign currency translation differences arising on consolidation of foreign operations	**(14)**	2
Other comprehensive (loss) / profit for the period, net of tax	**(14)**	2
Total comprehensive loss	**(9,928)**	(21,330)
Attributable to owners of the Company	**(9,928)**	(21,330)

The notes on pages F-8 to F-23 form part of these condensed consolidated financial statements.

Hero Acquisitions Limited

Unaudited condensed consolidated statement of financial position

	Note	31 March 2018	30 December 2017	Restated 1 April 2017
		£000s	£000s	£000s
ASSETS				
Non-current assets				
Intangible assets	6	**151,401**	151,978	155,151
Property, plant and equipment	7	**143,059**	150,915	170,765
Deferred tax assets		**119**	358	691
Trade and other receivables	8	**77,751**	75,860	70,457
		372,330	379,111	397,064
Asset held for resale	7	**-**	1,500	-
Current assets				
Inventories		**4,947**	5,519	7,761
Trade and other receivables	8	**102,801**	114,012	106,673
Cash		**9,671**	2,132	7,211
		117,419	121,663	121,645
Total assets		**489,749**	502,274	518,709
LIABILITIES				
Current liabilities				
Trade and other payables	9	**(75,319)**	(82,313)	(79,699)
Borrowings	10	**(80,112)**	(80,852)	(73,235)
Provisions	11	**(14,922)**	(16,684)	(6,630)
Current tax liabilities		**(47)**	(90)	(575)
		(170,400)	(179,939)	(160,139)
Non-current liabilities				
Trade and other payables	9	**(12,528)**	(14,105)	(16,287)
Borrowings	10	**(477,822)**	(469,538)	(447,565)
Provisions	11	**(36,731)**	(36,510)	(12,018)
Deferred tax liabilities		**(2,781)**	(2,797)	(1,866)
		(529,862)	(522,950)	(477,736)
Total liabilities		**(700,262)**	(702,889)	(637,875)
Net liabilities		**(210,513)**	(200,615)	(119,166)
EQUITY				
Share capital		**8,591**	8,591	8,591
Foreign exchange translation reserve		**415**	429	327
Retained deficit		**(219,519)**	(209,635)	(128,084)
Total deficit attributable to owners of the company		**(210,513)**	(200,615)	(119,166)

The notes on pages F-8 to F-23 form part of these condensed consolidated financial statements.

Unaudited condensed consolidated statement of changes in equity

	Share capital	**Foreign exchange translation reserve**	**Accumulated deficit**	**Total equity**
	£000s	**£000s**	**£000s**	**£000s**
At 30 December 2017	8,591	429	(209,635)	(200,615)
Total comprehensive loss for the period				
Loss for the period	-	-	(9,914)	(9,914)
Foreign currency translation differences arising on consolidation of foreign operations	-	(14)	-	(14)
Total comprehensive loss for the period	**-**	**(14)**	**(9,914)**	**(9,928)**
Share based payment charge	-	-	30	30
At 31 March 2018	**8,591**	**415**	**(219,519)**	**(210,513)**

	Share capital	Foreign exchange translation reserve	Accumulated deficit	Total equity
	£000s	£000s	£000s	£000s
At 31 December 2016	8,591	325	(106,932)	(98,016)
Total comprehensive loss for the period				
Loss for the period	-	-	(21,332)	(21,332)
Foreign currency translation differences arising on consolidation of foreign operations	-	2	-	2
Total comprehensive loss for the period	-	2	(21,332)	(21,330)
Share based payment charge	-	-	180	180
At 1 April 2017 (restated, note 15)	8,591	327	(128,084)	(119,166)

The notes on pages F-8 to F-23 form part of these condensed consolidated financial statements.

