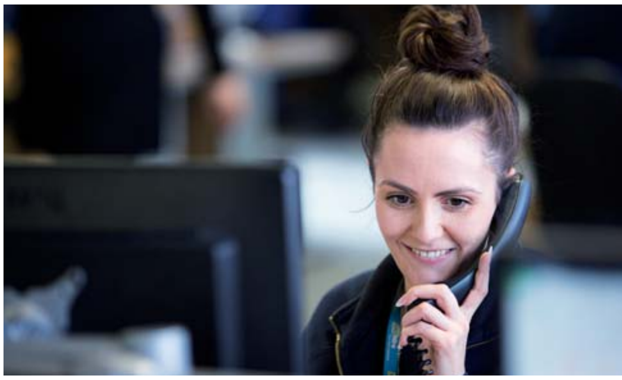


Delivering customer service and support

HSS Hire Group plc
Annual Report 2015

HSS Hire Group plc

Our investment case

The HSS Hire Group is a leader in the equipment hire market supporting major businesses, contractors, trades and consumers across the UK and Ireland.

Our focus is on the less capital-intensive and non-cyclical 'fit-out', 'maintain' and 'operate' market segments, although our Specialist businesses and rehire operation also service the construction sector. It is estimated that the market for equipment rental will grow by an average of 3.1% a year over the next two years. We are well positioned to benefit from that growth and intend to continue our outperformance of the marketplace.

We have a strong presence in the market, with a well-established brand and evolving retail-like distribution model, meaning that we are able to meet demand effectively, and maximise the return on our assets through the effective deployment of our capital equipment.

Our focus

Our focus is on what matters most to our customers:

- Safety
- Value
- Availability
- Support

Our market

We operate in the UK tool and equipment hire market, the total turnover for which was estimated to be £5.7bn in 2015[1].

UK equipment rental companies provide customers with a wide variety of items ranging from larger equipment ('plant hire'), to smaller equipment ('tools and equipment hire') and specialist equipment.

The primary customers for equipment rental companies include construction contractors, utilities and facilities management operators, government entities, retailers, infrastructure developers and homeowners.

Our Marketplace **04**

Our business

We have nine main branded businesses, each presenting a distinct brand proposition to the market.

Core

HSS Hire – You're better equipped
HSS OneCall – You're better equipped
HSS Training – You're better equipped

Specialist

UK Platforms – Powered Access
ABIRD – Power Solutions
APEX – Power Solutions
All Seasons Hire – Heating & Cooling Specialists
reintec – cleaning equipment services
TecServ – Equipment Maintenance

Our Business at a Glance **02**

(1) Source: European Rental Association, Equipment rental Industry Report 2015.

This Report contains certain forward-looking statements with respect to the operations, strategy, performance, financial condition, and growth opportunities of the Group. By their nature, these statements involve uncertainty and are based on assumptions and involve risks, uncertainties and other factors that could cause actual results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this Report and, other than in accordance with its legal and regulatory obligations, HSS undertakes no obligation to update these forward-looking statements. Nothing in this Report should be construed as a profit forecast.

Key highlights 2015

Revenue
£312.3m
+9.7%

Adjusted EBITDA
£71.0m
(0.1%)

Adjusted EBITA
£20.3m
(34.9%)

Adjusted EPS
3.20p
(61.9%)

Core utilisation (LTM)
48%
+1pp

Specialist utilisation (LTM)
76%
+6pp

Our Financial Review **22**

Our added value

We create value through maximising the utilisation of capital equipment by ensuring its availability through our unique distribution network.

We ensure it is maintained, safe and ready to use.

We build long-term relationships with customers.

We provide added-value specialised services in specific market areas.

Our Business Model **08**

Our strategic priorities

1. Optimise the distribution and branch network.
2. Win new, and deepen existing, customer relationships.
3. Continued development and growth of our specialist businesses.

Our Strategy in Action **15**

Strategic Report

Directors' Report

Our Business at a Glance

Our business focuses on supplying equipment and services to the ‘fit-out’, ‘maintain’ and ‘operate’ sectors of the market, with our specialist businesses also supplying construction contractors. Over 90% of our revenue comes from B2B clients. The Group caters to a long-standing and diversified customer base ranging from retailers and airports to facilities management companies and infrastructure developers, serving them ‘anytime, anywhere’. We segment our operations into Core businesses and Specialist businesses.

HSS network[1]

1 national distribution centre

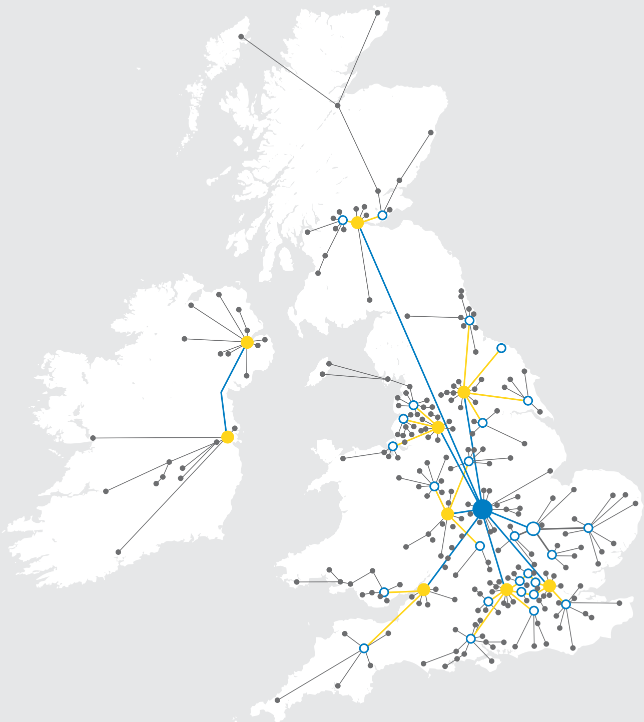
9 regional distribution centres

27 local distribution centres

52 training locations[2]

41 Specialist locations[2]

288 trading locations



(1) As at 26 December 2015.
(2) Some of which are co-located with other HSS core or specialist locations.

Our Unique Distribution Network **10**

Our customer-led strategy

HSS’s customer needs and requirements

inform our **Strategic values**

- **Safety**
- **Value**
- **Availability**
- **Support**

which sit at the heart of our **Strategic enablers**

- **Ensure safe, sustainable working environments for colleagues and customers**
- **Deliver value and quality to our customers**
- **Focus on profitability and growth**
- **Drive availability and operational efficiency**
- **Invest in our colleagues**

which underpin the achievement of our **Strategic priorities**

1. **Optimise the distribution and branch network**
2. **Win new, and deepen existing, customer relationships**
3. **Continued development and growth of our Specialist businesses**

which we believe will enable us to

continue growing the business and create shareholder value

Our Strategy in Action **15**

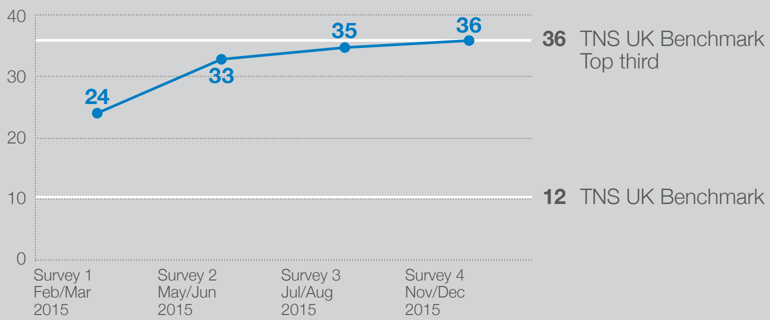
Core businesses	Customer proposition	Revenue
HSS Hire – You're better equipped	Provides an extensive range of tools and equipment for hire across over **1,600 product lines**.	**£262m** 84% of revenue
HSS OneCall – You're better equipped	Responds to customers' specific needs for equipment not typically part of our core offering, working with a network of more than **450 suppliers** to source over **2,000 equipment lines**.	
HSS Training – You're better equipped	Provides training to meet the requirements of customers. Offers 261 industry-recognised technical and safety courses at either customer sites or one of **52 HSS training venues** throughout the UK and Ireland.	

Specialist businesses	Customer proposition	Revenue
UK Platforms POWERED ACCESS	A specialist provider of powered access equipment operating across the UK and offering safety as standard through the addition of its award-winning anti-entrapment device Activ' Shield Bar. **The Group is the second largest provider** of powered access equipment in the UK. The range is provided under the HSS Powered Access brand in Ireland.	**£51m** 16% of revenue
ABIRD POWER SOLUTIONS; APEX POWER SOLUTIONS	We believe the Group is now **the second largest provider** of temporary power generation and distribution equipment and services in the UK with a well-invested fleet of Remote Fleet Management Smart Equipment generators operating under the ABird brand in England and Wales, Apex in Scotland and HSS Power in Ireland.	
All Seasons Hire HEATING & COOLING SPECIALISTS	**One of the UK's leading HVAC companies.** The business offers a wide range of specialist, frequently complex, boilers, chillers and air-conditioning units to multiple sectors including facilities and property management, construction, datacentres and education.	
reintec cleaning equipment services; TecServ EQUIPMENT MAINTENANCE	Under the Reintec and TecServ brands the Group offers equipment management solutions to the contract cleaning market, providing the **benefits** of **management, maintenance, compliance and cost efficiency.**	

Our Financial Review 22

Customer satisfaction

Net Promoter Score – All HSS customers in the UK



Source: TNS

Our Marketplace

We operate in the UK tool and equipment hire market, the total turnover for which was estimated to be £5.7bn in 2015[1].

UK equipment rental companies provide customers with a wide variety of items ranging from larger construction equipment ('plant hire'), to smaller equipment ('tools and equipment hire') and specialist equipment.

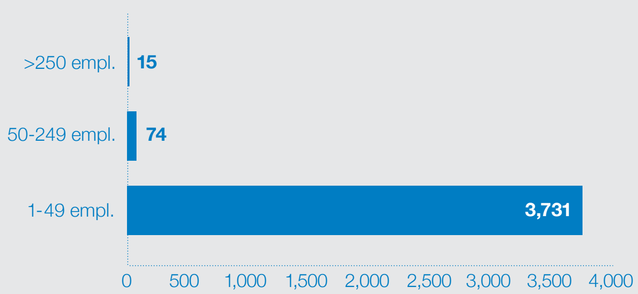
The primary customers for equipment rental companies include construction contractors, utilities and facilities management companies, government entities, retailers, infrastructure developers and homeowners.

Construction-related customers (residential, non-residential and infrastructure) are estimated to account for c.60% of UK equipment hire market revenues.

The non-construction portion of the market largely constitutes the service and industrial sectors.

The UK equipment hire market is highly fragmented, with a large number of small operators servicing trades, and larger companies servicing corporate contracts as well as construction and trades.

Number of rental companies by employee size group



Source: European Rental Association ('ERA') 2015 Equipment Rental Industry Report.

(1) Source: European Rental Association, Equipment rental Industry Report 2015.

Market position

The Group's Core businesses focus largely on the non-construction elements of the market in the fit-out, maintenance and operation of buildings. Our Specialist businesses and our rehire operation support this focus as well as ground-up construction. The Group's exposure in these markets includes facilities management, retail, commercial fit-out, property, utilities and waste, infrastructure and energy services.

The Group focuses on two product categories of the overall equipment rental market:

1. Tool and equipment hire (e.g. drills, lighting, siteworks and access equipment)
2. Specialist equipment hire (powered access, power generation, cleaning and large HVAC)

It is estimated that the Group has a c.6% share of the highly fragmented UK tool and equipment rental market, making it the second largest operator.

Market share

c.6%

Based on the European Rental Association's estimated market size in 2015 (£5.7bn)

Sources: Consolidated Income Statement (page 76); and European Rental Association ('ERA') 2015 Equipment Rental Industry Report.

Together with our Specialist businesses the Group is the second largest provider of powered access equipment in the UK and we believe the Group is now the second largest provider of temporary power generation and distribution equipment in the UK.

Market drivers

Customers are increasingly taking advantage of the numerous benefits of renting rather than owning equipment, including the ability to:

- → avoid the large capital investment required for equipment purchases;
- → access a comprehensive range of equipment;
- → obtain equipment as needed, minimising the costs associated with idle equipment;
- → decrease exposure to credit market conditions;
- → reduce storage, maintenance and transportation costs;
- → benefit from ancillary services provided by equipment hire companies; and
- → utilise the equipment hire distribution network to efficiently allocate equipment.

Independent tradespeople are driven by local availability, hence the large number of independent operators. Service and availability are very variable in this sector.

Larger customers are increasingly looking for national hire solutions, including full geographical coverage, centralised procurement and off-hire support, centralised ordering and customer support to ensure a consistency of service.

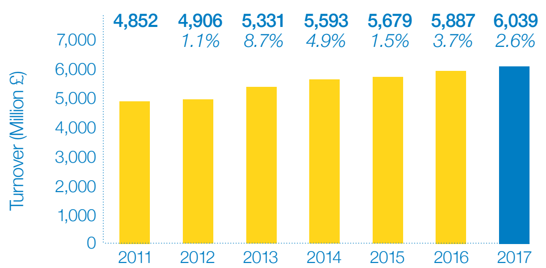
Market prospects

In 2015 the UK market was estimated to have the second highest GDP and construction industry penetration rates in European markets (3.2% and 2.6% respectively) and grew 1.5% (in turnover terms), slightly ahead of the estimated growth for the total European market of 1.4%. The UK market is expected to grow by a further 3.7% in 2016 and 2.6% in 2017 reflecting macroeconomic growth and Government promoted home and infrastructure development.

The European Rental Association note that market incumbents are increasingly seeking to offer a combination of equipment rental and associated services in response to customer demand; HSS has been at the forefront of these developments. Our approach has been to build a balanced portfolio of Core products and associated services, which we have then supplemented with the growth and development of our Specialist businesses and their skilled teams to ensure we offer our customers the expertise they demand. Together with the continued evolution of our distribution network and leading systems, we believe we are well placed to continue developing new service solutions for our customers and to benefit from future market growth.

Independent hire providers are likely to target growth in both housebuilding and renovation. Through our 'local yet national' branch rollout programme we intend to take share from these independents by offering excellent availability of a quality hire fleet backed by strong customer service.

Total turnover of UK equipment hire market and y-o-y growth



Source: European Rental Association ('ERA') 2015 Equipment Rental Industry Report.

Chairman's Statement

We focus on three strategic priorities: optimising the branch and distribution network; winning new, and deepening existing, customer relationships; and the continued development and growth of our specialist businesses. The Board is committed to creating shareholder return.

Alan Peterson
Chairman

I am pleased to welcome you to the HSS Hire Group plc Annual Report and Accounts for 2015. We achieved revenue growth ahead of the UK equipment rental marketplace, whilst continuing to invest in the business and make progress against our strategic plan; however, it was a challenging year. I would like to assure you that the Board takes the matter of the decline in the share price very seriously and is committed to creating shareholder return.

Market environment and share price performance

The business experienced softer market conditions through the second quarter, which were also reported by others operating in the construction and building maintenance and facilities markets. There were a number of macroeconomic factors which contributed to this, including specific weaknesses in the RMI markets in which we operate. Our profitability was also adversely affected by weaker than expected demand amongst our larger customers, changes in revenue mix, the first year of plc costs, and incremental depreciation from fleet investment. These factors combined to place significant downward pressure on our share price through this period.

Our results

We achieved revenue growth of 10% in 2015 bringing our turnover for the year to £312.3m, delivered Adjusted EBITA of £20.3m (FY14: £31.2m) and achieved a ROCE of 11.2% (FY14: 23.1%) and a ROA of 14.9% (FY14: 27.0%).

Find out more in Our Financial Review **22**

Our strategy and plan

In light of lower than expected revenue growth and the associated impact on profitability, the Board undertook a review of strategy, concluding that with the essential rebasing of our cost structure and an increased focus on operational and capital efficiency, it remains the right one to grow the business and create shareholder value. We are confident that the cost-reduction plan is progressing well, giving us inherent flexibility as to the next stages of investment in the network.

We focus on three strategic priorities: optimising the branch and distribution network; winning new, and deepening existing, customer relationships; and the continued development and growth of our specialist businesses. These priorities are being achieved through a set of five strategic enablers as outlined in the Chief Executive Officer's review on page 12 and are driven by the needs that our customers consistently tell us are central to their success: safety, value, availability and support.

In 2015 we made solid progress against our three strategic priorities. We opened 50 new low cost, local branches and further evolved the distribution network including planning for the launch and opening of the National Distribution and Engineering Centre alongside the refocus of our Distribution Centres. Following lower than expected key account growth at the beginning of the year, we invested to build our pipeline and have seen a number of important customer wins in the second half. We also continued to invest in the specialist businesses which support our unique customer proposition – including acquiring specialist heating and cooling provider, All Seasons Hire.

Find out more about **Our Strategy in Action 15**

Our Board and management team

I would like to thank former Chief Executive Chris Davies, who stepped down towards the end of the third quarter following nine years in which we saw the Adjusted EBITDA of the HSS Group double. During the year, Fiona Perrin, Group Sales and Marketing Director, stepped down from the Board for family reasons, transitioning some of her other duties to other executives who were well-prepared for succession.

John Gill, who has been involved with the development of our growth strategy, in particular the implementation and evolution of our distribution and logistics network, previously as CFO and then COO, has taken over as CEO to drive forward our plans. He is supported by an effective senior management team which has responded well to the market conditions we saw in the year.

Find out more about Our Board of Directors **40**

Governance

Prior to our February 2015 IPO, we already had strong governance structures in place and we have worked hard to develop and establish the various additional committees, systems and policies through the first year as a public company. I believe that strong governance is the bedrock of effective execution of our business plan together with the smooth running of day-to-day operations and the protection of assets.

Find out more about Our Governance **38**

Our people

HSS achieves excellent customer satisfaction scores and this is down to its people. We recruit motivated and driven individuals who believe in our unique company ethos and then we invest in their development. I never fail to be impressed by their professionalism, energy and commitment to going beyond the call of duty for our customers. They are at the heart of HSS's differentiated market position and unique customer service offering. During the year we have made improvements in the diversity of our workforce and established targets for further progress which are reported on page 37.

Find out more about Our Corporate Responsibility **32**

Corporate responsibility

Our primary responsibility is to ensure the safety of HSS colleagues and customers; our Board agenda starts with Health and Safety in an ethos of individual ownership which is reflected across the Group. We also pay close attention to reducing the impact we have on the environment and in the role we play as a community business across the UK and Ireland. You can read more about our corporate responsibility activities on page 32 and in the separate Corporate Responsibility Report published on our website www.hsshiregroup.com.

Find out more about Our Corporate Responsibility **32**

Looking ahead

We have moved into 2016 with a heavy focus on cost management and productivity, combined with continued growth. HSS is an entrepreneurial business with a solid business plan underpinned by operational and capital flexibility. We move forward determined to deliver that plan and to create shareholder value.

Dividend

The Directors have proposed a final dividend of 0.57p per ordinary share. If approved at the forthcoming Annual General Meeting the total dividend for the year would be 1.14p per share, reflecting the Board's stated intention to adopt a progressive dividend policy. The final dividend is expected to be paid on 4th July 2016 to shareholders on the register at close of business on 3rd June 2016. The ex-dividend date is 2nd June 2016.

Alan Peterson
Chairman

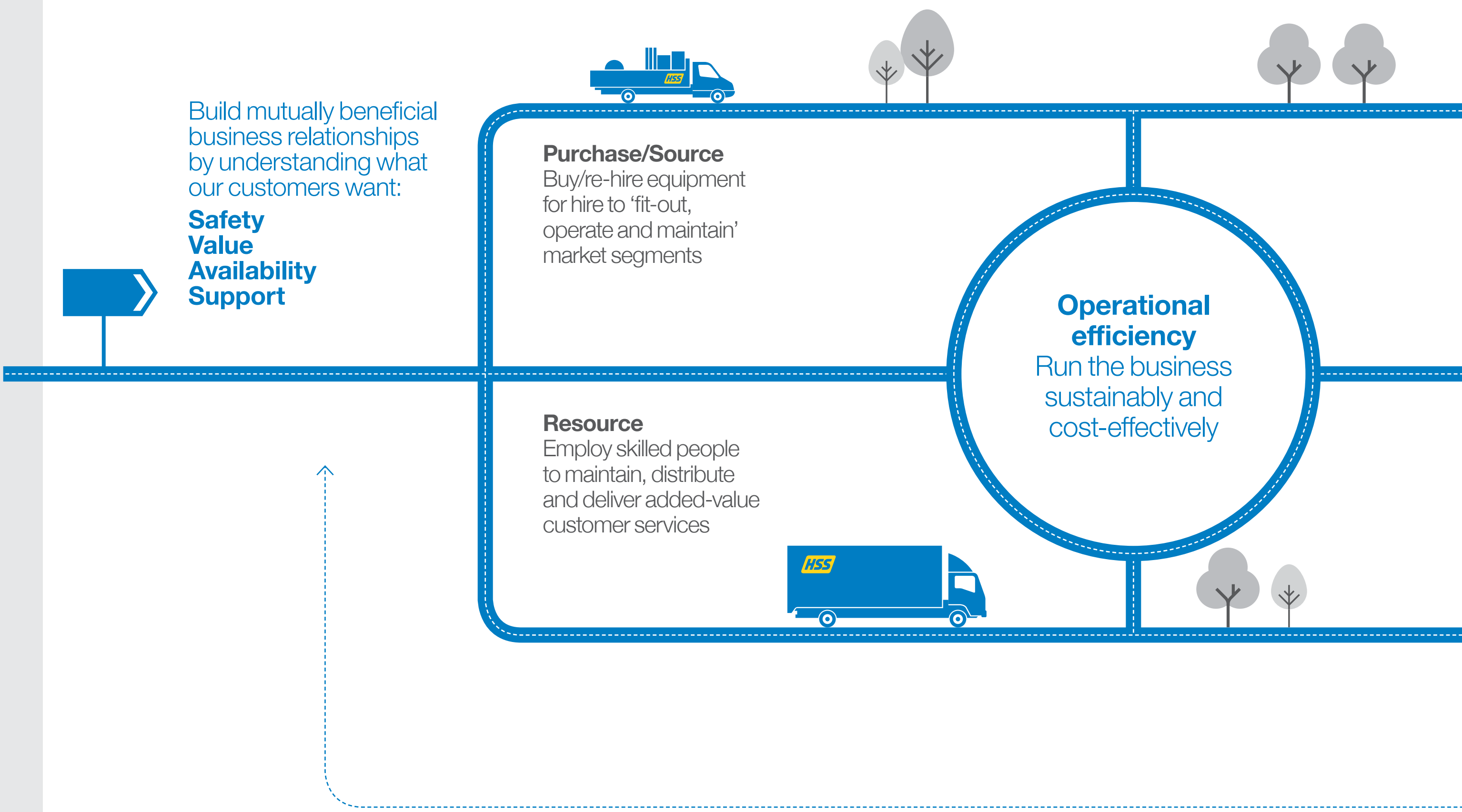
Our Business Model

Creating value
Our business model shows we create value through maximising the utilisation of capital equipment by ensuring its availability through our unique distribution network and ensuring it is maintained, safe and ready to use. We build long-term relationships with customers and provide added-value, specialist services in specific market areas.

Our strategic enablers

- **Ensure safe, sustainable working environments for colleagues and customers**
- **Deliver value and quality to our customers**
- **Focus on profitability and growth**
- **Drive availability and operational efficiency**

Our business model



Our strategic priorities

1. **Optimise the distribution and branch network**
2. **Win new, and deepen existing, customer relationships**
3. **Develop and grow our specialist businesses**

Invest in our colleagues

Maximise equipment utilisation
Through:
– Unique distribution capability
– Maintaining equipment to extend life
– Long-term relationships

Create added value services
– Outsourced equipment management
– Specialist training
– Online e-commerce and reporting systems to support customers

Delivering to our customers the right equipment and services at the right time at the right price, profitably

Collecting from our customers to drive availability and utilisation

Shareholder returns and efficient capital structure

Enhanced brand and customer relationships

Societal benefits

Enhanced physical, human and financial resources

Reinvest

Our Unique Distribution Network

Meeting customers' needs for availability

24/7

E-commerce
First fully transactional e-commerce platform from major UK equipment hire company

HSS

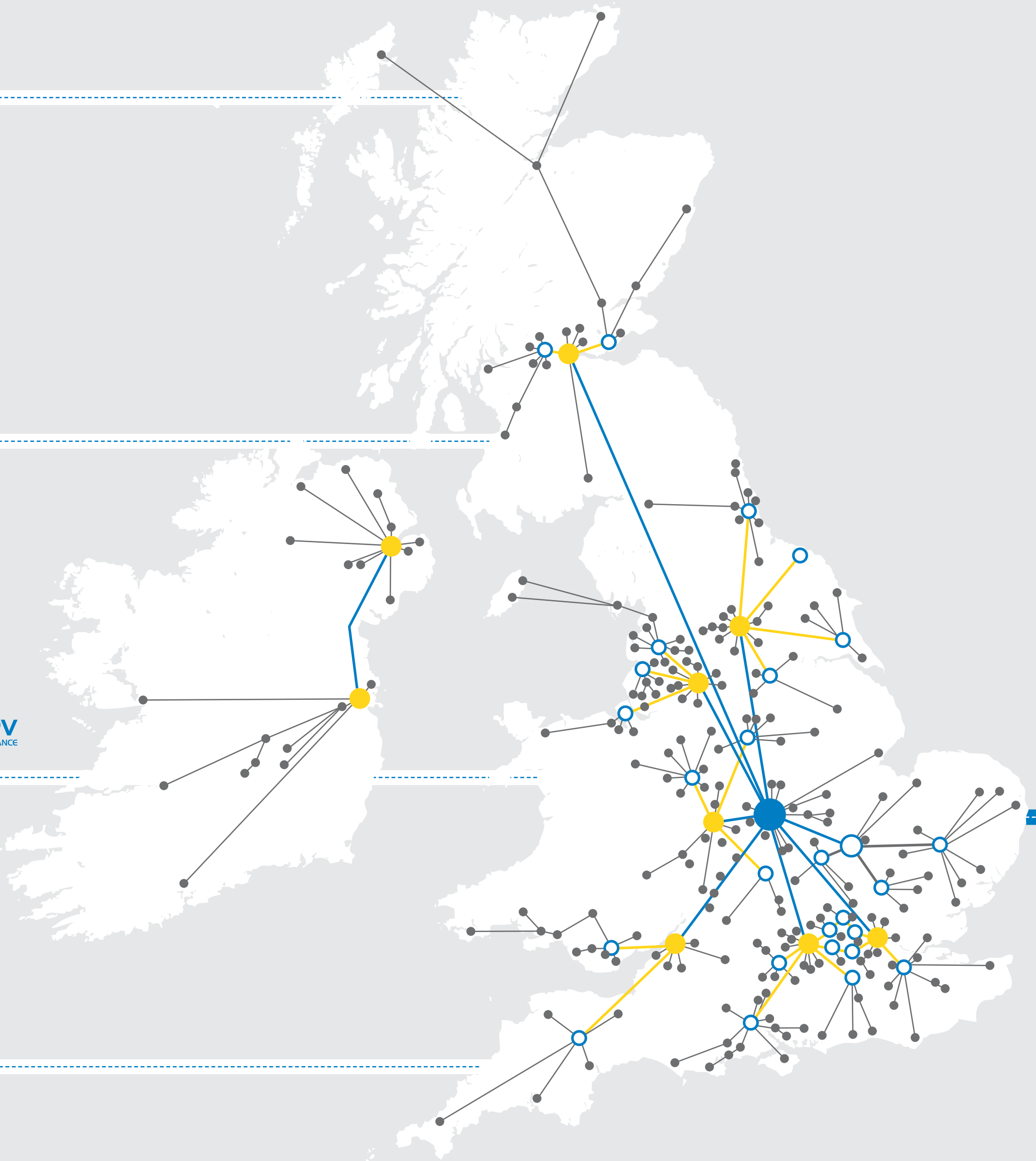
Branch network
Largest branch network of any UK and Irish hire company

UK Platforms POWERED ACCESS
ABIRD POWER SOLUTIONS
APEX POWER SOLUTIONS
All Seasons Hire HEATING & COOLING SPECIALISTS
reintec cleaning equipment services
TecServ EQUIPMENT MAINTENANCE

Specialist
Strategically located depots nationwide provide direct supply

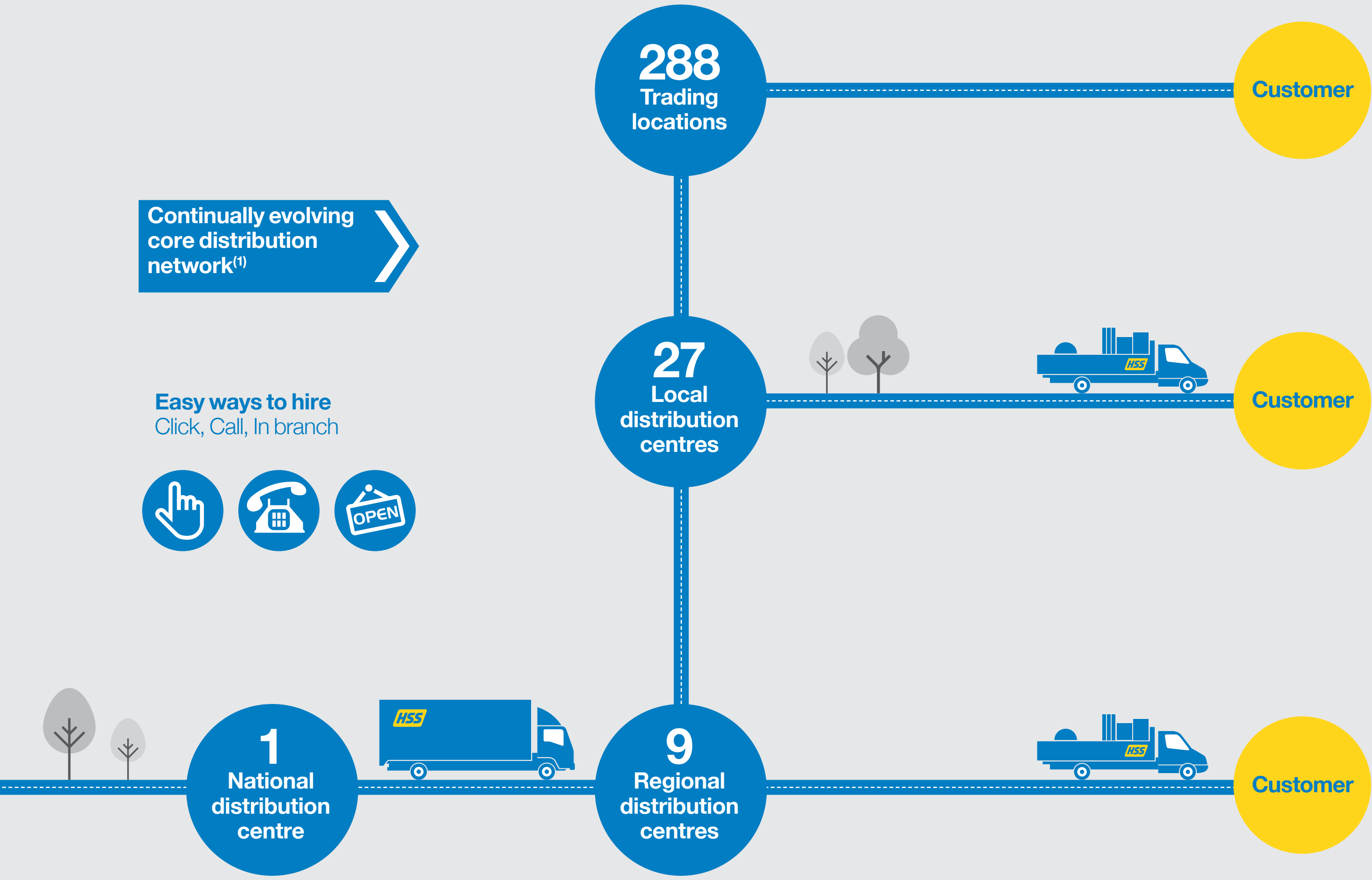
HSS OneCall You're better equipped

Rehire
450 suppliers nationwide deliver direct to customer



We operate from over 320 locations across the UK and Ireland. Our retail-like distribution network means we can serve our customers anytime, anywhere. Orders are routed automatically to the most convenient distribution centre – and by efficiently moving our rental equipment between branches, our comprehensive range of kit can be available to customers within 24 hours of ordering.

This unique operating system considerably reduces the cost of extending our Local Branch network. It also helps us make much better use of our fleet, increasing our productivity and helping us deliver consistently high levels of service to our customers – wherever they are in the UK.



(1) HSS Hire distribution network as at 26 December 2015.

Chief Executive Officer's Review

I would like to outline the progress we made and challenges we encountered during the year – including the pressure on our share price. I will also discuss the steps that we are taking to overcome these challenges as we continue to invest in our business to secure further market share.

Overview

In 2015, we invested in the growth and development of our local branch network and our specialist businesses. Whilst our customers' end markets were more variable than expected, we delivered revenue growth of 10%, ahead of the overall equipment rental market.

