HSS Financing plc

£200,000,000 6.75% Senior Secured Notes due 2019

Annual Report 2014

For the 52 weeks ended 27 December 2014

20 April 2015

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Forward-looking statements

This annual report contains “forward-looking statements” within the meaning of the securities laws of certain jurisdictions, including statements under the captions “Summary”, “Risk factors”, “Operating and financial review”, “Industry”, “Business” and in other sections of this annual report. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the words “believes”, “could”, “estimates”, “anticipates”, “expects”, “intends”, “may”, “will”, “plans”, “continue”, “ongoing”, “potential”, “predict”, “project”, “target”, “seek”, “should” or “would” or, in each case, their negative or other variations or comparable terminology or by discussions of strategies, plans, objectives, targets, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this annual report and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and dividend policy and the industry in which we operate.

By their nature, forward-looking statements involve known and unknown risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. You should not place undue reliance on these forward-looking statements. In addition, past performance of the Company cannot be relied on as a guide to future performance.

Many factors may cause our results of operations, financial condition, liquidity and the development of the industry in which we compete to differ materially from those expressed or implied by the forward-looking statements contained in this annual report.

These factors include, among others:

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

- complaints and litigation;
- tax risks;
- disruptions in our information technology systems;
- our acquisitions may prove unsuccessful or strain our resources;
- risks related to our substantial indebtedness, our structure and our ability to meet our debt service obligations; and
- other factors discussed under “Risk factors”.

These risks and others described under “Risk factors” are not exhaustive. Other sections of this annual report describe additional factors that could adversely affect our results of operations, financial condition, liquidity and the development of the industry in which we operate. New risks can emerge from time to time, and it is not possible for us to predict all such risks, nor can we assess the impact of all such risks on our business or the extent to which any risks, or combination of risks and other factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, you should not rely on forward-looking statements as a prediction of actual results.

Any forward-looking statements are only made as of the date of this annual report and we do not intend, and do not assume any obligation, to update forward-looking statements set forth in this annual report. You should interpret all subsequent written or oral forward-looking statements attributable to us or to persons acting on our behalf as being qualified by the cautionary statements in this annual report. As a result, you should not place undue reliance on these forward-looking statements.

Certain definitions

Unless otherwise indicated or where the context otherwise requires, references to:

- "ABird" and "ABird Power Solutions" are to Abird Superior Limited and its wholly-owned subsidiary, Abird Limited, a provider of temporary power generation facilities and associated products and services, that we acquired on 31 October 2012;

- "Apex" are to Apex Generators Limited, a specialist generator hire business operating primarily across Scotland, that we acquired on 31 March 2014;

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

- "Collateral" are to the security interests securing the obligations of the Issuer and the Guarantors under the Notes, the Note Guarantees and the Revolving Credit Facility Agreement;

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

- "EU" are to the European Union;

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

- "Exponent" are to the investment funds managed by Exponent Private Equity LLP or, when otherwise indicated or where the context otherwise requires, Exponent Private Equity LLP in its own right;

- "Exponent Shareholders" are to Exponent Private Equity Partners GP II, LP, Exponent Havana Co-Investment Partners GP Limited and Exponent Private Equity Founder Partner GP II Limited;

- "Group" are to the Company and its consolidated subsidiaries and subsidiary undertakings;

- "Guarantors" are to the entities guaranteeing the obligations of the Issuer under the Notes;

- "Hampshire Bidco" are to Hampshire Bidco Limited, an intermediate holding company which was renamed from Havana Bidco Limited to Hampshire Bidco Limited on 23 May 2014. Hampshire Bidco Limited is a wholly owned subsidiary of Hampshire Midco Limited;

- "Hampshire Midco" are to Hampshire Midco Limited, an intermediate holding company which was renamed from Havana Midco Limited to Hampshire Midco Limited on 23 May 2014. Hampshire Midco Limited is a wholly owned subsidiary of Hampshire Topco Limited;

- "Hampshire Topco" are to Hampshire Topco Limited, our parent company as at 27 December 2014 and up until 21 January 2015 when HSS Hire Group plc became the new holding company of Hampshire Topco and its subsidiaries through a share for share exchange. Havana Topco Limited was renamed Hampshire Topco Limited on 23 May 2014;

- "HSS", "our", "us" and "we" are to the Company and its direct and indirect subsidiaries;

- "HSS Hire Group plc" are to HSS Hire Group plc, our new parent company incorporated on 7 January 2015 as a private company limited by shares in the United Kingdom and re-registered as a public limited company on 19 January 2015. The ordinary share capital of HSS Hire Group plc was admitted to the premium listing segment of the Official List of the UK Listing Authority and to trading on London Stock Exchange's main market for listed securities under the ticker "HSS" on 9 February 2015;

- “IFRS” are to the International Financial Reporting Standards as adopted by the EU;

- “Indenture” are to the indenture governing the terms of the Notes among, amongst others, the Issuer, the Guarantors and the trustee in respect of the Notes, dated the Issue Date;

- “Intercreditor Agreement” are to the intercreditor agreement amongst, inter alia, the Issuer, the Guarantors, the trustee in respect of the Notes, the security agent and the facility agent under the Revolving Credit Facility Agreement and the other parties named therein, dated on or about the Issue Date;

- “IPO” are to the initial public offering and admission of the ordinary share capital of HSS Hire Group plc to the premium listing segment of the Official List of the UK Listing Authority and to trading on London Stock Exchange’s main market for listed securities under the ticker “HSS” on 9 February 2015;

- “Ireland” are to the Republic of Ireland;

- “Issue Date” are to 6 February 2014, the date on which the Notes were issued;

- “Issuer” are to HSS Financing plc, a wholly-owned subsidiary of the Company incorporated under the laws of England and Wales as a public limited company;

- “Note Guarantees” are to the senior secured guarantees of the Notes to be provided by all the Guarantors pursuant to the Indenture;

- “Notes” are to the Senior Secured Notes due 2019;

- “Proceeds Loan” are to the loan agreement entered into between Issuer, as lender, and the Company, as borrower, pursuant to which the Issuer on-lent the proceeds of the Notes to the Company on the Issue Date;

- “Revolving Credit Facility” are to the revolving credit facility made available pursuant to the Revolving Credit Facility Agreement;

- “Revolving Credit Facility Agreement” are to a revolving credit facility agreement governing a new £60.0 million super senior revolving credit facility to be dated on or about the Issue Date;

- “Reorganisation Deed” are to the reorganisation deed between (among others) the HSS Hire Group plc, Hampshire Topco Limited, certain subsidiaries of Hampshire Topco Limited, Exponent Private Equity Partners GP II, LP, Exponent Havana Co-Investment Partners GP Limited, ESP 2006 Conduit LP, ESP 2008 Conduit LP, Exponent Private Equity Founder Partner GP II Limited and the executive directors of HSS Hire Group plc

- “SEC” are to the U.S. Securities and Exchange Commission;

- “Subordinated Shareholder Loans” are to the intercompany loans described in “Description of other indebtedness—Subordinated shareholder loans”;

- “TecServ” are to TecServ Cleaning Equipment Services Limited (formerly, Premiere FCM Limited), a specialist provider of cleaning equipment services, that we acquired on 22 November 2013;

- “UK GAAP” are to accounting practices generally accepted in the United Kingdom;

- “United States”, “US” and “U.S.” are to the United States of America;

- “U.S. Exchange Act” are to the U.S. Securities Exchange Act of 1934, as amended;

- “U.S. GAAP” are to accounting principles generally accepted in the United States;
- “UK” are to the United Kingdom;
- “UK Platforms” are to UK Platforms Ltd and its subsidiary, Access Rentals (UK) Limited, a provider of electric and diesel powered access products. We acquired UK Platforms on 28 June 2013; and
- “U.S. Securities Act” are to the U.S. Securities Act of 1933, as amended.

Presentation of financial and other information

IFRS financial information

The historical and other financial information presented in this annual report have primarily been derived from the historical consolidated financial statements of the Company, which are included elsewhere in this annual report. The Issuer was incorporated under the laws of England and Wales on 10 January 2014 and is a wholly-owned finance subsidiary of the Company. The Issuer has no material assets or liabilities other than those related to the Notes, the Proceeds Loan and the Revolving Credit Facility. Consequently, we have not provided herein financial statements for the Issuer.

We are permitted under the UK Companies Act of 2006 to prepare our financial statements up to a date that is seven days before or after the applicable accounting reference date for the period. Although our audited financial statements refer to fiscal years ended 31 December, our fiscal year is usually made up of a 52 week period and as a result does not always correspond to a calendar year ended 31 December. For the 52 week period in 2012, the period ran from 1 January 2012 to 29 December 2012, for the 52 week period in 2013, the period ran from 30 December 2012 to 28 December 2013 and for the 52 week period in 2014, the period ran from 29 December 2013 to 27 December 2014. From time to time, our fiscal year accounting period covers a 53 week period, which impacts the comparability of results. We do not present any 53 week periods in the historical financial information presented in this annual report.

In preparing its financial statements for the 52 week period ended 27 December 2014 in accordance with the Indenture, the Company has elected to apply IFRS for the first time. Previously the Company applied UK GAAP, and as a result the Company's results for the 52 week period ended 27 December 2014 are the Company's first financial statements prepared in accordance with IFRS. Our consolidated financial statements as at and for the 52 week period ended 27 December 2014 were audited by BDO LLP. The principles and requirements for first time adoption of IFRS are set out in IFRS 1 First time adoption of International Financial Report Standards ("IFRS1"). Under IFRS1 the company has chosen a transition date of 2 January 2011 for the commencement of calculation of financial information prepared under IFRS and, as required under IFRS1, the consolidated financial statements as at and for the 52 week period ended 27 December 2014 include financial information prepared in accordance with IFRS for the prior year period, the 52 weeks ended 28 December 2013. The company has chosen to voluntarily include financial information for the period ended 29 December 2012 within those consolidated financial statements. As a result our consolidated financial statements as at and for the 52 week period ended 27 December 2014 include financial information prepared in accordance with IFRS as at and for the 52 week periods ended 27 December 2014, 28 December 2013, and 29 December 2012.

Our consolidated financial statements as at and for the 52 week periods ended 29 December 2012 and 28 December 2013 presented in accordance with UK GAAP are also included. These consolidated financial statements were audited by BDO LLP.

We have not included financial information prepared in accordance with US GAAP in this annual report. IFRS differs in certain significant respects from US GAAP. You should consult your own professional advisors for an understanding of the differences between IFRS, UK GAAP and US GAAP, and how those differences could affect the financial information contained in this annual report.

The annual financial statements of the Company, included in this annual report (starting on page F-1), have been reproduced from the financial statements required by statute in the United Kingdom to be prepared annually. Such statutory annual financial statements are also required to be audited by a registered auditor in the United Kingdom. In respect of the audit reports relating to the annual statutory financial statements which are also reproduced herein, BDO LLP, our independent auditor which conducted its statutory audits in accordance with statute in the United Kingdom, stated the following in accordance with guidance issued by the Institute of Chartered Accountants in England and Wales: "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".

These statements are intended to disclaim any liability to parties (such as investors in the Notes) other than to the members of the Company with respect to those reports. For this reason, the SEC would not permit the language quoted above to be included in a registration statement or a prospectus used in connection with an offering of securities registered under the U.S. Securities Act, or in a report filed under the U.S. Exchange Act. It is not clear whether a U.S. court (or any other court) would give effect to the language quoted above, therefore the recourse that persons such as investors in the Notes may have against the independent auditors could be limited and the inclusion of the language referred to above may limit the ability of persons such as purchasers of the Notes to bring any action against our independent auditors.

References in this annual report to "pound", "pound sterling", "UK pound" or "£" are to the lawful currency of the United Kingdom. The financial information and financial statements included in this annual report are presented in pound sterling.

Certain numerical figures included in this annual report have been rounded. Therefore, discrepancies in tables between totals and the sums of the amounts listed may occur due to such rounding.

The financial information set out in pages 1 to 69 of this document does not constitute the company's statutory accounts for 2014, 2013 or 2012.

Statutory accounts for the financial year ended 31 December 2014 have been reported on by the Independent Auditors. The Independent Auditors' Report on the Annual Report and Financial Statements for 2014 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

Statutory accounts for the financial year ended 31 December 2013 have been reported on by the Independent Auditors. The Independent Auditors' Report on the Annual Report and Financial Statements for 2013 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

Statutory accounts for the financial year ended 31 December 2012 have been reported on by the Independent Auditors. The Independent Auditors' Report on the Annual Report and Financial Statements for 2012 was unqualified, but included a statement drawing attention to the revision of the financial statements in respect of the categorisation between due in less than one year and amounts due in greater than one year of amounts due to group companies. The Independent Auditors' Report on the Annual Report and Financial Statements for 2012 did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

Statutory accounts for the financial years ended 31 December 2012 and 31 December 2013 have been filed with the Registrar of Companies. The statutory accounts for the year ended 31 December 2014 will be delivered to the Registrar in due course.

Non-IFRS and non-UK GAAP financial information

In addition to IFRS financial information, we have included certain non-IFRS and non-UK GAAP financial measures and adjustments in this annual report, including Adjusted EBITA, EBITDA, Adjusted EBITDA, third-party debt, net third-party debt, capital expenditure and certain other financial measures and ratios. Non-IFRS and non-UK GAAP financial measures are not required by or presented in accordance with IFRS or UK GAAP. We have defined below each of the non-IFRS and non-UK GAAP earnings measures and earnings adjustments that we have used in this annual report.

EBITDA based measures:

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

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

- "*EBITDA*" represents income or loss for the financial period before interest payable and similar charges, interest receivable and similar income, tax on ordinary activities, loss or profit on sale of fixed assets and depreciation and amortisation.

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

Other non-IFRS and non-UK GAAP measures:

- "*capital expenditure*" represents additions to our tangible fixed assets during the applicable periods as set forth in the notes entitled "Tangible Fixed Assets" to our financial statements included in this annual report;

- "*net third-party debt*" means total third-party debt (as defined below) less cash;

- "*return on assets*" is calculated by dividing Adjusted EBITA by the aggregate of average total assets (excluding intangible assets) for the period less average current liabilities (excluding amounts due to group undertakings) for the period. Average total assets and average current liabilities have been calculated based on the arithmetical average of the opening and closing balance sheet positions of assets and liabilities, respectively, for the applicable period; and

- "*third-party debt*" consists of (i) bank loans and other borrowings excluding debt issue costs, (ii) bank overdrafts, (iii) obligations under our finance leases and (iv) accrued interest.

We have presented these non-IFRS and non-UK GAAP financial measures (1) as they are used by our management to monitor and report to our board members on our financial position for outstanding debt and available operating liquidity and (2) to represent similar measures that are widely used by certain investors, securities analysts and other interested parties as supplemental measures of financial position, financial performance and liquidity. We believe these measures enhance the investor's understanding of our indebtedness and our ability to fund our ongoing operations, make capital expenditure and our ability to meet and service our obligations.

However, these non-IFRS and non-UK GAAP financial measures are not measures determined based on UK GAAP, IFRS, US GAAP or any other internationally accepted accounting principles, and you should not consider such items as an alternative to the historical financial position or other indicators of our cash flow and forward position based on IFRS measures. The non-IFRS and non-UK GAAP financial measures, as defined by us, may not be comparable to similarly titled measures as presented by other companies due to differences in the way our non-IFRS and non-UK GAAP financial measures are calculated. The non-IFRS and non-UK GAAP financial information contained in this annual report is not intended to comply with the reporting requirements of the SEC and will not be subject to review by the SEC. Even though the non-IFRS and non-UK GAAP financial measures are used by management to assess our financial position and these types of measures are commonly used by investors, they have important limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of our position or results as reported under IFRS or UK GAAP.

Industry and market data

We operate in an industry for which it is difficult to obtain precise industry and market information. The market and competitive position data in the sections "Summary", "Risk factors", "Operating and financial review", "Industry" and "Business" of this annual report are estimates by management based on industry publications, and from surveys or studies conducted by third-party industry consultants that are generally believed to be reliable. However, the accuracy and completeness of such information is not guaranteed and has not been independently verified. Additionally, industry publications and such studies generally state that the information contained therein has been obtained from sources believed to be reliable, but the accuracy or completeness of such information is not guaranteed and in some instances the sources do not assume liability for such information. We have obtained certain of the market and industry data presented in this annual report from reports produced by third-party industry specialists such as the European Rental Association. We cannot assure you of the accuracy and completeness of such information, and we have not independently verified such market data. We do, however, accept responsibility for the correct reproduction of this information.

Some of the information herein has also been extrapolated from such market data or reports using our experience and internal estimates. Elsewhere in this annual report, statements regarding the industry in which we operate and our position in this industry are based solely on our experience, internal studies and estimates, and our own investigation of market conditions. We believe that the sources of such information in this annual report are reliable, but there can be no assurance that any of these assumptions is accurate or correctly reflects our position in our industry, and none of our internal surveys or information has been verified by any independent sources. While we are not aware of any misstatements regarding the industry or similar data presented herein, such data involves risks and uncertainties and are subject to change based on various factors, including those discussed under the heading "Risk factors" in this annual report. As a result, we do not make any representation as to the accuracy or completeness of any such information in this annual report.

Management's introduction

The 2014 financial year was another strong year for HSS. We grew our revenue and EBITDA organically and through the acquisition of specialist businesses which added to the breadth of service we provide for our customers.

We continued to invest in the size and quality of our rental fleet, network, infrastructure and systems with a total investment of £83.6 million compared to £36.8 million in 2013. This investment was made across all our businesses and included additional capital to grow our rental fleets as well as develop our brand, our operating network and IT infrastructure. A further £3.9 million of tangible fixed assets was added through business acquisitions.

We strive to be number one or two in our key markets and deliver industry-leading return on assets through optimising our branch network, implementing operational efficiency, investing in people and systems and delivering added-value services. In 2014, we acquired Apex Generators, a provider of temporary power generators based in Scotland.

Net cash flows from operating activities before changes in hire equipment increased by £13.5 million to £55.6 million reflecting the strong growth achieved during the year. Together with the Revolving Credit Facility Agreement entered into in February this enabled us to invest to support growth in the business.

In 2014, we achieved a return on assets of 25.9% (2013: 29.8%), revenue of £284.6 million (2013: £226.7 million) and Adjusted EBITDA of £71.1 million (2013: £55.9 million).

In October 2014, the European Rental Association, working with IHS Global Insight, estimated that the UK equipment hire market (without operators) would grow by 9.7% between 2013 and 2014. We believe that our results have demonstrated a significant outperformance of this market estimate.

Business overview, strengths and strategies

Overview

We are a leading provider of tool and equipment hire and related services in the United Kingdom and Ireland. We focus on the “maintain” and “operate” segments of the tool and equipment hire market, as opposed to providing large plant and other heavy machinery and equipment geared to heavy construction activities in the “new build” market segment. This is because we believe that the “maintain” and “operate” segments offer us greater opportunities to provide value added services and generate better and more stable returns. We believe that within our target segments of the market we are the second largest provider of tool and equipment hire and related services in the United Kingdom and Ireland based on revenues. We believe that we are also the second largest provider of powered access equipment in the United Kingdom based on fleet size.

We cater to a long standing, loyal and diversified customer base built over more than 50 years, comprising over 35,000 “live” accounts. Our customers range from large, blue chip companies to smaller, local businesses in, among others, the facilities management, retail and commercial fit out, property services and infrastructure customer segments throughout the United Kingdom and Ireland. We believe that in excess of 90% of our total revenue is generated from business to business or B2B customers. We operate from over 265 locations with a delivery fleet of over 400 commercial vehicles and have approximately 3,030 employees.

We complement our offering of tool and equipment hire with a range of value added services such as those that we provide under our HSS OneCall and HSS Training brands. We believe that these additional services help differentiate us from our competitors, embed us more deeply with our customers, capture more of our customers’ potential spending and establish a “one stop shop” for our customers. We also offer specialist rental equipment under our brands, ABird and Apex, UK Platforms and Reintec and TecServ, which are complementary to our core business. Our extensive offering enables us to cross sell our core and specialist products and services to our customers thereby enabling us, we believe, to meet their requirements to a greater extent than many of our competitors. The key products and services that we offer our customers across our HSS Hire, ABird and Apex, UK Platforms and Reintec and TecServ businesses are summarised below.

Our core businesses:

- HSS Hire: Under our HSS Hire business, we offer an extensive range of tools and equipment across approximately 1,600 product lines driven by customer demand. We ensure that this equipment is well maintained, fully compliant with health and safety requirements and ready to use. Customers have the option to order our products and services through our branches, our customer service centre, online or through our dedicated account managers.

- HSS OneCall: Under our HSS OneCall business, in response to our customer’s demand, we work with a network of partners to source equipment that we do not typically hold as a part of our hire fleet. A dedicated in-house team provides advice and manages orders through our branches or through our contact centre, under a single contract and single invoice. Our OneCall suppliers are vetted against a range of quality, reliability and health and safety criteria before being put on an approved supplier list.

- HSS Training: The HSS Training business is our specialist training service, offering 248 industry-recognised technical and safety courses at 36 training venues throughout the United Kingdom and Ireland. Under HSS Training we are able to offer bespoke courses.

Our specialist businesses:

- ABird and Apex: ABird is our specialist provider of temporary power generation and distribution equipment and services. We operate under the Apex brand in Scotland. Through ABird and Apex, we serve more than 1,200 customers.

- UK Platforms: UK Platforms is our specialist provider of powered access equipment and services, offering a full range of diesel and electric aerial work platforms. UK Platforms is the second largest provider of powered access equipment in the United Kingdom based on fleet size as reported by Cranes & Access magazine.

- Reintec and TecServ: As an alternative to the traditional hire contract, we also offer equipment management solutions to the contract cleaning market under the Reintec and TecServ brands. With these services we provide our customers with the benefits of management, maintenance, compliance and cost efficiency services and expertise. The Reintec business specialises in providing fully outsourced cleaning equipment to the contract cleaning market, TecServ, complementing the Reintec business, is a specialist provider of maintenance services for contract cleaner businesses

With a geographical footprint comprising over 265 locations throughout the United Kingdom and Ireland, we believe that we have the ability to serve our customers "anytime, anywhere". Our core HSS Hire network comprises a national distribution centre, 10 regional distribution centres, 25 local distribution centres and over 230 selling branches and locations, all connected through our hub and spoke distribution model. In addition, our specialist businesses operate from 72 locations, some of which are shared with our other businesses.

We believe that our HSS brand has the strongest recognition in the markets in which we operate. The products and services that we provide are often critical to the business operations of our customers. As a result, our customers are selective about the suppliers with which they work and typically seek suppliers which have a well established reputation for trust and quality and the ability to meet their requirements at short notice. We believe we are also well regarded by our customers for our safety management standards, service levels and asset availability which, in our experience, are the most significant criteria based on which customers select their equipment rental provider.

We have a strong focus on optimising our deployment of capital. This has resulted in our being selective as to the areas of the equipment rental market that we enter, avoiding sectors which we believe will not have attractive returns. Our focus on capital efficiency has also driven us to implement important industry innovations in recent years. For example, we have focused on improving utilisation of our equipment fleet by overhauling our logistics and distribution network to develop our hub and spoke distribution model. This model is designed to ensure that we can increase the utilisation of our equipment fleet by providing overnight redistribution and next day availability to our customers, through each of our branches without requiring us to keep large stocks of equipment at each branch location.

We have also developed innovative technology aimed at enhancing productivity, customer retention and the return on our assets. For example, we have introduced remote fleet management technology into our ABird hire fleet, which allows the remote monitoring of our power generators through the use of SIM cards that transmit technical and performance data to our IT system and our customers in real time. We believe that this technology will result in operational savings for our customers and enhance the productivity of our engineers. We are also in the process of installing "Activ Shield Bar" technology in our powered access fleet, which is designed to provide users with additional operating safety features which, we believe, will improve demand and utilisation. In addition, we have developed a specialised refurbishment centre with the aim of extending the useful life of certain assets and therefore reducing the level of replacement purchases.

Our strengths

Leading market positions in attractive, resilient markets with a well invested asset base

We are a leading provider of tool and equipment hire and related services in the United Kingdom and Ireland. We focus on the "maintain" and "operate" segments of the tool and equipment hire market, as opposed to providing large plant and other heavy machinery and equipment geared to heavy construction activities in the "new build" market segment. This is because we believe that the "maintain" and "operate" segments offer us greater opportunities to provide value added services and generate better and more stable returns. We believe that within our target market segments we are the second largest provider of tool and equipment hire and related services in the United Kingdom and Ireland based on revenues. We believe that we are also the second largest provider of powered access equipment in the United Kingdom based on fleet size.

We provide an extensive in house range of high quality tools and equipment designed to meet the needs of our customers. We are able to expand on this in house offering with minimal capital outlay by rehiring equipment to our customers from third-party hire providers through our HSS OneCall business.

Our leading market positions are underpinned by a number of competitive advantages. These include our size and scale, national reach and presence, broad service offering, innovation capabilities, long standing customer relationships and reputation for quality, reliability and consistency. As a market leader, we are a key partner to our large customers, who tend to work only with a few select suppliers and value our logistical and technological leadership as well as our ability to deliver fully customised services “anywhere, anytime” through our “one stop shop” set up. For example, we have collaborated with some of our customers to develop an innovative supply chain model whereby they promote us as a preferred supplier to their sub-contractor base on commercial terms and service levels that have been agreed in advance. As a result, these customers benefit from our consistently high service levels and competitive pricing while we, in turn, benefit from their continued loyalty and repeat business. We have successfully implemented this model with some of our leading customers including Sainsbury’s and Heathrow Airports Limited.

We have been recognised as the market leading brand for tool and equipment hire in the United Kingdom. For example, we were recognised as the European large rental company of the year at the 2011 European Rental Awards, for the most outstanding contribution to the industry by a large rental company. We were also recognised as the UK tool and equipment hire company of the year in 2012 by Hire Association Europe for a consistent record of delivery, high standards of service, clear systems and procedures for health and safety and the highest standards of professionalism in the industry. We also believe our leading market positions give us a strategic advantage in pursuing attractive acquisition opportunities, as equipment rental businesses which are contemplating a sale of their business are more likely to contact us rather than, or prior to, our smaller or lesser known competitors.

Diversified operations

Our business operations benefit from diversity at various levels including, among others, a broad and diverse customer base, a diverse service offering, various end markets and an extensive geographical network.

- Diverse customer base: We have over 35,000 “live” accounts, ranging from customers we classify as key accounts that offer the potential to contribute over £100,000 a year in revenues; regional customers who typically contribute between £20,000 and £100,000 a year in revenues; and our local customers who typically generate less than £20,000 a year in revenues. While our top 20 customers generated approximately 17% of our revenue for the 52 week period ended 27 December 2014, no single customer generated over 3% of our revenue during the period. We estimate that our key account customers typically generate approximately 30% of our annual revenue, our cash customers typically generate approximately 10% of our annual revenue and our regional and local customers typically generate our remaining annual revenue.

- Diverse product and service offering: With a strong presence in both the core equipment and specialist rental market coupled with our wide product range, we are able to offer a “one stop shop” to our existing and potential equipment hire customers. Our diverse offering, consisting of approximately 1,600 product lines across 23 equipment categories, has enabled us to satisfy our customers’ needs, often in a single customised package. Moreover, our expertise has enabled us to sell multiple add on services to our customers. Our broad offering and our growing presence in specialist rental markets also protects us against a decline in demand for any one of the product areas or businesses we operate.

- Diverse end markets: Our customers’ businesses range from facilities management (e.g., MITIE) to retail (e.g., Sainsbury’s) and commercial fit out (e.g., ISG), property (e.g., Otis), utilities and waste (e.g., Suez), infrastructure (e.g., Heathrow Airports Limited) and energy services markets (e.g., Vestas), which has helped us to withstand adverse conditions in any single market segment. A significant portion of our revenues are attributable to customers which undertake maintain and operate projects within the wider market, which has historically exhibited resilience and consequently more predictable revenues.

High customer loyalty driven by differentiated service model

Historically, we have won new customers and been successful in maintaining the loyalty of our existing customers by utilising our knowledge of their requirements together with our ability to offer higher value added services. To provide our customers with a "one stop shop", we have developed a range of complementary, value added specialist services. For example, our HSS OneCall business has partnered with over 300 suppliers to make equipment we do not own available to our customers, which has enabled us to be a single source of supply to our customers. This enables us to focus our investment in the areas of highest demand and financial return while allowing us to offer our customers the broadest possible range of tools and equipment. Another value added service that we offer our customers is specialist training through HSS Training, including courses tailored to their requirements. Our HSS Outsource business offers customers long term equipment supply, maintenance and management services. HSS Outsource generates recurring revenues and helps us to grow our presence in new, non-traditional equipment rental markets. For example, our Reintec business, which specialises in the provision of cleaning equipment to the contract cleaning market, has helped us penetrate a new market for equipment rental.

We believe that our strong and stable base of suppliers has also been a significant factor in helping us serve our customers' requirements. Our strong relationships with key equipment suppliers notably in the powered access, power generation and drilling and breaking categories have enabled us to benefit from favourable supply terms and to develop innovative solutions for our customers. For example, in collaboration with our suppliers, we have launched remote fleet management technology in our ABird generator fleet and "Activ Shield Bar" technology in our powered access fleet.

We believe that a combination of these factors has helped us establish long standing relationships with our customers, a number of which have been with us for over 15 years, particularly among our key and regional customer accounts.

Capital efficient business model

Many of the measures that we have implemented over the last several years have been motivated by our desire to maintain and promote capital efficiency, which is the cornerstone of our operational philosophy and we believe differentiates our operations from those of our industry peers. Our focus on capital efficiency has enabled us to deliver industry-leading returns on assets. Our returns on assets for the 52 week periods ended 27 December 2014, 28 December 2013 and 29 December 2012, were 25.9%, 29.8% and 20.1%, respectively.

We adopt a disciplined approach to capital expenditure, managing our equipment fleet through our centralised capital procurement team. We are demand led in planning our inventory and our capital expenditure decisions. In addition, through our refurbishment facilities in Manchester, we have been able to implement measures to extend equipment life, thereby reducing our equipment replacement costs. Since 2010, when we opened our refurbishment centre in Manchester, the unit has grown in size and scope and in 2014 we refurbished equipment with a replacement value of approximately £6.0 million for about 27% of the replacement cost, representing capital expenditure savings in excess of £4.3 million.

Our hub and spoke logistics and distribution network increases the use of our asset fleet. The network has enabled us to increase utilisation rates by allowing our branch networks to share a floating inventory of hire stock by efficiently moving equipment between our locations in the United Kingdom. As a result, our range of tools and equipment can be made available to our customers twenty four hours a day, seven days a week, throughout our network. The hub and spoke network has also enabled us to centralise our stock maintenance and repair, with the majority now undertaken in 10 specialist maintenance and repair depots. This has helped us to reduce offline inventory and enabled our local branches to operate with substantially lower staff and property overheads and to focus their activity on sales and customer services. In addition, we maintain a centralised IT system which tracks all customer, contract, equipment fleet, maintenance and stock data and enables us to improve our capital efficiency through demand forecasting, more efficient pricing and operational productivity.

Strong distribution network

We operate from over 265 locations throughout the United Kingdom and Ireland, which we believe gives us the ability to serve our customers “anytime, anywhere”. Our core HSS Hire network comprises a national distribution centre, 10 regional distribution centres, 25 local distribution centres and over 230 selling branches and locations including a number of on-site facilities, all connected through our hub and spoke distribution model. Our specialist businesses operate from 72 locations, some of which are shared with our other businesses.

We have designed our distribution network so that we can provide customers with consistent levels of service. Within our HSS Hire brand, we have centralised the majority of our transport to 35 locations and maintenance to 10 of our locations. We believe that our extensive network gives us a national reach with a widespread local presence, which allows us to better serve our customers wherever they operate. We believe that we are able to maintain and further develop these relationships, as well as attract new customers, by being able to offer greater expertise and a wider and more comprehensive range of tools and equipment for hire than those of smaller competitors whose operations are more limited in scope than ours. We also believe that this combination of local presence with access to customer support and a wide product range enables us to retain customers and, in turn, helps us drive our long term profitability. Our hub and spoke system also allows us to open branches with a lower investment level than if each branch was required to maintain a large, stand-alone fleet and to manage its own transport and distribution, making it possible to build our network, access new areas and expand our geographical footprint further than would be sustainable by a conventional model.

Strong and experienced management team and shareholder support

Our senior management team is led by our chief executive officer, John Christopher Davies, who has extensive experience in managing multi-site businesses across both the retail and trade sectors, integrating acquisitions and rationalising central costs. Our chief operating officer, John Gill, shares a similar breadth and depth of experience. The other members of our senior management team, including our business unit leaders and senior function leaders, provide us with a range of experience from within the hire industry as well as from other industries, embodying a breadth of capability and disciplines. We believe that it is owing to the business initiatives conceptualised and implemented by our senior management that we have been able to increase our revenue from £181.6 million for the 52 week period ended 29 December 2012 to £284.6 million for the 52 week period ended 27 December 2014 and our Adjusted EBITDA from £35.0 million for the 52 week period ended 29 December 2012 to £71.1 million for the 52 week period ended 27 December 2014. Our management incentives are aligned with our long term goals, with a broad base of senior management holding a sizeable equity stake of approximately 5% in the Company following the IPO of HSS Hire Group plc (see “Recent developments”). We also benefit from the extensive market expertise, business relationships and ongoing strong support of our majority shareholder, Exponent.

Our strategies

Continue to promote organic growth driven by customer demand

We intend to continue to focus on organic growth and improved financial performance by expanding our business, primarily by utilising our national distribution network. Having accomplished a transformation of our logistics and distribution network, we believe that we are well positioned to benefit from the growth opportunities that it offers. We believe our distribution network will help us achieve higher fleet utilisation, increased productivity and better service levels. Supported by the local reach of our network, and its scalability, we intend to introduce additional low cost branches in new locations, focused on London and the South East of England, to increase our market presence and challenge the market share of local, incumbent competitors.

In addition, we intend to continue our organic growth through a combination of customer acquisition and an increase in the share of spend from our existing customers. We intend to achieve these goals by continuing our investment in our rental fleet and growing the range of our additional services. For our acquired specialist businesses, ABird and Apex and UK Platforms, we plan to continue to expand their branch network and geographical footprint across the United Kingdom and Ireland to address a larger customer base. Simultaneously, we intend to utilise the broad product range of our HSS Hire brand to cross sell additional products and services to their growing customer base. We also intend to grow our HSS OneCall and HSS Training businesses, which are asset light and provide the opportunity to increase our profit margins and capital returns by growing our offering of these higher value added businesses.

Continue to deliver strong capital returns and to improve productivity

We seek to deliver consistent returns on capital through increasing profitability, primarily by driving revenue growth based on our existing platform, which we believe is operationally scalable. We continually look to improve returns through cost efficiency and more attractive pricing terms (by managing discounts offered to customers) and through increased capacity utilisation (leveraging our hub and spoke distribution model). Other cost saving initiatives include seeking to control our variable costs (primarily labour costs, fuel costs and the cost of spare parts) through process improvements. We plan to continue to reduce fixed and semi fixed costs (primarily the costs associated with our branch network) through the relocation of some of our branches to lower cost properties as our leases expire. We also believe there is significant opportunity for us to leverage our existing operating capabilities across our group. We intend to continue to cross sell our products and services from all of our locations and, to that end, have established five ABird branches at our existing HSS Hire locations and intend to continue to broaden the reach of our specialist businesses by exploiting the extensive presence of our HSS Hire business. Further, we intend to effectively integrate the talent pool of our engineers, currently individually assigned to each of our three main brands, to improve the efficiency of our overall operations and our customer service. We believe that generating additional revenues from our existing platform will, when combined with our cost saving initiatives, result in improved margins and help us to maintain our industry leading return on assets.

Continue to focus on employee development programmes

We intend to extend the training and development offered by the HSS Academy that we launched in 2013, which we believe is the first of its kind in the United Kingdom equipment rental market. HSS Academy is a dedicated in house training centre providing residential courses for our sales employees. We intend to extend its scope and also to train our operational employees. We believe this provides us with the foundation for regular improvement in the skills and capabilities of our employees and the range of benefits that we can, as a result, offer our customers, all of which we believe will facilitate growth.

Increase cash flows and reduce financial leverage

We remain focused on increasing our cash flows by improving our capital efficiency, increasing the utilisation of our rental fleet and expanding our equipment refurbishment capabilities. We believe that growing our revenue and improving our operating efficiency will enable us to reduce our financial leverage over time by increasing our cash generation and EBITDA. Moreover, we intend for our acquisition strategy to support our organic growth plans and, as we expect to fund our future strategic acquisitions through our new debt agreements, we do not expect our acquisition strategy to prevent us from reducing our financial leverage.

Continue to complement and accelerate our growth through strategic acquisitions

The market for tool and equipment hire remains highly fragmented, presenting us with attractive acquisition opportunities. We regularly evaluate opportunities to acquire businesses in order to strengthen our competitive position. We make acquisition decisions centrally and pursue opportunities that complement our organic growth plans and strategic goals on terms acceptable to us. We believe that we have historically demonstrated a strong track record in identifying, executing and integrating acquisitions while remaining focused on our financial objectives. We intend to continue to capitalise on this experience to grow through select bolt on acquisitions, for example, through enhancing our geographical footprint within the United Kingdom and Ireland.

History

The Group has been providing tool and equipment hire for over 55 years, initially from a single location which was subsequently named The Hire Services Company. The Group expanded to six shops by the late 1960s, when it was acquired by the scaffolding conglomerate, Scaffolding Great Britain, and merged with its eight tool rental shops to form Hire Service Shops Limited or HSS. The Group continued to grow organically and by acquisitions and was ultimately acquired by 3i in 2004. In 2007, the Group was acquired by a consortium of investors including Och Ziff and Perry Capital, and continued its focus on implementing operational efficiencies and growing its customer base.

In October 2012, the Group was acquired by Exponent. Under the ownership of Exponent, the Group has continued to invest in its distribution network, technology platforms and in strategic accretive acquisitions that support the Group's organic growth plan. These include the acquisition in 2012 of ABird (a provider of temporary power generation facilities); in 2013 of UK Platforms (a specialist powered access provider), the trade and assets of the Irish division of MTS (a visual signboard company based in Ireland) and TecServ (a cleaning equipment technical services provider); and in 2014 of Apex (a provider of temporary power generation facilities based in Scotland) and the trade and assets of the UK division of MTS. These acquisitions were in each case made to further enhance the Group's customer proposition, by extending the Group's range of products, accelerating the Group's presence in certain markets and/or extending the Group's technical expertise. Each newly acquired business has been rapidly integrated into the Group and the Group has further invested in both equipment and technology in order to facilitate further growth.

In February 2015, the ordinary share capital of the Company's ultimate parent company 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".

Recent developments

Toward the end of the 2014 financial year, we commenced work on the initial public offering of the newly incorporated ultimate parent company of Hero Acquisitions Limited, HSS Hire Group plc.

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

The initial public offering and admission of the ordinary share capital of HSS Hire Group plc to the premium listing segment of the Official List of the UK Listing Authority and to trading on London Stock Exchange's main market for listed securities under the ticker "HSS" occurred on 9 February 2015.

Further details on the IPO and associated reorganisation are detailed in "Principal Shareholder".

Following the IPO we have used approximately £89.0m of the proceeds of the primary equity offering to reduce net third party debt in the Company and its subsidiaries. The main reduction in third party net debt was the repayment of £64.0m of the principal amount of the Notes on 12 February 2015 together with a redemption premium and accrued interest on the repaid portion of the Notes of approximately £4.5m. As at 20 April 2015 the outstanding principal amount of Senior Secured Notes is therefore £136.0m.

A further £20.5m of proceeds was used to repay amounts drawn under the revolving credit facility. These repayments were made during February 2015.

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Summary consolidated financial and other data

The following tables present our summary historical consolidated financial information and other data for the periods ended and as at the dates indicated below.

