20 April 2015

HSS Hire Group plc

Audited Results for Hampshire Topco Limited for the year ended 27 December 2014

HSS Hire Group plc ("HSS" or the "Group") today announces results for the year ended 27 December 2014 for Hampshire Topco Limited, the holding company of the Group prior to the listing of new parent company HSS Hire Group plc on the London Stock Exchange in February 2015.

Financial Highlights

- FY2014 results in line with expectations - further year of strong growth in revenues and earnings
- Revenue up 25.5% to £284.6m (2013: £226.7m), with organic growth of 18.7%
- Adjusted EBITDA [(1)] up 26.7% to £71.1m (2013: £56.2m)
- Group Adjusted EBITDA [(1)] margin improved to 25.0% (2013: 24.8%)
- Operating profit up 10.3% to £23.6m (2013: £21.4m)
- Strong increase in hire fleet utilisation, driven by targeted demand–led investment, delivering a Return on Assets[(2)] of 26.6%

Trading and Operational Highlights

- Robust volume growth in both Core and Specialist businesses, with growth significantly ahead of the tool and equipment hire market
- Accelerated roll out of proven Local Branch format, with 23 new branches opened in 2014
- Successful development of larger Key Accounts enabling capture of greater share of customer spend
- Continued investment in hire fleet driven by customer-led demand, generating industry-leading return on assets of 26.6%
- Apex, a Scottish specialist generator hire business, and the trade and assets of MTS UK's portable variable messaging sign hire business acquired and integrated in the period; prior year acquisitions continuing to trade strongly

Successful IPO on the London Stock Exchange after the period end

- Admission effective 9 February 2015
- £103m gross proceeds applied to reduce the Group's leverage, providing greater capacity for additional investment to drive future growth

Current Trading and Outlook

- Encouraging start to 2015 - trading in line with expectations
- 13 new Local Branches opened in Q115, averaging one per week. On track to open 50 new local branches in FY2015
- Continuing to review opportunities for further Specialist acquisitions

Explanatory Notes:
1) Adjusted EBITDA defined as Operating profit with depreciation, amortisation and exceptional costs added back
2) Return on Assets ("ROA") defined as Adjusted EBITA in the financial year / (average total assets (excluding intangible assets) less average current liabilities. Adjusted EBITA defined as Adjusted EBITDA less depreciation

Chris Davies, Chief Executive Officer of HSS, said:

"2014 was a year of excellent progress as we continued to deliver strong growth across both our Core and Specialist businesses. This performance reflects both our focus on the less cyclical and higher value-added 'maintain' and 'operate' segments of the market and a deliberate customer demand-led approach to investment in our hire fleet.

"We have made an encouraging start to 2015 and trading is in line with our expectations. The roll-out of our Local Branches is continuing to plan, with new branches opening at the rate of one a week, and the customer response continues to be positive.

"Our new equipment refurbishment facility, which opens in Q4 2015, will help us extend the life of our asset base and improve the service we provide to customers, and we are continuing to capitalise on the trend to outsourcing by further developing our larger Key Accounts. In addition, we continue to review a number of potential Specialist acquisition targets.

"Our growth aspirations are based on a disciplined approach, a clear strategy and solid financial foundations. 2015 will see us continue to strengthen the business and create new ways to exceed our customers' expectations. While the forthcoming UK general election creates an element of short term uncertainty for our customers, HSS is in good shape and we look to the future with confidence."

Results presentation

Management will be hosting a presentation for analysts at 9.00 a.m. BST today at Citigate Dewe Rogerson, 3 London Wall Buildings, London Wall, EC2M 5SY.

Analysts/investors unable to attend in person may join the meeting by conference call by dialling in on +44 (0) 20 3003 2666. Password: HSS Hire. A copy of the presentation will be available at www.hsshiregroup.com/investor-relations/financial-results/ from 9.00 a.m. BST today.

A separate conference call discussing the results of Hero Acquisitions Limited will be held for holders of Senior Secured Notes at 2.00 p.m. BST today. Details for this call will be available at www.hsshiregroup.com/investor-relations/senior-secured-notes/

For further information, please contact:

HSS Hire Group plc Tel: (On 20 April 2015) 020 7638 9571
Chris Davies, Chief Executive Officer Thereafter: 020 8897 8566
Steve Trowbridge, Chief Financial Officer

Citigate Dewe Rogerson Tel: 020 7638 9571
Simon Rigby
Kevin Smith
Jos Bieneman

Note to editors

HSS Hire Group plc provides tool and equipment hire and related services in the UK and Ireland through a nationwide network of over 265 locations. Focusing primarily on the maintain and operate segments of the market, over 90% of its revenues come from business customers. HSS is listed on the Main Market of the London Stock Exchange, following its IPO in February 2015. For more information please see www.hsshiregroup.com.

Chairman's Statement

I am proud to announce our results for the year ended 27 December 2014, our first set of results since the successful IPO in February 2015.

Our results

I am delighted to report that we delivered a 25.5% growth in revenues in 2014, which helped us to an Adjusted EBITDA margin of 25.0% and return on assets of 26.6%. This is an excellent result, especially considering the significant investment we made in our hire fleet during the year. Our continuing focus on cost control also contributed to this good performance.

Our Board and management team

We are extremely fortunate to have appointed a strong team of high-calibre individuals to the Board of HSS Hire Group plc. Their complementary skills bring valuable fresh perspectives – both personal and professional – to our discussions. Their insight and expertise will continue to provide effective challenge, scrutiny and support of the HSS management team as we grow the business.

Our executive team, led by CEO Chris Davies, also has a wealth of experience. It is responsible for the day-to-day running of the business and implementation of our strategy. At HSS we've created an environment that nurtures talent and enables it to flourish. This is evident not only in the qualities of our existing senior management, but in those identified within the business as their potential successors.

Governance

Good corporate governance is integral to the effective operation of HSS, the security of its assets and the prudent execution of our strategy. Even prior to listing, our governance framework was more developed than might have been expected of a private company. However, as a newly listed group, we are establishing the necessary committees, policies and systems that will take us towards best practice in this area.

Our people

HSS is all about providing great service – and our employees are the driving force behind our success. The investment we make in our people is reflected in their professionalism and pride in the HSS uniform. It's the 'can do', problem-solving attitude of our colleagues that sets us apart in the industry.

Corporate responsibility

Health and Safety is part of everyday life within HSS. It is the first item on every Board agenda and all our colleagues undertake regular training to ensure safe working conditions for themselves and our customers. Likewise we pay close attention to the effect our business and operations have on the environment.

Looking ahead

Our Initial Public Offering opened a new and exciting chapter in our history. HSS is an innovative business and I regard our London listing as a springboard from which we will seize new opportunities and deliver further sustainable growth.

Alan Peterson
Chairman

Chief Executive Officer's Statement

Introduction

In a highly competitive market, HSS delivered another year of excellent growth. This result was driven by strong performances from all our product and service ranges as well as continued investment across our network and infrastructure.

After the period end, on 9 February 2015, the Group completed a successful IPO on the London Stock Exchange – a landmark event for the business which has put HSS on the best footing to maximise its potential and accelerate its growth.

The HSS difference

At HSS, our customers drive everything we do. They demand Safety, Value, Availability and Support from us – and these are the common threads that run right through the fabric of our business. By investing in our people, equipment and systems, we get the very best from our operations, maximising our returns through improved efficiency and availability of our products.

Performance
Last year, more customers than ever trusted HSS to fulfil their equipment rental requirements. Our Core businesses continued to grow faster than the market and the contributions of our Specialist operations generated a robust Group result. We experienced a strong increase in operating cash flow during the year, which was reinvested to support further growth. Customer-led demand continued to drive our increased capital expenditure, which principally focused on the roll-out of new Local Branches and the development of our Specialist businesses.

The Group's financial performance is reviewed in detail in the following Financial Review.

Our markets
The UK market for equipment hire was estimated by the European Rental Association at around £5.9bn in 2014 – with an expected CAGR of 4.3% p.a. between 2014 and 2016. The market is highly fragmented, with almost half served by independent operators.

At HSS, we focus on the more resilient 'fit-out', 'maintain' and 'operate' segments of the tool and equipment hire market, which provide higher asset returns than heavy construction. These segments are generally less cyclical in nature, with a greater value-added element and a higher recurring spend by a more diverse range of customers. We complement this offer with a range of value-added, specialist services developed in response to customer demand.

While we naturally benefit from additional sales during periods of economic growth – when the new-build market is thriving - our businesses also prosper in more challenging times, when refurbishment of existing properties – both commercial and residential – tends to dominate. Over 90 per cent of our revenues are generated from business to business customers.

HSS provides tools, equipment and related services in the UK and Ireland and aims to be number one or two in its chosen markets. The breadth of our offer helps us secure a greater share of customers' budgets – and our superior service levels, coupled with our unique offerings, is leading to sustainable market share growth.

Our strategy for growth
Our strategy is based around fulfilling our customers' needs and ensuring we sustain the key competitive advantages that arise from the way we operate. We continue to invest across the business, as well as in our people, to support our future growth.

The HSS growth strategy is built around three elements:

Local Branches
To build and leverage our existing market position, we are accelerating the roll-out of our successful Local Branch format. This proven low-cost model is designed to penetrate the c. 50% share of the market currently held by independent operators. The strength of HSS Local Branches lies in the fact that they operate like independents but are backed by our sophisticated, retail-like distribution network, which delivers levels of product choice and availability that independent operators cannot match. In the first quarter of 2015 we opened 13 new Local Branches.

Key Accounts
We are also developing and growing our Key Accounts. We manage all the equipment requirements for some of these larger customers, building strong, enduring relationships and providing a comprehensive 'one-stop shop' service. This Total Equipment Management approach enables us to win a greater share of these customers' budgets.

Acquisitions
We have a proven track record of acquiring and swiftly integrating complementary Specialist businesses into HSS. Our strategy is to buy scalable businesses – at the right price – that exhibit clear synergy and growth potential and to which we can add tangible value. We retain their specialisms and integrate their back office functions into our own.

Positioned for growth
Easy availability of equipment is critical to the customer and we operate a sophisticated distribution network, similar to those used by leading retailers. This integrated one-fleet network maximises the availability of our equipment – whilst achieving the highest possible levels of utilisation. It is also supporting the expansion of our Local Branch network, which is helping to grow our market share.

Safety and the environment
The fundamental focus of our business is one of sustainability, so we naturally seek to embed a responsible approach into the way we operate. Our status as a growing UK-wide organisation means we are always mindful

of the impact our activities have on our customers, colleagues, communities and the wider environment. We therefore make every effort to ensure our operations do no harm – and wherever possible make a positive contribution.

The safety of our people and our customers remains paramount. This year we continued to improve our safety record across the business. I am pleased to report that after almost halving our RIDDOR rate in 2013, we continued to reduce it in 2014.

Our people

Our people are the heart of our company. The fact that we achieve consistently high customer satisfaction and retention ratings – as well as a market-leading Net Promoter score – speaks volumes about the service we provide. We therefore consider investment in training and development to be critical to our future success.

HSS operates its own dedicated training academy. In 2014 over 378 new sales colleagues benefited from our five-week residential training programme, with a further 137 colleagues participating in other schemes including our 'Stretch' programme, designed to identify and develop potential branch managers.

I never fail to be inspired and impressed by the efforts of our 'HSSers' wherever they work in the business; I thank them wholeheartedly for their individual contributions to our Group's success.