Unaudited condensed consolidated statement of cash flows
For the 13 week period ended 31 March 2018

	Note	**13 weeks ended 31 March 2018**	*Restated* 13 weeks ended 1 April 2017
		£000s	£000s
Cash flows from operating activities			
Loss before income tax		**(9,691)**	(21,192)
Adjustments for:			
– Amortisation		**924**	1,005
– Depreciation		**8,949**	9,823
– Accelerated depreciation relating to hire stock customer losses and hire stock write offs		**2,719**	3,070
– Impairment of property, plant and equipment		**-**	3,302
– Loss on disposal of property, plant and equipment		**90**	-
– Share based payment charge		**30**	180
– Finance income		**(2,008)**	(1,839)
– Finance expense		**12,294**	11,043
Changes in working capital (excluding the effects of disposals and exchange differences on consolidation):			
– Inventories		**572**	137
– Trade and other receivables		**5,571**	5,907
– Trade and other payables		**(4,166)**	(5,035)
– Provisions		**(1,789)**	1,481
Net cash flows from operating activities before changes in hire equipment		**13,495**	7,882
Purchase of hire equipment		**(3,088)**	(6,452)
Cash generated from operating activities		**10,407**	1,430
Net interest paid		**(5,965)**	(5,512)
Net cash generated from/(used in) operating activities		**4,442**	(4,082)
Cash flows from investing activities			
Purchases of non-hire property, plant, equipment and software		**(576)**	(2,724)
Net cash used in investing activities		**(576)**	(2,724)
Cash flows from financing activities			
Bank arrangement fees		**400**	-
Proceeds from borrowings (third parties)		**8,000**	3,500
Proceeds from borrowings (group undertakings)		**-**	12,532
Repayments of borrowings (third parties)		**(3,000)**	(1,000)
Cash received from sale of asset		**1,500**	-
Capital element of finance lease payments		**(3,227)**	(3,440)
Net cash received from financing activities		**3,673**	11,592
Net increase in cash		**7,539**	4,786
Cash at the start of the period		**2,132**	2,425
Cash at the end of the period	14	**9,671**	7,211

The notes on pages F-8 to F-23 form part of these condensed consolidated financial statements.

Notes to the condensed consolidated financial statements

For the 13 week period ended 31 March 2018

1. General information

The Company is a limited company which is incorporated and domiciled in the United Kingdom. The address of the registered office is 76 Talbot Road, Old Trafford, Manchester, M16 0PQ. The Group is primarily involved in providing tool and equipment hire and related services in the United Kingdom and the Republic of Ireland.

The condensed consolidated financial statements as at, and for the 13 weeks ended 31 March 2018 comprise the Company and its subsidiaries ('the Group').

The condensed consolidated financial statements were approved for issue by the Board on 24 May 2018.

The condensed consolidated financial statements do not comprise Statutory Accounts within the meaning of Section 434 of the Companies Act 2006. The comparative financial information for the 13 weeks ended 1 April 2017, and the 52 weeks ended 30 December 2017, do not constitute statutory accounts for those periods, respectively. Statutory Accounts for the year ended 30 December 2017 were approved by the Board on 5 April 2018 and will be delivered to the Registrar of Companies. The auditor's report on those accounts was unqualified, did not include a reference to any matter by way of emphasis and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006.

2. Basis of preparation

The condensed consolidated financial statements for the 13 weeks ended 31 March 2018 has been prepared in accordance with International Financial Reporting Standards ('IFRS')", as adopted by the European Union (including IAS34 - Interim Financial Reporting). The condensed consolidated financial statements should be read in conjunction with the Group's Annual Report and Accounts for the year ended 30 December 2017, which were prepared in accordance with IFRS as adopted by the European Union.

The accounting policies, and judgements and estimates, applied in the condensed consolidated financial statements are consistent with those set out in the Group's Annual Report and Accounts for the year ended 30 December 2017. There are no new IFRS or IFRIC Interpretations that are effective for the first time for this interim period which have a material impact on the Group.

Prior period restatement

Comparative information as at and for the 13 week period ending 1 April 2017 has been restated for the impairment of the property plant and equipment and a reclassification between trade and other receivables and trade and other payables in these condensed consolidated financial statements, and a reconciliation to amounts previously reported may be found in note 15.