In preparing its financial statements for the 52 week period ended 27 December 2014 in accordance with the Indenture, the Company has elected to apply IFRS for the first time. Previously the Company applied UK GAAP, and as a result the Company's results for the 52 week period ended 27 December 2014 are the Company's first financial statements prepared in accordance with IFRS. Our consolidated financial statements as at and for the 52 week period ended 27 December 2014 were audited by BDO LLP. The principles and requirements for first time adoption of IFRS are set out in IFRS 1 First time adoption of International Financial Report Standards ("IFRS1"). Under IFRS1 the company has chosen a transition date of 2 January 2011 for the commencement of calculation of financial information prepared under IFRS and, as required under IFRS1, the consolidated financial statements as at and for the 52 week period ended 27 December 2014 include financial information prepared in accordance with IFRS for the prior year period, the 52 weeks ended 28 December 2013. The company has chosen to voluntarily include financial information for the period ended 29 December 2012 within those consolidated financial statements. As a result our consolidated financial statements as at and for the 52 week period ended 27 December 2014 include financial information prepared in accordance with IFRS as at and for the 52 week periods ended 27 December 2014, 28 December 2013, and 29 December 2013.

Historical consolidated financial and other data presented in accordance with IFRS

The historical consolidated income statement, balance sheet and cashflow data as at and for the 52 week periods ended 29 December 2012, 28 December 2013 and 27 December 2014 presented below have been extracted or derived from the audited consolidated financial statements of the Company as at and for the 52 week period ended 27 December 2014, including the related notes thereto, which are included elsewhere in this annual report. These are the Company's first financial statements prepared in accordance with IFRS. However to ease comparability of the 52 week period ended 27 December 2014 against the 52 week periods ended 28 December 2013 and 29 December 2012, the extracts below also contain financial information prepared in accordance with IFRS for those periods.

The results of operations and other financial and operating information for prior years are not necessarily indicative of the results to be expected for the full year or any future period. This financial information should be read in conjunction with the consolidated financial statements and accompanying notes included elsewhere in this annual report and discussed in "Presentation of financial and other information", and "Operating and financial review".

	52 week period ended		
(in millions of £)	**29 December 2012**	**28 December 2013**	**27 December 2014**
Consolidated income statement data:			
Revenue	**181.6**	**226.7**	**284.6**
Cost of sales	(60.3)	(73.5)	(103.0)
Gross profit	**121.3**	**153.2**	**181.5**
Distribution costs	(23.6)	(28.7)	(37.2)
Administrative expenses	(91.1)	(102.1)	(117.1)
Other operating income	1.2	1.0	1.1
Operating profit	**7.7**	**23.5**	**28.4**
Finance income	0.0	0.0	0.0
Finance expense(1)	(19.2)	(14.0)	(29.3)
Movement in derivative financial instruments	(1.1)	1.6	(1.2)
Profit/(Loss) on ordinary activities before taxation	**(10.3)**	**11.1**	**2.1**
Tax on loss on ordinary activities	0.6	(2.0)	3.4
Loss for the period	**(9.8)**	**9.1**	**1.3**

	As at 29 December 2012	As at 28 December 2013	As at 27 December 2014
(in millions of £)			
Consolidated balance sheet data:			
Intangible fixed assets	129.8	135.3	141.9
Tangible fixed assets	65.4	99.9	147.2
of which: materials and equipment held for hire	*43.3*	*76.8*	*118.8*
Deferred tax assets	—	—	2.5
Derivative financial instruments	—	1.2	—
Current assets	56.8	76.8	99.8
of which: trade receivables	*40.0*	*53.2*	*67.7*
Cash	*1.5*	*2.9*	*5.9*
Total assets[(2)]	**252.0**	**313.1**	**391.3**
Current liabilities	(45.6)	(64.1)	(119.5)
of which: trade payables	*(20.3)*	*(29.5)*	*(62.0)*
Non-current liabilities	(231.6)	(265.0)	(287.0)
of which: provisions for liabilities and charges	*(16.0)*	*(15.7)*	*(16.0)*
Net liabilities	**(25.2)**	**(15.9)**	**(15.1)**

	52 week period ended		
	29 December 2012[(5)]	28 December 2013	27 December 2014
	Company	Company	Company
(in millions of £)			
Consolidated cash flow data:			
Net cash flows from operating activities before changes in hire equipment	**38.7**	**42.1**	**55.6**
Purchase of hire equipment	(19.8)	(22.7)	(39.2)
Cash generated from operations	**19.0**	**19.3**	**16.4**
Net interest paid	(19.7)	(9.9)	(18.1)
Income tax received/(paid)	—	(1.5)	(0.2)
Net cash (utilised)/generated from operating activities	**(0.7)**	**7.9**	**(1.9)**
Net cash used in investing activities	(12.9)	(32.4)	(21.4)
Net cash used in financing activities	7.0	29.8	26.3
Increase/(decrease) in cash	**(6.6)**	**5.4**	**3.0**

	As at and for the 52 week period ended		
	29 December 2012	28 December 2013	27 December 2014
(in millions of £, except for percentages and ratios or unless otherwise noted)			
Other operating metrics:			
Number of trading branches[(3)]	233	245	270
Average revenue per trading branch (in '000 of £)[(4)]	814	935	1,117
Return on assets[(5)]	20.1%	29.8%	25.9%
Other historical financial data:			
Third-party debt[(6)]	139.9	173.0	237.5
Cash	1.5	2.9	5.9
Net third-party debt[(7)]	138.4	170.2	231.6
Capital expenditure[(8)]	25.4	36.8	83.6
EBITDA[(9)]	34.3	52.0	69.7
Adjusted EBITDA[(10)]	40.4	55.9	71.1

(1) Includes interest expense related to our Subordinated Shareholder Loans, as well as interest payable on the Senior Secured Notes and under our prior senior facilities agreements.

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

(3) Number of trading branches is given at the end date of the period, and does not include our "dark" stores. As at 27 December 2014 we held leases to 91 "dark" stores, which are our closed branches awaiting disposal, of which approximately 65% are either fully or partially sublet.

(4) Average revenue per trading branch represents the revenue for the relevant period divided by the average number of trading branches in operation during that period.

(5) Return on assets is defined as Adjusted EBITA divided by the aggregate of average total assets (excluding intangible assets and receivables from other group companies) for the period less average current liabilities (excluding payables to other group companies) for the period. Average total assets and average current liabilities have been calculated based on the arithmetical average of the opening and closing balance sheet positions of assets and liabilities, respectively, for the applicable period. See "Presentation of financial and other information—Non-IFRS and non-UK GAAP financial information".

(6) We define third-party debt as debt from our (i) bank overdrafts, (ii) revolving credit facilities (iii) obligations under our finance leases (iv) accrued interest, (v) term loans excluding debt issue costs, and (vi) senior secured notes excluding debt issue costs.

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

	As at		
	29 December 2012	**28 December 2013**	**27 December 2014**
(in millions of £)			
Bank overdraft	4.0	—	—
Revolving credit facility	—	3.0	19.5
Obligations under finance leases	5.1	8.4	12.4
Accrued interest	0.7	2.0	5.6
Term loans	124.5	153.0	—
Senior secured note	—	—	193.9
Debt issue costs	5.5	6.6	6.1
Total third-party debt	**139.9**	**173.0**	**237.5**

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

(8) Capital expenditure represents additions to our tangible fixed assets during the applicable periods as set forth in the notes entitled "Tangible Fixed Assets" to our financial statements included in this annual report.

(9) We define EBITDA as income or loss for the financial period before interest payable and similar charges, interest receivable and similar income, tax on ordinary activities, loss or profit on sale of fixed assets and depreciation and amortisation. In evaluating EBITDA, you should be aware that, as an analytical tool, EBITDA is subject to certain limitations. See "Presentation of financial and other information—Non-IFRS and non-UK GAAP financial information". EBITDA is not a measure of performance under IFRS and you should not consider EBITDA as an alternative to (a) operating profit or net profit for the period as a measure of our operating performance, (b) net cash flows from operating activities as a measure of our ability to meet our cash needs or (c) any other measures of performance under IFRS.

The following table provides a reconciliation of EBITDA to income (loss) for the periods indicated:

	52 week period ended		
	29 December 2012	**28 December 2013[1]**	**27 December 2014**
(in millions of £)			
Profit/(loss) for the financial year	(9.8)	9.1	1.3
Income tax (credit)/expense	(0.6)	2.0	(3.4)
Movement in derivative financial instruments	(1.1)	(1.6)	1.2
Finance expense	19.2	14.0	29.3
Finance income	(0.0)	(0.0)	(0.0)
Depreciation, amortisation and hire stock disposals and write offs	26.1	28.5	41.4
EBITDA	**33.8**	**52.0**	**69.7**

(10) We define Adjusted EBITDA as EBITDA adjusted to remove the effects of certain exceptional costs, which we believe are not indicative of our underlying operating performance. Adjusted EBITDA is not a measure of performance under IFRS and you should not consider Adjusted EBITDA as an alternative to (a) operating profit or net profit for the period as a measure of our operating performance, (b) net cash flows from operating activities as a measure of our ability to meet our cash needs or (c) any other measures of performance under IFRS.

In evaluating Adjusted EBITDA, you should be aware that, as an analytical tool, Adjusted EBITDA is subject to certain limitations. See "Presentation of financial and other information—Non-IFRS and non-UK GAAP financial information". In addition, you should be aware that we are likely to incur expenses similar to the adjustments in this presentation in the future and that certain of these items could be considered recurring in nature. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. For further information, see the discussions on exceptional items in our financial statements included elsewhere in this annual report.

The following table provides a reconciliation of Adjusted EBITDA to EBITDA for the periods indicated:

	52 week period ended		
	29 December 2012	28 December 2013[1]	27 December 2014
(in millions of £)			
EBITDA	**33.8**	**52.0**	**69.7**
Exceptional costs (non-finance)[a]	6.0	3.9	1.4
Adjusted EBITDA	**39.9**	**55.9**	**71.1**

(a) Our exceptional costs include certain transaction, restructuring and redundancy costs. Transaction costs consist of fees and expenses relating to our acquisition of Apex in 2014, and our acquisitions of UK Platforms and TecServ in 2013. Restructuring costs consist of the cost of "dark" stores which are closed branches awaiting disposal. These branches were mainly closed as part of restructuring and efficiency improvement programmes undertaken between 2004 and 2008. These costs are primarily made up of lease expenses, as well as upfront costs of lease surrenders where we have chosen to reduce the ongoing exposure under leases in exchange for an upfront termination payment. For more information on operating lease commitments related to our "dark" stores, see "Operating and financial review—Contractual obligations". Redundancy costs consist of severance and related costs associated with the rationalisation of our operations. EBITDA and exceptional costs above do not include exceptional costs relating to our interest payable. For more information on our exceptional costs, see note (4) of our financial statements included elsewhere in this annual report.

Historical consolidated financial and other data presented in accordance with UK GAAP

The historical consolidated profit and loss and balance sheet data as at and for the 52 week periods ended 29 December 2012 and 28 December 2013 presented below have been extracted or derived from the audited consolidated financial statements of the Company as at and for the 52 week period ended 28 December 2013 and as at and for the 52 week period ended 29 December 2012, respectively, including the related notes thereto, which are included elsewhere in this annual report.

The cash flow data presented below for the 52 week periods ended 29 December 2012 and 28 December 2013 respectively have been extracted from our audited consolidated financial statements as at and for the 52 week period ended 28 December 2013, which is included elsewhere in this report.

The results of operations and other financial and operating information for prior years are not necessarily indicative of the results to be expected for the full year or any future period. This financial information should be read in conjunction with the consolidated financial statements and accompanying notes included elsewhere in this annual report and discussed in "Presentation of financial and other information".

	29 December 2012	28 December 2013
(in millions of £)		
Consolidated profit and loss data:		
Turnover	**181.8**	**225.8**
Cost of sales	(60.2)	(73.4)
Gross profit	**121.6**	**152.4**
Administrative expenses	(97.2)	**(109.9)**
Distribution expenses	(23.6)	**(28.7)**
Other operating income	1.2	1.0
Operating profit	**2.0**	**14.8**
Loss from share in associate undertaking	—	-
Total operating profit	**2.0**	**14.8**
(Loss)/profit on sale of fixed assets	(0.7)	(0.3)
Profit on ordinary activities before interest and taxation	**1.3**	**14.6**
Interest receivable and similar income	0.0	**0.0**
Interest payable and similar charges[1]	(18.4)	(14.3)
Profit/(Loss) on ordinary activities before taxation	**(17.0)**	**0.3**
Tax on loss on ordinary activities	0.5	(1.4)
Loss for the period	**(16.6)**	**(1.1)**

	As at 29 December 2012	As at 28 December 2013
(in millions of £)		
Consolidated balance sheet data:		
Intangible fixed assets	112.9	**110.5**
Tangible fixed assets	65.7	101.0
of which: materials and equipment held for hire	*43.7*	*77.3*
Current assets	56.5	76.5
of which: trade debtors	*40.0*	*53.2*
Cash	*1.5*	*2.9*
Total assets[(2)]	**235.1**	**288.0**
Creditors: amounts falling due within one year[(4)]	(43.5)	(62.3)
of which: trade creditors	*(20.3)*	*(29.5)*
Creditors: amounts falling due after more than one year[(4)]	(215.6)	(249.7)
Provisions for liabilities and charges	(7.4)	(8.4)
Equity shareholders' deficit	**(31.3)**	**(32.4)**

	52 week period ended	
	29 December 2012	28 December 2013
	Company	Company
(in millions of £)		
Consolidated cash flow data:		
Net cash inflow from operating activities	**38.7**	**41.8**
Net cash outflow from returns on investments and servicing of finance	(19.7)	(9.7)
Taxation (paid)/received	—	(1.5)
Net cash outflow from capital expenditure and financial investment	(25.3)	(28.7)
Net cash outflow from acquisitions and disposals	(7.3)	(26.4)
Net cash inflow/(outflow) before use of liquid resources and financing	**(13.6)**	**(24.5)**
Net cash inflow from management of liquid resources	—	-
Net cash inflow/(outflow) from financing	7.0	29.8
Increase/(decrease) in cash	**(6.6)**	**5.4**

	As at and for the 52 week period ended	
	29 December 2012	28 December 2013
(in millions of £, except for percentages and ratios or unless otherwise noted)		
Other operating metrics:		
Number of trading branches[(3)]	233	245
Average turnover per trading branch (in '000 of £)[(4)]	814	935
Return on assets[(5)]	20%	27%
Other historical and pro forma financial data:		
Third-party debt[(6)]	139.9	173.0
Cash	1.5	2.9
Net third-party debt[(7)]	138.4	170.1
Capital expenditure[(8)]	26.3	38.0
EBITDA[(9)]	34.6	50.5
Adjusted EBITDA[(10)]	40.4	54.8

(1) Includes interest expense related to our Subordinated Shareholder Loans, as well as interest payable under our prior senior facilities agreements. This item also includes amortisation of issue costs (£1.1 million in 2013; £2.2 million in 2012 and £0.5 million in 2011).

(2) Represents the aggregate of our intangible fixed assets, tangible fixed assets, investments and current assets.

(3) Number of trading branches is given at the end date of the period, and does not include our "dark" stores. As at 28 December 2013 we held leases to 95 "dark" stores, which are our closed branches awaiting disposal, of which approximately 52% are either fully or partially sublet.

(4) Average turnover per trading branch represents the turnover for the relevant period divided by the average number of trading branches in operation during that period.

(5) Return on assets is defined as Adjusted EBITA divided by the aggregate of average total assets (excluding goodwill and intercompany debtors) for the period less average current liabilities (excluding intercompany creditors) for the period. Average total assets and average current liabilities have been calculated based on the arithmetical average of the opening and closing balance

sheet positions of assets and liabilities, respectively, for the applicable period. See "Presentation of financial and other information—Non-UK GAAP financial information".

(6) We define third-party debt as debt from our (i) bank loans and other borrowings excluding debt issue costs, (ii) bank overdrafts, (iii) obligations under our finance leases and (iv) accrued interest.

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

	As at	
	29 December 2012	**28 December 2013**
(in millions of £)		
Bank overdraft	4.0	—
Obligations under finance leases	5.1	8.4
Accrued interest	0.7	2.0
Bank and other borrowings	124.5	156.4
Debt issue costs	5.5	6.2
Total third-party debt	**139.9**	**173.0**

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

(8) Capital expenditure represents additions to our tangible fixed assets during the applicable periods as set forth in the notes entitled "Tangible Fixed Assets" to our financial statements included in this annual report.

(9) We define EBITDA as income or loss for the financial period before interest payable and similar charges, interest receivable and similar income, tax on ordinary activities, loss or profit on sale of fixed assets and depreciation and amortisation. In evaluating EBITDA, you should be aware that, as an analytical tool, EBITDA is subject to certain limitations. See "Presentation of financial and other information—Non-IFRS and non-UK GAAP financial information". EBITDA is not a measure of performance under UK GAAP and you should not consider EBITDA as an alternative to (a) operating profit or net profit for the period as a measure of our operating performance, (b) net cash flows from operating activities as a measure of our ability to meet our cash needs or (c) any other measures of performance under UK GAAP.

The following table provides a reconciliation of EBITDA to income (loss) for the periods indicated:

	52 week period ended	
	29 December 2012	**28 December 2013**
(in millions of £)		
Loss for the financial period	(16.6)	(1.1)
Tax on ordinary activities	(0.5)	1.4
Interest payable and similar charges	18.4	14.3
Interest receivable and similar income	(0.0)	(0.0)
Loss/(profit) on sale of fixed assets	0.7	0.3
Depreciation and amortisation	32.6	35.7
EBITDA	**34.6**	**50.5**

(10) We define Adjusted EBITDA as EBITDA adjusted to remove the effects of certain exceptional costs, which we believe are not indicative of our underlying operating performance. Adjusted EBITDA is not a measure of performance under UK GAAP and you should not consider Adjusted EBITDA as an alternative to (a) operating profit or net profit for the period as a measure of our operating performance, (b) net cash flows from operating activities as a measure of our ability to meet our cash needs or (c) any other measures of performance under UK GAAP.

In evaluating Adjusted EBITDA, you should be aware that, as an analytical tool, Adjusted EBITDA is subject to certain limitations. See "Presentation of financial and other information—Non-IFRS and non-UK GAAP financial information". In addition, you should be aware that we are likely to incur expenses similar to the adjustments in this presentation in the future and that certain of these items could be considered recurring in nature. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. For further information, see the discussions on exceptional items in our financial statements included elsewhere in this annual report.

The following table provides a reconciliation of Adjusted EBITDA to EBITDA for the periods indicated:

	52 week period ended	
	29 December 2012	**28 December 2013**
(in millions of £)		
EBITDA	**34.6**	50.5
Exceptional costs[(a)]	5.8	4.3
Adjusted EBITDA	**40.4**	**54.8**

(a) Our exceptional costs include certain transaction, restructuring and redundancy costs. Transaction costs consist of fees and expenses relating to our acquisitions of UK Platforms and TecServ in 2013. Restructuring costs consist of the cost of "dark" stores which are closed branches awaiting disposal. These branches were mainly closed as part of restructuring and efficiency improvement programmes undertaken between 2004 and 2008. These costs are primarily made up of lease expenses, as well as upfront costs of lease surrenders where we have chosen to reduce the ongoing exposure under leases in exchange for an upfront termination payment. For more information on operating lease commitments related to our “dark” stores, see “Operating and financial review—Contractual obligations”. Redundancy costs consist of severance and related costs associated with the rationalisation of our operations. EBITDA and exceptional costs above do not include exceptional costs relating to our interest payable. For more information on our exceptional costs, see footnote (2) of our financial statements included elsewhere in this annual report.

Risk factors

An investment or continued investment in the Notes involves a high degree of risk. You should carefully consider the following risks, together with the other information provided to you in this annual report, in deciding whether to invest in or continue to invest in the Notes. The occurrence of any of the events discussed below could be detrimental to our financial performance. If these events occur, the trading price of the Notes could decline, we may not be able to pay all or part of the interest or principal on the Notes, and you may lose all or part of your investment. Additional risks not currently known to us or which are presently deemed immaterial may also harm our business and affect your investment.

This annual report contains "*forward-looking*" *statements that involve risks and uncertainties. Our actual results may differ significantly from the results discussed in such forward-looking statements. Factors that might cause such differences include those discussed below. See* "*Forward-looking statements*"*.*

Risks related to our business

An economic downturn, and resulting decreases in demand in end user markets, may adversely affect our revenue and operating results by decreasing the demand for our rental equipment and the prices we could charge.

Over the past several years, in connection with the global economic downturn and resultant decline in construction and other industrial activities, the tool and equipment hire market experienced a corresponding decline in activity and demand. Like most participants in the industry, we experienced weakness in our end markets and a decreased demand for our equipment. Although we primarily cater to the "maintain" and "operate" segments rather than the "new build construction" segment of the equipment hire market, in the event of a slowdown in the construction industry which tends to be cyclical in nature, we may experience heightened price competition from our competitors seeking to utilise their excess or idle rental equipment. Reactions such as these from our competitors could negatively affect our operating results from both a volume and margin perspective and, because many of our costs are fixed, may negatively impact our cash flow. Adverse macroeconomic conditions may impact our operations in other ways as well. For example, during the last economic downturn, we incurred costs in managing our business which in some cases, such as the ongoing costs of leases on closed down branches, continues to affect us.

We operate almost exclusively in the United Kingdom and Ireland and difficult conditions in the UK and Irish economies may have a material adverse effect on our business, financial condition and results of operations.

As we operate almost exclusively in the United Kingdom and Ireland, our success is closely tied to general economic developments in the United Kingdom and Ireland and cannot be offset by developments in other markets. Negative developments in, or the general weakness of, the UK and Irish economies and, in particular, higher unemployment, lower household income and lower consumer spending may have a direct negative impact on the spending patterns of both retail and B2B customers.

While many areas of the UK and Irish economies are improving, a slowdown in the economic recovery or worsening of economic conditions could cause further weakness in our end markets and adversely affect our revenues and operating results.

The following factors, among others, may cause weakness in our end markets, either temporarily or long term:

- a decrease in expected levels of infrastructure spending, including lower than expected government funding for economic stimulus projects;

- a decrease in the maintenance budgets of corporations or government entities;

- uncertainty regarding global, national or regional economic conditions;
- a lack of availability of credit; or
- an increase in interest rates.

A downturn in the commercial construction and industrial sectors caused by these or other factors could have a material adverse effect on our business, financial conditions, results of operations and cash flows.

Furthermore, Moody's Investor Services and Fitch Ratings Ltd. downgraded the UK's domestic and foreign currency governmental bond ratings in February and April 2013, respectively, as a result of a weaker economic and fiscal outlook. The UK government is undertaking a substantial austerity programme, with significant reductions in public service spending. The implications of the recent downgrade and the governmental austerity programme on consumer spending patterns is unknown. However, this or any other negative economic developments in the United Kingdom or Ireland could reduce consumer confidence, and thereby could negatively affect earnings and have a material adverse effect on our results. Ireland's economy too has been negatively impacted in recent years. A failure to maintain growth in the Irish economy could result in Irish public debt not falling to sustainable levels and to further downgrades in Ireland's governmental bond ratings.

In addition, any deterioration in the UK economic and financial market conditions may:

- cause financial difficulties for our suppliers, which may result in their failure to perform as planned and, consequently, create delays in the delivery of our products and services;
- result in inefficiencies due to our deteriorated ability to forecast developments in the markets in which we operate and failure to adjust our costs appropriately;
- cause reductions in the future valuations of our investments and assets and result in impairment charges related to goodwill or other assets due to any significant underperformance relative to our historical or projected future results or any significant changes in our use of assets or our business strategy;
- result in increased or more volatile taxes, which could negatively impact our effective tax rate, including the possibility of new tax regulations, interpretations of regulations that are stricter or increased effort by governmental bodies seeking to collect taxes more aggressively; or
- result in increased customer requests for reduced pricing.

Our industry is highly competitive and competition may increase.

The equipment rental industry is highly competitive and highly fragmented. Many of the markets in which we operate are served by numerous competitors, ranging from national equipment rental companies, like ourselves, to smaller multi regional companies and small, independent businesses with a limited number of locations. Competitiveness in the UK equipment rental market has led to frequent excess capacity and resultant pricing pressure. Price is a significant consideration for many customers and, as a result, we are still vulnerable to aggressive price competition. Some of our principal competitors may have greater financial resources, may be more geographically diversified and may be better able to withstand adverse market conditions within the industry. Moreover, consolidation within our industry could also intensify competition by resulting in the formation of industry participants with substantially greater financial, management or marketing resources than we have, and such competitors could utilise their substantially greater resources and economies of scale in a manner that affects our ability to compete effectively in the market. As a result of consolidation, our competitors may be able to adapt more quickly to new technologies and customer needs, devote greater resources to promoting or selling their products and services, initiate and withstand substantial price competition, expand into new markets, hire away our key employees, change or limit access to key information and systems, take advantage of acquisition or other strategic opportunities more readily and develop and expand their product and service offerings more quickly than we are able to.

In addition, our competitors may form strategic or exclusive relationships with each other and with other companies in attempts to compete more successfully against us, all of which could have a material adverse effect on our business, financial condition and results of operations.

Our operations require substantial capital expenditures, and if funds for capital expenditures are not available when needed, this could affect our service to customers and our growth opportunities.

In addition to price, we generally compete on the basis of, among other things, quality and breadth of service (including equipment availability), expertise, reliability and the size, mix and relative attractiveness of our rental equipment fleet, which is significantly affected by the level of our capital expenditure. If we are required to reduce or delay capital expenditure for any reason, the resultant decline in availability of our rental fleet may put us at a disadvantage compared to our competitors and impact our ability, in the medium term, to adequately meet customer demand. Furthermore, an inability to adequately meet customer demand may result in the loss of our customers to our competitors as well as negatively impact our brand and reputation.

Our revenue and operating results have varied historically from period to period and any unexpected periods of decline could result in an overall decline in our available cash flows, make it more difficult for us to make payments on the Notes, or could affect the trading value of the Notes.

Our revenue and operating results have varied historically from period to period and may continue to do so. We have identified below certain of the factors which may cause our revenue and operating results to vary:

- seasonal rental patterns, with rental activity tending to be lowest in the winter;
- the timing of expenditure for new equipment and the disposal of used equipment;
- changes in demand for our equipment or the prices we charge due to changes in economic conditions, competition or other factors;
- changes in the interest rates applicable to our variable rate debt, and the overall level of our debt;
- fluctuations in exchange rates or fuel costs;
- general economic conditions in the markets where we operate;
- the cyclical nature of our customers' businesses, particularly those operating in the commercial construction and industrial sectors;
- price changes in response to competitive factors;
- commodity price pressures and the resultant increase in the cost of fuel and steel to our equipment suppliers, which can result in increased equipment costs for us that we may not be able to pass through to our customers as price increases;
- other cost fluctuations, such as costs for employee related compensation and healthcare benefits;
- labour shortages, work stoppages or other labour difficulties;
- potential enactment of new legislation affecting our operations or labour relations,
- timing of acquisitions and new location openings and related costs;
- possible unrecorded liabilities of acquired companies and difficulties associated with integrating acquired companies into our existing operations; and

- possible write offs or exceptional costs due to changes in applicable accounting standards, store reorganisations, obsolete or damaged equipment or the refinancing of our existing debt.

One or a number of these factors, in addition to the factors discussed above under "*Forward-looking statements*", could cause a decrease in the amount of our available cash flows, which would make it more difficult for us to make payments on the Notes, or could affect the trading value of the Notes.

If we are unable to collect on amounts owed to us by customers, our operating results would be adversely affected.

One of the reasons some of our customers find it more attractive to rent equipment than own that equipment is the need to deploy their capital elsewhere. However, some of our customers may have liquidity issues and ultimately may not be able to fulfil the terms of their rental agreements with us. If we are unable to manage credit risk issues adequately, or if a large number of customers should have financial difficulties at the same time, our credit losses could increase above historical levels and our operating results would be adversely affected. Further, delinquencies and credit losses generally are likely to increase during economic slowdowns or recessions.

We are dependent on our relationships with key suppliers to obtain equipment and other supplies for our business on acceptable terms.

We seek to achieve cost savings through our centralisation of equipment and non-equipment purchases. However, as a result, we depend on a group of key suppliers. While we make every effort to evaluate our counterparties prior to entering into significant procurement contracts, we cannot predict the impact on our suppliers of the economic environment and other developments in their respective businesses. Insolvency, financial difficulties or other factors may result in our suppliers not being able to fulfil the terms of their agreements with us. Further, such factors may render suppliers unwilling to extend contracts that provide favourable terms to us, or may force them to seek to renegotiate existing contracts with us. Although we believe we have alternative sources of supply for the equipment and other supplies used in our business, termination of our relationship with any of our key suppliers could have a material adverse effect on our business, financial condition or results of operations in the event that we were unable to obtain adequate equipment or supplies from other sources in a timely manner or at all.

If the average age of our rental fleet increases, our operating costs may increase and we may be unable to pass along such costs to customers, impacting our results of operations.

If our rental equipment ages without a corresponding decrease in fleet utilisation, the costs of maintaining such equipment, if not replaced within a certain period of time, will likely increase. The costs of maintenance may materially increase in the future and could have a material adverse effect on our results of operations.

The costs of new equipment we use in our fleet may increase, requiring us to spend more for replacement equipment or preventing us from procuring equipment on a timely basis.

The cost of new equipment for use in our rental fleet could increase due to increased material costs to our suppliers or other factors beyond our control. Such increases could have a material adverse effect on our business, financial condition and results of operations. Furthermore, changes in customer demand could cause certain of our existing equipment to become obsolete and require us to purchase new equipment at increased costs.

Our rental fleet is subject to residual value risk upon disposition, and may not sell at the prices or in the quantities we expect.

The market value of any given piece of rental equipment could be less than its depreciated value at the time it is sold. The market value of used rental equipment depends on several factors, including:

- the market price for comparable new equipment;

- wear and tear on the equipment relative to its age and the effectiveness of preventive maintenance;
- the time of year when it is sold;
- the supply of similar used equipment on the market;
- the existence and capacities of different sales outlets;
- the age of the equipment, and the amount of usage of such equipment relative to its age, at the time it is sold;
- demand for used equipment;
- the effect of advances and changes in technology in new equipment models; and
- general economic conditions.

A decline in our service levels could result in a loss of customers and market share, which could harm our revenues and operating results.

Our success depends to a great degree upon retaining our customers. Our customers recognise us, among others, for our high levels of service and strong customer support. If our service levels decline, we could, as a result, experience the loss of a significant number of our customer accounts. If a large group of customers should choose to terminate or not renew their contracts with us, this could have a material adverse effect on our business, financial condition and results of operations.

Our business depends on a strong brand, and any failure to maintain, protect and enhance our brand could have a material adverse effect on our ability to grow our business.

We employ a business model that could allow competitors to duplicate our products and services. We cannot assure you that our competitors will not attempt to copy our business model and that this will not erode our brand recognition and impair our ability to generate significant revenue.

If we do not succeed in maintaining a strong brand, our business could be materially harmed. Maintaining and enhancing the quality of our brand may require us to make substantial investments in areas such as marketing, community relations and employee training. We actively engage in print and online advertisements, targeted promotional mailings and email communications, and engage on a regular basis in public relations and sponsorship activities to promote our brand and our business. Nevertheless, factors affecting brand recognition are often outside our control, and these investments may not ultimately have their desired effects. Brand value can be severely damaged even by isolated incidents, involving us directly or involving our customers or business partners, particularly if the incidents receive considerable negative publicity, whether or not founded, or result in litigation such as claims relating to health, safety, welfare or other such matters. Our brand value could diminish significantly if any such incidents or other events erode the confidence of our customers, which could have a material adverse effect on our business, financial condition and results of operations.

The nature of our business exposes us to various liability claims which may exceed the level of our insurance.

Our business exposes us to claims for personal injury, death or property damage resulting from the use of the equipment we rent and from injuries caused in motor vehicle accidents in which our vehicles are involved. We carry insurance covering a wide range of potential claims at levels we believe are sufficient to cover existing and future claims.

In the United Kingdom and Ireland, our self-insured excess per claim for our major lines of cover, being motor and liability insurance, is nil. Our liability insurance coverage is limited to a maximum of £20 million per claim. Although we have not experienced any material losses that were not covered by insurance, our future claims may exceed the level of our insurance, and such insurance may not continue to be available at the same levels or on economically reasonable terms, or at all.

We are subject to risks associated with leasing property under long term leases.

We currently lease substantially all of our branches. The leases for our branches generally have initial terms of 5-25 years, and typically provide for renewal options in five year increments as well as for rent escalations. As a result, we are susceptible to changes in the property rental market and increases in our rent costs. The majority of our leases are “net” leases, which require us to pay all of the costs of insurance, taxes, maintenance and utilities. We generally cannot cancel these leases early without incurring surrender charges. We extensively rationalised our branch network between 2004 and 2008 and as at 27 December 2014 we held leases to 91 “dark” stores, which are our closed branches awaiting disposal, of which approximately 65% are fully or partially sublet. We closed these branches mainly as part of restructuring and efficiency improvement programmes. While these stores remain out of use, we are responsible for their costs, which are mainly made up of lease expenses, as well as upfront costs of lease surrenders where we have chosen to reduce the ongoing exposure under leases in exchange for an upfront termination payment. If we are unable to terminate the leasehold of our “dark” stores without incurring significant additional costs or if we fail to negotiate the lease renewal of the properties that we currently have in use either on commercially acceptable terms or at all, that could have a material adverse effect our business, financial condition and results of operations.

We could be adversely affected by environmental and safety requirements, which could force us to incur significant capital and other operational costs.

Our operations, like those of other companies engaged in similar businesses, require the handling, use, storage and disposal of certain regulated materials. As a result, we are subject to the requirements of UK and Irish environmental and occupational health and safety laws and regulations. These laws regulate such issues as waste water, solid and hazardous wastes and materials, and air quality. Under these laws, we may be liable for, among other things, the costs of investigating and remediating contamination at our sites as well as sites to which we sent hazardous wastes for disposal or treatment regardless of fault, and fines and penalties for non-compliance. Our operations generally do not raise significant environmental risks, but we use hazardous materials to clean and maintain equipment, dispose of solid and hazardous waste and waste water from equipment washing, and store and dispense petroleum products from storage tanks located at certain of our locations.

We may not be at all times in complete compliance with all such requirements. We could be subject to potentially significant fines or penalties, as well as reputational damage, if we fail to comply with any of these requirements. We have made and will continue to make capital and other expenditures in order to comply with these laws and regulations and we have purchased insurance to cover certain environmental liabilities. However, the requirements of these laws and regulations are complex, change frequently, and could become more stringent in the future. It is possible that these requirements will change or that liabilities that are not covered by our insurance coverage will arise in the future in a manner that could have a material adverse effect on our business, financial condition and results of operations.

Based on the conditions currently known to us, we do not believe that any pending or likely remediation and compliance costs will have a material adverse effect on our business. We cannot be certain, however, as to the potential financial impact on our business if new adverse environmental conditions are discovered or environmental and safety requirements become more stringent. If we are required to incur environmental compliance or remediation costs that are not currently anticipated by us, our business could be adversely affected depending on the magnitude of the cost.

We have operations throughout the United Kingdom and Ireland, which exposes us to the regulations of the United Kingdom, Ireland and the European Union. Changes in applicable laws, regulations or requirements, or our material failure to comply with any of them, can increase our costs and have other negative impacts on our business.

Our branches located across the United Kingdom and Ireland expose us to a host of different local regulations and regional regulations. These laws and requirements address multiple aspects of our operations, such as worker safety, consumer rights, privacy, employee benefits and may also impact other areas of our business, such as pricing. There are often different requirements in different jurisdictions. Changes in these requirements, or any material failure by our branches to comply with them, may increase our costs, negatively affect our reputation, reduce our business, require significant management time and attention and generally otherwise impact our operations in materially adverse ways.

Fuel costs could adversely affect our operating results.

We have a large fleet of vehicles and equipment that primarily use diesel fuel. Fuel costs have been very volatile over the last several years. Fuel prices and supplies are influenced by a variety of international, political and economic circumstances. In addition, weather and other unpredictable events may significantly affect fuel prices and supplies. We do not have hedging arrangements in place for our fuel costs and do not hedge our fuel costs annually and, as a result, an increase in fuel prices would increase our costs of doing business and lower our gross profit. Further, if we are unable to effectively pass through these price increases to our customers, that may have an adverse effect on our business, financial condition and results of operations.

Currency and interest rate fluctuations may have an impact on our business, financial condition and results of operations.

We are a UK headquartered business with our reporting currency as the pound sterling, but derived approximately 9% of our revenue in euros from branches located in the Republic of Ireland in the 52 week period ended 27 December 2014, and certain of our assets, liabilities, revenue and costs are denominated in euros. In order to include the results of operations of our Irish businesses in our consolidated financial statements, we must translate those results of operations into pounds sterling at the applicable exchange rate, which fluctuates continuously. Fluctuations in the euro pound exchange rate have had, and may continue to have, an impact on our financial condition and results of operations as reported in pounds sterling. Currency fluctuations can also have an impact on our consolidated balance sheet, particularly total equity shareholders' funds, when we translate the financial position of our Irish businesses into pounds sterling.

For a further discussion of these matters and the measures we have taken to seek to protect our business against these risks, see "Operating and financial review—Financial risk management".

Turnover of members of our management and staff and our ability to attract and retain key personnel may affect our ability to efficiently manage our business and execute our strategy.

Our business depends on the quality of, and ability to retain, our senior management and staff, and competition in our industry and the business world for top management talent is generally significant. Although we believe we generally have competitive pay packages, we can provide no assurance that our efforts to attract and retain senior management staff will be successful. The loss of services of certain members of our senior management could adversely affect our business until suitable replacements can be found. There may be a limited number of persons with the requisite skills to serve in these positions and we cannot assure you that we would be able to locate or employ such qualified personnel on terms acceptable to us or at all. In addition, we depend upon the quality of our staff personnel, including skilled engineering staff in our refurbishment and maintenance functions. Although we believe we have established competitive pay and benefit packages, as well as the right working environment for our staff, there is no assurance we can effectively limit staff turnover. A significant increase in such turnover could negatively affect our results of operations and financial performance.

Our business could be hurt if we are unable to obtain capital as required, resulting in a decrease in our revenue and cash flows.

We require capital for, among other purposes, purchasing rental equipment to replace existing equipment that has reached the end of its useful life and for growth resulting from establishing new rental locations or branches, completing acquisitions and refinancing existing debt. If the cash that we generate from our business, together with cash that we may borrow under our Revolving Credit Facility, is not sufficient to fund our capital requirements, we will require additional debt and/or equity financing. If such additional financing is not available to fund our capital requirements, we could suffer a decrease in our revenue and cash flows that could have a material adverse effect on our business. Furthermore, our ability to incur additional debt will be limited by, among other things, the covenants contained in the Indenture and the Revolving Credit Facility Agreement. We cannot be certain that any additional financing that we require will be available or, if available, will be available on terms that are satisfactory to us. If we are unable to obtain sufficient additional capital in the future, our business, results of operations and financial condition could be adversely affected.

Disruptions in our information technology systems could limit our ability to effectively monitor and control our operations and adversely affect our operating results.

Our information technology systems, including our point of sale information technology platforms, facilitate our ability to monitor and control our assets and operations and adjust to changing market conditions and customer needs. Any disruptions in these systems or the failure of these systems to operate as expected could, depending on the magnitude of the problem, adversely affect our operating results by limiting our capacity to effectively monitor and control our assets and operations, including our delivery capabilities, in a timely manner. In addition, because our systems sometimes contain information about individuals and businesses, our failure to appropriately safeguard the security of the data we hold, whether as a result of our own error or the malfeasance or errors of others, could harm our reputation or give rise to legal liabilities, leading to lower revenues, increased costs and other material adverse effects on our results of operations.