Outlook

We have made an encouraging start to 2015, experiencing good growth across both our Core and Specialist businesses, and trading is in line with our expectations. The roll-out of our Local Branches is continuing to plan, with new branches opening at the rate of one a week, and the customer response continues to be positive.

Our new equipment refurbishment facility, which opens in Q4 2015, will help us extend the life of our asset base and improve the service we provide to customers, and we are continuing to capitalise on the trend to outsourcing by further developing our larger Key Accounts. In addition, we continue to review a number of potential Specialist acquisition targets, with the aim of identifying scalable businesses with synergy potential and clear cross-selling opportunities.

Our growth aspirations are based on a disciplined approach, a clear strategy and solid financial foundations. 2015 will see us continue to strengthen the business and create new ways to exceed our customers' expectations. While the forthcoming UK general election creates an element of short term uncertainty for our customers, HSS is in good shape and we look to the future with confidence.

Chris Davies
Chief Executive Officer

FINANCIAL REVIEW

Overview

The results for the year ended 27 December 2014 are for Hampshire Topco Limited, the previous holding company of the Group, prior to the listing of new parent company HSS Hire Group plc on the London Stock Exchange in February 2015. Subsequent to the year-end the Group underwent a pre-IPO reorganisation and new parent company HSS Hire Group plc was incorporated ahead of its Admission to the Official List on 9 February 2015.

In 2014 we put in place our platform for future profitable growth. Following the Senior Secured Notes issue in February, we invested throughout the year in our equipment, people and processes – and in the final quarter of the year we began working towards our initial public offering (IPO).

The Senior Secured Notes issued in early 2014, alongside the new Revolving Credit Facility, enabled us to accelerate the pace of investment; a direct result of strong growth in customer demand.

During the year we both grew our hire fleet and increased utilisation in our Core and Specialist businesses to 47% and 70% respectively. This strong demand, combined with our targeted hire fleet investment, enabled us to deliver 25.5% growth in revenue (18.7% of which was organic). Combined with careful cost control this enabled us to improve our Adjusted EBITDA margin to 25.0% (2013: 24.8%) and deliver a return on assets (ROA). ROA calculated as Adjusted EBITA in the financial year / (average total assets (excluding intangible assets) less average current liabilities of 26.6% alongside the significant fleet expansion during the year (2013: 30.2%).

The directors consider the key performance indicators of the business to be turnover, operating profit before Interest, Tax, Depreciation and Amortisation and exceptional items ('adjusted EBITDA'), and capital expenditure.

Financial performance

Revenue
Revenue for the 52 week period ended 27 December 2014 increased by £57.9m, or 25.5%, to £284.6m (2013: £226.7m). This uplift was primarily due to growth in organic revenue, reflecting increasing demand from both new and existing customers. Key and regional account customers accounted for a large element of this growth. Revenues in our HSS OneCall and HSS Training businesses grew 64.4% and 22.1% respectively and revenue from our hire business increased by 18.2%. We also benefited from the acquisition of Apex Generators in March 2014 and the inclusion of a full year of trading from UK Platforms which we acquired in June 2013.

Cost of sales
Our cost of sales for the 52 week period ended 27 December 2014 increased by £29.5m, or 40.1%, to £103.0m (2013: £73.5m). This increase was mainly due to the strong growth in our HSS OneCall (rehire) revenue, with the associated third-party supplier costs accounting for £14.3m of the increase. Stock maintenance costs during the period also increased due in part to the increased size of our hire fleet through ongoing hire fleet investment and also due to the acquisition of Apex Generators.

Gross profit
Our gross profit for the 52 week period ended 27 December 2014 increased by £28.4m, or 18.5%, to £181.5m (2013: £153.2m).

Distribution costs
Our distribution costs for the 52 week period ended 27 December 2014 increased by £8.5m, or 29.6%, to £37.2m (2013: £28.7m). This reflects the full year impact of the UK Platforms acquisition, the acquisition of Apex Generators and the growth in volume of our core business.

Administrative expenses
Our administrative expenses increased by £17.7m, or 17.0%, to £121.9m in the 52 week period ended 27 December 2014 from £104.2m in the 52 week period ended 28 December 2013. This was principally due to increased administrative expenses relating to the inclusion of a full year of trading for UK Platforms, the costs associated with Apex and the extra sales colleagues employed to support our expanding local branch network. Administrative expenses also grew due to increased business activity and inflationary pressures on our salary costs and one-off costs of £2.4m relating to the IPO.

Operating profit
Our operating profit for the 52 week period ended 27 December 2014 increased by £2.2m, to £23.6m (2013: £21.4m).

Finance income
As in the 52 week period ended 28 December 2013, we received negligible interest income on our cash balances in the 52 week period ended 27 December 2014.

Finance expense
Our finance expense for the 52 week period ended 27 December 2014 increased by £10.7m, or 52.7%, to £31.0m (2013: £20.3m). This increase was primarily due to the issue of £200m of Senior Secured Notes in February 2014 to refinance our existing borrowings. In addition to increasing our weighted average interest rate on borrowings from 7.02% to 7.19%, this also includes accelerated write off of debt issuance costs.

(Loss)/profit before tax
We reported a loss before tax of £8.5m for the 52 week period ended 27 December 2014 compared to a profit before tax of £2.6m for the 52 week period ended 28 December 2013.

Income tax credit/(expense)
We reported a net tax credit of £3.0m for the 52 week period ended 27 December 2014, compared to a tax expense of £2.2m in the 52 week period ended 28 December 2013, primarily due to our loss before tax and deferred tax recognised on prior year losses.

Profit for the year
We reported a loss of £5.5m for the 52 week period ended 27 December 2014 compared to a profit of £0.4m for the 52 week period ended 28 December 2013.

Capital expenditure
Fixed asset additions during the period (excluding assets acquired on acquisition) were £83.6m, a £46.8m increase over the prior year (2013: £36.8m). Of this total, £71.9m represented additions of materials and

equipment held for hire (2013: £30.9m) and £11.7m represented additions to non-hire equipment (land and buildings and plant and machinery) (2013: £5.9m). This increase was in response to customer demand through the year and reflected our investment in both our hire fleet and our operating network during the year.

Cash generated from operations
Cash generated from operations was £16.4m for the 52 week period ended 27 December 2014, a £3.0m decrease from the prior period. This reduction in cash generated from operations reflects the growth in EBITDA between the periods offset by an increase in the cash payments for hire equipment during the period, and an investment in working capital as a result of strong revenue growth in the period.

Leverage
Net debt grew £40.7m to £317.0m as at 27 December 2014 compared to £276.3m as at 28 December 2013. This increase reflects the refinance of our former senior term loans with £200.0m of Senior Secured Notes in February 2014, the associated repayment of £29.0m of loan notes held by Exponent Private Equity LLP and increased finance leases and drawings on our revolving credit facility. Our leverage, calculated as Net debt divided by Adjusted EBITDA decreased from 4.9x Adjusted EBITDA as at 28 December 2013 to 4.5x Adjusted EBITDA at 27 December 2014.

Net third party debt, calculated as net debt excluding loan notes and any associated accrued interest on loan notes held by Exponent Private Equity LLP, grew £61.5m to £231.6m as at 27 December 2014 compared to £170.2m as at 28 December 2013. This increase reflects the refinance of our former senior term loans with £200m of Senior Secured Notes in February 2014 and increased finance leases and drawings on our revolving credit facility. Our third party leverage, calculated as net third party debt divided by Adjusted EBITDA increased from 3.0x Adjusted EBITDA as at 28 December 2013 to 3.3x Adjusted EBITDA at 27 December 2014.

Operations

We continued to invest in the roll-out of our local branches, opening 23 new locations during the year. Critical to this expansion was the successful training and development of new and existing colleagues to help drive profitable sales in these branches. Our HSS Training Academy in Reading played a key role in this and continues to support our Local Branch opening programme. We also strengthened our Head Office teams to underpin this activity and our future growth. These central teams are frequently involved in the development of systems and services for our larger Key Accounts, another central tenet of our growth strategy.

In June 2014 we established a partnership with Unipart Group. This investment has given us access to additional valuable expertise, which will drive greater productivity and efficiency in our engineering services and logistics operations.

Towards the year end we started work on our Initial Public Offering (IPO). This culminated in the admission of the shares of our new holding company, HSS Hire Group plc, to the premium listing of the Official List of the UK Listing Authority – and to trading on the London Stock Exchange's main market under the ticker 'HSS' in February 2015. Proceeds from the flotation have been applied to reduce the Group's leverage, providing greater capacity for additional capital expenditure to drive future growth in the business.

Acquisitions

In March 2014 we acquired Apex Generators, a specialist generator hire business. Operating primarily across Scotland, it has a wide range of customers across the construction, housebuilding, event, industrial, marine and offshore sectors. Apex is a complementary fit with our existing temporary power generation rental business ABird and we now offer a truly nationwide service to customers across the UK. Apex has performed well since acquisition, reflecting the strong cultural fit with HSS and the great team who joined us. We have also seen positive reaction from existing and new customers to our national coverage.

In October 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.

Dividend

As a public company we intend to adopt a progressive dividend policy alongside earnings growth, with a medium-term target of three to 4.5 times normalised earnings cover. Normalised earnings cover calculated as the Group's net income before amortisation and exceptional items, after the deduction of a standard rate of tax as a multiple of aggregate dividends declared for the relevant period'.

Providing there are sufficient distributable reserves at the time, the Board intends to pay interim and final dividends in respect of each financial year. These will be split approximately one-third/two-thirds respectively of

the annual total dividend. We may however revise our dividend policy from time to time. We expect the first payment to be the interim dividend in respect of the 2015 financial year.

Segmental performance

Core businesses

Results

The Group's Core businesses are HSS Hire (tool and equipment hire), HSS OneCall (third party equipment sourcing) and HSS Training (expert specialist training).

During 2014 the Core businesses delivered revenue of £247.4m (FY13: £208.0m) and Adjusted EBITDA of £51.2m (FY13: £46.6m) and together accounted for 87.0% of Group revenue and 72.0% of the Group's Adjusted EBITDA. Core utilisation during the year improved to 47% (FY13: 45%).

In 2014 we experienced strong growth in both revenue and EBITDA from HSS Hire operations across all regions. This was due partly to the continuing maturity of Local Branches opened in 2012 and 2013. We also saw continued revenue and EBITDA growth in our HSS OneCall and HSS Training businesses. Both of these operate at a lower EBITDA margin, however due to their low capital intensity, they have a positive effect on return on assets.

During the year we opened 23 new Local Branches and invested £41.9m in our Core hire fleet to meet increasing customer demand. The pVMS assets acquired from MTS UK were incorporated into the business following their acquisition in October.

We also began to reap the rewards from our investment in the HSS Training Academy. This dedicated facility provides the business with trained 'HSSers': colleagues equipped with the knowledge and skills to drive success across our expanding local branch network.

We are on track to open 50 new Local Branches in 2015. This will lead to increases in Core revenues from HSS Hire and will stimulate growth in both our HSS OneCall and HSS Training businesses.

Specialist businesses

Results

The Group's Specialist businesses are ABird and Apex (mobile generators), UK Platforms (powered access) and Reintec and TecServ (cleaning equipment services).

During 2014 the Specialist businesses delivered revenue of £37.1m (FY13: £18.6m) and Adjusted EBITDA of £19.9m (FY13: £9.6m) and together accounted for 13.0% of Group revenue and 28.0% of the Group's Adjusted EBITDA. Specialist utilisation during the year improved to 70% (FY13: 68%).