In light of our performance in the first eight months of the year, the Board and I reviewed the overall strategy in considerable detail and concluded that our strategic objectives continue to be the right ones to generate shareholder return, but with some modifications which allow us to respond more rapidly to market conditions. Specific areas of focus include the rebasing of our cost structure, increased focus on capital efficiency and an ongoing drive for operational efficiency. These are central to our objectives as we move forward.

The HSS difference

HSS continues to be strongly differentiated within its markets. Our focus starts with the needs of our diverse customer base and they tell us that they prioritise Safety, Value, Availability and Support. During the year we worked hard to further improve our customer service in support of these values, and drive our operational efficiency, which in itself results in further customer satisfaction, as well as cost benefits. The growth in our externally assessed Net Promoter Score to 36 reflects this difference and continues to be well above the industrial and services sector benchmark.

Find out more about Our Marketplace **04**

Our performance

Despite less favourable market conditions, we continued to grow our revenues strongly. Revenues in our Core businesses were up 7% year-on-year, significantly ahead of the ERA's estimated 1.5% rate of market growth for 2015.

Revenues in our Specialist businesses grew by 30% year-on-year, materially ahead of the wider market. This partially reflects the acquisition of All Seasons Hire in May 2015 but is principally due to us starting to realise the benefits of our continued investment in the hire fleets, depot network and sales teams of ABird, Apex and UK Platforms through 2014 and 2015.

Our Adjusted EBITA performance in the year reflects the increase in depreciation charges resulting from our investment plans, including the opening of 50 new low cost local branches and further investments in our specialist businesses and hire fleet. These are investments to ensure we have the right network and rental fleet to support demand over the coming years.

Find out more in our Financial Review **22**

Our markets

Our marketplace is described on pages 04 and 05. We operate in the UK tool and equipment hire market, which the European Rental Association (the 'ERA') estimate had a total turnover of £5.7bn in 2015. It is worth noting the ERA's assessment that non-construction (operating environments and business) demand for rental is 40% of sales versus 60% from construction; with non-construction one of the highest shares in Europe.

Our market focus is in the operation of the built environment where our work for many major blue-chip companies – facilities management, airports and retail customers for example – benefits both our Core and Specialist divisions and is backed by strong customer propositions, from our Reintec cleaning equipment offer through to 'Total Equipment Management' where we manage entire fleets of equipment for some of our largest customers. Here customers recognise the benefits of rental in operational efficiency and maintaining a flexible cost base.

The ERA also notes that c.50% of the market is held by regional and/or independent tool hire operators. HSS is directly targeting this opportunity to win share in local markets through the expansion of our low cost, local branch footprint. This is backed by a retail-like distribution network which supports our customers' number one priority – availability – through both a range of products designed to be hired instantly and access to our entire range next-day.

HSS also services the construction segment of the equipment rental market through our Core tools and equipment offer, albeit more focused on later-cycle 'build, maintain and operate' customers and through our rehire division which provides a single point of contact, order and invoice for third-party plant and equipment, some of which is used in early-cycle construction. Our Specialist divisions too, benefit from ongoing construction growth supplying powered access and power generation to civil engineering and residential and commercial construction.

During 2015 we successfully launched the first transactional mobile-enabled e-commerce platform from a national tool and equipment hire company, which enables out of hours ordering, click and collect, local stock availability checks and instant access to bespoke pricing for local trades. This commitment to a multi-channel offer positions us well to meet the expectations of our customers, offering convenience and seamless service. It also helps drive up the utilisation of our equipment, making our use of capital more efficient.

Find out more about Our Marketplace **04**

Chief Executive Officer's Review Continued

Our strategy

Having examined our strategy in depth during the year, the Board is confident that, with modifications to rebase our costs and ensure a deeper focus on operational productivity and capital efficiency, it continues to be the right one to create shareholder return over the medium term. These modifications will allow us to respond to market conditions with more flexibility while optimising investment and margins.

Optimising our branch and distribution network

During 2015, we opened 50 new low cost local branches in new markets, extending our availability promise to our customers and winning share from both national and local competitors. These branches are part of our strategy to become 'the local tool hire company with a national presence' and are backed by continual development of our distribution system. This is continuing to evolve in 2016, with the opening in the first quarter of our new National Distribution and Engineering Centre, operated on our behalf by our long-term partners, Unipart, alongside our existing network of Customer Distribution Centres across the UK. This latest evolution is designed to deliver clear competitive advantage through enhanced availability of equipment to branches and customer sites in support of our multichannel offer. It also drives utilisation and capital efficiency in our core business.

The roll out plan for local branches has been successful and we will continue to open new local branches during 2016, but with flexibility in the speed of roll out in line with prevailing market conditions. Our current plans see us opening up to 20 new local branches in 2016. We will continue to refine the format, using the lessons learnt from the top performers in the portfolio to further improve the operating model for the entire estate. Our extensive network now comprises over 320 branches and operating locations ensuring that we provide convenience to our customer base.

Win new, and deepen existing, customer relationships

We have focused hard on being able to provide more of the equipment and services that our customers need to enable us to grow revenue with a greater share of their spend. Our Specialist businesses support our ability to be a 'one-stop-shop' for customers across many segments. Our OneCall rehire division also supports our growth through the ease of ordering via HSS from a supply chain selected for quality and safety. Following lower than expected growth in key accounts in the first half of the year, we increased our focus on winning new customer accounts in the last quarter.

Continued development and growth of our specialist businesses

Our strategy has been to acquire and integrate specialist businesses, and then invest in fleet and depot expansion to drive growth. During 2015 this contributed to revenue growth for the Group while at the same time depreciation from these investments impacted profitability. We acquired specialist heating and cooling provider, All Seasons Hire, and can now offer our customers access to temporary bespoke chillers and boilers, typically used in managing heating and cooling during complex building moves and maintenance. As with our other specialist businesses we are now focused on expanding All Seasons Hire's reach via depot and fleet expansion. Having completed two years of significant investment in our Specialist businesses, our focus in 2016 will be on organic growth and margin improvement.

In order to support our three strategic priorities, we focus on five strategic enablers which are outlined on page 15 and are identified by icons through this report. Our achievements under each are measured via our KPIs which are outlined on pages 26 and 27. The enablers start with a focus on profitability and growth via delivering value and quality to our customers through investing in our colleagues. Operational efficiency – another enabler – was boosted in the year with further developments in our distribution network including the opening of large new dedicated distribution centres at Reading and St Ives.

Find out more about Our Strategy in Action **15**

Safety and the environment

Our fifth enabler is the safety of our colleagues and customers, alongside minimising our impact on the environment in which we operate. In 2014, our RIDDOR frequency ratio – one measure of safety – stood at 0.50 and in 2015 showed a small decrease to 0.49. We believe in a culture which states that 'safety is the way we do things round here' and continue to put an emphasis on the ownership of safety from the Board through to every colleague.

We also deliver innovations in safety – a good example is our anti-entrapment system Activ' Shield Bar which was fitted onto the 1000th UK Platforms' diesel boom during the year.

We understand well the role that hire plays in making more efficient use of resources through a reduction in materials used in manufacturing. The opening of our purpose-built refurbishment centre in Manchester has significantly increased our capacity to refurbish more machines. This extension of asset lives is a strong example of our commitment to our role in the 'circular economy', making effective use of the world's resources and our own capital. For full details of our CR programme and commitments please see page 32 or download our full CR report from www.hsshiregroup.com/corporate-responsibility.

Find out more about Corporate Responsibility **32**

Our people

Our Training Academy at Reading delivered training to 526 delegates throughout the year. Building on that success we are extending the Academy's reach into our branch network creating Branches of Excellence throughout our operation to deliver ongoing colleague training, while the Academy concentrates on the development of our managers. Training days per colleague is a KPI for our business (see page 21) as we continually develop our colleagues' skills in customer service as well as the technical and safety requirements of the roles they undertake every day.

I am continually impressed by the energy, enthusiasm and customer commitment of our colleagues and would like to thank them wholeheartedly for the roles they individually play every day in building our business.

Find out more about Our Key Performance Indicators **26**

Outlook

Following the challenges of 2015, we are taking a highly disciplined approach to managing our growth, with a focus on cost and operational efficiency, on improving productivity and on delivering higher standards of customer service. Our absolute priority is the creation of shareholder value and we have put in place the foundations for future profitable growth in 2016 and beyond.

John Gill
Chief Executive Officer

Our Strategy in Action

The business remains focused on the three strategic priorities, evolving these in line with marketplace developments.

Over the next six pages we explain how the delivery of these strategic priorities is supported by our strategic enablers: the actions we have put in place to ensure the priorities are achieved efficiently and effectively.

Our strategic priorities

1. **Optimise the network**
2. **Win new, and deepen, existing, customer relationships**
3. **Continued development and growth of our specialist businesses**

- Ensure safe, sustainable working environments for colleagues and customers
- Deliver value and quality to our customers
- Focus on profitability and growth
- Drive availability and operational efficiency
- Invest in our colleagues

Our strategic enablers

Optimise the distribution and branch network

Our network of more than 320 locations is now the largest of any tool and equipment hire operator in the UK and Ireland. In 2015 we expanded into even more communities, with the opening of 50 more low cost, local branches.

Access and knowledge

These small-footprint branches, typically located on trade parks, stock a dedicated 'trade essentials' range designed to be picked up; allow customers to order the entire Group range for next-day or named-day delivery; and integrate fully with our e-commerce platform. They provide all the presence of a local hire company but with the support of a national provider.

The colleagues that provide this local experience need to be able to provide excellent service, backed by expert knowledge. Our Training Academy delivered training to 526 colleagues during the year and is being extended to provide local Branches of Excellence ensuring ongoing induction and refresher training. This knowledge and service was reflected in a customer satisfaction score which is consistently well above our provider, TNS's industry benchmark.

CLICK & COLLECT

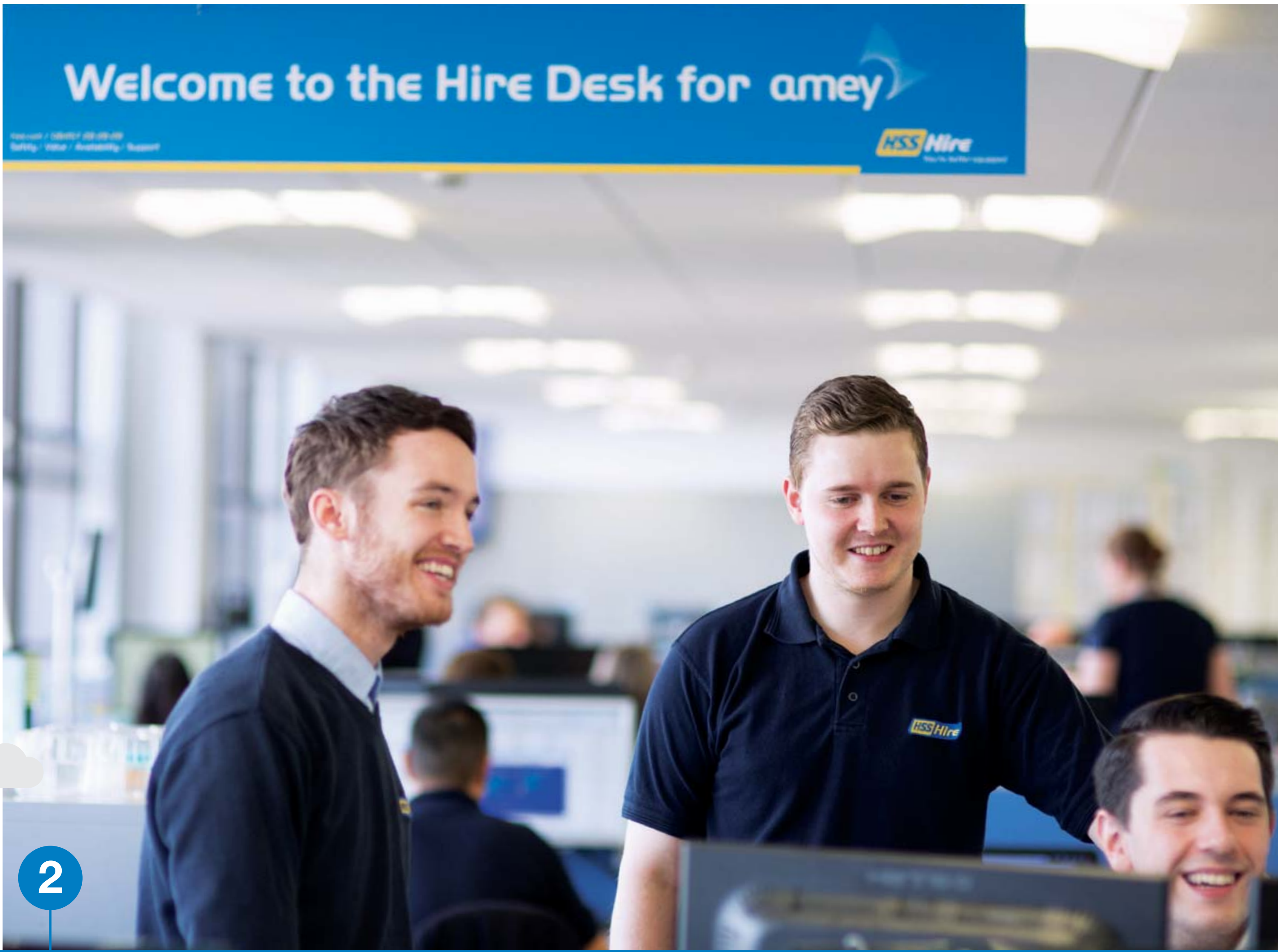
In 2015 we launched the first mobile-enabled transactional e-commerce platform from a major UK equipment hire company.

We are committed to ensuring that HSS customers benefit from having the tools they need, where and when they need them, ordered via a seamless, joined up experience.

Control and convenience

In 2015 we launched the first truly transactional e-commerce platform from a major UK hire company, bringing convenience and control to our customers from mobiles on the move as well as desktops and tablets.

Our customers told us they needed instant stock availability to save time; that they wanted to be able to transact out of hours; that they wanted to be able to order tools from their site direct from our website. The all-new hss.com delivers this and more. It offers a branch finder, the ability to on and off-hire at account-specific rates and all the convenience of click and collect. Advanced reporting provides complete control. It is designed to provide all the functionality of the websites we all use as consumers to the businesses that depend on hire every day.



2

Win new, and deepen existing, customer relationships

Our second strategic priority is to deepen and widen our customer account relationships.

Responsive and convenient

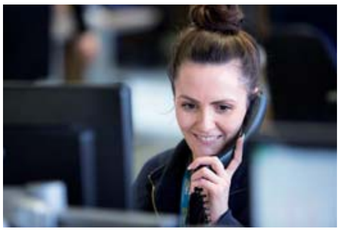
In 2015, we extended the number of live trading accounts by c.2,000 and increased the value of their average spend as we attracted new customers and extended the support we provide to our existing accounts.

Our service is the major reason why customers both work with HSS in the first instance and why they increase their spend with us. We provide more tools and equipment via our Core and Specialist ranges and ensure we are easy to transact with. This can be as simple as enabling customers to pick up and drop off kit at any branch or because of the relationships we develop which enable us to understand their unique needs.

Our retail-like distribution network enables colleagues throughout our branch network and our extensive field sales teams to offer our customers availability of a capital-efficient, well-maintained fleet. We also support our customers through a range of systems including leading web systems such as hss.com.

c.37,000

live trading accounts – we grew our trading account number by c.2000 and increased our average revenue per customer



Total Equipment Management

We manage complex supply chains on behalf of some of the UK's leading infrastructure, retail and facilities management companies and work with all the major airports

Growing our specialist capability and offering a strong rehire operation to provide equipment which is not in our range through a single point of contact, contract and invoice, enables us to increase our share of our customers' spend. Our training business offers customers extensive access to accredited Health & Safety courses at 52 centres nationwide, a key part of our customer proposition.

For our larger accounts many relationships have developed to mean that we manage their equipment via dedicated desks in our specialist customer service centre including controlling complex supply chains on their behalf via our Total Equipment Management service. Recognising that our key accounts were not growing as we anticipated they would in early 2015, we invested in building and converting our pipeline which resulted in several new wins towards the end of the year.

Amongst these larger customers, we work with all the UK's major airports, the majority of the top-50 facilities managers, several large retailers and significant infrastructure companies. We enjoy excellent customer retention, measuring our customer satisfaction daily through internal measurement and quarterly through independent monitoring of our Net Promoter Score.

Continued development and growth of our specialist businesses

We continued to develop our specialist businesses as our third strategic priority.

Specialist and supportive
We invested further in our power generation businesses ABird and Apex, in our powered access business, UK Platforms, and in our equipment servicing and rental divisions Reintec, TecServ and HSS Groundcare.

In all cases we purchased more equipment and extended the depot network. All these businesses now offer full UK and Ireland coverage. We have continued to invest in the specific sales teams which support these specialist businesses, providing customers with in-depth expertise. LTM (last 12 months) utilisation rates grew to 76% (2014: 70%) reflecting growth and efficient use of our capital.

In 2015 we also continued our investment in ABird and Apex's Remote Fleet Management Smart Equipment features, which enable remote monitoring and control of our generator fleet by customers, as well as the ability to order fuel.

Advanced Heating and Cooling solutions

All Seasons Hire provides specialist bespoke solutions

We also continued to fit our unique anti-entrapment device 'Activ' Shield Bar' to diesel booms in UK Platforms' fleet, fitting the 1000th boom lift in the second quarter as part of our commitment to 'safety as standard'.

During the year we also acquired specialist heating and cooling provider All Seasons Hire and immediately commenced the integration process.

All Seasons Hire specialises in the supply and installation of temporary or back-up – and often bespoke and complex – large-scale heating and cooling equipment. This includes emergency boilers for facilities such as schools and hospitals and cooling equipment for data centres. All Seasons also offers smaller scale air-conditioning and heating equipment for use in offices and other buildings, complementing HSS' existing range. Like our other acquisitions, we have commenced investment in both fleet and network.

Our Business
Our Performance
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Financial Review

Despite a good start to the year, 2015 did not develop as expected. We have taken action, including the implementation of a cost reduction programme, and we are now building more flexibility into our strategic and operating model to drive profitability and improve returns.

Steve Trowbridge
Chief Financial Officer

Key highlights 2015

Revenue £m
£312.3m
2014: £284.6m

Adjusted EBITDA £m
£71.0m
2014: £71.1m

Adjusted EBITA £m
£20.3m
2014: £31.2m

Core LTM utilisation %
48%
2014: 47%

Specialist LTM utilisation %
76%
2014: 70%

Overview

Following a good start to 2015, with Q1 revenues ahead of budget, full year revenues did not develop as expected. We reported this to the market and took action through the second half of 2015 to address the lower than expected revenue growth in Q2 and Q3. At the revenue level this included investment in our key account teams to enable us to build a larger pipeline and win and convert more attractive contract opportunities.

At the cost level we reduced our cost base through refining our branch organisational structure, honing our sales teams, and reorganising our customer support and central functions thereby driving efficiency through the business. As a result of actions to date cost savings in Q4 2015 were £2.4m, in line with the guidance of £1.5m to £3.0m provided to the market in August 2015.

As indicated in my 2014 Financial Review, we completed our IPO in February 2015. The associated conversion of investor loan notes and accrued interest into equity and partial repayment of our Senior Secured Notes and drawn revolving credit facility balances enabled us to de-gear the business. Since the IPO we have increased the leverage in the business through continued investment in expanding our core and specialist hire fleets to meet customer demand. We also increased the headroom in our existing facilities in November 2015 to give us additional flexibility to execute our plans.

Group financial performance

Revenue

Group revenue grew 10% to £312.3m (2014: £284.6m) as we expanded our core business and invested in our specialist offerings. This is one of our KPIs (see pages 26 and 27). Particular drivers of this result were:

- the increasing maturity of our new local branches opened through 2014, and the initial revenue performance from the 50 local branches opened during 2015;
- continued revenue growth in our HSS Training and HSS OneCall businesses (28% and 16% growth year-on-year respectively);
- further double digit organic growth in ABird/Apex and UK Platforms (22% and 15% respectively); and
- the revenue contributed from All Seasons Hire, the heating and cooling specialist we acquired in May 2015.

Revenue growth for 2015 was lower than achieved in 2014 (25.5%), principally reflecting more challenging market/trading conditions widely cited by listed peers and a number of our listed customers, but also reflecting a lower level of acquisitions and the associated full year effect of such acquisitions. In 2014 acquisitions accounted for 6.8% of the revenue growth, compared to 1.3% in 2015.

Growth in revenues from our Key Account customers, whilst positive (+10.3%), was below the level we had expected given our achievements in growing these revenues through 2013 and 2014. We referenced this in our interim results published in August 2015 and took action to reorganise and invest in our business development capabilities to ensure we build and convert a larger pipeline of attractive client opportunities.

This renewed focus on winning and deepening customer relationships was applied to all of our customer groups. Across the group as a whole the average spend per account customer increased to £8.1k (from £7.7k in 2014) reflecting both an increase in revenue from trade accounts and an increase in live accounts through the year. This is one of our KPIs (see pages 26 and 27).

In respect of wider market growth, the annual ERA European Equipment Rental Industry report estimates that the UK market grew by 1.5% in 2015. This rate of growth was two thirds lower than they had forecast for 2015 at the outset of the year and mirrored the tougher trading conditions previously mentioned. On this basis, we continue to grow at a faster rate than the wider UK tool and equipment market and will continue to target outperformance through 2016.

	Revenue		Adjusted EBITDA		Adjusted EBITA	
£m	**2015**	2014	**2015**	2014	**2015**	2014
Core	**£261.7m**	£245.6m	**£45.6m**	£51.2m		
Specialist	**£50.6m**	£39.0m	**£25.4m**	£19.9m		
Group	**£312.3m**	£284.6m	**£71.0m**	£71.1m	**£20.3m**	£31.2m

Costs

Our cost of sales increased by £17.9m (17.4%) to £120.9m. Approximately £1.7m of this growth was due to the annualisation of the March 2014 Apex Generators acquisition and the purchase of All Seasons Hire in May 2015.

The primary driver of the growth in cost of sales was higher depreciation charges (+£9.4m) relating to our larger hire fleet. This reflects two years of demand-led investment to support growth in the core business and to expand our specialist businesses. Strong growth in HSS OneCall (rehire) and HSS Training revenues and the corresponding increase in related third party supplier costs accounted for £2.1m and £1.0m respectively and stock maintenance costs also increased by £3.0m due to the increased size of the fleet.

Our distribution costs increased by £4.1m (11.0%) to £41.3m. This increase was primarily driven by the growth in volume of customer deliveries and collections, across both the core and specialist businesses. £0.5m relates to the annualisation of Apex Generators and All Seasons Hire acquisitions.

Financial Review
Continued

Our administrative expenses increased by £22.3m (18.3%) to £144.2m. The Apex and All Seasons acquisitions accounted for c.£1.2m of this growth. Staff costs also increased due to the branch openings, as well as growth in field-based sales staff. The growth in Key Accounts, HSS Training and HSS Onecall also required additional headcount to be recruited. 2015 was also the first year of life as a plc, with the additional Board and governance costs that are required. The remaining cost increase was driven largely by the annualisation of the 2014 new branch openings combined with the 50 opened in 2015 contributing to an increase in rent and rates costs of £3.4m.

In H2 15 we took the opportunity to review and refine our staffing model across the business, reorganising our operations to reduce cost. The opening of the NDEC in Q1 2016 and the new purpose built refurbishment centre in late 2015 bring the opportunity to further improve productivity and operational and capital efficiency.

Our Adjusted EBITDA was broadly flat at £71.0m (FY14: £71.1m) reflecting the increases in our cost bases set out above. Our Adjusted EBITDA margin for FY15 was 22.7% (FY14: 25.0%). Adjusted EBITDA and margin are included in our KPIs (see pages 26 and 27).

Our Adjusted EBITA was £20.3m (FY14: £31.2m). This decrease year-on-year principally reflects the increase in depreciation during the year, from £39.9m in FY14 to £50.7m in FY15, which arose primarily as a function of our fleet investment through FY14 and FY15. Adjusted EBITA and margin are included in our KPIs (see pages 26 and 27).

Core performance
During 2015 the Core businesses delivered revenue of £261.7m (FY14: £245.6m) and Adjusted EBITDA of £45.6m (FY14: £51.2m) and together accounted for 84% of Group revenue and 64% of the Group's Adjusted EBITDA.

Revenue growth, and as a result of our operational gearing, earnings in our core business were impacted by softer than expected market conditions, price competition and lower than expected growth amongst our customers.

Our cost base increased through the year reflecting increased revenues and associated distribution and stock maintenance costs, the opening and associated running cost of the 50 new immature local branches, ongoing wage inflation, investment in staff in anticipation of certain levels of revenue growth and investment in plc related headcount.

During the year we invested £41.3m in our core hire fleet (2014: £41.9m) and LTM utilisation improved to 48% (2014: 47%). This is one of our KPIs (see pages 26 and 27).

Specialist performance
During 2015 the Specialist businesses delivered revenue of £50.6m (FY14: £39.0m) and Adjusted EBITDA of £25.4m (FY14: £19.9m) and together accounted for 16% of Group revenue and 36% of the Group's Adjusted EBITDA.

During the year we invested £23.7m in our Specialist hire fleet (2014: £30.0m) and LTM utilisation improved to 76% (2014: 70%). This is one of our KPIs (see pages 26 and 27).

The considerable investment in our Specialist businesses over the last few years has enabled us to build modern well-invested fleets, and to establish a UK wide Specialist depot network, a number of which are co-located with other Specialist businesses or existing HSS locations. This gives us more flexibility for the levels of hire fleet capital expenditure in our Specialist businesses through 2016.

Other income
Other income of £0.9m relates to income received from sub-let non-trading stores. This decreased by £0.2m compared to the prior period as concerted efforts were made to shrink the non-trading property estate through head lease expiries and targeted surrenders.

Operating profit
Operating profit was £6.8m in FY15 (FY14: £23.6m) principally reflecting the £11.9m increase in depreciation and amortisation charges together with the £4.8m year on year increase in non-finance related exceptional costs.

Finance costs
Our net finance expense decreased by £11.4m, or 35.5%, from £32.1m in 2014 to £20.7m. This decrease was primarily due to the reduction in net debt following the IPO at the start of 2015. This reduction led to a decrease in interest on investor loan notes of £7.3m and a £2.3m reduction in senior secured note interest.

Taxation
The Group has incurred an income tax expense of £0.4m in FY15, compared to a £3.0m income tax credit in FY14. The FY15 tax charge principally reflects the origination of unprovided temporary differences. The FY14 tax credit principally related to the recognition of a £2.4m deferred tax asset (on prior year losses) together with the release of deferred tax on intangible assets acquired.

Reported and adjusted earnings per share
Our basic and diluted loss per share increased to 9.9p (FY14: 8.6p). This was due to the larger loss for the year, largely driven by higher depreciation and amortisation charges and an increase in non-finance exceptional costs and partially offset by the increase in the weighted number of shares as a result of the IPO in February 2015.

Our adjusted earnings per share, being profit before amortisation and exceptional costs less tax at the prevailing rate of corporation tax decreased to 3.2p from 8.4p in FY14 reflecting the impact of the lower adjusted profit together with the increase in the weighted number of shares as a result of the IPO in February 2015. This is one of our KPIs (see pages 26 and 27).

Cash utilised in/generated from operations
Cash utilised in operations was £7.4m for FY15, a £23.8m decrease from the prior period (FY14: £16.4m). This movement principally reflects the £17.4m increase in cash settled purchases of hire equipment in FY15 (extended payment terms from 2014 and purchases made in 2015), together with the increase in exceptional costs in FY15.

Capital expenditure

Fixed asset additions during the period (excluding assets acquired on acquisition) were £84.0m, slightly higher than in 2014 (£83.6m). Of this total, £65.0m represented fleet investment or additions of materials and equipment held for hire (2014: £71.9m) and £16.0m represented additions to non-hire equipment (land, buildings, plant and machinery) (2014: £11.7m) with a further £3.0m related to the accounting for dilapidations on new properties. The increase in non-hire equipment additions principally reflects the opening and fit out of 50 new low cost local branches and relocated distribution centres such as in Reading and St Ives.

Fleet investment continued to exceed depreciation, consistent with 2014, and reflects the substantial investment made in growing both our Core and Specialist hire fleets over the last two years. This investment together with the opening of the new National Distribution and Engineering Centre, which is designed to further enhance availability across our branch network, enables us to reduce our capital expenditure in 2016 in line with softer customer demand. Fleet investment is one of our KPIs (see pages 26 and 27).

Return on Assets ('ROA') and Return on Capital Employed ('ROCE')

Our ROA for FY15 is 14.9%, 12 percentage points lower than in FY14 (27.0%). This decrease is primarily due to the lower EBITA generated during FY15, the reasons for which are set out above, but also reflects the significant investment in our fleet through FY14 and FY15 which together materially increased the average net book value of hire fleet in use by £33.2m. ROA is calculated as Adjusted EBITA divided by the total of average total assets (excluding intangible assets) subtracted by average current liabilities. This is one of our KPIs (see pages 26 and 27).

Our ROCE for FY15 is 11.2%, a reduction of 12 percentage points for the same reasons outlined above. ROCE is calculated as Adjusted EBITA divided by the total of average total assets (excluding intangible assets and cash) less average current liabilities (excluding current debt items). This is one of our KPIs (see pages 26 and 27).

Leverage and net debt

Net debt (stated gross of issue costs) decreased by £98.9m to £218.1m. This decrease principally reflects the repayment of £64.0m of our Senior Secured Notes from the proceeds of the IPO in February 2015 and the conversion of investor loan notes into equity, offset by increases in our finance leases and RCF drawings through the year as we have settled capital expenditure creditors from 2014 and through 2015. Our leverage, calculated as net debt divided by Adjusted EBITDA decreased from 4.5x in FY14 to 3.1x at the end of FY15. This is one of our KPIs (see pages 26 and 27).

Steve Trowbridge
Chief Financial Officer

Our Key Performance Indicators

KPI	Strategic enabler	Importance of KPI	FY15 performance	Track record
Revenue		Simplest measure of the ongoing growth of the Group's sales from which profits can be generated and shareholder value created. Financial Statements **76**	**£312.3m** +9.7%	Growth FY15 £312.3m 9.7% FY14 £284.6m 25.5%
Adjusted EBITDA and margin		Widely recognised measure of profitability before amortisation, impacts of depreciation policies and capital structure (interest and tax) and exceptional costs. Metric also used in leverage and covenant calculations. Financial Statements **76**	**£71.0.m** 22.7% margin	Margin FY15 £71.0m 22.7% FY14 £71.1m 25.0%
Adjusted EBITA and margin		Measure of profitability before amortisation, impacts of capital structure (interest and tax) and exceptional costs. This KPI is used to calculate Executive Director remuneration.	**£20.3m** 6.5% margin	Margin FY15 £20.3m 6.5% FY14 £31.2m 11.0%
Adjusted EPS		Measure of adjusted profitability per share. Widely recognised measure of shareholder value (profit) being generated by a business excluding non-recurring or exceptional items and amortisation and after charging the prevailing rate of corporation tax. This KPI is used to calculate Executive Directors' Remuneration. Financial Statements **76**	**3.20p** per share	FY15 3.20p FY14 8.37p
Return on Assets ('ROA')(1)		Historic way that the Group has measured the return generating ability of the business. This KPI is being superseded with ROCE (see below).	**14.9%** FY14: 27.0%	FY15 14.9% FY14 27.0%
Return on Capital Employed ('ROCE')(1)		Measure of the return generating ability of the business adopted at the direction of the Remuneration Committee. This KPI is used to calculate Executive Director remuneration.	**11.2%** FY14: 23.1%	FY15 11.2% FY14 23.1%
Fleet investment		Measure of investment in hire fleet. Excludes assets acquired through acquisition. Financial Statements **76**	**£65.0m** (9.6)%	FY15 £65.0m FY14 £71.9m

(1) The ROA and ROCE for FY14 reflect re-classifications of long-term provisions on the balance sheet.

Strategic Enablers

Ensure safe, sustainable working environments for colleagues and customers

Deliver value and quality to our customers

Focus on profitability and growth

Drive availability and operational efficiency

Invest in our colleagues

KPI	Strategic enabler	Importance of KPI	FY15 performance	Track record
Leverage		Measure of net debt present in the business, expressed as a multiple of Adjusted EBITDA.	**3.1x** FY14: 4.5x	Multiple FY15 £218.1m 3.1x FY14 £317.0m 4.5x
Net Promoter Score (NPS) Score		Third-party survey of how likely customers are to 'promote' HSS. The score shown for each year is for the last research wave completed in each year. A higher score indicates a better customer experience. This KPI is used to calculate Executive Director remuneration.	**36** FY14: 25	FY15 36 FY14 25
RIDDORs		Widely recognised measure of safety in the workplace. Safety is at the heart of how HSS operates. This KPI is used to calculate Executive Director remuneration (see page 64). Corporate Responsibility **32**	**0.49** FY14: 0.50	FY15 0.49 FY14 0.5
Carbon emissions in our built environment (kg CO_2 per m²)		As we pursue our local branch rollout strategy we recognise we have the duty to do so in a manner where our impact on the environment is minimised. We therefore track our carbon emissions per m². Corporate Responsibility **32**	**43** FY14: 42	FY15 43 FY14 42
Training days per colleague		People are at the heart of HSS' service offerings. With training we can ensure that colleagues are best prepared to help our customers in their projects. Corporate Responsibility **32**	**4.3 days** FY14: 4.3	FY15 4.3 days FY14 4.3 days
Utilisation (Core)		Useful measure as to how effectively we have employed capital invested in our Core hire fleet. Assessed over the last 12 months. Should be considered in tandem with ROCE (and ROA) to assess whether assets are being profitability deployed.	**48%** +1pp	pp FY15 48% 1 FY14 47% 2
Utilisation (Specialist)		Useful measure as to how effectively we have employed capital invested in our Specialist hire fleet. Assessed over the last 12 months. Should be considered in tandem with ROCE (and ROA) to assess whether assets are being profitability deployed.	**76%** +6pp	pp FY15 76% 6 FY14 70% 2
Average revenue per account customer		Measure of the average customer spend with the Group in each financial year. Useful measure of value generated per customer from which we can generate shareholder returns.	**£8.1k** FY14: £7.7k	FY15 £8.1k FY14 £7.7k

Principal Risks and Uncertainties

Managing Risk

The Board sets the strategic priorities for the Group, the KPIs and performance monitoring relating to these priorities, and establishes the risk appetite.