We must continually make capital expenditure in our information technology infrastructure in order to remain competitive. We cannot assure you that in the future we will be able to maintain the level of capital expenditures necessary to support the improvement or upgrading of our information technology infrastructure. Any failure to effectively improve or upgrade our information technology infrastructure and management information systems in a timely manner could have a material adverse effect on our results of operations.

We may make acquisitions that prove unsuccessful or strain or divert our resources.

We may seek to grow our business by acquiring other businesses. For example, we acquired ABird (a specialist provider of generator hire and ancillary services) in October 2012, UK Platforms Limited (a specialist provider of powered access hire) in June 2013 and Apex (a specialist provider of generator hire and ancillary services, principally in Scotland) in March 2014. Successful growth through future acquisitions is dependent upon our ability to identify suitable acquisition targets, conduct appropriate due diligence, negotiate transactions on favourable terms and ultimately complete such transactions and integrate the acquired business into our group.

If we make acquisitions, there can be no assurance that we will be able to generate expected margins or cash flows, or to realise the anticipated benefits of such acquisitions, including growth or expected synergies. There can be no assurance that our assessments of and assumptions regarding acquisition targets will prove to be correct, and actual developments may differ significantly from our expectations. We may not be able to integrate acquisitions successfully into our business or such integration may require more investment than we expect, and we could incur or assume unknown or unanticipated liabilities or contingencies with respect to customers, employees, suppliers, government authorities or to other parties, which may impact our results of operations. The process of integrating businesses may be disruptive to our operations and may cause an interruption of, or a loss of momentum in, such businesses or a decrease in our results of operations as a result of difficulties or risks, including:

- unforeseen legal, regulatory, contractual and other issues;
- difficulty in standardising information and other systems;
- difficulty in realising operating synergies;
- diversion of management’s attention from our day to day business; and

- failure to maintain the quality of services that we have historically provided.

Moreover, any acquisition may result in the incurrence of additional debt, which could reduce our profitability and harm our business.

We have not included US GAAP financial information in this annual report.

In preparing its financial statements for the 52 week period ended 27 December 2014 in accordance with the Indenture, the Company has elected to apply IFRS for the first time. Previously the Company applied UK GAAP, and, as a result, the Company's results for the 52 week period ended 27 December 2014 are the Company's first financial statements prepared in accordance with IFRS, which differs in certain significant respects from UK GAAP and US GAAP.

To ease with comparability of the 52 week period ended 27 December 2014 against the 52 week periods ended 28 December 2013 and 29 December 2012, this report also contains financial information prepared in accordance with IFRS in addition to financial information prepared in accordance with UK GAAP for the 52 week periods ended 28 December 2013 and 29 December 2012.

The date of transition to IFRS (the transition date) was 2 January 2011. In note 26 of the financial statements for the 52 week period ended 27 December 2014 we therefore provide reconciliations of:

- UK GAAP group balance sheet to IFRS consolidated statement of financial position at 1 January 2011;

- UK GAAP group balance sheet to IFRS consolidated statement of financial position at 28 December 2013;

- UK GAAP group profit and loss account to IFRS consolidated income statement for the year ended 28 December 2013; and

- UK GAAP group statement of total recognised gains and losses to IFRS consolidated statement of other comprehensive income for the year ended 28 December 2013.

We have not presented a reconciliation of our consolidated financial statements to US GAAP in this annual report. As there are significant differences between IFRS and US GAAP, there may be substantial differences in our results of operations, cash flows and financial condition if we were to prepare our financial statements in accordance with US GAAP.

Risks related to our financial profile and structure

Our substantial leverage and debt service obligations could adversely affect our business and prevent us from fulfilling our obligations with respect to the Notes and the Note Guarantees.

The high level of our indebtedness could have important consequences to holders of the Notes, including, but not limited to:

- making it difficult for us to satisfy our obligations with respect to the Notes;

- increasing our vulnerability to, and reducing our flexibility to respond to, general adverse economic and industry conditions;

- requiring the dedication of a substantial portion of our cash flow from operations to the payment of interest on indebtedness, thereby reducing the availability of such cash flow for, and limiting the ability to obtain additional financing to fund, working capital, capital expenditure, acquisitions, joint ventures or other general corporate purposes;

- limiting our flexibility in planning for, or reacting to, changes in our business and the competitive environment and the industry in which we operate;

- placing us at a competitive disadvantage compared to our competitors, to the extent that they may not be as highly leveraged; and

- increasing our cost of borrowing.

Any of these or other consequences or events could have a material adverse effect on our ability to satisfy our debt obligations, including the Notes.

In addition, our debt under the Revolving Credit Facility Agreement bears interest at a variable rate which is based on LIBOR plus an agreed margin. Fluctuations in LIBOR, or the occurrence of certain market disruption events may increase our overall interest burden and could have a material adverse effect on our ability to service our debt obligations.

We may be able to incur substantial additional indebtedness in the future. Although the Indenture and the Revolving Credit Facility Agreement contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and under certain circumstances, the amount of indebtedness that could be incurred in compliance with those restrictions could be substantial. In addition, the Indenture and the Revolving Credit Facility Agreement do not prevent us from incurring obligations that do not constitute indebtedness under those agreements.

We are subject to restrictive debt covenants that may limit our ability to finance our future operations and capital needs and to pursue business opportunities and activities.

The Indenture and the Revolving Credit Facility Agreement restricts, among other things, our ability to:

- incur or guarantee additional indebtedness;

- pay dividends or make other distributions or purchase or redeem our stock;

- make investments or other restricted payments;

- enter into agreements that restrict our restricted subsidiaries' ability to pay dividends;

- transfer or sell assets;

- engage in transactions with affiliates;

- create liens on assets to secure indebtedness;

- impair security interests; and

- merge or consolidate with or into another company.

These covenants to which we are subject could limit our ability to finance our future operations and capital needs and our ability to pursue business opportunities and activities that may be in our interest.

Our failure to comply with the covenants under the Revolving Credit Facility Agreement or the Indenture, including as a result of events beyond our control, could result in an event of default which could materially and adversely affect our financial condition, financial returns and results of operations.

The Revolving Credit Facility Agreement requires us to maintain certain minimum EBITDA levels. Our ability to meet this financial requirement could be affected by deterioration in our operating results, as well as by events beyond our control, including decreases in collections and unfavourable economic conditions, and we cannot assure you that we will be able to meet this test.

Moreover, the Revolving Credit Facility Agreement includes certain events of default (such as breach of representations and warranties and cross-payment defaults) that are in addition to the events of default set forth in the Indenture. If an event of default occurs under the Revolving Credit Facility Agreement or any other of our debt instruments and is not cured or waived, borrowings under any other debt instruments that we have outstanding, including the Notes, that contain cross acceleration or cross-default provisions may also be accelerated or become payable on demand, together with accrued and unpaid interest and other fees payable thereunder. In these circumstances, our assets and cash flow may not be sufficient to repay in full all of our indebtedness that has been accelerated, including the Notes then outstanding, which could force us into bankruptcy or liquidation. We might not be able to repay our obligations under the Notes in such an event.

We require a significant amount of cash to service our debt and sustain our operations. Our ability to generate sufficient cash depends on many factors beyond our control.

Our ability to make payments on and to refinance our debt, to fund working capital, and to make capital expenditures, will depend on our future operating performance and ability to generate sufficient cash. This depends on the success of our business strategy and on general economic, financial, competitive, market, legislative, regulatory and other factors, as well as the other factors discussed in these "*Risk factors*", many of which are beyond our control.

We cannot assure you that our business will generate sufficient cash flows from operations, that revenue growth, cost savings and operating improvements will be realised or that future debt and equity financing will be available to us in an amount sufficient to enable us to pay our debts when due, including the Notes, or to fund our other liquidity needs. See "Operating and financial review".

If our future cash flows from operations and other capital resources (including borrowings under the Revolving Credit Facility Agreement) are insufficient to pay our obligations as they mature or to fund our liquidity needs, we may be forced to:

- reduce or delay our business activities and any capital expenditures;
- sell assets;
- obtain additional debt or equity capital; or
- restructure or refinance all or a portion of our debt, including the Notes, on or before maturity.

We cannot assure you that we would be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all. Any failure to make payments on the Notes on a timely basis would likely result in a reduction of our credit rating, which could also harm our ability to incur additional indebtedness. In addition, the terms of our debt, including the Notes and the Revolving Credit Facility Agreement, limit, and any future debt may limit, our ability to pursue any of these alternatives. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business, financial condition and results of operations. There can be no assurance that any assets which we could be required to dispose of can be sold or that, if sold, the timing of such sale and the amount of proceeds realised from such sale will be acceptable.

Derivative transactions may expose us to unexpected risk and potential losses.

From time to time, we may be party to certain derivative transactions, such as interest rate swap contracts, with financial institutions to hedge against certain financial risks. Changes in the fair value of these derivative financial instruments that are not cash flow hedges are reported in income, and accordingly could materially affect our reported income in any period. Moreover, economic uncertainty and the potential for financial institution failures, may expose us to the risk that our counterparty in a derivative transaction may be unable to perform its obligations as a result of being placed in receivership or otherwise. In the event that a counterparty to a material derivative transaction is unable to perform its obligations thereunder, we may experience losses that could materially adversely affect our financial condition, financial returns and results of operations.

The Issuer is a special purpose finance subsidiary that has no revenue generating operations of its own and will depend on cash from our operating companies to be able to make payments on the Notes.

The Issuer is a wholly-owned special purpose finance subsidiary of the Company with no business operations. The only significant asset of the Issuer is the Proceeds Loan made by it to Hero Acquisitions Limited in connection with the offering of the Notes. The Issuer's material liabilities include the Notes, the guarantee of obligations under the Revolving Credit Facility Agreement and any additional debt it may incur in the future. As such, the Issuer is dependent upon payments from Hero Acquisitions Limited to make any payments due on the Notes. If Hero Acquisitions Limited fail to make scheduled payments on the Proceeds Loan, the Issuer will not have any other sources of funds that would allow it to make payments on its indebtedness. In addition, Hero Acquisitions Limited is a holding company that conducts no independent business operations. The Company will be dependent upon payments from other members of the group to meet its obligations, including its obligations under the Proceeds Loan and the Notes.

The amounts available to the Company and the Issuer from the other relevant members of the group will depend on the profitability and cash flows of such members of the group and the ability of such members to make payments to it under applicable law or the terms of any financing agreements or other contracts that may limit or restrict their ability to pay such amounts. The terms of the Intercreditor Agreement also restrict certain intra group payments. In addition, the members of the group that do not guarantee the Notes have no obligation to make payments with respect to the Notes.

The interests of our controlling shareholders may differ from the interests of the holders of the Notes.

Exponent and certain co-investors indirectly beneficially own approximately 50.4% of the outstanding ordinary shares of the Company. As our controlling shareholder, Exponent is able to control matters requiring shareholder approval, including the election and removal of our directors, our corporate and management policies, potential mergers or acquisitions, payment of dividends, asset sales and other significant corporate transactions. The interests of Exponent may differ from yours in material respects. For example, if we encounter financial difficulties or are unable to pay our debts as they mature, the interests of Exponent, as ultimate majority shareholder, may be in pursuing acquisitions, divestitures, financings or other transactions that, in their judgment, could enhance their equity investment, even though such transactions might involve risks to you as a holder of Notes. Exponent has no contractual obligations to fund our business and may not have sufficient liquidity to fund our business if we require additional funding. Additionally, the Indenture permits us to pay advisory fees, dividends or make other restricted payments under certain circumstances, and Exponent may have an interest in our doing so.

Additionally, Exponent and its affiliates are in the business of making investments in companies and may from time to time acquire and hold interests in businesses that compete directly and indirectly with us, or with which we conduct business. Exponent and its affiliates may also pursue acquisition opportunities that may be complementary to our business and, as a result, those acquisition opportunities may not be available to us. You should consider that the interests of these holders may differ from yours in material respects. See "Principal shareholder" and "Certain relationships and related party transactions".

We may not be able to obtain the funds required to repurchase the Notes upon a change of control.

The Indenture contains provisions relating to certain events constituting a "change of control". Upon the occurrence of certain change of control events (subject to certain exceptions), we will be required to offer to repurchase all outstanding Notes at a price equal to 101% of their principal amount, plus accrued and unpaid interest and additional amounts, if any, to the date of repurchase. If a change of control event were to occur, we cannot assure you that we would have sufficient funds available at such time, or that we would have sufficient funds to provide to the Issuer to pay the purchase price of the outstanding Notes or that the restrictions in our Revolving Credit Facility Agreement, the Intercreditor Agreement or our other then existing contractual obligations would allow us to make such required repurchases. A change of control is a mandatory prepayment event under our Revolving Credit Facility Agreement, and a change of control may result in an event of default under, or acceleration of our other indebtedness. The repurchase of the Notes pursuant to such an offer could cause a default under such indebtedness, even if the change of control itself does not. The ability of the Issuer to receive cash from its subsidiaries to allow it to pay cash to the holders of the Notes following the occurrence of a change of control may be limited by our then existing financial resources. In addition, under the terms of the Revolving Credit Facility Agreement, under certain circumstances, we are required to repay a proportionate amount of debt under our Revolving Credit Facility Agreement if we repay all or a portion of the principal under the Notes. Sufficient funds may not be available when necessary to make any required repurchases. If an event constituting a change of control event occurs at a time when the group is prohibited from providing funds to the Issuer for the purpose of repurchasing the Notes, we may seek the consent of the lenders under such indebtedness to the purchase of the Notes or may attempt to refinance the borrowings that contain such prohibition. If such a consent to repay such borrowings is not obtained, the Issuer will remain prohibited from repurchasing any Notes. In addition, we expect that we would require third-party financing to make an offer to repurchase the Notes upon a change of control. We cannot assure you that the group would be able to obtain such financing. Any failure by the Issuer to offer to purchase the Notes would constitute a default under the Indenture, and to the extent the trustee in respect of the Notes becomes entitled to declare the Notes as being due and payable would constitute an event of default under the Revolving Credit Facility Agreement.

The change of control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events, including a re-organisation, restructuring, merger or other similar transaction involving us that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a “change of control” as defined in the Indenture. In addition, in certain circumstances a change of control would be deemed not to have occurred if a certain pro forma leverage test is met. Subject to a few exceptions, the Indenture does not contain provisions that would require the Issuer to offer to repurchase or redeem the relevant Notes in the event of a re-organisation, restructuring, merger, recapitalisation or similar transaction.

The definition of “Change of Control” in the Indenture includes a disposition of all or substantially all the assets of the Company and its restricted subsidiaries (if any), taken as a whole, to any person. Although there is a limited body of case law interpreting the phrase “all or substantially all”, there is no established precise definition of the phrase under applicable law. Accordingly, in certain circumstances, there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of “all or substantially all” of the Issuer’s assets and its restricted subsidiaries taken as a whole. As a result, it may be unclear as to whether a change of control has occurred and whether the Issuer is required to make an offer to repurchase the Notes.

Investors may not be able to recover in civil proceedings for U.S. securities law violations.

The Issuer and the Guarantors and their respective subsidiaries are organised outside the United States, and their business is conducted entirely outside the United States. The directors and executive officers of the Issuer and the Guarantors are not residents of the United States. Although the Issuer and the Guarantors will submit to the jurisdiction of certain New York courts in connection with any action under U.S. securities laws or under the Indenture, you may be unable to effect service of process within the United States on the directors and executive officers of the Issuer and the Guarantors. In addition, because all the assets of the Issuer and the Guarantors and their respective subsidiaries and all or a majority of the assets of their directors and executive officers are located outside of the United States, you may be unable to enforce against them judgments obtained in the U.S. courts.

The United States and the United Kingdom currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments (as opposed to arbitration awards) in civil and commercial matters. Consequently, a final judgment for payment rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. federal securities laws, would not automatically be recognised or enforceable in England. In order to enforce any such U.S. judgment in England, proceedings must first be initiated in England. In such an action, to enforce the U.S. judgment the English court would not generally reinvestigate the merits of the original matter decided by the U.S. court and it would usually be possible to obtain summary judgment on such a claim provided that:

- the U.S. court was of competent jurisdiction;
- it was a final and conclusive U.S. judgment on the merits in the sense of being final and unalterable in the court which pronounced it and being for a definite sum of money;
- the U.S. judgment was not for a sum payable in respect of taxes, or other charges of a like nature or in respect of a penalty or fine or otherwise based on a U.S. law that an English court considers to relate to penal or revenue law;
- the U.S. judgment does not contravene English public policy;
- the U.S. judgment has not been arrived at by doubling, trebling or otherwise multiplying a sum assessed as compensation for the loss or damages sustained, is otherwise specified in Section 5 of the Protection of Trading Interests Act 1980 or is based on measures designated by the Secretary of State under Section 1 of the Act;
- the U.S. judgment has not been obtained by fraud or in breach of English principles of natural justice;
- the U.S. judgment is not a judgment on a matter previously determined by an English court or another court whose judgment is entitled to recognition in England or conflicts with an earlier judgment of such court;
- the English enforcement proceedings were commenced within the relevant limitation period; and
- the U.S. judgment was not obtained contrary to an agreement for the settlement of disputes under which the dispute in question was to be settled otherwise than by proceedings in a U.S. court (to whose jurisdiction the judgment debtor did not submit).

There is doubt as to the enforceability in England of U.S. judgments in respect of civil judgments predicated purely on U.S. securities laws.

Subject to the foregoing investors may be able to enforce in England judgments that have been obtained from U.S. federal or state courts. Notwithstanding the preceding, we cannot assure you that those judgments will be recognised or enforceable in England. Further an English court is unlikely to accept jurisdiction if the original action (an action based on U.S. securities law violations) was commenced in England, instead of the United States, and even if it did it is unlikely to impose civil liability if the action was predicated solely upon U.S. federal securities laws.

English insolvency laws and other jurisdictions may provide you with less protection than U.S. bankruptcy law.

The Issuer and other members of the group, including the Guarantors, are incorporated under the laws of England and Wales. Accordingly, insolvency proceedings with respect to any of those entities would be likely, although not necessarily to proceed under, and be governed by, English insolvency law. English insolvency law may not be as favourable to investors as the laws of the United States or other jurisdictions with which investors are familiar. In the event that any one or more of the Issuer or Guarantors experiences financial difficulty, it is not possible to predict with certainty the outcome of insolvency or similar proceedings.

Under English insolvency law, English courts are empowered to order the appointment of an administrator in respect of a company in certain circumstances. An administrator can also be appointed out of court by the company itself, its directors or the holder of a qualifying floating charge and different procedures apply according to the identity of the appointor. During the administration, in general no proceedings or other legal process may be commenced or continued against such company, or security enforced over such company’s property, except with leave of the court or the consent of the administrator. The moratorium does not, however, apply to a "security financial collateral arrangement" (such as a charge over cash or financial instruments such as shares, bonds or tradable capital market debt instruments) under the Financial Collateral Arrangements (No. 2) Regulations 2003. Regardless of how the administration procedure is commenced, during the administration process, a creditor would not be able to enforce any security interest (other than security financial collateral arrangements) or guarantee granted by it without the consent of the administrator or the court. In addition, a secured creditor cannot appoint an administrative receiver.

There are circumstances under English insolvency law in which the granting of security and guarantees can be challenged. In general terms, in such circumstances, the courts of England and Wales have the power to make void such transactions, or restore the position to what it would have been if such company had not entered into the transaction. If a court voided any grant of security or giving of any Note Guarantee as a result of it being considered to be a transaction at an undervalue or a preference, or held it unenforceable for any other reason, you would cease to have any security over the grantor or a claim against the Guarantor giving such Note Guarantee.

In the event that any one or more of the Issuer, the Guarantors, any future Guarantors, if any, or any other of our subsidiaries experienced financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings. The insolvency and other laws of different jurisdictions may be materially different from, or in conflict with, each other, including in the areas of rights of secured and other creditors, the ability to void preferential transfers, priority of governmental and other creditors, ability to obtain post-petition interest and duration of the proceedings. The application of these laws, or any conflict among them, could call into question whether any particular jurisdiction's laws should apply, adversely affect your ability to enforce your rights under the Note Guarantees or the Collateral in these jurisdictions and limit any amounts that you may receive.

The Notes and the Note Guarantees will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defences that may limit its validity and enforceability.

Generally, a court could subordinate or void the Notes or the Note Guarantees under various corporate purpose or benefit, fraudulent conveyance or transfer, voidable preference, insolvency or bankruptcy challenges, financial assistance, preservation of share capital, thin capitalisation, capital maintenance or similar laws or regulations affecting the rights of creditors generally if, at the time the Notes were issued or one of the Guarantors entered into a Note Guarantee:

- we incurred the debt under the Notes or any of the Guarantors incurred a Note Guarantee with the intent to hinder, delay or defraud any present or future creditor, favoured one or more creditors to the detriment of others in the event of insolvency or we or a Guarantor subsequently entered an insolvency process (a "preference") and we or a Guarantor were insolvent or became insolvent as a result of issuing the Notes or such Note Guarantee;

- we or a Guarantor did not receive fair consideration or reasonably equivalent value in money or money's worth for issuing the Notes or the Note Guarantee and we or a Guarantor subsequently entered an insolvency process (an "undervalue") and we or a Guarantor were insolvent or became insolvent as a result of issuing the Notes or such Note Guarantee; or

- we or a Guarantor incurred debts beyond our or its ability to pay those debts as they matured.

Jurisdictions may have different "hardening" or "claw-back" periods, during which the issue of the Notes and the Note Guarantees can be challenged. Under English law, the relevant periods would be six months, in the case of a preference to an unconnected person, or two years, in the case of an undervalue or a preference to a connected person.

In any such case, the court could void the payment obligations under the Notes or such Note Guarantees or subordinate the Notes or such Note Guarantees to presently existing and future indebtedness of ours or such Guarantor, or require the holders of the Notes to repay any amounts received with respect to the Notes or such Note Guarantees. In the event of a finding that a fraudulent conveyance occurred, you may not receive any repayment on the Notes. Furthermore, the voidance of the Notes could result in an event of default with respect to our other debts and that of our Guarantors that could result in acceleration of such debts.

Generally, an entity would be considered insolvent under English law if at the time it incurred indebtedness (i) the sum of its debts, including all contingent liabilities, was greater than the value of all its present assets, (ii) the present value of its assets was less than the amount that would be required to pay its liability on its existing debts and liabilities, including contingent liabilities, as they become absolute and mature, or (iii) it could not pay its debts as they become due. If the Note Guarantees were legally challenged, any Note Guarantee could also be subject to the claim that, since the Note Guarantee was incurred for our benefit, and only indirectly for the benefit of the Guarantor, the obligations of the applicable Guarantor were incurred for less than fair consideration. A court could thus void the obligations under the Note Guarantees, subordinate them to the applicable Guarantor's other debt or take other action detrimental to the holders of the Notes.

Investors may face foreign exchange risks by investing in the Notes.

The Notes are denominated and payable in pounds sterling. If investors measure their investment returns by reference to a currency other than pounds sterling, an investment in or continued investment in the Notes will entail foreign exchange related risks due to, among other factors, possible significant changes in the value of pounds sterling relative to the currency by reference to which such investors measure the return on their investments. These changes may be due to economic, political and other factors over which we have no control. Depreciation of pounds sterling against the currency by reference to which such investors measure the return on their investments could cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss to investors when the return on the Notes is translated into the currency by reference to which such investors measure the return on their investments.

There may not be an active trading market for the Notes, in which case your ability to sell the Notes may be limited.

We cannot assure you as to:

- the liquidity of any market in the Notes;
- your ability to sell your Notes; or
- the prices at which you would be able to sell your Notes.

Future trading prices for the Notes will depend on many factors, including, among other things, prevailing interest rates, our operating results and the market for similar securities. Historically, the market for non-investment grade securities has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Notes. The liquidity of a trading market for the Notes may be adversely affected by a general decline in the market for similar securities and is subject to disruptions that may cause volatility in prices. The trading market for the Notes may attract different investors and this may affect the extent to which the Notes may trade. It is possible that the market for the Notes will be subject to disruptions. Any such disruption may have a negative effect on you, as a holder of the Notes, regardless of our prospects and financial performance. As a result, there is no assurance that there will be an active trading market for the Notes. If no active trading market develops, you may not be able to resell your holding of the Notes at a fair value, if at all.

Although an application has been made for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and to be admitted to trading on the Euro MTF market, we cannot assure you that the Notes will be or remain listed. Although no assurance is made as to the liquidity of the Notes as a result of the admission to trading on the Euro MTF, failure to be approved for listing or the delisting (whether or not for an alternative admission to listing on another stock exchange) of the Notes from the Official List of the Luxembourg Stock Exchange may have a material effect on a holder's ability to resell the relevant Notes, as applicable, in the secondary market.

In addition, the Indenture will allow us to issue additional Notes in the future, which could adversely impact the liquidity of the Notes.

Credit ratings may not reflect all risks, are not recommendations to buy or hold securities and may be subject to revision, suspension or withdrawal at any time.

One or more independent credit rating agencies may assign credit ratings to the Notes. The credit ratings address our ability to perform our obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agency at any time. No assurance can be given that a credit rating will remain constant for any given period of time or that a credit rating will not be lowered or withdrawn entirely by the credit rating agency if, in its judgment, circumstances in the future so warrant. A suspension, reduction or withdrawal at any time of the credit rating assigned to the Notes by one or more of the credit rating agencies may adversely affect the cost and terms and conditions of our financings and could adversely affect the value and trading of the Notes.

The transferability of the Notes may be limited under applicable securities laws.

The Notes and the Note Guarantees have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state or any other jurisdiction and, unless so registered, may not be offered or sold in the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and the applicable securities laws of any state or any other jurisdiction. It is the obligation of holders of the Notes to ensure that their offers and sales of the Notes within the United States and other countries comply with applicable securities laws.

Investors in the Notes may have limited recourse against our independent auditors.

The annual financial statements of the Company, included in this annual report, have been reproduced from the financial statements required by statute in the United Kingdom to be prepared annually. Such statutory annual financial statements are also required to be audited by a registered auditor in the United Kingdom. In respect of the audit reports relating to the annual statutory financial statements which are also reproduced herein, BDO LLP, our independent auditor which conducted its statutory audits in accordance with statute in the United Kingdom, stated the following in accordance with guidance issued by the Institute of Chartered Accountants in England and Wales: “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”.

These statements are intended to disclaim any liability to parties (such as purchasers of the Notes) other than to the members of the Company with respect to those reports. For this reason, the SEC would not permit the language quoted above to be included in a registration statement or a prospectus used in connection with an offering of securities registered under the U.S. Securities Act, or in a report filed under the U.S. Exchange Act. It is not clear whether a U.S. court (or any other court) would give effect to the language quoted above, therefore the recourse that persons such as purchasers of the Notes may have against the independent auditors could be limited and the inclusion of the language referred to above may limit the ability of persons such as purchasers of the Notes to bring any action against our independent auditors.

The Notes will initially be held in book-entry form and therefore investors must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

The Notes will initially only be issued in global certificated form and held through Euroclear and Clearstream. Interests in the global Notes will trade in book-entry form only, and Notes in definitive registered form, or definitive registered Notes, will be issued in exchange for book-entry interests only in very limited circumstances. Owners of book-entry interests will not be considered owners or holders of Notes. The common depositary, or its nominee, for Euroclear and Clearstream will be the sole registered holder of the global notes representing the Notes. Payments of principal, interest and other amounts owing on or in respect of the global notes representing the Notes will be made to the Paying Agent, which will make payments to Euroclear and Clearstream. Thereafter, these payments will be credited to participants' accounts that hold book-entry interests in the global notes representing the Notes and credited by such participants to indirect participants. After payment to the common depositary for Euroclear and Clearstream, the Issuer will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if investors own a book entry interest, they must rely on the procedures of Euroclear and Clearstream, and if investors are not participants in Euroclear and Clearstream, they must rely on the procedures of the participant through which they own their interest, to exercise any rights and obligations of a holder of Notes under the Indenture.

Unlike the holders of the Notes themselves, owners of book-entry interests will not have the direct right to act upon the Issuer's solicitations for consents, requests for waivers or other actions from holders of the Notes. Instead, if an investor owns a book-entry interest, it will be permitted to act only to the extent it has received appropriate proxies to do so from Euroclear and Clearstream. The procedures implemented for the granting of such proxies may not be sufficient to enable such investor to vote on a timely basis.

Similarly, upon the occurrence of an event of default under the Indenture, unless and until definitive registered Notes are issued in respect of all book-entry interests, if investors own book-entry interests, they will be restricted to acting through Euroclear and Clearstream. The procedures to be implemented through Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the Notes.

Payments under the Notes may be subject to withholding tax under the EU Directive on the taxation of savings income.

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "Savings Directive"), each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entities established in that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at a rate of 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non EU countries to the exchange of information relating to such payments. A number of non EU countries have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entities established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The European Commission has proposed certain amendments to the Savings Directive, which may, if implemented, amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

If a payment were to be made or collected through an EU Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment pursuant to the Savings Directive or any other directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to such directive, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer will undertake to the extent possible to use reasonable efforts to maintain a Paying Agent with a specified office in an EU Member State that is not obliged to withhold or deduct tax pursuant to any law implementing the Savings Directive or any other directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000.

Operating and financial review

The historical consolidated profit and loss account and cash flow data presented in this discussion and analysis for the 52 week periods ended 29 December 2012, 28 December 2013 and 27 December 2014 has been extracted or derived from the audited consolidated financial statements of the Company as at and for the 52 week period ended 27 December 2014, including the related notes thereto, which are included elsewhere in this annual report.

The following discussion should be read together with, and is qualified by reference to, our financial statements, and the related notes thereto, included in this annual report. The following discussion should also be read in conjunction with the sections entitled "*Summary consolidated financial data*"*. Except for the historical information contained herein, the discussions in this section contain forward-looking statements that reflect our plans, estimates and beliefs and involve risks and uncertainties. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and elsewhere in this annual report, particularly in* "*Forward-looking statements*" *and* "*Risk factors*"*.*

Some of the measures used in this discussion and analysis are not measurements of financial performance under IFRS, but have been prepared on the basis of IFRS amounts, and should not be considered an alternative to cash flow from operating activities, as a measure of liquidity or an alternative to operating profit/(loss) or profit/(loss) for the period as indicators of our operating performance or any other measures of performance derived in accordance with IFRS.

Key factors affecting our results of operations

We consider the following factors to be the key factors affecting our results of operation:

Customers

Our revenue and cash flows are affected by our ability to retain existing business and generate new business from existing and new customers, and the terms at which we are able to retain or generate business. We have developed a strong reputation as a leading service provider in the United Kingdom and Ireland and this visibility and reputation, combined with our existing customer base, gives us a strong platform from which to win new business. Additionally, our extensive offering enables us to cross sell our core and specialist products and services to our customers allowing us, we believe, to meet their requirements to a greater extent.

We believe that a strong relationship with customers can lead to increased revenue and account profitability. Because of the generally flexible nature of our business arrangements with our customers, the factors that influence the terms on which we retain business from our existing customers are the same factors that influence the terms on which we win new business. We have won new customers and been successful in maintaining the loyalty of our existing customers by capitalising on our knowledge of our customers' requirements and processes together with our ability to offer value added services. These include equipment maintenance and management and the integration of our IT systems with the internal ordering and billing systems of certain of our large customers, thereby also enabling them to reduce their administrative costs. Due to our size and scale combined with our reputation for consistency and high levels of service, we have also been able to collaborate with some of our customers to develop an innovative supply chain model whereby our customers promote us as a preferred supplier to their sub-contractor base. We have successfully implemented this model with some of our leading customers including Sainsbury's and Heathrow Airports Limited.

In any period, the mix of our customers also impacts our results of operation. Our customers range from our key accounts, who typically represent our higher volume customers with recurring hire needs, to our local cash customers, who typically represent our higher margin customers. Our strategy over the last several years has been to increase the proportion of our revenue derived from our key accounts, which has helped us achieve higher sales volumes although at slightly lower margins. A number of our key account customers have been with us for over 15 years. By continuing to increase our key account customer base, we have been able to achieve repeat business as these customers tend to remain loyal to providers, like us, which provide consistently high levels of service.

Trends in customer demand also impact our financial results. Our largest revenue source is hire revenue, which represents payments received from our customers in return for their use of our equipment. We also generate revenues from our rehire activities primarily through our HSS OneCall operations. Unlike under our hire operations, under our rehire operations, we incur third-party supplier costs in connection with the procurement of tool and equipment for rehire. As a result, our rehire operations typically deliver lower EBITDA margins than our hire operations. On the other hand, we do not incur capital expenditure in respect of supply of equipment under our rehire operations which, in comparison to our hire operations, typically generate higher cash flows. As a result, if customer demand for our hire products increases in a particular period, we would typically generate higher EBITDA margins. On the other hand, if customer demand for our rehire products increases in a particular period, we would generate lower EBITDA margins during that period, although we may benefit from higher cash flows during that period. We have also grown our market share and customer base by penetrating new and attractive market segments with no or low levels of penetration by equipment hire companies (for example, the cleaning and ground care segments).

Availability

We believe that the availability of our hire tools and equipment is a key driver of our sales. We have focused on increasing availability in terms of the range of products that we offer and in terms of speed of delivery. In terms of the range of products that we offer, we seek to ensure that our hire fleet comprises equipment in sufficient quantities to meet demand. We manage this through ongoing assessment of the quantity of equipment on hire, future orders placed by customers, quantity of our offline equipment (i.e., equipment awaiting test or repair), prevailing levels of equipment write off and customer loss, and any rehire opportunities. If we identify a shortfall in our hire fleet, we procure additional equipment to add to our hire fleet. Our broad product range has historically enabled us to attract repeat business from our existing customers and maintain customer loyalty. In terms of delivery, we increase the availability of our hire fleet through our ability to respond promptly to customer orders. We constantly monitor stock levels to ensure that our equipment is well distributed throughout our branch network to meet customer demand. Where we identify a potential shortfall, our hub and spoke distribution model allows us to move equipment efficiently within twenty four hours across our network. As a result, our branch network allows us to share a floating inventory of hire stock between our locations and, in turn, drives increases in availability. We have also continued to complement the internal sourcing of the tools and equipment required by our customers with the external sourcing of products from third parties through our HSS OneCall business.

Availability of our hire stock also impacts our utilisation rates. We measure utilisation as the percentage of available time that an item of hire stock is out on hire. As demand for our products approaches available supply, our utilisation rates rise, which favourably impacts our revenues, profitability and return on assets. We are led by trends in customer demand in planning our hire fleet and in organising the supply and delivery of equipment to our customers. Our approach to expenditure on hire fleet has centred on retaining sufficient flexibility in response to customer demand. This approach has enabled us to deliver an industry-leading return on assets. Our return on assets for the 52 week periods ended 27 December 2014, 28 December 2013 and 29 December 2012, was 25.9%, 29.8% and 20.1%, respectively.

Pricing

We devote considerable attention to the pricing of our products and services. We typically set prices for our products as a discount to list prices as is standard in our industry. While offering lower discounts to our customers can result in higher margins for us, it can also prompt some of our customers to move their business to a competitor. In order to find a balance between optimising our margins and retaining our customer base, we have developed a structured and disciplined approach to pricing. In the first instance, we agree a set of prices with our customers which are recorded in our operating system. In general, longer term contracts are offered lower prices and higher discounts than short term contracts. As a result, our key and regional customers typically benefit from better pricing terms owing to volume discounts and the longer term nature of their contracts. We maintain a strict scrutiny of and closely track the discounts that we offer. We have also developed a clear hierarchy of authority within our company for the approval of discounts based on the importance and revenue contribution of the customer. All of these measures have helped us to maintain a strong pricing discipline, which we believe enables us to maximise our margins. While price remains a key factor, we believe that the availability and quality of our hire fleet and our high service levels are stronger drivers of our financial performance.

Operational productivity and efficiency

Our competitiveness and long term profitability depend, to a significant degree, on our ability to control costs (including costs of rehire and resale, distribution, labour and stock maintenance), capital expenditures and working capital, and maintain efficient operations. We implement various initiatives designed to reduce costs and working capital needs on a continual basis in order to optimise our profitability and cash flow generation.

This strategy to achieve operational excellence is supported by our investment in processes and technologies that enable us to operate our business in a more efficient manner. For example, we have recently introduced a workplace management system to plan and monitor employee rotas and work shift assignments, to maximise the efficiency of our employees. We have continued to improve our distribution network, constantly adjusting delivery vehicle capacity at each of our distribution centres to increase the number of deliveries and collections achieved per vehicle. We have also recently implemented a new management process for the spare parts that we require to maintain our tools and equipment, which is expected to significantly shorten the lead time required for obtaining these spare parts. We expect that this process will continue to improve the productivity of our maintenance personnel, while also increasing the speed at which equipment can be made available, thereby reducing the amount of capital tied up in equipment that is awaiting test or repair.

In addition to these initiatives, we are focused on inventory management and capacity utilisation, while continuing to control levels of capital expenditure and working capital.

Acquisitions

From time to time, we acquire providers of hire fleets and specialist services that complement our current offering to broaden the range of our hire products and services and increase our presence in existing and new markets, which impacts our financial performance. Through our strategic acquisitions, we believe we have historically been able to increase our capacity and make available to our customers a more expansive and comprehensive range of hire products and services. Our recent acquisitions include:

- ABird: On 31 October 2012, we acquired Abird Superior Limited and its wholly-owned subsidiary, Abird Limited, a provider of temporary power generation and associated products and services. This acquisition has enabled us to offer a wider range of large capacity and specialist generators and to provide more comprehensive services to our customers who operate in the temporary power market.

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

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

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

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

Seasonality and cyclicality

The seasonality and cyclicality of the equipment rental industry results in variable demand for our products. We typically experience higher demand between July and November of each year and, as a result, we tend to generate slightly higher revenues during the second half of each fiscal year as compared to the first half of the year. We typically experience a slowdown in demand during Christmas, which partially offsets the increase in our revenues during the second half of the year. We also experience seasonality impacts as a result of the nature of our hire fleet and the distribution of our product categories. A small proportion of our product categories are in demand during different times of the year. Lighting and heating equipment, for instance, typically experience higher levels of demand during the winter season, while gardening and landscaping products experience higher levels of demand in the spring and summer seasons. Weather patterns can exacerbate these trends with particularly cold, hot or wet periods driving higher or lower demand among our product categories.

Due to our focus on the "maintain" and "operate" markets as opposed to the "new build construction" market, our revenue and operating results are not significantly dependent on activity in the commercial construction industry in the United Kingdom. As a result, our operations are not materially impacted by cyclical trends experienced in the "new build construction" market.

Currency translation

Our reporting currency is the pound sterling. However, a small proportion of our assets, liabilities, revenues and costs are denominated in euros. For the 52 week period ended 27 December 2014, we generated approximately 9% of our revenue in euros. Fluctuations in the value of the euro with respect to the pound therefore have had, and may continue to have, an impact on our financial condition and results of operations as reported in pounds.

Description of key income statement items

Revenue

Revenue represents amounts receivable in respect of goods and services supplied, reduced by trade discounts that we offer and excluding value added tax. Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods and services supplied, stated net of discounts, rebates, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured when it is probable.

Cost of sales

Cost of sales represents direct costs incurred in the provision of our services including, among others, costs of:

- hiring equipment from third parties, which is then rehired to our customers;

- resale, representing the purchase cost of diesel and gas supplied to our customers, other hire related consumables and any other items purchased and subsequently resold to our customers;

- customer training courses operated by third parties on our behalf;
- depreciation of our hire fleet; and
- stock maintenance, representing the costs associated with the testing and repair of our hire fleet.

Administrative expenses

Administrative expenses represent the overhead costs of the business, including:

- branch based costs such as costs associated with our sales employees, rent and business rates, depreciation (other than of hire fleet) and utilities;
- costs associated with our field based sales employees;
- costs associated with our customer contact centre including the cost of salaries, rent and utilities;
- the cost of our head office functions including those of our IT, finance, human resource functions; and
- amortisation of goodwill arising from acquisitions.