These businesses typically deliver higher EBITDA margins than our Core operations, although the Core businesses also carry all the central costs of the Group. Growth in 2014 was principally driven by investment in our sales teams, new depots and additions to our Specialist hire fleet, which enabled us to service identified customer demand.

Following its acquisition, Apex Generators was integrated swiftly into the business. We extended our UK coverage, opening a new ABird depot in Lingfield, a new UK Platforms depot in Newbridge and through installing dedicated Reintec/TecServ workspaces in nine of our local distribution centres. We also invested £30.0m to expand our Specialist hire fleet. Improved utilisation of 70% in these businesses reflects our ability to match capital expenditure to demand. We also continued to invest in our people, enlarging our Specialist sales force and engineering teams.

We will continue to drive organic growth in our Specialist businesses in 2015 through ongoing investment in our colleagues, hire fleet and depot network. We will also continue to evaluate 'bolt-on' acquisition opportunities that complement the activities of our Specialist businesses.

Post Balance Sheet Event

The successful IPO in February 2015, associated conversion of investor loans notes and accrued interest into equity and subsequent repayment of £64.0m of our Senior Secured Notes and £20.5m of the drawn element of our revolving credit facility enabled us to de-gear the business. Immediately following the IPO our pro-forma leverage was approximately 2.2x Adjusted EBITDA.

We continue to target leverage of circa 2.0x Adjusted EBITDA at the end of FY15.

Hampshire Topco Limited

Consolidated income statement

For the year ended 27 December 2014

	Note	**Year ended 27 December 2014**	Year ended 28 December 2013
	Note	**£000**	£000
Revenue	2	**284,559**	226,698
Cost of sales		**(103,029)**	(73,525)
Gross profit		**181,530**	153,173
Distribution costs		**(37,155)**	(28,692)
Administrative expenses		**(121,898)**	(104,178)
Other operating income	3	**1,100**	1,049
Operating profit		**23,577**	21,352
Adjusted EBITDA[1]	2	**71,146**	56,172
Less: Exceptional items (non-finance)	4	**(3,739)**	(3,864)
Less: Depreciation, amortisation and hire stock disposals and write offs		**(43,830)**	(30,956)
Operating profit		**23,577**	**21,352**
Finance income	5	**17**	12
Finance expense	5	**(30,973)**	(20,316)
Movement in derivative financial instruments	20	**(1,154)**	1,589
(Loss)/profit before tax		**(8,533)**	**2,637**
Adjusted profit before tax		**2,981**	4,912
Less: Exceptional items (non-finance)	4	**(3,739)**	(3,864)
Less: Exceptional items (finance)	4	**(7,775)**	1,589
(Loss)/profit before tax		**(8,533)**	**2,637**
Income tax credit/(expense)	9	**3,014**	(2,224)
(Loss)/profit for the financial year		**(5,519)**	413
(Loss)/profit attributable to:			
Owners of the company		**(5,519)**	413

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

The accompanying notes form part of these financial statements.

Hampshire Topco Limited

Consolidated statement of comprehensive income

For the year ended 27 December 2014

	Year ended 27 December 2014	Year ended 28 December 2013
	£000	£000
(Loss)/profit for the financial year	**(5,519)**	413
Items that may be reclassified to profit or loss:		
Foreign currency translation differences arising on consolidation of foreign operations	**(510)**	96
Other comprehensive (loss)/income for the year, net of tax	**(510)**	96
Total comprehensive (loss)/income for the year	**(6,029)**	509
Attributable to owners of the Company	**(6,029)**	509

The accompanying notes form part of these financial statements.

Hampshire Topco Limited

Consolidated statement of financial position

At 27 December 2014

	Note	**27 December 2014**	28 December 2013	29 December 2012
	Note	**£000**	£000	£000
ASSETS				
Non-current assets				
Intangible assets	10	**170,379**	166,212	163,226
Property, plant and equipment	11	**147,213**	99,877	65,423
Deferred tax assets	18	**2,462**	-	-
Derivative financial instruments	20	**-**	1,154	-
		320,054	267,243	228,649
Current assets				
Inventories	12	**6,823**	5,417	3,754
Trade and other receivables	13	**84,934**	67,394	51,485
Cash	14	**5,858**	2,871	1,523
		97,615	75,682	56,762
Total assets		**417,669**	342,925	285,411
LIABILITIES				
Current liabilities				
Trade and other payables	15	**(102,770)**	(60,979)	(39,467)
Borrowings	16	**(19,500)**	(3,875)	(4,395)
Current tax liabilities		**(561)**	(1,274)	(134)
		(122,831)	(66,128)	(43,996)
Non-current liabilities				
Trade and other payables	15	**(7,033)**	(5,019)	(3,045)
Borrowings	16	**(275,046)**	(252,898)	(219,159)
Provisions	17	**(14,892)**	(14,939)	(14,886)
Deferred tax liabilities	18	**(9,372)**	(9,421)	(9,881)
Derivative financial instruments	20	**-**	-	(435)
		(306,343)	(282,277)	(247,406)
Total liabilities		**(429,174)**	(348,405)	(291,402)
Net liabilities		**(11,505)**	(5,480)	(5,991)
EQUITY				
Share capital	19	**2**	2	-
Share premium		**99**	99	99
Retained deficit		**(11,606)**	(5,581)	(6,090)
Total deficit attributable to owners of the company		**(11,505)**	(5,480)	(5,991)

The accompanying notes form part of these financial statements.

Consolidated statement of changes in equity

For the year ended 27 December 2014

	Note	**Share capital £000**	**Share premium £000**	**Accumulated deficit £000**	**Total equity £000**
At 29 December 2012		-	99	(6,090)	(5,991)
Total comprehensive income for the year					
Profit for the year		-	-	413	413
Foreign currency translation differences arising on consolidation of foreign operations		-	-	96	96
Total comprehensive income for the year		-	-	509	509
Transactions with owners recorded directly in equity					
Share issue	19	2	-	-	2
At 28 December 2013		2	99	(5,581)	(5,480)
At 28 December 2013		2	99	(5,581)	(5,480)
Total comprehensive income for the year					
Loss for the year		-	-	(5,519)	(5,519)
Foreign currency translation differences arising on consolidation of foreign operations		-	-	(510)	(510)
Total comprehensive income for the year		-	-	(6,029)	(6,029)
Transactions with owners recorded directly in equity					
Share based payment		-	-	4	4
At 27 December 2014		**2**	**99**	**(11,606)**	**(11,505)**

The accompanying notes form part of these financial statements.

Hampshire Topco Limited

Consolidated statement of cash flows
For the year ended 27 December 2014

	Note	**Year ended 27 December 2014**	Year ended 28 December 2013
Cash flows from operating activities		**£000**	£000
(Loss)/profit before income tax		**(8,533)**	2,637
Adjustments for:			
– Amortisation		**3,900**	3,288
– Depreciation		**31,768**	23,953
– Loss on hire stock disposals		**7,992**	3,431
– Loss on disposal of property, plant and equipment		**170**	284
– Loss/(gain) on financial instruments at fair value through profit or loss		**1,154**	(1,589)
– finance income		**(17)**	(12)
– finance expense		**30,973**	20,316
Changes in working capital (excluding the effects of acquisitions and exchange differences on consolidation):			
– Inventories		**(948)**	(1,663)
– Trade and other receivables		**(16,356)**	(10,244)
– Trade and other payables		**6,287**	2,029
– Provisions		**(802)**	(368)
Net cash flows from operating activities before changes in hire equipment		**55,588**	42,062
Purchase of hire equipment		**(39,226)**	(22,731)
Cash generated from operations		**16,362**	19,331
Net interest paid		**(18,059)**	(9,930)
Income tax paid		**(245)**	(1,498)
Net cash (utilised)/generated from operating activities		**(3,942)**	7,903
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	23	**(6,796)**	(26,440)
Purchases of non hire property, plant, equipment and software		**(14,596)**	(5,933)
Net cash used in investing activities		**(21,392)**	(32,373)
Cash flows from financing activities			
Proceeds from borrowings		**216,500**	33,002
Repayments of borrowings		**(186,018)**	(375)
Capital element of finance lease payments		**(4,161)**	(2,789)
Net cash used in financing activities		**26,321**	29,838
Net increase in cash		**2,987**	5,368
Cash at the start of the year		**2,871**	(2,497)
Cash at the end of the year		**5,858**	2,871

The accompanying notes form part of these financial statements.

Notes to the consolidated financial statements

1. Accounting policies

a) Reporting entity

The Company is incorporated and domiciled in the United Kingdom.

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

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

The financial information set out in this announcement does not constitute the Company's statutory accounts for the year ended 27 December 2014 or the year ended 28 December 2013. Statutory accounts for the year ended 27 December 2014 and the year ended 28 December 2013 have been reported on by the Independent Auditors. The Independent Auditors report on the Annual Report and Financial Statements for both years was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under S498 (2) or s498(3) of the Companies Act 2006. The Annual Report and Financial Statements for 2013 have been filed with the Registrar of Companies. The statutory accounts for the year ended 27 December 2014 will be delivered to the registrar in due course.

The Group and Company financial statements were approved by the Board of Directors on 20 April 2015.

b) Statement of compliance

The Group financial statements of Hampshire Topco Limited have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) and the Companies Act 2006.

As permitted by Section 408(2) of the Companies Act 2006 information about the Company's employee numbers and costs have not been presented.

The directors have taken advantage of the option within section 390 of the Companies Act 2006 to prepare their financial statements up to a date seven days either side of the Company's accounting reference date of 31 December 2014, and these accounts therefore cover the period from 29 December 2013 to 27 December 2014 (2013: 30 December 2012 to 28 December 2013).

As permitted by Section 408(3) of the Companies Act 2006, the Company's profit and loss account and statement of recognised gains and losses and related notes have not been presented as the Company's Group Accounts have been prepared in accordance with the Companies Act 2006. The Group has also taken advantage of the exemption under FRS1 (5) not to prepare a Company cash flow statement.

c) Functional and presentational currency

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

d) Basis of preparation

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

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

For all periods up to and including the year ended 28 December 2013, the Group and the Company have prepared financial statements in accordance with United Kingdom Generally Accepted Accounting Principles (UK GAAP). These financial statements for the year ended 27 December 2014 are the first the Group has prepared in accordance with IFRS.

The Group's deemed transition date to IFRS is 9 October 2012, being the date the parent company was incorporated. Details of how the transition from UK GAAP to IFRS has affected the Group's reported position and performance are given in note 26. The principles and requirements for first time adoption of IFRS are set out in IFRS 1 *First-time adoption of International Financial Reporting Standards* (IFRS 1). IFRS 1 allows certain exemptions in the application of particular standards to prior periods in order to assist companies with the transition process.

1. Accounting policies (continued)

e) New accounting standards and accounting standards not yet effective

The following new standards, amendments to standards and interpretations issued by the International Accounting Standards Board (IASB) became effective during the year ended 27 December 2014. The accounting policies adopted in the presentation of the Group financial statements reflect the adoption of the following new standards, amendments to standards and interpretations as of 1 January 2014. These have not has any material impact on the financial statements.

- IFRS 10 *Consolidated financial statement*s (effective 1 January 2014).
- IFRS 12 *Disclosure of Interests in Other Entities* (effective 1 January 2014).
- *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance* (Amendments to IFRS 10, IFRS 11 and IFRS 12) (effective 1 January 2014).
- IAS 27 *Separate Financial Statements* (effective 1 January 2014).
- *Recoverable amounts disclosures for non-financial assets* (Amendments to IAS 36) (effective 1 January 2014).
- *Offsetting Financial Assets and Financial Liabilities* (Amendments to IAS 32) (effective 1 January 2014).
- Recoverable amounts disclosures for non- financial assets (Amendments to IAS 36) (effective 1 January 2014).