Going concern

The Directors have reviewed the Group's current performance, forecasts and projections, taking account of reasonably possible changes in trading performance and considering senior debt and interest repayments, combined with expenditure commitments. In particular the directors have considered the adequacy of the Group's debt facilities with specific regard to the following factors:

- the financial covenants relating to the revolving credit facility secured by the Group
- the maturity of the revolving credit facility in July 2019, unless the Group has not refinanced the senior secured notes by 30 September 2018 when the revolving credit facility may become, at the option of the lenders, repayable on 30 April 2019
- there is no requirement to redeem any of the Senior Secured Notes until August 2019

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 condensed consolidated interim financial statements.

3. Segmental reporting

The Group's operations are segmented into the following reportable segments:

- Rental and related revenue.
- Services.

Rental and related revenue comprises the rental income earned from owned tools and equipment, including powered access, power generation, cleaning and HVAC assets, together with directly related revenue such as resale (fuel and other consumables) transport and other ancillary revenues.

Services comprise the Group's rehire business (HSS OneCall), HSS Training and TecServ. HSS One Call provides customers with a single point of contact for the hire of products that are not typically held within HSS' equipment range and are obtained from approved third party partners and HSS Training provides customers with specialist safety training across a wide range of products and sectors.

Contribution is defined as segment operating profit before branch and selling costs, central costs, depreciation, amortisation and exceptional items.

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. Revenue from one customer exceeded 10% of Group turnover in the period ending 31 March 2018 (2017: one).

Notes to the condensed consolidated financial statements (continued)
For the 13 week period ended 31 March 2018

3. Segmental reporting (continued)

	13 weeks ended 31 March 2018			
	Rental (and related revenue) £000s	Services £000s	Central £000s	Total £000s
Total revenue from external customers	61,516	22,914	-	84,430
Contribution	39,745	3,089	-	42,834
Branch and selling costs	-	-	(21,123)	(21,123)
Central costs	-	-	(7,780)	(7,780)
Adjusted EBITDA				13,931
Less: Exceptional items	-	-	(654)	(654)
Less: Depreciation and amortisation	(10,480)	(40)	(2,162)	(12,682)
Operating profit				595
Net finance expense				(10,286)
Loss before tax				(9,691)

	Rental (and related revenue) £000s	Services £000s	Central £000s	Total £000s
Additions to non-current assets				
Property, plant and equipment	3,538	2	456	3,996
Intangibles	-	98	249	347
Non-current assets net book value				
Property, plant and equipment	112,116	211	30,732	143,059
Intangibles	145,343	364	5,694	151,401
Unallocated corporate assets				
Non-current deferred tax assets			119	119
Non-current trade and other receivables			77,751	77,751
Current assets			117,419	117,419
Current liabilities			(170,400)	(170,400)
Non-current liabilities			(529,862)	(529,862)
				(210,513)

Notes to the condensed consolidated financial statements (continued)
For the 13 week period ended 31 March 2018

3. Segmental reporting (continued)

	Restated 13 weeks ended 1 April 2017			
	Rental (and related revenue) £000s	Services £000s	Central £000s	Total £000s
Total revenue from external customers	60,140	20,027	-	80,167
Contribution	37,285	1,982	-	39,267
Branch and selling costs	-	-	(20,509)	(20,509)
Central costs	-	-	(10,295)	(10,295)
Adjusted EBITDA				8,463
Less: Exceptional items	**-**	**-**	(6,540)	(6,540)
Less: Depreciation and amortisation	(10,634)	(79)	(3,198)	(13,911)
Operating loss				(11,988)
Net finance expense				(9,204)
Loss before tax				(21,192)

	Rental (and related revenue) £000s	Services £000s	Central £000s	Total £000s
Additions to non-current assets				
Property, plant and equipment	1,658	6,827	3	8,488
Intangibles	857	-	36	893
Non-current assets net book value				
Property, plant and equipment	130,209	359	40,197	170,765
Intangibles	146,162	530	8,459	155,151
Unallocated corporate assets				
Non-current deferred tax assets			691	691
Non-current trade and other receivables			70,457	70,457
Current assets			121,645	121,645
Current liabilities			(160,139)	(160,139)
Non-current liabilities			(477,736)	(477,736)
				(119,166)

Notes to the condensed consolidated financial statements (continued)

For the 13 week period ended 31 March 2018

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.