Exceptional items classified as administrative expenses relate primarily to the costs of our "dark" stores (unoccupied properties), which we do not use and which do not generate rental income through sublet or otherwise. They also relate to certain of our restructuring costs.

Distribution costs

Distribution costs represent the costs associated with the operation of our delivery vehicle fleet such as the cost of lease, fuel and insurance, and the payment of salaries to the drivers that we employ. It also represents the costs associated with third-party haulage and freight. Exceptional items classified as distribution costs relate primarily to certain of our restructuring costs.

Other operating income

This represents rental income earned through the sublet of properties that are surplus to our requirements. The operating costs associated with these sublet properties are treated as an ongoing item (not an exceptional item) under our administrative expenses.

Finance expense

Finance expense represents the charges (accrued or paid) associated with our bank loans and overdrafts, loans from our parent companies and finance leases. This line item also represents the amortisation of any costs associated with the raising of finance that have been capitalised and spread over the life of the facility. Costs classified as exceptional relate to costs incurred in the early termination of our financing instruments such as our interest rate swaps.

Income Tax credit / (expense)

Tax is based on the results for the accounting period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting periods. For the financial year 2013, we expect to start paying corporation tax on a recurring basis.

Results of operations

In preparing its financial statements for the 52 week period ended 27 December 2014 in accordance with the Indenture, the Company has elected to apply IFRS for the first time. Previously the Company applied UK GAAP and, as a result, the Company's results for the 52 week period ended 27 December 2014 are the Company's first financial statements prepared in accordance with IFRS. However, to ease with comparability of the 52 week period ended 27 December 2014 against the 52 week periods ended 28 December 2013 and 29 December 2012, this report also contains financial information prepared in accordance with IFRS for the 52 week periods ended 28 December 2013 and 29 December 2012.

The 52 week period ended 27 December 2014 compared to the 52 week period ended 28 December 2013

The table below sets out our results for the 52 week period ended 27 December 2014 compared to the 52 week period ended 28 December 2013:

	52 week period ended		
	28 December 2013	**27 December 2014**	**Percentage change**
(in millions of £)			
Revenue	**226.7**	**284.6**	**25.5%**
Cost of sales	(73.5)	(103.0)	40.1%
Gross profit	**153.2**	**181.5**	**18.5%**
Distribution costs	(28.7)	(37.2)	29.6%
Administrative expenses	(102.1)	(117.1)	14.8%
Other operating income	1.0	1.1	10.0%
Operating profit	**23.5**	**28.4**	**20.9%**
Finance income	0.0	0.0	NM(1)
Finance expense	(14.0)	(29.3)	109.3%
Movement in derivative financial instruments	1.6	(1.2)	NM(1)
(Loss)/Profit before tax	**11.1**	**(2.1)**	**NM(1)**
Income tax credit/(expense)	(2.0)	3.4	NM(1)
(Loss) for the financial year	**9.1**	**1.3**	**NM(1)**

(1) Not meaningful

Revenue

Our revenue for the 52 week period ended 27 December 2014 increased by £57.9 million, or 25.5%, from £226.7 million in the 52 week period ended 28 December 2013 to £284.6 million in the 52 week period ended 27 December 2014. This uplift was primarily due to growth in our organic revenue reflecting increasing demand from both new and existing customers. Key and regional account customers accounted for a large element of this growth. Revenues in our HSS OneCall and HSS Training businesses grew 64.4% and 22.1% respectively and revenue from our hire business increased by 18.2%. We also benefitted from the acquisition of Apex in March 2014 and the inclusion of a full year of trading from UK Platforms which we acquired in June 2013.

Cost of sales

Our cost of sales for the 52 week period ended 27 December 2014 increased by £29.5 million, or 40.1%, from £73.5 million in the 52 week period ended 28 December 2013 to £103.0 million in the 52 week period ended 27 December 2014. This increase was mainly due to the strong growth in our HSS OneCall (rehire) revenue, with the associated third-party supplier costs accounting for £14.3 million of the increase. Stock maintenance costs during the period also increased due in part to the increased size of our hire fleet through ongoing hire fleet investment and also due to the acquisition of Apex.

Gross profit

Our gross profit for the 52 week period ended 27 December 2014 increased by £28.4 million, or 18.5%, from £153.2 million in the 52 week period ended 28 December 2013 to £181.5 million in the 52 week period ended 27 December 2014.

Distribution costs

Our distribution costs for the 52 week period ended 27 December 2014 increased by £8.5 million, or 29.6%, from £28.7 million in the 52 week period ended 28 December 2013 to £37.2 million in the 52 week period ended 27 December 2014. This reflects the full year impact of the UK Platforms acquisition, the acquisition of Apex and the growth in volume of our core business.

Administrative expenses

Our administrative expenses increased by £15.1 million, or 14.8%, to £117.1 million in the 52 week period ended 27 December 2014 from £102.1 million in the 52 week period ended 28 December 2013. This was principally due to increased administrative expenses relating to the inclusion of a full year of trading for UK Platforms, costs associated with Apex and the extra sales colleagues employed to support our expanding local branch network. Administrative expenses also grew due to increased business activity and inflationary pressures on our salary costs.

Other operating income

Our other operating income increased by £0.1 million, or 10.0%, to £1.1 million in the 52 week period ended 27 December 2014 from £1.0 million in the 52 week period ended 28 December 2013, primarily due to an increase in the number of our “dark” stores (non-trading properties) that were being sublet.

Operating profit

Our operating profit for the 52 week period ended 27 December 2014 increased by £4.9 million, from £23.5 million in the 52 week period ended 28 December 2013 to £28.4 million in the 52 week period ended 27 December 2014.

Finance income

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

Finance expense

Our finance expense for the 52 week period ended 27 December 2014 increased by £15.3 million, or 109.3%, from £14.0 million in the 52 week period ended 28 December 2013 to £29.3 million in the 52 week period ended 27 December 2014. This increase was primarily due to the issue of £200 million of Senior Secured Notes in February 2014 to refinance our existing borrowings. In addition to increasing our weighted average interest rate on borrowings from 4.83% to 7.11%, this also includes accelerated write off of debt issuance costs.

Movement in derivative financial instruments

The movement in derivative financial instruments in the 52 week period ended 27 December 2014 was a £1.2 million charge compared to £1.6 million income in the 52 week period ended 28 December 2013. This movement reflected a change in fair value.

(Loss)/profit before tax

We reported a loss before tax of £2.1 million for the 52 week period ended 27 December 2014 compared to a profit before tax of £11.1 million for the 52 week period ended 28 December 2013.

Income tax credit/(expense)

We reported a net tax credit of £3.4 million for the 52 week period ended 27 December 2014, compared to a tax expense of £2.0 million in the 52 week period ended 28 December 2013, primarily due to our loss before tax and deferred tax recognised on prior year losses.

Profit for the year

We reported a profit of £1.3 million for the 52 week period ended 27 December 2014 compared to a profit of £9.1 million for the 52 week period ended 28 December 2013.

The 52 week period ended 28 December 2013 compared to the 52 week period ended 29 December 2012

The table below sets out our results for the 52 week period ended 28 December 2013 compared to the 52 week period ended 29 December 2012:

	52 week period ended		
	29 December 2012	**28 December 2013**	**Percentage change**
(in millions of £)			
Revenue	**181.6**	**226.7**	**24.8%**
Cost of sales	(60.3)	(73.5)	22.1%
Gross profit	**121.3**	**153.2**	**26.3%**
Distribution costs	(23.6)	(28.7)	21.2%
Administrative expenses	(91.1)	(102.1)	12.0%
Other operating income	1.2	1.0	(16.7)%
Operating profit	**7.7**	**23.5**	**NM(1)**
Finance income	0.0	0.0	NM(1)
Finance expense	(19.2)	(14.0)	(27.1%)
Movement in derivative financial instruments	1.1	1.6	36.4%
(Loss)/profit before tax	**(10.3)**	**11.1**	**NM(1)**
Income tax credit/(expense)	0.6	(2.0)	NM(1)
(Loss)/profit for the financial year	**(9.8)**	**9.1**	**NM(1)**

(1) Not meaningful

Revenue

Our revenue for the 52 week period ended 28 December 2013 increased by £45.1 million, or 24.8%, from £181.6 million in the 52 week period ended 29 December 2012 to £226.7 million in the 52 week period ended 28 December 2013. This increase was primarily due to growth in our organic revenue driven by an increase in demand from our existing customers and by our newly acquired customers. Our key and regional account customers, in particular accounted for much of the growth. Our HSS OneCall business and our HSS Training business were our fastest growing businesses during the period, representing an increase in revenue of 31.7% and 27.0%, respectively, for the 52 week period ended 27 December 2014 compared to the 52 week period ended 28 December 2013, primarily due to our efforts to promote these rehire and non-hire offerings to our customers. Revenue from our hire business increased by 13.4%, driven by a greater demand from our key account customers and our investment in the depth of our hire fleet to support this demand. We also benefitted from growth through the acquisitions of UK Platforms and TecServ during this period which resulted in revenue growth of 6.3% for the 52 week period ended 28 December 2013 compared to the period 29 December 2012.

Cost of sales

Our cost of sales for the 52 week period ended 28 December 2013 increased by £13.3 million, or 22.1%, from £60.3 million in the 52 week period ended 29 December 2012 to £73.5 million in the 52 week period ended 28 December 2013. This increase was mainly due to the strong growth in our HSS OneCall (rehire) revenue, with the associated third-party supplier costs accounting for £4.9 million of the increase. Resale costs increased by £1.5 million during the period, primarily due to the cost of diesel resold to our customers under our Abird business. We also experienced an increase in our stock maintenance costs during the period mainly due to the increased size of our hire fleet following our acquisitions of ABird and UK Platforms.

Gross profit

Our gross profit for the 52 week period ended 28 December 2013 increased by £31.9 million, or 26.3%, from £121.3 million in the 52 week period ended 29 December 2012 to £153.2 million in the 52 week period ended 28 December 2013.

Distribution costs

Our distribution costs for the 52 week period ended 28 December 2013 increased by £5.0 million, or 21.2%, from £23.6 million in the 52 week period ended 29 December 2012 to £28.7 million in the 52 week period ended 28 December 2013. This was principally due to the acquisitions of Abird and UK Platforms which increased distribution costs by £3.5 million. The remaining increase represented increased expenses of £1.6 million to support the growth in volume of our hire business.

Administrative expenses

Our administrative expenses increased by £10.9 million, or 12.0%, to £102.1 million in the 52 week period ended 28 December 2013 from £91.1 million in the 52 week period ended 29 December 2012. This was principally due to £6.0 million in additional administrative expenses relating to the acquisitions of ABird and UK Platforms, representing expenses associated with rent, depot staff, central support and the rationalisation of back office activities. Administrative expenses also grew due to increased levels of business activity and inflationary pressures on our costs related to salaries (driven by an increase in our total number of employees and cost per employee) and utilities. We also made additional investment during the period in marketing initiatives to promote further growth. In addition, to support the increase in demand for training programmes from our customers, we incurred additional cost related to the salaries of training professionals and administration overhead.

Other operating income

Our other operating income decreased by £0.2 million, or 16.7% to £1.0 million in the 52 week period ended 28 December 2013 from £1.2 million in the 52 week period ended 29 December 2012, primarily due to a decrease in the number of our “dark” stores (non-trading properties) that were being sublet.

Operating profit

Our operating profit for the 52 week period ended 28 December 2013 increased by £15.7 million to £23.5 million from a profit of £7.7 million in the 52 week period ended 29 December 2012.

Finance income

As in the 52 week period ended 29 December 2012, we received negligible interest income on our cash balances in the 52 week period ended 28 December 2013.

Finance expense

Our finance expense for the 52 week period ended 28 December 2013 decreased by £5.2 million, or 27.1%, from £19.2 million in the 52 week period ended 29 December 2012 to £14.0 million in the 52 week period ended 28 December 2013, primarily due to our acquisition by Exponent in the year 2012 and the cessation of interest charges relating to our former senior facility agreement and other indebtedness. Even though our acquisition of UK Platforms in June 2013 increased our borrowing under our former senior facility by an aggregate principal amount of £30.0 million, this increase accounted for only £1.4 million of interest payable in the 52 week period ended 28 December 2013.

Movement in derivative financial instruments

The movement in derivative financial instruments in the 52 week period ended 27 December 2014 increased by £0.4 million, or 36.4% to £1.6 million, compared to £1.1 million in the 52 week period ended 28 December 2013. This movement reflected a change in fair value.

(Loss)/profit before tax

Our profit before tax in the 52 week period ended 28 December 2013 was £11.1 million, a £21.4m improvement compared to the £10.3 million loss before tax in the 52 week period ended 28 December 2013.

Income tax credit/(expense)

We reported a tax expense of £2.0 million for the 52 week period ended 28 December 2013, compared to a tax credit of £0.6 million in the 52 week period ended 29 December 2012, primarily due to our profit before tax during the 52 week period ended 28 December 2013.

(Loss)/profit for the financial year

Our profit for the 52 week period ended 28 December 2013 was £9.1 million compared to a £9.8 million loss in the 52 week period ended 29 December 2012.

Cash flows

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

	52 week period ended		
	29 December 2012	**28 December 2013**	**27 December 2014**
	Company	**Company**	**Company**
(in millions of £)			
Net cash flows from operating activities before changes in hire equipment	**38.7**	**42.1**	**55.6**
Purchase of hire equipment	(19.8)	(22.7)	(39.2)
Cash generated from operations	**19.0**	**19.3**	**16.4**
Net interest paid	(19.7)	(9.9)	(18.1)
Income tax received/(paid)	—	(1.5)	(0.2)
Net cash (utilised)/generated from operating activities	**(0.7)**	**7.9**	**(1.9)**
Net cash used in investing activities	(12.9)	(32.4)	(21.4)
Net cash used in financing activities	7.0	29.8	26.3
Increase/(decrease) in cash	**(6.6)**	**5.4**	**3.0**

Net cash flow from operating activities before changes in hire equipment

Our net cash inflow from operating activities before changes in hire equipment increased by £13.5 million, or 32.1%, to £55.6 million for the 52 week period ended 27 December 2014 from £42.1 million for the 52 week period ended 28 December 2013. This increase resulted from an increase of £17.8 million in EBITDA, which was partly offset by an investment in working capital due mainly to an unfavourable trade debtor movement as a result of strong revenue growth during the period.

Our net cash inflow from operating activities before changes in hire equipment increased by £3.3 million, or 8.5%, to £42.1 million for the 52 week period ended 28 December 2013 from £38.7 million for the 52 week period ended 29 December 2012. This increase resulted from an increase of £15.7 million in operating profit, which was substantially offset by an investment in working capital due largely to an unfavourable trade debtor movement as a result of strong revenue growth during the period.

Cash generated from operations

Our cash generated from operations decreased by £3.0 million to a £16.4 million inflow for the 52 week period ended 27 December 2014 compared to a £19.3 million inflow for the 52 week period ended 28 December 2013. This slight decrease resulted from a £16.5m increase in purchases of hire equipment which offset the increase in net cash inflow from operating activities before changes in hire equipment.

Our cash generated from operations increased by £0.4 million, or 2.1% to £19.3 million for the 52 week period ended 28 December 2013 from £19.0 million for the 52 week period ended 29 December 2012. This increase is primarily due to a £3.0 million increase in purchases of hire equipment, which partially offsets the increase in net cash flow generated from operating activities.

Net cash (utilised)/generated from operating activities

Our net cash utilised in operating activities was £1.9 million in the 52 week period ended 27 December 2014. This compares to £7.9 million net cash generated from operating activities in the 52 week period ended 28 December 2013. This change reflects the lower cash generated from operations together with increased net interest paid comprising debt issue costs relating to the issue of £200 million of Senior Secured Notes in February 2014, the cash interest payment on the Senior Secured Notes during the period and the increased finance lease balance and associated interest charges.

Our net cash generated from operating activities was £7.9 million in the 52 week period ended 28 December 2013. This compares to net cash utilised in operating activities of £0.7 million in the 52 week period ended 29 December 2012. This increase resulted from a decline in our senior indebtedness and associated interest charges following our acquisition by Exponent in October 2012, combined with £5.4 million reduction in issue costs incurred in the renegotiation of bank financing.

Net cash used in investing activities

Our net cash used in investing activities was £21.4 million for the 52 week period ending 27 December 2014, a £11.0 million or 34.0% decrease on the £32.4 million used in the 52 week period ending 28 December 2013. This decrease reflects the lower cost of acquisitions during 2014 (principally Apex) compared to 2013 (UK Platforms and TecServ), slightly offset by an increase in the amount spent on non-hire property, plant equipment and software to support the growth across the business, particularly the expansion of our local branch network.

Our net cash used in investing activities was £32.4 million for the 52 week period ending 28 December 2013, a £19.5 million increase on the £12.9 million used in the 52 week period ending 29 December 2012. This increase reflected the higher cost of acquisitions during 2013 (UK Platforms and TecServ) compared with 2012 (ABird) together with small growth in our purchases of non-hire property, plant equipment and software.

Net cash used in financing activities

Our net cash used in financing activities was a £26.3 million inflow for the 52 week period ending 27 December 2014, a £3.5 million decrease on the £29.8 million inflow in the 52 week period ending 28 December 2013. This decrease reflects how the borrowings drawn down in the 52 week period ending 28 December 2013 were principally used to fund investing activities (the acquisition of UK Platforms) whereas the borrowings drawn in the 52 week period ending 27 December 2014 were primarily used to refinance our existing borrowings.

Our net cash used in financing activities was a £29.8 million inflow for the 52 week period ending 28 December 2013, a £22.8 million increase on the £7.0 million inflow in the 52 week period ending 29 December 2012. This increased inflow reflected the increased borrowings primarily drawn to fund the acquisition of UK Platforms.

Capital expenditures

Our capital expenditure incurred during the 52 week periods ended 27 December 2014, 28 December 2013 and 29 December 2012 are set out below:

	52 week period ended		
	29 December 2012	28 December 2013	27 December 2014
	Company	Company	Company
(in millions of £)			
Hire stock capital expenditure	20.7	30.9	71.9
Non hire stock capital expenditure	4.7	5.9	11.7
Total capital expenditures	**25.4**	**36.8**	**83.6**

We categorise our capital expenditures as hire stock and non-hire stock capital expenditures. Hire stock capital expenditures relate to purchases of hire stock assets whereas non hire stock capital expenditures relate to expenditures on, for example, the development of IT systems, vehicle trackers, signage, equipment racking and leasehold property improvements. We believe that approximately three quarters of our hire stock capital expenditure relates to the replacement of equipment that has either been lost by our customers or reached the end of its useful life and approximately two fifths of our non-hire capital expenditure relates to ongoing maintenance of our property and IT infrastructure.

Working Capital

The main components of our working capital are trade debtors balances, representing amounts owed by our account customers, and trade creditor balances, representing amounts owed to our suppliers in respect of our hire stock purchases, third-party equipment hire and other expenses, where we obtain deferred payment terms. Other than in respect of timing effects on the payment of hire stock purchases, we do not typically experience significant movements in our working capital between accounting periods. In addition, within working capital, we account for stocks of consumables and fuel held for resale, and stocks of spare parts used to repair our equipment. We do not typically experience material movements in these stock balances between accounting periods. Other working capital balances include amounts owed or due in respect of taxes, prepayments and accruals. A large proportion of our leasehold properties require quarterly rental payments (treated as prepayments). Value added tax and corporation tax also require quarterly payments. These payments may impact our working capital movements between accounting periods.

Borrowings

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

	52 week period ended		
	29 December 2012	28 December 2013	27 December 2014
(in millions of £)	Group	Group	Group
Non-current			
Term Loans	124.2	152.2	-
Notes	-	-	193.9
Amounts due to group undertakings	88.4	92.2	70.0
	212.6	**244.3**	**264.0**

(in millions of £)	52 week period ended 29 December 2012 Group	 28 December 2013 Group	 27 December 2014 Group
Current			
Term loans	0.4	0.9	-
Revolving credit facility	-	3.0	19.5
Bank overdraft	4.0	-	-
Amounts due to group undertakings	2.5	2.9	2.8
	6.9	**6.8**	**22.3**

See "Description of other indebtedness" for a description of the Group's indebtedness.

Contractual obligations

The following table summarises the Group's material contractual obligations as at 27 December 2014.

(in millions of £)	Within 1 year	Between 1 and 5 years	More than 5 years	Total
Borrowings[(1)]	13,500	254,000	160,573	428,073
Finance lease obligations[(2)]	5,356	7,033	-	12,389
Total	**18,856**	**261,033**	**160,573**	**440,462**

(1) Maturity profile of nominal values and interest

(2) Finance lease obligations represent hire equipment acquired under the Group's finance lease facilities in respect of its core HSS Hire and specialist businesses.

The Group's future operating lease commitments represent its operating leases in respect of the land and buildings, and vehicles that it leases, which is set out in the following table. These include lease obligations in respect of the Group's ''dark'' stores, the majority of which will lapse in the next four years. As at 27 December 2014 the Group held leases to 91 ''dark'' stores, which are its closed branches awaiting disposal, of which approximately 65% are either fully or partially sublet.

(in millions of £)	Within 1 year	Between 1 and 5 years	More than 5 years	Total
Operating lease obligations	21,634	56,598	31,066	109,298

Off balance sheet arrangements

From time to time, we undertake forward purchases in support of our electricity requirements. As at 20 April 2015, we had not made any forward purchases.

Financial risk management

Market risk is the potential loss arising from adverse changes in market rates and consists of risks relating to foreign exchange rates, interest rates and market prices. We are not exposed to market price risk as we do not own assets the value of which is determined by market prices. We have been exposed to limited foreign exchange risk, as we have historically entered into limited foreign currency transactions and as we do not own extensive trading subsidiaries outside the United Kingdom.

We have been and, following the offering and the use of proceeds therefrom, will continue to be exposed to interest rate risk primarily in relation to our debt service obligations under our Revolving

Credit Facility. The drawings under our Revolving Credit Facility will expose us to interest rate risks relating to fluctuations in LIBOR. We may seek to enter into an interest rate swap to hedge our exposure under the Revolving Credit Facility but no assurances can be made that we will be able to enter into a new interest rate swap on acceptable terms, or at all.

Selected critical judgments and estimates

The preparation of financial information in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial information and the reported amounts of revenue and expenses during the years then ended. Management bases its estimates on historical experience and various other assumptions that are considered to be reasonable in the particular circumstances.

Actual results may differ from these estimates. The judgments, estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of this revision and future periods if the revision affects both current and future periods.

The following are the key areas of our accounting policies in which management made judgments or key assumptions concerning the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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

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

Onerous lease provision

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

Provisions for dilapidations

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

Income taxes

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

Useful economic life of assets

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

Business

For a discussion of our business strengths and strategies see “Business overview, strengths and strategies”.

Our operations

We are a leading supplier of tools and equipment for hire in the United Kingdom and Ireland and have provided our equipment hire services in the United Kingdom and Ireland for over 50 years, primarily focusing on the business to business or B2B market. Focused on safety, availability, value and support, we work with our customers to help keep their businesses operating safely and efficiently whilst assisting them in driving down their costs. Alongside traditional equipment hire, we offer a range of complementary, value added services through our various businesses including, HSS OneCall, HSS Outsource and HSS Training. We also offer specialist rental equipment under our brands ABird and UK Platforms.

We have a well invested hire fleet comprising a broad range of tools and equipment and through our HSS OneCall business we also have the ability to procure products from third parties that we choose not to hold in our own fleet. This allows us to focus our investment on what we see as our core fleet range where we experience the greatest demand and most attractive financial returns.

A core part of our operating process is the testing of all equipment that is returned to us by customers. The testing process, which we refer to as “test and run”, is carried out at the receiving branch, with the exception of our non-standard range of products which is collected at local branches by the local distribution centres or regional distribution centres for testing purposes. Maintenance of our equipment is carried out at our regional distribution centres or at our specialist depots, by our team of specially trained fitters and engineers, ensuring that the product is made available for hire if it has been repaired to its full working condition.

Our businesses and services

We offer our customers tool and equipment rental and related services with our principal focus on customers that operate in the “maintain” and “operate” segments of the market. Our strategy of offering value added services to complement our primary equipment rental business has increased our addressable market and reinforced customer loyalty.

We perform our core services under our HSS Hire, HSS OneCall and HSS Outsource brands.

HSS Hire	Under our HSS Hire business we offer an extensive range of tools and equipment across approximately 1,600 product lines driven by customer demand. We ensure that our equipment is well maintained, fully compliant with health and safety requirements and ready to use. Customers have the option to order our products and services through our branches, our customer service centre, online or through our dedicated account managers.
HSS OneCall.......................	Under our HSS OneCall business, in response to our customer’s demand, we work with a network of partners to source equipment that we do not typically hold as a part of our hire fleet. A dedicated in-house team provides advice and manages orders through our branches or through our contact centre, under a single contract and single invoice. Our OneCall suppliers are vetted against a range of quality, reliability and health and safety criteria before being put on an approved supplier list.
HSS Training.......................	The HSS Training business is our specialist training service, offering 248 industry recognised technical and safety courses at 36 training venues throughout the United Kingdom and Ireland. Under

	HSS Training we are able to offer bespoke courses, tailored to our customers' requirements. HSS training is the number 1 market leader based on IPAF, PASMA and Ladder Association league tables.

We provide our specialist services under our ABird, Apex, UK Platforms, Reintec and TecServ brands.

ABird and Apex	ABird is our specialist provider of temporary power generation and distribution equipment and services. We operate the Apex brand in Scotland. Through ABird and Apex we serve more than 1,200 customers.
UK Platforms	UK Platforms is our specialist provider of powered access equipment and services, offering a full range of diesel and electric aerial work platforms.
Reintec and TecServ...........	As an alternative to the traditional hire contract, we also offer equipment management solutions to the contract cleaning market under the Reintec and TecServ brands. With these services we provide our customers with the benefits of management, maintenance, compliance and cost efficiency services and expertise. The Reintec business specialises in providing fully outsourced cleaning equipment to the contract cleaning market, TecServ, complementing the Reintec business, is a specialist provider of maintenance services for contract cleaner businesses

Equipment

We classify the tools and equipment that we offer for hire under three principal categories—major, core and seasonal—based on a combination of factors including the relative importance of the equipment to our customers and its estimated replacement value. Our major category of tools and equipment typically includes access, powered access, lighting and handling, building and site works, lighting and power tools. Our core category of tools and equipment typically include tools and equipment used for breaking, concreting and surface preparation, sawing and cutting, welding, drilling, cleaning and floor care and safety, ventilation and extraction. Our seasonal category of tools and equipment comprises our fleet of cooling, heating, drying and pumping tools and equipment.

Customers

We primarily operate in the "maintain" and "operate" segments of the market with most of our revenue directly or indirectly attributable to our customers involved in property maintenance, refurbishment, fit out and facilities management. We serve a large and diverse customer base with no single customer having accounted for more than 3% of our total revenue for the 52 week period ended 27 December 2014.

We categorise our customers into three broad categories:

- Key customer accounts who typically contribute a minimum of £100,000 a year in revenues to us. These customer accounts usually have complex equipment requirements and operate multiple sites across the United Kingdom and Ireland. They are managed by one of our dedicated key account managers/directors, with ultimate accountability for these customers assigned to the group sales and marketing director. Our key customer accounts are also supported by a specific support team in our call centre or a dedicated desk in customer premises.

- Regional customer accounts who typically contribute between £20,000 and £100,000 a year in revenues to us. These customer accounts are managed by an area sales manager, with ultimate accountability for these customers assigned to our regional directors; and

- Local customer accounts and cash customers who typically contribute less than £20,000 a year in revenues to us. Local customer accounts are managed by one of our branches with the ultimate accountability for these customer accounts assigned to a regional sales manager. Our cash customers who comprise a mix of local trades and consumers typically transact through one of our local branches or through our contact centre ("Hire Direct") or HSS.com, our website.

We take a disciplined approach to pricing. Customer pricing is set as a discount to list prices as is standard in our industry. In the first instance, we agree prices with our account customers and hold them in our operating system. In general, longer term contracts attract higher discounts than short term contracts and our key and regional customers benefit from better pricing terms owing to volume discounts. We maintain a strict scrutiny of and closely track the discounts that we offer.

Our main key account markets are facilities management, commercial and retail fit out, infrastructure maintenance and transport. Our regional and local customer base is diversified and a significant number of our customers are generalists who will move their focus based on where they find new business. Our cash customers are generally served through our contact centre and our website as well as our local branches.

For the 52 week period ended 27 December 2014, our 20 largest customers together accounted for approximately 17% of our total revenue.

Logistics and Operations

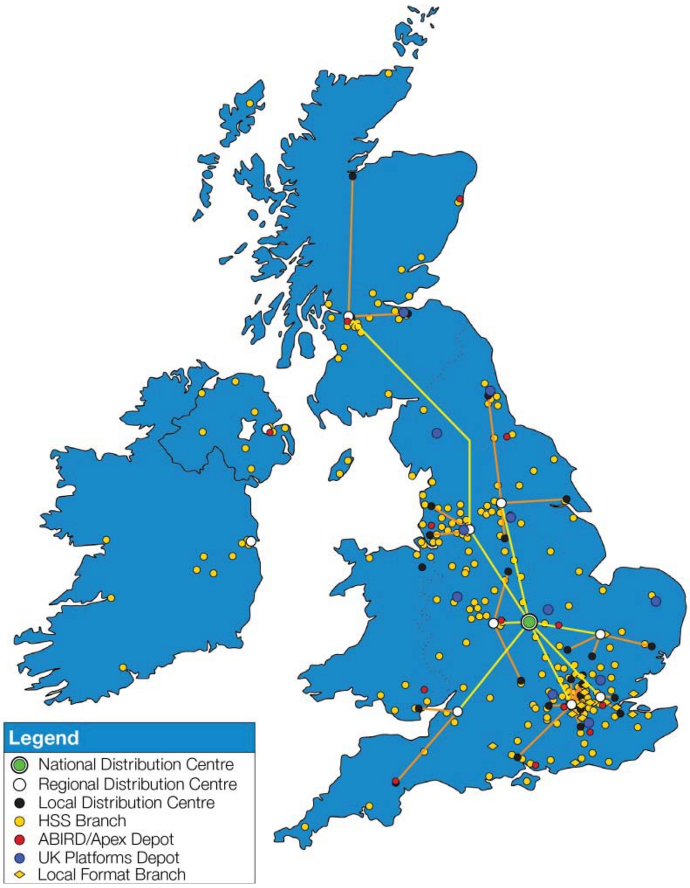
The Group responds to its customers’ needs for ease of access to tools and equipment by operating its businesses from more than 265 locations across the United Kingdom and Ireland. The core HSS network comprised a national distribution centre, ten regional distribution centres, 25 local distribution centres and over 230 trading locations across the United Kingdom and Ireland. Its ABird and Apex networks comprise 14 depots and the UK Platforms network comprises 12 depots.

Distribution

Central to the Group’s operations is the Group-wide management of its hire fleet whereby tools and equipment physically located anywhere in the Group’s network can be made available to any of the Group’s customers in the United Kingdom and Ireland, generally within 24 hours from when a customer places their order. The Group has built a distinctive hub-and-spoke operating model to facilitate the distribution of its hire fleet, and continues to evolve and refine this model. Currently, the Group’s national distribution centre acts as a cross-docking distribution centre for its UK-based regional distribution centres, all of which carry an extensive fleet of equipment and have repair and maintenance workshops as well as transport capabilities. These regional distribution centres support the Group’s local distribution centres that manage distribution activities for their local area. The Group’s distribution centres also support its network of selling branches. The Group’s regional and local distribution centres are supported by its extensive fleet of liveried vehicles managing deliveries both to selling branches and directly to customers. See ‘‘—New National Engineering and Distribution Centre’’ below for information on planned changes to the Group’s distribution network.

As a result of this retail-style distribution model, the Group’s branches concentrate on selling to customers rather than a traditional hire industry operational focus on distribution and maintenance. In distribution centres co-located with a branch, there is clear separation between ‘‘behind the blue doors’’ maintenance and transport management and ‘‘in front of the blue doors’’ selling and customer service. In addition, the Group is in the process of closing older selling branches and rolling out new Local Branches, which are smaller in size (down to approximately 2,000-2,500 square feet from 5,000 square feet for older selling branches), and have an exclusive focus on sales and customer service. Local Branches will typically recover all costs associated with their opening in approximately one year of trading.

Our network is illustrated by the map below:



Engineering

Maintenance, repair and refurbishment of the Group's equipment and tools are critical to maintaining the availability of the Group's hire fleet—one of the Group's key customer propositions—and maximising the rate of return on the Group's asset base. Maintenance and repair of the Group's hire fleet are primarily managed at the Group's regional distribution centres. Tools and equipment collected from, or returned by, a customer at the end of their hire period are tested according to a mandatory system-controlled process on the Group's main operating system, Spanner, which aims to ensure quality and safety for the next customer. A product requiring repair or maintenance is sent via the Group's distribution network to one of the Group's regional distribution centres for work by a team of specially trained fitters and engineers who assess the product and, if economically viable, restore the product to its full working condition. Products are prioritised to meet seasonal or specific customer demand and, therefore, return on assets.

The Group also employs a team of approximately 140 mobile engineers who are deployed to customer sites to maintain and test larger equipment, returning it to working order. The mobile engineering team is equipped with vans which mirror the workstations of a fitter within a branch, including Spanner, to achieve consistent quality wherever the repair takes place. Mobile engineers are targeted on their ''first fix'' rate, meaning that equipment is repaired for a customer on their full visit, rather than needing to go back with specific parts or other specialist expertise.

In 2013, recognising that the supply chain for spare parts was delaying engineers' ability to repair products, the Group engaged Unipart to manage spare parts on its behalf. Unipart works with suppliers to maintain and operate a centralised spares warehouse at its facility at Honeybourne, West Midlands, that is designed to enable timely delivery of parts akin to the processes used in the automotive sector.

In the first quarter of 2014, the Group engaged Unipart to develop ''The HSS Way'', a bespoke version of ''The Unipart Way'', which deploys ''Kaizen-based'' tools for continual improvement which originated in Japanese automotive industries to reengineer business processes. ''The HSS Way'' is being rolled out across the Group's engineering network to drive efficiencies in workshop and maintenance operations, decrease repair times and thereby drive performance and higher standards in the Group's engineering capabilities. The Group has set up a dedicated Engineering Services Division with the aim of developing specialism and concentration through its network.

In addition, through the Group's refurbishment centre in Manchester, the Group has extended equipment life for certain categories of equipment, such as powered access, power and lighting, reducing the Group's equipment replacement costs by approximately 70% (savings equate to cost of refurbishment compared to the replacement cost of asset, and excludes any residual value of the equipment). The current refurbishment centre has grown in size and scope since its opening in 2010 and the Group is planning to expand and relocate to larger premises in 2015. Generally, the Group's refurbishment activities focus on HSS powered access and lighting equipment, UK Platforms powered access equipment and ABird power generation equipment, although the Group continues to assess the scope for refurbishment.

New National Engineering and Distribution Centre (''NEDC'')

As part of the Group's continuous development and transformation the Group is in the process of developing the Group's national distribution centre into an enhanced NEDC, which is planned to open during 2015, which will centralise the Group's testing, repair and maintenance operations. The Directors believe this will create a more efficient and uniform repair and maintenance process which is developed to scale and makes use of engineering line processes and conventions whereby colleagues specialise in one element of the overall throughput of the facility. The Group is currently in discussions with Unipart to outsource the operation of the NEDC.

Under this model, distribution to all the Group's selling branches will come from the NEDC, enabling the local distribution centres to focus purely on distribution and collection to customers in the local area rather than additionally servicing branches. The Directors believe this will allow for scalability in line with growth.

In addition, responding to customer feedback regarding collections, the process for collection will be separated from the process of delivery, allowing for further specialisation and management of the fleet in order to enhance availability and asset return.

Suppliers

We constantly review our equipment fleet to ensure that we are sourcing the right products to meet our customer demand. We purchase our core hire fleet from over 300 suppliers, with the majority of our hire fleet is sourced from a core group of 20 to 30 strategic suppliers, most of whom are based in the United Kingdom and Europe. We have begun directly sourcing from Asia, with a particular focus on China. Products which are sourced from Asia are not brand sensitive, such as heating, air conditioning and some landscaping equipment, with the priority being placed on products that third-party distributors already purchase from that region. We expect the volume of these purchases from Asia to continue to increase as a percentage of our overall capital expenditure. We have long established relationships with our key suppliers for new equipment as well as replacement parts to support its ongoing fleet maintenance. In some of our key equipment categories, notably powered access, power generation and breaking and drilling, we have developed strong relationships with certain key suppliers, such as sourcing the majority of our generators for ABird and Apex from Bruno. This has enabled us to benefit from attractive pricing terms as well as market-leading product innovation.

We select our equipment suppliers based upon quality, the price of their product, technical support and availability of spare parts. Our HSS OneCall suppliers are chosen based on their product quality, reliability and service levels with respect to delivery, collection and administration; we maintain a broad supplier base in order to maximise fleet availability to meet our customer demand.

Information technology

We have a range of IT solutions which are designed to both support our customer focus and enhance operational efficiency. We have a fully integrated IT platform that provides total stock and fleet visibility. In many cases the customer-facing IT systems are given a user-friendly interface into our operating system, Spanner, such that information is provided in real-time and in line with our commitment to provide transparent information to customers. For example, HSS LiveHire provides more than 18,000 of our account customers full access to their rental contracts and all related documentation, and allows customers to reduce the duration of their hires, and therefore their costs, by being able to terminate a hire agreement instantly online.

Through its brand-specific websites, we offer all of its customers' information on its products and services, as well as information on its extensive branch network. Our HSS.com website won ''Website of the Year'' at the 2014 Hire Awards of Excellence and, on average across 2013 and 2014, we had more than 60% online visitor share as measured by Hitwise each month against a competitor set defined by management in the tool and equipment rental market.

Our specialist businesses, ABird, Apex and UK Platforms, also have branded websites containing a wide range of tools specific to the product set and customer base including, for ABird, access to its RFM-enabled Smart Equipment where customers can view the performance of a generator, monitor usage and order fuel remotely from desktops, tablets or mobiles. HSS Training also has a fully interactive online booking and course scheduling capability, and we believe the system supports customer retention by also serving as a full training records system. Approximately 17% of HSS Training revenue is generated from bookings made online. All of our websites are supported by a social media strategy, extending customer communication via Facebook and Twitter.

We believe we have historically stayed ahead of competitors in the online space, and we are currently preparing for the launch of a new integrated e-commerce platform to support all of our brands. We believe this will be the first fully transactional website in the UK equipment hire industry. The website is based on the principles of best practice for consumer websites, but modified to serve our B2B customers.

Customers will be able to hire tools and equipment online from both core HSS equipment categories and specialist brands in one transaction, which we believe will increase cross-selling as well as present upselling opportunities. In addition, the system provides account management and reporting capabilities, which aims to reduce costs for customers by allowing them to manage the volume and duration of equipment on hire. The website is also being built to be fully responsive in order to better serve the increasing number of customers who visit our websites from mobile and tablet devices. We believe that this investment positions us ahead of our competitors for the anticipated movement of B2B services online.

Spanner has been developed in-house, and we supplement its core applications with a range of packaged, outsourced and bespoke systems in order to provide us with additional functionality.

Spanner plays a critical role in the operation of our distribution network, all equipment maintenance processes and records and all customer transactions. This creates an extensive history of information of customer behaviour and asset performance that provides a rich source of operating and sales data that we leverage to drive decision-making and strategy. At the point of sale, either through Livehire, in a branch or through the customer service centre, Spanner will automatically locate the nearest distribution centre to the customer with the product availability to execute an order. All deliveries are then routed automatically via our overnight distribution network. By acting as the asset management system for the Group, Spanner is also used by colleagues to check that the correct hire fleet is available in its selling branches for customer pick up.