Overall responsibility for the Group's risk management lies with the CEO and CFO, who have ownership of risk in reporting to the Board of Directors.

The Group then manages its risk through a group risk register which is maintained by the Risk and Assurance Director and the Company Secretary. This is subject to regular quarterly review by the Audit Committee, where changes to the risk landscape, risk ratings (regarding likelihood and impact) and assurance activity are documented.

A risk based internal audit programme is in place to ensure assurance activity is targeted at key risk areas, as identified below. Risk based assurance work is then reported to the Board on a monthly basis for review. In addition the Risk and Assurance Director meets with senior management on a monthly basis to discuss the findings of risk based assurance activity and investigation, provided by the Internal Audit and Health, Safety, Environment and Quality (HSEQ) teams.

Principal Risks and Strategy

The Board has carried out a robust assessment of the principal financial and operating risks facing the Group, based on its three strategic priorities, which are: to optimise our branch and distribution network; to deepen our customer relationships and win new accounts; and the continued development and growth of our specialist businesses.

The Board has identified five key strategic enablers which underpin the achievement of these strategic priorities. These are as follows:

- **Ensure safe, sustainable working environments for colleagues and customers**
- **Deliver value and quality to our customers**
- **Focus on profitability and growth**
- **Drive availability and operational efficiency**
- **Invest in our colleagues**

2015 Risk Management Developments

Through 2015 the Group has continued to improve its approach to the management of risk, with the following developments:

→ the risk register now links the key risks to the strategic priorities of the Group, to ensure that all relevant risks are identified;

→ specialist skill sets, relating to finance, IT and data integrity, have been added to the Internal Audit team to improve the overall assurance provision;

→ investment in training to improve skills across the assurance teams;

→ the development of integrated assurance, encompassing functions such as internal audit, data integrity, health and safety and the Group investigation team. This has improved reporting with the additional benefits of sharing knowledge and working more efficiently across the assurance functions;

→ The introduction of controlled risk self-assessment with management responsibility for audits, which are overseen by the central assurance team; and

→ A quarterly risk report is provided to the Audit Committee.

2016 Planned Improvements to Risk Management Process

The group will continue to develop its risk management process with the following:

→ improved ownership of risk at a local level, reviewing local and departmental risk registers which can provide improved identification of existing and emerging risks;

→ efficiencies gained by the increased use of computer assisted audit techniques and reports as provided by the Data Integrity Manager; and

→ a review of a potential audit software reporting suite which, if implemented, will be used to improve reporting consistency.

Key risks	Strategic enabler	Description and impact	Mitigation	Risk change
Macroeconomic conditions		An economic downturn in the UK and Ireland may adversely affect the Group's revenue and operating results by decreasing the demand for its services and the prices it may charge. The market strength of potential acquisitions may be reduced, affecting the viability of purchase and integration.	The Group focuses on the 'fit-out, 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 sector, 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.	Unchanged
Competitor challenge		The Group's industry is highly competitive, and competition may increase. The equipment rental industry is 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. The ability of competitors to replicate HSS' systems or unique services may reduce competitive advantage in regard to systems or knowledge.	The Group is ranked number two in its main markets and the resulting economies of scale enable it to be highly competitive, whilst the fragmented nature of the market may offer consolidation opportunities enabling the continued growth of specialist business within the Group. The Group's highly developed distribution service model increases the efficiency of its operations.	Increased – due to increased pricing pressure
Operational disruption		The provision of the Group's expected service levels 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 retail-like distribution network. Any information technology (IT) systems failure or disruption, accident, industrial dispute 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 service its customers, affecting revenue and reputation.	The Group has robust backup plans in place, in the event of IT systems failure or disruption. There is a flexible distribution model, whereby various distribution centres can service customers in the event of the failure of another distribution centre.	Increased – due to new distribution model for 2016
Local branch strategy is incorrectly implemented		Part of the Group's strategy involves further developing the reach of its network by continuing its branch roll-out in new locations in the UK. If this strategy is incorrectly implemented, the planned associated business growth will not occur and the service we provide to our customers may be affected.	The Group's property department works closely with operational management to ensure that new branches are located appropriately and on favourable lease terms. Extensive market research ensures that the right customer base exists in a catchment area, and branch sales and profitability targets are closely monitored. Branches of excellence are being established which will provide training and highlight best practice.	Unchanged

Principal Risks and Uncertainties Continued

Key risks	Strategic enabler	Description and impact	Mitigation	Risk change
Customer credit/supplier payment		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. Unauthorised, incorrect or fraudulent payments could be made, leading to financial loss or delays in payment which could adversely affect the relationship with suppliers and lead to a disruption in supply.	The Group runs extensive credit checking for its account customers and maintains strict credit control over its diversified customer base. The Group's investigation team conducts proactive and reactive work in order to minimise the Group's exposure to fraud, and all new staff are provided with training in this area. Payments and amendments should only be made in line with a regularly reviewed authorisation matrix.	Unchanged
Equipment supply, maintenance & availability		The Group is dependent on its relationships with key suppliers to obtain equipment and other services on acceptable terms. Any disruption in supply could affect its ability to service its customers to the expected service levels, with the risk of lost customers or reduced trading levels. As 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.	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 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.	Increased - changes recommended by external consultants will take time to be established
Customer retention and brand reputation		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 an adverse effect on its ability to grow the business.	The Group invests substantially in areas such as marketing, community relations and colleague training, aimed at delivering the highest standards of customer service and colleague engagement. The maintenance of high levels of service and strong customer support is considered vital, and all new employees will undergo specific induction in this area at the Group's branches of excellence. 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.	Unchanged

Key risks	Strategic enabler	Description and impact	Mitigation	Risk change
Outsourcing of services		The Group outsources certain functions of its business to third parties. If any third parties become unable or refuse to fulfil their obligations, or violate laws or regulations, there could be a negative impact on the Group's operations or could lead to adverse publicity and a decline in demand. Inability to repair equipment will affect the ability to manage demand, affecting revenue and increasing costs re-investment in equipment.	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 and quality metrics and KPIs are tracked throughout the life of contracts.	Increased – due to increased work taken on by third-party providers
Inability to attract and retain personnel		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. Competition in the Group's industry is significant and the loss of experienced colleagues could lead to loss of customers or inadequately exploiting revenue opportunities.	The Group has established and maintains competitive pay and benefit packages, as well as the right working environment for its colleagues. Training will be provided within the planned branches of excellence whilst the Training Academy facility provides development training for management, a process that is mirrored at more senior management levels by various tailored development programmes. The Group supports personal development with the provision of appropriate training courses.	Unchanged
Legal and regulatory requirements		Failure to comply with laws or regulation, such as the Companies Act, accounting regulations, health and safety law, Bribery Act or Road Traffic Act, leading to material misstatement and potential legal, financial and reputational liabilities for non-compliance.	Robust governance within the Group, including a strong financial structure, with adequate assurance provision from internal and external audit. Additional assurance and support is provided by a fully skilled health and safety team and an internal investigation and fraud prevention team.	Unchanged – separately identified and managed

Corporate Responsibility

Managing Risk

HSS is a responsible company. We are committed to a culture of safety first, backed by strong governance. We are focused on actions to reduce our carbon emissions and other impacts on our environment. Recognising that a diverse, well-trained workforce is central to both our customer service and the long-term welfare of our colleagues, our recruitment, retention and development targets and programmes focus on ensuring lifelong skills within a workforce that reflects the communities in which we operate. We also protect our colleagues via a series of policies which protect their right to Dignity at Work and a strong culture of ethical practice which includes a statement of principles around Bribery and Corruption.

Equipment rental is inherently sustainable because it promotes the repeated use of hire company owned equipment by multiple customers instead of each customer requiring their own equipment to be manufactured. Rental cuts down on waste, minimises emissions and improves efficiency and our refurbishment capability is central to this. We also influence the design of equipment in a quest for more sustainable performance and to engineer out waste. Highly-trained colleagues, well-maintained and safe equipment and ready availability also help to drive the case for hiring as a commercially sound solution.

Our full Corporate Responsibility report is published at www.hsshiregroup.com/corporate-responsibility/ and the following few pages summarise our activities and targets.

Safety and training

Safety is our first priority with a strong philosophy of 'this is just the way we do things round here'. As we grow and develop, we drive a culture of ownership to ensure that our colleagues carry out our complex operations safely.

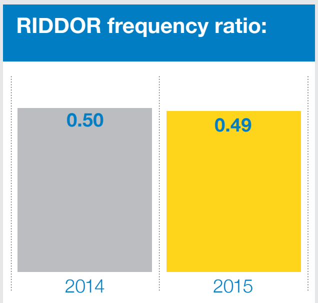
Equally important is that our customers know that every hire is a safe hire and we continue to develop our products, systems and processes to support that. In 2015 we fitted our unique, award-winning anti-entrapment device, Activ' Shield Bar to the 1,000th diesel boom in our UK Platforms fleet helping to enhance our philosophy of 'safety as standard'.

HSS Training, our specialist safety training business, now offers 261 Health and Safety courses to our customers and colleagues from 52 training centres, doubling its network over the last two years and bringing convenient, accredited safety training even closer to our customers. This is supported by its hsstraining.com which offers live availability and immediate course booking, backed by its own specialist customer service unit.

The chart opposite shows one key measure of accidents and injuries – the RIDDOR frequency rate, that is the reportable injuries under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations. In 2014, our RIDDOR frequency ratio stood at 0.50 and in 2015 showed a small decrease to 0.49. We are committed to ongoing reduction and have renewed our focus on ownership of safety at every level. The new ISO standards to be introduced in October 2016 support this empowerment through strong management values; we are prepared for the transition from OHSAS:18001 to the new ISO 45001 and for the changes to ISO 14001 and ISO 9001.

We also focus on ensuring that our transport operations are safe. The Fleet Operator Recognition Scheme is an overarching scheme that encompasses all aspects of safety, fuel efficiency, economical operations and vehicle emissions. Our comprehensive driver training contributed to our achievement of FORS Gold accreditation for our commercial vehicle fleet.

In 2015 we fitted our award-winning anti-entrapment device, Activ' Shield Bar to the 1,000th diesel boom in our UK Platforms fleet.



Our new Refurbishment Centre

In late 2015, we opened our purpose-built new 36,000 sq. ft. refurbishment centre in Manchester and significantly increased our capacity to extend the life of machines and drive an efficient use of capital.

In 2016 we aim to process more boom and scissor lifts and generators than we processed in our previous centre, with a clear aim to extend the useful life of every machine by at least five years. The facility has been designed with a commitment to environmentally-friendly operations in a defined layout by our partners Unipart, and includes overhead lifting capacity, dedicated engine and welding areas, waste and component recycling and extraction equipment. At the end of refurbishment to manufacturer-approved specification, all powered access machines are independently inspected and leave with a new LOLER certificate ready for ongoing hire.

Governance

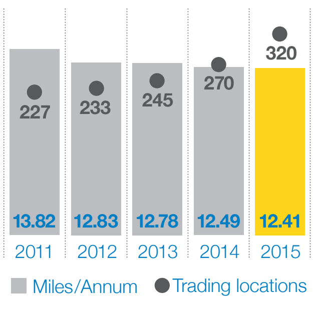
During 2015, we formalised the governance structure around Corporate Responsibility ('CR'). Our CR Steering Committee meets four times a year to assess progress and is chaired by Jon Overman, a member of the Executive team, with CEO, John Gill's formal review twice a year. This has helped in determining longer term goals with clear measurement and reporting (see page 37). In 2016 we also commit to building a measure around sustainability into our regular, independent 'Net Promoter Score' customer satisfaction monitoring.

We operate to a range of external accreditations. We are SafeHire accredited and members of the British Safety Council and Considerate Constructor's Scheme. We are also part of the ESOS and CRC energy efficiency schemes and hold Investors in People status.

Our purpose-built new 36,000 sq. ft. refurbishment centre has significantly increased our refurbishment capacity.

Corporate Responsibility
Continued

Total miles driven since 2011 as ratio of business size



Minimising carbon emissions

We focus on minimising our impact on the environment in several ways:

- → our refurbishment centre extends the life of equipment and minimises unnecessary emissions (see page 32);
- → we increased customer availability and reduced customer journey emissions through opening a further 50 small-format local branches in the year (see page 07); and
- → we have contracted with our main energy supplier for our electricity purchases to come from renewable sources.

HSS is fully compliant in terms of both ESOS and CRC reporting having met all Government guidelines with regards to both programmes. In 2016 we will commence reporting to level 3 Carbon Disclosure Protocols. We are also committed to attaining ISO 50001 accreditation by 2018, including full International Performance Measurement and Verification Protocol compliance.

We also worked hard to reduce our miles driven over the year recognising that emissions from our transport fleet have the single biggest impact from our business operations (see chart above). We have achieved this through systemised transport management and have recently introduced further software enhancements which will help aid efficiency over time. Our 2018 goal is to achieve year-on-year reduction in miles per job and year-on-year reduction in miles per branch whilst recognising that we are likely to see an increase in the short term due to the opening of our National Distribution and Engineering Centre.

Sustainable Sourcing

We also strive to reduce energy and fuel consumption and increase the life of our products through working with manufacturers and sustainable sourcing. We have introduced a number of innovations in 2015 including:

- → energy Harvest units in the ABird and Apex fleets of generators which reduce fuel usage and CO_2 created by up to 50%;
- → investment in Lithium Ion Hybrid Lighting Towers which use less than one tenth the fuel of a conventional lighting tower; and
- → LED lighting: introducing five LED low level light products to the range; a total of 5000 units which reduce energy consumption by up to 94%.

Central to more sustainable equipment are products that are robust enough for frequent use. Through process improvement in 2015, several products have been discontinued from our range and more durable replacements found.

Our 2018 target is to reduce our product wastage year-on-year through responsible sourcing and extending the product's useful life. We will measure our progress through stock write-off, which we expect to increase in the short term as a consequence of the utilisation efficiencies from our new National Distribution and Engineering Centre but decrease following that.

Greenhouse Gas Emissions

The Group reports on all of the emission sources required under the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in 2013.

The Group uses GHG Protocol Corporate Accounting and Reporting Standard data gathered to fulfil the reporting requirements under the CRC Energy efficiency scheme and DEFRA conversion factors to calculate greenhouse gas emission disclosures. The vast majority of this data has been sourced from validated sources which include Carbon Reduction Commitment (CRC) and DEFRA conversion factors. The extent of the GHG reporting boundary comprises of all building and transport emissions within the three reporting scopes.

The table below sets outs the Greenhouse Gas emissions for the group split into:

- → Scope 1: All direct greenhouse gas emissions from sources owned or controlled by the Company;
- → Scope 2: Indirect greenhouse gas emissions from the consumption of purchased electricity, heat or steam; and
- → Scope 3: Other indirect emissions. Here we report business travel.

The DEFRA Carbon Factor is also provided for each emission category to evidence the rates used to calculate the associated Greenhouse Gas Emissions.

Unless otherwise stated all data is provided for the period 1 October 2014 to 30 September 2015. This reporting period does not cover the same period covered by the financial statements, but has been adopted to allow the majority of data used to be actual recorded data rather than estimated consumption.

Greenhouse Gas Emissions

	Consumption	Emissions (TCO_2)	Conversion Factor
Scope 1 Emissions			
Fuel Combustion	983,100 kWh	181	0.184557
Company Vehicles	5,243,586 Litres	13,549	2.5839
Leeds Bunkered Diesel	196,822 Litres	509	2.6024
Fugitive Emissions	7,727 Litres	20	2.6024
Scope 2 Emissions			
Purchased Electricity	14,917,614 kWh	7,313	0.49023
Scope 3 Emissions			
Business Travel	3,045,916 Miles	909	0.298469
Total Greenhouse Gas Emissions		**21,972**	

The total emissions produced by the Group during this period totals 21,972 TCO_2.

Comparative data for prior periods is not provided as this is the first year in which the Group is required to report greenhouse gas emissions in its Annual Report.

The following methodologies were used to calculate the information in the Greenhouse Gas Emissions reported on page 34:

Emission category	Methodology
Fuel Combustion	983,100 kWh
Fuel Combustion (Gas data for HSS building portfolio)	Based on invoiced gas usage for the period January 2014 to December 2014 due to outstanding queries on supplier invoices within the period January 2015 to September 2015.
Company Vehicle Emissions	Collated using data from fuel card provider and direct purchase records for cars, HGVs, Vans and Commercial vehicles in litres converted according to Defra guidelines.
Leeds Bunkered Diesel	Collated with the use of internal purchase order records converted according to Defra Guidelines.
Fugitive Emissions	Collated with the use of internal purchase order records converted according to Defra Guidelines.
Purchased Electricity (for HSS building portfolio)	Collated from consolidated invoices received from electricity providers with consumption in kWh converted according to Defra guidelines
Business Travel	Collated from expensed mileage claims and converted according to Defra Guidelines.

ESOS

The UK Government established ESOS (the Energy Savings Opportunity Scheme) to implement Article 8 (4 to 6) of the EU Energy Efficiency Directive (2012/27/EU). The ESOS Regulations 2014 give effect to the scheme and the Environment Agency is the UK scheme administrator. ESOS is a mandatory energy assessment scheme for organisations in the UK that meet the qualification criteria. The Group was required to carry out an ESOS assessment for 29 January 2016. The assessment was undertaken by our energy and environmental consultants Maloney Associates. It included a full review of the energy use throughout our portfolio and transport fleet.

During March 2016 the Group was selected by the Environment Agency to be one of the first major organisations within the UK to undertake an external audit of the ESOS compliance submission. As an outcome of the audit it was confirmed that the Group had undertaken the ESOS review, methodology and reports to an exceptionally high standard.

Minimising our waste

We are committed to minimising the generation of waste through effective sourcing, recycling and re-use. During 2015 we collected over 326,000 kilos of hazardous waste, an increase of 5% from the previous year and we completed our fourth year with zero hazardous waste to landfill. Our efforts to ensure that we continue to increase the amount of commercial waste we recycle continued with 67% of commercial waste being recycled compared to 66% in 2014.

67%

of commercial waste being recycled compared to 66% in 2014.

Colleagues

Our colleagues play the largest role in encouraging rental by providing excellent service. We reviewed the role of our Academy during the year and have extended it through a 'virtual model' to regional Branches of Excellence, equipping our colleagues with essential development and skills for lifelong employment. Our primary commitment is to increase the number of training days to 5.0 days per annum per colleague by 2018. In 2015, the number of training days was 4.3, in line with 2014.

Our partnership with Cranfield University School of Management will continue and we have also started a programme of management capability development leading to qualifications with the Institute of Leadership and Management (ILM). We will continue to build our successful Apprenticeship programme, expecting to take on up to 30 apprentices in 2016, providing and a pipeline for front line roles across the Group as well as opportunities for young people.

Employment, wellbeing and ethics

It is also important that we protect our colleagues from pressures that may arise at work. We have a strong cultural ethos which does not tolerate bullying or harassment; as well as the appropriate policies, we have a well-publicised whistleblowing process which encourages colleagues to raise any concerns confidentially. Our Dignity at Work statement is underpinned by a number of policies to protect colleagues and sets out our commitment to a code where 'respect for individuals is regarded as integral to the behaviour of all'. In addition, our Statement of Principles around Bribery and Corruption has been extensively communicated backed by sales team briefings.

We work with Towers Watson to benchmark our salaries and agree pay bands, aiming to pay median salaries across our job roles. This year we took part in the Towers Watson National Living Wage Pulse Survey, helping to inform our review of the National Living Wage, where we – in line with 85% of respondents to that survey – have concluded that we will introduce it in April 2016 in line with the legislative dates. Our colleagues also receive a number of other benefits including Healthshield protection and Life Assurance as part of standard terms and conditions.

Corporate Responsibility
Continued

In August 2015, HSS supported a community project to create an urban food garden for local residents in Merseyside.

Above: In July 2015, HSS supported Heathrow Airport Limited in refurbishing part of of the Arbour Vales School for children with learning difficulties, based in Slough.

Left: Colleagues receive "Heroes of Hire" awards for services which go beyond the call of duty.

We strive to ensure that our colleague base is representative of the communities in which we operate. We ensure all our policies and procedures are free from bias and have processes in place to deal with discrimination or unfair treatment of colleagues. Our recruitment policy encourages applications from all backgrounds. As at 26 December 2015, 492 (15%) of all of our employees were female. At the Board level, one Non-Executive Director was female (representing 14% of the Board) and at the senior management level (excluding Board members) 11 were female (13%). In Board and senior manager positions (excluding the Board) we have improved from 2014 when we had a 12% ratio for each of these areas, however we recognise that these ratios are not reflective of wider society and are working to further improve our employee diversity through the coming years. We have increased the ethnic mix of our colleagues across the business in the year by 0.1% but aim to add an additional 5% in 2016.

Supporting our communities

At HSS we see ourselves as a local business with a national presence and take the role that we play in our communities seriously. Our long-running Heroes of Hire programme is two-fold: firstly it rewards colleagues who are seen by customers or their colleagues to go above and beyond their day-to-day duties through awards at the end of the year. These awards include a 'Community Hero' award which recognises HSS colleagues who have typically been involved in heroism in their local area. The second element is our colleague volunteering programme which encourages colleagues to mobilise teams to help with specific community projects.

During 2015, we were pleased to help multiple projects including redecorating a youth centre in Horsham and helping Heathrow airport refurbish part of the Arbour Vales School for those with learning difficulties in Slough. Other examples include helping to create an urban food garden for local residents in Merseyside and supporting the US Embassy in London with a local community project on September 11th in memory of the 9/11 tragedy. We were also pleased to help with multiple projects for the BBC TV series DIY SOS, lending tools and equipment free-of-charge alongside volunteers, for projects designed to transform the homes of those with disabilities, illnesses, or those who have suffered at the hands of poor workmanship.

In 2016, we are committed to refocusing Heroes of Hire with a strong emphasis on providing training and support for employment skills in our local communities. We will do this through local volunteering, through free, dedicated skills and product training for those seeking work within our Training Centres nationwide. We aim by 2018 to have helped 300 job seekers through these activities.

Our commitments

During 2015, we have concentrated on establishing longer term goals, in line with the life of our current business plan. We are committed to reporting and measuring on our progress against these goals quarterly to the Committee and yearly via our CR report.

Our commitments

Report focus area	2018 target	Measured by	Current position
SHEQ	Consistent year-on-year reduction in RIDDOR frequency ratio	Weekly accident reporting for exec team	**0.49** 0.50 in 2014
People	5.0 training days per colleague per year	CITB Grant audited training days as a ratio of the average number of employees employed by the Group during the CITB assessment period (to 31 March in each year)	**4.3 days per colleague**
	A workforce that is 75% promoted from within and 33% women	% of internal promotions Female % of total workforce	**41% internal promotions** **Female 15% of total workforce**
Product lifecycle	Reduce our product wastage year-on-year through responsible sourcing and extending the product's useful life	Stock write off by value as a % of the total fleet value	**9.8% of stock value**
Carbon Reduction	Reduce energy consumption in Local Branches by 5% per annum when compared to the overall floor area occupied	External measurement by Maloney Associates	**78kWh electricity per M²**
	Year-on-year reduction in miles per job and year-on-year reduction in miles per branch	Measured using internal IT systems	**Miles per job: 12.8** **Miles per branch: 38,804**
Community	300 job seekers benefitting from the HSS Heroes of Hire commitment to building a future for local communities	5 x colleague volunteering events per year 5 x HSS Training events up-skilling local communities	**To be measured from 2016**

For further information about HSS Hire Group's CR work, please contact Amy McNamara, CR Manager, amcnamara@hss.com; +44 161 888 4810

Approval of the Strategic report

The Strategic Report on pages 02 to 37 was approved by the Board of Directors on 6 April 2016 and is signed on its behalf by:

J.B. Gill
Director

6 April 2016

Chairman's Introduction

We have continued to evolve and refine our corporate governance policies and procedures through our first year as a public company and recognise the value that strong governance brings to all stakeholders of the Group.

Alan Peterson
Chairman

Dear shareholder

On behalf of the Board, I am pleased to present the corporate governance report for the 2015 financial year.

I am firmly of the belief that strong governance is the bedrock of effective execution of our plan together with the smooth running of our day-to-day operations and protection of our assets. This section of our Annual Report therefore provides you with an overview of our approach to corporate governance, how and where we currently do and do not comply with the Code and how we continue to evolve our corporate governance structure(s).

Reports from the Chairs of each of our four sub-committees of the Board (the Audit, Nomination, Market Disclosure and Remuneration Committees) also provide an overview of each committee's activity during the year.

The key corporate governance issues addressed by the Board or one of the four sub-committees of the Board during the year were as follows:

Trading performance and group strategy

As I mention in my report on page 06, despite continued revenue growth, our results for FY15 were below the growth expectations and targets we had set ourselves at the outset of the year. This, together with the related share price performance, is a matter which the Board have considered at great length and in great detail through the year.

In our Interim Report released in August 2015 we detailed how as a Board, in light of prevailing trading conditions and slower than expected growth during Q2 2015, we examined our current strategy and found encouraging signs that this strategy resonated well with customers and was continuing to deliver market share gains.

Combined with the rebasing of our cost structure to reduce operational gearing and the introduction, following John's appointment as CEO in September 2015, of a more flexible approach to capital expenditure and local branch openings, the Board remain confident that the Group's strategy will support the continued growth of the business.

Succession planning

During the year Chris Davies stepped down as CEO of the business. On behalf of the Board and my HSS colleagues I would like to thank Chris for his energy and contributions to the growth and development of the business since he first joined us in 2006. Our succession planning was well progressed, and John Gill, previously CFO, then COO of the business, was invited to assume the CEO role.

As indicated in our announcement at the time, John has been a central part of the Board's thinking on succession planning for some time and has been closely involved in developing and implementing the Group's distribution and logistics strategy. The Board consider that he is ideally placed to lead the rebasing of our cost structure and make improvements to operating margin and I am confident that he will continue to grow into the role.

Fiona Perrin also stepped down from the Board during the year but continues to work in our business as a senior executive. Again, on behalf of the Board I would like to thank Fiona for her contributions as a Board member both pre and post IPO.

As a result of Chris and Fiona stepping down from the Board, thereby reducing the number of Executive Directors to two, at the end of 2015 we met the Code's recommendation that at least half of the Board of Directors, excluding the Chairman, should comprise Independent Non-Executive Directors.

With Fiona stepping down from the Board we now have one fewer female Director on the Board. We continue to recognise the value of promoting gender diversity across our business, at all levels, and this is something that the Nomination Committee will continue to consider alongside our wider equality and diversity policy (see below) when assessing overall structure, composition and succession planning for the Board and senior management positions.

Remuneration policy

2016 will be the first year when we implement our new remuneration policy, which includes performance based elements such as the LTIP which are designed to align Directors' interests more closely with those of the shareholders. The Remuneration Committee have worked closely with Deloitte through the year to design and structure a remuneration policy aligned to our strategic objectives, KPIs and principal risks and uncertainties, but which also reflects best practice for listed companies of our size and complexity.

Further details of the remuneration policy are set out on pages 54 to 62 and will be subject to shareholder approval at our Annual General Meeting on 15 June 2016.

Board evaluation

Towards the end of 2015 we commenced a Board evaluation process. A questionnaire containing the key requirements of the Combined Code was circulated to Board and Committee members and completed by each of them. A further process for the evaluation of certain executives and senior management was commissioned during 2015 with the assistance of Blackwood Recruitment LLP. Further details on both such processes undertaken and the outcomes are provided in the Nomination Committee report on page 50.

The Nomination Committee is recommending that all Board Directors are re-elected at our Annual General Meeting.

Board Training

During the year we developed a training programme for the Executive Directors which will be implemented in 2016, implemented a training programme for the Non-Executive Directors, and a number of senior managers in the business attended professional development courses at the Cranfield School of Management.

Further detail on the training provided to the Executive and Non-Executive Directors during the year is set out on page 46.

Legislative change

We continue to operate in an evolving regulatory landscape with notable changes in legislation this year including the introduction of the Modern Slavery Act (effective 29 October 2015). Where new legislation has come into place/will be implemented in the near term procedures have been put in place/will be put in place to ensure our compliance.

Equality and diversity policy

As a Board and Company we recognise the importance that equal opportunities and diversity play in the long-term success of the Group and we are committed to the application of the Group's equality and diversity policy across all levels of the business including at Board level.

Currently we have one female Non-Executive Director, meaning one third of our Independent Non-Executive Directors are female and 14% of the Board are female. Further detail on the gender split for senior management and employees is provided within the Strategic Report on page 36. We believe that the current mix of experience, background and perspectives amongst the Directors contributes to the effectiveness of the Board as a whole, as assessed during the year, however we recognise that female representation at Board and senior management level in particular is currently limited.

It is the responsibility of the Nomination Committee to regularly review the structure, size and composition of the Board (including its skills, knowledge, independence, experience and diversity) and make recommendations to the Board about any changes. If and when Director or senior management appointments are being made or succession planning is being undertaken, candidates must be considered on merit and against objective criteria, with due regard for the benefits of diversity on the Board and amongst the senior management team, including gender, taking care that appointees have enough time available to devote to the position.

Further details on our approach to equality and diversity can be found on page 69 and within our Corporate Responsibility report available for download at www.hsshiregroup.com/corporate-responsibility and a summary of which is provided on pages 32 to 37.

Looking ahead

The results of our first Board evaluation process give me confidence that we have assembled a Board with the appropriate mix of skills, experience and business backgrounds to facilitate the long-term success of the business. Each financial year presents its own opportunities and challenges and I look forward to working with the rest of the Board to ensure that the corporate governance procedures we have implemented through our first year as a public company remain current and relevant to the Group for the foreseeable future.

I look forward to meeting shareholders at our next Annual General Meeting, which will be held at Haberdashers' Hall on 15 June 2016.

Alan Peterson
Chairman

6 April 2016

Board of Directors

Alan Peterson
Chairman

Alan Peterson has served as the Group's Chairman since December 2012. He also served as the Group's Chairman between 2004 and 2007. Alan's experience over the last 25 years includes involvement in a number of public and private equity-backed businesses across the UK, Europe and North America. He has held the role of chief executive officer and chairman in a number of manufacturing, industrial and retail companies, including Enterprise Group PLC, Azelis Holdings SA, Rockware Group and Meyer International PLC. He is also the chairman of Pattonair Holdings Limited and BBI Diagnostics Group.

Alan became 3i's first Industrialist in Residence in 2001, serving until 2005. He is a graduate of Loughborough University and is a Companion of the Chartered Management Institute.

Alan chairs the Board's Nomination Committee.

John Gill
Chief Executive Officer

John Gill joined the Group as Chief Financial Officer in February 2009 and was appointed Chief Operating Officer in 2014. More recently, in September 2015, John was appointed Chief Executive Officer of the Group. Before joining the Group, he served as finance director at Screwfix Direct Ltd, a subsidiary of Kingfisher plc, from June 2006. Prior to that, John held a number of roles at Kingfisher plc, including those of senior corporate development manager, head of corporate development and head of corporate strategy.

John worked for GE Capital between 1995 and 2000, ultimately serving as the finance director of the French operations of their asset leasing company, European Equipment Finance, and then finance manager of mergers and acquisitions for GE Capital. He spent his early career in various finance roles at Cable & Wireless and BP. John holds a bachelor's degree in Chemistry from University of Sheffield and is an Associate of the Chartered Institute of Management Accountants.

Neil Sachdev
Independent Non-Executive Deputy Chairman

Neil is currently chairman of Market Tech Holdings Limited (Camden Market); chairman of Martins Properties (Chelsea) Limited; chairman of Exclusive Contract Services limited and non-executive director at Intu PLC where he is chairman of the Remuneration Committee and a member of the Audit, Corporate Responsibility and Nomination Committees. He also currently serves as a non-executive director of NHS Properties Limited. He was formerly group property director at Tesco plc and then at J Sainsbury plc.

Neil is a member of the Board's Audit, Nomination and Remuneration Committees. He also chairs the Market Disclosure Committee.

Steve Trowbridge
Chief Financial Officer

Steve Trowbridge joined the Group in 2008 as Group Financial Controller and was promoted to Finance Director in 2011, before being appointed Chief Financial Officer in 2014. Prior to joining the Group, he held a number of positions at Thomson Reuters, including investor relations manager and most recently senior head of finance.