During the period ended 31 March 2018, the Group has recognised total exceptional costs of £0.7 million (2017: £6.5 million), analysed as follows:

	Included in distribution costs	**Included in administrative expenses**	**Included in other operating income**	**13 weeks ended 31 March 2018**
	£000s	**£000s**	**£000s**	**£000s**
Branch and distribution centre closure onerous leases	**-**	**446**	**-**	**446**
Cost reduction programme	**-**	**300**	**-**	**300**
Loss on sale of assets	**-**	**1**	**-**	**1**
Sub-let rental income on onerous leases	**-**	**-**	**(93)**	**(93)**
Exceptional items	**-**	**747**	**(93)**	**654**

	Included in distribution costs	Included in administrative expenses	Included in other operating income	13 weeks ended 1 April 2017
	£000s	£000s	£000s	£000s
Branch and distribution centre closure onerous leases	-	3,463	-	3,463
Impairment of property, plant and equipment	-	3,302	-	3,302
Sub-let rental income on onerous leases	-	-	(225)	(225)
Exceptional items	-	6,765	(225)	6,540

Onerous leases: branch closures

The number of branches has been reduced to remove less profitable locations with activity centralised into fewer locations. 2 branches were closed during the 13 weeks ended 31 March 2018 (2017: 33). An exceptional cost of £0.4 million relating to dark stores and onerous leases has been recorded in the period (2017: £3.5 million). Sub-let rental income on onerous leases for the period amounted to £0.1 million (2017: £0.2 million).

Impairment of closed branch property, plant and equipment

Following the branch closures during 2017, management conducted an impairment review of property, plant and equipment in closed branches to determine what could be used across the network. During the 13 weeks ended 1 April 2017 an impairment of £3.3 million has been recorded (note 15).

Cost reduction programme

Following the Strategic Review in the second half of the 2017 financial year, the Group has embarked upon a plan to deliver annual cost savings estimated to be between £7 million and £10 million. Principal to this were potential annual savings of between £7 million and £10 million to be achieved through the reconfiguration of the Group's supply chain model by moving the testing and repair of all fast moving products closer to our customers. In order to realise these benefits a total provision for network reconfiguration of £40.7 million was made in the year ended 30 December 2017. During the 13 weeks ended 31 March 2018 further cost saving actions largely relating to redundancy costs have been taken and an exceptional item of £0.3 million has been recorded in the period (2017: £nil.)

Notes to the condensed consolidated financial statements (continued)
For the 13 week period ended 31 March 2018

5. Finance income and expense

	13 weeks ended 31 March 2018 £000s	13 weeks ended 1 April 2017 £000s
Finance income:		
Interest on amounts due from group undertakings	**(2,008)**	(1,839)
Bank loans and overdrafts	**900**	487
Interest on amounts due to group undertakings	**8,467**	7,571
Senior secured notes	**2,289**	2,289
Finance leases	**293**	409
Interest unwind on discounted provisions	**23**	24
Debt issue cost	**322**	263
Finance expense	**12,294**	11,043
Net finance expense	**10,286**	9,204

Notes to the condensed consolidated financial statements (continued)
For the 13 week period ended 31 March 2018

6. Intangible assets

	Goodwill	Customer relationships	Brands	Software	Total
	£000s	£000s	£000s	£000s	£000s
Cost					
At 30 December 2017	142,156	2,244	2,202	20,483	167,085
Additions	-	-	-	347	347
At 31 March 2018	**142,156**	**2,244**	**2,202**	**20,830**	**167,432**
Amortisation					
At 30 December 2017	-	640	524	13,943	15,107
Charge for the period	-	51	35	838	924
At 31 March 2018	**-**	**691**	**559**	**14,781**	**16,031**
Net book value					
At 31 March 2018	**142,156**	**1,553**	**1,643**	**6,049**	**151,401**
At 30 December 2017	142,156	1,604	1,678	6,540	151,978