We have global positioning system (''GPS'')-enabled fleet management systems, which help us plan delivery and collection routes. These fleet management systems show our logistics teams and its customers where vehicles are located, which increases vehicle productivity.

Our drivers use personal digital assistants to record customer deliveries, like those used by standard parcel delivery firms. These records are fully integrated into Spanner, so that customers can access the proof of delivery. Spanner also processes all data relating to equipment utilisation, equipment performance and team productivity across our network.

Our business critical systems have resilient hardware, business continuity plans and, where required, third-party support contracts. Its systems operate over a resilient communications network with all key operating sites having back up communication facilities and ongoing network monitoring to minimise operating disruptions. Our key IT infrastructure is also spread over a number of sites to improve overall resilience and to provide disaster recovery capability.

Our IT systems are supported by a team of approximately 32 colleagues who provide day-to-day management of the IT servers and databases, desktop, network and voice/data infrastructure, along with developing and supporting our portfolio of business applications. In addition, our IT function has a team of approximately 11 colleagues who deliver both IT and non-IT operational support together with support for a variety of business-led projects. We believe that our in-house IT expertise allows continuous enhancements to the operating system in order to drive customer focus and productivity.

Sales and marketing

The Group is a direct selling organisation that leverages on the strong relationships that it has established with customers. Our hub-and-spoke distribution network enables all branch-based colleagues to fully concentrate on further developing these customer relationships and subsequently on driving sales, instead of also having to manage transport and maintenance of equipment, as in traditional equipment hire business models. This branch-based sales force focuses on developing business from its local markets. In many cases, a sales branch is provided with a liveried sales van so that colleagues are able to leave the branch and visit local work sites and businesses to develop their customer relationships. All depots for the Group's specialist businesses as well as local branches have their own portfolio of customers as well as targets for cross-selling, new business and discount control. This focus contributes to a somewhat different customer mix particularly for the Group's local branches compared to the Group as a whole, where the proportion of revenue from cash and branch customers is higher than in our other trading locations.

In addition to colleagues located at sales branches, the Group has approximately 150 dedicated field-based sales colleagues serving as either area sales managers with a regional portfolio, key account managers with a national portfolio across more complex customers or as specialist sales forces for UK Platforms, ABird, Apex, HSS OneCall, HSS Training and to serve the major build and fit out projects in Central London where the Group operates a temporary ''onsite facility''. These field-based sales colleagues are provided support by on-site project managers and field managers who build customer relationships and provide expertise to customers at the point of equipment use.

Branch sales are also supported by targeted marketing campaigns that communicate what the Directors believe are the Group's unique selling points and values both ''above the line'' with radio, press and outdoor advertising and ''below the line'' with targeted direct marketing and the bi-annual publication of the Group's catalogues for its core business and specialist brands. Through focused market research, the Group's marketing team positions the Group's brands, helps develop new business propositions and communicates with customers regarding the Group's services, products and innovations through multiple channels including catalogues, websites and email marketing, press relations, exhibitions, trade press advertising, sponsorship and direct marketing. These communications are generally specific to sector and brand but also support the Group's sales force in facilitating cross-selling. The marketing team also seeks to protect the HSS brand through maintenance of a press office and guidelines on brand use.

In addition, the Group operates a central contact centre in Manchester which handles sales enquiries from its full range of customers, including those of HSS OneCall. The centre has approximately 300 colleagues (with capacity for more than 600 seats) and handles customer calls and internet enquiries, and also answers customer calls that have been redirected from sales branches.

Colleagues, colleague training and development

Colleagues

Colleagues are distributed among the Group's, regional and branch level locations, with the vast majority being employed at branch level.

As of 27 December 2014, we had approximately 3,030 colleagues located throughout the United Kingdom and Ireland. The average number of colleagues for the 52 week periods ended 27 December 2014, 28 December 2013 and 29 December 2012 were 2,896, 2,612 and 2,362 respectively.

The Group also has approximately 150 sales representatives on the road, organised in teams aimed at key accounts, regional customers and specialist customers.

None of the Company's colleagues are covered by a collective bargaining agreement or represented by a labour organisation. To date, the Group has not experienced a labour-related work stoppage.

Colleague training and development

In 2013, the Group opened its training academy, HSS Academy, the first of its kind in the UK equipment rental market, to offer training programmes to sales colleagues working in its branches and new colleagues joining the business. This dedicated facility provides a comprehensive induction and training programme for all the Group's new branch colleagues to support the sales skills, technical customer service and systems skills required to service its customers. The Group plans to extend the HSS Academy to operational colleagues beginning in 2015, with courses such as product training to engineering colleagues and driver and logistics management training to colleagues in the logistics division. Alongside, the Group offers structured needs based training and development programmes to its colleagues through its team of in house learning and development specialists, who supply specific product training. The Group also operates an apprenticeship programme for fitters across its workshops to ensure it develops and maintains a broad based pool of technical skills within the business. The Group also organises a programme with its drivers for Driver Certificate of Professional Competence accreditation and support professional skills development for a number of its head office colleagues in accounting, credit management, marketing and human resources.

Health and safety

Safety is one of the Group's primary customer values. The Group is committed to ensuring that health and safety is ''what we do around here'', and has implemented an ongoing safety programme designed to ensure safety ''ownership'' through every colleague. This has resulted in an ongoing reduction in accidents. For the 52 week period ended 27 December 2014, there was a 33% reduction in accidents, as recorded in the accident reporting system managed by the health, safety, environmental and quality (''HSEQ'') team, even though the Group experienced an 18% increase in the number of colleagues during this period). Colleagues are also required to record all ''near misses'' as well as accidents in order to inform decisions regarding colleague, customer and community safety.

New colleagues are given induction training which includes specific training on health and safety procedures and protocols. Furthermore, the Group ensures that colleagues who perform potentially hazardous tasks (for example, the testing of lifting equipment) are competent to do so on the basis of appropriate education, training and/or experience. The Group uses competence control systems through its operating system which locks out colleagues who are not trained on high hazard tasks for tasks that may involve such exposure.

The Directors believe the Group is the only equipment hire company in the UK to have been awarded a British Safety Council four star award. Various companies within the Group are accredited to ISO:9001, ISO:14001 and/or the Occupational Health and Safety Management standard 18001 (OHSAS:18001) by the British Standards Institute (BSI). Further accreditations specific to safety held include the hire industry specific ''SafeHire'' Award from Hire Association Europe (HAE), the Railway Industry Supplier Qualification Scheme (RISQS, previously known as Achilles Link-up) for the rail industry and the Utilities Vendor Database (UVDB) for the utilities industry. The Group is also a member of IPAF (the International Powered Access Federation), IOSH (the Institute of Occupational Safety and Health) and PASMA (the Prefabricated Access Suppliers and Manufacturers Association), amongst other bodies which define standards for the safe maintenance and operation of equipment. The Group also holds a ROSPA (Royal Society for the Prevention of Accidents) Gold Award.

All equipment is assessed for safety and tested prior to every hire to seek to ensure it is fit for purpose. It is then provided with a safety service checklist and operating and safety instructions before being made available for hire. A dedicated internal audit team works to ensure that safety standards are being met, while the Group HSEQ team works with all areas of the business including colleagues and customers on targeted actions such as risk assessments, training and accident investigations. In response to a powered access industry problem of entrapment, when using powered access equipment, the Group has developed the ''Activ-Shield Bar'' in conjunction with the manufacturer Haulotte. This unique safety feature has been fitted across UK Platform's diesel boom fleet to ensure ''safety as a standard'', and is now available to Group customers. All divisions of the Group encourage regular external audits of the Group's health and safety performance, these include audits by the UK's largest accreditation body UKAS as well as a number of strategic key account customers.

The HSEQ team also operates a dedicated health and safety helpdesk which provides access to advice, information and literature on health and safety procedures and legislation, personal protection and operating equipment to customers or potential customers.

Intellectual property

We own the rights to our most important trademark, "HSS Hire", along with all of the other trade names under which we operate, as well as the accompanying logos and images. Our core intellectual property consists mainly of certain trademarks and trade names that we own. Trademarks of acquired businesses are transferred into the group or registered as necessary.

Environmental matters

The Group recognises that the nature of its business is fundamentally one of sustainability, and sets out a series of regular, measured commitments to limit its impact on the environment. By purchasing robust equipment that is repeatedly hired, used, returned, tested and hired, the Group is able to extend a product's lifecycle, thereby reducing the consumption of natural resources and minimising the emissions and waste, which would otherwise be produced in manufacturing and transportation processes for further production of equipment. The Group's investment in a new purpose-built refurbishment centre shows that it plans to significantly increase the equipment that is refurbished through the centre. The Group also focuses on ensuring that old equipment and products are disposed of in a sustainable way, working within a documented system that uses trained personnel to assess whether spare parts or tools and equipment can be recycled and how they should be disposed of.

The Group aims to reduce CO2 emissions by making its vehicles and network increasingly fuel efficient. The Group's distribution network and vehicle telematics are designed to facilitate efficient vehicle routing, and the reduction of journey lengths. All HSS drivers are trained in best practice driving to seek to minimise fuel consumption, and the vehicle fleet is equipped with fuel-saver and ''stop-start'' features.

The Group drives energy efficiency within its various site locations via smart meters and energy efficient lighting. The Group is part of the CRC Energy Efficiency Scheme and all of its energy is supplied via Opus using renewable sources. The Group has also implemented widespread recycling policies across its network and recycles packaging, paper, plastics and electrical equipment. Since 2012, recycling levels have improved from around 30% to above 60%.

Insurance

The Group-wide insurance coverage includes policies for risks associated with its business. These policies provide insurance cover for property damage and business interruption, combined liability (i.e.

employers' and public and product liability), motor accidents, contractors' plant and airside liability (i.e. in relation to its airport operations) in addition to standard corporate insurances including crime, directors and officers and professional indemnity in relation to its training business. The Group's risk management and brokerage services are provided by Marsh. Its key insurance providers include Zurich Insurance, Lloyds Underwriters, Liberty and Chubb. The Directors believe that its insurance coverage is sufficient for the risks associated with its operations and that its policies are in accordance with customary industry practices. However, there can be no guarantee that the coverage the Group maintains will be sufficient to cover the cost of defence or other damages in the event of a significant claim. See "Risk factors—Risks related to our business". The nature of our business exposes us to various liability claims which may exceed the level of our insurance.

Litigation

We may from time to time become a party to claims and lawsuits, which typically relate to employment matters, road traffic claims or personal injury claims from employees or third parties, and are considered to be within the ordinary course of business for a company such as ours. To the extent possible, such claims are covered by insurance. We are not currently involved in any legal or arbitration proceedings that are expected to have a material adverse effect on our financial position and, to our knowledge, no such legal or arbitration proceedings are currently threatened.

Properties and lease arrangements

As at 27 December 2014, our property estate consisted of 270 trading locations (excluding agency locations) nationwide, with two long leaseholds, one freehold and the remainder on short leaseholds. Three of these locations are used as offices; one is a freehold property and two are short leaseholds.

The following provides an overview of the main properties and leases as at 27 December 2014.

Site	Size (ft^2)	Ownership / Lease	Lease Expiry	Next Break Date
Regional Distribution Centres				
Leeds	43,278	Short leasehold	6 May 2033	7 May 2023
Beckton	39,000	Short leasehold	15 November 2022	16 November 2017
Manchester Piccadilly	38,408	2 short leaseholds	1 October 2017	N/A
Heathrow	37,200	3 short leaseholds	24 December 2020	N/A
Coatbridge	35,920	Short leasehold	23 August 2018	N/A
Solihull	32,522	Short leasehold	25 February 2023	26 February 2018
Bristol	32,000	Short leasehold	8 December 2021	N/A
Cambridge	9,360	Short leasehold	22 December 2017	N/A
Reading	47,768	Short leasehold	4 November 2029	N/A
Local Hire Centres (operates as regional distribution centres in Ireland)				
Belfast	26,500	Short leasehold	17 June 2022	N/A
Dublin	22,960	Short leasehold	14 December 2027	1 June 2017
Offices & Refurbishment Centre				
Manchester Office and Refurbishment Centre (1)	38,900 (8,900 office, 30,000 refurbishment centre)	Short leasehold	12 May 2016	N/A
Mitcham	16,706	Freehold	N/A	N/A
Oakland House (Manchester)	27,512	Short leasehold	26 August 2024	N/A
Mosley Road – Refurb Centre	37,730	Agreement to lease Short Leasehold	July 2040(2)	July 2030(2)
Oakland House (6th Floor)	11,970	Agreement to lease Short Leasehold	January 2025(2)	N/A

(1) The existing lease of the Manchester Office and Refurbishment Centre will be surrendered immediately on completion of the Mosley Road facility

(2) Approximate dates based on completion of landlords works

We have a portfolio of "dark" stores which are closed branches awaiting disposal, approximately half of which have been sublet. These branches were mainly closed as part of restructuring and efficiency improvement programmes undertaken between 2004 and 2008. Through our ongoing programme of property surrenders we are rationalising our estate to drive operational efficiencies. Surrender payments are negotiated in light of business decisions to exit properties prior to lease closure. Our aim is to provide for a more streamlined operating model going forward, with smaller branches acting primarily as sales outlets.

Management

Board of directors of HSS Financing plc

The Issuer was incorporated on 10 January 2014 as a public limited company under the laws of England and Wales. The board of directors of the Issuer is composed of the following members:

Name	Age	Title
John Christopher Davies (Chris Davies)	61	Director
John Gill	48	Director
Stephen Trowbridge	41	Director

Summarised below is a brief description of the experience of the individuals who serve as members of the board of directors of the Issuer.

John Christopher Davies joined us as the chief executive officer in 2006 and oversaw the sale of our business from 3i to Och Ziff and Aurigo in 2007, as well as our sale to Exponent in 2012. Before joining us, Mr. Davies was appointed by the private buyers of the Hunter Boot Company as its chief executive officer in order to rebuild the company out of administration. Prior to gaining experience in private equity and management buy ins, Mr. Davies was the managing director for Disney Stores Europe between 2003 and 2005 and worked for Staples Inc. as vice president of Merchandising (Europe) from 2001, following his position as managing director for the United Kingdom from 1998. Mr. Davies started his management career at the builders' merchants, Harcros, in 1989 as branch manager. In 1991 he was appointed marketing director, following which he was appointed operations director and was then promoted to group finance director. He oversaw the sale of Harcros to Jewsons and was subsequently appointed managing director for building materials at the new parent company. Mr. Davies holds a bachelor's degree in pure science from Aberdeen University and is a Fellow of the Chartered Institute of Marketing.

John Gill joined us as chief financial officer in February 2009 and was promoted to chief operating officer in 2014. Prior to joining us Mr. Gill served as finance director at Screwfix Direct Ltd, a subsidiary of Kingfisher plc, which he started in June 2006. Prior to that, Mr. Gill held a number of roles at Kingfisher plc, including those of senior corporate development manager, head of corporate development and head of corporate strategy. Mr. Gill has also 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 (EEF), and then finance manager of mergers & acquisitions for GE Capital (EEF). Mr. Gill spent his early career in various finance roles at Cable & Wireless Group and BP plc. Mr. Gill holds a bachelor's degree in chemistry from Sheffield University and is an Associate of the Chartered Institute of Management Accountants.

Stephen Trowbridge joined us in 2008 as group financial controller and was promoted to finance director in 2011 before being promoted to chief financial officer in 2014. Prior to joining us, Mr. Trowbridge held a number of positions at Thomson Reuters, most recently as senior head of finance. He has previously worked as an equity analyst at SG Securities and Teather & Greenwood, and a finance manager at Cable & Wireless. Mr. Trowbridge holds a master's degree in Geography from St Hugh's College, University of Oxford and is a Fellow of the Institute of Chartered Accountants in England and Wales, having qualified whilst working at Ernst & Young LLP.

Board of directors of HSS Hire Group plc ("HSS Hire Group plc")

HSS Hire Group plc, the indirect parent company of the Company, was incorporated as a private company limited by shares in the United Kingdom (HSS Hire Group Limited) on 7 January 2015 and re-registered as a public limited company (HSS Hire Group plc) on 19 January 2015.

The board of directors of HSS Hire Group plc is entrusted with the ultimate direction of our group as well as the supervision of management and, as at 20 April 2015, is composed of the following members:

Name	Age	Title
Alan Peterson	67	Non-executive chairman
Neil Sachdev	56	Independent non-executive deputy chairman
Douglas Robertson	61	Independent non-executive director
Amanda Burton	56	Independent non-executive director
Thomas Sweet-Escott	57	Non-executive Director
John Christopher Davies	61	Chief executive officer
John Gill	48	Chief operating officer
Stephen Trowbridge	41	Chief financial officer
Fiona Perrin	47	Group sales and marketing director

Summarised below is a brief description of the experience of the individuals not already described who serve as members of the board of directors of the Hampshire Topco.

Alan Peterson has been serving as chairman of the indirect parent company of the group since December 2012. He also served as the chairman of the Company between 2004 and 2007. Mr. Peterson's experience over the last 25 years includes involvement in a number of public and private equity backed businesses across the United Kingdom, Europe and North America. He has held the role of chief executive officer and chairman in a number of manufacturing, industrial and retail companies, such as Enterprise Group PLC, Azelis Holdings SA, Rockware Group and Meyer International PLC. Mr. Peterson became 3i's first Industrialist in Residence in 2001, serving until 2005. Mr. Peterson is a graduate of Loughborough University and is a Companion of the Chartered Management Institute.

Neil Sachdev was appointed a director of HSS Hire Group Limited, which was subsequently re-registered as HSS Hire Group plc, on 9 January 2015. Previously Mr. Sachdev joined Tesco PLC in 1978, rising to the position of property director before joining J Sainsbury PLC as commercial director in March 2007. He was subsequently appointed property director in June 2010 and he held this position until leaving J Sainsbury PLC in March 2014. He was chairman of the Institute of Grocery Distribution until April 2014. He is currently chairman of Market Tech Holdings Limited (Camden Market); chairman of Martins Properties (Chelsea) 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 Medico-Dental Holdings Limited, Intu Properties plc and NHS Properties Limited.

Douglas Robertson was appointed a director of HSS Hire Group Limited, which was subsequently re-registered as HSS Hire Group plc, on 9 January 2015. Mr. 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.

Amanda Burton was appointed a director of HSS Hire Group Limited, which was subsequently re-registered as HSS Hire Group plc, on 9 January 2015. Mrs. Burton is the senior independent non-executive director of Monitise PLC and a non-executive director of Copthorn Holdings Ltd, and she chairs the remuneration committee for both companies. 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 Limited.

Thomas Sweet-Escott co-founded Exponent in 2004. Mr. Sweet-Escott is primarily responsible for investments in the financial services sector and also serves on the board of thetrainline.com. He has previously served on the boards of V.Group and Lowell. Mr. Sweet-Escott previously worked for 3i in London and in Madrid. He has a master's degree in natural sciences from Cambridge University.

Board of directors of Hero Acquisitions Limited

The Company was incorporated on 11 April 2007 as a private limited company under the laws of England and Wales. The board of directors of the Company is composed of the following members:

Name	Age	Title
John Christopher Davies...	61	Executive director
John Gill	48	Executive director
Stephen Trowbridge..	41	Executive director
Fiona Perrin...	47	Executive director
Alan Peterson..	67	Non-executive director

Summarised below is a brief description of the experience of the individuals not already described who serve as members of the board of directors of the Company.

Fiona Perrin joined us as sales and marketing director in May 2007, having previously worked for five years at Rentokil Initial where she set up and managed the group wide division "Initial Integrated Services" before launching the Initial brand online worldwide. Prior to this Ms. Perrin was the European marketing director of the datacentre company, Digiplex. Ms. Perrin started her career in advertising, before moving into corporate publishing, setting up a marketing communications agency, Enigma, in 1994 specialising in the outsourcing market where she also launched the market intelligence portal Information Facilities Management. Ms. Perrin holds a bachelor's degree in English from Sussex University and is a qualified NCTJ journalist. She is currently chair of the promotions committee of the European Rental Association.

Management of the Company

The following individuals form the key members of the senior management of the Company:

Name	Age	Title
John Christopher Davies........................	61	Chief executive officer
John Gill	48	Chief operating officer
Stephen Trowbridge...............................	41	Chief financial officer
Fiona Perrin..	47	Group sales and marketing director
John Hardman..	43	Group human resources director and health, safety, environment and quality director
Michael Killeen	61	Managing director—Scotland and Ireland
Darron Cavanagh..................................	39	Managing director—ABird and Apex
Steve Gaskell	39	Managing director—HSS OneCall
Paul Lewis	34	Managing director—HSS England and Wales
Miguel Vicos...	44	Managing director—UK Platforms
Mark Winfield	42	Director of HSS Training
Jon Paul Overman (Jon Overman)	35	Managing director—England and Wales

Summarised below is a brief description of the experience of the individuals not already described who serve as key members of the senior management of the Company.

John Hardman joined us in 2008 as our human resources director and in 2011 also took over accountability for health, safety, environment and quality. Prior to joining us, Mr. Hardman worked for the 4u Group as head of human resources of its Direct business, and during his time supported the integration of the dial a phone acquisition. Prior to this, Mr. Hardman worked for Pfizer, where he served on the human resources and marketing leadership teams and took a lead role on human resources aspects in the creation of Pfizer's pan European marketing structure. Mr. Hardman was later promoted to the role of business director at Pfizer. Mr. Hardman is a member of the Chartered

Institute of Personnel and Development and holds a postgraduate professional diploma in human resources management.

Michael Killeen joined us in 2007 as managing director of HSS Ireland through our acquisition of Laois Hire, which Mr. Killeen had established in 1992 and now runs our Scottish and Irish operations. Prior to establishing Laois, Mr. Killeen worked for his family's civil engineering business.

Jon Paul Overman joined us in 1999 as a weekend assistant at our branch in Slough (UK). Mr. Overman was appointed a regional manager in 2003, key account director in 2006 and managing director for London and the South East of England in 2007. He was appointed our group sales director in 2011 and managing director of England & Wales in 2012.

Darron Cavanagh joined us as a hire consultant in 1993, aged 17. He rose through the business, taking a series of operational and sales roles including regional director of London before becoming field sales director in 2011. He was appointed sales director for ABird in 2013 and managing director of ABird and Apex in 2014.

Steve Gaskell has been with HSS since 2005 in commercial, sales and operational roles. Most recently, as logistics director, he was responsible for the transformation of the Group's transport and logistics network into the current hub-and-spoke network. Mr. Gaskell became managing director of HSS OneCall in 2013. Prior to joining HSS, he held several business transformation roles in Accord plc before being appointed operations director for Promark Accord. He started his career at the strategy consultancy LEK.

Paul Lewis began his career in the Rentokil Initial graduate scheme before becoming a sales manager for their integrated services division. In 2006 he moved to the facilities management specialist SGP as a business analyst, before being appointed as general manager for AIMITA, a facilities management provider. Joining HSS in 2010, he rose to head the key account function. In 2013 he was appointed as managing director of Reintec and TecServ.

Miguel Vicos joined HSS in 1997 as a branch manager, progressing through various area and regional management roles in West London and the South East of England, before being appointed divisional director for London and the South East of England in 2013. In 2014, he was appointed managing director of UK Platforms. He started his career at a family-owned hire business.

Mark Winfield joined the Group in 2008 as the director of HSS Training. He previously worked for 12 years at Enterprise Rent-A-Car, rising to become group rental manager.

Committees

Our governance framework is designed to provide strong oversight across our business. Our group level committees during the 52 week period ended 27 December 2014 were composed at the level of Hampshire Topco and comprised our Audit Committee and our Remuneration Committee.

Audit Committee of Hampshire Topco Limited

The Hampshire Topco Audit Committee was chaired by Alan Peterson and was composed of Thomas Sweet-Escott and Oliver Bower with John Christopher Davies and John Gill in attendance. The role of the Audit Committee was to review the group's accounting procedures, internal financial control systems, compliance with statutory requirements and any matters raised by the group's internal and external auditors.

Remuneration Committee of Hampshire Topco Limited

The Hampshire Topco Remuneration Committee was composed of Alan Peterson, John Christopher Davies, Thomas Sweet-Escott and Oliver Bower with John Hardman in attendance. Membership of the Remuneration Committee required a committee member to withdraw from any meetings where his remuneration was being considered. The responsibilities of the Remuneration Committee included considering and making recommendations to the board regarding the remuneration of the directors and senior employees of the group and serving as an appointments committee for the appointment of senior managers reporting to board members who earn a salary greater than £100,000 per year.

Change in ultimate parent and governance committees

Following the incorporation of HSS Hire Group Limited on 7 January 2015, which was subsequently re-registered as a public company, HSS Hire Group plc, on 19 January 2015 the governance framework of the business was enhanced. The main changes made were as follows:

- The Audit Committee is now chaired by Douglas Robertson and its other members are the remaining Independent non-executive directors of HSS Hire Group plc (Mr. Robertson, Neil Sachdev and Amanda Burton). The Audit Committee's terms of reference are available to view on our corporate website, www.hsshiregroup.com.

- The Remuneration Committee is now chaired by chaired by Amanda Burton and its other members are Douglas Robertson and Neil Sachdev. The Remuneration Committee recommends HSS Hire Group plc's policy on executive remuneration, determines the levels of remuneration for Executive Directors and the Chairman and other senior executives and prepares an annual remuneration report for approval by the Shareholders at the annual general meeting. The Remuneration Committee's terms of reference are available to view on our corporate website, www.hsshiregroup.com.

- A Nomination Committee has been formed to assist the Board of directors of HSS Hire Group plc in reviewing the structure, size and composition of the Board. It is also responsible for reviewing succession plans for the Directors, including the Chairman and Chief Executive and other senior executives. The nomination committee is chaired by Alan Peterson and its other members are Amanda Burton, Douglas Robertson, Neil Sachdev and Thomas Sweet-Escott. The Nomination Committee's terms of reference are available to view on our corporate website, www.hsshiregroup.com.

Conflicts of interest

We believe that there are currently no conflicts of interest between the duties owed by executive management to us and their private interests. Certain of the directors are representatives of Exponent, which is our indirect majority shareholder. In certain situations, the interests of Exponent, as indirect majority shareholder, may differ from the interests of our other shareholders. See "Risk factors—Risks related to our financial profile and structure—The interests of our controlling shareholder may differ from the interests of the holders of the Notes".

Share ownership

Certain members of our board of directors and senior management have a beneficial ownership interest in HSS Hire Group plc, our indirect parent company. See "Principal shareholder".

Principal shareholder

The Issuer's entire issued and outstanding share capital is held by the Company, a wholly-owned indirect subsidiary of HSS Hire Group plc. HSS Hire Group Limited was incorporated as a private company limited by shares in the United Kingdom on 7 January 2015 and re-registered as a public limited company (HSS Hire Group plc) on 19 January 2015.

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

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

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

The initial public offering and admission of the ordinary share capital of HSS Hire Group plc to the premium listing segment of the Official List of the UK Listing Authority and to trading on London Stock Exchange's main market for listed securities under the ticker "HSS" occurred on 9 February 2015.

As a result of the reorganisation and IPO, Exponent and the Exponent shareholders who were collectively previously the majority shareholders of Hampshire Topco Limited became substantial shareholders in HSS Hire Group plc.

As at 20 April 2015, Exponent and the Exponent shareholders controlled 50.4% of the issued share capital of HSS Hire Group plc.

Information about our principal shareholder

Exponent is a leading London based private equity firm that manages funds with total commitments of over £1.2 billion. Exponent invests in UK headquartered businesses with an initial enterprise value of between £75 million and £350 million. Exponent targets companies that are prominent in their market and capable of operational improvement, seeking to create long term value through proactively building and supporting strong management teams.

Investment agreement

On 16 October 2012, as amended and restated on 28 June 2013, Hampshire Topco, Hampshire Midco, Hampshire Bidco, certain funds managed and controlled by Exponent and certain of our members of management entered into an investment agreement (the "Investment Agreement"), which regulated the governance of and equity interests in the group. The Investment Agreement regulated, among other matters: (i) the composition, function and scope of the board and various committees at the level of Hampshire Topco; (ii) the group's obligations, from time to time, to provide the Exponent funds information relating to the business operations of the group including, its detailed operating plans, financial budgets and forecasts, audited financial results and copies of material documents and correspondence relating to the group; (iii) the group's ability to take action regarding the items set forth on list of restricted matters under the Investment Agreement, requiring each manager to agree to exercise all powers to ensure that none of the group companies takes such restricted actions without the prior majority consent of the Exponent funds; (iv) the ability of the managers to sell, transfer or otherwise dispose of their shareholding in Hampshire Topco; (v) rescue issues; and (vi) other rights and obligations of management. The Investment Agreement terminated automatically upon the IPO of HSS Hire Group plc.

Relationship agreement

On 22 January 2015, HSS Hire Group plc, Exponent and the Exponent Shareholders entered into the Relationship Agreement which regulates the ongoing relationship between them.

The principal purpose of the Relationship Agreement is to ensure that HSS Hire Group plc and its subsidiaries are capable of carrying on their business independently of Exponent and the Exponent Shareholders, that transactions and relationships with Exponent and the Exponent Shareholders (including any transactions and relationships with any member of HSS Hire Group plc or its subsidiaries) are at arm's length and on normal commercial terms, and that the goodwill, reputation and commercial interests of HSS Hire Group plc are maintained.

In addition, the Relationship Agreement contains undertakings from Exponent and the Exponent Shareholders that neither it nor they will: (i) take any action that would have the effect of preventing HSS Hire Group plc from complying with its obligations under the Listing Rules or (ii) propose or procure the proposal of a shareholder resolution which is intended or appears to be intended to circumvent the proper application of the Listing Rules.

The Relationship Agreement will continue for so long as (a) the Shares are listed on the premium listing segment of the Official List and traded on the London Stock Exchange's main market for listed securities and (b) Exponent and the Exponent Shareholders together 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 HSS Hire Group plc.

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 able to appoint an observer to attend Board meetings.

The Directors believe that the terms of the Relationship Agreement will enable HSS Hire Group plc and its subsidiaries to carry on its business independently of Exponent and the Exponent Shareholders and ensure that all transactions and relationships between HSS Hire Group plc and/or its subsidiaries (on the one hand) and Exponent and the Exponent Shareholders (on the other) are, and will be, on arm's length terms and on a normal commercial basis.

Certain relationships and related party transactions

We enter into transactions with our shareholders and other entities owned by, or affiliated with, our direct and indirect shareholders in the ordinary course of business. These transactions include, among others, professional advisory, consulting and other corporate services. The following discussion is a brief summary of certain material arrangements, agreements and transactions we have with related parties.

Hampshire Bidco structure and acquisition of HSS

The Company is a wholly-owned subsidiary of Hampshire Bidco, which acquired HSS in October 2012. Prior to the IPO of HSS Hire Group plc, Hampshire Bidco was indirectly majority owned by Exponent. Following the IPO of HSS Hire Group plc, Hampshire Bidco remains indirectly majority owned by Exponent. See "Principal shareholder". In October 2012, Exponent received transaction fees and was reimbursed for certain third-party expenses in respect of the acquisition of HSS by Hampshire Bidco. No further amounts are owed by Hampshire Bidco or the Company or any subsidiary in respect of the acquisition by Exponent.

Thomas Sweet-Escott, Oliver Bower and Thomas Lightowler, who are members of Exponent, were Directors on the board of Hampshire Topco during 2014, to represent Exponent's interests in our business. Mr. Lightowler was appointed a Director of Hampshire Topco Limited on 24 February 2014. Mr Sweet-Escott, Mr. Bower and Mr. Lightowler all resigned from the board of Hampshire Topco Limited on 12 February 2015. Mr. Sweet-Escott was appointed to be a director on the board of HSS Hire Group Limited on 9 January 2015.

Services agreement

In connection with our acquisition by Exponent in October 2012, we entered into a services agreement with Hampshire Bidco. Pursuant to this agreement, Hampshire Bidco is required to provide certain services to us for a fee calculated based on the cost of providing these services plus a margin to be agreed between the parties from time to time. The services that fall within the ambit of this agreement include, but are not limited to, consulting and planning services, human resource services, financial services, legal services, secretarial and risk services. Fees are payable quarterly in arrears.

Investment agreement

During 2014 we had an investment agreement with Exponent. See "Principal Shareholder". The Investment Agreement terminated automatically upon the IPO of HSS Hire Group plc.

Relationship agreement

Following the IPO, HSS Hire Group plc, Exponent and the Exponent entered into the Relationship Agreement which regulates the ongoing relationship between them. See "Principal Shareholder".

Description of other indebtedness

Our significant outstanding indebtedness, in addition to the Notes, is summarised below.

Revolving Credit Facility

In connection with the offering of the Notes, the Company and the other Guarantors and the Issuer entered into a new £60.0 million super senior revolving credit facility agreement dated 30 January 2014 (the "Revolving Credit Facility Agreement") with, among others, Barclays Bank PLC, as facility agent and U.S. Bank Trustees Limited, as security agent.

The Revolving Credit Facility may be utilised by any current or future borrower under the Revolving Credit Facility Agreement in Euros, U.S. Dollars, Sterling or any other readily available and agreed currency by the drawing of cash advances or the issue of letters of credit and ancillary facilities. The Revolving Credit Facility may be applied towards the Restricted Group's (being the Company and its restricted subsidiaries) working capital and general corporate purposes.

In addition, the Company may elect to request additional commitments under the Revolving Credit Facility Agreement (the "Additional Facility Commitments"). The total amount of such indebtedness that may be incurred by way of Additional Facility Commitments shall not exceed £20.0 million, provided that such Additional Facility Commitments will not cause the total commitments under the Revolving Credit Facility Agreement to exceed 100% of Relevant Consolidated EBITDA (being Consolidated EBITDA at the end of the most recent testing period under the Revolving Credit Facility Agreement adjusted on a pro forma basis as per the calculation of Consolidated Leverage Ratio in the Indenture) as at the date on which the notice relating to the Additional Facility Commitments is delivered to the Senior Agent. The Company and the lenders may agree to certain terms in relation to the Additional Facility Commitments, including the margin and the termination date (each subject to parameters as set out in the Revolving Credit Facility Agreement) and the availability period.

The Revolving Credit Facility may be utilised from the Issue Date until the date falling one month prior to the maturity date of the Revolving Credit Facility in respect of the facility and in relation to any additional facility thereunder, the date specified in the applicable additional facility notice.

Subordinated shareholder loans

Our subordinated shareholder loans ("Subordinated Shareholder Loans") represent certain intercompany loans between Bidco and the Company in an aggregate principal amount of £72.9 million as at 27 December 2014. The Subordinated Shareholder Loans were due to mature in December 2022.

Intercreditor Agreement

To establish the relative rights of certain of our creditors under our financing arrangements, the Company and certain of its subsidiaries (including the Guarantors) entered into the Intercreditor Agreement on 30 January 2014 with, among others, the Security Agent, the lenders under our Revolving Credit Facility (the "Senior Lenders"), and the senior agent under the Revolving Credit Facility. The Intercreditor Agreement is governed by English law and sets out, among other things, the relative ranking of certain indebtedness of our debtors, the relative ranking of certain security granted by our debtors, when payments can be made in respect of debt of our debtors, when enforcement action can be taken in respect of that indebtedness, the terms pursuant to which certain of that indebtedness will be subordinated upon the occurrence of certain insolvency events and revenue provisions.

Index to financial statements

Hero Acquisitions Limited

Annual report and financial statements
Year ended 27 December 2014

Registered number 06209511

Contents

Directors and advisers
Year ended 27 December 2014

Directors

A.E. Peterson
J.C. Davies
J.B. Gill
F. Perrin
S.N. Trowbridge (appointed 16 June 2014)

Registered office

25 Willow Lane
Mitcham
Surrey
CR4 4TS

Auditors

BDO LLP
55 Baker Street
London
W1U 7EU

Bankers

Barclays Bank PLC
1 Churchill Place
Canary Wharf
London
E14 5HP

Group strategic report

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

Our results
I am delighted to report that we delivered a 25.5% growth in revenues in 2014, which helped us to an Adjusted EBITDA margin of 25.0% and return on assets of 25.9%. This is an excellent result, especially considering the significant investment we made in our hire fleet during the year. Our continuing focus on cost control also contributed to this good performance.

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

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

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

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

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

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

Alan Peterson
Chairman

Chief Executive Officer's Statement

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

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

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

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

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

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

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

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

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

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

The HSS growth strategy is built around three elements:

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

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

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

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

Safety and the environment
The fundamental focus of our business is one of sustainability, so we naturally seek to embed a responsible approach into the way we operate. Our status as a growing UK-wide organisation means we are always mindful of the impact our activities have on our customers, colleagues, communities and the wider environment. We therefore make every effort to ensure our operations do no harm – and wherever possible make a positive contribution.

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

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

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

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

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

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

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

Chris Davies
Chief Executive Officer

FINANCIAL REVIEW
Overview
The results for the year ended 27 December 2014 are for Hero Acquisitions Ltd. Subsequent to the year-end the Group underwent a pre-IPO reorganisation and new parent company HSS Hire Group plc was incorporated ahead of its Admission to the Official List on 9 February 2015.

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

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

During the year we both grew our hire fleet and increased utilisation in our Core and Specialist businesses to 47% and 70% respectively. This strong demand, combined with our targeted hire fleet investment, enabled us to deliver 25.5% growth in revenue (17.9% of which was organic). Combined with careful cost control this enabled us to improve our Adjusted EBITDA margin to 25.0% (2013: 24.8%) and deliver a return on assets (ROA) [1] of 25.9% alongside the significant fleet expansion during the year (2013: 29.8%).

[1] ROA calculated as Adjusted EBITA in the financial year / (average total assets (excluding intangible assets) less average current liabilities. Adjusted EBITA defined as Adjusted EBITDA less depreciation.

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

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

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

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

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

Administrative expenses
Our administrative expenses increased by £15.1 million, or 14.8%, to £117.1 million in the 52 week period ended 27 December 2014 from £102.1 million in the 52 week period ended 28 December 2013. This was principally due to increased administrative expenses relating to the inclusion of a full year of trading for UK Platforms, the costs associated with Apex and the extra sales colleagues employed to support our expanding local branch network. Administrative expenses also grew due to increased business activity and inflationary pressures on our salary costs.

Operating profit
Our operating profit for the 52 week period ended 27 December 2014 increased by £4.9 million, to £28.4 million (2013: £23.5 million).

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

Finance expense
Our finance expense for the 52 week period ended 27 December 2014 increased by £15.3 million, or 109.3%, to £29.3 million (2013: £14.0 million). This increase was primarily due to the issue of £200 million of Senior Secured Notes in February 2014 to refinance our existing borrowings. In addition to increasing our weighted average interest rate on borrowings from 4.83% to 7.11%, this also includes £6.6 million of accelerated write off of debt issuance costs.

(Loss)/profit before tax
We reported a loss before tax of £2.1 million for the 52 week period ended 27 December 2014 compared to a profit before tax of £11.1 million for the 52 week period ended 28 December 2013.

Income tax credit/(expense)
We reported a net tax credit of £3.4 million for the 52 week period ended 27 December 2014, compared to a tax expense of £2.0 million in the 52 week period ended 28 December 2013, primarily due to our loss before tax and deferred tax recognised on prior year losses.

Financial performance (continued)

Profit for the year

We reported a profit of £1.3 million for the 52 week period ended 27 December 2014 compared to a profit of £9.1 million for the 52 week period ended 28 December 2013.

Capital expenditure

Fixed asset additions during the period (excluding assets acquired on acquisition) were £83.6 million, a £46.8 million increase over the prior year (2013: £36.8 million). Of this total, £71.9 million represented additions of materials and equipment held for hire (2013: £30.9 million) and £11.7 million represented additions to non-hire equipment (land and buildings and plant and machinery) (2013: £5.9 million). This increase was in response to customer demand through the year and reflected our investment in both our hire fleet and our operating network during the year.