Steve previously worked as an equity analyst at SG Securities and as a finance manager at Cable & Wireless. He holds a master's degree in Geography from St Hugh's College, Oxford, and is a Fellow of the Institute of Chartered Accountants in England and Wales, having qualified whilst working at Ernst & Young LLP.

Amanda Burton
Senior Independent
Non-Executive Director

Amanda Burton is the senior independent non-executive director of Monitise PLC and an independent non-executive director of Countryside Properties PLC. She chairs the Remuneration Committee for both companies. Amanda is also a trustee of Battersea Dogs and Cats Home. Until December 2014 she served as the chief operating officer of Clifford Chance LLP. She was also previously the senior independent non-executive director of Galliford Try PLC and a non-executive director of Fresca Group Ltd.

Amanda is a member of the Board's Audit and Nomination Committees, and is Chairman of the Remuneration Committee.

Douglas Robertson
Independent
Non-Executive Director

Doug Robertson is finance director of SIG PLC. He was previously finance director of Umeco plc from 2007 until 2011, and finance director of Seton House Group Limited from 2002 until 2007. He has also held a variety of divisional finance director roles within Williams PLC and was previously managing director of Tesa Group, Chubb's hotel security division.

Doug is a member of the Board's Nomination and Remuneration Committees, and is Chairman of the Audit Committee.

Thomas Sweet-Escott
Non-Executive Director

Tom Sweet-Escott co-founded Exponent in 2004. He is primarily responsible for investments in the financial services sector and also serves on the Board of Pattonair Holdings Limited. He has previously served on the Boards of Trainline PLC, V. Group and Lowell, and worked for 3i in London and in Madrid. He has a master's degree in Natural Sciences from University of Cambridge.

Tom is a member of the Board's Nominations Committee.

Key to committees

- A Audit Committee
- MD Market Disclosure Committee
- N Nominantion Committee
- R Remuneration Committee

Our Business
Our Performance
Our Responsibilities
Governance
Financial Information
Other Information

Corporate Governance

Compliance with the Governance Code

The Board is committed to the highest standards of corporate governance and as such has complied with the UK Corporate Governance Code (the Code) since the date of the IPO, except as set out below.

The Code recommends that at least half the Board of Directors of a UK-listed company, excluding the Chairman, should comprise Independent Non-Executive Directors. As at 26 December 2015 the Company is compliant with the requirements of the Code in this respect, by virtue of Chris Davies and Fiona Perrin having stepped down from the Board and the resulting ratio of Independent Non-Executive Directors to other Directors (excluding the Chairman) being 3:3 (50%).

Independence is determined by ensuring that, apart from receiving their fees for acting as Directors, Non-Executive Directors do not have any other material relationship or transactions with the Group, its promoters, its management or its subsidiaries, which in the judgment of the Board may affect their independence of judgment.

Thomas Sweet-Escott, a Non-Executive Director, is not considered to be independent for the purposes of the Governance Code as he represents Exponent Private Equity (Exponent) and related investors (the Exponent Shareholders), who currently control 50.4% of the Company's issued shares.

On 22 January 2015, the Company, Exponent and the Exponent Shareholders entered into a Relationship Agreement which regulates the ongoing relationship between them. The principal purpose of this agreement is to ensure that the Company and its subsidiaries are capable of carrying on their business independently of Exponent and the Exponent Shareholders and that any transactions and relationships between them are at arm's length and on normal commercial terms.

The Code also recommends that the Chairman of the Board of Directors should meet the independence criteria set out in the Code on appointment. Alan Peterson, the Non-Executive Chairman, was not considered independent for the purposes of the Code on his appointment as a Director of the Company in January 2015, as a result of the additional fees paid to him pursuant to a consultancy agreement between him, Hero Acquisitions Limited and Peterson Consultancy Services Limited during the period since he became Chairman of Hampshire Topco Limited in December 2012. For this reason he is still not considered independent.

The Directors recognise that the Chairman is not independent. However, they believe that, in order to ensure maximum continuity in the Group's recent transition from a privately owned company to a listed company, Mr Peterson is best placed to be Non-Executive Chairman of the Company. The Directors believed at the time of the IPO, and continue to believe, that Mr. Peterson's significant sector experience and his current and previous experience as Chairman of the Group bring significant knowledge and expertise which is and will continue to be valuable to the Group.

Neil Sachdev, Independent Non-Executive Deputy Chairman of the Company, is considered to be independent in character and judgement and free from relationships or circumstances which may affect, or appear to affect his judgement.

The Code is publicly available at the following web address: www.frc.org.uk/Our-Work/Publications/Corporate-Governance/UK-Corporate-Governance-Code-2014.pdf

Leadership

Key roles and responsibilities	
Chairman **Alan Peterson**	Responsible for: → ensuring that the conduct of the Group is in accordance with the highest standards of integrity and probity, and in accordance with all appropriate governance codes; → the leadership and overall effectiveness of the Board, and ensuring that there is appropriate delegation from the Board to executive management; → ensuring a clear structure for the operation of the Board and its Committees; → setting the Board agenda in conjunction with the Company Secretary and Chief Executive Officer; → ensuring that the Board receives accurate, relevant and timely information about the Group's affairs; and → ensuring clear two-way communication with shareholders.
Chief Executive Officer **John Gill**	Responsible for: → developing the Group's strategy for consideration and approval by the Board; → implementing the agreed strategy; → day-to-day management of the Group's operations; and → being accountable to, and reporting to, the Board on the performance of the business.
Senior Independent Non-Executive Director **Amanda Burton**	Responsible for: → being an alternative contact for shareholders at Board level other than the Chairman; → acting as a sounding board for the Chairman; → if required, being an intermediary for Non-Executive Directors' concerns; and → undertaking the annual Chairman's performance evaluation. The Senior Independent Non-Executive Director carries out the duties of a Senior Independent Director for the purposes of compliance with the Governance Code. There is a clear differentiation and division of responsibilities.
Board and Committe structure	The Board focuses on: → leadership; → risk assessment and management; → strategy; → performance; and → monitoring safety, values and standards. In addition there is a formal schedule of matters reserved for the Board. The Committees each have full terms of reference which can be found on the Company's website at www.hsshiregroup.com/investor-relations/corporate-governance. The Board was augmented and strengthened as part of the 2015 IPO process in order to ensure that it, and its Committees, has an appropriate range of skills, experience, knowledge and independence in order for each to fulfil their duties and responsibilities effectively. **Non-Executive Directors** The number of Non-Executive Directors and their range of skills and experience was reviewed and agreed as part of the 2015 IPO process and subsequently reviewed in the Board Evaluation (see page 39). The Non-Executive Directors in office are considered to offer an appropriate balance on the Board and its Committees.

Corporate Governance
Continued

Governance framework

Alan Peterson
Chairman

Role:

- → Ensure effectiveness of the Board
- → Ensure corporate governance
- → Ensure effective Board Committee structure
- → Ensure effective communications

The Board
The Board comprises seven Directors, of which five are non-executive and three, Neil Sachdev, Amanda Burton and Douglas Robertson, are considered independent. The Board is supported by the Company Secretary.

Role:

- → Lead the Group
- → Oversee risk assessment and internal controls
- → Oversee strategy
- → Oversee the executive management
- → Monitor performance
- → Set values and standards

Audit Committee
All Independent Non-Executive Directors, chaired by Douglas Robertson, supported by the Company Secretary.

Role:

- → Monitor financial reporting
- → Monitor audit
- → Monitor effectiveness of risk management and internal controls

Remuneration Committee
All Independent Non-Executive Directors, chaired by Amanda Burton, supported by the Company Secretary.

Role:

- → Determine and review appropriate Board and senior executive remuneration policies and structures
- → Determine appropriate remuneration packages for Board and senior executives

Nomination Committee
All Non-Executive Directors, including three Independent Non-Executive Directors, chaired by Alan Peterson, supported by the Company Secretary.

Role:

- → Advise the Board on composition and membership Succession planning
- → Advise the Board on appointments

Market Disclosure Committee
Two Non-Executive Directors, chaired by Neil Sachdev, plus the Chief Executive Officer or another Executive Director, supported by the Company Secretary.

Role:

- → Ensure compliance with disclosure requirements

Executive management
Chief Executive Officer, Chief Financial Officer, Executive Branch Director and Group Sales Director.

Role:

- → Fulfil Group strategy
- → Operational management of the Group

Company Secretary
Patrick Hartrey

Role:

- → Support the Board and Committees

Attendance at Board and Committee meetings of which each Director is a member held between 28 December 2014 and 26 December 2015

Director	Board(1)	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors				
Chris Davies(2)	8/9(2)	–	–	–
John Gill	10/11	–	–	–
Steve Trowbridge	10/11	–	–	–
Fiona Perrin(3)	3/4(3)	–	–	–
Non-Executive Directors				
Alan Peterson	11/11	–	–	2/2
Amanda Burton	11/11	5/5	5/5	2/2
Neil Sachdev	10/11	5/5	5/5	2/2
Douglas Robertson	8/11	5/5	4/5	2/2
Thomas Sweet-Escott	10/11	–	–	2/2

(1) Includes the January Board meeting of 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.

(2) Chris Davies resigned as a Director of HSS Hire Group plc on 24 September 2015. As a result the maximum number of Board meetings that Chris could attend was nine.

(3) Fiona Perrin resigned as a Director of HSS Hire Group plc on 15 May 2015. As a result the maximum number of Board meetings that Fiona could attend was four.

Election of Directors

All the Directors offer themselves for re-election at the AGM of HSS Hire Group plc to be held at 1.30pm on 15 June 2016 at Haberdashers' Hall.

The biographical details of each of the Directors, including details of their other directorships and relevant skills and experience, are on pages 40 and 41 of this report and set out in the Notice of AGM.

The Board recommends that shareholders approve the resolutions to be proposed at the AGM relating to the re-election of the Directors.

Terms and conditions and time commitments

The Chairman and Non-Executive Directors are all appointed pursuant to formal letters of appointment which outline, amongst other details, the remuneration and term of appointment for each Director.

The Chairman devotes such time to the affairs of the Company as is required by his duties. In 2015 the Non-Executive Directors spent approximately 18 days carrying out their duties. There is no fixed period required to be committed by the Non-Executive Directors, so this may change over time as their various duties and commitments change if required by changing circumstances.

In order to facilitate proper debate and consideration, all Directors are expected to attend Board and Committee meetings to which they are invited in person.

Chris Davies, John Gill and Steve Trowbridge did not attend the January Board meeting of Hampshire Topco Limited because they were attending a pre-IPO roadshow ahead of the IPO of HSS Hire Group plc in February 2015.

The Executive Directors of the Company may, and generally do, attend meetings of the Committees at the invitation of the Chairman of the respective Committee. These attendances are not recorded in the table set out above.

The Market Disclosure Committee did not meet during the year.

Conflicts of interest

Exponent and the Exponent Shareholders currently control 50.4% of the Company's issued shares.

Thomas Sweet-Escott is a partner at Exponent and Alan Peterson has a long-standing business relationship with Exponent and is chairman of Pattonair Holdings Limited, EAGLE SPV 1 Limited, EAGLE SPV 2 Limited, EAGLE SPV 3 Limited and EAGLE SPV 4 Limited, which are each Exponent portfolio companies.

Amanda Burton and Neil Sachdev are each Non-Executive Directors of certain existing customers of the Group. The Board has satisfied itself that neither customer is material enough to create a potential conflict of interest. In the event that either of these customers or other companies where any of the Directors are also appointed as Directors were to become material by virtue of their trade with the Group or another business reason, the relevant Director would be expected to declare their connection to the customer/company and the Board would assess whether a conflict of interest arises and the appropriate action to be taken.

Save as set out above, there are no current or potential conflicts of interest between any duties owed by the Directors or senior management to the Company and their private interests or other duties.

Any Directors' conflicts of interest are declared to the Board and recorded by the Company Secretary.

Effectiveness

Board composition

The Board and Committees are considered to have an appropriate range of experience, skills and knowledge to fulfil their duties. Profiles of each Board member are provided on pages 40 and 41.

The five Non-Executive Directors, Alan Peterson, Neil Sachdev, Amanda Burton, Douglas Robertson and Thomas Sweet-Escott, represent a majority of Board members and provide a broad range of skills and experience.

The two Executive Directors, John Gill and Steve Trowbridge, bring a variety of sector experience to the Board. Two further Executive Directors, Chris Davies and Fiona Perrin, stood down from their roles during the year.

Neil Sachdev, Amanda Burton and Douglas Robertson are considered independent. Together they form both the Audit, and the Remuneration committees of the Board. The Market Disclosure, Remuneration and Audit Committees are chaired by Independent Non-Executive Directors, Neil Sachdev, Amanda Burton and Douglas Robertson respectively.

Appointments to the Board

Any future appointments to the Board will be made by the Nomination Committee, which is composed exclusively of Non-Executive Directors, the majority of which are considered independent. The Nomination Committee is chaired by the chairman of the Board, Alan Peterson other than at such time when the Nomination Committee is dealing with the appointment of a successor to the Chairman.

Overview of Board's work during 2015

The Board met 11 times during 2015.

Regular agenda items for the Board included, and will include in 2016:

- operating and financial performance;
- health and safety;
- risk and the risk register;
- setting and approving strategy;
- major capital expenditure; and
- evaluation of acquisition opportunities.

Ad hoc and specific items reviewed by the Board during the year included, and will include in 2016:

- the Annual Report and Accounts;
- the Interim (half-year) Report and Accounts;
- the quarterly reporting required under the reporting requirements of the Notes together with any associated trading updates;
- RNS releases relating to Directorate changes;
- approval of annual budget; and
- approval of acquisitions.

The Board delegates authority to the following committees:

- Audit Committee;
- Remuneration Committee;
- Nomination Committee; and
- Market Disclosure Committee.

Board evaluation

Board, Committee and senior management evaluations have been carried out as detailed on page 39.

Corporate Governance
Continued

Board training
During the year, all Independent Non-Executive Directors were given an induction programme, covering their statutory and regulatory duties and responsibilities as Directors, as well as an extensive grounding in the business itself. The business-related training involved meetings and discussion with corporate functions such as Finance, Marketing and Procurement, as well as customer-facing functions including HSS OneCall, Key Accounts and Customer Care. Non-Executive Directors were also given extensive site visits to various types and sizes of distribution centres and branches, to better understand the day-to-day operations of the business and the issues facing it.

The Executive Directors also took part in the Blackwood Evaluation (see page 50) which assisted in the assessment and identification of an individual's existing strengths and development/coaching requirements.

Access to information and support
The Board are provided with an agenda and supporting papers and documentation ahead of Board and/or Committee meetings to give them the time to read, review and consider the information presented. The Board also have access to the Company Secretary and can request independent advice at the Company's expense where appropriate. Senior executive management are also frequently present at Board meetings as deemed appropriate, and the Board can access such colleagues at any time.

Accountability

Financial and business reporting
The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations, and as set out in the Directors' Responsibility Statement (see page 72), the Board considers that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess HSS' position and performance, business model and strategy.

Risk management and Internal Control
The Board has overall responsibility for determining the nature and extent of the principal risk it is willing to take to achieve its strategic objectives and for establishing and maintaining a sound system of risk management and internal control, and for reviewing its effectiveness.

The principal risks and uncertainties facing the Company and how these are being managed/mitigated are detailed on pages 28 to 31.

The Group's risk management and internal control system is designed to manage, rather than eliminate, the risks facing the Group and safeguard its assets. No system of internal control can provide absolute assurance against material misstatement or loss. The Group's system is designed to provide the Directors with reasonable assurance that issues are identified on a timely basis and are dealt with appropriately.

The Audit Committee (whose make up, remit and report are set out on pages 48 and 49) assists the Board in reviewing the effectiveness of the Group's risk system of internal control, including financial, operational and compliance controls and risk management systems. This is carried out with the assistance of the CFO and the Risk and Assurance Director in an annual review, which is supported by the findings of specific projects/investigations completed by the internal audit team during the financial year.

Whistleblowing
The company has for several years had a formal whistleblowing process, whereby any colleague may contact certain nominated members of senior management (Group General Counsel, Executive Branch Director and Marketing Director) to raise any concerns they may have in complete anonymity. These concerns will then be investigated independently and the results shared with the whistleblower for further discussion if necessary. This process is communicated to all colleagues annually to their home addresses, and details are also available on the group intranet, HSS World.

Going concern and long-term viability statement
Note 1(g) of the Financial Statements sets out the basis on which the Directors continue to adopt the going concern basis in preparing the Annual Report and Accounts.

In summary, taking into account the adequacy of the Group's debt facilities, current and future developments and the principal risks and uncertainties (see page 28), and after 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 the Financial Statements included within this Annual Report.

In accordance with provision C.2.2 of the UK Corporate Governance Code 2014, the Directors have assessed the viability of the Group over a three-year period, taking into account the Group's current position, strategic plans, and the potential impact of the principal risks and uncertainties documented on pages 28 to 31. Based on this assessment, and all other matters considered and reviewed at Board level during the year the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 29 December 2018.

Whilst the Directors have no reason to believe the Group is not viable over a longer period they have determined that three years is the appropriate time over which to provide the viability statement because:

- it reflects a period over which the Directors can have a reasonable view of the future in the context of the market environment in which the Group operates; and
- it is consistent with the time covered by the Group's current strategic plans and model.

The Group's annual budgeting and forecasting process involves the preparation of an annual budget, and a rolling three year strategic model that also includes planned strategic actions and other specific assumptions regarding revenue growth, cost trends and capital expenditure across the Group.

Where appropriate, sensitivity analysis is undertaken to test the resilience of the Group to various scenarios. Whilst all of the principal risks and uncertainties were considered, the following were considered in greater detail during the sensitivity analysis: macroeconomic conditions and competitor challenge, in addition to a changing cost profile.

The principal effects assessed, together with their impact on the Group's financial statements were therefore:

- Reductions in revenue growth rates (market or company specific);
- Increases in costs/rates of cost growth (excluding finance costs);
- Changes in capital expenditure requirements; and
- Changes in finance costs (LIBOR)

In addition to the mitigating factors identified on pages 28 to 31, the Board noted that: the Group has a diversified customer base; a history of winning new customers; expectations that no single customer will account for more than 5% of revenues; and that the top 20 customers are expected to account for only c.20% of revenues. Alongside this the Group has a continuous profile of lease expiries that allows a material portion of the portfolio to be exited in any one year and the Group's ability to match capital investment to customer demand acts to support cash generation.

With regards to sources of finance, the Board have no reason to believe the Group will not be able to re-finance the Group's existing £136m Senior Secured Notes and associated Revolving Credit Facility before they become repayable in 2019.

Statement on disclosure of information to the Auditor

The Directors who held office as at 6 April 2016 each confirm that:

a) so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and

b) he/she has taken all the steps that he ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Remuneration

The Remuneration and Audit Committees are composed exclusively of Independent Non-Executive Directors, able to judge and achieve an appropriate balance between incentivising executive directors and the potential impact on the Company's risk profile.

The Remuneration Committee (whose make-up, remit and report are set out on pages 52 to 68) sets the policy for and detail of executive remuneration. The full policy is described in full in the Remuneration Committee report on pages 52 to 68.

Both the chairman of the Remuneration Committee, Amanda Burton, and the Board's Deputy Chairman, Neil Sachdev have significant experience on the remuneration committees of other listed companies.

Relations with shareholders

Shareholder engagement

The Board is committed to communicating with shareholders and stakeholders in a clear and open manner, and seeks to ensure effective engagement through the Company's website, its regular public communications, the AGM and other investor relations activities.

In addition to its ongoing reporting obligations the Company undertakes a programme of meetings with existing and/or potential institutional investors and equity analysts, led by the Chief Executive Officer and Chief Financial Officer. These meetings, together with investor feedback collected via our brokers, enable us to assess analyst and investor sentiment and to obtain external insight on how our performance and growth strategy is perceived and interpreted. A summary report on investor interaction and feedback is then provided to each Board meeting to keep the wider Board informed.

During 2015 there have been a total of over 80 such meetings/presentations and three investor conferences were attended.

As well as such meetings and announcements, teleconference calls are held with institutional investors and analysts throughout the year; copies of relevant presentation materials are made available on the Company's website to the extent they differ from the latest publicly released results presentations.

The Non-Executive Directors are available for discussion with shareholders on matters under their areas of responsibility. They can be contacted at any time via the Company Secretary or directly at the AGM. All directors are expected to attend the AGM, providing shareholders with the opportunity to question them about issues relating to the Group, either during the meeting or informally afterwards.

The Company reports its financial results to shareholders twice a year, with the publication of its Annual and Half-Year Financial Reports. More limited trading updates are also provided to the market generally on a quarterly basis.

The Company also produces quarterly financial reports consolidated at the Hero Acquisitions Limited group level to meet the reporting obligations of the Notes issued in February 2014. The Notes are held within HSS Financing plc, a wholly owned direct subsidiary of Hero Acquisitions Limited, itself a wholly owned subsidiary of HSS Hire Group plc.

These quarterly reports are principally of use to noteholders as they provide information on the financial performance of the Notes' guarantor group rather than the Company. To aid shareholders' understanding of the difference between Hero Acquisitions Limited's and HSS Hire Group plc's results, the Company provides high level trading updates for HSS Hire Group plc on a quarterly basis.

All of the above mentioned reports are made available for download to noteholders and shareholders in the investor relations section of the Company's website, www.hsshiregroup.com/investor-relations.

Significant shareholders

Based on TR-1 notifications received the parties who hold 3% or more of the issued share capital of the Company as at 6 April 2016 are as follows:

Name	Number of ordinary shares of 1p	% holding
Exponent(1)	77,959,090	50.37%
Standard Life Capital Partners LLP	13,958,980	9.02%
Fidelity International Limited(2)	12,191,756	7.88%
Toscafund Asset Management LLP(3)	8,302,269	5.36%

Details of Directors' interests in the Company's ordinary share capital are provided in the Directors' Remuneration Report on pages 52 to 68.

Annual General Meeting

The Company's Annual General Meeting will be held at 1.30pm on 15 June 2016 at Haberdashers' Hall, 18 West Smithfield, London EC1A 9HQ. All shareholders are invited to the Company's AGM, at which they will have the opportunity to put questions to the Board. Details of the Resolutions proposed and being voted on are provided in the Notice of AGM provided to shareholders and available for download at the Group website, www.hsshiregroup.com.

Relations with other capital providers

The Board recognise the contribution made by other providers of capital to the growth and performance of the Group and welcome the views of such parties in relation to the Group's approach to corporate governance.

(1) Comprises shareholdings held by Exponent Private Equity Partners GP Ltd (UK) and Exponent Havana Co-Invest Partners (UK).

(2) Comprises shareholdings held by the Fidelity Special Situations fund, the Fidelity UK Smaller Companies fund, the Fidelity Special Values fund and the Fidelity Index UK fund.

(3) Comprises shareholdings held by the Tosca Mid-Cap fund, the Tosca Opportunity fund and the Pegasus fund.

Audit Committee Report

The Committee has satisfied itself that the Annual Report is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy.

Douglas Robertson
Committee Chairman

Dear shareholder

On behalf of the Audit Committee ('the Committee'), I am pleased to present our report for the 2015 financial year.

The Committee has reviewed the contents of the 2015 Annual Report and Accounts and advised the Board that it considers the report to be fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy.

Activities

The Committee met five times in 2015. All members attended these meetings.

Its main activities during 2015 included, and will include in 2016:

- adopting its terms of reference;
- planning agenda items and work schedule for the year;
- approving external auditors and audit plan;
- reviewing accounting policies;
- reviewing internal control systems;
- considering risk management systems; and
- reviewing the risk register.

External financial reporting

The Committee is responsible for monitoring and reviewing the financial statements and reviewing compliance with legal, regulatory and statutory requirements, giving due consideration to the provisions of the Combined Code.

The Committee reviewed the annual and interim financial statements and trading updates released during the year with particular focus on the following significant areas:

- carrying value of goodwill and intangible assets;
- hire stock existence and valuation;
- onerous leases;
- acquisition accounting; and
- revenue recognition – cut off and sales rebates.

These areas are identified as significant due to their complexity, size, level of judgement required and/or potential impact on the financial statements and our strategy.

An overview of each of these areas is set out below:

Carrying value of goodwill and intangible assets

The carrying value of goodwill and intangibles was reviewed at the year end. A consistent methodology is applied to each of the individual cash generating units, taking account of market outlook, risk-adjusted discounted future cash flows, sensitivities and other factors which may have a bearing on impairment considerations. As a result of this work the Committee has concluded that no impairment provisions are required.

Hire stock existence and valuation

Rental income earned on materials and equipment held for hire which is owned by the Group ('hire stock') is a large component of the Group's revenues. As such the existence of hire stock is important to the ongoing ability of the Group to generate revenue from its assets. Certain of the Group's funding arrangements are also linked to specific assets or asset classes. The Committee has therefore given careful consideration to the controls in place to verify the physical existence and appropriate valuation of hire stock together with the processes for verifying the reliability of the accounting systems and records, and have concluded that appropriate systems are in place.

Onerous leases
The Committee reviewed with Management the basis of property related provisions for properties that the Group no longer utilises ('dark stores'), including the estimates and judgements applied by management in assessing the existence and level of provision. The Committee assesses that the approach adopted is reasonable.

Acquisition accounting
In May 2015 the Group acquired All Seasons Hire Limited. In the Group's Interim Results, the entire value relating to intangible assets in respect of All Seasons Hire Limited was provisionally allocated to goodwill. An independent valuation of the brand and customer relationships was completed in October 2015, consideration of which resulted in a reclassification of a portion of goodwill into customer relationships and brand. The Committee assesses that this approach ensured the year-end accounts reflect an appropriate split of intangible assets in relation to the All Seasons Hire Limited acquisition.

Revenue recognition – cut-off and revenue related rebates
The Committee examined the procedures and controls in place to ensure that the reporting and recognition of revenue, especially for open hires over the year end, and also the recognition of any revenue related rebate accruals is appropriate.

In addition to the above areas the Committee reviewed the costs that were identified as exceptional, and considered the principles of merger accounting as adopted in the financial statements. For both, they concluded that the approach adopted was appropriate for the 2015 accounts.

External auditor
The Committee oversees the Group's relationship with the external auditor and formally reviews the relationship, policies and procedures to ensure their independence. The Group's external auditor, BDO, also reports to the Committee on the steps it has taken to safeguard its independence and to comply with relevant professional and regulatory requirements.

BDO have been auditors to the Group for over 10 years, with the lead audit partner being rotated on a regular basis. The last tender for the audit occurred in 2005. The Board considers that the independence of BDO, as auditors has not been, nor is likely to be compromised.

During the year the Committee reviewed and agreed the scope of BDO's work, their audit fees and terms of engagement for the half year interim results review and full year FY15 audit. The fees for audit services paid to BDO are set out in note 6 of the financial statements.

The Committee also assessed the effectiveness of the external audit process during the year. This assessment was based on the Committee's interaction with the External Auditor at Committee meetings and through feedback from the Group Finance team. As a result of this exercise, the Committee has satisfied itself that BDO continue to provide an effective audit service to the Company and its subsidiaries and the Committee has made a recommendation to the Board that a resolution for the re-appointment of BDO be proposed at the AGM.

Non-audit work and independence
The Audit Committee has formalised its policy for non-audit services provided by the Group's external auditors. This policy is designed to ensure that if and when the Group's external auditors are engaged to provide non-audit services the provision of those services does not impair nor can it be to seen to impair the Group auditor's independence and objectivity. The policy identifies Permitted Engagements, Excluded Engagements and Potential Engagements and can be viewed on the Group's website at www.hsshiregroup.com/investor-relations/corporate-governance.

In 2015, BDO carried out a small amount of due diligence reporting in respect of potential and completed acquisitions. The fees for this non-audit service are set out in note 6 of the financial statements.

The Committee does not consider that this work has compromised the independence of the auditors by virtue of the safeguards implemented by and agreed with BDO. These safeguards principally consisted of the use of a separate team of specialists to deliver the non-audit service.

Risk management and internal controls
An overview of the Company's approach to risk, risk management and internal controls, together with a summary of the principal risks involved in the business, can be found on pages 28 to 31.

During 2015, the Committee reviewed the overall risk management and internal control framework, including the Board's appetite for risk, the work and role of the internal audit team and the underlying process for capturing and reporting risk and control data. A risk management and internal control overview document was produced by relevant senior personnel within the head office functions, including the CFO, Risk and Assurance Director and Company Secretary to assist the Committee in their assessment.

As a result of this review the Committee has satisfied itself that the Group has an appropriate risk management and internal control framework in place. This has ensured that the Group has made the transition to the public company regulatory environment as smoothly as possible. This work will be ongoing in 2016.

Whistleblowing
The Committee believes that appropriate arrangements and policies are in place to facilitate the proportionate and independent investigation of, and implementation of appropriate follow-up action in relation to confidential concerns raised by staff via the whistleblowing process (see page 46).

Meeting schedule
The Committee meets as often as is deemed necessary, but at least three times a year at appropriate times in the financial reporting and audit cycle. It normally invites the external auditor, Chief Financial Officer and Risk and Assurance Director to attend each meeting. Other members of the senior management team attend as invited.

Roles and responsibilities
The Committee has responsibility for overseeing the financial reporting and internal financial and risk management controls of the Group, as well as maintaining an appropriate relationship with the external auditor of the Group and reporting its findings and recommendations to the Board.

The Committee's full terms of reference can be found on the Company's website at www.hsshiregroup.com/investor-relations/corporate-governance. A summary of its key responsibilities include:

- receiving and reviewing the Annual Report and Accounts and half yearly financial statements and all related public financial announcements and advising the Board on whether the Annual Report and Accounts are fair, balanced and understandable;
- receiving and reviewing reports from the external auditor, monitoring their effectiveness and independence and approving their appointment and their terms of engagement;
- monitoring the effectiveness of the Group's risk management system;
- reviewing the effectiveness of the Group's system of internal financial controls and internal control and compliance systems, and advising the Board as appropriate;
- overseeing the Group's procedures for detecting fraud and whistleblowing arrangements

Douglas Robertson
Committee Chairman

6 April 2016

Nomination Committee Report

Following the completion of our first Board evaluation, the Committee considers there to be an appropriate balance of skills, experience and knowledge on the Board.

Alan Peterson
Committee Chairman

Dear shareholder

On behalf of the Nomination Committee ('the Committee'), I am pleased to present our report for the 2015 financial year.

Our approach

The Committee's primary purpose is to ensure that the Group has the best possible leadership and a clear plan for both executive and Non-Executive Director succession. Its primary focus is therefore to concentrate upon the strength of the Board and the selection of the best candidates for posts, based on objective criteria and with due regard for the benefits of diversity.

Policy on diversity

In performing its activities through the year the Committee has applied the Group's equality and diversity policy, which it believes is appropriate for application at all levels of the business, including Board and senior management appointments and/or succession planning. Further detail on the Group's equality and diversity policy is provided on page 69.

Activities

The Nomination Committee met twice in 2015 and has met once in 2016. A meeting was held in September 2015 to consider the appointment of John Gill as Chief Executive Officer, following Chris Davies' standing down from the role. Further meetings were held in December 2015 and January 2016 to consider and finalise the Board evaluation in respect of 2015.

There were two elements to the Board evaluation:

1) The 'Internal Evaluation'
A questionnaire addressing the key requirements of the Combined Code and relating to the Board and each of the the four sub-committees of the Board (the 'Committees') was circulated to Board members and completed by each of them.

This questionnaire provided an opportunity for all Directors to provide feedback on the Chairman, for Executive Directors to provide feedback on the Non-Executive Directors and vice versa, and also for all Directors to provide feedback on the function of the Committees.

2) The 'Blackwood Evaluation'
In addition, a process for the evaluation of certain Executive Directors and senior management was commissioned during 2015 with the assistance of Blackwood Recruitment LLP. A separate team from Blackwood Recruitment LLP, alongside other established recruitment companies has also provided executive search services to the Group within the year.

The findings of both the Internal Evaluation and the Blackwood Evaluation were discussed by the Committee and also the Board, with the Committee determining any required actions resulting from either evaluation.

The Internal Evaluation showed there to be an appropriate balance of skills, experience, independence and knowledge on the Board. The Committees were assessed to be functioning well and their terms of reference were considered to be appropriate. The contributions from the Non-Executive Directors were valued by the Executive Directors and further opportunities for drawing on the experiences of the Non-Executive Directors for the benefit of the Executive Directors and the Group were discussed.

In addition to evaluation at Board level, the Committee, assisted by the findings of the Blackwood Evaluation, focused on identifying talented individuals for promotion or moving into key management roles across the Group in order to complement their particular skill sets and to encourage the continued development of such individuals. Accordingly, the Committee has made certain recommendations to the Board with regard to changes in the operational management structure of the Group and related succession planning, all of which it is intended will be implemented through 2016.

Meeting schedule

The Committee will meet as often as is deemed necessary but in any event at least two times a year.

Roles and responsibilities

The Committee's full terms of reference can be found on the Company's website at www.hsshiregroup.com/investor-relations/corporate-governance. A summary of its key responsibilities include overseeing:

- Board and senior management appointments;
- Board composition, including the balance of executive and Non-Executive Directors;
- succession planning;
- job specifications, searches and evaluation of candidates for Board and senior management appointments; and
- Board evaluation.

Alan Peterson
Committee Chairman

6 April 2016

Market Disclosure Committee Report

All decisions that could have been referred to the Committee were discussed at full Board meetings during the year.