	Goodwill	Customer relationships	Brands	Software	Total
	£000s	£000s	£000s	£000s	£000s
Cost					
At 31 December 2016	142,398	2,982	2,242	19,967	167,589
Additions	-	-	-	893	893
At 1 April 2017	142,398	2,982	2,242	20,860	168,482
Amortisation					
At 31 December 2016	-	684	389	11,253	12,326
Charge for the period	-	82	36	887	1,005
At 1 April 2017	-	766	425	12,140	13,331
Net book value					
At 1 April 2017	142,398	2,216	1,817	8,720	155,151
At 31 December 2016	142,398	2,298	1,853	8,714	155,263

Notes to the condensed consolidated financial statements (continued)
For the 13 week period ended 31 March 2018

7. Property, plant and equipment

	Land & Buildings	Plant & Machinery	Materials & Equipment held for hire	Total
	£000s	£000s	£000s	£000s
Cost				
At 30 December 2017	71,771	60,282	237,498	369,551
Foreign exchange differences	(7)	(26)	(235)	(268)
Additions	331	127	3,538	3,996
Disposals	(128)	(104)	(9,450)	(9,682)
At 31 March 2018	**71,967**	**60,279**	**231,351**	**363,597**
Accumulated depreciation				
At 30 December 2017	48,115	51,585	118,936	218,636
Foreign exchange differences	-	(20)	(154)	(174)
Charge for the period	1,236	790	6,923	8,949
Disposals	(102)	(40)	(6,731)	(6,873)
At 31 March 2018	**49,249**	**52,315**	**118,974**	**220,538**
Net book value				
At 31 March 2018	**22,718**	**7,964**	**112,377**	**143,059**
At 30 December 2017	23,656	8,697	118,562	150,915

	Land & Buildings (restated)	Plant & Machinery (restated)	Materials & Equipment held for hire (restated)	Total (restated)
	£000s	£000s	£000s	£000s
Cost				
At 31 December 2016	69,187	58,673	247,295	375,155
Foreign exchange differences	-	(1)	(2)	(3)
Additions	1,015	646	6,827	8,488
Disposals	(758)	-	(9,377)	(10,135)
At 1 April 2017	69,444	59,318	244,743	373,505
Accumulated depreciation				
At 31 December 2016	37,095	46,214	113,373	196,682
Foreign exchange differences	-	-	(2)	(2)
Charge for the period	1,384	969	7,470	9,823
Impairment loss	3,302	-	-	3,302
Disposals	(758)	-	(6,307)	(7,065)
At 1 April 2017	41,023	47,183	114,534	202,740
Net book value				
At 1 April 2017	28,421	12,135	130,209	170,765
At 31 December 2016	32,092	12,459	133,922	178,473

At 30 December 2017 there was an asset held for resale of £1.5 million. This has been disposed of at book value and the proceeds received during the 13 week period ended 31 March 2018. There were no assets held for resale at either 31 March 2018 or 1 April 2017.

Notes to the condensed consolidated financial statements (continued)

For the 13 week period ended 31 March 2018

8. Trade and other receivables

Non-current	31 March 2018	30 December 2017	1 April 2017
	£000s	£000s	£000s
Amounts due from group undertakings	**77,751**	75,860	70,457

Current	31 March 2018	30 December 2017	1 April 2017
	£000s	£000s	£000s
Gross trade receivables	**82,888**	85,271	78,884
Less provision for impairment	**(4,451)**	(4,429)	(3,631)
Net trade receivables	**78,437**	80,842	75,253
Other debtors	**1,267**	271	343
Prepayments and accrued income	**11,198**	15,361	22,114
Amounts due from group undertakings	**11,899**	17,538	8,963
	102,801	114,012	106,673