Cash generated from operations

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

Leverage

Net debt grew £39.2 million to £304.5 million as at 27 December 2014 compared to £265.3 million as at 28 December 2013. This increase reflects the refinance of our former senior term loans with £200.0 million of Senior Secured Notes in February 2014, the associated repayment of £29.0m of loan notes held by Exponent Private Equity LLP and increased finance leases and drawings on our revolving credit facility. Our leverage, calculated as Net debt divided by Adjusted EBITDA decreased from 4.7x Adjusted EBITDA as at 28 December 2013 to 4.3x Adjusted EBITDA at 27 December 2014.

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

Operations

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

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

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

Acquisitions

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

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

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

Providing there are sufficient distributable reserves at the time, the Board intends to pay interim and final dividends in respect of each financial year. These will be split approximately one-third/two-thirds respectively of the annual total dividend. We may however revise our dividend policy from time to time. We expect the first payment to be the interim dividend in respect of the 2015 financial year.

Segmental performance

<u>Core businesses</u>

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

During 2014 the Core businesses delivered revenue of £247.4m (FY13: £208.0m) and Adjusted EBITDA of £51.2m (FY13: £46.2m) and together accounted for 87.0% of Group revenue and 72.0% of the Group's Adjusted EBITDA. Core utilisation during the year improved to 47% (FY13: 45%).

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

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

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

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

<u>Specialist businesses</u>

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

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

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

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

We also continued to invest in our people, enlarging our Specialist sales force and engineering teams.

Group strategic report (continued)

Specialist businesses (continued)

Results (continued)

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

Post Balance Sheet Event

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

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

Group strategic report (continued)

Principal risks and uncertainties

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

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

Principal Risks

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

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

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

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

Group strategic report (continued)

Principal risks and uncertainties (continued)

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

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

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

Group strategic report (continued)

Principal risks and uncertainties (continued)

Risk:	**Description and impact:**
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 a material adverse effect on its ability to grow its business.
Mitigation:	
The Group invests substantially in areas such as marketing, community relations and colleague training, aimed at delivering the highest standards of customer service and employee engagement. The maintenance of high levels of service and strong customer support is considered vital, and all new employees undergo specific induction in this area at the Group's dedicated Training Academy facility in Reading. Service levels are tracked via the Group's innovative Customer Delight programme. The Group actively engages in print and online advertisements, targeted promotional mailings and email communications, and engages on a regular basis in public relations and sponsorship activities to promote its brands and its business.	
Risk change:	Unchanged in the year under review

Risk:	**Description and impact:**
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, there could be a negative impact on the Group's operations and could lead to adverse publicity or a decline in demand.
Mitigation:	
Outsourcing of services by the Group is subject to stringent procurement and service criteria and all contracts are subject to demanding service level agreements which are closely monitored and enforced. Performance metrics and KPIs are tracked throughout the life of contracts.	
Risk change:	Unchanged in the year under review

Risk:	**Description and impact:**
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, and competition in the Group's industry and the business world for top management talent is generally significant.
Mitigation:	
The Group has established and maintains competitive pay and benefit packages, as well as the right working environment for its colleagues. The Training Academy facility gives colleagues the skills and motivations to enjoy fulfilling employment with the Group, a process which is mirrored at more senior management levels by various tailored development programmes.	
Risk change:	Unchanged in the year under review

Strategic report signed on behalf of the Board

S N Trowbridge
Director
20 April 2015

Director's report

The directors present their report and the audited financial statements of the Hero Acquisitions Limited group (the Group) and Hero Acquisitions Limited (the Company) for the year ended 27 December 2014.

Directors
The directors of the Company who served during the year ended 27 December 2014 are listed on page F-4.

The Company has arranged qualifying third party indemnity for all of its directors.

Statement of directors' responsibilities
The directors are responsible for preparing the strategic report, directors' 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 have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP) and applicable law. 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 of the profit or loss of the Group for that period.

In preparing these 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 the group financial statements have been prepared in accordance with IFRSs as adopted by the European Union and the Company financial statements have been prepared in accordance with UK GAAP, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' statement as to the disclosure of information to auditors
All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Dividends
No interim dividend was paid or proposed during the year ended 27 December 2014 (2013 £nil). The directors do not recommend the payment of a final dividend.

Future developments
Future developments are discussed in the strategic report.

Financial risk management
The information on financial risk management objectives and policies is included in note 20.

Employee involvement

It is the group's policy to provide employees, on a regular basis, with financial and other information on matters of concern to them, by means of house journals and news sheets.

Every endeavour is made to consult, wherever possible, with employees, so that their views can be taken into account in making decisions which are likely to affect their interests. Employees participate in consultations to help facilitate this process.

Directors' report

Disabled employees

The group's policy on employment of disabled persons is:

1. To give full and fair consideration to applications for employment with the group made by disabled persons, having regard to their particular aptitudes and abilities.
2. Where practical, to continue the employment of and arrange appropriate training for employees of the company who become disabled during their employment with the group.
3. To encourage training and career development for all personnel employed by the group, including disabled persons.

By order of the board

S N Trowbridge
Director
20 April 2015

Independent auditors' report to the members of Hero Acquisitions Limited

We have audited the financial statements of Hero Acquisitions Limited for the 52 week period ended 27 December 2014 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows, the company balance sheet and the related notes. The financial reporting framework that has been applied in the preparation of the consolidated financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditors
As explained more fully in the statement of directors' responsibilities, 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.

Scope of the audit of the 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 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 27 December 2014 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company's financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion the information given in the strategic report and directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements 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.

Kieran Storan (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom
20 April 2015

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

Hero Acquisitions Limited

Consolidated income statement

For the year ended 27 December 2014

	Note	**Year ended 27 December 2014 £'000s**	Year ended 28 December 2013 £'000s	Year ended 29 December 2012 £'000s
Revenue	2	**284,559**	226,698	181,582
Cost of sales		**(103,029)**	(73,525)	(60,273)
Gross profit		**181,530**	153,173	121,309
Distribution costs		**(37,155)**	(28,692)	(23,644)
Administrative expenses		**(117,104)**	(102,051)	(91,134)
Other operating income	3	**1,100**	1,049	1,216
Operating profit		**28,371**	23,479	7,747
Adjusted EBITDA[1]	2	**71,108**	55,852	39,868
Less: Exceptional items (non-finance)	4	**(1,363)**	(3,864)	(6,028)
Less: Depreciation, amortisation and hire stock disposals and write offs		**(41,374)**	(28,509)	(26,093)
Operating profit		**28,371**	23,479	7,747
Finance income	5	**17**	12	30
Finance expense	5	**(29,294)**	(14,015)	(19,238)
Movement in derivative financial instruments	20	**(1,154)**	1,589	1,140
(Loss)/profit before tax		**(2,060)**	**11,065**	**(10,321)**
Adjusted profit before tax		**7,078**	13,340	(3,732)
Less: Exceptional items (non-finance)	4	**(1,363)**	(3,864)	(6,028)
Less: Exceptional items (finance)	4	**(7,775)**	1,589	(561)
(Loss)/profit before tax		**(2,060)**	11,065	(10,321)
Income tax credit/(expense)	9	**3,368**	(1,963)	551
Profit/(loss) for the financial year		**1,308**	9,102	(9,770)
Profit/(loss) attributable to:				
Owners of the company		**1,308**	9,102	(9,770)

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

The notes on pages F-23 to F-57 form part of these financial statements.

Consolidated statement of comprehensive income

For the year ended 27 December 2014

	Year ended 27 December 2014 £'000s	Year ended 28 December 2013 £'000s	Year ended 29 December 2012 £'000s
Profit/(loss) for the financial year	**1,308**	9,102	(9,770)
Items that may be reclassified to profit or loss:			
Foreign currency translation differences arising on consolidation of foreign operations	**(510)**	56	-
Other comprehensive (loss)/income for the year, net of tax	**(510)**	56	(9,770)
Total comprehensive income for the year	**798**	9,158	(9,770)
Attributable to owners of the Company	**798**	9,158	(9,770)

The notes on pages F-23 to F-57 form part of these financial statements.

Consolidated statement of financial position

	Note	**27 December 2014 £'000s**	28 December 2013 £'000s	29 December 2012 £'000s
ASSETS				
Non-current assets				
Intangible assets	10	**141,942**	135,321	129,888
Property, plant and equipment	11	**147,212**	99,877	65,423
Deferred tax assets	18	**2,462**	-	-
Derivative financial instruments	20	**-**	1,154	-
		291,616	236,352	195,311
Current assets				
Inventories	12	**6,823**	5,417	3,754
Trade and other receivables	13	**87,099**	68,506	51,509
Cash	14	**5,858**	2,871	1,523
		99,780	76,794	56,786
Total assets		**391,396**	313,146	252,097
LIABILITIES				
Current liabilities				
Trade and other payables	15	**(96,587)**	(55,990)	(38,549)
Borrowings	16	**(22,347)**	(6,821)	(6,902)
Current tax liabilities		**(561)**	(1,274)	(134)
		(119,495)	(64,085)	(45,585)
Non-current liabilities				
Trade and other payables	15	**(7,033)**	(5,019)	(3,045)
Borrowings	16	**(263,960)**	(244,326)	(212,557)
Provisions	17	**(14,892)**	(14,939)	(14,886)
Deferred tax liabilities	18	**(1,154)**	(713)	(683)
Derivative financial instruments	20	**-**	-	(435)
		(287,039)	(264,997)	(231,606)
Total liabilities		**(406,534)**	(329,082)	(277,191)
Net liabilities		**(15,138)**	(15,936)	(25,094)
EQUITY				
Share capital	19	**14,222**	14,222	14,222
Share premium		**143,068**	143,068	143,068
Retained deficit		**(172,428)**	(173,226)	(182,384)
Total deficit attributable to owners of the company		**(15,138)**	(15,936)	(25,094)

The notes on pages F-23 to F-57 form part of these financial statements.

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

S N Trowbridge
Director
20 April 2015

Consolidated statement of changes in equity
For the year ended 27 December 2014

	Note	Share capital £'000s	Share premium £'000s	Accumulated deficit £'000s	Total equity £'000s
At 29 December 2012		14,222	143,068	(182,384)	(25,094)
Total comprehensive income for the year					
Profit for the year		-	-	9,102	9,102
Foreign currency translation differences arising on consolidation of foreign operations		-	-	56	56
Total comprehensive income for the year		14,222	143,068	(173,226)	(15,936)
Transactions with owners recorded directly in equity					
Share issue	19	-	-	-	-
At 28 December 2013		14,222	143,068	(173,226)	(15,936)
At 28 December 2013		14,222	143,068	(173,226)	(15,936)
Total comprehensive income for the year					
Profit for the year		-	-	1,308	1,308
Foreign currency translation differences arising on consolidation of foreign operations		-	-	(510)	(510)
Total comprehensive income for the year		14,222	143,068	(172,428)	(15,138)
Transactions with owners recorded directly in equity					
Share based payment		**-**	**-**	**-**	**-**
At 27 December 2014		**14,222**	**143,068**	**(172,428)**	**(15,138)**

The notes on pages F-23 to F-57 form part of these financial statements.

Consolidated statement of cash flows

For the year ended 27 December 2014

	Note	**Year ended 27 December 2014**	Year ended 28 December 2013	Year ended 29 December 2012
Cash flows from operating activities		**£'000s**	£'000s	£'000s
Profit/(loss) before income tax		**(2,060)**	11,065	(10,321)
Adjustments for:				
– Amortisation		**1,444**	841	601
– Depreciation		**31,768**	23,953	19,916
– Loss on hire stock disposals		**7,992**	3,431	4,904
– Loss on disposal of property, plant and equipment		**170**	284	672
– (Gain)/loss on financial instruments at fair value through profit or loss		**1,154**	(1,589)	(1,140)
– finance income		**(17)**	(12)	(30)
– finance expense		**29,294**	14,015	19,238
Changes in working capital (excluding the effects of acquisitions and exchange differences on consolidation):				
– Inventories		**(948)**	(1,663)	(143)
– Trade and other receivables		**(16,356)**	(10,244)	(1,406)
– Trade and other payables		**3,949**	2,349	5,524
– Provisions		**(802)**	(368)	926
Net cash flows from operating activities before changes in hire equipment		**55,588**	**42,062**	**38,741**
Purchase of hire equipment		**(39,226)**	(22,731)	(19,764)
Cash generated from operations		**16,362**	**19,331**	**18,977**
Net interest paid		**(18,059)**	(9,930)	(19,690)
Income tax received/(paid)		**(245)**	(1,498)	-
Net cash (utilised)/generated from operating activities		**(1,942)**	**7,903**	**(713)**
Cash flows from investing activities				
Acquisition of subsidiaries, net of cash acquired	22	**(6,796)**	(26,440)	(7,336)
Purchases of non hire property, plant, equipment and software		**(14,596)**	(5,933)	(5,540)
Net cash used in investing activities		**(21,392)**	**(32,373)**	**(12,876)**
Cash flows from financing activities				
Proceeds from borrowings		**216,500**	33,002	53,732
Repayments of borrowings		**(186,018)**	(375)	(46,308)
Capital element of finance lease payments		**(4,161)**	(2,789)	(397)
Net cash used in financing activities		**26,321**	**29,838**	**7,027**
Net increase in cash		**2,987**	**5,368**	**(6,562)**
Cash at the start of the year		**2,871**	(2,497)	4,065
Cash at the end of the year		**5,858**	**2,871**	**(2,497)**

The notes on pages F-23 to F-57 form part of these financial statements.

Notes to the consolidated financial statements

1. Accounting policies

a) Reporting entity

The Company is incorporated and domiciled in the United Kingdom.

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

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

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

b) Statement of compliance

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

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

The directors have taken advantage of the option within section 390 of the Companies Act 2006 to prepare their financial statements up to a date seven days either side of the Company's accounting reference date of 31 December 2014, and these accounts therefore cover the period from 29 December 2013 to 27 December 2014 (2013: 30 December 2012 to 28 December 2013, 2012: 1 January 2012 to 29 December 2012).

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

c) Functional and presentational currency

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

d) Basis of preparation

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

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

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

The Group’s deemed transition date to IFRS is 2 January 2011. Details of how the transition from UK GAAP to IFRS has affected the Group’s reported position and performance are given in note 25. The principles and requirements for first time adoption of IFRS are set out in IFRS 1 *First-time adoption of International Financial Reporting Standards* (IFRS 1). IFRS 1 allows certain exemptions in the application of particular standards to prior periods in order to assist companies with the transition process.

1. Accounting policies (continued)

e) New accounting standards and accounting standards not yet effective

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

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

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

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

The impact of these standards is currently being assessed.

f) Critical accounting estimates and judgements

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

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

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

1. Accounting policies (continued)

f) Critical accounting estimates and judgements (continued)

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

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

Onerous lease provision

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

Provisions for dilapidations

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

Income taxes

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

Useful economic life of assets

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

g) Going concern

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

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

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

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

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

On 4 February 2015 the issued share capital of the HSS Hire Group plc was admitted to the premium listing segment of the Official List of the Financial Conduct Authority. The initial public offering (IPO) was for 35% of the listed ordinary shares of HSS Hire Group plc on the London Stock Exchange and resulted in £103 million of gross proceeds to the Group. Note 23 contains further information regarding the IPO.

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

Notes to the consolidated financial statements (continued)

1) Accounting policies (continued)

h) Basis of consolidation

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

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

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

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

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

i) Segment reporting

IFRS 8 *Operating segments* requires operating segments to be reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the management team, including the Chief Executive Officer, Chief Operating Officer and Chief 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, powered access and cleaning hire equipment and the provision of cleaning maintenance services, under specialist brands

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

j) Foreign currency translation

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

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

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

Notes to the consolidated financial statements (continued)

1) Accounting policies (continued)

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 directors have assessed the brands of ABird, UK Platforms, TecServ and Apex and estimated that they have useful economic lives of 20 years. The directors have estimated the customer relationship intangible assets recognised on the acquisition of TecServ Cleaning Equipment Services Limited and Apex Generators Limited as having useful economic lives of 10 years.

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

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

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

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

Notes to the consolidated financial statements (continued)

1) Accounting policies (continued)

l) Intangible assets (continued)

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

m) Derivative financial instruments

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

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

n) Inventories

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

o) Trade receivables

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

p) Cash

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

q) Share capital

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

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

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

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

1. Accounting policies (continued)

r) Trade and other payables

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

s) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.
Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

t) Cost of sales, distribution costs and administrative expenses

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

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

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

v) Finance income and expense

Finance income comprises interest received on cash balances.

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

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

w) Current and deferred income tax

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

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

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

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.

1. Accounting policies (continued)

w) Current and deferred income tax (continued)

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

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

x) Employee benefits

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

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

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

y) Provisions

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

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

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

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

1. Accounting policies (continued)

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, stated net of discounts, rebates, returns and value added taxes.

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

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

aa) Leases

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

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

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

bb) Fair value measurement

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

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

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

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

Derivative instruments (level 2)

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

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

cc) Exceptional items

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

Notes to the consolidated financial statements (continued)

1. Accounting policies (continued)

dd) 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. Segmental reporting

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

	Year ended 27 December 2014		
	HSS Core £000s	HSS Specialist £000s	Total £000s
Total revenue from external customers	247,428	37,131	284,559
Adjusted EBITDA	51,207	19,901	71,108
Depreciation and amortisation	(30,007)	(11,367)	(41,374)
Exceptional items	(641)	(722)	(1,363)
Segment operating profit	20,559	7,812	28,371
Finance income			17
Finance expense			(29,294)
Movement in derivative financial instruments			(1,154)
Loss before tax			(2,060)
Income tax credit			3,368
Loss after tax			(1,308)
Total assets	307,904	83,492	391,396
Total liabilities	368,652	37,882	406,534
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

Notes to the consolidated financial statements (continued)

2. Segmental reporting (continued)

	Year ended 28 December 2013		
	HSS Core £000s	HSS Specialist £000s	Total £000s
Total revenue from external customers	208,049	18,649	226,698
Adjusted EBITDA	46,241	9,611	55,852
Depreciation and amortisation	(22,546)	(5,963)	(28,509)
Exceptional items	(1,654)	(2,210)	(3,864)
Segment operating profit	22,041	1,438	23,479
Finance income			12
Finance expense			(14,015)
Movement in derivative financial instruments			1,589
Profit before tax			11,065
Income tax expense			(1,963)
Profit after tax			9,102
Total assets	261,886	51,260	313,146
Total liabilities	315,771	13,311	329,082
Additions to non-current assets in the year (excluding derivative financial instruments)			
Intangible assets	1,823	4,451	6,274
Property, plant and equipment			
- additions	32,776	4,019	36,795
- acquired on acquisitions	102	25,193	25,295
Total	34,701	33,663	68,364

2. Segmental reporting (continued)

	Year ended 29 December 2012		
	HSS Core £000s	HSS Specialist £000s	Total £000s
Total revenue from external customers	180,375	1,207	181,582
Adjusted EBITDA	39,426	442	39,868
Depreciation and amortisation	(25,704)	(389)	(26,093)
Exceptional items	(6,028)	-	(6,028)
Segment operating profit	7,694	53	7,747
Finance income			30
Finance expense			(19,238)
Movement in derivative financial instruments			1,140
Loss before tax			(10,321)
Income tax credit			551
Loss after tax			(9,770)
Total assets	245,990	6,107	252,097
Total liabilities	(271,249)	(5,943)	(277,191)
Additions to non-current assets in the year (excluding derivative financial instruments)			
Intangible assets	1,423	3,397	4,820
Property, plant and equipment			
- additions	25,403	98	25,501
- acquired on acquisitions	-	9,011	9,011
Total	26,826	9,011	39,332

3. Other operating income

	Year ended 27 December 2014 £'000s	Year ended 28 December 2013 £'000s	Year ended 29 December 2012 £'000s
Property rental income	**1,100**	1,049	1,216
	1,100	1,049	1,216

4. Exceptional items

Items of income or expense have been shown as exceptional either because of their size or nature or because they are non-recurring. An analysis of the amount presented as exceptional items in the consolidated income statement is given below.

	Year ended 27 December 2014 £'000s	Year ended 28 December 2013 £'000s	Year ended 29 December 2012 £'000s
Restructuring costs			
Included in distribution costs	**-**	48	57
Included in administrative expenses	**1,193**	3,190	5,718
	1,193	3,238	5,775
Acquisition costs			
Included in administrative expenses	**170**	626	253
	170	626	253
Exceptional items (non-finance)	**1,363**	3,864	6,028
Refinancing costs			
Included in finance expense	**6,621**	-	1,701
	6,621	-	1,701
Fair value movement on derivative financial instruments			
Included in finance expense	**1,154**	(1,589)	(1,140)
	1,154	(1,589)	(1,140)
Exceptional items (finance)	**7,775**	(1,589)	561
Total exceptional items	**9,138**	**2,275**	**6,589**

Restructuring costs
During the financial years presented in these financial statements the Group has incurred costs in relation to the restructuring of the business and its operations. Principally these costs relate to redundancies and the costs associated with non-trading stores (including onerous leases and dilapidations).

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

Acquisition costs
During the financial years presented in these financial statements, costs have been incurred relating to acquisitions. Principally these costs have related to legal and professional fees associated with the acquisitions. In accordance with IFRS these have been expensed as incurred. The tax effect of these items in the year ended 27 December 2014 was to reduce the tax charge by £0.1 million (year ended 28 December 2013: £nil million).

Refinancing costs
In the year ended 27 December 2014 the Group incurred costs associated with restructuring its debt. These costs include £6.1 million in relation to the acceleration of the write off of previous debt issuance costs, and are net of £0.5 million received in relation to the early cancellation of an interest rate swap.

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

Fair value movement on derivative financial instruments
The Group took out an interest rate swap in 2012 to fix LIBOR interest at 0.959% in respect of £120 million of the senior debt which was due to expire on 26 November 2016. The movements in the fair value of the interest rate swap have been taken to profit and loss and presented as exceptional items. The interest rate swap was cancelled early as part of the 2014 debt restructuring. The tax effect of these items in the year ended 27 December 2014 was to reduce the tax charge by £0.2 million (year ended 28 December 2013: increase of £0.4 million).

5. Finance income and expense

	Year ended 27 December 2014 £'000	Year ended 28 December 2013 £'000	Year ended 29 December 2012 £'000s
Interest received on cash deposits	**(17)**	(12)	(30)
Finance income	**(17)**	(12)	(30)
Bank loans and overdrafts	**1,365**	8,541	15,001
Interest on amounts due to group undertakings	**6,915**	3,907	987
Senior secured notes	**12,021**	-	-
Finance leases	**970**	479	207
Interest unwind on discounted provisions	**220**	(27)	76
Debt issue costs	**7,803**	1,115	2,968
Other interest payable	**-**	-	-
Finance expense	**29,294**	14,015	19,238
Net finance expense	**29,277**	14,003	19,208

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

6. Operating profit

Operating profit is stated after charging / (crediting):

	Year ended 27 December 2014 £'000s	Year ended 28 December 2013 £'000s	Year ended 29 December 2012 £'000s
Amortisation of intangible assets	**1,444**	841	601
Depreciation of property, plant and equipment	**31,768**	23,953	19,916
Hire stock asset disposals, write-offs and customer losses, and other asset disposals	**8,162**	3,715	5,576
Operating lease rentals			
- land and buildings	**16,407**	16,175	16,464
- motor vehicles	**5,337**	5,934	4,114
Sublease rental income	**(1,100)**	(1,049)	(1,216)
Foreign currency translation (gains)/losses	**(14)**	(5)	45
	62,004	49,564	45,500

	Year ended 27 December 2014 £'000s	Year ended 28 December 2013 £'000s	Year ended 29 December 2012 £'000s
Auditors' remuneration			
- audit of Group and Company financial statements	**27**	15	25
- audit of subsidiary financial statements	**164**	142	91
- audit assurance services	**-**	-	-
- corporate finance services	**61**	427	93
	252	584	209

Notes to the consolidated financial statements (continued)

7. Employees

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

	Year ended 27 December 2014 Number	Year ended 28 December 2013 Number	Year ended 29 December 2012 Number
Distribution	**615**	614	596
Inventory maintenance	**401**	307	323
Administration	**1,880**	1,691	1,443
	2,896	2,612	2,362

The aggregate remuneration costs of these employees were as follows:

	Year ended 27 December 2014 £'000s	Year ended 28 December 2013 £'000s	Year ended 29 December 2012 £'000s
Wages and salaries	**70,585**	59,727	50,497
Social security costs	**6,713**	5,730	5,321
Pension costs	**1,538**	1,331	1,102
Share-based payments	**4**	-	-
	78,840	66,788	56,920

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

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

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

	Year ended 27 December 2014 £'000	Year ended 28 December 2013 £'000	Year ended 29 December £'000s
Wages and salaries	**2,653**	1,950	1,853
Employer's national insurance contributions and similar taxes	**336**	240	228
Other pension costs	**114**	126	120
	3,103	2,316	2,200

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

8. Directors' remuneration

The remuneration costs of the Company's directors were:

	Year ended 27 December 2014 £'000	Year ended 28 December 2013 £'000	Year ended 29 December 2012 £'000
Aggregate emoluments	**1,587**	1,141	1,095
Pension costs	**66**	74	69
	1,653	1,215	1,164

Notes to the consolidated financial statements (continued)

8. Directors' remuneration (continued)

The remuneration of the highest paid director was:

	Year ended 27 December 2014 £'000	Year ended 28 December 2013 £'000	Year ended 29 December 2012 £'000s
Aggregate emoluments	**549**	466	481
Pension costs	**10**	30	30
	559	496	511

9. Income tax expense

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

	Year ended 27 December 2014 £'000s	Year ended 28 December 2013 £'000s	Year ended 29 December 2012 £'000s
Current tax (credit)/expense			
UK corporation tax on the loss for the year	**(723)**	2,025	(118)
Adjustments in respect of prior years	**(275)**	79	(167)
Total current tax (credit)/expense	**(998)**	2,104	(285)
Deferred tax expense			
Origination and reversal of temporary differences	**49**	(88)	(233)
Reduction in tax rate	**(19)**	(53)	(33)
Deferred tax recognised on prior year losses	**(2,400)**	-	-
Total deferred tax expense	**(2,370)**	(141)	(266)
Income tax (credit)/expense	**(3,368)**	1,963	(551)

b) Factors affecting the tax expense in the year

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

	Year ended 27 December 2014 £'000s	Year ended 28 December 2013 £'000s	Year ended 29 December 2012 £'000s
(Loss)/profit before tax	**(2,060)**	11,065	(10,321)
Profit before tax multiplied by the standard rate of corporation tax of 21.5% (2013: 23.25%)	**(443)**	2,573	(2,529)
Effects of:			
Expenses not deductible for tax purposes	**711**	629	582
Unprovided deferred tax movements on short term temporary differences	**765**	(780)	1,523
Utilisation of unprovided tax losses brought forward	**(1,333)**	(18)	(33)
Difference in foreign tax rate	**120**	(60)	-
Unrecognised losses carried forward	**29**	92	187
Release of deferred tax on intangible assets acquired	**(523)**	(499)	(82)
Effect of changes in tax rates	**(19)**	(53)	(33)
Adjustments in respect of prior years	**(275)**	79	(167)
Prior year tax losses recognised in the year	**(2,400)**	-	-
Income tax (credit)/expense	**(3,368)**	1,963	(551)

9. Income tax expense (continued)

c) Factors that may affect future tax charges

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

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

10. Intangible assets

	Goodwill £'000	Customer relationships £'000	Brands £'000	Software £'000	Total £'000
Cost					
At 28 December 2013	131,100	300	1,320	7,084	139,804
Additions	-	-	-	2,950	2,950
Acquired on acquisition	3,939	900	290	-	5,129
Disposals	-	-	-	(2)	(2)
At 27 December 2014	135,039	1,200	1,610	10,032	147,881
Amortisation					
At 28 December 2013	-	(3)	(48)	(4,432)	(4,483)
Charge for the year	-	(98)	(61)	(1,285)	(1,444)
Disposals	-	-	-	(12)	(12)
At 27 December 2014	-	(101)	(109)	(5,729)	(5,939)
Net book value					
At 27 December 2014	**135,039**	**1,099**	**1,501**	**4,303**	**141,942**

	Goodwill £'000	Customer relationships £'000	Brands	Software £'000	Total £'000
Cost					
At 29 December 2012	127,869	-	400	5,261	133,530
Additions	-	-	-	1,823	1,823
Acquired on acquisition	3,231	300	920	-	4,451
At 28 December 2013	131,100	300	1,320	7,084	139,804
Amortisation					
At 29 December 2012	-	-	(3)	(3,639)	(3,642)
Charge for the year	-	(3)	(45)	(793)	(841)
At 28 December 2013	-	(3)	(48)	(4,432)	(4,483)
Net book value					
At 28 December 2013	131,100	297	1,272	2,652	135,321
At 29 December 2012	127,869	-	397	1,622	129,888

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

10. Intangible assets (continued)

Analysis of goodwill by cash generating units

	Goodwill £'000	Total £'000
Allocated to		
HSS Core	124,872	124,872
Powered access	4,114	4,114
Power generation	6,053	6,053
	135,039	135,039

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

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

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

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

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

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

Other intangible assets

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

11. Property, plant and equipment

	Land & Buildings £'000	Plant & Machinery £'000	Materials & Equipment held for hire £'000	Total £'000
Cost				
At 28 December 2013	43,836	46,237	169,514	259,587
Foreign exchange differences	(6)	(68)	(724)	(798)
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	49,984	51,122	222,577	323,683
Accumulated depreciation				
At 28 December 2013	28,411	38,594	92,705	159,710
Foreign exchange differences	-	(49)	(492)	(541)
Charge for the year	3,497	2,706	25,565	31,768
Disposals	(375)	(115)	(13,976)	(14,466)
At 27 December 2014	31,533	41,136	103,802	176,471
Net book value				
At 27 December 2014	**18,451**	**9,986**	**118,775**	**147,212**

Notes to the consolidated financial statements (continued)

11. Property, plant and equipment (continued)

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

The net book value of materials and equipment held for hire includes an amount of £13.9 million (28 December 2013: £10.0 million) in respect of assets held under finance leases. The depreciation charge for assets held under finance leases in the year ended 27 December 2014 was £4.0 million (2013: £2.1 million).

12. Inventories

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

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

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

Notes to the consolidated financial statements (continued)

13. Trade and other receivables

	27 December 2014 £'000s	28 December 2013 £'000s	29 December 2012 £'000s
Gross trade receivables	**71,176**	55,848	41,631
Less provision for impairment	**(3,514)**	(2,610)	(1,598)
Net trade receivables	**67,662**	53,238	40,033
Other debtors	**870**	802	1,499
Prepayments and accrued income	**15,554**	13,177	9,786
Corporation tax	**1,826**	167	167
Amounts due from group undertakings	**1,187**	1,122	24
	87,099	68,506	51,509

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

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

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

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

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

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

14. Cash

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

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

15. Trade and other payables

	27 December 2014	28 December 2013	29 December 2012
	£'000s	£'000s	£'000s
Current			
Obligations under finance lease	**5,356**	3,408	2,092
Trade payables	**62,040**	29,492	20,289
Other taxes and social security costs	**6,630**	4,759	4,117
Other creditors	**2,108**	3,127	1,424
Accrued interest on borrowings	**5,610**	1,971	737
Accruals and deferred income	**14,843**	13,233	9,890
	96,587	55,990	38,549

	£'000s	£'000s	£'000s
Non-current			
Obligations under finance lease	**7,033**	5,019	3,045
	7,033	5,019	3,045

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

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

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

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

16. Borrowings

	27 December 2014	28 December 2013	29 December 2012
	£'000s	£'000s	£'000s
Non-current			
Term loans	**-**	152,150	124,170
Senior secured note	**193,944**	-	-
Amounts due to group undertakings	**70,016**	92,176	88,387
	263,960	244,326	212,557
Current			
Term loans	**-**	875	375
Revolving credit facility	**19,500**	3,000	-
Bank overdraft	**-**	-	4,020
Amounts due to group undertakings	**2,847**	2,946	2,507
	22,347	6,821	6,902

16. Borrowings (continued)

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

	27 December 2014 £'000s	28 December 2013 £'000s	29 December 2012 £'000s
Secured senior term loan 'A'	**-**	39,625	40,000
Secured senior term loan 'B'	**-**	90,000	90,000
Secured senior term loan 'C'	**-**	20,000	-
Secured senior term loan 'D'	**-**	10,000	-
Secured senior note	**200,000**	-	-
Amounts due to group undertakings	**72,863**	95,122	90,894
	272,863	254,747	220,894

Non current amounts due to group undertakings fall due in 2022 (2013 falling due in 2022; 2012 falling due in 2020). The secured senior note is a 6.75% fixed rate bond maturing in 2019, and is listed on the Luxembourg stock exchange.

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

	27 December 2014 % above LIBOR	28 December 2013 % above LIBOR	29 December 2012 % above LIBOR
Secured senior term loan 'A'	**-**	4.25%	4.25%
Secured senior term loan 'B'	**-**	4.75%	4.75%
Secured senior term loan 'C'	**-**	7.00%	-
Secured senior term loan 'D'	**-**	10.50%	-
Amounts due to group undertakings	**-**	3.75%	3.75%
Revolving credit facility	**2.50%**	4.25%	4.25%

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

	27 December 2014 Fixed rate	28 December 2013 Fixed rate	29 December 2012 Fixed rate
Secured senior note	**6.75%**	-	-
Amounts due to group undertakings	**10.00%**	-	-
Weighted average interest rate on borrowings	**7.11%**	4.83%	4.45%

The Group's borrowings have the following maturity profile:

	27 December 2014 £'000	28 December 2013 £'000	29 December 2012 £'000
Less than one year	**13,500**	9,428	8,224
Two to five years	**254,000**	161,834	38,890
Over five years	**160,573**	190,570	274,440
	428,073	361,832	321,554
Less interest cash flows:			
Term loans	**-**	(55,542)	(48,343)
Senior secured note	**(67,500)**	-	-
Amounts due to group undertakings	**(87,710)**	(51,543)	(52,317)
Total principal cash flows	**272,863**	254,747	220,894

Notes to the consolidated financial statements (continued)

16. Borrowings (continued)

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

The Group has undrawn committed borrowing facilities of £37.7 million at 27 December 2014 (28 December 2013: £7.0 million, 29 December 2012: £5,631,000).

17. Provisions

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

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

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

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

18. Deferred tax

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

	Tax losses	Derivative financial instruments	Property, plant and equipment and other items	Acquired intangible assets	Total
	£'000	£'000	£'000	£'000	£'000
At 28 December 2013	-	(248)	(150)	(315)	(713)
Credit/(charge) to the income statement	2,400	248	(311)	32	2,369
Arising on Acquisition	-	-	-	(348)	(348)
At 27 December 2014	2,400	-	(461)	(631)	1,308
Deferred tax assets	**2,400**	**-**	**62**	**-**	**2,462**
Deferred tax liabilities	**-**	**-**	**(523)**	**(631)**	**(1,154)**
At 27 December 2014	**2,400**	**-**	**(461)**	**(631)**	**1,308**
At 29 December 2012	-	-	(603)	(80)	(683)
(Charge)/credit to the income statement	-	(248)	380	9	141
Arising on Acquisition	-	-	73	(244)	(171)
At 28 December 2013	-	(248)	(150)	(315)	(713)

At 27 December 2014 £0.8 million (28 December 2013: £0.4 million) of the deferred tax liability is expected to crystallise after more than one year.

As at 27 December 2014 the Group had an unrecognised deferred tax asset relating to trading losses of £2.4 million (28 December 2013: £4.5 million).

The Group also has an unrecognised deferred tax asset relating to temporary differences on plant and equipment, intangible assets and provisions of £7.9 million (28 December 2013: £8.5 million).

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

19. Share capital

Nominal value of ordinary shares

	Ordinary shares of £1 each £'000	A Ordinary shares at £0.0001 each £'000	Total £'000
At 29 December 2012	14,208	14	14,222
At 28 December 2013	14,208	14	14,222
At 27 December 2014	**14,208**	**14**	**14,222**

Number of ordinary shares

	Ordinary shares of £1 each Number	A Ordinary shares of £0.0001 each Number	Total Number
At 29 December 2012	14,208,000	143,083,000	157,291,000
At 28 December 2013	14,208,000	143,083,000	157,291,000
At 27 December 2014	**14,208,000**	**143,083,000**	**157,291,000**

The voting rights and restrictions attached to the Ordinary and A Ordinary are as described in the Articles of Association of Hero Acquisitions Limited, and in summary the holders of Ordinary and A Ordinary shares are entitled to dividend distributions in proportion to the number of shares held, and all shares rank pari passu for voting rights. No dividends have been paid or proposed in any of the periods.

20. Financial instruments

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

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

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

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

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

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

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

20. Financial instruments (continued)

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

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

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

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

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

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

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

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

The principal bank covenant is to maintain a rolling EBITDA of £35 million. For the year ended 27 December 2014 EBITDA was £69.7 million (2013: £52.0 million) and adjusted EBITDA was £71.1 million (2013: £55.9 million).

Fair value

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

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

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

	Fair value hierarchy	**27 December 2014 £'000s**	28 December 2013 £'000s	29 December 2012 £'000s
Financial assets				
Derivative financial instruments	Level 2	**-**	1,154	-
		-	1,154	-

		27 December 2014 £'000s	28 December 2013 £'000s	29 December 2012 £'000s
Financial liabilities				
Derivative financial instruments	Level 2	**-**	-	435
		-	-	435

21. Commitments and contingencies

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

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

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

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

22. Business combinations

Acquisitions in the year

Apex Generators Limited

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

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

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

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

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

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

Notes to the consolidated financial statements (continued)

22. Business combinations (continued)

Acquisitions in the year (continued)

Apex Generators Limited (continued)

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

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

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

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

Acquisitions in prior periods

ABird Superior Limited

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

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

UK Platforms Limited

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

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

TecServ Cleaning Equipment Services Limited

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

The fair value of the consideration paid for the share capital was £50,000 and the fair value of the net assets acquired was £237,000 resulting in a gain on bargain purchase of £187,000.
In addition, a further immaterial acquisition was made in the year ended 28 December 2013 and gave rise to goodwill of £62,000.

23. Events after the reporting date

Listing of HSS Hire Group plc on the London Stock Exchange

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

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

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

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

23. Events after the reporting date (continued)

Listing of HSS Hire Group plc on the London Stock Exchange (continued)

As part of the reorganisation, the loan note holders transferred all of their interests in the notes to Hampshire Topco Limited in consideration for the issue of ordinary shares in Hampshire Topco Limited. Such shares in Hampshire Topco Limited were subsequently exchanged for shares in HSS Hire Group plc as part of the reorganisation.

Immediately following the determination of the Offer Price on 3 February 2015, an aggregate loan note balance of approximately £86,000,000 including £795,500 of accrued interest was converted into ordinary shares. In addition, at the same date, the 50,000 preference shares were redeemed.

Dividends

On 21 January 2015 the Company declared an interim dividend of £26.5 million which was paid in full on 10 February 2015.

24. Related party transactions

At 27 December 2014 the group owed £72,863,477 (28 December 2013: £95,122,477, 29 December 2012: £88,364,000) to Hampshire Bidco Limited, the Company's immediate holding company.

At 27 December 2014 the group was owed £70,809 (28 December 2013: £53,275) from Hampshire Topco Limited, the Company's previous ultimate holding company.

At 27 December 2014 the group was owed £1,116,500 (28 December 2013: £1,069,437) by Hampshire Midco Limited, the Company's intermediate holding company.

During the year the Group paid interest of £6,906,286 (2013: £14,137,166, 2012: £14,829,199) to other group companies.

During the year the Group received interest of £nil (2013: £10,230,185, 2012: £13,842,024) other group companies.

During the year the Group charged Hampshire Bidco Limited a management charge of £849,878 (2013: £882,598, 2012: £156,268).