Neil Sachdev
Committee Chairman

Dear shareholder

On behalf of the Market Disclosure Committee ('the Committee'), I am pleased to present our report for the 2015 financial year.

Activities

The Committee did not meet in 2015. All decisions that could have been referred to the Committee were discussed at full Board meetings.

Meeting schedule

The Committee will meet as often as is deemed necessary. The membership of the Committee is flexible in order to facilitate speed of action in the event of market sensitive information arising at short notice.

Roles and responsibilities

The Committee's full terms of reference can be found on the Company's website at www.hsshiregroup.com/investor-relations/corporate-governance. A summary of its key responsibilities include:

- ensuring that the Company complies with its disclosure requirements under the Disclosure and Transparency Rules; and
- considering certain information and deciding whether such information is insider information and whether it gives rise to an obligation to make an announcement.

Neil Sachdev
Committee Chairman

6 April 2016

Directors' Remuneration Report

We have refined our remuneration policies through the course of the year to align Director remuneration with developing best practice and to incentivise and reward the right behaviours to support the overall strategy of the Group.

Amanda Burton
Committee Chairman

Dear shareholder

I am pleased to present, on behalf of the Board, our Directors' Remuneration Report in respect of the year ended 26 December 2015.

This is our first Directors' Remuneration Report for a financial year ending after Admission to the London Stock Exchange on 9 February 2015 and, in accordance with the applicable regulations, is presented in two sections:

- the **Directors' Remuneration Policy**: (see page 54) this sets out our forward-looking remuneration policy for Directors; and
- the **Annual Report on Remuneration**: (see page 63) this provides details of the remuneration earned by Directors in the year ended December 2015 and how we intend to apply the Directors' Remuneration Policy in FY16.

At the 2016 AGM, the Directors' Remuneration Policy will be subject to a binding vote and the Annual Report on Remuneration will be subject to an advisory vote.

How we link executive remuneration to our strategy

In anticipation of Admission, the Remuneration Committee (the 'Committee') undertook a review of its remuneration policy for Directors in order to ensure that it is appropriate for a listed company. During the course of the year, the Committee has further developed the policy to take account of developing best practice.

We take a disciplined approach to executive remuneration, ensuring that we incentivise and reward the right behaviours to support the overall strategy of the Group. Our executive remuneration arrangements are designed to support the Company's three strategic priorities. In the summary below, we have highlighted how certain elements of the remuneration policy are related to the strategic enablers which underpin those strategic priorities.

Annual Bonus	**Focus on profitability and growth:** The principal performance measure for the annual bonus is EBITA, reflecting our focus on profitability and growth. **Ensure safe, sustainable working environments for colleagues and customers:** We include a Health and Safety measure in the strategic objectives for the annual bonus, reflecting that this is a key market differentiator for our customers. **Deliver value and quality to our customers:** The annual bonus takes account of our customers by the use of NPS as a performance measure **Invest in our colleagues:** Development of the team is used as a strategic measure in the annual bonus.
Deferred Bonus Plan	**Focus on profitability and growth:** The deferral of any bonus over 50% of the maximum strengthens alignment between executive reward and the longer term profitability and growth of the business.
LTIP	**Focus on profitability and growth:** The Adjusted EPS element of the LTIP awards captures long-term earnings growth and the delivery of value to shareholders over the longer term. **Drive availability and operational efficiency:** The use of ROCE reflects the focus on operational and capital efficiency
All employee share plan	**Invest in our colleagues:** We adopted an all employee SAYE scheme at IPO to enable the wider workforce to share in value created and strengthen a team ethos. As referenced in our Prospectus, the Board intended to grant the first awards in 2015. However, after careful consideration of the Company's performance during the first half of 2015, the Board decided to postpone the launch of the scheme. The scheme remains ready to launch, and the Board continues to appraise the appropriate time to do so.

Our policy on executive remuneration is designed to promote the long-term success of the Company, in line with our focus on profitability and growth. The policy aligns the interests of shareholders and executives by the use of shareholding guidelines. Alignment is further enhanced by the deferral of part of the bonus under the Deferred Bonus Plan and the two year holding period applied to the LTIP.

FY15 performance and annual bonus outcome

The Group's performance in FY15 is summarised on pages 22 to 27. We delivered revenue growth ahead of the marketplace, whilst continuing to invest in the business and make good progress against our strategic plan, however, the year was challenging and, in many ways, disappointing. The challenging nature of FY15 meant that although we increased revenue, the EBITA targets for the FY15 annual bonus were not achieved and no amount was earned in relation to this part of the bonus. Following a robust assessment by the Committee of the strategic and personal objectives relating to the balance of the annual bonus (10% of the overall opportunity), the Committee determined that bonuses would be earned of c.7% of salary; further detail in relation to the performance achieved and the associated bonuses earned is set out on pages 63 to 68.

The Company's first long-term incentive awards will be those granted in respect of FY16, as referred to below. Accordingly, there are no long-term incentive outcomes to report in relation to FY15.

Reward for FY16

FY16 will see the first year of full operation of our Directors' Remuneration Policy. The policy is subject to a binding shareholder vote at the 2016 AGM and, subject to approval by shareholders, will become effective from that date (although in practice we have applied it from the start of FY16 and throughout FY15).

Executive Director salaries

In line with the salary review timetable for all other employees, the Executive Directors' base salaries will be reviewed during June 2016, with any changes taking effect from 1 July 2016. Any increase is expected to be modest and in line with the range of salary increases awarded to other employees in the Group.

Annual bonus

The overall bonus opportunity will remain at 100% of salary, with performance measures split between EBITA and personal/strategic measures. We have, however, re-balanced the weighting of the performance metrics from 90:10 to 85:15, EBITA to personal/strategic measures. This re-balancing recognises that 15% is a more meaningful mechanism to reflect the lead indicators which will result in improved business performance in the future.

While the EBITA targets are not disclosed for commercial confidentiality reasons, we will disclose them in full in the 2016 Directors' Remuneration Report ('DRR') when we report the performance outturn for 2016. The targets have been set by reference to the 2016 budget and require outperformance of the budget for the maximum EBITA element of the bonus to be earned, reflecting our focus on profitability and growth. The personal and strategic measures are similarly confidential, but tie directly into the Company's strategy and support the strategic enablers which underpin the achievement of our strategic priorities. We will report in the 2016 DRR on how we performed against those measures and how any bonus earned for 2016 by reference to them reflects 2016's performance.

LTIP

In 2016 we propose to make the first awards under the LTIP that we adopted at the time of the IPO. The usual maximum LTIP award opportunity for Executive Directors is 125% of salary. However, taking into account the current share price, 2016 awards will be at the level of 100% of salary (with smaller awards for below board participants). It is the Remuneration Committee's intention to grant the usual maximum opportunity of 125% of salary in 2017, but this will be assessed at the time. Awards will vest subject to performance over a three-year period ending with 2018. The performance conditions will be based on Adjusted EPS (as regards 75% of the award) and ROCE (as regards 25% of the award). The performance targets are set out on page 67.

Reflecting developments in best practice since the IPO, we have amended the LTIP to include a two-year holding period following the end of the performance period, demonstrating our commitment to shareholders and strong governance.

I hope that you will agree that our proposals reflect a sensible and disciplined approach to executive remuneration and that you will support the resolutions to be proposed at the 2016 AGM in relation to the Directors' Remuneration Report.

Amanda Burton
Chairman of the Remuneration Committee

6 April 2016

At a glance summary: Executive Directors' remuneration
Shareholder approval will be sought for the Directors' Remuneration Policy at the 2016 AGM (see page 39).
FY15 annual bonuses earned of approximately 7% of salary based on achievement of strategic and personal objectives (see pages 64 and 65).
No change in maximum bonus opportunity for FY16. Bonus will be based on EBITA (85%) and strategic and personal objectives (15%) (see page 53).
Salaries for FY16 will be considered in June at the same time as for the wider workforce. Any increase will be in line with the range of increases awarded to other employees.
FY16 will see the first operation of the LTIP with awards vesting based on Adjusted EPS and ROCE targets (see page 67).
Reflecting best practice developments, a two year holding period has been added to the LTIP following the performance period (see page 56).

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Directors' Remuneration Report Continued

Directors' Remuneration Policy

Key principles

HSS Hire's remuneration package for Executive Directors has been designed based on the following key principles:

– to promote the long-term success of the Company, with transparent and stretching performance conditions, which are rigorously applied;

– to provide appropriate alignment between the Company's strategic goals, shareholder returns and executive reward; and

– to have a competitive mix of base salary and short and long-term incentives, with an appropriate proportion of the package determined by stretching targets linked to the Company's performance.

Policy table for Executive Directors

Component	Purpose and link to strategy	Operation
Base salary	To provide a competitive base salary for the market in which the Group operates to attract and retain Executives of a suitable calibre.	Salaries are usually reviewed annually taking into account: → underlying Group performance; → role, experience and individual performance; → competitive salary levels and market forces; and → pay and conditions elsewhere in the Group.
Benefits	To provide broadly market competitive benefits as part of the total remuneration package.	Executive Directors receive benefits in line with market practice, and these include life insurance, private medical insurance, company car or car allowance and, where relevant, relocation expenses. Other benefits may be provided based on individual circumstances. These may include, for example, travel expenses.
Retirement benefits	To provide an appropriate level of retirement benefit (or cash allowance equivalent).	Executive Directors are eligible to participate in the Group defined contribution pension plan. In appropriate circumstances, such as where contributions exceed the annual or lifetime allowance, Executive Directors may be permitted to take a cash supplement instead of contributions to a pension plan.
Sharesave Scheme	To create alignment with the Group and promote a sense of ownership.	Executive Directors are entitled to participate in a tax-qualifying all employee Sharesave Scheme under which they may make monthly savings contributions over a period of three or five years linked to the grant of an option over the Company's shares with an option price which can be at a discount of up to 20% of the market value of shares at grant.
Annual bonus	Rewards performance against targets which support the strategic direction of the Group.	Awards are based on performance (typically measured over a year) against key financial targets and/or the delivery of strategic/individual objectives. Pay-out levels are determined by the Committee after the year end based on performance against those targets. The Committee has discretion to amend the pay-out should any formulaic output not reflect the Committee's assessment of overall business performance. For up to two years following the payment of a bonus award, clawback provisions will apply such that the Committee may require the repayment of some or all of the award in the circumstances set out at the foot of this table.

Maximum opportunity	Performance measures
While there is no maximum salary, increases will normally be in line with the range of salary increases awarded (in percentage of salary terms) to other employees in the Group. Salary increases above this level may be awarded to take account of individual circumstances, such as, but not limited to: → where an Executive Director has been promoted or has had a change in scope or responsibility; → an individual's development or performance in role (e.g. to align a newly appointed Executive Director's salary with the market over time); → where there has been a change in market practice; or → where there has been a change in the size and/or complexity of the business. Increases may be implemented over such time period as the Committee deems appropriate.	Not applicable.
Whilst the Committee has not set an absolute maximum on the level of benefits Executive Directors may receive, the value of benefits is set at a level which the Committee considers to be appropriately positioned taking into account relevant market levels based on the nature and location of the role and individual circumstances.	Not applicable.
The contribution levels for the year 2016 are set at 10% of salary. Contributions of up to 15% of base salary may be made to take account of a change in the scope of the role, increase in responsibility and/or a change in the size and/or complexity of the business. Executive Directors may be permitted to take a cash supplement instead of contributions to a pension plan to the same level.	Not applicable.
Participation limits are those set by the tax authorities from time to time.	Not applicable.
Maximum annual bonus opportunity is 100% of base salary.	Targets are set annually reflecting the Company's strategy and aligned with key financial, strategic and/or individual targets. At least 80% of the annual bonus is assessed against key financial performance metrics of the business and the balance may be based on non-financial strategic/personal objectives. **Financial metrics** There is no minimum payment at threshold performance. Up to 50% of the maximum potential for this element of the bonus will be paid for on-target performance and all of the maximum potential will be paid for maximum performance. **Non-financial strategic or individual metrics** Vesting of the non-financial strategic or individual metrics will apply on a scale between 0% and 100% based on the Committee's assessment of the extent to which a non-financial performance metric has been met.

Directors' Remuneration Report Continued

Policy table for Executive Directors		
Component	Purpose and link to strategy	Operation
Deferred bonus plan ('DBP')	Provides a retention element through share ownership and direct alignment with shareholders' interests.	Executive Directors are required to defer any annual bonus award earned in excess of 50% of the maximum award into shares over a two-year period. The Committee may decide to pay the whole of the bonus earned in cash where the amount to be deferred would, in the opinion of the Committee, be so small as to make operation of the DBP administratively burdensome. Deferred shares will typically take the form of a nil-cost share options but may be structured as an alternative form of share award. Executive Directors may also be offered the opportunity to defer voluntarily up to 100% of any annual bonus award earned into shares over a two-year period. Awards under the DBP may be granted on the basis that the number of shares shall be increased to reflect dividends paid over the vesting period, or the Committee may make a cash payment equal to those dividends on release of the shares. The vesting of the deferred shares is not subject to the satisfaction of any performance conditions. However, the Committee has the right to apply malus provisions to reduce, cancel or impose further conditions on unvested or unexercised awards in (but not limited to) the circumstances set out at the foot of this table.
Long Term Incentive Plan ('LTIP')	To incentivise Executive Directors, and to deliver genuine performance-related pay, with a clear line of sight for executives and direct alignment with shareholders' interests.	The first LTIP awards will be granted in 2016. Awards will be in the form of nil-cost share options, conditional shares or other such form as has the same economic effect. Awards will be granted with vesting dependent on the achievement of performance conditions set by the Committee, normally over at least a three-year performance period. Awards will usually be subject to a two-year holding period following the end of the performance period, and shares will typically not be released to participants until the end of any such holding period. Awards may be settled in cash (or granted as a right to a cash amount) at the election of the Committee. Awards under the LTIP may be granted on the basis that the number of shares shall be increased to reflect dividends paid over the period to release, or the Committee may make a cash payment equal to those dividends on release of the shares. The Committee may at its discretion structure awards as Qualifying LTIP awards comprising both an HMRC tax-qualifying option and an LTIP award, with the vesting of the LTIP award scaled back to take account of any gain made on exercise of the tax-qualifying option. The Committee has the right to apply malus provisions to reduce, cancel or impose further conditions on unvested awards in (but not limited to) the circumstances set out at the foot of this table. For up to two years following the vesting of a LTIP award, clawback provisions will apply such that the Committee may cancel an award that has not been released (e.g. an award which is subject to a holding period) or which has not been exercised, or require the repayment of some or all of the award in the circumstances set out at the foot of this table.

Maximum opportunity	Performance measures
Ordinarily, any bonus earned in excess of 50% of the maximum award is mandatorily deferred, subject to the discretion of the Committee as referred to in the 'Operation' column. At the discretion of the Committee, up to 100% of any bonus earned may be deferred.	Not applicable. Deferred shares are not subject to any additional performance metrics after the application of the performance metrics which determines the amount of annual bonus award earned.
The normal maximum award is 125% of salary in respect of a financial year. The normal maximum award limit will only be exceeded in exceptional circumstances involving the recruitment or retention of an Executive Director and is subject to an overall limit of 250% of salary in respect of a financial year. Where an award is structured as a Qualifying LTIP award, the shares subject to the tax-qualifying option part of the award are not taken into account for the purposes of this limit, reflecting the 'scale back' referred to in the 'Operation' column.	Performance measures are selected that reflect underlying business performance. Performance metrics and their weighting where there is more than one metric are reviewed annually to maintain appropriateness and relevance. Awards will vest between 25% and 100% for performance between 'threshold' performance (the minimum level of performance that results in any level of vesting) and 'maximum' performance.

Directors' Remuneration Report Continued

Circumstances in which malus and/or clawback may apply

- a material misstatement of the Group's financial results;
- an error in the information or assumptions on which the award was granted or vests including an error in assessing any applicable performance conditions;
- a material failure of risk management by the Group;
- serious reputational damage to the Group; or
- material misconduct on the part of the participant.

Malus and clawback may be applied in respect of any tax qualifying option part of a Qualifying LTIP award to the extent permitted in accordance with the applicable legislation and HMRC practice.

Policy table for Non-Executive Directors

Purpose and link to strategy	Approach of the Company
Non-Executive Directors' fees are set at a level that reflects market conditions and is sufficient to attract individuals with appropriate knowledge and experience.	Fees are normally reviewed annually. Fees paid to Non-Executive Directors for their services are approved by the Board. Fees may include a basic fee and additional fees for further responsibilities (for example, chairmanship of board committees or holding the office of Senior Independent Director). Fees are based on the level of fees paid to Non-Executive Directors serving on the board of similar-sized UK listed companies and the time commitment and contribution expected for the role. Typically, any fee increase will be in line with the wider workforce. Fee increases may be awarded above this level in certain circumstances such as (but not limited to): → where there has been a change in market practice; → where there has been a change in the size and complexity of the Company; or → where there has been an increase in the Non-Executive Director's time commitment to the role. Overall fees paid to Non-Executive Directors will remain within the limits set by the Company's Articles of Association. Non-Executive Directors cannot participate in any of the Company's share schemes or annual bonus and are not eligible to join the Company's pension scheme. Non-Executive Directors may be eligible to receive benefits such as the use of secretarial support, travel costs or other benefits that may be appropriate.

Explanation of performance measures chosen

Performance measures are selected that are aligned with the performance of the Group and the interests of shareholders. Stretching performance targets are set each year for the annual bonus and LTIP awards. When setting these performance targets, the Committee will take into account a number of different reference points, which may include the Company's business plans and strategy and the economic environment. Full vesting will only occur for what the Committee considers to be stretching performance.

The annual bonus is based on a mix of financial and strategic/individual targets. The measures are based on the financial, operational and strategic priorities of the business and may vary year-on-year to reflect the strategic direction of the business. For 2016, 85% of the annual bonus award will be based on EBITA, a key financial measure recognised by all colleagues throughout the business and directly linked to our strategic enabler of focusing on profitability and growth. The strategic and individual targets recognise the lead indicators which are aligned to our three strategic priorities: optimising the network; winning new and deepening existing customer relationships; and continued development and growth of specialist businesses. The targets have been set by reference to the strategic enablers which underpin those priorities, including the use of a Health and Safety measure linked to our strategic enabler of ensuring safe and sustainable working environments.

Long-term performance measures provide a robust and transparent basis on which to measure the Company's performance over the longer term and provide further alignment with the business strategy. LTIP awards granted in 2016 will be based on earnings per share and ROCE. Adjusted EPS is currently the critical KPI for the Company, supporting our focus on profitability and growth. ROCE is aligned with our strategic focus on capital efficiency and the ongoing drive for operational efficiency.

The Committee retains the ability to adjust or set different performance measures or targets if events occur (such as a change in strategy, a material acquisition and/or a divestment of a Group business or a change in prevailing market conditions) which cause the Committee to determine that the measures are no longer appropriate and that amendment is required so that they achieve their original purpose.

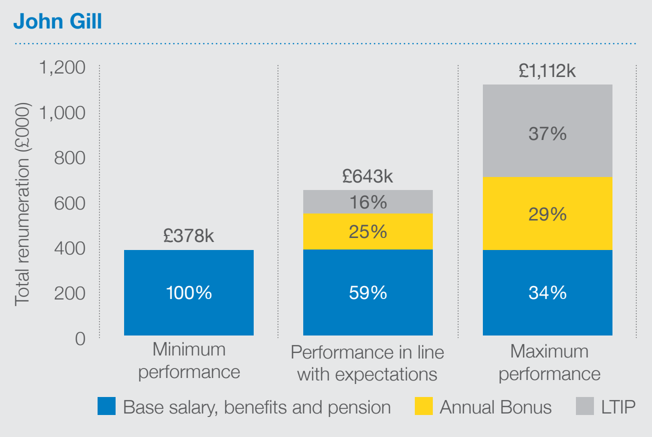
Awards and options may be adjusted in the event of a variation of share capital in accordance with the rules of the LTIP and DBP.

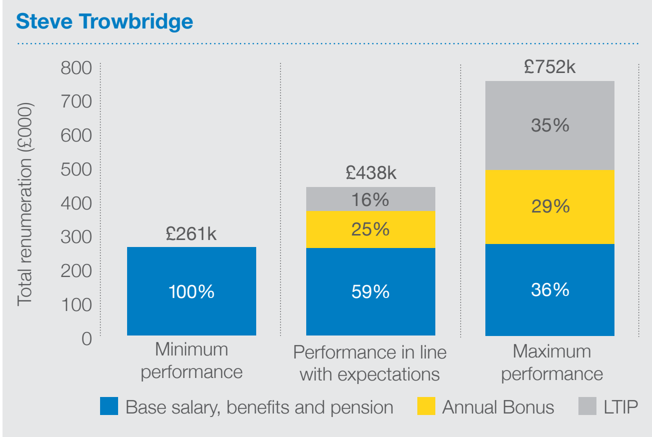
Policy for the remuneration of employees more generally

The Remuneration Policy applied to the Executive Directors is similar to the policy for the wider Group Management Team and senior functional colleagues in that a significant element of remuneration is dependent on Company and individual performance and all are working towards the same financial metrics under the annual bonus. The key principles of the remuneration philosophy are applied consistently across the Group below this level, taking into account seniority and market practice.

Illustrations of application of remuneration policy

The charts below set out for each Executive Director an illustration of the application for 2016 of the remuneration policy set out above. The charts show the split of remuneration between fixed pay, annual bonus (including any amount deferred under the DBP) and LTIP on the basis of minimum remuneration, remuneration receivable for performance in line with the Company's expectations and maximum remuneration (not allowing for any share price appreciation).





In illustrating the potential reward, the following assumptions have been made.

	Fixed pay	Annual bonus (including any amount deferred under the DBP)	LTIP
Minimum performance	Fixed elements of remuneration only – base salary (being the salary as at 26 December 2015), benefits as disclosed in the single figure table on page 63 for the year ended 26 December 2015) and pension.	No annual bonus award.	No LTIP vesting.
Performance in line with expectations		50% of salary awarded for achieving target performance.	25% of maximum award vesting (equivalent to 31.25% of salary) for achieving target performance.
Maximum performance		100% of salary awarded for achieving maximum performance.	100% of maximum award vesting (equivalent to 125% of salary) for achieving maximum performance.

Recruitment remuneration

The policy aims to facilitate the appointment of individuals of sufficient calibre to lead the business and execute the strategy effectively for the benefit of shareholders. When appointing a new Executive Director, the Committee seeks to ensure that arrangements are in the best interests of the Company and not to pay more than is appropriate.

The Committee will take into consideration a number of relevant factors, which may include the calibre of the individual, the candidate's existing remuneration package, and the specific circumstances of the individual including the jurisdiction from which the candidate was recruited.

When hiring a new Executive Director, the Committee will typically align the remuneration package with the above Policy. The Committee may include other elements of pay which it considers are appropriate, however, this discretion is capped and is subject to the principles and the limits referred to below.

- base salary will be set at a level appropriate to the role and the experience of the Executive Director being appointed. This may include agreement on future increases up to a market rate, in line with increased experience and/or responsibilities, subject to good performance, where it is considered appropriate.
- pension and benefits will be provided in line with the above Policy.
- the Committee will not offer non-performance related incentive payments.

Other elements may be included in the following circumstances:

- an interim appointment being made to fill an Executive Director role on a short-term basis.
- if exceptional circumstances require that the Chairman or a Non-Executive Director takes on an executive function on a short-term basis.
- if an Executive Director is recruited at a time in the year when it would be inappropriate to provide a bonus or long-term incentive award for that year as there would not be sufficient time to assess performance. Subject to the limit on variable remuneration set out below, the quantum in respect of the months employed during the year may be transferred to the subsequent year so that reward is provided on a fair and appropriate basis.
- if the Executive Director will be required to relocate in order to take up the position, it is the Company's policy to allow reasonable relocation, travel and subsistence payments. Any such payments will be at the discretion of the Committee.
- the Committee may also alter the performance measures, performance period and vesting period of the annual bonus, DBP or LTIP, if the Committee determines that the circumstances of the recruitment merit such alteration. The rationale will be clearly explained in the following Directors' Remuneration Report.
- the maximum level of variable remuneration which may be granted (excluding 'buyout' awards as referred to below) is 350% of salary.

Directors' Remuneration Report Continued

Any share awards referred to in this section will be granted as far as possible under the Company's existing share plans. If necessary, and subject to the limits referred to above, recruitment awards may be granted outside of these plans as permitted under the Listing Rules which allow for the grant of awards to facilitate, in unusual circumstances, the recruitment of an Executive Director.

The Committee may make payments or awards in respect of hiring an employee to 'buyout' remuneration arrangements forfeited on leaving a previous employer. In doing so the Committee will take account of relevant factors including any performance conditions attached to the forfeited arrangements and the time over which they would have vested. The Committee will generally seek to structure buyout awards or payments on a like-for-like basis to the remuneration arrangements forfeited. Any such payments or awards are limited to the expected value of the forfeited awards. Where considered appropriate, such special recruitment awards will be liable to forfeiture or 'malus' and/or 'clawback' on early departure.

Where a position is filled internally, any ongoing remuneration obligations or outstanding variable pay elements shall be allowed to continue according to the original terms.

Fees payable to a newly-appointed Chairman or Non-Executive Director will be in line with the fee policy in place at the time of appointment.

Service contracts

Executive Directors' service contracts are on a rolling basis and may be terminated on 12 months' notice by the Company or the Executive. Service contracts for new Executive Directors will generally be limited to 12 months' notice by the Company.

All Non-Executive Directors have initial fixed-term agreements with the Company of no more than three years.

Details of the Directors' service contracts and notice periods are set out below:

Name	Commencement	Notice period
J Gill	9 February 2015	12 months
S Trowbridge	9 February 2015	12 months
A Peterson	9 February 2015	N/A(1)
N Sachdev	9 February 2015	N/A(1)
A Burton	9 February 2015	N/A(1)
D Robertson	9 February 2015	N/A(1)
T Sweet-Escott	9 February 2015	N/A(2)

(1) Contracts expire 9 February 2018, subject to re-election at the AGM.

(2) Under the Relationship Agreement, Exponent is able to appoint a Non-Executive Director to the Board for so long as the Exponent Shareholders are entitled to exercise or to control the exercise of 10% or more of the votes able to be cast on all or substantially all matters at general meetings of the Company. The first such appointee is Mr. Sweet-Escott. This contract therefore expires on 9 February 2018, subject to re-election at the AGM, or, if earlier, at the point that the Exponent Shareholders are entitled to exercise or to control the exercise of less than 10% of the votes able to be cast.

Payments for loss of office

The principles on which the determination of payments for loss of office will be approached are set out below:

	Policy
Payment in lieu of notice	The Company has discretion to make a payment in lieu of notice. Such a payment would include base salary and compensation for benefits and pension contributions for the unexpired period of notice.
Annual bonus	This will be at the discretion of the Committee on an individual basis and the decision as to whether or not to award an annual bonus award in full or in part will be dependent on a number of factors, including the circumstances of the individual's departure and their contribution to the business during the annual bonus period in question. Any annual bonus award amounts paid will normally be pro-rated for time in service during the annual bonus period and will, subject to performance, be paid at the usual time (although the Committee retains discretion to pay the annual bonus award earlier in appropriate circumstances). Any bonus earned for the year of departure and, if relevant, for the prior year may be paid wholly in cash at the discretion of the Committee.
DBP	The extent to which any unvested award will vest will be determined in accordance with the rules of the DBP. Unvested awards will normally lapse on cessation of employment. However, if a participant leaves due to death, ill-health, injury, disability, the sale of his employer or any other reason at the discretion of the Committee, the Committee shall determine whether the award will vest at cessation or at the normal vesting date. In either case, the extent of vesting will be determined by the Committee, taking into account, unless the Committee determines otherwise, the period of time elapsed from the date of grant to the date of cessation relative to the deferral period. Awards may then be exercised during such period as the Committee determines. Awards (in the form of nil cost options) which have vested but remain unexercised at the date of cessation may be exercised if a participant leaves due to death, ill-health, injury, disability, the sale of his employer or any other reason at the discretion of the Committee. Awards may then be exercised for such period as the Committee determines.
LTIP	The extent to which any unvested award will vest will be determined in accordance with the rules of the LTIP. Unvested awards will normally lapse on cessation of employment. However, if a participant leaves due to death, ill-health, injury, disability, the sale of his employer or any other reason at the discretion of the Committee, the Committee shall determine whether the award will be released at cessation or on the normal release date or at some other time (such as following the end of the performance period). In any case, the extent of vesting will be determined by the Committee taking into account the extent to which the performance condition is satisfied and, unless the Committee determines otherwise, the period of time elapsed from the date of grant to the date of cessation relative to the performance period. Awards may then be exercised during such period as the Committee determines. If a participant leaves for any reason (other than summary dismissal) after an award has vested but before it has been released (i.e. during a 'holding period'), his award will ordinarily continue until the normal release date when it will be released to the extent it vested. The Committee retains discretion to release awards when the participant leaves. Awards (in the form of nil cost options) which have vested and been released but remain unexercised at the date of cessation may be exercised if a participant leaves due to death, ill-health, injury, disability, the sale of his employer or any other reason at the discretion of the Committee. Awards may then be exercised for such period as the Committee determines.
Change of control	The extent to which unvested awards under the DBP and LTIP will vest will be determined in accordance with the rules of the relevant plan. Awards under the DBP will vest in full in the event of a takeover, merger or other relevant corporate event. Awards under the LTIP will vest early on a takeover, merger or other relevant corporate event. The Committee will determine the level of vesting taking into account the extent to which the performance condition is satisfied and, unless the Committee determines otherwise, the period of time elapsed from the date of grant to the date of the relevant corporate event relative to the performance period. The Committee has discretion under the rules of the LTIP to vest awards on a different basis.
Mitigation	The Committee's practice is that if an Executive Director's employment is terminated any compensation payment will be calculated in accordance with normal legal principles including the application of mitigation to the extent appropriate to the circumstances of the termination. There is a mechanism within the service contracts to reduce termination payments by up to 50% where the Executive Director commences alternative employment during the notice period.
Other payments	Payments may be made either in the event of a loss of office or a change of control under the Sharesave Scheme, which is governed by its rules and the legislation relating to such tax-qualifying plans. There is no discretionary treatment for leavers or on a change of control under this scheme. In appropriate circumstances, payments may also be made in respect of accrued holiday, outplacement and legal fees.

Directors' Remuneration Report Continued

Where a buy-out award is made under the Listing Rules then the leaver provisions would be determined at the time of the award.

The Committee reserves the right to make additional exit payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement or compromise of any claim arising in connection with the termination of a Director's office or employment.

Where the Committee retains discretion it will be used to provide flexibility in certain situations, taking into account the particular circumstances of the Director's departure and performance.

There is no entitlement to any compensation in the event of Non-Executive Directors' fixed-term agreements not being renewed or the agreement terminating earlier.

Existing contractual arrangements

The Committee retains discretion to make any remuneration payment or payment for loss of office outside the policy in this report:

- where the terms of the payment were agreed before the policy came into effect;
- where the terms of the payment were agreed at a time when the relevant individual was not a Director of the Company, and, in the opinion of the Committee, the payment was not in consideration of the individual becoming a Director of the Company; and
- to satisfy contractual arrangements under legacy remuneration arrangements, including any arrangements in place prior to Admission.

For these purposes, 'payment' includes the satisfaction of awards of variable remuneration, and in relation to an award over shares the terms of the payment are agreed at the time the award is granted.

Consideration of employment conditions elsewhere in the Company

The Committee considers the general basic salary increase, remuneration arrangements and employment conditions for the broader employee population when determining remuneration policy for the Executive Directors. There is no consultation with employees on Director remuneration.

Shareholder views

The Committee is committed to an ongoing dialogue with shareholders and welcomes feedback on Executive and Non-Executive Directors' remuneration. The Committee will seek to engage directly with major shareholders and their representative bodies should any material changes be made to the Policy and has consulted with major shareholders in relation to the performance metrics proposed for the 2016 annual bonus and LTIP.

Shareholder guidelines

In order to further align the Executive Directors' long-term interests with those of shareholders, the Committee introduced share ownership guidelines with effect from Admission. The guidelines provide that the CEO and other Executive Directors are required to build up and maintain (as relevant) a shareholding in the Company equivalent in value to 200% and 125% of annual salary respectively. Any newly appointed CEO will be required to build up a shareholding in the Company equivalent in value to 125% of annual salary over a five-year period commencing from the date of their appointment and 200% of annual salary as soon as possible after that. Other appointments to the Board will be required to build up a shareholding in the Company equivalent in value to 125% of annual salary over a five-year period commencing from the date of their appointment.

Annual report on remuneration

Single figure table

The following table sets out total remuneration for each Director in respect of the year ending 26 December 2015. As HSS was a newly listed company during 2015, there is no disclosure in this report of prior year information.

		Salary and fees £'000	Benefits £'000	Annual bonus £'000	LTIP £'000	Pension £'000	Total remuneration £'000
Executive Directors							
Chris Davies(1)	2015	283	14	–	–	–	297
John Gill(2)	2015	289	20	21	–	29	359
Steve Trowbridge(3)	2015	214	100	16	–	21	351
Fiona Perrin(4)	2015	77	7	6	–	8	99
Non-Executive							
Alan Peterson	2015	139	–	–	–	–	139
Amanda Burton	2015	49	–	–	–	–	49
Douglas Robertson	2015	49	–	–	–	–	49
Neil Sachdev	2015	59	–	–	–	–	59
Thomas Sweet-Escott(5)	2015	40	–	–	–	–	40
Total (Executive and Non-Executive Directors)		**1,199**	**141**	**43**	**–**	**58**	**1,441**

(1) Chris Davies resigned as a Director on 25 September 2015. The figures in the table above reflect his remuneration earned from the start of 2015 until the date of his resignation as a Director. Information in relation to amounts earned following that date is set out on page 66.