9. Trade and other payables

	31 March 2018	30 December 2017	1 April 2017
	£000s	£000s	£000s
Current			
Obligations under finance leases	**11,308**	11,891	11,569
Trade payables	**31,106**	39,728	46,851
Other taxes and social security costs	**6,371**	5,792	3,676
Other creditors	**706**	916	543
Accrued interest on borrowings	**1,648**	3,904	1,558
Accruals and deferred income	**24,180**	20,082	15,502
	75,319	82,313	79,699

	31 March 2018	30 December 2017	1 April 2017
	£000s	£000s	£000s
Non-current			
Obligations under finance lease	**12,528**	14,105	16,287

Notes to the condensed consolidated financial statements (continued)

For the 13 week period ended 31 March 2018

10. Borrowings

	31 March 2018	30 December 2017	1 April 2017
	£000s	£000s	£000s
Current			
Revolving credit facility	**74,000**	69,000	68,500
Amounts due to group undertakings	**6,112**	11,852	4,735
	80,112	80,852	73,235
Non-current			
Senior secured note	**134,164**	134,242	133,476
Amounts due to group undertakings	**343,658**	335,296	314,089
	477,822	469,538	447,565

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

	31 March 2018	30 December 2017	1 April 2017
	£000s	£000s	£000s
Secured senior note	**136,000**	136,000	136,000
Amounts due to group undertakings	**349,770**	347,148	318,824
	485,770	483,148	454,824

The secured senior note is a 6.75% fixed rate bond maturing in 2019, and is listed on the Luxembourg stock exchange. The Group's revolving credit facility expires in July 2019.

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 has priority over any enforcement proceeds through a payment waterfall.

Non-current amounts due to group undertakings fall due in 2022.

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

	31 March 2018	30 December 2017	1 April 2017
	% above LIBOR	% above LIBOR	% above LIBOR
Revolving credit facility	**3.00%**	2.50%	2.25%

Notes to the condensed consolidated financial statements (continued)

For the 13 week period ended 31 March 2018

10. Borrowings (continued)

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

	31 March 2018 Fixed rate	30 December 2017 Fixed rate	1 April 2017 Fixed rate
Secured senior note	**6.75%**	6.75%	6.75%
Amounts due to group undertakings	**10% & 6.75%**	10% & 6.75%	10% & 6.75%

The Group's borrowings have the following maturity profile:

	31 March 2018	30 December 2017	1 April 2017
	£000s	£000s	£000s
Less than one year	**9,180**	9,180	9,180
Two to five years	**695,641**	158,368	444,746
Over five years	**-**	579,460	167,213
	704,821	747,008	621,139
Less interest cash flows:			
Senior secured note	**(13,770)**	(18,360)	(25,245)
Amounts due to group undertakings	**(205,281)**	(245,500)	(141,070)
Total principal cash flows	**485,770**	483,148	454,824

The following table shows the fair value of the Group's Senior Secured Notes:

	31 March 2018	30 December 2017	1 April 2017
	£000s	£000s	£000s
Financial liabilities			
6.75% Senior secured note	**129,781**	128,778	137,700
	129,781	128,778	137,700

The Group has undrawn committed borrowing facilities of £23.6 million at 31 March 2018 (1 April 2017: £24.2 million). Including net cash balances, the Group had access to £33.3 million of combined liquidity from available cash and undrawn committed borrowing facilities at 31 March 2018 (1 April 2017: £31.4 million).