25. Note supporting statement of cash flows

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

26. First time adoption of IFRS

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

The date of transition to IFRS (the transition date) was 2 January 2011.

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

This note explains the principal adjustments made by the Group in restating its UK GAAP group balance sheet (to IFRS consolidated statement of financial position) as at 28 December 2013 and UK GAAP group profit and loss account (to IFRS consolidated income statement) and group statement of recognised gains and losses (to IFRS consolidated statement of other comprehensive income) for the year ended 28 December 2013.

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

26. First time adoption of IFRS (continued)

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

Adjustments Made in Connection with transition to IFRS
The most significant impacts of the adoption of IFRS on the Group's previously reported financial information are as follows:

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

Impact on the cash flow statements

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

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

The following tables give the reconciliations of:

- UK GAAP group balance sheet to IFRS consolidated statement of financial position at 2 January 2011
- UK GAAP group balance sheet to IFRS consolidated statement of financial position at 28 December 2013
- UK GAAP group profit and loss account to IFRS consolidated income statement for the year ended 28 December 2013
- UK GAAP group statement of total recognised gains and losses to IFRS consolidated statement of other comprehensive income for the year ended 28 December 2013

Notes to the consolidated financial statements (continued)

26. First time adoption of IFRS (continued)

Reconciliation of the consolidated statement of financial position at 2 January 2011

	UK GAAP £000s	Software costs (c) £000s	Financial Instruments (d) £000s	Rebates (f) £000s	Property provisions (g) £000s	Other £000s	IFRS £000s
ASSETS							
Non-current assets							
Intangible assets	124,804	990	-	-	-	-	125,794
Property, plant and equipment	56,214	(990)	-	-	2,633	(817)	57,040
Investments	776	-	-	-	-	-	776
Derivative financial instruments	-	-	217	-	-	-	217
	181,794	-	217	-	2,633	(817)	183,827
Current assets							
Inventories	2,199	-	-	-	-	-	2,199
Trade and other receivables	51,851	-	-	-	-	-	51,851
Cash and cash equivalents	5,620	-	-	-	-	-	5,620
	59,670	-	-	-	-	-	59,670
Total assets	241,464	-	217	-	2,633	(817)	243,497
LIABILITIES							
Current liabilities							
Trade and other payables	(195,140)	-	-	(1,947)	-	-	(197,087)
Current tax liabilities	(3)	-	-	-	-	-	(3)
	(195,143)	-	-	(1,947)	-	-	(197,090)
Non-current liabilities							
Trade and other payables	(42)	-	-	-	-	-	(42)
Loans and borrowings	(198,291)	-	-	-	-	-	(198,291)
Provisions	(6,562)	-	-	-	(6,229)	-	(12,791)
	(204,895)	-	-	-	(6,229)	-	(211,124)
Total liabilities	(400,038)	-	-	(1,947)	(6,229)	-	(408,214)
Net (liabilities)/assets	(158,574)	-	217	(1,947)	(3,596)	(817)	(164,717)
EQUITY							
Retained deficit/(earnings)	(158,574)	-	217	(1,947)	(3,596)	(817)	(164,717)
Total equity attributable to owners of the company	(158,574)	-	217	(1,947)	(3,596)	(817)	(164,717)

Notes to the consolidated financial statements (continued)

26. First time adoption of IFRS (continued)

Reconciliation of the consolidated statement of financial position at 28 December 2013

	UK GAAP	Goodwill [a]	Lease incentives [b]	Software costs [c]	Financial Instruments [d]	Acquisition costs [e]	Rebates [f]	Property provisions [g]	Other	IFRS
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
ASSETS										
Non-current assets										
Intangible assets	110,491	23,121	-	2,650	-	(879)	-	-	(62)	135,321
Property, plant and equipment	101,041	-	-	(2,650)	-	-	-	1,964	(478)	99,877
Derivative financial instruments	-	-	-	-	1,154	-	-	-	-	1,154
	211,532	23,121	-	-	1,154	(879)	-	1,964	(540)	236,352
Current assets										
Inventories	5,417	-	-	-	-	-	-	-	-	5,417
Trade and other receivables	68,214	-	-	-	-	-	-	-	292	68,506
Cash and cash equivalents	2,871	-	-	-	-	-	-	-	-	2,871
	76,502	-	-	-	-	-	-	-	292	76,794
Total assets	288,034	23,121	-	-	1,154	(879)	-	1,964	(248)	313,146
LIABILITIES										
Current liabilities										
Trade and other payables	(61,568)	-	(9)	-	-	-	(1,227)	-	6,814	(55,990)
Borrowings	-	-	-	-	-	-	-	-	(6,821)	(6,821)
Current tax liabilities	(709)	-	-	-	-	-	-	-	(565)	(1,274)
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-
	(62,277)	-	(9)	-	-	-	(1,227)	-	(572)	(64,085)
Non-current liabilities										
Trade and other payables	(5,019)	-	-	-	-	-	-	-	-	(5,019)
Borrowings	(244,723)	-	-	-	-	-	-	-	397	(244,326)
Provisions	(7,978)	-	-	-	-	-	-	(6,961)	-	(14,939)
Deferred tax liability	(398)	(324)	-	-	-	-	-	-	9	(713)
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-
	(258,118)	(324)	-	-	-	-	-	(6,961)	406	(264,997)
Total liabilities	(320,395)	(324)	(9)	-	-	-	(1,227)	(6,961)	(166)	(329,082)
Net (liabilities)/assets	(32,361)	22,797	(9)	-	1,154	(879)	(1,227)	(4,997)	(414)	(15,936)
EQUITY										
Share capital	14,222	-	-	-	-	-	-	-	-	14,222
Share premium	143,068	-	-	-	-	-	-	-	-	143,068
Retained earnings	(189,651)	22,797	(9)	-	1,154	(879)	(1,227)	(4,997)	(414)	(173,226)
Total equity attributable to owners of the company	(32,361)	22,797	(9)	-	1,154	(879)	(1,227)	(4,997)	(414)	(15,936)

26. First time adoption of IFRS (continued)

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

	UK GAAP	Goodwill [(a)]	Lease incentives [(b)]	Software costs [(c)]	Financial Instruments [(d)]	Acquisition costs [(e)]	Rebates [(f)]	Property provisions [(g)]	Other	IFRS
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Revenue	225,813	-	-	-	-	-	824	-	61	226,698
Cost of sales	(73,411)	-	-	-	-	-	-	-	(114)	(73,525)
Gross profit	152,402	-	-	-	-	-	824	-	(53)	153,173
Distribution costs	(28,689)	-	-	-	-	-	-	-	(3)	(28,692)
Administrative expenses	(109,915)	7,818	(9)	-	-	(626)	-	917	(236)	(102,051)
Other operating income	1,049	-	-	-	-	-	-	-	-	1,049
Total operating profit	14,847	7,818	(9)	-	-	(626)	824	917	(292)	23,479
Adjusted EBITDA	54,828	(1)	(9)	-	-	-	824	199	11	55,852
Less: Exceptional items	(4,296)	-	-	-	-	(626)	-	1,010	48	(3,864)
Less: Depreciation and amortisation	(35,685)	7,819	-	-	-	-	-	(292)	(351)	(28,509)
Total operating profit	**14,847**	**7,818**	**(9)**	**-**	**-**	**(626)**	**824**	**917**	**(292)**	**23,479**
Loss on sale of fixed assets	**(284)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**284**	**-**
Profit on ordinary activities before interest and tax	**14,563**	**7,818**	**(9)**	**-**	**-**	**(626)**	**824**	**917**	**(8)**	**23,479**
Finance income	12	-	-	-	-	-	-	-	-	12
Finance expense	(14,250)	-	-	-	-	-	-	(163)	399	(14,015)
Movement in derivative financial instruments	-	-	-	-	1,589	-	-	-	-	1,589
Loss before tax	325	7,818	(9)	-	1,589	(626)	824	754	391	11,066
Income tax expense	(1,405)	-	-	-	-	-	-	-	(561)	(1,966)
Loss for the financial year	(1,080)	7,818	(9)	-	1,589	(626)	824	754	(170)	9,100
Loss attributable to:										
Owners of the company										
	(1,080)	7,818	(9)	-	1,589	(626)	824	754	(170)	9,100

26. First time adoption of IFRS (continued)

Reconciliation of the consolidated statement of comprehensive income for the year ended 28 December 2013

	UK GAAP	Goodwill [a]	Lease incentives [b]	Software costs [c]	Financial Instruments [d]	Acquisition costs [e]	Rebates [f]	Property provisions [g]	Other	IFRS
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Loss for the financial year	(1,080)	7,818	(9)	-	1,589	(626)	824	754	(171)	9,100
Items that may be reclassified to profit or loss:										
Exchange differences arising on translation of foreign operations	59		-	-	-	-	-	-	(6)	53
Other comprehensive (loss)/income for the year, net of tax	(1,021)	7,818	(9)	-	1,589	(626)	824	754	(177)	9,153
Total comprehensive loss income for the y	(1,021)	7,818	(9)	-	1,589	(626)	824	754	(177)	9,153
Attributable to owners of the Company	(1,021)	7,818	(9)	-	1,589	(626)	824	754	(177)	9,153

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

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

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

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

[e] *Acquisition costs* - Under UK GAAP costs in respect of acquisitions are capitalised and included in the total consideration paid. Under IFRS these costs have been charged to the income statement as incurred.[f] *Rebates* - Under UK GAAP liabilities relating to rebates earned and payable are measured at management's best estimate of the amounts expected to be paid. Under IFRS, a financial liability can only be de-recognised when the liability is extinguished, either when the obligation is discharged, is cancelled or expires. The adoption of IFRS has led to the creation of a financial liability relating to earned but unclaimed rebates due to customers.

Notes to the consolidated financial statements (continued)

26. First time adoption of IFRS (continued)

(g) *Property provisions* – The Group's property leases generally require the leased properties to be restored to their former condition at the end of the lease. Accordingly management consider it appropriate to recognise a provision in full for the expected unavoidable costs of restoring the properties to their former condition at the inception of the lease. A corresponding amount, equal to the provision, is capitalised as property, plant and equipment. The carrying value of the provision is discounted to its net present value and is reassessed each year. The unwinding of the discount on the decommissioning provision is included as a finance cost. The amount capitalised in property plant and equipment is depreciated over the lease term. Previously the provision was built up over the lease term. On adoption of IFRS the carrying value of property provisions and property, plant and equipment have been increased and the expense in the income statement has been reclassified as depreciation within administrative expenses. The Group also has provisions for onerous leases in respect of properties from which the Group no longer trades, discounted to net present value, and reviewed every year. The carrying value of the provisions has been increased on adoption of IFRS, following a reassessment of the Group property portfolio, increasing the provision recognised at date of transition by £3.6 million.

Company balance sheet

At 27 December 2014

	Note	27 December 2014 £'000	28 December 2013 £'000
Fixed Assets			
Investments	2	**256,459**	256,459
		256,459	256,459
Current Assets			
Debtors	3	**21,453**	2,682
Creditors - amounts falling due within one year	4	**(17,502)**	(22,751)
Net current assets/(liabilities)		**3,951**	(20,069)
Total assets less current liabilities		**260,410**	236,390
Creditors - amounts falling due after more than one year	5	**(294,035)**	(248,598)
Net liabilities		**(33,625)**	(12,208)
Capital and reserves			
Share capital	7	**14,222**	14,222
Share premium		**143,068**	143,068
Reserves	8	**(190,915)**	(169,498)
Equity shareholders' funds		**(33,625)**	(12,208)

The notes on pages F-59 to F-61 form part of these financial statements.

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

S N Trowbridge
Director
20 April 2015

Notes to the Company financial statements

1. UK GAAP Accounting policies

Accounting convention

The Company financial statements have been prepared in accordance with the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

The directors have taken advantage of the option within the Companies Act 2006 to make their accounts up to a date 7 days either side of the Company's accounting reference date of 31 December 2014 and these accounts therefore cover the period from 28 December 2013 to 27 December 2014 (2013: 30 December 2012 to 28 December 2013).

Set out below is a summary of the more important accounting policies which have been applied consistently throughout the year.

Basis of preparation

The directors have prepared the accounts on the going concern basis. For further information on the directors assessment that the Company and Group has adequate resources to continue trading on a going concern basis for the foreseeable future refer to note 1g) in the consolidated financial statements.

Investments

Investments are included in the balance sheet 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.

Capital instruments

Finance costs on debt are allocated to periods over the terms of the debt at a constant rate of return on the carrying amount. Debt is initially recorded in the balance sheet based on the net proceeds received. Issue costs are spread forward in the profit and loss account over the term of the debt.

2. Investments

	27 December 2014 £'000	28 December 2013 £'000
Investment in HSS Hire Service Holdings Limited	**256,459**	100,179
Capitalisation of inter-company loans	**-**	156,280
	256,459	256,459

The Company's principal subsidiaries, including subsidiaries held by indirect holding companies, are:

Company	**Holding**	**Country of incorporation**	**Principal activity**	**Ordinary share capital held**
HSS Hire Service Holdings Limited	Direct	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 Ltd	Indirect	United Kingdom	Cleaning equipment services	100%

Notes to the Company financial statements (continued)

3. Debtors

	27 December 2014 £'000	28 December 2013 £'000
Due from group undertakings	**21,453**	2,682
	21,453	2,682

4. Creditors: amounts falling due within one year

	27 December 2014 £'000	28 December 2013 £'000
Due to group undertakings	**17,283**	20,496
Accrued interest	**152**	1,972
Accruals and deferred income	**67**	78
Other creditors	**-**	205
	17,502	22,751

5. Creditors: amounts due after more than one year

	27 December 2014 £'000	28 December 2013 £'000
Due to group undertakings	**275,474**	92,176
Borrowings	**18,561**	156,422
	294,035	248,598

6. Maturity profile of creditors

	27 December 2014 £'000	28 December 2013 £'000
Due within one year		
Term loans	**-**	875
Revolving credit facility	**19,500**	-
Issue costs to be amortised under FRS4	**(939)**	3,000
	18,561	3,875
Due after more than one year		
Term loans	**-**	158,750
Issue costs to be amortised under FRS4	**-**	(6,203)
	-	152,547

Details of the term loans in 2013 are given in note 16 to the consolidated accounts.

7. Share capital

The details of the Company's share capital are set out in note 19 to the consolidated financial statements.

Notes to the Company financial statements (continued)

8. Movements in reserves

Profit and loss account

	27 December 2014 £'000	28 December 2013 £'000
At 28 December 2013	**(169,498)**	(161,335)
Loss for the year	**(21,417)**	(8,163)
At 27 December 2014	**(190,915)**	(169,498)

9. Reconciliation of movement in equity shareholders' deficit

	27 December 2014 £'000	28 December 2013 £'000
Loss for the financial year	**(21,417)**	(8,163)
Net increase to equity shareholders' deficit	**(21,417)**	(8,163)
Opening equity shareholders' deficit	**(12,208)**	(4,045)
Closing equity shareholders' deficit	**(33,625)**	(12,208)

10. Post balance sheet events

The Company's post balance sheet events are set out in note 23 to the consolidated financial statements.

11. Related party transactions

The Company has taken advantage of the exemption conferred by Financial Reporting Standard 8, Related Party Disclosures, not to disclose transactions with group companies which are 100% owned, on the basis that it is 100% controlled within the group and its parent company, Hampshire Topco Limited prepares consolidated financial statements which are publically available.

Hero Acquisitions Limited

Annual report and financial statements
Year ended 31 December 2013

Registered number 06209511

Contents

Directors and advisers

Year ended 31 December 2013

Directors

A. Peterson
J.C. Davies
J.B. Gill
F. Perrin

Registered office

25 Willow Lane
Mitcham
Surrey
CR4 4TS

Auditors

BDO LLP
55 Baker Street
London
W1U 7EU

Review of business and future developments

The group ('HSS') is a leading provider of tool and equipment hire and related services in the United Kingdom and Ireland, focussing on the ''maintain'' and ''operate'' segments of the tool and equipment hire market.

HSS caters to a long-standing, loyal and diversified customer base built over more than 50 years, comprising over 30,000 ''live'' accounts. Customers range from large, blue-chip companies to smaller, local businesses in, among others, the facilities management, retail and commercial fit-out, property services and infrastructure customer segments. This breadth means that no single customer accounts for more than 3% of revenue.

The group operates from over 250 locations, with a delivery fleet of over 375 commercial vehicles and has approximately 2,600 employees. The offering of tool and equipment hire is complemented with a range of value-added services such as those provided under the HSS OneCall, HSS Outsource, TecServ and HSS Training brands. HSS also offers specialist rental equipment under the ABird and UK Platforms brands, which are complementary to its core business.

In 2013 HSS opened a training academy to offer training to sales employees working in its branches and new employees joining the business. Alongside this, structured needs-based training and development is offered to all employees by in-house learning and development specialists. HSS has also set up an apprenticeship programme for fitters, to ensure a broad based pool of technical skills is developed and maintained across the business. HSS also has a strong focus on safety and holds a 4-star British Safety Council award, alongside a number of other safety accreditations.

To support its organic growth plans, the group has made a number of acquisitions in recent years. These include ABird Superior Limited in October 2012, followed by UK Platforms Limited in June 2013 and Premiere FCM Limited t/a TecServ in November 2013. The trade and assets of MTS Ireland were also acquired in August 2013 and in March 2014 a specialist generator hire company based in Scotland, Apex Generators Limited, was also added to the group.

As part of the ongoing growth strategy, the company refinanced its external borrowing requirements in February 2014. Via a subsidiary (HSS Financing Plc), Hero Acquisitions raised £200m of 6.75% Senior Secured Notes due in 2019. The proceeds from this fund raising were used to repay the existing £160m senior facilities agreement that the company had in place and to redeem part of the loan notes held by another group company, Havana Midco (£29m of principal and accrued interest repaid). Hero Acquisitions also put in place a £60m revolving credit facility, that was undrawn at completion of the refinancing.

The directors consider that the group has delivered a strong set of trading results for 2013. When combined with the new capital structure, the directors believe that the group is well placed to grow and through its brands and a focus on operational excellence, to continue to deliver high levels of service for its customers. This growth will be supported by continued investment in equipment across all brands and the further development of the HSS local 'selling branch' format. Alongside this, the group is partnering with Unipart to develop 'the HSS Way' to take the company's engineering capability to the standards seen in global automotive and aerospace industries.

Principal risks and uncertainties

The management of the business and the execution of the group's strategy are subject to a number of risks. Risks are reviewed by the board and appropriate processes put in place to monitor and mitigate them. The key business risks affecting the group are set out below:

Competitor risk: The group operates in a highly competitive market balancing both customer requirements and market pressures. The board review and monitor these factors to ensure the group's competitiveness.

Economic risk: The group's trading is broadly linked to the underlying performance of the economies of both the UK and Ireland and is therefore exposed to recessionary risk when economies contract. To mitigate this risk, management regularly reviews market and research data for forecast movements in the economy.

Liquidity risk and going concern: The group is exposed to liquidity risk as sufficient funds are required to support trading, investing and financing activities. The group regularly monitors the liquidity position to ensure that sufficient funds are available to meet both current and future requirements. The refinancing detailed above is one such example of this approach.

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue as a going concern for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the accounts. Further details are given in note 1 to the accounts.

Credit risk: The group has implemented policies to manage potential credit risk before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed periodically. Management believe the policies and provisions in place adequately cover such risk.

Interest rate risk: Following the refinancing in February 2014, the group's borrowings are principally fixed rate notes. The group therefore no longer needs any swap arrangements and these were cancelled at the time of the refinancing. The directors continue to monitor the groups' funding requirements and external debt markets to ensure that the group's borrowings are appropriate to its requirements in terms of quantum, rate and duration.

Results and KPIs

The directors consider the following to be the key performance indicators of the business: revenue, EBITDA before items defined as exceptional and capital expenditure.

Revenue for the year was £225.8m (2012: £181.8m). EBITDA before items defined as exceptional was £54.8m (2012: £40.4m), representing a 24.3% margin on sales (2012: 22.2%). EBITDA after exceptional items was £50.5m (2012: £34.6m). Reported loss for the financial year was £1.1m (2012: £16.6m).

Gross fixed asset additions for the period were £38.0m (2012: £26.2m) representing the group's continued investment in its hire fleet, systems and branch network. A further £25.3m of tangible fixed assets was added through business acquisitions.

Employee involvement

It is the group's policy to provide employees, on a regular basis, with financial and other information on matters of concern to them, by means of house journals and news sheets.

Every endeavour is made to consult, wherever possible, with employees, so that their views can be taken into account in making decisions which are likely to affect their interests. Employees participate in consultations to help facilitate this process.

Disabled employees

The group's policy on employment of disabled persons is:

1. To give full and fair consideration to applications for employment with the group made by disabled persons, having regard to their particular aptitudes and abilities.
2. Where practical, to continue the employment of and arrange appropriate training for employees of the company who become disabled during their employment with the group.
3. To encourage training and career development for all personnel employed by the group, including disabled persons.

By order of the board

J.B. Gill
Director
11 April 2014

Directors' report

The directors present their report and the audited financial statements of the group and company for the year ended 31 December 2013.

Directors

The directors of the company who served during the year ended 31 December 2013 are listed below:

A. Peterson
J.C. Davies
J.B. Gill
F. Perrin

The company has arranged qualifying third party indemnity for all of its directors.

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, the directors' 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 have elected to prepare the group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 of the profit or loss of the group and company for that period.

In preparing these 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 applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' statement as to the disclosure of information to auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

Dividends

No interim dividends were paid or proposed during the year ended 31 December 2013 (2012: nil). The directors do not recommend the payment of a final dividend (2012: £nil).

Financial risk management

The information on financial risk management objectives and policies is included in the strategic report.

By order of the board

J.B. Gill
Director
11 April 2014

Independent auditors' report to the members of Hero Acquisitions Limited

We have audited the financial statements of Hero Acquisitions Limited for the year ended 31 December 2013 which comprise the group profit and loss account, the group statement of total recognised gains and losses, the group and company balance sheets, the group cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, 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.

Scope of the audit of the 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 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 31 December 2013 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements 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.

Douglas Lowson (Senior Statutory Auditor)

For and on behalf of BDO LLP, statutory auditor
London
United Kingdom
11 April 2014

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

Hero Acquisitions Limited

Group profit and loss account

Year ended 31 December 2013

	Note	Year ended 31 December 2013 Pre-Exceptional Items £'000	Year ended 31 December 2013 Exceptional Items (note 2) £'000	Year ended 31 December 2013 Total £'000	Year ended 31 December 2012 Total £'000
Turnover		**225,813**	-	**225,813**	181,807
- continuing activities		**214,450**	-	**214,450**	181,807
- acquisition activities		**11,363**	-	**11,363**	-
Cost of sales		(73,411)	-	(73,411)	(60,209)
Gross profit		**152,402**	-	**152,402**	121,598
Administrative expenses		(105,619)	(4,296)	(109,915)	(97,150)
Distribution expenses		(28,689)	-	(28,689)	(23,644)
Other operating income		1,049	-	1,049	1,216
Operating profit		**19,143**	(4,296)	**14,847**	2,020
- continuing activities		**18,101**	(3,959)	**14,142**	2,020
- acquisition activities		**1,042**	(337)	**705**	-
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**54,828**	**(4,296)**	**50,532**	34,580
less: Depreciation and amortisation		(35,685)	-	(35,685)	(32,560)
Total operating profit		**19,143**	**(4,296)**	**14,847**	2,020
Loss on sale of fixed assets		(284)	-	(284)	(672)
Profit on ordinary activities before interest and taxation		**18,859**	**(4,296)**	**14,563**	1,348
Interest receivable and similar income	5	12	-	12	30
Interest payable and similar charges	6	(14,250)	-	(14,250)	(18,423)
Profit / (loss) on ordinary activities before taxation		**4,621**	**(4,296)**	**325**	(17,045)
Tax on profit on ordinary activities	7			(1,405)	468
Loss for the financial year	17			**(1,080)**	(16,577)

The results above relate entirely to continuing operations. There were no differences between the profit / (loss) on ordinary activities before taxation and the loss for the year as stated above and their historical cost equivalents.

The notes on pages F-74 to F-92 form part of these accounts.

Hero Acquisitions Limited

Group statement of total recognised gains and losses

Year ended 31 December 2013

	Note	**Year ended 31 December 2013 £'000**	Year ended 31 December 2012 £'000
Loss for the financial year		**(1,080)**	(16,577)
Foreign currency translation differences	17	**59**	(92)
Total recognised losses relating to the year		**(1,021)**	(16,669)

The notes on pages F-74 to F-92 form part of these accounts.

Hero Acquisitions Limited

Group balance sheet

Year ended 31 December 2013

	Note	**2013**	2012
		£'000	£'000
Fixed Assets			
Intangible fixed assets	8	**110,491**	112,860
Tangible fixed assets	9	**101,041**	65,736
		211,532	178,596
Current Assets			
Stock	11	**5,417**	3,753
Debtors	12	**68,214**	51,248
Cash at bank and in hand		**2,871**	1,525
		76,502	56,526
Creditors - amounts falling due within one year	13	**(62,277)**	(43,520)
Net current assets		**14,225**	13,006
Total assets less current liabilities		**225,757**	191,602
Creditors - amounts falling due after more than one year	14	**(249,742)**	(215,579)
Provisions for liabilities and charges	16	**(8,376)**	(7,363)
Net liabilities		**(32,361)**	(31,340)
Capital and reserves			
Share capital	17	**14,222**	14,222
Share premium	18	**143,068**	143,068
Reserves	18	**(189,651)**	(188,630)
Equity shareholders' deficit	19	**(32,361)**	(31,340)

The notes on pages F-74 to F-92 form part of these accounts.

Hero Acquisitions Limited

Company balance sheet

Year ended 31 December 2013
Registered number 06209511

	Note	**2013** **£'000**	2012 £'000
Fixed Assets			
Tangible fixed assets	9	**-**	-
Investments	10	**256,459**	100,179
		256,459	100,179
Current Assets			
Stock	11	**-**	-
Debtors	12	**2,682**	152,554
Cash at bank and in hand		**-**	-
		2,682	152,554
Creditors - amounts falling due within one year	13	**(22,751)**	(44,244)
Net current liabilities		**(20,069)**	108,310
Total assets less current liabilities		**236,390**	208,489
Creditors - amounts falling due after more than one year	14	**(248,598)**	(212,534)
Provisions for liabilities and charges	16	**-**	-
Net liabilities		**(12,208)**	(4,045)
Capital and reserves			
Share capital	17	**14,222**	14,222
Share premium	18	**143,068**	143,068
Reserves	18	**(169,498)**	(161,335)
Equity shareholders' deficit	19	**(12,208)**	(4,045)

The notes on pages F-74 to F-92 form part of these accounts.

The financial statements which comprise the profit and loss account, the balance sheet and the related notes were approved and authorised by the board of directors on 11 April 2014 and were signed on its behalf by:

J.B. Gill
Director

Hero Acquisitions Limited

Group cash flow statement

Year ended 31 December 2013

	Note	**2013 £'000**	2012 £'000
Net cash inflow from operating activities	21(a)	**41,789**	38,744
Net cash outflow from returns on investments and servicing of finance	21(b)	**(9,658)**	(19,690)
Taxation paid		**(1,498)**	-
Net cash outflow from capital expenditure and financial investment	21(c)	**(28,664)**	(25,304)
Net cash outflow from acquistions and disposals	21(d)	**(26,440)**	(7,336)
Net outflow before use of liquid resources and financing		**(24,471)**	(13,586)
Net inflow from management of liquid resources		**-**	-
Net cash (outflow) / inflow from financing	21(e)	**29,836**	7,027
Increase / (decrease) in cash		**5,365**	(6,559)

Reconciliation to net debt

	Note	**2013 £'000**	2012 £'000
Net debt at beginning of year		**(220,540)**	(200,280)
Increase / (decrease) in cash		**5,365**	(6,559)
Finance leases acquired		**(2,208)**	(4,160)
New finance leases		**(3,871)**	(950)
Repayment of finance leases		**2,789**	397
Repayment of borrowings		**375**	46,308
Drawings under new facilities		**(30,000)**	-
Drawings under existing facilities		**(3,000)**	
Other non cash movement in borrowings		**-**	27,613
Intercompany loans advanced		**-**	(53,732)
Other non cash movement in intercompany loans		**(3,812)**	(32,622)
Debt issue costs		**747**	3,445
Net debt at year end	21(f)	**(254,155)**	(220,540)

1. Principal accounting policies

Accounting convention

The financial statements have been prepared in accordance with the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

The directors have taken advantage of the option within the Companies Act 2006 to make their accounts up to a date 7 days either side of the company's accounting reference date and these accounts therefore cover the period from 30 December 2012 to 27 December 2014.

Set out below is a summary of the more important accounting policies which have been applied consistently throughout the year.

Basis of preparation

The directors have prepared the accounts on the going concern basis. In preparing the accounts on this basis, the directors have taken account of the following factors:

The directors have prepared cash flow forecasts based on recent trading conditions and their current expectations of the group's future trading prospects for the forthcoming 12 months which incorporate the group refinancing that took place on 6 February 2014. These indicate that the group is expected to trade within its existing facilities.

After making enquiries, the directors have a reasonable expectation that the group and company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

Basis of consolidation

The group accounts consolidate the accounts of Hero Acquisitions Limited and all its subsidiary undertakings. The results of subsidiaries acquired are included in the consolidated profit and loss account from the date control passes.

On acquisition of a subsidiary, all of the subsidiary's assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date. All changes to those assets and liabilities, and the resulting gains and losses, which arise after the group has gained control of the subsidiary, are dealt with in the post-acquisition profit and loss account.

As permitted by section 408 of the Companies Act 2006 no separate profit and loss account is presented for Hero Acquisitions Limited.

Goodwill

Purchased goodwill represents the difference between the cost of an acquired entity and the aggregate of the fair value of that entity's identifiable assets and liabilities. It is stated at cost less accumulated amortisation and, where appropriate, impairment in value. In accordance with Financial Reporting Standard No. 10, goodwill arising on acquisition is capitalised as an intangible asset.

Where such goodwill is regarded as having a limited estimated useful economic life, it is amortised through the profit and loss account on a straight-line basis over its life. Goodwill is currently being amortised over periods of 20 years. The need for any impairment write down is assessed by the comparison of the carrying value of the asset against the higher of realisable value and the value in use.

Investments

Investments are included in the balance sheet 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.

Capital instruments

Finance costs on debt are allocated to periods over the terms of the debt at a constant rate of return on the carrying amount. Debt is initially recorded in the balance sheet based on the net proceeds received. Issue costs are spread forward in the profit and loss account over the term of the debt.

Tangible fixed assets and depreciation

Tangible fixed assets, excluding materials and equipment held for hire, are stated at cost or fair value when acquired as part of a business acquisition, less depreciation and, when appropriate, provision for impairment. Depreciation is provided at rates calculated to write-off the cost of fixed assets on a straight line basis over the expected useful economic lives of the assets concerned. The annual rates used from the date of purchase are:

Leasehold properties with less than fifty years unexpired	Over unexpired period of lease
Freehold buildings and long leasehold properties Freehold land is not depreciated	Over 50 years
Fixtures, fittings, plant & machinery and office equipment	2 to 10 years

Materials and equipment held for hire purposes are valued at cost less an amount, based on varying rates, according to normal working lives of between one and ten years, computed on the basis of cost, to cover depreciation, to write the assets down to nil, and to cover wastage and obsolescence. 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. Materials and equipment held for hire are classified as fixed assets.

Stock

Other materials, stock of spares and equipment, included in stock, are stated at the lower of cost and net realisable value.

Deferred taxation

Deferred taxation is provided on a full provision basis, without discounting, on all timing differences, which have arisen but not reversed, at the balance sheet date. Except where otherwise required by Accounting Standards, no timing differences are recognised in respect of:

(a) property revaluation surpluses where there is no commitment to sell the asset;
(b) gains on sale of assets where those gains have been rolled over into replacement assets;
(c) additional tax which would arise if profits of overseas subsidiaries were distributed; and
(d) deferred tax assets except to the extent that it is more likely than not that they will be recovered in the foreseeable future.

Operating leases

Operating lease rentals are charged to the profit and loss account in the period to which they relate. Rent free periods, or any inducements to enter into operating lease agreements are released to the profit and loss account over the period to the date on which the rent is first expected to be adjusted to the prevailing market rent.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of transaction. Monetary assets and liabilities denominated in foreign currencies, held at the year end, are translated at year end exchange rates. Any resulting gain or loss is dealt with in the profit and loss account.

The results of overseas operations are translated at the average rates of exchange during the year and the balance sheet is translated into sterling at the rate of exchange ruling on the balance sheet date. Exchange differences which arise from translation of the opening net assets and results of foreign subsidiary undertakings are taken to reserves.

Finance leases

Assets acquired under finance leases are capitalised and are reported at cost. The equivalent liability is categorised as appropriate under creditors due within or after one year.

Finance charges are allocated to accounting periods over the period of the lease to approximate a constant rate of return on the outstanding balance. Repayments are apportioned between finance charges and reduction of the liability.

Provisions

In relation to leasehold properties, the group makes provision for known and anticipated dilapidations and wear and tear obligations where the group has a present obligation as a result of past events and where it is probable that a transfer of economic benefits will be required to settle the obligation and where a reliable estimate can be made of the amount of the obligation. In addition, where unavoidable costs of a lease exceed the economic benefit expected to be received from it, a provision is made for the expected obligation under the lease, after taking into account actions taken by the directors to minimise the future cash outflow.

Pension costs

The group operates an employees' optional stakeholder retirement and death benefit scheme. Both employee and employer are required to make contributions with the employer's contribution for each employee determined by the level of contribution made by the employee and the employee's length of service within the group. The company's contributions are charged against profits in the year in which the contributions are due.

Revenue

Revenue represents the amounts receivable by the group in respect of goods and services supplied, reduced by trade discounts and rebates and excluding value added tax. Where revenue relates to hire activities, revenue is recognised on a straight-line basis over the period of hire. Revenue in respect of other items is recognised at the point of sale when a right to consideration arises. Revenue also includes revenue from customers in compensation for damage to and loss of hire stock assets. The group's activities consist of supplying hire and equipment services, principally within the UK.

Derivatives and other financial instruments

The interest differential amounts due to / from the company on interest rate swaps are accrued until settlement date and are recognised within interest expense.

2. Operating profit

Operating profit is stated after charging / (crediting):

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Amortisation of goodwill	**7,908**	7,695
Depreciation and other charges in respect of materials and equipment held for hire		
- owned assets	**16,613**	14,959
- leased assets	**2,147**	366
Depreciation of other tangible fixed assets		
- owned assets	**5,586**	4,636
Hire stock asset disposals, write-offs and customer losses	**3,431**	4,904
	35,685	32,560
Operating lease rentals		
- land and buildings	**16,175**	16,464
- motor vehicles	**5,934**	4,144
Property rental income	**(1,049)**	(1,216)
Auditor's remuneration		
- audit of the company's annual accounts	**22**	25
- audit of other group companies' annual accounts	**123**	91
Auditor's remuneration - services relating to corporate finance transactions	**427**	93
Foreign exchange (gain) / loss	**(5)**	45

Exceptional items

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Included in administrative expenses		
- Redundancy costs relating to rationalisation of operations	**507**	931
- Professional fees relating to rationalisation of operations	**45**	18
- Costs of non-trading stores	**3,744**	3,533
- Costs incurred during sale process	**-**	1,236
	4,296	5,718
Included in distribution expenses		
- Redundancy costs relating to rationalisation of operations	**-**	57
	4,296	5,775
Included in interest payable	**-**	1,701
	4,296	7,476

Costs incurred during sale process in the year ended December 2012 relate to the sale by Hero Midco Limited of Hero Acquisitions Limited to Havana Bidco Limited.

3. Employees

(a) Staff costs

Staff costs (including directors) were as follows:

	Group	
	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Wages and salaries	**59,727**	50,497
Social security costs	**5,730**	5,321
Other pension costs	**1,331**	1,102
	66,788	56,920

Staff costs relate entirely to subsidiary undertakings.

(b) Employee numbers

The average monthly number of persons employed by the group during the year, including directors, was as follows:

	Year ended 31 December 2013 No.	Year ended 31 December 2012 No.
Distribution	**614**	596
Stock maintenance	**307**	323
Administrative	**1,691**	1,443
	2,612	2,362

4. Directors' emoluments

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Aggregate emoluments	**1,141**	1,095
Pension contributions made	**74**	69
	1,215	1,164

The amounts paid in respect of the highest paid director are as follows:

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Aggregate emoluments	**466**	481
Pension contributions made	**30**	30
	496	511

The directors of the company were also directors of other companies in the Havana Topco Group. The directors do not believe it is practical to apportion this amount between their services as directors of the company and their services as directors of other companies within the Havana Topco Group. The full salary cost is therefore borne by the company's subsidiary undertaking, HSS Hire Service Group Limited.

5. Interest receivable and similar income

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Short term deposits and other bank interest	**12**	30

6. Interest payable and similar charges

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Bank loans and overdrafts	**8,749**	13,168
Payable to group companies	**3,907**	1,181
Finance leases	**479**	210
Amortisation of issue cost	**1,115**	2,163
Termination costs associated with interest rate swap	**-**	1,701
	14,250	18,423

7. Tax on loss for the year

(a) Analysis of charge in the year

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Current tax:		
UK corporation tax on the profit for the year	**1,458**	(285)
Adjustments in respect of prior years	**79**	-
Total current tax (note 7(b))	**1,537**	(285)
Deferred tax credit for the period	**(132)**	(183)
Tax charge / (credit) on profit on ordinary activities	**1,405**	**(468)**

(b) Factors affecting the tax charge in the year

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

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Profit on ordinary activities before tax	**325**	(17,045)
UK corporation tax at 23.25% (2012: 24.5%) on loss on ordinary activities	**76**	(4,176)
Effects of:		
Depreciation in excess of capital allowances	**(512)**	928
Expenses not deductible for tax purposes	**1,658**	1,052
Non deductible accounting amortisation / fair value adjustment	**-**	1,907
Utilisation of tax losses brought forward	**(18)**	(33)
Foreign tax - Irish branch	**73**	-
Losses carried forward	**92**	187
Other short term timing differences	**221**	17
Double tax relief	**(132)**	-
Tax recoverable under s455 CTA 2010	**-**	(167)
	1,458	(285)

During the year the group surrendered and received payment for group relief to the net tax effect of £751,000 (2012: £96,000). During the year the company surrendered and received payment for group relief to the net tax effect of £2,472,000 (2012: £2,728,051).

(c) Factors that may affect future tax charge

The company has an unrecognised deferred tax asset of approximately £156,000 (2012: £171,000). The group has an unrecognised deferred tax asset of approximately £14,116,000 (2012: £12,297,000). No deferred tax assets has been recognised on the basis that it is not sufficiently certain when taxable profits will be made in the future in order to absorb the reversal of the timing difference.

8. Intangible fixed assets

	Goodwill £'000
Cost	
At 1 January 2013	243,138
Additions (note 25)	5,539
At 31 December 2013	**248,677**
Accumulated amortisation	
At 1 January 2013	130,278
Charge for the year	7,908
At 31 December 2013	**138,186**
Net book amount	
At 31 December 2013	**110,491**
At 31 December 2012	112,860

Goodwill in the year arose principally on the acquisition of UK Platforms Limited on 28 June 2013 and the acquisition of TecServ Cleaning Equipment Services Limited (formerly Premiere FCM Limited) on 22 November 2013.

