

## Diploma in Corporate Finance

---

### Corporate Finance Strategy & Advice

---

|                     |                                 |
|---------------------|---------------------------------|
| <b>Date of exam</b> | Monday 30 November 2015         |
| <b>4 hours</b>      | 1.00 pm – 5.00 pm               |
| <b>Rubric</b>       | Answer <b>all</b> the questions |

---

**Candidates are reminded that no marks will be awarded for illegible work.**

#### Notes to candidates

1. Please insert your candidate number on the cover of your answer book.  
**Do not insert your name.**
  2. Show **all** workings in your answer book.
  3. Candidates may attempt the sections in any order. Please indicate clearly in your answer book which questions you are answering.
  4. Please insert the numbers of the questions which you have attempted, in the order in which they appear in the answer book, in the box provided on the cover of your answer book.
  5. You may use the calculator provided or a model approved by the CISI.
  6. You must hand your answer book to an invigilator before you leave the examination hall. **Failure to do so will result in disqualification.**
  7. The decision of the exam panel is final and no correspondence will be entered into concerning the grade awarded.
  8. Once submitted, examination scripts become the property of the CISI and the ICAEW. They are not returned to candidates.
- 

**Please turn over when instructed.**

**Assume that the current date is 24 September 2015.**

You work for Granite Corporate Finance (GCF) and your firm has been approached by HSS Hire Group plc (HSS) for advice. HSS was admitted to trading on the London Stock Exchange in February 2015 at a float price of 210p, the share price is now 60p. The Board of HSS is concerned about the company’s performance and share price and is considering whether, and how it can restructure the company. The CEO of HSS has asked your firm to prepare a report, which will be presented to the Board by a director of GCF, and in particular he has asked you to consider:

- (i) A rights issue to reduce the current gearing of the company, which the CEO feels, is too high in comparison with similar companies to HSS.
- (ii) Taking the company private.
- (iii) How HSS can protect itself from becoming a takeover target.

A director of GCF is going to make the presentation to HSS and has asked you to prepare a draft report for him.

|  | Information Book Pages |
|--|------------------------|
| Contents   | 3                      |
| HSS Hire Group Capital IQ company profile                              | 4 – 6                  |
| HSS Hire Group Annual Report for 2014 (Pages 1 – 37)                   | 7 – 46                 |
| Extracts from HSS Hire Group interim report for half year to June 2015 | 47 – 55                |
| Extracts from the HSS Hire Group Prospectus January 2015               | 56 – 93                |
| Financial Times Articles   | 94 – 98                |
| Capital IQ spread sheets:  |                        |
| Financials   | 99 – 119               |
| Comparable companies   | 120 – 127              |
| Estimates  | 128 - 135              |

## Requirements:

Prepare a draft report, with supporting evidence for any opinion, for the director of GCF that should include:

1. An analysis of the financial health and trends of HSS including a conclusion (Note: Where possible you should make comparisons with other companies). (15 marks)
2. A SWOT analysis with conclusions in each section. (20 marks)
3. Your opinion on whether it is feasible to have a rights issue that will reduce HSS's gearing in line with comparable companies. You should include the practical implications of your opinion. (15 marks)
4. Your opinion on whether it is feasible to take HSS private and whether it is likely that a management team would be able to gain support from any institutional investors. (15 marks)
5. Your opinion on whether and how HSS should restructure. You are not limited to the two suggestions put forward by the CEO of HSS. (10 marks)
6. Your opinion on whether HSS could protect itself from becoming a takeover target by issuing:
  - (i) a profit forecast (5 marks)
  - (ii) a share buyback (5 marks)
7. The implications of:
  - (i) not restructuring HSS (5 marks)
  - (ii) the continuing obligations of the Board of HSS if it does not restructure (5 marks)

**Note: 5 marks will be awarded for an appropriate report format.**

**End of examination paper**

© Chartered Institute for Securities & Investment 2015

© ICAEW 2015

All rights reserved. No part of this publication may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopying, or any information storage or retrieval system without prior permission from the Chartered Institute for Securities & Investment / ICAEW.