(2) John Gill was appointed as CEO on 25 September 2015. His salary therefore reflects his role as both COO and CEO during the year.

(3) Steve Trowbridge's benefits figure includes a one-off payment equal to £78,645 in relation to the acquisition of Company shares prior to Admission.

(4) Fiona Perrin resigned as a Director on 15 May 2015. The figures in the table above reflect her remuneration earned from the start of 2015 until the date of her resignation as a Director. Information in relation to amounts earned following that date is set out on page 66.

(5) Thomas Sweet-Escott's fee is paid directly to Exponent.

The figures in the single figure tables above are derived from the following:

Salary and fees	The amount of salary/fees received in the year (up to the date of resignation as a Director in the case of Directors who left during the year).
Benefits	The taxable value of benefits received in the year (up to the date of resignation as a Director in the case of Directors who left during the year). These are principally medical insurance and company car or car allowance.
Annual bonus	The annual bonus is the cash value of the bonus earned in respect of the year up to the date of resignation as a Director in the case of Directors who left during the year. The bonus for the full financial year is disclosed below.
Pension	The pension figure represents the Company's contributions to the defined contribution scheme and any cash payment in lieu of pension contributions made in the year (up to the date of resignation as a Director in the case of Directors who left during the year).

Additional disclosures in respect of the single figure table

Base salary

Details of annual base salaries for Executive Directors for the year ended 26 December 2015 are set out below.

	Base salary at Admission £'000	Base salary at 26 December 2015 £'000
Executive Directors		
Chris Davies	383	–
John Gill	275	326
Steve Trowbridge	218	218
Fiona Perrin	208	–

John Gill was appointed as CEO on 25 September 2015 and his base salary was increased to £326,000 with immediate effect.

Directors' Remuneration Report Continued

Annual bonus and Deferred Bonus Plan

For the financial year ended 26 December 2015, the Executive Directors were awarded a maximum bonus opportunity equal to 100% of base salary. 90% of the bonus was assessed against the EBITA and 10% was based on strategic measures.

The following tables set out the bonuses earned by the Executive Directors for 2015 and how this reflects performance for the year.

EBITA element

Performance measure	Proportion of bonus determined by measure	Threshold performance	Target performance	Maximum performance	Actual performance	Bonus earned (% of salary)
EBITA	90%	£35.8m	£38.5m	£40.4m	£20.3m	0%

Strategic element

The strategic element of each Executive Director's annual bonus opportunity was based on a number of different performance measures, both qualitative and quantitative, reflecting the Company's strategic priorities and the strategic enablers which underpin them. The weightings of the different measures varied between the Executive Directors and, in the case of John Gill, between his period of service as COO and his period of service as CEO. In the tables below, we have reflected how the performance during the year was assessed by the Committee in determining the bonuses earned by reference to the strategic enablers. The Directors consider that more granular details of the strategic and personal objectives are commercially sensitive.

Strategic Enablers

- **Ensure safe, sustainable working environments for colleagues and customers**
- **Deliver value and quality to our customers**
- **Focus on profitability and growth**
- **Drive availability and operational efficiency**
- **Invest in our colleagues**

John Gill as COO

Strategic enabler	Metric	Weighting	Achievement	
Ensure safe, sustainable working environments	Demonstrate a clear commitment to HSS' Health and Safety objectives. Improve on 2014 RIDDOR performance.	10%	Completion of review of HSE compliance and sponsorship of drive for compliance. Partially achieved	7.5% of pro-rated salary in respect of COO role
Focus on profitability and growth	Complete roll out of 50 new sites.	30%	Full achievement	
Drive availability and operational efficiency	Delivery of five-year plan for engineering and distribution.	30%	Developments in our distribution network, including planning for the opening of the National Distribution and Engineering Centres. Partially achieved	
Deliver value and quality to our customers	Deliver a NPS greater than 27.	10%	Full achievement	
Invest in our colleagues	Put in place management development plans and management structures to support the delivery of operating plans.	20%	Redesigned divisional management structures to support planned growth. Partially achieved	

John Gill as CEO

Strategic enabler	Metric	Weighting	Achievement	
	Demonstrate a clear commitment to HSS' Health and Safety objectives. Improve on 2014 RIDDOR performance.	10%	Completion of review of HSE compliance and sponsorship of drive for compliance. Partially achieved	7.1% of pro-rated salary in respect of CEO role
	Maintain and develop relationships across the broad financial community.	30%	Full achievement	
	Rollout of one local branch per week, development of key account relationships.	30%	Opened 50 new local branches. Additional key account revenue from key customer contract awarded in December 2015. Partially achieved	
	Sponsor clear development of the executive team and potential for succession.	15%	Review and assessment of senior leadership capability and commencement of re-design of senior team. Partially achieved	
	Deliver a NPS greater than 27.	15%	Full achievement	

Steve Trowbridge

Strategic enabler	Metric	Weighting	Achievement	
	Demonstrate a clear commitment to HSS' Health and Safety objectives. Improve on 2014 RIDDOR performance.	10%	Completion of review of HSE compliance and sponsorship of drive for compliance. Partially achieved	7.5% of salary
	Ensure compliance with debt and equity market requirements and maintain good relationships with lenders and investors.	20%	Full achievement	
	Review group capital structure and assess/consider opportunities to optimise cash interest charges.	30%	Full achievement	
	Oversee planning of the Group's capital investment and continued delivery of EBITA and ROA targets.	30%	Continuing oversight of Group's capital investment plan. Re-prioritisation of investment decisions and changing distribution centre requirement. Partially achieved	
	Deliver a NPS greater than 27.	10%	Full achievement	

Fiona Perrin

Strategic enabler	Metric	Weighting	Achievement	
	Demonstrate a clear commitment to HSS' Health and Safety objectives. Improve on 2014 RIDDOR performance.	10%	Positioned Health & Safety as a primary focus of the CR Steering Committee with appropriate governance and reporting. Partially achieved	7.5% of pro-rated salary in respect of Director role
	Delivery of e-commerce platform.	30%	Successful launch of transaction mobile-enabled e-commerce platform. Partially achieved	
	Deliver the Report of the Year and CR reports on time and in line with best practice.	20%	Full achievement	
	Manage corporate communications programmes.	10%	Full achievement	
	Design a direct marketing programme to support the acquisition of local trade accounts.	10%	Designed and commenced implementation of direct marketing programme. Partially achieved	
	Deliver a NPS greater than 27.	20%	Full achievement	

Directors' Remuneration Report Continued

Long-term incentives
No long-term incentive awards vested in respect of performance in the year or were granted in the year. The first awards to be granted under the Company's LTIP will be in respect of the financial year ending 31 December 2016, as referred to on page 67.

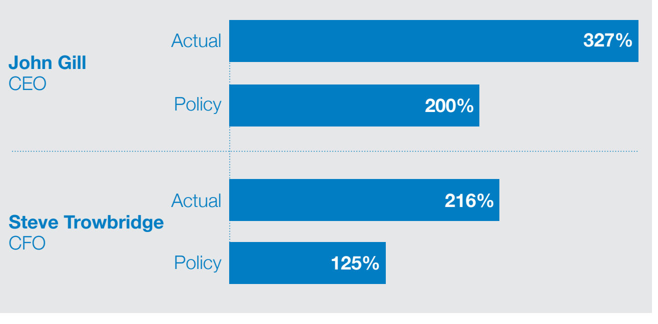
Payments made to former Directors during the year
Following his resignation as a Director on 25 September 2015, Chris Davies continued to work for the Company for two months until 30 November 2015 and then served one month of garden leave before leaving the business on 31 December 2015. Following her resignation as a Director on 15 May 2015, Fiona Perrin remained an employee of the business throughout the remainder of the year. In accordance with the requirements of the applicable regulations, the details of payments made to Chris Davies and Fiona Perrin following their resignations as Directors are not included in this report, except that the bonus earned by Fiona Perrin in the period to 15 May 2015 is included in the single figure table on page 63.

Payments for loss of office made during the year
Following his resignation as a Director on 25 September 2015, Chris Davies left the business on 31 December 2015. In 2016 Chris Davies will receive a payment in lieu of notice of up to £307,608 in respect of the balance of his 12 month notice period (consisting of up to £287,250 basic salary and up to £20,358 representing the cost of providing a company car, health insurance, life insurance and permanent health insurance). The payment in lieu of notice will be paid in instalments on the normal payroll dates, but each instalment will be reduced if Mr Davies commences another role before 25 September 2016.

The Company also made a payment of £6,000 in respect of Mr Davies' legal fees relating to his resignation as a Director.

Directors' share interests
The Committee has adopted a shareholding guideline for Executive Directors in accordance with which the Chief Executive Officer is required to build up and maintain a shareholding in the Company equivalent in value to 200% of annual salary and other Executive Directors are required to build up and maintain a shareholding in the Company equivalent in value to 125% of annual salary. As shown in the following chart, each Executive Director in office as at 26 December 2015 held shares with a value, based on the market value of a share on 26 December 2015 (71.5p), in excess of the requirement of the guideline.

Value of shareholding vs shareholding policy (% of salary)



The interests of the Directors and their connected persons in the Company's ordinary shares as at 9 February 2015 (the date of Admission) and 26 December 2015 (or, if earlier, the date on which the Director resigned from the board) were as follows:

	26 December 2015[1]	9 February 2015
Executive Directors		
Chris Davies	2,368,238	2,368,238
John Gill	1,491,189	1,491,189
Steve Trowbridge	657,787	657,787
Fiona Perrin	833,403	833,403
Non-Executive Directors		
Alan Peterson	937,217	913,439
Amanda Burton	35,714	35,714
Douglas Robertson	9,523	9,523
Neil Sachdev	11,904	11,904

(1) Or, if earlier, the date of resignation from the Board.

As at 6 April 2016, the Company has not been advised of any changes to the interests of the Directors and their connected persons as set out in this table.

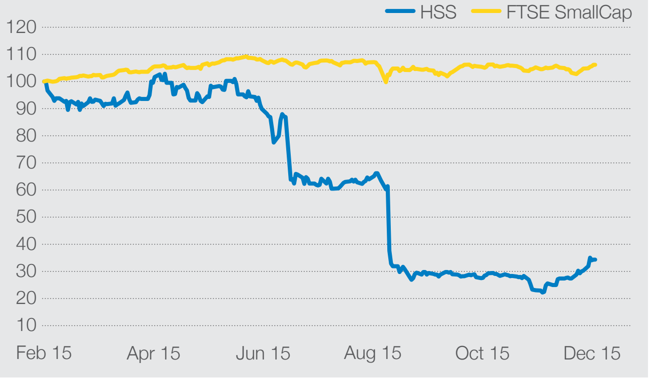
Thomas Sweet-Escott holds no direct interest in the Company's ordinary shares. However, he has an indirect interest in the Company's ordinary shares as a result of his interest in Exponent.

No Director currently holds any interests in any share plans established by the Company.

The disclosures on Directors remuneration set out on pages 63 to 65, and on page 66 above this paragraph have been audited as required by the Companies Act 2006.

Performance graph and historical Chief Executive Officer remuneration outcomes
The graph below shows the TSR performance for the Company's shares in comparison to the FTSE Small Cap Index for the period from Admission to 26 December 2015. The Company is a constituent of this Index and as such it has been selected as an appropriate comparator group. For the purposes of the graph, TSR has been calculated as the percentage change during the period in the market price of the shares, assuming that dividends are reinvested. The graph shows the value, by 26 December 2015, of £100 invested in the Group over the period compared with £100 invested in the FTSE Small Cap Index.

Total Shareholder Return (rebased to 100)



The table below shows details of the total remuneration, annual bonus and LTIP vesting (as a percentage of the maximum opportunity) for the Chief Executive Officer for 2015. This table shows the CEO's remuneration for the whole of 2015 and so is not directly comparable to the TSR chart above which shows the position only from Admission. The chart shows the remuneration for Chris Davies in the period from the start of FY15 until he resigned as a Director on 25 September 2015, and John Gill's remuneration from that date until the end of the year.

Chris Davies resigned as a Director on 25 September 2015. The figures in the table below reflect his remuneration earned from the start of 2015 until the date of his resignation as a Director.

CEO	Total remuneration £'000	Annual bonus as a % of maximum opportunity	LTIP as a % of maximum opportunity(1)
Chris Davies	297	–	N/A
John Gill	90	7.1%	N/A

(1) No LTIP vested in respect of performance in 2015.

CEO pay increase in relation to all employees

As the Company was a newly listed company during 2015, this report does not include a comparison of changes between 2014 and 2015 in the level of CEO remuneration and of employee remuneration.

Spend on pay

The following table sets out the overall expenditure on pay (as a whole across the organisation) and the amount of distributions to shareholders in the form of dividends and share buybacks in respect of 2015. As the Company was a newly listed company during 2015, this report does not include the comparable figures for 2014 and the percentage change.

£'000	Year ended 26 December 2015
Dividends	882
Overall expenditure on pay	90,529

Implementation of Directors' Remuneration Policy for the financial year commencing 27 December 2015

Information on how the Company intends to implement the Directors' Remuneration Policy for the financial year commencing on 27 December 2015 is set out below.

Salary/fees and benefits

In line with the salary review timetable for all other employees, the Executive Directors' base salaries will be reviewed during June 2016, with any changes taking effect from 1 July 2016. Non-Executive Directors' fees will be reviewed during the year. Any increase to any Executive Director's salary or Non-Executive Director's fee is expected to be modest and will be in line with the range of salary increases awarded to other employees in the Group.

Annual bonus

The maximum annual bonus opportunity for 2016 will remain at 100% of salary, as for 2015. The bonus will be subject to stretching performance conditions based on EBITA as regards 85% of the overall opportunity and personal/strategic performance measures as regards the balance of the opportunity.

The Committee considers that the EBITA performance targets and the details of the personal/strategic measures should remain confidential to the Company as they give our competitors an insight into our plans and expectations. However:

- the EBITA targets (which have been set by reference to the 2016 budget and require outperformance of the budget for the maximum EBITA element of the bonus to be earned) will be fully disclosed in the 2016 Directors' Remuneration Report on the same basis as the 2015 EBITA targets are disclosed on page 64; and
- the Committee intends that the personal and strategic measures (which tie directly into the Company's strategy and support the strategic enablers which underpin the achievement of our strategic priorities) and performance against them will be disclosed on a similar basis to the basis on which the 2015 personal/strategic measures are disclosed on pages 64 and 65.

LTIP

The Committee intends to grant its first LTIP awards in 2016. The usual maximum LTIP award opportunity for Executive Directors is 125% of salary. However, as referenced in the Chairman's statement, 2016 Awards will be granted at the level of 100% of salary with performance conditions based on Adjusted EPS targets (as regards 75% of the award) and ROCE (as regards 25% of the award). Performance will be assessed over a three-year performance period, and any awards which vest by reference to that performance will be subject to a further two-year holding period.

Adjusted EPS is currently the critical KPI for the Company supporting our focus on profitability and growth and has, therefore, been chosen as the primary LTIP metric. ROCE has been chosen as the secondary LTIP metric and is aligned with our strategic focus on capital efficiency and the ongoing drive for operational efficiency. Both Adjusted EPS and ROCE will be measured on an absolute target basis (for the year ended 29 December 2018) giving the Committee flexibility to set targets year-on-year dependent on market conditions and both internal and external forecasts.

The proposed targets are as set out below. In the tables below, we have shown the performance targets for threshold (25% vesting) and maximum (100% vesting). The on-target performance level (50% vesting) is considered commercially sensitive and will be disclosed on a retrospective basis.

Adjusted EPS element

2018 Adjusted EPS	Vesting percentage
11p	25%
15p	100%

ROCE element

2018 ROCE*	Vesting percentage
16.5%	25%
18%	100%

*For these purposes, ROCE shall be calculated as:

$$\frac{\text{Adjusted EBITA}}{\text{average capital employed (excluding cash and short term debt)}}$$

Directors' Remuneration Report Continued

Consideration by the Directors of matters relating to Directors' remuneration

The Remuneration Committee is composed of the Company's Independent Non-Executive Directors, Amanda Burton (Chairman), Douglas Robertson and Neil Sachdev.

The Remuneration Committee meets as often as is deemed necessary, but in any event at least three times a year. The Committee's key responsibilities include:

- reviewing the appropriateness of the Group's Remuneration Policy;
- considering all elements of individual remuneration for the executive management group, including base salary, bonuses and performance-related pay, discretionary payments, pension contributions, benefits in kind and share options or their equivalents;
- formulating performance criteria in relation to performance related pay;
- reviewing terms and conditions and ensuring clawback or other provisions are in place so as not to reward failure;
- administering company share schemes as required; and
- ensuring compliance with Governance Code and disclosure requirements.

Advisers to the Remuneration Committee

During the financial year, the Committee received independent advice from Deloitte LLP in relation to the Committee's consideration of matters relating to Directors' remuneration. Deloitte's fees for this advice during the year were £26,375, charged on a time and disbursements basis or fixed fee depending on the nature of the project. Deloitte also provided advice to the Company during the year in relation to share plans. Deloitte is a founder member of the Remuneration Consultants Group and as such voluntarily operates under its Code of Conduct in relation to executive remuneration in the UK, the Remuneration Committee is satisfied that all advice received was objective and independent.

Approval

This Report was approved by the Board on 6 April 2016 and signed on its behalf by:

Amanda Burton
Chairman of the Remuneration Committee

6 April 2016

Other Statutory Disclosures

The table below details where certain other information, which forms part of the Directors' report, can be found within this Annual Report:

Directors' powers

At the Annual General Meeting to be held on 15 June 2016, shareholders will be asked to renew the Directors' power to allot shares, grant rights to subscribe for or to convert any security into shares or buy back shares in the Company and to renew the disapplication of pre-emption rights.

Directors' indemnities

In addition to the indemnity provisions in their articles of association, the Company and other Group companies have entered into a direct indemnity agreement with each of the Directors and certain other officers or senior employees of the Group. These indemnities constitute qualifying indemnities for the purposes of the Companies Act 2006 and remain in force at the date of approval of this report without any payment having been made under them. The Company also maintains directors' and officers' liability insurance which gives appropriate cover for legal action brought against its directors.

Political donations and expenditure

At the 2015 Annual General Meeting held on 16 June 2015, the Company and its subsidiaries were authorised in aggregate to make political donations or incur political expenditure not exceeding £100,000 in total. The Company and its subsidiaries have not made any political donations or incurred any political expenditure during the year (FY14: £nil).

Financial instruments

Information on the Group's financial risk management objectives and policies and the exposure of the Group to market risk, credit risk, liquidity risk and cash flow risk is provided in Note 21 of the financial statements on pages 102 to 104.

Events and developments impacting the Company

The likely future developments of the Company and Group are referred to in the Chief Executive Officer's Review on page 12 in the Strategic Report.

Branches outside the UK

The Company has no branches outside the UK, as defined in section 1046(3) of the Act.

Acquisition of own shares

At the 2015 Annual General Meeting held on 16 June 2015, the Company was authorised to make market purchases of up to 15,476,190 or 10% of the current ordinary shares in issue. The Company has made no purchases of its own ordinary shares pursuant to this authority. This authority expires at the close of the 2016 AGM of the Company on 15 June 2016. A special resolution will be proposed at this year's Annual General Meeting to authorise the Company to make market purchases of up to 15,476,190 ordinary shares.

Equality and diversity

The Group is committed to developing all colleagues and encourages everyone to progress and develop. All training is based on each colleague's individual development needs and the requirements of the role. Provisions are made to ensure that all reduced time colleagues have equal opportunities to undertake development and training.

If an employee becomes disabled during employment, the Group makes every effort to enable them to continue in employment by making reasonable adjustments in the workplace and providing retraining for alternative work where necessary.

The Group is committed to ensuring that the abilities of all of its colleagues are recognised and valued at all levels of the organisation through:

– focusing on what people can do rather than on what they cannot;
– challenging stereotypes about people with disabilities; and
– making appropriate adjustments in the workplace to support colleagues with disabilities to achieve their full career potential.

The Group's policy is to recruit and promote based on an individual's skills, qualifications, experience and ability to do the job. No applicant, whether internal or external, will be discriminated against in respect of age, sex, sexual orientation, disability, race, religion, or beliefs, or on any other criteria unrelated to an individual's ability to perform in the role.

Other Statutory Disclosures Continued

The Group will not include any discriminatory or subjective criteria in job descriptions or job advertisements. All recruitment will be made solely on the basis of competence and skill. Where an applicant has a disability (as defined by the Disability Discrimination Act) consideration will be given as to whether any adjustments can be made to accommodate individual requirements.

The Group is committed to ensuring that the diversity of the communities served is reflected at all levels within the workforce and that an understanding and awareness of diversity is promoted in all training and development material.

Performance reviews are completed with every colleague and focus on measuring job performance and each individual's training requirements.

Employee involvement

The Company uses a combination of its intranet (HSS World), announcements via company e-mail addresses to all or select groups of colleagues and letters to employees' home addresses together with frequent, structured conference calls and its internal newsletter HIYA! to communicate information to employees. It also has regular meetings of regional and national management. The method of information dissemination adopted depends on the information being made available to employees and the associated confidentiality requirements. HIYA! is an internal publication on recent news, developments, initiatives and events in the business which is circulated a minimum of 18 times annually. A weekly email 'bulletin' supplements this with operational and functional information; this bulletin is required to be printed and displayed on all notice boards where colleagues may not have immediate access to email.

Colleagues are consulted formally on issues where their interests are affected via consultation processes led by management and are asked to give feedback. On a rotational basis, colleagues are invited to attend the weekly 'Start the Week' conference call where all senior leaders of the business communicate objectives for the week ahead, share performance and ask for feedback from the colleague representatives on elements of the business which concern them. A weekly 'Bright Ideas' feedback mechanism via HSS World, encourages colleagues to put their ideas for improvement to senior management and receive feedback. Colleagues are also invited to raise issues via the online communications forum 'Yammer' and receive feedback.

In our engineering services division, colleague engagement is measured via our partner Unipart. Colleague engagement in 2015 was higher than the Unipart benchmark but raised some specific issues for improvement which were considered by the Executive team and actioned where appropriate. A wider colleague engagement survey is due to be implemented post the implementation of our latest network development in 2016.

The Company developed a colleague ShareSave scheme for implementation in Q3 2015 as indicated in our IPO prospectus. After careful consideration of the Company's performance in H1 2015, as announced to the market in August 2015, the Board decided to postpone the launch of the scheme until further notice. The scheme remains ready to launch, and the Directors continue to appraise the appropriate time to do so.

The Company's results and performance is regularly communicated via two mechanisms: the update and provision of information to senior colleagues on the same day that announcements are made to investors at the half year and full year and supplements in the company newsletter HIYA!. At the senior colleague conference calls, there is an opportunity to ask questions of the executive. An announcement is also made company-wide from our CEO providing the top level results and factors affecting performance to colleagues via email.

Impact of change of control/takeover bid

There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occurs because of a change of control/takeover bid.

A number of the Group's funding agreements contain change of control provisions. These are summarised in the table below:

Funding agreement	Summary of change of control provision
Senior Secured Notes	Following a change of control the Group would be required to offer to repurchase all outstanding Notes at a purchase price in cash equal to 101% of the principal amount redeemed on the date of purchase plus accrued and unpaid interest, if any, to the date of purchase.
Revolving Credit Facility	Following a change of control all outstanding amounts, together with accrued interest would become immediately due and payable.
Finance leases (from various finance providers)	Certain of the Group's finance leases have conditions where a change of control could lead to early redemption.

Restrictions on share transfers

a) Certificated shares

The Board may, in its absolute discretion, refuse to register the transfer of a certificated share which is not a fully paid share, provided that the refusal does not prevent dealings in shares in the Company from taking place on an open and proper basis. The Board may also refuse to register the transfer of a certificated share unless the instrument of transfer is (i) lodged, duly stamped (if stampable), at the office or at another place appointed by the Board accompanied by the certificate for the share to which it relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer; (ii) is in respect of one class of share only; and (iii) is in favour of not more than four transferees.

b) Uncertificated shares

Subject to the provisions of the Uncertificated Securities Regulations, the Board may permit the holding of shares in any class of shares in uncertificated form and the transfer of title to shares in that class by means of a relevant system and may determine that any class of shares shall cease to be a participating security.

Shares with special rights with regard to control of the Company

There are no shares in issue with special rights with regard to control of the Company.

Shares related to Employee share schemes

No shares have been issued in relation to Employee share schemes.

Voting rights and restrictions

Subject to the rights or restrictions set out below or detailed in the Notice of AGM, on a show of hands every member who is present in person shall have one vote and on a poll every member present in person or by proxy shall have one vote for every share of which he is the holder.

No member shall be entitled to vote at any general meeting in respect of a share unless all moneys presently payable by him in respect of that share have been paid.

If at any time the Board is satisfied that any member, or any other person appearing to be interested in shares held by such member, has been duly served with a notice under section 793 of the Act and is in default for the prescribed period in supplying to the Company the information thereby required, or, in purported compliance with such a notice, has made a statement which is false or inadequate in a material respect, then the Board may, in its absolute discretion at any time thereafter by notice to such member direct that, in respect of the shares in relation to which the default occurred, the member shall not be entitled to attend or vote either personally or by proxy at a general meeting or at a separate meeting of the holders of that class of shares or on a poll.

The Notice of AGM specifies deadlines for exercising voting rights and appointing a proxy or proxies to vote in relation to resolutions to be passed at the Annual General Meeting. All proxy votes are counted and the numbers for, against or withheld in relation to each resolution are announced at the Annual General Meeting and published on the Company's website after the meeting.

On 16 May 2014, the FCA announced the commencement of new rules which provide protections for the minority shareholders of a premium listed company in which there is a 'controlling shareholder' (defined by the FCA as 'any person whom exercises or controls, on their own or together with any person with whom they are acting in concert, 30% or more of the votes able to be cast on all or substantially all matters at general meetings of the company'). Under these new rules, the election or re-election by the shareholders of an Independent Non-Executive Director must be approved by an ordinary resolution of the shareholders and separately approved by those shareholders who are not controlling shareholders (the independent shareholders).

As a result, by virtue of Exponent's 50.4% shareholding in the Company, any votes by Exponent on any resolutions relating to the election or re-election of Independent Non-Executive Director(s) will not be counted for the purposes of approving those resolutions.

Agreements between holders of securities

The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights.

Appointment and replacement of Directors

Unless otherwise determined by ordinary resolution, the number of Directors shall be not less than two but shall not be subject to any maximum in number. Directors may be appointed by ordinary resolution of shareholders or by the Board.

Under the Relationship Agreement, Exponent is able to appoint a Non-Executive Director to the Board for so long as the Exponent shareholders are entitled to exercise or to control the exercise of 10% or more of the votes able to be cast on all or substantially all matters at general meetings of the Company. The first such appointee is Mr. Sweet-Escott. In addition, under the Relationship Agreement Exponent is permitted to appoint an observer to attend Board meetings.

At every Annual General Meeting all Directors at the date of notice of Annual General Meeting shall retire from office and resolutions for the re-appointment of those Directors who wish to be re-appointed shall be put to the meeting.

All appointments are subject to the Company's Articles of Association and the annual re-election by shareholders.

The Company may remove any Director from office, and appoint another person in place of a Director removed from office, both by ordinary resolution.

A person ceases to be a Director as soon as:

a) he/she ceases to be a director by virtue of any provision of the Act or is prohibited from being a director by law;

b) he/she is subject to a bankruptcy order or compounds with his/her creditors generally;

c) he/she becomes physically or mentally incapable of acting as a Director and may remain so for more than three months;

d) he/she resigns or retires;

e) he/she is absent for more than six consecutive months without permission of the Board from meetings of the Board held during that period and the Board resolves that his/her office be vacated; or

f) he/she receives notice signed by not less than three quarters of the other Directors stating that that person should cease to be a Director.

Amendments to the Company's Articles of Association

The Company's Articles of Association may only be amended by the passing of a special resolution at a general meeting of shareholders.

Patrick Hartrey
Company Secretary

6 April 2016

Disclosures required by Listing Rule 9.8

Listing Rule 9.8 requires that certain information is disclosed within the Annual Report. The table below sets out the required information and its location within this document, where applicable.

Listing Rule	Information	Location
LR 9.8.4(R)(4)	Long-term incentive schemes	Remuneration Committee Report, pages 52 to 68
LR 9.8.4(R)(14)	Agreement with controlling shareholders	Page 71 (see below)

No further LR 9.8.4 disclosures are required.

As required by LR9.2.2AR (2)(a) the Company has entered into a Relationship Agreement with Exponent (see page 42 for further details on this agreement). The Board of Directors confirm that:

– the Company has complied with the independence provisions included in this Relationship Agreement;

– so far as the Company is aware, Exponent and its associates have complied with the independence provisions included within the Relationship Agreement; and

– so far as the Company is aware, Exponent has complied with the procurement obligation included within the Relationship Agreement

This Statement in respect of LR9.2.2AR (2)(a) was approved by the Board of Directors on 6 April 2016 and is signed on its behalf by:

J.B. Gill
Director

6 April 2016

Directors' Responsibility Statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and Article 4 of the IAS Regulation and have elected to prepare the Company financial statements on the same basis. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and their profit or loss for that period.

In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether IFRSs as adopted by the EU have been followed, subject to any material departures disclosed and explained in the Group and Company financial statements respectively; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group or Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' Responsibility Statement

Each of the Directors, whose names and functions are detailed on pages 40 and 41, confirms that to the best of his or her knowledge:

- the financial statements, prepared in accordance with IFRSs as adopted by the EU, 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 Strategic Report 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.

We consider that the Annual Report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

This Responsibility Statement was approved by the Board of Directors on 6 April 2016 and is signed on its behalf by:

J.B. Gill
Director

6 April 2016

Approval of the Directors' Report

The Directors Report on pages 38 to 72 was approved by the Board of Directors on 6 April 2016 and is signed on its behalf by:

J.B. Gill
Director

6 April 2016

Independent Auditor's report to the Members of HSS Hire Group plc

For the year ended 26 December 2015

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent Company's affairs as at 26 December 2015 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements of HSS Hire Group Plc for the year ended 26 December 2015 comprise the Consolidated income statement, Consolidated statement of comprehensive income, Consolidated and parent Company statements of financial position, Consolidated and parent Company statements of changes in equity, Consolidated and parent Company cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union, and as regards the parent company financial statements as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of Directors and auditors

As explained more fully in the statement of Directors' responsibilities set out on page 72, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Our assessment of risks of material misstatement

In arriving at our audit opinion above on the group financial statements the following risks have had the greatest impact on our audit strategy and scope:

Risk Area	Our response
Existence and valuation of hire stock	
Hire stock represents over 1.1m assets which have a high frequency of movement in individual assets, through asset purchases, hires, disposals and transfers around the branch network. Judgement is required in ensuring that depreciation charges are accurately calculated, having regard to economic useful lives and residual values, together with the renovation work undertaken on specific classes of assets.	Our audit work in respect of this area included the identification and testing of the operating effectiveness of key controls in respect of the existence and value of hire stock, including the authorisation of additions, the use of unique asset identification numbers, and the reconciliation of the fixed asset registers to the accounting records. We attended a number of the hire stock asset counts as a test of control, and performed test counts ourselves in order to ensure the accuracy of the counting performed, and therefore the existence of assets. We also tested that the records from the counts had been used to update both the fixed asset register and the accounting ledgers. We selected a sample of assets acquired in the year and agreed the amounts recorded on the fixed asset registers to invoices. Using data analytical and reperformance techniques we recalculated the depreciation in the fixed asset registers for the current year, and reconciled this to the charge included in the accounting ledgers, We critically challenged for a sample of asset classes the useful economic lives and residual values applied by management by reference to data available to the business and externally. We evaluated the capitalisation of the renovation work undertaken and tested for a sample of the assets that their useful lives had been extended by reference to their continuing hire.
Carrying value of goodwill and other intangible assets	
Management performs an annual impairment review of goodwill, which also covers the carrying value of other intangible and property plant and equipment. There is a risk that the judgements used in the impairment review for each Cash Generating unit (CGU), which include areas such as forecast cash flows, discount rates, and growth rates are inappropriate and that an impairment charge may be required.	Our audit procedures included detailed testing of the Directors' impairment testing model for each CGU performed in the year, For each of the key inputs to the impairment model we critically assessed the reasonableness of management's assumptions by reference to internal and external data, Board approved budgets, historical trends, and reviewed the sensitivity analysis performed. In addition we performed our own additional sensitivity analysis in respect of the key assumptions which included assessing by how much each assumption would need to change for an impairment to arise. We utilised our own valuation specialists, particularly around the appropriateness of the discount rates used by the Directors comparing this against the cost of capital for the Group and other comparable companies in the industry. We evaluated the adequacy of the Group's disclosures in respect of their impairment testing, the inputs used, and the sensitivity of the outcomes of the assessment to changes in key assumptions.