Standards effective in future periods
Certain new standards, amendments and interpretations to existing standards have been published that are relevant to the Group's activities and are mandatory for the Group's accounting periods beginning after 1 January 2015 or later and which the Group has decided not to adopt early.

- *Annual Improvements to IFRSs 2010-2012 Cycle* (will become effective for accounting periods starting on or after 1 February 2015).
- *Annual Improvements to IFRSs 2011-2013 Cycle* (will become effective for accounting periods starting on or after 1 February 2015).
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 8) (will become effective for accounting periods starting on or after 1 January 2016)
- Annual Improvements to IFRSs (2012–2014 Cycle) (will become effective for accounting periods starting on or after 1 January 2016).
- Disclosure Initiative: Amendments to IAS 1 (will become effective for accounting periods starting on or after 1 January 2016).
- IFRS 15 *Revenue from contracts with customers* (will become effective for accounting periods starting on or after 1 January 2017).
- IFRS 9 *Financial Instruments* (will become effective for accounting periods starting on or after 1 January 2018).

The impact of these standards is currently being assessed.

f) Critical accounting estimates and judgements

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

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

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

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

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

Onerous lease provision

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

Provisions for dilapidations

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

Income taxes

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

Useful economic life of assets

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

g) Going concern

Note 20 includes the Group's objectives, policies and processes for capital management and for financial risk management including market risk, credit risk and liquidity risk.

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

- there is no requirement to redeem any of the Senior Secured Notes until 1 August 2019
- the financial covenants relating to the revolving credit facility secured by the Group, and as detailed in note 16 and 20

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, and senior debt and interest repayments falling due as detailed in note 16, show that the Group is expected to be able to operate within the level of its current facilities for the foreseeable future.

On 7 January 2015 HSS Hire Group Limited was incorporated, and on 19 January 2015 was re-registered as a public limited company, HSS Hire Group plc. HSS Hire Group plc subsequently acquired the entire share capital of the Company by way of a share for share exchange.

On 4 February 2015 the issued share capital of HSS Hire Group plc was admitted to the premium listing segment of the Official List of the Financial Conduct Authority. The initial public offering (IPO) was for 35% of the listed ordinary shares of HSS Hire Group plc on the London Stock Exchange and resulted in £103 million of gross proceeds to the Group. Note 24 contains further information regarding the IPO.

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 financial statements.

h) Basis of consolidation

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

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

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

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

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

i) Segment reporting

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

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

The management team considers there to be two reportable segments:

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

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

j) Foreign currency translation

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

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

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

k) Property, plant and equipment

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

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

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

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

l) Intangible assets

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

Impairment of goodwill
For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units (CGUs), or groups of CGUs that is expected to benefit from the synergies of the

combination. A CGU is the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash flows of other assets or CGUs.

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

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

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

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

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

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

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

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

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

m) Derivative financial instruments

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

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

n) Inventories

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

o) Trade receivables

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

p) Cash

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

q) Share capital

Ordinary shares
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

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

Retained earnings/accumulated deficit
Cumulative net gains and losses recognised in the income statement.

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

r) Trade and other payables

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

s) Borrowings

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

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

t) Cost of sales, distribution costs and administrative expenses

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

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

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

v) Finance income and expense

Finance income comprises interest received on cash balances.

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

Interest is recognised in profit or loss as it accrues, using the effective interest rate. Interest payable on borrowings includes a charge in respect of attributable transaction costs, which are recognised in profit or loss

over the period of the borrowings on an effective interest basis. The interest expense component of finance lease payments is recognised in the income statement using the lease's implicit interest rate.

w) Current and deferred income tax

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

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

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

w) Current and deferred income tax (continued)

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

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

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

x) Employee benefits

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

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

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

y) Provisions

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

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

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

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

z) Revenue recognition

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

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

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

aa) Leases

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

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

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

bb) Fair value measurement

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

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

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

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

Derivative instruments (level 2)

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

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

cc) Exceptional items

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

dd) Listing costs

As disclosed in note 1g, the Ultimate parent company was admitted to the premium listing segment of the Official List of the Financial Conduct Authority on 4 February 2015. As part of the IPO, the Group incurred certain costs. These costs have been allocated between those relating to the issue of new shares, those related to the issue of existing shares, and those costs related to other activities associated with the IPO. Costs incurred as at 27 December 2014 that relate to the issue of new shares have been carried forward and will be set against the Ultimate parent company's share premium account in accordance with IAS32 (Financial Instruments: Presentation). All other IPO related costs are charged to profit or loss.

ee) Credit note provision

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

2. Segment reporting

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

	Year ended 27 December 2014		
	HSS Core £000	**HSS Specialist £000**	**Total £000**
Total revenue from external customers	247,428	37,131	284,559
Adjusted EBITDA	51,245	19,901	71,146
Depreciation and amortisation	(32,463)	(11,367)	(43,830)
Exceptional items	(3,017)	(722)	(3,739)
Segment operating profit	15,765	7,812	23,577
Finance income			17
Finance expense			(30,973)
Movement in derivative financial instruments			(1,154)
Loss before tax			(8,533)
Income tax credit			3,014
Loss after tax			(5,519)
Total assets	334,177	83,492	417,669
Total liabilities	391,292	37,882	429,174
Additions to non-current assets in the year (excluding derivative financial instruments)			
Intangible assets	2,950	5,129	8,079
Property, plant and equipment			
- additions	52,418	31,174	83,592
- acquired on acquisitions	351	3,579	3,930
Total	55,719	39,882	95,601

2. Segment reporting (continued)

	Year ended 28 December 2013		
	HSS Core £000	**HSS Specialist £000**	**Total £000**
Total revenue from external customers	208,049	18,649	226,698
Adjusted EBITDA	46,561	9,611	56,172
Depreciation and amortisation	(24,993)	(5,963)	(30,956)
Exceptional items	(1,654)	(2,210)	(3,864)
Segment operating profit	19,914	1,438	21,352
Finance income			12
Finance expense			(20,316)
Movement in derivative financial instruments			1,589
Profit before tax			2,637
Income tax expense			(2,224)
Profit after tax			413
Total assets	291,665	51,260	342,925
Total liabilities	335,094	13,311	348,405
Additions to non-current assets in the year (excluding derivative financial instruments)			
Intangible assets	1,823	4,451	6,274
Property, plant and equipment			
- additions	32,776	4,019	36,795
- acquired on acquisitions	102	25,193	25,295
Total	34,701	33,663	68,364

3. Other operating income

	Year ended 27 December 2014	Year ended 28 December 2013
	£000	£000
Property rental income	**1,100**	1,049
	1,100	1,049

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.

	Year ended 27 December 2014	Year ended 28 December 2013
	£000	£000
Restructuring costs		
Included in distribution costs	**-**	48
Included in administrative expenses	**3,569**	3,190
	3,569	3,238
Acquisition costs		
Included in administrative expenses	**170**	626
	170	626
Exceptional items (non-finance)	**3,739**	3,864
Refinancing costs		
Included in finance expense	**6,621**	-
	6,621	-
Fair value movement on derivative financial instruments		
Included in finance expense	**1,154**	(1,589)
	1,154	(1,589)
Exceptional items (finance)	**7,775**	(1,589)
Total exceptional items	**11,514**	2,275

Restructuring costs
During the financial years presented in these financial statements the Group has incurred costs in relation to the restructuring of the business and its operations. Principally these costs relate to redundancies and the costs associated with non-trading stores (including onerous leases and dilapidations) and IPO costs incurred and not available to offset against the Ultimate parent company's share premium account (see note 1 dd).

The tax effect of these items in the year ended 27 December 2014 was to reduce the tax charge by £0.6 million (2013: £0.5 million).

Acquisition costs
During the financial years presented in these financial statements, costs have been incurred relating to acquisitions. Principally these costs have related to legal and professional fees associated with the acquisitions. In accordance with IFRS these have been expensed as incurred.

The tax effect of these items in the year ended 27 December 2014 was to reduce the tax charge by £0.1 million (2013: £nil).

Refinancing costs
In the year ended 27 December 2014 the Group incurred costs associated with restructuring its debt. These costs include £6.6 million in relation to the acceleration of the write off of previous debt issuance costs, net of a receipt £0.5m for the early termination of a swap agreement.

The tax effect of this was to reduce the tax charge by £1.3 million.

Fair value movement on derivative financial instruments

The Group took out an interest rate swap in 2012 to fix LIBOR interest at 0.959% in respect of £120 million of the senior debt which was due to expire on 26 November 2016. The movements in the fair value of the interest rate swap have been taken to profit and loss and presented as exceptional items.

The tax effect of these items in the year ended 27 December 2014 was to reduce the tax charge by £0.2 million (2013: increase of £0.4 million).

5. Finance income and expense

	Year ended 27 December 2014	Year ended 28 December 2013
	£000	£000
Interest received on cash deposits	**(17)**	(12)
Finance income	**(17)**	(12)
Bank loans and overdrafts	**1,365**	8,592
Investor loan notes	**8,253**	9,844
Senior secured notes	**12,021**	-
Finance leases	**970**	479
Interest unwind on discounted provisions	**220**	(27)
Debt issue costs	**7,882**	1,185
Other interest payable	**262**	243
Finance expense	**30,973**	20,316
Net finance expense	**30,956**	20,304

The debt issue costs charged to profit and loss in 2014 arose as a result of the bond issue and refinancing undertaken, and includes £6.6 million of accelerated write off of previous debt issuance costs and net of a receipt of £0.5m for the early termination of a swap agreement.

6. Operating profit

Operating profit is stated after charging/(crediting):

	Year ended 27 December 2014	Year ended 28 December 2013
	£000	£000
Amortisation of intangible assets	**3,900**	3,288
Depreciation of property, plant and equipment	**31,768**	23,953
Hire stock asset disposals, write-offs and customer losses, and other asset disposals	**8,162**	3,715
Operating lease rentals:		
- land and buildings	**16,407**	16,175
- motor vehicles	**5,337**	5,934
Sublease rental income	**(1,100)**	(1,049)
Foreign currency translation gains	**(14)**	(5)
	64,460	52,011

	Year ended 27 December 2014	Year ended 28 December 2013
	£000	£000
Auditors' remuneration		
- audit of Group and Company financial statements	**50**	15
- audit of subsidiary financial statements	**196**	157
- other audit related assurance services	**365**	-
- corporate finance services	**61**	427
	672	599

7. Employees

The average number of people employed by the Group (including directors) during the year was as follows:

	Year ended 27 December 2014	Year ended 28 December 2013
	Number	Number
Distribution	**615**	614
Inventory maintenance	**401**	307
Administration	**1,880**	1,691
	2,896	2,612

The aggregate remuneration costs of these employees were as follows:

	Year ended 27 December 2014	Year ended 28 December 2013
	£000	£000
Wages and salaries	**70,585**	59,727
Social security costs	**6,713**	5,730
Pension costs	**1,538**	1,331
Share-based payments	**4**	-
	78,840	66,788

IAS 24 *Related party transactions* (IAS 24) requires the Group to disclose all transactions and outstanding balances with the Group's key management personnel. IAS 24 defines key management personnel as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

The key management personnel of the Group comprise the directors along with senior managers from central support services and divisional and regional operations.