Notes to the condensed consolidated financial statements (continued)
For the 13 week period ended 31 March 2018

11. Provisions

	Onerous leases £000s	Dilapidations £000s	Onerous Contracts £000s	Total £000s
At 30 December 2017	6,607	13,975	32,612	53,194
Additions	184	33	-	217
Utilised during the period	(948)	(397)	(435)	(1,780)
Unwind of provision	7	16	-	23
Released	(1)	-	-	(1)
At 31 March 2018	**5,849**	**13,627**	**32,177**	**51,653**
Of which:				
Current	**3,093**	**2,653**	**9,176**	**14,922**
Non current	**2,756**	**10,974**	**23,001**	**36,731**
	5,849	**13,627**	**32,177**	**51,653**
At 31 December 2017	5,398	11,745	-	17,143
Additions	3,174	57	-	3,231
Utilised during the period	(977)	(648)	-	(1,625)
Unwind of provision	13	12	-	25
Released	(84)	(42)	-	(126)
At 1 April 2017	7,524	11,124	-	18,648
Of which:				
Current	3,575	3,055	-	6,630
Non current	3,950	8,068	-	12,018
	7,525	11,123	-	18,648

12. Commitments and contingencies

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

	31 March 2018 **£000s**	30 December 2017 £000s	1 April 2017 £000s
Land and buildings			
Within one year	**15,411**	15,030	16,225
Between two and five years	**46,451**	45,316	49,433
After five years	**33,845**	33,084	36,177
	95,707	93,430	101,835
Other			
Within one year	**8,501**	9,074	8,530
Between two and five years	**14,252**	15,263	12,292
After five years	**-**	7	23
	22,753	24,344	20,845
	118,460	117,774	122,680

13. Related party transactions

By virtue of its majority shareholding the Group's ultimate parent entity is Exponent Private Equity LLP. Amounts owed to and from the Group by its immediate holding company, Hampshire Bidco Limited, its intermediate holding companies Hampshire Midco Limited and Hampshire Topco Limited, and its ultimate holding company in which it is consolidated, HSS Hire Group plc, are detailed below.

	13 weeks ended 31 March 2018		
	Current	**Non-current**	**Total**
Owed from Group	**£000s**	**£000s**	**£000s**
Hampshire Topco Limited	**8,516**	**-**	**8,516**
Hampshire Midco Limited	**3,383**	**77,751**	**81,134**
Total	**11,899**	**77,751**	**89,650**
Owed to Group			
HSS Hire Group Plc	**(2,307)**	**-**	**(2,307)**
Hampshire Topco Limited	**-**	**-**	**-**
Hampshire Bidco Limited	**(3,805)**	**(343,658)**	**(347,463)**
Total	**(6,112)**	**(343,658)**	**(349,770)**

	13 weeks ended 1 April 2017		
	Current	Non-current	Total
Owed from Group	£000s	£000s	£000s
Hampshire Topco Limited	6,076	-	6,076
Hampshire Midco Limited	2,887	70,457	73,344
Total	8,963	70,457	79,420
Owed to Group			
HSS Hire Group Plc	(1,208)	(103,213)	(104,421)
Hampshire Topco Limited	-	(110,631)	(110,631)
Hampshire Bidco Limited	(3,527)	(100,245)	(103,772)
Total	(4,735)	(314,089)	(318,824)

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Details of intergroup interest paid and received can be found in note 5.

Notes to the condensed consolidated financial statements (continued)
For the 13 week period ended 31 March 2018

14. Adjusted EBITDA and Adjusted EBITA

Adjusted EBITDA is calculated as follows:

	13 weeks ended 31 March 2018	13 weeks ended 1 April 2017 (restated)
	£000s	£000s
Operating profit/(loss)	**595**	(11,988)
Add: Depreciation of property, plant and equipment	**8,949**	9,836
Add: Accelerated depreciation relating to hire stock customer losses, hire stock write offs and other asset disposals	**2,809**	3,070
Add: Amortisation (note 6)	**924**	1,005
EBITDA	**13,277**	1,923
Add: Exceptional items (note 4)	**654**	6,540
Adjusted EBITDA	**13,931**	8,463

Adjusted EBITA is calculated as follows:

	13 weeks ended 31 March 2018	13 weeks ended 1 April 2017 (restated)
	£000s	£000s
Operating profit/(loss)	**595**	(11,988)
Add: Amortisation (note 6)	**924**	1,005
EBITA	**1,519**	(10,983)
Add: Exceptional items (note 4)	**654**	6,540
Adjusted EBITA	**2,173**	(4,443)

Notes to the condensed consolidated financial statements (continued)

For the 13 week period ended 31 March 2018

15. Prior period restatement

In the course of the review procedures for the 13 weeks ended 1 April 2017, it was identified that the financial statements that had been previously reported to bond holders for the 13 week period ended 1 April 2017 had omitted an impairment of property, plant and equipment and had incorrectly offset some trade and other receivable and payables. The impact of this is described below.