Independent Auditor's report to the Members of HSS Hire Group plc Continued

Risk Area	Our response
Revenue recognition	
There is a risk that revenue is incorrectly calculated or recorded in the wrong period. Revenue is accrued in the financial statements for hire equipment out on hire over the year end. There is a risk that accrued revenue may be incorrectly calculated. There is also a risk that rebates payable to customers may be omitted or incorrectly calculated.	We reviewed and tested the key controls over revenue recognition. We checked a sample of transactions to ensure the revenue recognition criteria used are in accordance with the stated accounting policy and in line with IFRS. We obtained the calculations of the accrued revenue at the year end and the underlying data, and using data analytics we recalculated the accrued revenue. For a sample of items we checked that there was a subsequent invoice to a third party. We have tested the calculation of rebates payable for a sample of customers by reference to sales data and the underlying agreements, compared rebates by customer against those payable in previous years and investigated the reasons for significant variances, and considered the rebate arrangements in place with major new customers won in the year.
Accounting for acquisitions	
There is a risk that the fair value of the identifiable intangible assets and goodwill on acquisitions in the year is incorrectly calculated as these calculations involve management estimation and judgement.	We have conducted a review of the acquisition agreements, tested valuation and accounting for consideration payable, assessed whether any consideration may represent post-acquisition remuneration, traced payments to bank statements, and assessed the identification and fair value of the assets and liabilities the group acquired, including fair value adjustments. We have reviewed the third party report produced by experts for the group for the valuation of intangibles acquired, and involved our own experts in assessing the appropriateness of the valuation assumptions used by the 3rd party and management, including the discount, tax and royalty rates used. We have reviewed the acquisition accounting and disclosures made in the financial statements.
Onerous lease provisions	
The Group has a significant number of property related provisions relating to properties that the Group no longer utilises in the business ('dark stores'). The completeness, existence and accuracy of the provisions involve management judgement and estimates.	Our audit work involved checking a sample of the movements in provisions against prior years and obtaining and verifying explanations for material movements. We also obtained details of properties sublet or disposed of in the year and confirmed that any existing provisions had been appropriately released. For any newly created dark stores we reviewed and considered with management the basis of the provisions made, including a review of the lease terms in place.

In addition as in all our audits we have addressed the risk of management override of internal controls including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

The Audit Committee's consideration of these judgements and risks is set out on pages 48 and 49.

Our application of materiality and an overview of the scope of our audit

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

We determined materiality for the Group as a whole to be £1,000,000 determined with reference to a benchmark of the Group profit before amortisation of intangibles recognised on acquisitions, interest and tax, normalised to exclude the exceptional items disclosed in note 5. Materiality therefore represents 5% of that figure.

We agreed with the Audit Committee that we would report to the Committee all individual audit differences in excess of £50,000. We also agree to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

We tailored the scope of our audit to ensure we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group's accounting process is structured around a Group finance function at its head office in Mitcham, which also acts as a shared service finance centre for all of its UK companies. The finance functions of companies and businesses acquired in the year were transitioned to the Group finance function by the year end. The Group also maintains local finance teams for its Ireland operation and for parts of one of its UK operations.

The Group's operating companies vary significantly in size, and we identified 15 reporting units, seven of which, in our view required an audit of their complete financial information due to their size or risk characteristics. These seven units comprise 94% of Group turnover and 94% of Group gross assets.

In establishing the overall approach to the Group audit we determined that all work on the seven units could be performed by us, the Group audit team. Our work on the other units comprised analytical procedures and certain tests of detail supported by the work on the international component performed by the local BDO network office as local component auditors, operating under instructions from the Group engagement team. This gave us the evidence we needed for our opinion on the Group financial statements.

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and Directors' Report or the financial year for which the financial statements are prepared is consistent with the financial statements.

Statement regarding the Directors' assessment of the principal risks that would threaten the solvency or liquidity of the company

We have nothing material to add or to draw attention to in relation to:

- the Directors' confirmation in the Annual Report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated;
- the Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and
- the Directors' explanation in the Annual Report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any material disclosures drawing attention to any necessary qualifications or assumptions.

Matters on which we are required to report by exception

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the company acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statements, set out on page 46, in relation to going concern and in relation to longer-term viability; and
- the part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

We have nothing to report in respect of these matters.

Kieran Storan
(senior statutory auditor)

For and on behalf of BDO LLP, statutory auditor

London
United Kingdom

6 April 2016

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated Income Statement

For the year ended 26 December 2015

	Note	Year ended 26 December 2015 £000s	Year ended 27 December 2014 £000s
Revenue	2	**312,333**	284,559
Cost of sales		**(120,884)**	(103,029)
Gross profit		**191,449**	181,530
Distribution costs		**(41,315)**	(37,155)
Administrative expenses		**(144,161)**	(121,898)
Other operating income	3	**869**	1,100
Operating profit		**6,842**	23,577
Adjusted EBITDA[1]	2	**71,047**	71,146
Less: Exceptional items (non-finance)	4	**(8,522)**	(3,739)
Less: Depreciation and amortisation[1]		**(55,683)**	(43,830)
Operating profit		**6,842**	23,577
Finance income	5	**24**	17
Finance expense	5	**(20,706)**	(30,973)
Movement in derivative financial instruments	4	**–**	(1,154)
Loss before tax		**(13,840)**	(8,533)
Adjusted profit before tax		**5,808**	6,881
Less: Exceptional items (non-finance)	4	**(8,522)**	(3,739)
Less: Exceptional items (finance)	4	**(6,145)**	(7,775)
Less: Amortisation	6	**(4,981)**	(3,900)
Loss before tax		**(13,840)**	(8,533)
Income tax (expense)/credit	9	**(405)**	3,014
Loss for the financial year		**(14,245)**	(5,519)
Loss attributable to:			
Owners of the Company		**(14,245)**	(5,519)
(Loss)/profit per share			
Basic and diluted loss per share	10	**(9.86)**	(8.55)
Adjusted basic and diluted earnings per share[2]	10	**3.20**	8.37

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

(2) Adjusted earnings per share is defined as profit before tax with amortisation and exceptional costs added back less tax at the prevailing rate of corporation tax divided by the weighted average number of ordinary shares.

The notes on pages 81 to 106 form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 26 December 2015

	Year ended 26 December 2015 £000s	Year ended 27 December 2014 £000s
Loss for the financial period	**(14,245)**	(5,519)
Items that may be reclassified to profit or loss:		
Foreign currency translation differences arising on consolidation of foreign operations	**(475)**	(510)
Other comprehensive loss for the period, net of tax	**(475)**	(510)
Total comprehensive loss for the period	**(14,720)**	(6,029)
Attributable to owners of the Company	**(14,720)**	(6,029)

The notes on pages 81 to 106 form part of these financial statements.

Consolidated Statement of Financial Position

At 26 December 2015

	Note	26 December 2015 £000s	27 December 2014 £000s
ASSETS			
Non-current assets			
Intangible assets	11	**179,936**	170,379
Property, plant and equipment	12	**183,205**	147,213
Deferred tax assets	19	**1,900**	2,462
		365,041	320,054
Current assets			
Inventories	13	**9,095**	6,823
Trade and other receivables	14	**97,769**	84,934
Cash	15	**1,812**	5,858
		108,676	97,615
Total assets		**473,717**	417,669
LIABILITIES			
Current liabilities			
Trade and other payables	16	**(89,106)**	(102,770)
Borrowings	17	**(47,535)**	(19,500)
Provisions	18	**(3,822)**	(3,879)
Current tax liabilities		**(520)**	(561)
		(140,983)	(126,710)
Non-current liabilities			
Trade and other payables	16	**(21,583)**	(7,033)
Borrowings	17	**(132,189)**	(275,046)
Provisions	18	**(10,851)**	(11,013)
Deferred tax liabilities	19	**(9,842)**	(9,372)
		(174,465)	(302,464)
Total liabilities		**(315,448)**	(429,174)
Net assets/(liabilities)		**158,269**	(11,505)
EQUITY			
Share capital	20	**1,548**	645
Share premium		**–**	–
Merger reserve		**85,376**	(544)
Retained earnings/(deficit)		**71,345**	(11,606)
Total equity/(deficit) attributable to owners of the Group		**158,269**	(11,505)

The notes on pages 81 to 106 form part of these financial statements.

The financial statements were approved and authorised for issue by the board of directors on 6 April 2016 and were signed on its behalf by:

S N Trowbridge
Director

6 April 2016

Consolidated Statement of Changes in Equity

For the year ended 26 December 2015

	Note	Share capital £000s	Share premium £000s	Merger reserve £000s	Accumulated deficit £000s	Total equity £000s
At 27 December 2014		645	–	(544)	(11,606)	(11,505)
Total comprehensive loss for the period						
Loss for the period		–	–	–	(14,245)	(14,245)
Foreign currency translation differences arising on consolidation of foreign operations		–	–	–	(475)	(475)
Total comprehensive loss for the period		–	–	–	(14,720)	(14,720)
Transactions with owners recorded directly in equity						
Preference shares issued	20	50	–	–	–	50
Preference shares redeemed	20	(50)	–	–	–	(50)
Acquisition of loan notes via share issue in subsidiary		411	–	85,920	–	86,331
New share issue for cash	20, 27	492	102,629	–	–	103,121
Share issue costs	20, 23	–	(4,076)	–	–	(4,076)
Capital reduction		–	(98,553)	–	98,553	–
Dividends paid		–	–	–	(882)	(882)
At 26 December 2015		1,548	–	85,376	71,345	158,269

	Share capital £000s	Share premium £000s	Merger reserve £000s	Accumulated deficit £000s	Total equity £000s
At 28 December 2013	645	–	(544)	(5,581)	(5,480)
Total comprehensive loss for the period					
Loss for the period	–	–	–	(5,519)	(5,519)
Foreign currency translation differences arising on consolidation of foreign operations	–	–	–	(510)	(510)
Total comprehensive loss for the period	–	–	–	(6,029)	(6,029)
Transactions with owners recorded directly in equity					
Share based payment	–	–	–	4	4
At 27 December 2014	645	–	(544)	(11,606)	(11,505)

The notes on pages 81 to 106 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 26 December 2015

	Note	**Year ended 26 December 2015 £000s**	Year ended 27 December 2014 £000s
Cash flows from operating activities			
Loss before income tax		**(13,840)**	(8,533)
Adjustments for:			
– Amortisation		**4,981**	3,900
– Depreciation		**39,379**	31,768
– Accelerated depreciation relating to hire stock customer losses, hire stock write-offs and other asset disposals		**11,217**	7,992
– Loss on disposal of property, plant and equipment		**106**	170
– Loss on financial instruments at fair value through profit or loss		**–**	1,154
– Finance income		**(24)**	(17)
– Finance expense		**20,706**	30,973
Changes in working capital (excluding the effects of acquisitions and exchange differences on consolidation):			
– Inventories		**(2,180)**	(948)
– Trade and other receivables		**(13,334)**	(16,356)
– Trade and other payables		**5,831**	6,287
– Provisions		**(3,587)**	(802)
Net cash flows from operating activities before changes in hire equipment		**49,255**	55,588
Purchase of hire equipment		**(56,642)**	(39,226)
Cash (utilised)/generated by operations		**(7,387)**	16,362
Net interest paid		**(18,392)**	(18,059)
Income tax received/(paid)		**1,143**	(245)
Net cash utilised in operating activities		**(24,636)**	(1,942)
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	23	**(11,010)**	(6,796)
Acquisition of subsidiaries, deferred consideration paid	23	**(700)**	–
Purchases of non hire property, plant, equipment and software		**(20,278)**	(14,596)
Net cash used in investing activities		**(31,988)**	(21,392)
Cash flows from financing activities			
Proceeds from the issue of ordinary share capital		**103,121**	–
Share issue costs		**(4,076)**	–
Proceeds from borrowings (third parties)		**57,000**	216,500
Repayments of borrowings		**(94,500)**	(186,018)
Capital element of finance lease payments		**(9,620)**	(4,161)
Dividends paid		**(882)**	–
Net cash received from financing activities		**51,043**	26,321
Net decrease in cash		**(5,581)**	2,987
Cash at the start of the period		**5,858**	2,871
Cash at the end of the period		**277**	5,858

The notes on pages 81 to 106 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.

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. The Company listed its shares on the London Stock Exchange on 9 February 2015.

The Group and Company financial statements were approved by the Board of Directors on 6 April 2016.

b) Statement of compliance

The Group financial statements of HSS Hire Group Plc 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 2015, and these accounts therefore cover the period from 28 December 2014 to 26 December 2015 (2014: 29 December 2013 to 27 December 2014).

As permitted by Section 408(3) of the Companies Act 2006, the Company's income statement and statement of comprehensive income and related notes have not been presented.

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

These are the first set of consolidated financial statements of HSS Hire Group Plc, which is the new ultimate holding company of Hampshire Topco Limited, following the reconstruction of the Group to facilitate the Initial Public Offering.

The consolidated financial statements have been prepared under the merger method of accounting because the transaction under which HSS Hire Group Plc became the holding company of Hampshire Topco Limited was effectively a group reconstruction with no changes in the ultimate ownership of the group and all the shareholdings in Hampshire Topco Limited were exchanged via a share for share transfer. HSS Hire Group plc did not actively trade at the time. The Group reconstruction took place on 4 February 2015.

The financial statements have been presented as a continuation of the Hampshire Topco Limited business. The result of the application is to present the financial statements as if HSS Hire Group plc has always owned the Group, and the comparatives have been prepared on this basis.

Under merger accounting the shares issued on merger were recorded in the consolidated financial balance sheet at the nominal value of the shares issued plus the fair value of any additional consideration. The difference between the nominal value of the shares issued and the nominal value of the shares acquired, if any is taken to a merger reserve in the Group accounts. The assets and liabilities of the subsidiaries are consolidated at book value in the Group accounts and the consolidated reserves of the Group are adjusted to reflect the statutory share capital, share premium and merger reserve of HSS Hire Group plc as if it had always existed, adjusted for movements in the underlying Hampshire Topco Limited share capital and reserves until the share for share exchange.

These 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 principal steps of the Group reorganisation were as follows:

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

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, and immediately prior to the share-for-share exchange the external loan note holders in the Hampshire Topco Group transferred all of their interests in the notes to Hampshire Topco Limited in consideration for the issue of ordinary shares in Hampshire Topco Limited. An aggregate loan note balance of approximately £86,000,000 including £795,500 of accrued interest was converted into ordinary shares. Such shares in Hampshire Topco Limited were subsequently exchanged for shares in HSS Hire Group plc as part of the reorganisation.

In addition, at the same date, the 50,000 preference shares were redeemed.

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

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 26 December 2015. The accounting policies adopted in the presentation of the Group financial statements reflect the adoption of the following amendments to standards and interpretations as of 26 December 2015.

Annual improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle (effective 1 January 2015)

The Group has applied the improvements to the IFRSs included in the Annual Improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle for the first time in the current year. These have not had any material impact on the financial statements.

One of the annual improvements requires entities to disclose judgements made by management in applying the aggregation criteria set out in paragraph 12 of IFRS 8 Operating Segments. The Group has aggregated operating segments into two categories as disclosed in Note 2. The amendment had no impact to the reported figures.

Notes to the Consolidated Financial Statements Continued

1.Accounting policies (continued)

e) New accounting standards and accounting standards not yet effective (continued)

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 2016 or later and which the Group has decided not to adopt early.

- **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 (2014-2016 Cycle)** (published November 2015 – effective date not yet determined).
- **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 2018 following IASB's decision to delay by 12 months).
- **IFRS 9 Financial Instruments** (will become effective for accounting periods starting on or after 1 January 2018).
- **IFRS 16 Leases** (will become effective for accounting periods starting on or after 1 January 2019).

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.

Useful economic life of assets

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

Fair value of acquired assets

When the Group acquires an entity the fair value of the acquired tangible and intangible assets needs to be estimated by management.

g) Going concern

Note 21 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; and
- the terms and financial covenants relating to the revolving credit facility secured by the Group, as detailed in note 17 and 21.

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 17, show that the Group is expected to be able to operate within the level of its current facilities for the foreseeable future.

After reviewing the above, taking into account current and future developments and principal risks and uncertainties, and making appropriate enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing these 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.

Unless merger accounting has been adopted in specific circumstances, 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.

1. Accounting policies (continued)

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 Financial Officer.

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

The management team considers there to be two reportable segments:

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

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

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 presentational currency, Sterling, at foreign currency exchange rates ruling at the reporting date.

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

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

Intangible assets acquired on acquisition

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

The 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.

During the year the Group acquired All Seasons Hire Limited (note 22). The Directors have assessed the brand and the customer relationship intangible assets recognised on acquisition to have useful economic lives of 10 and 12 years respectively.

Notes to the Consolidated Financial Statements Continued

1. Accounting policies (continued)

l) Intangible assets (continued)

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

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

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

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

Impairment of intangible assets (excluding goodwill and intangible assets with indefinite lives)
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.

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

p) Cash

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

q) Share capital

Ordinary shares
Financial instruments used by the Group are classified as equity only to the extent that they do not meet the definition of a financial asset or a financial liability. The Group's ordinary shares and preference shares are classified as equity instruments. 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.

Merger reserve
The merger reserve is the amount arising on the difference between the nominal value of the shares issued on the merger and the carrying value of the interest in subsidiary.

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.

1. Accounting policies (continued)

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 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 receivable on cash balances.

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

Interest is recognised in profit or loss as it accrues, using the effective interest rate. Interest payable on borrowings includes a charge in respect of attributable transaction costs, which are recognised in profit or loss over the period of the borrowings on an effective interest basis. The interest expense component of finance lease payments is recognised in the income statement using the lease's implicit interest rate.

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.

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 one year after the end of the reporting period are discounted to their present value.

Notes to the Consolidated Financial Statements Continued

1. Accounting policies (continued)

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.

Revenue arising from the sale of ex-hire fleet assets, fuel and consumables is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

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 IPO costs (see note 1dd) below) acquisition costs, restructuring costs, accelerated debt issuance costs and fair value movements on derivative financial instruments. Restructuring costs incurred in 2015 relate to a cost reduction program and the set up of our National Distribution Centre as discussed in our financial review and note 4.

dd) Listing costs

As disclosed in note 1(d), HSS Hire Group plc was admitted to the premium listing segment of the Official List of the Financial Conduct Authority on 9 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 that relate to the issue of new shares have been set against HSS Hire Group plc'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 1 j), 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, and to customers in, the United Kingdom and the Republic of Ireland. The Group has no single external customers that provide more than 10% of Group turnover.

	Year ended 26 December 2015		
	HSS Core £000s	HSS Specialist £000s	Total £000s
Total revenue from external customers	261,716	50,617	312,333
Adjusted EBITDA	45,635	25,412	71,047
Depreciation and amortisation	(42,001)	(13,682)	(55,683)
Exceptional items (note 4)	(8,245)	(277)	(8,522)
Segment operating (loss)/profit	(4,611)	11,453	6,842
Finance income			24
Adjusted finance expense			(14,561)
Exceptional finance expense (note 4)			(6,145)
Profit before tax			(13,840)
Income tax expense			(405)
Loss after tax			(14,245)
Total assets	377,235	96,482	473,717
Total liabilities	(238,647)	(76,801)	(315,448)
Additions to non-current assets in the year (excluding derivative financial instruments)			
Intangible assets	5,466	9,072	14,538
Property, plant and equipment			
– additions	56,028	28,011	84,039
– acquired on acquisitions	–	2,910	2,910
Total	61,494	39,993	101,487

Notes to the Consolidated Financial Statements Continued

2. Segment reporting (continued)

	Year ended 27 December 2014		
	HSS Core £000s	HSS Specialist £000s	Total £000s
Total revenue from external customers	245,578	38,981	284,559
Adjusted EBITDA	51,245	19,901	71,146
Depreciation and amortisation	(32,463)	(11,367)	(43,830)
Exceptional items (note 4)	(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 expense			3,014
Loss after tax			(5,519)
Total assets	332,682	84,987	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

3. Other operating income

	Year ended 26 December 2015 £000s	Year ended 27 December 2014 £000s
Property rental income	**869**	1,100
	869	1,100

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 26 December 2015 £000s	Year ended 27 December 2014 £000s
Restructuring, IPO and Acquisition costs		
Included in administrative expenses	**8,522**	3,739
Exceptional items (non-finance)	**8,522**	3,739
Refinancing costs		
Included in finance expense	**6,145**	6,621
Fair value movement on derivative financial instruments		
Included in finance expense	**–**	1,154
Exceptional items (finance)	**6,145**	7,775
Total exceptional items	**14,667**	11,514

Restructuring, IPO costs and Acquisition costs

During the year the Group incurred costs of £5.3m (2014: £1.1m) in relation to the restructuring of the business and its operations. Of the £5.3m incurred in 2015, £2.0m related to onerous leases on non-trading stores, £1.8m related to set-up costs of the NDEC as we accelerated its development and £1.5m related to the cost reduction plan, principally redundancies. IPO costs incurred in the year and not available to offset against share premium account (see note 1(dd) totalled £2.9m (2014: £2.4m).

During the year the Group has incurred £0.3m (2014: £0.2m) 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 26 December 2015 was to reduce the tax charge by £1.8m (2014: £0.7m).

Refinancing costs

On 12 February 2015 the Group, made an early redemption of £64.0m of its 6.75% senior secured notes as described in note 27. This gave rise to a bond redemption premium of £4.3m and the acceleration of the write off of debt issue costs of £1.8m.

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

The tax effect of these items was to reduce the tax charge by £1.2m (2014: £1.3m).

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 £120m 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 interest rate swap was cancelled in the year ended 27 December 2014 as part of the 2014 debt restructuring, hence there is no similar charge in the year ended 26 December 2015.

Notes to the Consolidated Financial Statements Continued

5. Finance income and expense

	Year ended 26 December 2015 £000s	Year ended 27 December 2014 £000s
Interest received on cash deposits	(24)	(17)
Finance income	(24)	(17)
Bank loans and overdrafts	1,315	1,627
Investor loan notes	945	8,253
Senior secured notes	9,711	12,021
Finance leases	1,410	970
Interest unwind on discounted provisions	55	220
Debt issue costs	2,950	7,882
Bond redemption premium	4,320	–
Finance expense	20,706	30,973
Net finance expense	20,682	30,956

The bond redemption premium charged in to profit and loss in 2015 relates to the early partial redemption of the senior secured note using part of the funds raised from the IPO. Debt issue costs in 2015 include £1.8m of accelerated write-off of previous debt issuance costs due to the partial redemption.

The debt issue costs charged to profit and loss in 2014 arose as a result of the bond issue and refinancing undertaken, and includes £6.6m 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 26 December 2015 £'000s	Year ended 27 December 2014 £'000s
Amortisation of intangible assets	4,981	3,900
Depreciation of property, plant and equipment	39,379	31,768
Accelerated depreciation relating to hire stock customer losses, hire stock write-offs and other asset disposals	11,323	8,162
Operating lease rentals:		
– land and buildings	16,762	16,407
– motor vehicles	8,530	7,147
Sublease rental income	(869)	(1,100)
Foreign currency translation gains	7	(14)
	80,113	66,270

	Year ended 26 December 2015 £'000s	Year ended 27 December 2014 £'000s
Auditors' remuneration		
– audit of Group and Company financial statements	80	50
– audit of subsidiary financial statements	231	196
– other audit related assurance services	–	365
– corporate finance services	72	61
	383	672

7. Employees

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

	Year ended 26 December 2015 Number	Year ended 27 December 2014 Number
Distribution	**614**	615
Hire stock and inventory maintenance	**460**	401
Sales and administration	**2,270**	1,880
	3,344	2,896

The aggregate remuneration costs of these employees were as follows:

	Year ended 26 December 2015 £'000s	Year ended 27 December 2014 £'000s
Wages and salaries	**81,447**	69,131
Social security costs	**7,486**	6,713
Pension costs	**1,596**	1,538
Share-based payments	**–**	4
	90,529	77,386

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 26 December 2015 £'000	Year ended 27 December 2014 £'000
Wages and salaries	**1,489**	2,653
Employer's national insurance contributions and similar taxes	**234**	336
Compensation for loss of office	**470**	–
Other pension costs	**71**	114
	2,264	3,103

At 26 December 2015 there were no amounts due to key management personnel (27 December 2014: £nil).

Notes to the Consolidated Financial Statements Continued

8. Directors' remuneration

The remuneration costs of the Company's Directors were:

	Year ended 26 December 2015 £'000	Year ended 27 December 2014 £'000
Aggregate emoluments	1,383	1,280
Pension costs	58	48
	1,441	1,328

The remuneration of the highest paid Director was:

	Year ended 26 December 2015 £'000	Year ended 27 December 2014 £'000
Aggregate emoluments	330	549
Pension costs	29	10
	359	559

9. Income tax expense

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

	Year ended 26 December 2015 £'000s	Year ended 27 December 2014 £'000s
Current tax charge/(credit)		
UK corporation tax on the loss for the year	183	121
Adjustments in respect of prior years	(141)	(275)
Total current tax charge/(credit)	42	(154)
Deferred tax charge/(credit)		
Deferred tax charge/(credit) for the year	363	(2,860)
Total deferred tax charge/(credit)	363	(2,860)
Income tax charge/(credit)	405	(3,014)

(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 26 December 2015 £'000s	Year ended 27 December 2014 £'000s
(Loss)/profit before tax	(13,840)	(8,533)
Profit before tax multiplied by the standard rate of corporation tax of 20.25% (2014: 21.5%)	(2,803)	(1,835)
Effects of:		
Expenses not deductible for tax purposes	1,349	1,748
Adjustments in respect of prior years	(141)	(275)
Difference in foreign tax rate	188	120
Movements in unprovided deferred tax	1,812	(2,772)
Income tax charge/(credit)	405	(3,014)

9. Income tax expense (continued)

(c) Factors that may affect future tax charge

The standard rate of corporation tax in the UK changed from 21% to 20% with effect from 1 April 2015. Accordingly, the Group's profits for the year ended 26 December 2015 were taxed at an effective rate of 20.25%.

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 were taxed at an effective rate of 21.5%.

The Group has an unrecognised deferred tax asset relating to temporary timing differences on plant and equipment, intangible assets and provisions of £11.4m (2014: £7.9m) and relating to losses £3m (2014: £5m).

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.

10. Earnings per share

	Year ended 26 December 2015	Year ended 27 December 2014
Loss attributable to owners (£000)	**(14,245)**	(5,519)
Basic and diluted profit/(loss) per share (pence)	**(9.86)**	(8.55)
Adjusted basic and diluted profit/(loss) per share (pence)	**3.20**	8.37
Basic and diluted weighted average number of ordinary shares	**144,534,441**	64,546,960

Basic and diluted earnings per share has been calculated by dividing the result attributable to equity holders by the weighted average number of ordinary shares in issue for that period. Adjusted earnings per share has been calculated after adjusting the result attributable to the equity holders for exceptional items and the amortisation charge. The following is a reconciliation between the basic and diluted earnings per share and the adjusted basic and diluted earnings per share.

	Year ended 26 December 2015	Year ended 27 December 2014
Basic and diluted profit/(loss) per share (pence)	**(9.86)**	(8.55)
Add back:		
Tax charge per share	**0.28**	(4.67)
Exceptional items per share(1)	**10.15**	17.84
Amortisation per share(2)	**3.45**	6.04
Charge:		
Tax at prevailing rate	**(0.81)**	(2.29)
Adjusted basic and diluted profit per share (pence)	**3.20**	8.37

(1) Exceptional items per share is calculated as total finance and non finance exceptional items divided by the weighted average number of shares in issue through the period.

(2) Amortisation per share is calculated as the amortisation charge divided by the weighted average number of shares in issue through the period.

Notes to the Consolidated Financial Statements Continued

11. Intangible assets

	Goodwill £000s	Customer relationships £000s	Brands £000s	Software £000s	Total £000s
Cost					
At 27 December 2014	122,385	25,700	23,510	10,032	181,627
Additions	–	–	–	**5,082**	**5,082**
Acquired on acquisition	**7,480**	**1,344**	**632**	–	**9,456**
Disposals	–	–	–	**(115)**	**(115)**
At 26 December 2015	**129,865**	**27,044**	**24,142**	**14,999**	**196,050**
Amortisation					
At 27 December 2014	–	5,409	112	5,727	11,248
Charge for the period	–	**2,605**	**122**	**2,254**	**4,981**
Disposals	–	–	–	**(115)**	**(115)**
At 26 December 2015	–	**8,014**	**234**	**7,866**	**16,114**
Net book value					
At 26 December 2015	**129,865**	**19,030**	**23,908**	**7,133**	**179,936**

	Goodwill £000s	Customer relationships £000s	Brands £000s	Software £000s	Total £000s
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 period	–	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

On the acquisition of All Seasons Hire Limited on 8 May 2015 the Group acquired £1.3m of customer lists and £0.6m of brand intangible.

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

11. Intangible assets (continued)

Analysis of goodwill and indefinite life brands by cash generating units

	Goodwill £000s	Indefinite life Brands £000s	Total £000s
Allocated to			
HSS Core	**112,677**	**21,900**	**134,577**
Powered access	**4,114**	**–**	**4,114**
Climate control	**7,021**	**–**	**7,021**
Power generation	**6,053**	**–**	**6,053**
At 26 December 2015	**129,865**	**21,900**	**151,765**

	Goodwill £000s	Indefinite life Brands £000s	Total £000s
Allocated to			
HSS Core	112,218	21,900	134,118
Powered access	4,114	–	4,114
Power generation	6,053	–	6,053
At 27 December 2014	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 10.3% (2014: 11.4%) a short to medium-term growth rate of between 5% and 12% (2014: between 5% and 17%), and a long-term growth rate of 2.5% (2014: 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 26 December 2015 and the carrying value of other intangible assets is considered to be appropriate.

Notes to the Consolidated Financial Statements Continued

12. Property, plant and equipment

	Land & Buildings £000s	Plant & Machinery £000s	Materials & Equipment held for hire £000s	Total £000s
Cost				
At 27 December 2014	49,985	51,122	222,577	323,684
Foreign exchange differences	**(4)**	**(68)**	**(708)**	**(780)**
Additions	**13,694**	**5,325**	**65,020**	**84,039**
Acquired on acquisition	**32**	**179**	**2,699**	**2,910**
Disposals	**(394)**	**(682)**	**(33,350)**	**(34,426)**
At 26 December 2015	**63,313**	**55,876**	**256,238**	**375,427**
Accumulated depreciation				
At 27 December 2014	31,533	41,136	103,802	176,471
Foreign exchange differences	**–**	**(48)**	**(477)**	**(525)**
Charge for the period	**4,119**	**3,505**	**31,755**	**39,379**
Disposals	**(394)**	**(577)**	**(22,132)**	**(23,103)**
At 26 December 2015	**35,258**	**44,016**	**112,948**	**192,222**
Net book value				
At 26 December 2015	**28,055**	**11,860**	**143,290**	**183,205**

	Land & Buildings £000s	Plant & Machinery £000s	Materials & Equipment held for hire £000s	Total £000s
Cost				
At 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 period	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
At 28 December 2013	15,425	7,643	76,809	99,877

The net book value of materials and equipment held for hire includes an amount of £38.8m (27 December 2014: £13.9m) in respect of assets held under finance leases. The depreciation charge for assets held under finance leases in the year ended 26 December 2015 was £7.3m (2014: £4.0m).

13. Inventories

	26 December 2015 £000s	27 December 2014 £000s
Inventories	**5,716**	5,821
Inventory spares	**3,719**	2,459
Total inventories	**9,435**	8,280
Provision for impairment	**(340)**	(1,457)
Inventories	**9,095**	6,823

Provision for impairment of inventories	26 December 2015 £000s	27 December 2014 £000s
Balance at the beginning of the year	**1,457**	1,180
Utilisation of provisions	**(1,117)**	–
Impairment provisions recognised during the year	**–**	277
Balance at the end of the year	**340**	1,457

The cost of inventories recognised as an expense and included in cost of sales is £26.4m (2014: £25.3m).

14. Trade and other receivables

	26 December 2015 £000s	27 December 2014 £'000s
Gross trade receivables	**84,763**	71,176
Less provision for impairment	**(3,816)**	(3,514)
Net trade receivables	**80,947**	67,662
Other debtors	**387**	27
Prepayments and accrued income	**16,327**	15,419
Corporation tax	**108**	1,826
Total trade and other receivables	**97,769**	84,934

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 1(ee). 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.

	26 December 2015 £000s	27 December 2014 £'000s
Balance at the beginning of the year	**(3,514)**	(2,610)
Movement in provision	**(302)**	(904)
Balance at the end of the year	**(3,816)**	(3,514)

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

Days overdue	26 December 2015 £000s	27 December 2014 £'000s
1 to 30 days	**7,020**	3,591
31 to 60 days	**3,925**	2,655
61 to 90 days	**1,796**	1,232
Over 90 days	**4,203**	1,602
	16,944	9,080

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

Notes to the Consolidated Financial Statements Continued

15. Cash

	26 December 2015 £000s	27 December 2014 £000s
Cash (statement of financial position)	**1,812**	5,858
Bank overdrafts	**(1,535)**	–
Cash and cash equivalents	**277**	5,858

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.