The aggregate remuneration costs of key management personnel were as follows:

	Year ended 27 December 2014	Year ended 28 December 2013
	£000	£000
Wages and salaries	**2,653**	1,950
Employer's national insurance contributions and similar taxes	**336**	240
Other pension costs	**114**	126
	3,103	2,316

At 27 December 2014 there were no amounts due to key management personnel (28 December 2013: £nil)

8. Directors' remuneration

The remuneration costs of the Company's directors were:

	Year ended 27 December 2014	Year ended 28 December 2013
	£000	£000
Aggregate emoluments	**1,280**	867
Pension costs	**48**	53
	1,328	920

The remuneration of the highest paid director was:

	Year ended 27 December 2014	Year ended 28 December 2013
	£000	£000
Aggregate emoluments	**549**	466
Pension costs	**10**	30
	559	496

9. Income tax expense

(a) Analysis of (credit)/expense in the year

	Year ended 27 December 2014	Year ended 28 December 2013
	£000	£000
Current tax (credit)/expense		
UK corporation tax on the loss for the year	**121**	2,776
Adjustments in respect of prior years	**(275)**	79
Total current tax (credit)/expense	**(154)**	2,855
Deferred tax expense		
Origination and reversal of temporary differences	**82**	(132)
Reduction in tax rate	**(19)**	-
Deferred tax recognised on prior year losses	**(2,400)**	-
Release of deferred tax on intangible assets acquired	**(523)**	(499)
Total deferred tax credit	**(2,860)**	(631)
Income tax (credit)/expense	**(3,014)**	2,224

(b) Factors affecting the tax expense in the year

The tax assessed on the loss for the year differs from the standard UK corporation rate of tax. The differences are explained below:

	Year ended 27 December 2014	Year ended 28 December 2013
	£000	£000
(Loss)/profit before tax	**(8,533)**	2,637
Profit before tax multiplied by the standard rate of corporation tax of 21.5% (2013: 23.25%)	**(1,835)**	613
Effects of:		
Expenses not deductible for tax purposes	**2,290**	2,439
Unprovided deferred tax movements on short term temporary differences	**932**	(423)
Utilisation of unprovided tax losses brought forward	**(1,333)**	(18)
Difference in foreign tax rate	**120**	(59)
Unrecognised losses carried forward	**29**	92
Release of deferred tax on intangible assets acquired	**(523)**	(499)
Effect of changes in tax rates	**(19)**	-
Adjustments in respect of prior years	**(275)**	79
Prior year tax losses recognised in the year	**(2,400)**	-
Income tax (credit)/expense	**(3,014)**	2,224

(c) Factors that may affect future tax charge

The standard rate of corporation tax in the UK changed from 23% to 21% with effect from 1 April 2014. Accordingly, the Group's profits for the year ended 27 December 2014 are taxed at an effective rate of 21.5%.

Further changes to the UK Corporation tax system were announced in the March 2013 Budget Statement. The 2013 Finance Act includes legislation to reduce the main rate of corporation tax from 21% to 20% from 1 April 2015. The reduction in tax rate to 20% was substantively enacted on 2 July 2013 and, therefore this tax rate has been used in these financial statements to measure the deferred tax assets and liabilities.

10. Intangible assets

	Goodwill	Customer relationships	Brands	Software	Total
	£000	**£000**	**£000**	**£000**	**£000**
Cost					
At 28 December 2013	118,446	24,800	23,220	7,084	173,550
Additions	-	-	-	2,950	2,950
Acquired on acquisition	3,939	900	290	-	5,129
Disposals	-	-	-	(2)	(2)
At 27 December 2014	122,385	25,700	23,510	10,032	181,627
Amortisation					
At 28 December 2013	-	(2,861)	(45)	(4,432)	(7,338)
Charge for the year	-	(2,548)	(67)	(1,285)	(3,900)
Disposals	-	-	-	(10)	(10)
At 27 December 2014	-	(5,409)	(112)	(5,727)	(11,248)
Net book value					
At 27 December 2014	**122,385**	**20,291**	**23,398**	**4,305**	**170,379**

	Goodwill	Customer relationships	Brands	Software	Total
	£000	**£000**	**£000**	**£000**	**£000**
Cost					
At 29 December 2012	115,215	24,500	22,300	5,261	167,276
Additions	-	-	-	1,823	1,823
Acquired on acquisition	3,231	300	920	-	4,451
At 28 December 2013	118,446	24,800	23,220	7,084	173,550
Amortisation					
At 29 December 2012	-	(408)	(3)	(3,639)	(4,050)
Charge for the year	-	(2,453)	(42)	(793)	(3,288)
At 28 December 2013	-	(2,861)	(45)	(4,432)	(7,338)
Net book value					
At 28 December 2013	118,446	21,939	23,175	2,652	166,212
At 29 December 2012	115,215	24,092	22,297	1,622	163,226

On the acquisition of Hero Acquisitions Limited on 25 October 2012 the Group acquired £24.5 million of customer lists. At 27 December 2014 the carrying value of these customer lists included in the £20.3 million above was £19.2 million and they had a remaining useful economic life of 7.8 years.

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

Analysis of goodwill and indefinite life brands by cash generating units

	Goodwill	Indefinite life Brands	Total
	£000	£000	£000
Allocated to			
HSS Core	112,218	21,900	134,118
Powered access	4,114	-	4,114
Power generation	6,053	-	6,053
	122,385	21,900	144,285

The Group estimates the recoverable amount of a CGU using a value in use model by projecting pre-tax cash flows for the next five years together with a terminal value using a long term growth rate. The key assumptions underpinning the recoverable amounts of the CGUs tested for impairment are forecast revenue and EBITDA.

The five year plans used in the impairment models are based on management's past experience and future expectations of performance.

The key assumptions used for all material CGUs are a pre tax discount rate of 11.4%, a short to medium term growth rate of between 5% and 17%, and a long term growth rate of 3%.

The pre-tax discount rate used is derived from a weighted average cost of capital (WACC) calculation for the Group and benchmarked against similar organisations operating within the sector. The long term growth rate used does not exceed the average for the sector.

The total recoverable amount in respect of goodwill and brands, as assessed by management using the above assumptions, is greater that the carrying amount and therefore no impairment charge has been booked in the year for any CGU.

Management consider that it is not reasonably possible for the assumptions to change so significantly as to eliminate the excess.

Other intangible assets

No impairment tests were considered to be required at 27 December 2014 and the carrying value of other intangible assets is considered to be appropriate.

11. Property, plant and equipment

	Land & Buildings	Plant & Machinery	Materials & Equipment held for hire	Total
	£000	£000	£000	£000
Cost				
At 28 December 2013	43,836	46,237	169,514	259,587
Foreign exchange differences	(5)	(68)	(724)	(797)
Additions	6,595	5,063	71,934	83,592
Acquired on acquisition	9	100	3,821	3,930
Disposals	(450)	(210)	(21,968)	(22,628)
At 27 December 2014	49,985	51,122	222,577	323,684
Accumulated depreciation				
At 28 December 2013	28,411	38,594	92,705	159,710
Foreign exchange differences	-	(49)	(492)	(541)
Charge for the year	3,497	2,706	25,565	31,768
Disposals	(375)	(115)	(13,976)	(14,466)
At 27 December 2014	31,533	41,136	103,802	176,471
Net book value				
At 27 December 2014	**18,452**	**9,986**	**118,775**	**147,213**

	Land & Buildings	Plant & Machinery	Materials & Equipment held for hire	Total
	£000	£000	£000	£000
Cost				
At 29 December 2012	40,884	43,644	128,972	213,500
Foreign exchange differences	-	20	176	196
Additions	3,225	2,708	30,862	36,795
Acquired on acquisition	242	126	24,927	25,295
Disposals	(515)	(261)	(15,423)	(16,199)
At 28 December 2013	43,836	46,237	169,514	259,587
Accumulated depreciation				
At 29 December 2012	26,367	36,026	85,684	148,077
Foreign exchange differences	-	13	145	158
Charge for the year	2,397	2,688	18,868	23,953
Disposals	(353)	(133)	(11,992)	(12,478)
At 28 December 2013	28,411	38,594	92,705	159,710
Net book value				
At 28 December 2013	15,425	7,643	76,809	99,877
At 29 December 2012	14,517	7,618	43,288	65,423

The net book value of materials and equipment held for hire includes an amount of £13.9 million (28 December 2013: £10 million) in respect of assets held under finance leases. The depreciation charge for assets held under finance leases in the year ended 27 December 2014 was £4.0 million (2013: £2.1 million).

12. Inventories

	27 December 2014	28 December 2013	29 December 2012
	£000	£000	£000
Inventory	**5,821**	5,116	2,879
Inventory spares	**2,459**	1,481	875
Total inventories	**8,280**	6,597	3,754
Provision for impairment of inventories	**(1,457)**	(1,180)	-
Inventories	**6,823**	5,417	3,754

Provision for impairment of inventories	**27 December 2014**	28 December 2013	29 December 2012
	£000	£000	£000
Balance at the beginning of the year	**1,180**	-	-
Impairment provisions recognised during the year	**277**	1,180	-
Balance at the end of the year	**1,457**	1,180	-

The cost of inventories recognised as an expense and included in cost of sales is £33.8 million (2013 £20.2 million).

13. Trade and other receivables

	27 December 2014	28 December 2013	29 December 2012
	£000	£000	£000
Gross trade receivables	**71,116**	55,848	41,631
Less provision for impairment	**(3,514)**	(2,610)	(1,598)
Net trade receivables	**67,662**	53,238	40,033
Other debtors	**27**	812	1,499
Prepayments and accrued income	**15,419**	13,177	9,786
Corporation tax	**1,826**	167	167
	84,934	67,394	51,485

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

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

	27 December 2014	28 December 2013	29 December 2012
	£000	£000	£000
Balance at the beginning of the period	**(2,610)**	(1,598)	(1,648)
Movement in provision	**(904)**	(1,012)	50
Balance at the end of the period	**(3,514)**	(2,610)	(1,598)

The aging profile of debtors that are overdue but not impaired is:

	27 December 2014	28 December 2013	29 December 2012
Days overdue	**£000**	£000	£000
1 to 30 days	**3,591**	4,431	3,044
30 to 60 days	**2,655**	2,054	819
61 to 90 days	**1,232**	41	-
over 90 days	**1,602**	-	-
	9,080	6,526	3,863

These amounts have not been impaired as there has not been a significant change in credit quality and the amounts are still considered recoverable.