Reconciliation of the consolidated statement of financial position at 1 April 2017

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	As previously reported to bondholders	Impairment (1)	Reclassifications	**Restated**
	£000s	£000s	£000s	**£000s**
ASSETS				
Non-current assets				
Intangible assets	155,151	-	-	**155,151**
Property, plant and equipment	174,067	(3,302)	-	**170,765**
Deferred tax assets	691	-	-	**691**
Trade and other receivables	70,457	-	-	**70,457**
	400,366	**(3,302)**	**-**	**397,064**
Current assets				
Inventories	7,761	-	-	**7,761**
Trade and other receivables	107,768	-	(1,095)	**106,673**
Cash	7,211	-	-	**7,211**
	122,740	**-**	**(1,095)**	**121,645**
Total assets	**523,106**	**(3,302)**	**(1,095)**	**518,709**
LIABILITIES				
Current liabilities				
Trade and other payables	(80,794)	-	1,095	**(79,699)**
Borrowings	(73,235)	-	-	**(73,235)**
Provisions	(6,630)	-	-	**(6,630)**
Current tax liabilities	(575)	-	-	**(575)**
	(161,234)	**-**	**1,095**	**(160,139)**
Non-current liabilities				
Trade and other payables	(16,287)	-	-	**(16,287)**
Borrowings	(447,565)	-	-	**(447,565)**
Provisions	(12,018)	-	-	**(12,018)**
Deferred tax liabilities	(1,866)	-	-	**(1,866)**
	(477,736)	**-**	**-**	**(477,736)**
Total liabilities	**(638,970)**	**-**	**1,095**	**(637,875)**
Net liabilities	**(115,864)**	**(3,302)**	**-**	**(119,166)**
EQUITY				
Share capital	8,591	-	-	**8,591**
Retained deficit	(124,455)	(3,302)	-	**(127,757)**
Deficit attributable to shareholders	**(115,864)**	**(3,302)**	**-**	**(119,166)**

Notes to the condensed consolidated financial statements (continued)

For the 13 week period ended 31 March 2018

15. Prior period restatement (continued)

Reconciliation of the condensed consolidated income statement for the 13 week period ended 1 April 2017

	As previously reported to bondholders	Impairment (1)	**Restated**
	£000s	£000s	£000s
Revenue	**80,167**	**-**	**80,167**
Cost of sales	(38,586)	**-**	**(38,586)**
Gross profit	**41,581**	**-**	**41,581**
Distribution costs	(11,659)	-	**(11,659)**
Administrative expenses	(38,833)	(3,302)	**(42,135)**
Other operating income	225	-	**225**
Operating loss	**(8,686)**	**(3,302)**	**(11,988)**
Finance income	1,839	-	**1,839**
Finance expense	(11,043)	-	**(11,043)**
Loss before tax	**(17,890)**	**(3,302)**	**(21,192)**
Income tax expense	(140)	-	**(140)**
Loss for the financial period	**(18,030)**	**(3,302)**	**(21,332)**
Loss attributable to:			
Owners of the company	**(18,030)**	**(3,302)**	**(21,332)**

(1) Impairment of property, plant and equipment

The Group closed 37 branches during the 13 week period ended 1 April 2017. In conducting an impairment review of property, plant and equipment in these closed branches, management determined which assets could be reused across the network. This assessment showed that an impairment of £3.3 million should have been recorded as at 1 April 2017 so the comparatives in these interim financial statements have been revised to include this non-cash impairment as an exceptional expense.