16. Trade and other payables

	26 December 2015 £000s	27 December 2014 £'000s
Current		
Obligations under finance leases	**11,050**	5,356
Trade payables	**48,554**	62,040
Other taxes and social security costs	**10,284**	6,630
Other creditors	**1,730**	2,068
Accrued interest on borrowings	**3,755**	9,602
Accruals and deferred income	**13,733**	17,074
	89,106	102,770

	26 December 2015 £000s	27 December 2014 £'000s
Non-current		
Obligations under finance lease	**21,583**	7,033
	21,583	7,033

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

	26 December 2015 £000s	27 December 2014 £'000s
Less than one year	**11,050**	5,356
Two to five years	**14,303**	7,033
Over five years	**7,280**	–
	32,633	12,389

The following table gives a reconciliation of the minimum lease payments to the carrying value of the finance lease liabilities:

	26 December 2015 £000s	27 December 2014 £'000s
Less than one year	**12,430**	6,237
Two to five years	**15,314**	7,783
Over five years	**7,533**	–
	35,277	14,020
Less future interest payments	**(2,644)**	(1,631)
Carrying value of lease liabilities	**32,633**	12,389

17. Borrowings

	26 December 2015 £000s	27 December 2014 £'000s
Current		
Revolving credit facility	**46,000**	19,500
Bank overdraft	**1,535**	–
	47,535	19,500
Non-current		
Senior secured note	**132,189**	193,944
Loan notes	**–**	81,102
	132,189	275,046

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

	26 December 2015 £000s	27 December 2014 £'000s
Secured senior note	**136,000**	200,000
Loan notes	**–**	81,395
	136,000	281,395

The secured senior note is a 6.75% fixed rate bond maturing in 2019, and is listed on the Luxembourg stock exchange.

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

The loan notes were 10% fixed rate unsecured payment in kind (PIK) notes maturing in 2032. As part of the IPO, they were converted into ordinary shares at a price of £2.10 per ordinary share. Accrued interest at the date of conversion was settled through the issue of PIK notes that were also converted into ordinary shares at a price of £2.10 per ordinary share.

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

	26 December 2015 % above LIBOR	27 December 2014 % above LIBOR
Revolving credit facility	**2.00%**	2.50%

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

	26 December 2015 Fixed rate	27 December 2014 Fixed rate
Secured senior note	**6.75%**	6.75%
Loan notes	**–**	10.00%
Weighted average interest rate on borrowings	**5.55%**	7.19%

The Group's borrowings have the following maturity profile:

	26 December 2015 £000s	27 December 2014 £000s
Less than one year	**9,180**	13,500
Two to five years	**163,540**	254,000
Over five years	**–**	486,563
	172,720	754,063
Less interest cash flows:		
Senior secured note	**(36,720)**	(67,500)
Loan notes	**–**	(405,168)
Total principal cash flows	**136,000**	281,395

The Group has undrawn committed borrowing facilities of £35.0m at 26 December 2015 (27 December 2014: £37.7m).

Notes to the Consolidated Financial Statements Continued

18. Provisions

	Non-trading stores £000s	Dilapidations £000s	Other £000s	Total £000s
At 27 December 2014	7,017	7,854	21	14,892
Additions	**311**	**3,336**	**–**	**3,647**
Utilised during the period	**(2,101)**	**(669)**	**–**	**(2,770)**
Unwind of provision	**(80)**	**112**	**–**	**32**
Released	**(610)**	**(497)**	**(21)**	**(1,128)**
At 26 December 2015	**4,537**	**10,136**	**–**	**14,673**
Of which:				
Current	**1,228**	**2,594**	**–**	**3,822**
Non current	**3,309**	**7,542**	**–**	**10,851**
	4,537	**10,136**	**–**	**14,673**
At 28 December 2013	9,308	5,610	21	14,939
Additions	224	2,148	–	2,372
Utilised during the period	(2,639)	–	–	(2,639)
Unwind of provision	124	96	–	220
At 27 December 2014	7,017	7,854	21	14,892
Of which:				
Current	1,828	2,031	21	3,879
Non-current	5,189	5,823	–	11,013
	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 eight years. The comparative balance sheet has been amended to reflect the current element of the provisions, previously treated as non-current liabilities.

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

19. 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 £000s	Derivative financial instruments £000s	Property, plant and equipment and other items £000s	Acquired intangible assets £000s	Total £000s
At 27 December 2014	2,400	–	(625)	(8,685)	(6,910)
(Charge)/credit to the income statement	**(500)**	**–**	**(409)**	**546**	**(363)**
Arising on acquisition	**–**	**–**	**(231)**	**(438)**	**(669)**
At 26 December 2015	**1,900**	**–**	**(1,265)**	**(8,577)**	**(7,942)**
Deferred tax assets	**1,900**	**–**	**–**	**–**	**1,900**
Deferred tax liabilities	**–**	**–**	**(1,265)**	**(8,577)**	**(9,842)**
At 26 December 2015	**1,900**	**–**	**(1,265)**	**(8,577)**	**(7,942)**
At 28 December 2013	–	(248)	(150)	(9,023)	(9,421)
(Charge)/credit to the income statement	2,400	248	(475)	687	2,860
Arising on acquisition	–	–	–	(349)	(349)
At 27 December 2014	2,400	–	(625)	(8,685)	(6,910)
Deferred tax assets	2,400	–	62	–	2,462
Deferred tax liabilities	–	–	(687)	(8,685)	(9,372)
At 27 December 2014	2,400	–	(625)	(8,685)	(6,910)

At 26 December 2015 £9.2m (27 December 2014: £8.5m) of the deferred tax liability is expected to crystallise after more than one year.

As at 26 December 2015 the Group had an unrecognised deferred tax asset relating to trading losses of £0.8m (27 December 2014: £1.0m).

The Group also has an unrecognised deferred tax asset relating to temporary differences on plant and equipment, intangible assets and provisions of £12.3m (27 December 2014: £10.1m).

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 occur in the future.

Notes to the Consolidated Financial Statements Continued

20. Share capital

Number and nominal value of ordinary shares

	Share capital Ordinary Number	Preference Number	Ordinary £000s	Preference £000s	Share premium £000s
At 28 December 2013 and 27 December 2014	64,546,960	–	645	–	–
Issue of 50,000 redeemable preference shares of £1 each	**–**	**50,000**	**–**	**50**	**–**
Issue of 41,110,184 ordinary shares of 1p each in exchange for loan notes in subsidiary	**41,110,184**	**–**	**411**	**–**	**–**
Issue of 49,104,760 ordinary shares of 1p each	**49,104,760**	**–**	**492**	**–**	**102,629**
Share issue costs	**–**	**–**	**–**	**–**	**(4,076)**
Redemption of 50,000 redeemable preference shares of £1 each	**–**	**(50,000)**	**–**	**(50)**	**–**
Capital reduction	**–**	**–**	**–**	**–**	**(98,553)**
At 26 December 2015	**154,761,904**	**–**	**1,548**	**–**	**–**

The above movements reflect the transactions that arose following incorporation of HSS Hire Group Limited (subsequently renamed HSS Hire Group plc) in advance of the IPO of 9 February 2015. Initially the share capital was £50,001 divided into 1 ordinary share of £1.00 each and 50,000 redeemable preference shares of £1.00 each.

HSS Hire Group plc replaced Hampshire Topco Limited as the holding company of the Group, through a share-for-share exchange. This took place immediately following determination of the IPO Offer Price on 3 February 2015 and resulted in the issue of the original 64,546,960 ordinary shares of 1 pence each shown above.

As part of the reconstruction that took place immediately prior to the share-for-share exchange, the external loan note holders in the Hampshire Topco Group transferred all of their interests in the notes to Hampshire Topco Limited in consideration for the issue of new ordinary shares in Hampshire Topco Limited. An aggregate loan note balance of approximately £86,000,000 including £795,500 of accrued interest was converted into 41,110,184 ordinary shares of 1 pence each. These shares were subsequently exchanged for shares in HSS Hire Group plc on a 1 for 1 basis as part of the reconstruction.

In addition, the £50,000 of preference shares were redeemed in full on 4 February 2015.

The IPO involved the issue of 49,104,760 ordinary shares of 1 pence each at the issue price of £2.10 each on 9 February 2015.

On 3 July 2015 the Company, by way of a Special resolution, cancelled its share premium account as confirmed by an Order of the High Court of Justice, chancery division, on 15 July 2015.

21. 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.

21. Financial instruments (continued)

Market risk

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

Interest rate risk

Interest rate risk is the risk of a change in the Group's cash flows due to a change in interest rates. On 9 February 2015 the Group, its ultimate parent company and its previous ultimate parent company executed a number of Board approved loans which allowed the Group to discharge existing loan notes as well as to effect an early redemption of £64m of its 6.75% senior secured notes as summarised in Note 17.

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

The Group is only exposed to interest rate risk on its variable interest borrowings, such as the revolving credit facility, the Group's overdraft and other short-term borrowings. Given the most recent inflation report from the Bank of England (February 2016) which indicates that the market-implied path for the UK Bank Rate is now lower than reported in the November 2015 report, and is not currently expect to reach 1.1% until Q1 2019, the directors do not consider this to be a significant risk to the Group. The Directors will continue to monitor developments in market interest rates on a regular basis.

Foreign exchange risk

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

Credit risk

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

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

The Group has policies in place to manage potential credit risk from trade receivables. Customer credit terms are determined using independent ratings agency data and regularly updated to reflect any changes in customer circumstances or trading conditions. If no independent rating is available an internal assessment is made of the credit quality of the customer, taking into account their financial position and past trading history of the Group. The Directors do not expect any significant losses of receivables that have not been provided for as shown in note 14.

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 17) 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 26 December 2015 is a minimum EBITDA of £35m on a rolling 12 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 £35m. For the year ended 26 December 2015 EBITDA was £62.5m (2014: £67.4m) and adjusted EBITDA was £71.0m (2014: £71.1m).

Notes to the Consolidated Financial Statements Continued

21. Financial instruments (continued)

Fair value

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

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

The following table shows the fair value of financial assets and financial liabilities within the Group, 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.

	26 December 2015 £000s	27 December 2014 £'000s
Financial liabilities		
Senior secured note	**135,568**	206,178
	135,568	206,178

The Senior secured notes are classified as Level 1 in the fair value hierarchy, as they are listed on the Luxembourg stock exchange and have been valued at their market value at the year end.

22. Commitments and contingencies

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

	26 December 2015 £000s	27 December 2014 £000s
Land and buildings		
Within one year	**15,910**	15,552
Between two and five years	**47,953**	47,986
After five years	**30,799**	31,066
	94,662	94,604
Other		
Within one year	**7,607**	6,082
Between two and five years	**13,021**	8,612
	20,628	14,694
	115,290	109,298

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

	26 December 2015 £000s	27 December 2014 £000s
Sub-lease rental income		
Within one year	**862**	58
Between two and five years	**1,704**	1,414
After five years	**376**	1,211
	2,942	2,683

23. Business combinations

Acquisitions in the year

On 8 May 2015, the Group acquired the entire share capital of All Seasons Hire Limited through its subsidiary HSS Hire Service Group Limited. All Season Hire Limited is one of the leading heating, ventilation and airconditioning ('HVAC') hire companies in the UK. The primary reason for the acquisition was to acquire a specialist HVAC 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 acquired £000s
Intangible assets	1,976
Materials & equipment held for hire	2,699
Property, plant and equipment	211
Trade and other receivables	1,219
Cash at bank and in hand	317
Creditors and provisions	(2,645)
Net assets acquired	3,777
Goodwill	7,021
Total consideration	10,798
Satisfied by	
Cash	10,798

There were fair value adjustments to trade and other receivable of £0.2m in respect of credit note and bad debt provisions and £0.1m to creditors and provisions relating to other creditors. The fair value exercise is not yet complete.

Acquisition related costs of £0.25m have been charged to administrative expenses in the income statement for the year ended 26 December 2015.

Since the acquisition date, All Seasons Hire Limited has contributed £3.6m to Group revenues and £0.5m to Group profit. If the acquisition had occurred on 1 January 2015 the contribution to Group revenue would have been £5.6m and the contribution to Group profit would have been £1.0m.

In addition a further immaterial acquisition was made in the year ended 26 December 2015 for £0.5m and gave rise to goodwill of £0.4m.

Acquisitions in prior periods

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 fair value of the consideration paid for the share capital was £5.99m and the fair value of the assets acquired was £2.79m resulting in goodwill of £3.20m.

The acquisition was settled in cash. The total consideration of £2.9m included deferred instalments of £0.7m each paid in 2015 and 2016.

24. 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 £nil (2014: £150,000) and £nil was outstanding at 26 December 2015 (2014: £nil)

The Group held outstanding loan notes together with accrued interest of £nil owed to Exponent Private Equity LLP at 26 December 2015 (2014: £85,386,186).

Key management personnel

Related party transactions with key management personnel are 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 written off by Hampshire Topco Limited following the admission of HSS Hire Group Plc to the London Stock Exchange and the Group has settled the tax and national insurance amounts arising. The benefit amounted to £78,645.

Notes to the Consolidated Financial Statements Continued

25. Dividends

	26 December 2015 £000s	27 December 2014 £000s
Interim dividend of 0.57p (2014: nil) per ordinary share paid during the year	**882**	–
	882	–

The Directors are proposing a final dividend of 0.57p per ordinary share, totalling £0.9m. This dividend has not been accrued in the consolidated statement of financial position.

26. Note supporting statement of cash flows

Significant non cash transactions in the year in respect of financing activities comprised of £29.9m of assets acquired under new finance leases (2014: £7.2m), and unpaid interest rolled up into the loan notes principal of £nil (2014: £9.3m).

27. Capital reconstruction

As explained in note 1(d), in February 2015 HSS Hire Group plc undertook an IPO resulting in £103m of gross proceeds being raised. As part of the IPO process, the Company passed special resolutions giving effect to the capital reorganisation outlined in the consolidated statement of changes in equity.

On 9 February 2015 the Group, its ultimate parent company and its previous ultimate parent company executed a number of board approved loans which allowed the Group to discharge existing loans as well as to effect an early redemption of £64m of its 6.75% senior secured notes as summarised in Note 17.

28. Adjusted EBITA

Adjusted EBITA is calculated as follows:

	26 December 2015 £000s	27 December 2014 £000s
Adjusted EBITDA	**71,047**	71,146
Less: Depreciation	**(50,702)**	(39,930)
Adjusted EBITA	**20,345**	31,216
Less: Amortisation	**(4,981)**	(3,900)
Less: Exceptional items (non-finance)	**(8,522)**	(3,739)
Operating profit	**6,842**	23,577

Company Statement of Financial Position

	Note	26 December 2015 £000s
ASSETS		
Non-current assets		
Investments		86,368
Other receivables	3	91,085
		177,453
Current assets		
Other receivables	3	8,957
Cash		1
		8,958
Total assets		186,411
LIABILITIES		
Current liabilities		
Other payables	4	(55)
		(55)
Total liabilities		(55)
Net assets		186,356
EQUITY		
Share capital	5	1,548
Share premium	5	–
Merger reserve		85,312
Retained surplus	6	99,496
Total surplus attributable to owners of the Company		186,356

The notes on pages 110 to 112 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 6 April 2016 and were signed on its behalf by:

S N Trowbridge
Director

6 April 2016

Company Statement of Changes in Equity

	Share capital £000s	Share premium £000s	Preference shares £000s	Merger reserve £000s	Retained earnings £000s	Total equity £000s
At 7 January 2015	–	–	–	–	–	–
Issue of 50,000 redeemable preference shares of £1 each	–	–	50	–	–	50
Shares issued for acquisition of subsidiary by a share-for-share exchange	1,057	–	–	85,312	–	86,369
Shares issued in the period for cash	491	102,629	–	–	–	103,120
Share issue costs	(4,076)	–	–	–	–	(4,076)
Redemption of 50,000 redeemable preference shares of £1 each	–	–	(50)	–	–	(50)
Capital reduction	–	(98,553)	–	–	98,553	–
Dividend	–	–	–	–	(882)	(882)
Profit for the period	–	–	–	–	1,825	1,825
At 26 December 2015	1,548	–	–	85,312	99,496	186,356

The notes on pages 110 to 112 form part of these financial statements.

Company Statement of Cash Flows

	Period from 7 January 2015 to 26 December £'000s
Cash flows from operating activities	
Profit before income tax	3,031
Adjustments for:	
– Finance income	(8,399)
– Finance expense	276
	(5,092)
Changes in working capital:	
– Trade and other receivables	5,036
– Trade and other payables	55
	5,091
Net cash flows from operating activities	(1)
Cash flows from investing activities	
Amounts loaned to Group companies	(100,339)
Net cash used in investing activities	(100,339)
Cash flows from financing activities	
Proceeds from issue of share capital	101,223
Dividends paid	(882)
Net cash used in financing activities	100,341
Net increase in cash	1
Cash at the start of the year	–
Cash at the end of the year	1

The notes on pages 110 to 112 form part of these financial statements.

Company Notes to the Financial Statements

1. Accounting policies

HSS Hire Group plc (the 'Company') is a company incorporated and domiciled in the United Kingdom. The Company's registered office is 25 Willow Lane, Mitcham, Surrey, CR4 4TS.

a) Reporting entity

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. The Company listed its shares on the London Stock Exchange on 9 February 2015.

The Company's principal activity is to act as ultimate holding company for a group of companies whose principal activities are the supply and hire of equipment and associated services.

b) Statement of compliance

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

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 2015, and these accounts therefore cover the period from 28 December 2014 to 26 December 2015 (2014: 29 December 2013 to 27 December 2014).

As permitted by Section 408(3) of the Companies Act 2006, the Company's income statement and statement of comprehensive income and related notes have not been presented.

The Company complies with the accounting policies defined in Note 1 to the Group consolidated statements on pages 81 to 86 except as noted below.

c) Merger reserve

The merger reserve is the amount arising on the difference between the nominal value of the shares issued on acquisition of the subsidiary company and the Company value of the interest in subsidiary. The merger reserve arises where more than 90% of the shares in a subsidiary are acquired and the consideration includes the issue of new shares by the Company, and therefore the Company adopts merger relief under the Companies Act 2006.

d) Investments

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

As the investment in subsidiaries arose from a reorganisation of the Group structure that satisfies the criteria set out in IAS 27 'Separate Financial Statements', the cost of interest has been measured as the carrying amount of its share of the equity items shown in the separate financial statements of the original parent at the date of reorganisation

2. Investments

At 26 December 2015 the Company's subsidiaries, including those held indirectly through direct subsidiaries, are:

Company	Holding	Country of incorporation	Principal activity	Ordinary shares held
Hampshire Topco Limited	Direct	United Kingdom	Intermediate holding company	100%
Hampshire Midco Limited	Indirect	United Kingdom	Intermediate holding company	100%
Hampshire Bidco Limited	Indirect	United Kingdom	Intermediate holding company	100%
Hero Acquisitions Limited	Indirect	United Kingdom	Intermediate holding company	100%
HSS Hire Service Holdings Limited	Indirect	United Kingdom	Intermediate holding company	100%
HSS Hire Service Finance Limited	Indirect	United Kingdom	Intermediate holding company	100%
Bannagroe Limited	Indirect	Republic of Ireland	Intermediate holding company	100%
ABird Superior Limited	Indirect	United Kingdom	Intermediate holding company	100%
HSS Hire Service Group Limited	Indirect	United Kingdom	Hire and equipment services	100%
A1 Hire & Sales Limited	Indirect	United Kingdom	Hire and equipment services	100%
Laois Hire Services Limited	Indirect	Republic of Ireland	Hire and equipment services	100%
ABird Limited	Indirect	United Kingdom	Hire and equipment services	100%
Apex Generators Limited	Indirect	United Kingdom	Hire and equipment services	100%
UK Platforms Limited	Indirect	United Kingdom	Hire and equipment services	100%
HSS Financing plc	Indirect	United Kingdom	Hire and equipment services	100%
HSS Training Limited	Indirect	United Kingdom	Training services	100%
1st Collection Services Limited	Indirect	United Kingdom	Administration of group debtors	100%
TecServ Cleaning Equipment Services Limited	Indirect	United Kingdom	Cleaning equipment services	100%
All Seasons Hire Limited	Indirect	United Kingdom	Hire and equipment services	100%
Access Rentals (UK) Limited	Indirect	United Kingdom	Dormant	100%
Hire Shops Limited	Indirect	United Kingdom	Dormant	100%
Reintec Limited	Indirect	United Kingdom	Dormant	100%
The Original Tool Hire Company Limited	Indirect	United Kingdom	Dormant	100%

All subsidiaries were acquired during the period as part of the Group reconstruction set out in note 1(d) to the consolidated financial statements.

Company Notes to the Financial Statements Continued

3. Other receivables

Non-current	26 December 2015 £000s
Amounts due from Group undertakings	91,085
	91,085

Current	26 December 2015 £000s
Amounts due from Group undertakings	8,946
Prepayments	11
	8,957

Non-current amounts due from Group undertakings fall due in 2022 and carry a fixed interest rate of 10%. Current amounts due from Group undertakings carry an interest rate of 3.75% above LIBOR.

4. Other payables: amounts falling due within one year

	26 December 2015 £000s
Accruals and deferred income	35
Other creditors	20
	55

5. Share capital

The details of the Company's share capital are set out in note 20 to the consolidated financial statements.

6. Profit and loss account

As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own profit and loss account for the year.

The auditors remuneration for audit and other services is disclosed in note 6 to the consolidated financial statements.

7. Related party transactions

The Company's related party transactions are set out in note 24 to the consolidated financial statements.

8. Financial instruments

Details of the Group's financial instruments policies are set out in note 21 to the consolidated financial statements.

No fair value information is presented for financial assets and financial liabilities of the Company as the carrying amount of assets and liabilities is considered to be a reasonable approximation of fair value and there are no financial assets or liabilities carried at fair value.

Shareholder Information

Annual General Meeting

The Company's Annual General Meeting will be held at 1.30pm on 15 June 2016 at Haberdashers' Hall, 18 West Smithfield, London EC1A 9HQ. Details of the Resolutions proposed and being voted on are provided in the Notice of AGM provided to shareholders and available for download at the Group website, www.hsshiregroup.com.

Boiler room fraud

Many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. Share scams are often run from 'boiler rooms' where fraudsters cold-call investors offering them worthless, overpriced or even non-existent shares.

These operations are commonly known as 'boiler room fraud'. The 'brokers' (callers) can be very persistent and extremely persuasive. They often have websites to support their activities, their advice and the companies they purport to represent. A 2006 survey by the Financial Services Authority (FSA) reported that the average amount lost by an investor is around £20,000. It is not just novice investors that have been duped in this way; many of the victims have been successfully investing for several years.

Shareholders are cautioned to be very wary of any unsolicited advice, offers to buy shares at a discount, sell your shares at a premium or offers of free company reports.

If you are offered unsolicited investment advice, discounted shares, a premium price for shares you own, or free company or research reports, you should take these steps before handing over any money:

- record the name of the person and organisation contacting you;
- check the FCA Register at www.fca.org.uk/register to ensure they are properly authorised;
- use the details on the FCA Register to contact the firm;
- call the FCA Consumer Helpline on 0800 111 6768 if there are no contact details on the Register or you are told they are out of date;
- if you receive telephone calls, emails, letters purporting to be from HSS Hire Group plc or from companies endorsed by HSS Hire Group plc and you are unsure if they are legitimate, please contact our shareholder helpline for clarification (0371 384 2030 or +44 (0)121 415 7047 (overseas)); and
- if the caller persists, hang up.

Please note that should you use an unauthorised firm to buy or sell shares or other investments, you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme (FSCS) if things go wrong.

If you are approached about a share scam you should tell the FCA using the online share fraud reporting form at www.fca.org.uk/consumers/scams, where you can find out about the latest investment scams. You can also call the FCA Consumer Helpline on 0800 111 6768.

If you have already paid money to share fraudsters you should contact Action Fraud on 0300 123 2040.

Further information on this or similar activity can be found at www.cityoflondon.police.uk/citypolice within the Economic Crime section.

Forward-looking statements

This document contains certain forward-looking statements concerning the Group's business, financial condition, results of operations and certain of the Group's plans, objectives, assumptions, projections, expectations or beliefs with respect to these items. Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as 'anticipates', 'aims', 'due', 'could', 'may', 'will', 'should', 'expects', 'believes', 'intends', 'plans', 'potential', 'targets', 'goal' or 'estimates'.

Forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the Group's actual financial condition, performance and results to differ materially from the plans, goals, objectives and expectations set out in the forward-looking statements included in this document. Accordingly, readers are cautioned not to place undue reliance on forward-looking statements.

By their nature, forward-looking statements relate to events and depend on circumstances that will occur in the future and are inherently unpredictable. Such forward-looking statements should, therefore, be considered in light of various important factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, among other things: changes in the economies and markets in which the Group operates; changes in the regulatory regime within which the Group operates; changes in interest and to a lesser extent exchange rates; the impact of competitor pricing behaviour; the occurrence of major operational problems; the loss of major customers; contingent liabilities; and the impact of legal or other proceedings against, or which otherwise affect, the Group.

No assurance can be given that the forward-looking statements in this document will be realised; actual events or results may differ materially as a result of risks and uncertainties facing the Group. Subject to compliance with applicable law and regulation, the Company does not intend to update the forward-looking statements in this document to reflect events or circumstances after the date of this document, and does not undertake any obligation to do so.

Financial Calendar	
Annual General Meeting	1.30pm, 15 June 2016
Ex-dividend date for final dividend	2 June 2016
Record date for final dividend*	3 June 2016
Final dividend paid	4 July 2016

* Shareholders on the register at this date will receive the dividend.

Company Information

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Website: www.hsshiregroup.com

Registered number: England and Wales, No. 9378067

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Patrick Hartrey

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One Churchill Place
London, E14 5HP

HSBC Bank plc
8 Canada Square
London, E14 5HQ

Financial Public Relations
Citigate Dewe Rogerson Ltd
3 London Wall Buildings
London Wall
London, EC2M 5SY

Trade Public Relations
Founded Partners Limited
185 Park Street
London, SE1 9DY

Registrars
Equiniti Limited
Aspect House
Spencer House
Lancing
West Sussex, BN99 6DA

Insurance Brokers
Marsh Limited
1 Tower Place West,
Tower Place
London
EC3R 5BU

Definitions and Glossary

The following definitions apply throughout this document unless the context requires otherwise:

'ABird' or 'ABird Power Solutions'	ABird Superior Limited and its wholly-owned subsidiary, Abird Limited
'Act'	the Companies Act 2006, as amended
'Activ' Shield Bar'	a safety feature developed in conjunction with manufacturer Haulotte on the Group's platform access fleet
'Adjusted EBITA'	EBITA adjusted to add back exceptional items
'Adjusted EBITDA'	EBITDA adjusted to add back exceptional items
'Adjusted EPS'	measure of adjusted profitability per share. Widely recognised measure of shareholder value (profit) being generated by a business excluding non-recurring or exceptional items and amortisation and after charging the prevailing rate of corporation tax
'Admission'	the admission of the Shares to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities
'All Seasons Hire'	All Seasons Hire Limited
'Apex'	Apex Generators Limited
'Articles'	the Articles of Association of the Company to be adopted upon Admission
'Average revenue per account customer'	calculated by dividing the total revenue from account customers only in a year by the simple average of the opening and closing number of trading accounts
'bn'	a billion or billions when used with a number or numbers and a currency unit e.g. £5.7bn denotes £5.7 billion pounds sterling
'B2B'	business-to-business
'Carbon emissions in our built environment'	calculated as the total CO_2 emissions from fuel combustion (a scope 1 emission) and purchased electricity (scope 2 emissions) of the Group in kg CO_2 divided by the total m^2 of the Group's freehold and leasehold portfolio. Calculated for the period 1 April to 31 March in each year in accordance with the reporting timeframe required for annual CRC submissions
'Code'	see 'Governance Code'
'Company'	HSS Hire Group plc
'CRC Energy Efficiency Scheme' or 'CRC'	a mandatory carbon emissions reduction scheme in the United Kingdom that applies to large non-energy-intensive organisations in the public and private sectors
'EBITA'	earnings before interest, tax and amortisation
'EBITDA'	earnings before interest, tax, depreciation and amortisation
'EU'	European Union
'Exponent'	the investment funds managed by Exponent Private Equity LLP or, when otherwise indicated or where the context otherwise requires, Exponent Private Equity LLP in its own right
'Exponent Shareholders'	Exponent Private Equity Partners GP II, LP, Exponent Havana Co-Investment Partners GP Limited and Exponent Private Equity Founder Partner GP II Limited
'Governance Code'	the UK Corporate Governance Code issued by the Financial Reporting Council, as amended from time to time
'Group'	together, HSS Hire Group plc and the companies which are direct or indirect subsidiaries of HSS Hire Group plc
'Hampshire Topco Limited'	our parent company as at 27 December 2014 and up until 21 January 2015 when HSS Hire Group plc became the new holding company of Hampshire Topco Limited and its subsidiaries through a share-for-share exchange. Havana Topco Limited was renamed Hampshire Topco Limited on 23 May 2014
'HSS Hire Group plc'	HSS Hire Group plc, our new parent company incorporated on 7 January 2015 as a private company limited by shares in the United Kingdom and re-registered as a public limited company on 19 January 2015. The ordinary share capital of HSS Hire Group plc was admitted to the premium listing segment of the Official List of the UK Listing Authority and to trading on London Stock Exchange's main market for listed securities under the ticker 'HSS' on 9 February 2015
'HSS'	used to refer to the group of companies within the HSS Hire Group
'IFRS'	International Financial Reporting Standards, as adopted by the European Union
'initial public offering' or 'IPO'	the initial public offering and admission of the ordinary share capital of HSS Hire Group plc to the premium listing segment of the Official List of the UK Listing Authority and to trading on London Stock Exchange's main market for listed securities under the ticker 'HSS' on 9 February 2015

Definitions and Glossary Continued

'Ireland'	the Republic of Ireland
'live account'	a customer that has transacted with the Group in the prior 12 months
'LTM Utilisation'	for our Core businesses utilisation is calculated as average units hired divided by average units owned in a reporting month, then averaged over the relevant 52-week period (referred to as the last 12 months or 'LTM') for our Specialist businesses utilisation represents the average utilisation rate of the specialist businesses included in the reporting period, calculated using the same method as for core utilisation at each business level. This calculation does not include data for All Seasons Hire as full LTM utilisation data is not yet available
'm'	a million or millions when used witha number and a currency unit e.g. £70m denotes £70 million pounds sterling
'MEWP'	Mobile Elevating Work Platform
'MTS'	Mobile Traffic Solutions
'Net debt'	the total indebtedness of the Group including Senior Secured Notes (excluding debt issue costs), investor loan notes (2014 only), finance leases, drawings on the Revolving Credit Facility, any accrued interest on these items and any overdraft net of any cash in the Group
'Notes'	the £200m 6.75% Senior Secured Notes due 2019 issued by HSS Financing plc in February 2014, which after a partial redemption in February 2015 were reduced to a balance of £136m
'NPS'	a measure of willingness of customers to recommend a Company's products or services to others
'Official List'	the Official List of the FCA
'return on assets' or 'ROA'	calculated as Adjusted EBITA divided by the total of average total assets (excluding intangible assets) subtracted by average current liabilities
'Return on Capital Employed' or 'ROCE'	calculated as Adjusted EBITA divided by the total of average total assets (excluding intangible assets and cash) less average current liabilities (excluding current debt items)
'Revolving Credit Facility'	the £80.0m revolving credit facility made available pursuant to the Revolving Credit Facility Agreement
'Revolving Credit Facility Agreement'	the revolving credit facility agreement governing the £80.0m super senior revolving credit facility dated 30 January 2014
'RIDDOR(s)'	RIDDOR stands for the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995. Within our KPIs we report our RIDDOR rate, which is calculated as: the number of RIDDOR incidents x 100,000, divided by the number of hours worked
'TecServ'	TecServ Cleaning Equipment Services Limited (formerly Premiere FCM Limited)
'RMI'	used to refer to services provided in the repair, maintain and improve markets, typically to the built environment
'SHEQ'	safety, health, environment and quality
'Trading Account'	a customer account which has been active in the last 12 months
'Training days per colleague'	calculated as the total training days completed by Group employees within the year, divided by the average number of colleagues in the Group
'UK'	the United Kingdom of Great Britain and Northern Ireland
'UK Platforms'	UK Platforms Limited and its subsidiary, Access Rentals (UK) Limited
'Unipart Group'	Unipart Group Limited

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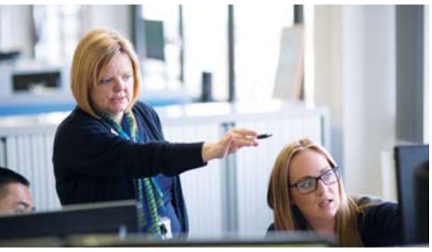

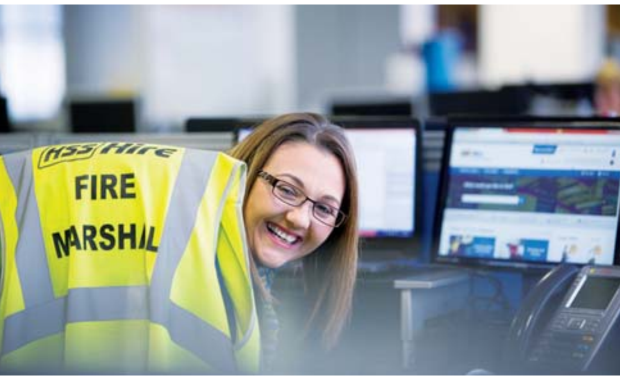

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