14. Cash

	27 December 2014	28 December 2013	29 December 2012
	£000	£000	£000
Cash (statement of financial position)	**5,858**	2,871	1,523
Bank overdrafts	**-**	-	(4,020)
Cash (cash flow statement)	**5,858**	2,871	(2,497)

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

15. Trade and other payables

	27 December 2014	28 December 2013	29 December 2012
	£000	£000	£000
Current			
Obligations under finance lease	**5,356**	3,408	2,092
Trade payables	**62,040**	29,493	20,288
Other taxes and social security costs	**6,630**	4,759	4,117
Other creditors	**2,068**	3,092	1,446
Accrued interest on borrowings	**9,602**	6,985	1,626
Accruals and deferred income	**17,074**	13,242	9,898
	102,770	60,979	39,467

	27 December 2014	28 December 2013	29 December 2012
	£000	£000	£000
Non-current			
Obligations under finance lease	**7,033**	5,019	3,045
	7,033	5,019	3,045

The maturity profile of the Group's finance leases is as follows:

	27 December 2014	28 December 2013	29 December 2012
	£000	£000	£000
Less than one year	**5,356**	3,408	2,092
Two to five years	**7,033**	5,019	3,045
	12,389	8,427	5,137

The following table gives a reconciliation of the minimum lease payments to the fair value of the finance lease creditor:

	27 December 2014	28 December 2013	29 December 2012
	£000	£000	£000
Less than one year	**6,237**	3,969	2,436
Two to five years	**7,783**	5,554	3,370
	14,020	9,523	5,806
Less future interest payments	**(1,631)**	(1,096)	(669)
Fair value of lease liabilities	**12,389**	8,427	5,137

16. Borrowings

	27 December 2014	28 December 2013	29 December 2012
	£000	£000	£000
Non-current			
Term loans	**-**	151,940	124,170
Senior secured note	**193,944**	-	-
Loan notes	**81,102**	100,958	94,989
	275,046	252,898	219,159
Current			
Term loans	**-**	875	375
Revolving credit facility	**19,500**	3,000	-
Bank overdraft	**-**	-	4,020
	19,500	3,875	4,395

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

	27 December 2014	28 December 2013	29 December 2012
	£000	£000	£000
Secured senior term loan 'A'	**-**	39,625	40,000
Secured senior term loan 'B'	**-**	90,000	90,000
Secured senior term loan 'C'	**-**	20,000	-
Secured senior term loan 'D'	**-**	10,000	-
Secured senior note	**200,000**	-	-
Loan notes	**81,395**	101,118	95,401
	281,395	260,743	225,401

The loan notes are 10% fixed rate unsecured payment in kind notes maturing in 2032. The secured senior note is a 6.75% fixed rate bond maturing in 2019, and is listed on the Luxembourg stock exchange.

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

	27 December 2014	28 December 2013	29 December 2012
	% above LIBOR	% above LIBOR	% above LIBOR
Secured senior term loan 'A'	**-**	4.25%	4.25%
Secured senior term loan 'B'	**-**	4.75%	4.75%
Secured senior term loan 'C'	**-**	7.00%	-
Secured senior term loan 'D'	**-**	10.50%	-
Revolving credit facility	**2.50%**	4.25%	4.25%

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

	27 December 2014	28 December 2013	29 December 2012
	Fixed rate	Fixed rate	Fixed rate
Secured senior note	**6.75%**	-	-
Loan notes	**10.00%**	10.00%	10.00%
Weighted average interest rate on borrowings	**7.19%**	7.02%	6.88%

The Group's borrowings have the following maturity profile:

	27 December 2014	28 December 2013	29 December 2012
	£000	£000	£000
Less than one year	**13,500**	9,428	8,224
Two to five years	**254,000**	161,834	38,890
Over five years	**486,563**	704,996	837,338
	754,063	876,258	884,452
Less interest cash flows:			
Term loans	**-**	(49,169)	(87,196)
Senior secured note	**(67,500)**	-	-
Loan notes	**(405,168)**	(566,346)	(571,855)
Total principal cash flows	**281,395**	260,743	225,401

The term loans are secured by fixed and floating charges over the assets of the Group, and the senior secured loan notes are secured by liens on certain assets.

The Group has undrawn committed borrowing facilities of £37.7 million at 27 December 2014 (28 December 2013: £7.0 million).

17. Provisions

	Non-trading stores £000	Dilapidations £000	Other £000	Total £000
At 29 December 2012	9,655	5,210	21	14,886
Acquired	1,625	-	-	1,625
Additions	-	446	-	446
Utilised during the year	(1,781)	(19)	-	(1,800)
Unwind of provision	(191)	(27)	-	(218)
At 28 December 2013	9,308	5,610	21	14,939
Additions	224	2,148	-	2,372
Utilised during the year	(2,639)	-	-	(2,639)
Unwind of provision	124	96	-	220
At 27 December 2014	**7,017**	**7,854**	**21**	**14,892**

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

The dilapidations provisions represent dilapidation costs in respect of the Group's leasehold properties, and will therefore arise over the lease lives of the Groups properties.

There are inherent uncertainties in measuring the provisions of the future outflows.

18. Deferred tax

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

	Tax losses £000	Derivative financial instruments £000	Property, plant and equipment and other items £000	Acquired intangible assets £000	Total £000
At 28 December 2013	-	(248)	(150)	(9,023)	(9,421)
Credit to the income statement	2,400	248	212	-	2,860
Arising on Acquisition	-	-	-	(349)	(349)
At 27 December 2014	2,400	-	62	(9,372)	(6,910)
Deferred tax assets	**2,400**	**-**	**62**	**-**	**2,462**
Deferred tax liabilities	**-**	**-**	**-**	**(9,372)**	**(9,372)**
At 27 December 2014	**2,400**	**-**	**62**	**(9,372)**	**(6,910)**
At 29 December 2012	-	-	(603)	(9,278)	(9,881)
(Charge)/credit to the income statement	-	(248)	380	499	631
Arising on Acquisition	-	-	73	(244)	(171)
At 28 December 2013	-	(248)	(150)	(9,023)	(9,421)

At 27 December 2014 £8.5 million (28 December 2013: £9.0 million) of the deferred tax liability is expected to crystallise after more than one year.

As at 27 December 2014 the Group had an unrecognised deferred tax asset relating to trading losses of £1.0 million (28 December 2013: £4.8 million).

The Group also has an unrecognised deferred tax asset relating to temporary differences on plant and equipment, intangible assets and provisions of £10.1 million (28 December 2013: £8.4 million).

These potential deferred tax assets have not been recognised on the basis that it is not sufficiently certain when taxable profits that can be utilised to absorb the reversal of the temporary difference will be made in the future.

19. Share capital

Nominal value of ordinary shares

	Ordinary shares of £1 each	A Ordinary shares of £0.0001 each	B Ordinary shares of £0.0001 each	D Ordinary shares of £1 each	Total
	£000	£000	£000	£000	£000
At 29 December 2012	-	-	-	-	-
Issued during the year	-	-	-	2	2
At 28 December 2013	-	-	-	2	2
Issued during the year	-	-	-	-	-
At 27 December 2014	**-**	**-**	**-**	**2**	**2**

Number of ordinary shares

	Ordinary shares of £1 each	A Ordinary shares at £0.0001 each	B Ordinary shares at £0.0001 each	D Ordinary shares at £1 each	Total
	Number	Number	Number	Number	Number
At 29 December 2012	-	80,000	18,600	-	98,600
Issued during the year	-	-	-	2,000	2,000
At 28 December 2013	-	80,000	18,600	2,000	100,600
Issued during the year	-	-	-	-	-
At 27 December 2014	**-**	**80,000**	**18,600**	**2,000**	**100,600**

The voting rights and restrictions attached to the A Ordinary, B Ordinary and D Ordinary shares are as described in the Articles of Association of Hampshire Topco Limited, and are summarised below:

Voting rights are attached to the shares in the values of:

- 75 per cent attributable to A shares
- 25 per cent to D shares.

The holders of the D ordinary shares' entitlement to dividends is restricted to the lower of 97% of the aggregate total subscription price paid for the B ordinary shares and the D ordinary shares and an amount equal to the aggregate of 10% of the subscription price of the D ordinary shares compounded at a rate of 10% per annum. Any amount declared remains at the Company's discretion.

Save for any proposed variation in class rights, holders of the B shares have no voting rights (nor attend or receive notice of the general meeting). In anticipation of the IPO, steps to restructure the share capital of Hampshire Topco Limited have been performed as set out in note 24 (events after the reporting date).

No dividends have been paid or proposed in any of the periods.

Other than those disclosed in the tables above, there were no movements in shares allotted during the period.

20. Financial instruments

Financial risk management

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

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

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

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

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

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

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

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

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

The Group has policies in place to manage potential credit risk from trade receivables. Customer credit terms are determined using independent ratings agency data and regularly updated to reflect any changes in customer circumstances or trading conditions. If no independent rating is available an internal assessment is made of the credit quality of the customer, taking into account their financial position and past trading history of the Group. The directors do not expect any significant losses of receivables that have not been provided for as shown in note 13.

Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group finance department regularly monitors forecasts of the Groups liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (note 16) at all times so that borrowing limits or covenants on borrowing facilities are not breached.

The financial covenant in place on the Group's revolving credit facility at 27 December 2014 is a minimum EBITDA of £35 million on a rolling twelve month basis.

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

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

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

The principal bank covenant is to maintain a rolling EBITDA of £35 million. For the year ended 27 December 2014 EBITDA was £67.4 million (2013: £52.3 million) and adjusted EBITDA was £71.1 million (2013: £56.2 million).

Fair value

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

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

The following table shows the fair value of financial assets and financial liabilities detailed in note 4, including their level in the fair value hierarchy. It does not include fair value information for financial assets or financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Fair value hierarchy	**27 December 2014**	28 December 2013	29 December 2012
		£000	£000	£000
Financial assets				
Derivative financial instruments (interest rate swaps)	Level 2	**-**	1,154	-
		-	1,154	-

		27 December 2014	28 December 2013	29 December 2012
		£000	£000	£000
Financial liabilities				
Derivative financial instruments (interest rate swaps)	Level 2	**-**	-	435
		-	-	435

21. Commitments and contingencies

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

	27 December 2014	28 December 2013
	£000	£000
Land and buildings		
Within one year	**15,552**	15,953
Between two and five years	**47,986**	49,919
After five years	**31,066**	29,198
	94,604	95,070
Other		
Within one year	**6,082**	5,239
Between two and five years	**8,612**	8,250
	14,694	13,489
	109,298	108,559

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

	27 December 2014	**27 December 2014**
Sub-lease rental income	**£000**	**£000**
Within one year	**58**	69
Between two and five years	**1,414**	1,815
After five years	**1,211**	1,638
	2,683	3,522

22. Related party transactions

Ultimate parent entity

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

During the year entities managed by Exponent Private Equity LLP charged the Group fees of £150,000 (2013: £157,000) and £nil was outstanding at 27 December 2014 (28 December 2013: £nil)

The Group held outstanding loan notes together with accrued interest of £85,386,186 owed to Exponent Private Equity LLP at 27 December 2014 (28 December 2013: £106,132,750).

Key management personnel

Related party transactions with key management personnel have been disclosed in note 7.

On 30 March 2015 a loan was made by Hampshire Topco Limited to Steve Trowbridge to enable him to pay the income tax and employee national insurance contributions arising on any difference between the unrestricted market value of the B shares in Hampshire Topco Limited acquired by him in 2014 and the subscription price actually paid. The loan was for £25,145 and was written off by Hampshire Topco Limited following the admission of HSS Hire Group plc to the London Stock Exchange.

23. Business combinations

Acquisitions in the year

Apex Generators Limited

On 31 March 2014 the Group acquired the entire share capital of Apex Generators Limited through its subsidiary ABird Superior Limited. Apex Generators Limited specialises in the hire of generators and associated equipment.

The primary reason for the acquisition was to acquire a specialist generator hire business.

The main factor leading to the recognition of goodwill was the expected operational efficiencies through economies of scale.

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

	Fair value £000
Intangible assets	1,190
Property, plant and equipment	3,593
Inventory	456
Trade and other receivables	854
Cash at bank and in hand	358
Creditors and provisions	(3,659)
Net assets acquired	**2,792**
Goodwill	3,198
Total consideration	**5,990**
Satisfied by	
Cash	**5,990**

There was a fair value adjustment to creditors and provisions, of which £0.2 million related to deferred tax on the recognition of intangible assets on acquisition, and £0.1 million related to property provisions and trade creditors.

Of the consideration of £5,990,000, £700,000 relates to deferred consideration paid in 2015, and £700,000 is due in 2016.

Acquisition related costs of £170,000 have been charged to administrative expenses in the income statement for the year ended 27 December 2014.

Since the acquisition date, Apex Generators Limited has contributed £4.4 million to Group revenues and £ 1.2 million to Group profit. If the acquisition had occurred on 1 January 2014 the contribution to Group revenue would have been £5.5 million and the contribution to Group profit would have been £1.5 million.

In addition a further immaterial acquisition was made in the year ended 27 December 2014 and gave rise to goodwill of £nil.

Acquisitions in prior periods

Hero Acquisitions Limited

On 25 October 2012 the Group acquired the entire share capital of Hero Acquisitions Limited through its subsidiary Hampshire Bidco Limited. The Hero Acquisitions group of companies specialises in the supply and hire of equipment and services.

The fair value of the consideration paid for the share capital was £1,113,000 and the fair value of the net liabilities acquired was £111,105,000 resulting in goodwill of £112,218,000.

ABird Superior Limited

On 31 October 2012 the Group acquired the entire share capital of ABird Superior Limited through its subsidiary HSS Hire Service Group Limited. ABird Superior Limited specialises in the hire of generators and lighting towers.

The fair value of the consideration paid for the share capital was £7,478,000 and the fair value of the net assets acquired was £4,481,000 resulting in goodwill of £2,997,000.

UK Platforms Limited

On 28 June 2013 the Group acquired the entire share capital of UK Platforms Limited through its subsidiary HSS Hire Service Group Limited. UK Platforms Limited specialises in the hire of powered access equipment.

The fair value of the consideration paid for the share capital was £27,946,000, of which £2,000,000 was paid on 31 December 2013, and the fair value of the net assets acquired was £24,590,000 resulting in goodwill of £3,356,000. Following the finalisation of the fair value exercise, goodwill increased by £758,000 to £4,114,000.

TecServ Cleaning Equipment Services Limited

On 22 November 2013 the Group acquired the entire share capital of TecServ Cleaning Equipment Services Limited (TecServ) through its subsidiary HSS Hire Service Group Limited. TecServ is a specialist provider of cleaning equipment services.

The fair value of the consideration paid for the share capital was £50,000 and the fair value of the net assets acquired was £237,000 resulting in a gain on bargain purchase of £187,000.

In addition, a further immaterial acquisition was made in the year ended 28 December 2013 and gave rise to goodwill of £62,000.

24. Events after the reporting date

Listing of HSS Hire Group plc on the London Stock Exchange

On 12 January 2015, the Group issued a notice of intention to seek admission to the London Stock Exchange through the issue of shares in a newly formed ultimate parent company HSS Hire Group plc.

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

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

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

As part of the reorganisation, the loan note holders transferred all of their interests in the notes to Hampshire Topco Limited in consideration for the issue of ordinary shares in Hampshire Topco Limited. Such shares in Hampshire Topco Limited were subsequently exchanged for shares in HSS Hire Group plc as part of the reorganisation. Immediately following the determination of the Offer Price on 3 February 2015, an aggregate loan note balance of approximately £86,000,000 including £795,500 of accrued interest was converted into ordinary shares. In addition, at the same date, the 50,000 preference shares were redeemed.

25. Note supporting statement of cash flows

Significant non cash transactions in the year in respect of financing activities comprised of £7,189,000 of assets acquired under new finance leases, (2013: £3,871,000), and unpaid interest rolled up into the loan notes principal of £9,276,000 (2013 £9,844,000).

26. First time adoption of IFRS

These financial statements, for the year ended 27 December 2014, are the first the Group has prepared in accordance with IFRS. For periods up to and including the year ended 28 December 2013, the Group prepared its financial statements in accordance with UK GAAP.

The date of transition to IFRS (the transition date) was 9 October 2012, being the date the parent company was incorporated.

The accounting policies described in note 1 were applied when preparing the opening IFRS consolidated statement of financial position at the transition date and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and consolidated statement of cash flows from the transition date to 27 December 2014.

This note explains the principal adjustments made by the Group in restating its UK GAAP group balance sheet (to IFRS consolidated statement of financial position) as at 28 December 2013 and UK GAAP group profit and loss

account (to IFRS consolidated income statement) and group statement of recognised gains and losses (to IFRS consolidated statement of other comprehensive income) for the year ended 28 December 2013.

In preparing its opening IFRS consolidated statement of financial position and adjusting amounts reported previously in accordance with UK GAAP the Group has applied IFRS 1 which contains a number of voluntary exemptions and mandatory exceptions from the requirement to apply IFRS retrospectively.

Exceptions and Exemptions used during transition to IFRS

The Group has applied the mandatory exception required by IFRS 1 in the conversion from UK GAAP to IFRS which requires that hindsight is not used to create or revise estimates. The estimates previously made by the Company under UK GAAP were not revised for the application of IFRS except where necessary to reflect any difference in accounting policies, apart from certain property provisions as set out in note 26g.

Adjustments Made in Connection with transition to IFRS

The most significant impacts of the adoption of IFRS on the Group's previously reported financial information are as follows:

- Cessation of goodwill amortisation and charging previously capitalised acquisition costs to profit or loss in the period they were incurred
- The reclassification of capitalised software costs from tangible fixed assets to intangible assets
- The creation and amortisation of intangible assets on business combinations completed after the transition to IFRS
- The creation of a financial liability relating to accrued sales rebates.

Impact on the cash flow statements

The Group has made a number of reclassifications to the values reported under UK GAAP in order to present its statement of cash flows in accordance with IFRS. These reclassification adjustments have no significant impact on the results presented for each type of the Group's activities.

The transition from UK GAAP to IFRS has not had a material impact on the statement of cash flows.

The following tables give the reconciliations of:

- UK GAAP group balance sheet to IFRS consolidated statement of financial position at 28 December 2013
- UK GAAP group profit and loss account to IFRS consolidated income statement for the year ended 28 December 2013
- UK GAAP group statement of total recognised gains and losses to IFRS consolidated statement of other comprehensive income for the year ended 28 December 2013

At the date of transition to IFRS, being the date Hampshire Topco Limited was incorporated, and prior to its acquisition of Hero Acquisitions Limited, there were no differences between the results under UK GAAP and IFRS, and therefore no reconciliation has been shown as at that date. The balance sheet of Hampshire Topco Limited at that date consisted of cash of £3, and share capital of £3.

Notes to the consolidated financial statements (continued)

Accounting policies (continued)

26. First time adoption of IFRS (continued)

Reconciliation of the consolidated statement of financial position at 28 December 2013	UK GAAP	Goodwill [(a)]	Lease incentives [(b)]	Software costs [(c)]	Financial Instruments [(d)]	Acquisition costs [(e)]	Rebates [(f)]	Property provisions [(g)]	Other	IFRS
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
ASSETS										
Non-current assets										
Intangible assets	144,904	15,477	-	2,650	-	(4,304)	1,985	5,749	(249)	166,212
Property, plant and equipment	101,041	-	-	(2,650)	-	-	-	1,964	(478)	99,877
Derivative financial instruments				-	1,154	-			-	1,154
	245,945	15,477	-	-	1,154	(4,304)	1,985	7,713	(727)	267,243
Current assets										
Inventories	5,417	-	-	-	-	-	-	-	-	5,417
Trade and other receivables	67,102	-	-	-	-	-	-	-	292	67,394
Cash and cash equivalents	2,871	-	-	-	-	-	-	-	-	2,871
	75,390	-	-	-	-	-	-	-	292	75,682
Total assets	321,335	15,477	-	-	1,154	(4,304)	1,985	7,713	(435)	342,925
LIABILITIES										
Current liabilities										
Trade and other payables	(63,616)	-	(9)	-	-	-	(1,227)	-	(2)	(64,854)
Current tax liabilities	(709)	-	-	-	-	-	-	-	(565)	(1,274)
	(64,325)	-	(9)	-	-	-	(1,227)	-	(567)	(66,128)
Non-current liabilities										
Trade and other payables	(5,019)	-		-	-	-	-	-	-	(5,019)
Borrowings	(253,294)	-	-	-	-	-	-	-	396	(252,898)
Provisions	(7,978)	-	-	-	-	-	-	(6,961)	-	(14,939)
Deferred tax liability	(398)	(9,604)	-	-	-	-	-	-	581	(9,421)
	(266,689)	(9,604)	-	-	-	-	-	(6,961)	977	(282,277)
Total liabilities	(331,014)	(9,604)	(9)	-	-	-	(1,227)	(6,961)	410	(348,405)
Net (liabilities)/assets	(9,679)	5,873	(9)	-	1,154	(4,304)	758	752	(25)	(5,480)
EQUITY										
Share capital	2	-	-	-	-	-	-	-	-	2
Share premium	99	-	-	-	-	-	-	-	-	99
Retained earnings	(9,780)	5,873	(9)	-	1,154	(4,304)	758	752	(25)	(5,581)
Total equity attributable to owners of the company	(9,679)	5,873	(9)	-	1,154	(4,304)	758	752	(25)	(5,480)

Notes to the consolidated financial statements (continued)

Accounting policies (continued)

26. First time adoption of IFRS (continued)

Reconciliation of the consolidated statement of profit or loss for the year ended 28 December 2013

	UK GAAP £000	Goodwill [(a)] £000	Lease incentives [(b)] £000	Software costs [(c)] £000	Financial Instruments [(d)] £000	Acquisition costs [(e)] £000	Rebates [(f)] £000	Property provisions [(g)] £000	Other £000	IFRS £000
Revenue	225,813	-	-	-	-	-	824	-	61	226,698
Cost of sales	(73,411)	-	-	-	-	-	-	-	(114)	(73,525)
Gross profit	152,402	-	-	-	-	-	824	-	(53)	153,173
Distribution costs	(28,689)	-	-	-	-	-	-	-	(3)	(28,692)
Administrative expenses	(109,232)	5,053	(9)	-	-	(626)	-	917	(281)	(104,178)
Other operating income	1,049	-	-	-	-	-	-	-	-	1,049
Total operating profit	15,530	5,053	(9)	-	-	(626)	824	917	(337)	21,352
Adjusted EBITDA	55,152	(1)	(9)	-	-	-	824	199	7	56,172
Less: Exceptional items	(4,296)	-	-	-	-	(626)	-	1,010	48	(3,864)
Less: Depreciation and amortisation	(35,326)	5,054	-	-	-	-	-	(292)	(392)	(30,956)
Total operating profit	**15,530**	**5,053**	**(9)**	**-**	**-**	**(626)**	**824**	**917**	**(337)**	**21,352**
Loss on sale of fixed assets	**(284)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**284**	**-**
Profit on ordinary activities before interest and tax	**15,246**	**5,053**	**(9)**	**-**	**-**	**(626)**	**824**	**917**	**(53)**	**21,352**
Finance income	12	-	-	-	-	-	-	-	-	12
Finance expense	(20,551)	-	-	-	-	-	-	(163)	398	(20,316)
Movement in derivative financial instruments	-	-	-	-	1,589	-	-	-	-	1,589
Loss before tax	(5,293)	5,053	(9)	-	1,589	(626)	824	754	345	2,637
Income tax expense	(2,155)	-	-	-	-	-	-	-	(69)	(2,224)
Loss for the financial year	(7,448)	5,053	(9)	-	1,589	(626)	824	754	276	413
Loss attributable to:										
Owners of the company										
	(7,448)	5,053	(9)	-	1,589	(626)	824	754	276	413

Notes to the consolidated financial statements (continued)

Accounting policies (continued)

26. First time adoption of IFRS (continued)

Reconciliation of the consolidated statement of comprehensive income for the year ended 28 December 2013	UK GAAP	Goodwill [a]	Lease incentives [b]	Software costs [c]	Financial Instruments [d]	Acquisition costs [e]	Rebates [f]	Property provisions [g]	Other	IFRS
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Loss for the financial year	(7,448)	5,053	(9)	-	1,589	(626)	824	754	276	413
Items that may be reclassified to profit or loss:										
Exchange differences arising on translation of foreign operations	101	-	-	-	-	-	-	-	(5)	96
Other comprehensive (loss)/income for the year, net of tax	(7,347)	5,053	(9)	-	1,589	(626)	824	754	271	509
Total comprehensive loss income for the year	(7,347)	5,053	(9)	-	1,589	(626)	824	754	271	509
Attributable to owners of the Company	(7,347)	5,053	(9)	-	1,589	(626)	824	754	271	509

[a] *Goodwill* - Under UK GAAP goodwill was previously being amortised over a period of 20 years. Under IFRS, goodwill is not amortised but subject to annual impairment review. In addition under IFRS the goodwill arising on business combinations subsequent to the transition date is amended by the creation and amortisation of other intangible assets such as customer relationships and brands, and the related deferred tax liability.

[b] *Lease Incentives* - Under UK GAAP lease incentives are amortised over the period of associated benefit being the shorter of the period of the lease or the period to the next rent review date. Under IFRS lease incentives are amortised over the term of the lease.

[c] *Software costs* - Under UK GAAP capitalised software costs as classified as part of the associated fixed assets. Under IFRS capitalised software costs are classified as intangible assets.

[d] *Financial Instruments* - The Group's derivative financial instruments comprise interest rate swap contracts purchased to hedge the cash flows arising from variable interest rate borrowings. Under UK GAAP the fair value of such derivatives were not recognised on the balance sheet. The adoption of IFRS has resulted in the recognition of the derivatives at fair value in the statement of financial position of the Group and any movement in the fair value of the derivative is recognised in the income statement immediately.

[e] *Acquisition costs* - Under UK GAAP costs in respect of acquisitions are capitalised and included in the total consideration paid. Under IFRS these costs have been charged to the income statement as incurred.

Notes to the consolidated financial statements (continued)

Accounting policies (continued)

26. First time adoption of IFRS (continued)

(f) *Rebates* - Under UK GAAP liabilities relating to rebates earned and payable are measured at management's best estimate of the amounts expected to be paid. Under IFRS, a financial liability can only be de-recognised when the liability is extinguished, either when the obligation is discharged, is cancelled or expires. The adoption of IFRS has led to the creation of a financial liability relating to earned but unclaimed rebates due to customers.

(g) *Property provisions* – The Group's property leases generally require the leased properties to be restored to their former condition at the end of the lease. Accordingly management consider it appropriate to recognise a provision in full for the expected unavoidable costs of restoring the properties to their former condition at the inception of the lease. A corresponding amount, equal to the provision, is capitalised as property, plant and equipment. The carrying value of the provision is discounted to its net present value and is reassessed each year. The unwinding of the discount on the decommissioning provision is included as a finance cost. The amount capitalised in property plant and equipment is depreciated over the lease term. Previously the provision was built up over the lease term. On adoption of IFRS the carrying value of property provisions and property, plant and equipment have been increased and the expense in the income statement has been reclassified as depreciation within administrative expenses. The Group also has provisions for onerous leases in respect of properties from which the Group no longer trades, discounted to net present value, and reassessed every year. The carrying value of the provisions has been increased on adoption of IFRS following a reassessment of the Group's property portfolio, increasing the goodwill recognised in the related business combinations in 2012 by £5.575 million.

Principal risks and uncertainties

Overall responsibility for the Group's risk management and internal control systems lies with the Board of directors. Subsequent to the year end the Board has delegated key elements of the oversight of the Group's risk management framework to the HSS Hire Group plc Audit Committee.

The Group has historically managed risk through a risk register maintained by the Company Secretary, updated annually through confirmation from operational, commercial and financial risk owners. The risk register is shared with the Head of Internal Audit who prioritises the residual risks to guide an annual Internal Audit plan.

Principal Risks

The Board has carried out a robust assessment of the principal financial and operating risks facing the Group. Those risks, how they have changed and how they are mitigated, are shown below.

Risk:	**Description and impact:**
Macro-economic conditions	An economic downturn, and resulting decreases in demand in the UK or Ireland, may adversely affect the Group's revenue and operating results by decreasing the demand for its rental equipment and the prices it may charge.
Mitigation:	
The Group focuses on the 'maintain and operate' markets, which are less cyclical, less discretionary and have a larger proportion of recurring spend than the new build construction sector. While the Group is not isolated from the construction market, it focuses on the non-construction portion of the market, with specific exposure in the facilities management, retail, commercial fit-out, property, utilities and waste, infrastructure and energy services markets.	
Risk change:	Reduced in the year under review

Risk:	**Description and impact:**
Competitor challenge	The Group's industry is highly competitive and competition may increase. The equipment rental industry is highly competitive and highly fragmented, with competitors ranging from national equipment rental companies to smaller multi regional companies and small, independent businesses operating in a limited number of locations. Competition in the market has led to frequent excess capacity and resultant pricing pressure.
Mitigation:	
The Group is ranked number two in its main markets and economies of scale enable it to be highly competitive. Its highly developed hub and spoke service model increases the efficiency of its operations. The fragmented nature of the market may offer consolidation opportunities for strong market players such as the Group. In addition, the Group's local branch opening programme is targeted at this smaller, fragmented section of the market.	
Risk change:	Unchanged in the year under review

Risk:	**Description and impact:**
Operational disruption	The Group's customer proposition depends on its ability to transport its hire fleet across its network in a timely and cost-effective manner and on the successful functioning of its hub and spoke distribution network. Any information technology ("IT") systems failure or disruption, accidents, industrial disputes or other interruption or malfunction at any of the Group's distribution centres or offices may impact the Group's ability to manage its operations and distribute its hire fleet to its customers.
Mitigation:	
The Group has in place robust backup plans in the event of IT systems failure or disruption. There is a flexible distribution model in place, whereby various distribution centres can service customers in the event of the failure of another distribution centre.	
Risk change:	Unchanged in the year under review

Principal risks and uncertainties (continued)

Risk:	**Description and impact:**
Failure to correctly implement the Group's local branch expansion strategy	Part of the Group's strategy involves further developing the reach of its network by continuing its local branch roll-out in new locations in the United Kingdom. If this strategy is incorrectly implemented, the planned business growth will not occur.
Mitigation:	
The Group's property department works closely with operational management to ensure that new branches are located geographically appropriately and on favourable lease terms. Extensive market research ensures that the right customer base exists in a catchment area, and the Group's Project Management Office function closely monitors branches against sales and profitability targets.	
Risk change:	Unchanged in the year under review

Risk:	**Description and impact:**
Customer credit risk	Some of the Group's customers may have liquidity issues and ultimately may not be able to fulfil the terms of their rental agreements with the Group. Bad debts and credit losses can also arise due to service issues or fraud.
Mitigation:	
The Group runs extensive credit checking for its account customers and maintains strict credit control over its diversified customer base, comprising over 35,000 live accounts ranging from large, blue-chip companies to smaller, local businesses across a range of sectors with over 90% of the Group's revenue generated from B2B customers. The Group' s fraud team conducts proactive and reactive work in order to minimise the Group's exposure to fraud, and all new staff are given training in this area at the Group's Training Academy.	
Risk change:	Unchanged in the year under review

Risk:	**Description and impact:**
Equipment supply, maintenance and availability	The Group is dependent on its relationships with key suppliers to obtain equipment and other supplies for its business on acceptable terms. If the average age of the Group's hire fleet increases, its operating costs may increase and it may be unable to pass on such costs to customers.
Mitigation:	
The Group makes every effort to evaluate its counterparties prior to entering into significant procurement contracts and seeks to maintain a range of suppliers. In addition, the Group has begun directly sourcing hire equipment from Asia. In order to maximise the economic life of its hire fleet, the Group undertakes a programme of regular maintenance and replacement. Strategic acquisitions are designed to expand the breadth and depth of the Group's hire fleet, reducing reliance on third party hire suppliers. The Group is working with outside consultants to increase the efficiency of its workshops, logistics and supply chain to ensure appropriate service standards to customers.	
Risk change:	Reduced in the year under review

Principal risks and uncertainties (continued)

<table>
<tr><td>Risk:</td><td>Description and impact:</td></tr>
<tr><td>Customer retention and brand reputation</td><td>A decline in the Group's customer service levels could result in a loss of customers and market share. The Group's business depends on strong brands and any failure to maintain, protect and enhance its brands could have a material adverse effect on its ability to grow its business.</td></tr>
<tr><td colspan="2">Mitigation:</td></tr>
<tr><td colspan="2">The Group invests substantially in areas such as marketing, community relations and colleague training, aimed at delivering the highest standards of customer service and employee engagement. The maintenance of high levels of service and strong customer support is considered vital, and all new employees undergo specific induction in this area at the Group's dedicated Training Academy facility in Reading. Service levels are tracked via the Group's innovative Customer Delight programme.

The Group actively engages in print and online advertisements, targeted promotional mailings and email communications, and engages on a regular basis in public relations and sponsorship activities to promote its brands and its business.</td></tr>
<tr><td>Risk change:</td><td>Unchanged in the year under review</td></tr>
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<table>
<tr><td>Risk:</td><td>Description and impact:</td></tr>
<tr><td>Outsourcing of services</td><td>The Group outsources certain functions of its business to third parties. If any third parties become unable or refuse to fulfil their obligations, there could be a negative impact on the Group's operations and could lead to adverse publicity or a decline in demand.</td></tr>
<tr><td colspan="2">Mitigation:</td></tr>
<tr><td colspan="2">Outsourcing of services by the Group is subject to stringent procurement and service criteria and all contracts are subject to demanding service level agreements which are closely monitored and enforced. Performance metrics and KPIs are tracked throughout the life of contracts.</td></tr>
<tr><td>Risk change:</td><td>Unchanged in the year under review</td></tr>
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<table>
<tr><td>Risk:</td><td>Description and impact:</td></tr>
<tr><td>Inability to attract and retain personnel</td><td>Turnover of members of the Group's management and colleagues and its ability to attract and retain key personnel may affect its ability to efficiently manage its business and execute its strategy. The Group's business depends on the quality of, and ability to retain, its senior management and colleagues, and competition in the Group's industry and the business world for top management talent is generally significant.</td></tr>
<tr><td colspan="2">Mitigation:</td></tr>
<tr><td colspan="2">The Group has established and maintains competitive pay and benefit packages, as well as the right working environment for its colleagues. The Training Academy facility gives colleagues the skills and motivations to enjoy fulfilling employment with the Group, a process which is mirrored at more senior management levels by various tailored development programmes.</td></tr>
<tr><td>Risk change:</td><td>Unchanged in the year under review</td></tr>
</table>

Statement of directors' responsibilities

The Directors confirm that, to the best of their knowledge:

- the Financial Statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Management Commentary includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The names and functions of directors of Hampshire Topco Limited are as follows

Name	Function
J.C. Davies	Chief Executive Officer
J.B. Gill	Chief Operating Officer
A.E. Peterson	Non-executive Chairman
S.N. Trowbridge	Chief Financial Officer