9. Tangible fixed assets

Group

	Land & Buildings £'000	Plant & Machinery £'000	Materials & Equipment held for hire £'000	Total £'000
Cost				
At 1 January 2013	**35,507**	**49,631**	**136,520**	**221,658**
FX differences	-	20	176	196
Acquired on acquisition	472	365	51,434	52,271
Additions	2,646	4,531	30,862	38,039
Disposals	(515)	(261)	(15,423)	(16,199)
At 31 December 2013	**38,110**	**54,286**	**203,569**	**295,965**
Accumulated depreciation				
At 1 January 2013	**22,665**	**40,390**	**92,867**	**155,922**
FX differences	-	13	145	158
Acquired on acquisition	230	239	26,507	26,976
Charge for the period	2,105	3,481	18,760	24,346
Disposals	(353)	(133)	(11,992)	(12,478)
At 31 December 2013	**24,647**	**43,990**	**126,287**	**194,924**
Net book amounts				
At 31 December 2013	**13,463**	**10,296**	**77,282**	**101,041**
At 31 December 2012	12,842	9,241	43,653	65,736

The net book value of materials and equipment held for hire includes an amount of £10,041,000 (2012: £6,384,000) in respect of assets held under finance leases. The depreciation charge for assets held under finance leases was £2,146,600 (2012: £366,000).

Analysis of land and buildings

	Long Leasehold £'000	Short Leasehold £'000	Freehold £'000	Total Total £'000
Cost	363	33,736	1,408	35,507
Additions	-	3,118	-	3,118
Disposals	-	(515)	-	(515)
Accumulated depreciation	(135)	(24,070)	(442)	(24,647)
Net book value	**228**	**12,269**	**966**	**13,463**

10. Fixed asset investments

	£'000
Investment in HSS Hire Service Holdings Limited	100,179
Capitalisation of intercompany loans	156,280
At 31 December 2013	**256,459**

At 31 December 2013 the company's principal subsidiary undertakings were as follows:

Name of company *(and country of incorporation if outside UK)*	**Proportion of equity shares held**	**Activities**
Owned directly		
HSS Hire Service Holdings Limited*	100%	Intermediate holding company
Owned indirectly		
HSS Hire Service Finance Limited*	100%	Intermediate holding company
HSS Hire Service Group Limited*	100%	Hire and equipment services
A1 Hire & Sales Limited*	100%	Hire and equipment services
Bannagroe Limited *(Republic of Ireland)**	100%	Intermediate holding company
Laois Hire Services Limited *(Republic of Ireland)**	100%	Hire and equipment services
HSS Training Limited*	100%	Training
1st Collection Services Limited*	100%	Administration of group trade debtors
Abird Superior Limited*	100%	Intermediate holding company
Abird Limited*	100%	Hire and equipment services
UK Platforms Limited*	100%	Hire and equipment services
TecServ Cleaning Equipment Services Limited	100%	Cleaning equipment services

* Represents companies that are part of the banking obligor group.

11. Stock

	Group		**Company**	
	2013	2012	**2013**	2012
	£'000	£'000	**£'000**	£'000
Stock held for resale	**3,911**	2,878	**-**	-
Stock of spares	**1,506**	875	**-**	-
	5,417	3,753	**-**	-

12. Debtors

	Group		**Company**	
	2013	2012	**2013**	2012
	£'000	£'000	**£'000**	£'000
Trade debtors	**53,237**	40,032	**-**	-
Due from group undertakings	**1,122**	-	**2,682**	152,554
Other debtors	**252**	938	**-**	-
Prepayments and accrued income	**13,436**	10,111	**-**	-
Corporation tax	**167**	167	**-**	-
	68,214	51,248	**2,682**	152,554

Amounts receivable from group entities are unsecured and repayable on demand with interest receivable based on LIBOR plus an agreed rate.

13. Creditors: amounts falling due within one year

	Group		Company	
	2013	2012	**2013**	2012
	£'000	£'000	**£'000**	£'000
Bank overdraft	**-**	4,019	**-**	-
Trade creditors	**29,493**	20,288	**-**	-
Due to group undertakings	**2,946**	2,507	**20,496**	43,114
Corporation tax	**709**	134	**-**	-
Accrued interest	**1,972**	737	**1,972**	737
Accruals and deferred income	**11,997**	7,842	**78**	18
Other taxes and social security costs	**4,758**	4,117	**-**	-
Other creditors	**3,119**	1,409	**205**	-
Obligations under finance leases	**3,408**	2,092	**-**	-
Bank and other borrowings	**3,875**	375	**-**	375
	62,277	43,520	**22,751**	44,244

Amounts payable to group entities are unsecured and repayable on demand with interest payable based on LIBOR plus an agreed rate.

14. Creditors: amounts falling due after more than one year

	Group		Company	
	2013	2012	**2013**	2012
	£'000	£'000	**£'000**	£'000
Bank and other borrowings	**152,547**	124,170	**156,422**	124,170
Due to group undertakings	**92,176**	88,364	**92,176**	88,364
Obligations under finance leases	**5,019**	3,045	**-**	-
	249,742	215,579	**248,598**	212,534

15. Maturity profile of creditors

(a) Bank and other borrowings

Bank and other borrowing are repayable as follows:

	Group		Company	
	2013	2012	**2013**	2012
	£'000	£'000	**£'000**	£'000
Due within one year				
Term loans	**875**	375	**875**	375
Revolving credit facility	**3,000**	-	**3,000**	-
	3,875	375	**3,875**	375
Due after more than one year				
Term loans	**158,750**	129,625	**158,750**	129,625
Issue costs to be amortised under FRS4	**(6,203)**	(5,455)	**(6,203)**	(5,455)
	152,547	124,170	**152,547**	124,170

Issue costs relate entirely to the term loans.

	Group		Company	
	2013	2012	**2013**	2012
	£'000	£'000	**£'000**	£'000
Secured Senior Term Loan 'A'	**39,625**	40,000	**39,625**	40,000
Secured Senior Term Loan 'B'	**90,000**	90,000	**90,000**	90,000
Secured Senior Term Loan 'C'	**20,000**	-	**20,000**	-
Secured Senior Term Loan 'D'	**10,000**	-	**10,000**	-
	159,625	130,000	**159,625**	130,000

Term Loan 'A' is an amortising loan with £875,000 due for repayment in 2014, £1,125,000 in 2015, £1,375,000 in 2016, £1,625,000 in 2017 and the balance due in 2018.

Term Loan 'B' is repayable in full in October 2018, Term Loan 'C' on 30 June 2019 and Term Loan 'D' on 31 December 2019. The revolving credit facility is available until October 2018.

Interest rates applicable are as follows:

	Group		Company	
	2013	2012	**2013**	2012
	% above	% above	**% above**	% above
	LIBOR	LIBOR	**LIBOR**	LIBOR
Secured Senior Term Loan 'A'	**4.25**	4.25	**4.25**	4.25
Secured Senior Term Loan 'B'	**4.75**	4.75	**4.75**	4.75
Secured Senior Term Loan 'C'	**7.00**	-	**7.00**	-
Secured Senior Term Loan 'D'	**10.50**	-	**10.50**	-
Revolving credit facility	**4.25**	-	**4.25**	-

The term loans are secured by fixed and floating charges over the goodwill and assets of the company and certain of its subsidiaries, see note 10.

The group has in place an interest rate swap to fix LIBOR interest at 0.959% in respect of £110,000,000 of the senior debt which expires on 26 November 2016.

The group has undrawn committed borrowing facilities of £7,000,000 at 31 December 2013 (2012: £5,631,000).

(b) Finance leases

The group's future minimum payments under finance leases are as follows:

	Group	
	2013	2012
	£'000	£'000
Within one year	**3,408**	2,092
In more than one year, but not more than two years	**2,843**	1,651
In more than two years, but not more than five years	**2,176**	1,394
	8,427	5,137

(c) Due to group undertakings

Amounts due to group undertakings are repayable in full in 2022.

16. Provisions for liabilities

Group

	Properties £'000	Deferred tax £'000	Total £'000
At 1 January 2013	6,760	603	7,363
Acquired	1,625	(73)	1,552
Utilised during the year	(1,497)	-	(1,497)
Charged to the profit and loss account	1,090	(132)	958
At 31 December 2013	7,978	398	8,376

17. Share capital

	2013 No. '000	2012 No. '000	2013 £'000	2012 £'000
Issued, called up and fully paid				
Ordinary shares of £1 each	14,208	14,208	14,208	14,208
A Ordinary shares at £0.0001 each	143,083	143,083	14	14
	157,291	157,291	14,222	14,222

18. Movement in reserves

(a) Profit and loss account

	Group £'000	Company £'000
At 1 January 2013	(188,630)	(161,335)
Loss for the financial year	(1,080)	(8,163)
Foreign exchange difference	59	-
At 31 December 2013	(189,651)	(169,498)

(b) Share premium account

	Group £'000	Company £'000
At 1 January 2013 and 31 December 2013	143,068	143,068

19. Reconciliation of movements in equity shareholders' deficit

	Group		Company	
	2013	2012	**2013**	2012
	£'000	£'000	**£'000**	£'000
Loss for the financial year	**(1,080)**	(16,577)	**(8,163)**	(11,853)
Foreign exchange difference	**59**	(92)	**-**	-
Capital contribution	**-**	6,581	**-**	6,176
Share capital issued	**-**	14,222	**-**	14,222
Share premium	**-**	143,068	**-**	143,068
Net increase to equity shareholders' fund	**(1,021)**	147,202	**(8,163)**	151,613
Opening equity shareholders' deficit	**(31,340)**	(178,542)	**(4,045)**	(155,658)
Closing equity shareholders' deficit	**(32,361)**	(31,340)	**(12,208)**	(4,045)

20. Operating lease commitments

The group's annual commitment under operating leases is set out below:

	Land and buildings		Other	
	2013	2012	**2013**	2012
	£'000	£'000	**£'000**	£'000
Operating leases which expire:				
Within one year	**692**	806	**786**	1,170
Within two to five years	**7,561**	6,853	**5,062**	4,308
Over five years	**7,464**	7,757	**-**	-
	15,717	15,416	**5,848**	5,478

21. Notes to the cash flow statement

(a) Reconciliation of operating profit to net cash flow from operating activities

	Year ended 31 December 2013	Year ended 31 December 2012
	£'000	£'000
Operating profit	**14,847**	2,020
Depreciation	**24,346**	19,961
Net book value of hire stock disposals	**3,431**	4,904
Amortisation of goodwill	**7,908**	7,695
Decrease in stock	**(1,035)**	(143)
(Increase) in debtors	**(11,301)**	(1,391)
Increase / (decrease) in provisions	**(483)**	926
Increase in creditors	**4,049**	4,785
Exchange adjustments	**21**	(13)
Profit on sale of fixed assets	**6**	-
	41,789	38,744

(b) Returns from investments and servicing of finance

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Interest paid	**(7,265)**	(12,201)
Interest paid on finance leases	**(479)**	(210)
Interest received	**12**	30
Issue costs of renegotiating bank financing	**(1,926)**	(7,309)
	(9,658)	(19,690)

(c) Capital expenditure and financial investment

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Purchase of fixed assets	**(28,664)**	(25,304)

(d) Acquisitions and disposals

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Purchase of subsidiary undertakings	**(26,795)**	(7,427)
Cash acquired with subsidiaries	**355**	91
	(26,440)	(7,336)

(e) Financing

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Repayment of bank loans	**(375)**	(46,308)
Bank loans taken out	**33,000**	53,732
Capital element of finance leases repaid	**(2,789)**	(397)
	29,836	7,027

(f) Analysis of net debt

	At 1 January 2013 £'000	Acquisitions £'000	Cashflow £'000	Other non-cash items £'000	At 31 December 2013 £'000
Cash at bank and in hand	1,525	-	1,346	-	2,871
Bank overdraft	(4,019)	-	4,019	-	-
	(2,494)	-	5,365	-	2,871
Finance leases	(5,137)	(2,208)	2,789	(3,871)	(8,427)
Term loans	(130,000)	-	(32,625)	-	(162,625)
Issue costs	5,455	-	1,926	(1,179)	6,202
Shareholder financing	(88,364)	-	-	(3,812)	(92,176)
	(220,540)	(2,208)	(22,545)	(8,862)	(254,155)

22. Pension commitments

The group provides the option of one of two stakeholder pension schemes to employees. The assets of both schemes are held separately from those of the group in an independently administered fund. At 31 December 2013, no contributions were owing to the scheme (2012: nil).

23. Related party transactions

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8, Related Party Disclosures, not to disclose transactions with group companies which are 100% owned, on the basis that it is 100% controlled within the group and its parent company, Havana Topco Limited prepares consolidated financial statements which are publically available.

24. Ultimate holding company

At 31 December 2013, the company's immediate parent company was Havana Bidco Limited a company incorporated in the United Kingdom, and its ultimate parent company was Havana Topco Limited, also a company incorporated in the United Kingdom. The financial statements of the company at 31 December 2013 have been consolidated into the Havana Topco Limited group whose financial statements can be obtained from: The Company Secretary, 12 Henrietta Street, London, WC2E 8LH.

By virtue of its majority shareholding, Havana Topco Limited is controlled by funds managed by Exponent Private Equity LLP.

25. Acquisitions

On 28 June 2013 HSS Hire Service Group Limited acquired the entire share capital of UK Platforms Limited, a powered access hire company. On 22 November 2013 HSS Hire Service Group Limited acquired the entire share capital of TecServ Cleaning Equipment Services Limited (formerly Premiere FCM Limited), a specialist provider of cleaning equipment services. Further details are given below. In addition, a further immaterial acquisition in the year gave rise to goodwill of £62,000.

The assets and liabilities of UK Platforms Limited and its provisional fair values are set out below:

	Book value £'000	Adjustments £'000	Fair Value £'000
Tangible fixed assets	20,552	4,622	25,174
Stock	238	-	238
Debtors	5,813	(631)	5,182
Cash at bank and in hand	406	-	406
Creditors and provisions	(3,499)	(2,112)	(5,611)
Finance leases	(2,208)	-	(2,208)
	21,302	1,879	23,181
Goodwill			5,350
Cash consideration including expenses			28,531

Of the consideration, £2,000,000 relates to deferred consideration due in less than one year. This consideration was paid on 31 December 2013, which falls outside the period covered by these accounts. These accounts are drawn up for the 52 weeks ended 27 December 2014, see accounting convention policy on page 12.

The fair value adjustments relate to the revaluation of the hire stock fleet to fair value and the recognition of provisions in line with the policies of HSS Hire Service Group.

The assets and liabilities of TecServ Cleaning Equipment Services Limited and its provisional fair values are set out below:

	Book value £'000	Adjustments £'000	Fair Value £'000
Tangible fixed assets	17	-	17
Stock	892	(534)	358
Debtors	483	-	483
Cash at bank and in hand	(51)	-	(51)
Creditors and provisions	(842)	-	(842)
	499	(534)	(35)
Goodwill			127
Cash consideration			92

The fair value adjustments relate to the creation of a stock obsolescence provision.

The results of UK Platforms Limited prior to its acquisition are set out below:

	Current period up to acquisition £'000	Year ended 31 December 2012 £'000
Turnover	9,866	18,412
Operating (loss) / profit	(305)	420
Net interest	(561)	(1,054)
Loss on ordinary activities before tax	(866)	(634)
Tax on profit on ordinary activities	-	-
(Loss) for the period / year	(866)	(634)

The results of TecServ Cleaning Equipment Services Limited prior to its acquisition are set out below:

	Current period up to acquisition £'000	Year ended 31 December 2012 £'000
Turnover	1,574	1,729
Operating profit	50	501
Net interest	-	-
Profit on ordinary activities before tax	50	501
Tax on profit on ordinary activities	-	-
Profit for the period / year	50	501

26. Continuing and acquisition activities

	Year ended 31 December 2013 Continuing activities pre-Exceptional Items £'000	Year ended 31 December 2013 Acquisition activities pre-Exceptional Items £'000	Year ended 31 December 2013 Pre-Exceptional Items £'000	Year ended 31 December 2013 Exceptional Items (note 2) £'000	Year ended 31 December 2013 Total £'000
Turnover	**214,450**	11,363	**225,813**	**-**	**225,813**
Cost of sales	(68,941)	(4,470)	(73,411)	**-**	(73,411)
Gross profit	**145,509**	**6,893**	**152,402**	**-**	**152,402**
Administrative expenses	(102,115)	(3,504)	(105,619)	(4,296)	(109,915)
Distribution expenses	(26,342)	(2,347)	(28,689)	-	(28,689)
Other operating income	1,049	**-**	1,049	-	1,049
Operating profit	**18,101**	**1,042**	**19,143**	**(4,296)**	**14,847**

27. Post balance sheet events

On 6 February 2014 the company refinanced its external borrowing requirements. Via a subsidiary (HSS Financing Plc), Hero Acquisitions raised £200m of 6.75% Senior Secured Notes due in 2019. The proceeds from this fund raising were used to repay the existing £160m senior facilities agreement that the company had in place, repay the £3m revolving credit facility and to redeem part of the loan notes held by another group company, Havana Midco (£29m of principal and accrued interest repaid). Hero Acquisitions also put in place a £60m revolving credit facility, that was undrawn at completion of the refinancing.

On 31 March 2014 the group acquired the entire share capital of Apex Generators Limited, a specialist generator hire company operating in Scotland, via its indirect subsidiary company, Abird Superior Limited. The cost of equity investment was £5.9m, financed by intercompany borrowings.

28. Segmental analysis

	Year ended 31 December 2013 £'000 UK	Year ended 31 December 2013 £'000 Ireland	Year ended 31 December 2013 £'000 Group
Turnover	**204,857**	**20,956**	**225,813**
Profit after tax*	**15,685**	**395**	**16,080**
Net assets*	**59,111**	**2,859**	**61,970**

	Year ended 31 December 2012 £'000 UK	Year ended 31 December 2012 £'000 Ireland	Year ended 31 December 2012 £'000 Group
Turnover	166,278	15,529	181,807
Profit after tax*	4,953	749	5,702
Net assets*	42,636	3,195	45,831

*Note that profit after tax and net asset information is given in respect of Laois Hire Services Limited only and not the Irish branch operations of HSS Hire Service Group Limited, as assets are not tracked by division.

Hero Acquisitions Limited

Annual report and revised financial statements
Year ended 31 December 2012

Registered number 06209511

Hero Acquisitions Limited

Contents

Hero Acquisitions Limited

Directors and advisers

Year ended 31 December 2012

Directors

A. Peterson
J.C. Davies
J.B. Gill
F. Perrin

Registered office

25 Willow Lane
Mitcham
Surrey
CR4 4TS

Auditors

BDO LLP
55 Baker Street
London
W1U 7EU

Directors' report

Year ended 31 December 2012

The directors present their report and the audited financial statements of the group and company for the year ended 31 December 2012.

This revised directors' report and the accompanying revised financial statements replace the original report and financial statements for the year ended 31 December 2012 which were approved by the Board on 24 April 2013. They are now the statutory directors' report and financial statements of the company for that financial year. In accordance with the Companies Act 2006 ('the Act) the directors' report and financial statements have been revised as at the date of the original directors' report and financial statements and not as at the date of this revision. Accordingly they do not deal with events between those dates. The original financial statements did not comply with the Act in the following respect. Certain amounts due to group companies were treated as repayable on demand, notwithstanding that agreements had been entered into at the time of acquisition of the company during the year that these would be repayable in 2020. The effect of the revision is to recognise £88.4m of the amounts due to group undertakings as due in greater than one year, and reduce the amounts due within one year to group undertakings by the same amount in both the group and company balance sheet. There is no effect on the group profit and loss account. The Act requires that where revised financial statements are issued, a revised auditors' report is issued and this is attached.

Principal activities

The principal activity of the group is the supply and hire of equipment and services. The principal activity of the company within the group is to act as an intermediate holding company and to provide finance to the group companies.

Review of business and future developments

The group is a market leading supplier of tool and equipment hire in the UK and Ireland and has been providing hire services for over 50 years. Operating under the banner of HSS Hire, the group has an established network of over 230 outlets.

HSS has a diverse customer base across a range of sectors, with a particular focus on the "maintain and operate" sector. Customers include major players in transport, facilities management, utilities, retail and construction as well as trades-people and consumers. This breadth means that no single customer accounts for more than 2% of revenue.

HSS also operates a specialist training division called HSS Training which delivers a range of safety related courses across the UK.

HSS has a strong focus on safety and holds a 4-star British Safety Council rating. In addition HSS is ISO9001, ISO 14001, BS OHSAS 18001, ISO17020 and Safe-Hire accredited and is a holder of Investors in People status. HSS has also contributed to community support projects and has set up apprentice schemes.

During the year, Hero Acquisitions Limited was sold by Hero Midco Limited to a new company, Havana Bidco Limited. The transaction was completed on 25 October 2012 and was accompanied by a material reduction in the third party debt in Hero Acquisitions. Havana Bidco is part of a group of companies controlled by Exponent Private Equity.

On 31 October 2012 a subsidiary of Hero Acquisitions acquired 100% of Abird Superior Limited, the parent company of Abird Limited. Abird Limited is a specialist generator hire company, with seven depots across England and Wales. It is the intention of the HSS management team to develop the Abird business by opening new depots and adding to the fleet of generators.

Despite the challenging external market conditions the directors consider that the group has delivered a strong set of trading results. When combined with the new ownership and the reduction in external debt, the directors believe that the group is well placed to grow and through its brands and operations to continue to deliver high levels of service for its customers.

Principal risks and uncertainties

The management of the business and the execution of the group's strategy are subject to a number of risks. Risks are reviewed by the board and appropriate processes put in place to monitor and mitigate them. The key business risks affecting the group are set out below:

Competitor risk: The group operates in a highly competitive market balancing both customer requirements and market pressures. The board review and monitor these factors to ensure the group's competitiveness.

Economic risk: The group's trading is broadly linked to the underlying performance of the economies of both the UK and Ireland and is therefore exposed to recessionary risk when economies slow. To mitigate this risk, management regularly reviews market and research data for forecast movements in the economy.

Liquidity risk and going concern: The group is exposed to liquidity risk as sufficient funds are required to support trading, investing and financing activities. The group regularly monitors the liquidity position to ensure that sufficient funds are available to meet both current and future requirements. The group's borrowings (note 15) are subject to a number of financial covenants which the directors regularly monitor to ensure both current and future compliance.

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue as a going concern for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the accounts. Further details are given in note 1 to the accounts.

Credit risk: The group has implemented policies to manage potential credit risk before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed periodically. Management believe the policies and provisions in place adequately cover such risk.

Interest rate risk: The group's borrowings are principally at floating rates exposing the group to cash flow value interest rate risk. The group's policy is to hedge this risk through the use of swap arrangements. An interest rate swap has been entered into which is described in note 15 to the financial statements which covers approximately 92% of the group's term loans.

Results, dividends and KPIs

The directors consider the following to be the key performance indicators of the business: revenue, EBITDA before items defined as exceptional as per the senior facilities agreement (note 2), capital expenditure and net borrowings.

Revenue for the year was £181.8m (2011: £177.2m). EBITDA before items defined as exceptional as per the senior facilities agreement (note 2) was £40.4m (2011: £42.1m), representing a 22.2% margin on sales (2011: 23.4%). Reported loss for the financial year was £16.6m (2011: £19.7m) after reflecting interest costs and a non-operating loss of £0.7m (2011: £0.1m profit).

Gross fixed asset additions for the period were £26.3m (2011: £25.8m) representing the group's continued investment in its hire fleet, systems and branch network.

No interim dividends were paid or proposed during the year ended 31 December 2012 (2011: £nil). The directors do not recommend the payment of a final dividend (2011: £nil).

Directors

The directors of the company who served during the year ended 31 December 2012 are listed below:

J.C. Davies
J.B. Gill
F. Perrin
A. Peterson (appointed 1 December 2012)

T. Sweet-Escott (appointed 25 October 2012, resigned 26 November 2012)
O. Bower (appointed 25 October 2012, resigned 26 November 2012)
J.R. Lenane (appointed 25 October 2012, resigned 26 November 2012)
A.J. Norman (resigned 25 October 2012)
B.R.L Palmer (resigned 25 October 2012)
M.S. Thompson (resigned 25 October 2012)
N. Brown (resigned 25 October 2012)
T.S. Sidhu (resigned 25 October 2012)

Policy and practice on payment of creditors

It is the group's policy to agree the terms of payment at the start of business with a supplier. The group seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The company does not have a standard or code which deals specifically with the payment of suppliers. The trade creditor days for the group for 2012 were 87 (2011: 92). The company did not have any trade creditors as at 31 December 2012 (2011: £nil).

Employee involvement

It is the group's policy to provide employees, on a regular basis, with financial and other information on matters of concern to them, by means of house journals and news sheets.

Every endeavour is made to consult, wherever possible, with employees, so that their views can be taken into account in making decisions which are likely to affect their interests. Employees participate in consultations to help facilitate this process.

Disabled employees

The group's policy on employment of disabled persons is:

1. To give full and fair consideration to applications for employment with the group made by disabled persons, having regard to their particular aptitudes and abilities.
2. Where practical, to continue the employment of and arrange appropriate training for employees of the company who become disabled during their employment with the group.
3. To encourage training and career development for all personnel employed by the group, including disabled persons.

Charitable and political donations

Charitable donations of £4,487 were made during the period (2011: £4,000). Hire equipment is made available to charitable organisations at reduced rates. There were no political donations during the year ended 31 December 2012 (2011: £nil).

Statement of directors' responsibilities

The directors are responsible for preparing the directors' 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 have elected to prepare the group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 of the profit or loss of the group and company for that period.

In preparing these 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 applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under S454 of the Act the directors have authority to revise annual financial statements or the directors' report if they do not comply with the Act. The revised financial statements or report must be amended in accordance with the Companies (Revision of Defective Accounts and Report) Regulations 2008 and in accordance therewith do not take account of events which have taken place after the date on which the original financial statements were approved. The Regulations require that the revised financial statements show a true and fair view as if they were prepared and approved by the directors as at the date of the original financial statements.

Directors' statement as to the disclosure of information to auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

Auditors

The auditors, BDO LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the next Annual General Meeting.

By order of the board

J.B. Gill
Director
17 January 2014

Independent auditors' report to the members of Hero Acquisitions Limited

We have audited the revised financial statements of Hero Acquisitions Limited for the year ended 31 December 2012 which comprise the group profit and loss account, the group statement of total recognised gains and losses, the group and company balance sheets and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). These revised financial statements have been prepared under the accounting policies set out therein and replace the original financial statements approved by the directors on 24 April 2013.

The revised financial statements have been prepared under The Companies (Revision of Defective Accounts and Reports) Regulations 2008 and accordingly do not take account of events which have taken place after the date on which the original financial statements were approved.

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.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the revised 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 revised financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with Financial reporting Council's ("FRC's") Ethical Standards for Auditors.

We are also required to report whether in our opinion the original financial statements failed to comply with the requirements of the Companies Act 2006 in the respects identified by the directors.

Scope of the audit of the financial statements

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

In addition the audit of revised financial statements includes the performance of procedures to assess whether the revisions made by the directors are appropriate and have been properly made.

Opinion on financial statements

In our opinion the revised financial statements:

- give a true and fair view, seen at the date the original financial statements were approved, of the state of the group's and the parent company's affairs as at 31 December 2012 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice seen at the date the original financial statements were approved; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as they have effect under the Companies (Revision of defective Accounts and Reports) Regulations 2008;

In our opinion, the original financial statements for the year ended 31 December 2012 failed to comply with the requirements of the Companies Act 2006 in the respects identified by the directors in the statement contained in note 28 to these revised financial statement.

Emphasis of matter- revision of financial statements

In forming our opinion on the revised statements, which is not qualified, we have considered the adequacy of the disclosures made in note 28 to these revised financial statements concerning the need to revise the categorisation between due less than one year and amounts due greater than one year of amounts due to group companies. The original financial statements were approved on 24 April 2013 and our audit report was signed on 26 April 2013. We have not performed a subsequent events review for the period from the date of our previous report to the date of this report

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the revised directors' report for the financial year for which the financial statements are prepared is consistent with the revised financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements 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.

Douglas Lowson (Senior Statutory Auditor)

For and on behalf of BDO LLP, statutory auditor
London
United Kingdom
17 January 2014

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

Hero Acquisitions Limited

Group profit and loss account

Year ended 31 December 2012

	Notes	**Year ended 31 December 2012 Pre-Exceptional Items £'000**	**Year ended 31 December 2012 Exceptional Items (note 2) £'000**	**Year ended 31 December 2012 Total £'000**	Year ended 31 December 2011 Total £'000
Turnover		**181,807**	**-**	**181,807**	177,216
- continuing activities		**180,600**	-	**180,600**	177,216
- acquisition activities		**1,207**	-	**1,207**	-
Cost of sales		(60,209)	-	(60,209)	(53,735)
Gross profit		**121,598**	**-**	**121,598**	123,481
Administrative expenses		(91,432)	(5,718)	(97,150)	(93,658)
Distribution expenses		(23,587)	(57)	(23,644)	(25,980)
Other operating income		1,216	-	1,216	1,097
Operating profit	2	**7,795**	**(5,775)**	**2,020**	4,940
- continuing activities		**7,728**	**(5,775)**	**1,953**	4,940
- acquisition activities		**67**	-	**67**	-
Loss from share in associate undertaking		-	-	-	(23)
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**40,355**	**(5,775)**	**34,580**	38,387
less: Depreciation and amortisation		(32,560)	-	(32,560)	(33,470)
Total operating profit		**7,795**	**(5,775)**	**2,020**	4,917
(Loss) / profit on sale of fixed assets		(672)	-	(672)	75
Profit on ordinary activities before interest and taxation		**7,123**	**(5,775)**	**1,348**	4,992
Interest receivable and similar income	5	30	-	30	29
Non-cash interest		(7,824)	-	(7,824)	(14,352)
Interest on other loans - accrued or paid		(8,898)	-	(8,898)	(9,576)
Termination costs associated with interest rate swap		-	(1,701)	(1,701)	-
Interest payable and similar charges	6	(16,722)	(1,701)	(18,423)	(23,928)
Loss on ordinary activities before taxation		**(9,569)**	**(7,476)**	**(17,045)**	(18,907)
Tax on loss on ordinary activities	7			468	(830)
Loss for the financial year	19			**(16,577)**	(19,737)

None of the exceptional items relate to acquired activities.

The results above relate entirely to continuing operations. The notes on pages F-106 to F-122 form part of these accounts.

Hero Acquisitions Limited

Group statement of total recognised gains and losses

Year ended 31 December 2012

	Note	**Year ended 31 December 2012 £'000**	Year ended 31 December 2011 £'000
Loss for the financial year		**(16,577)**	(19,737)
Foreign currency translation differences	20	**(92)**	(231)
Total recognised losses relating to the period		**(16,669)**	(19,968)

The notes on pages F-106 to F-122 form part of these accounts.

Hero Acquisitions Limited

Group balance sheet

Year ended 31 December 2012

	Note	**2012 £'000**	2011 £'000
Fixed assets			
Intangible fixed assets	8	**112,860**	117,239
Tangible fixed assets	9	**65,736**	56,054
Investments	10	**-**	-
		178,596	173,293
Current assets			
Stock	11	**3,753**	3,364
Debtors	12	**51,248**	52,181
Cash at bank and in hand		**1,525**	4,065
		56,526	59,610
Creditors - amounts falling due within one year	13	**(43,520)**	(201,605)
Net current liabilites		**13,006**	(141,995)
Total assets less current liabilities		**191,602**	31,298
Creditors - amounts falling due after more than one year	14	**(215,579)**	(204,006)
Provisions for liabilities and charges	16	**(7,363)**	(5,834)
Net liabilities		**(31,340)**	(178,542)
Capital and reserves			
Share capital	17	**14,222**	-
Share premium	19	**143,068**	-
Reserves	19	**(188,630)**	(178,542)
Equity shareholders' deficit	20	**(31,340)**	(178,542)

The notes on pages F-106 to F-122 form part of these accounts.

Hero Acquisitions Limited

Company balance sheet

As at 31 December 2012
Registered number 06209511

	Note	2012 £'000	2011 £'000
Fixed assets			
Investments	10	**100,179**	100,179
Current assets			
Debtors	12	**152,554**	173,372
Creditors - amounts falling due within one year	13	**(44,244)**	(225,288)
Net current liabilities		**108,310**	(51,916)
Total assets less current liabilities		**208,489**	48,263
Creditors - amounts falling due after more than one year	14	**(212,534)**	(203,921)
Net liabilities		**(4,045)**	(155,658)
Capital and reserves			
Share capital	17	**14,222**	-
Share premium	19	**143,068**	-
Reserves	19	**(161,335)**	(155,658)
Equity shareholders' deficit	20	**(4,045)**	(155,658)

The notes on pages F-106 to F-122 form part of these accounts.

The revised financial statements which comprise the consolidated profit and loss account, the group statement of total recognised gains and losses, the group and company balance sheet and the related notes were approved and authorised by the board of directors on 17 January 2014 and were signed on its behalf by:

J.B. Gill
Director

1. Principal accounting policies

Accounting convention

The revised financial statements have been prepared in accordance with the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

The directors have taken advantage of the option within the Companies Act 2006 to make their accounts up to a date 7 days either side of the company's accounting reference date and these accounts therefore cover the period from 1 January 2012 to 28 December 2013.

Set out below is a summary of the more important accounting policies which have been applied consistently throughout the year.

Basis of preparation

The directors have prepared the accounts on the going concern basis. In preparing the accounts on this basis, the directors have taken account of the following factors:

The directors have prepared cash flow forecasts based on recent trading conditions and their current expectations of the group's future trading prospects for the forthcoming 12 months. These indicate that the group is expected to trade within its existing facilities and will meet all covenants as they fall due. Should revenue fall below forecasts thereby putting pressure on covenants, the directors have a number of mitigating actions available to them, including reducing capital expenditure, and the active management of working capital, as well as cost saving initiatives.

After making enquiries, the directors have a reasonable expectation that the group and company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

Basis of consolidation

The group accounts consolidate the accounts of Hero Acquisitions Limited and all its subsidiary undertakings. The results of subsidiaries acquired are included in the consolidated profit and loss account from the date control passes.

On acquisition of a subsidiary, all of the subsidiary's assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date. All changes to those assets and liabilities, and the resulting gains and losses, which arise after the group has gained control of the subsidiary, are dealt with in the post acquisition profit and loss account.

As permitted by section 408 of the Companies Act 2006 no separate profit and loss account is presented for Hero Acquisitions Limited.

Goodwill

Purchased goodwill represents the difference between the cost of an acquired entity and the aggregate of the fair value of that entity's identifiable assets and liabilities. It is stated at cost less accumulated amortisation and, where appropriate, impairment in value. In accordance with Financial Reporting Standard No. 10, goodwill arising on acquisition is capitalised as an intangible asset.

Where such goodwill is regarded as having a limited estimated useful economic life, it is amortised through the profit and loss account on a straight-line basis over its life. Goodwill is currently being amortised over periods of 20 years. The need for any impairment write down is assessed by the comparison of the carrying value of the asset against the higher of realisable value and the value in use.

Investments

Investments are included in the balance sheet 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.

Capital instruments

Finance costs on debt are allocated to periods over the terms of the debt at a constant rate of return on the carrying amount. Debt is initially recorded in the balance sheet based on the net proceeds received. Issue costs are spread forward in the profit and loss account over the term of the debt.

Associate undertakings

Associate undertakings are accounted for using the equity method whereby the group's share of both the associates' net assets and goodwill arising and share of result are recognised in the balance sheet and profit and loss account respectively.

Tangible fixed assets and depreciation

Tangible fixed assets, excluding materials and equipment held for hire, are stated at cost or fair value when acquired as part of a business acquisition, less depreciation and, when appropriate, provision for impairment. Depreciation is provided at rates calculated to write-off the cost of fixed assets on a straight line basis over the expected useful economic lives of the assets concerned. The annual rates used from the date of purchase are:

Leasehold properties with less than fifty years unexpired	Over unexpired period of lease
Freehold buildings and long leasehold properties	Over 50 years
Freehold land is not depreciated	
Fixtures, fittings, plant & machinery and office equipment	2 to 10 years

Materials and equipment held for hire purposes are valued at cost less an amount, based on varying rates, according to normal working lives of between one and ten years, computed on the basis of cost, to cover depreciation, to write the assets down to nil, and to cover wastage and obsolescence. 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. Materials and equipment held for hire are classified as fixed assets.

Stock

Other materials, stock of spares and equipment, included in stock, are stated at the lower of cost and net realisable value.

Deferred taxation

Deferred taxation is provided on a full provision basis, without discounting, on all timing differences, which have arisen but not reversed, at the balance sheet date. Except where otherwise required by Accounting Standards, no timing differences are recognised in respect of:

(a) property revaluation surpluses where there is no commitment to sell the asset;

(b) gains on sale of assets where those gains have been rolled over into replacement assets;
(c) additional tax which would arise if profits of overseas subsidiaries were distributed; and
(d) deferred tax assets except to the extent that it is more likely than not that they will be recovered.

Operating leases

Operating lease rentals are charged to the profit and loss account in the period to which they relate. Rent free periods, or any inducements to enter into operating lease agreements are released to the profit and loss account over the period to the date on which the rent is first expected to be adjusted to the prevailing market rent.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of transaction. Monetary assets and liabilities denominated in foreign currencies, held at the year end, are translated at year end exchange rates. Any resulting gain or loss is dealt with in the profit and loss account.

The results of overseas operations are translated at the average rates of exchange during the year and the balance sheet is translated into sterling at the rate of exchange ruling on the balance sheet date. Exchange differences which arise from translation of the opening net assets and results of foreign subsidiary undertakings are taken to reserves.

Finance leases

Assets acquired under finance leases are capitalised and are reported at cost. The equivalent liability is categorised as appropriate under creditors due within or after one year.

Finance charges are allocated to accounting periods over the period of the lease to approximate a constant rate of return on the outstanding balance. Repayments are apportioned between finance charges and reduction of the liability.

Provisions

In relation to leasehold properties, the company makes provision for known and anticipated dilapidations and wear and tear obligations where the company has a present obligation as a result of past events and where it is probable that a transfer of economic benefits will be required to settle the obligation and where a reliable estimate can be made of the amount of the obligation. In addition, where unavoidable costs of a lease exceed the economic benefit expected to be received from it, a provision is made for the expected obligation under the lease, after taking into account actions taken by the directors to minimise the future cash outflow.

Pension costs

The group operates an employees' optional stakeholder retirement and death benefit scheme. Both employee and employer are required to make contributions with the employer's contribution for each employee determined by the level of contribution made by the employee and the employee's length of service within the group. The company's contributions are charged against profits in the year in which the contributions are due.

Revenue

Revenue represents the amounts receivable by the company in respect of goods and services supplied, reduced by trade discounts and excluding value added tax. Where revenue relates to hire activities, revenue is recognised on a straight-line basis over the period of hire. Revenue in respect of other items is recognised at the point of sale when a right to consideration arises. Revenue also includes revenue from customers in compensation for damage to and loss of hire stock assets. The group's activities consist of supplying hire and equipment services, principally within the UK.

Derivatives and other financial instruments

The interest differential amounts due to / from the company on interest rate swaps are accrued until settlement date and are recognised within interest expense.

Cash flow statement

The company has taken advantage of the exemption available under paragraph 5(a) of Financial Reporting Standard No.1 not to prepare a cash flow statement.

2. Operating profit

Operating loss stated after charging / (crediting):

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Amortisation of goodwill / investments	**7,695**	7,566
Depreciation and other charges in respect of materials and equipment held for hire		
- owned assets	**14,959**	14,167
- leased assets	**366**	193
Depreciation of other tangible fixed assets		
- owned assets	**4,636**	4,946
Hire stock asset disposals, write-offs and customer losses	**4,904**	6,598
	32,560	33,470
Operating lease rentals		
- land and buildings	**16,464**	15,530
- motor vehicles	**4,144**	4,137
Property rental income	**(1,216)**	(1,097)
Auditor's remuneration		
- audit of the company's annual accounts	**25**	20
- audit of other group companies' annual accounts	**91**	62
Auditor's remuneration - non-audit services	**93**	10
Foreign exchange loss / (gain)	**45**	(95)

Non-audit fees of £10,000 (2011: £10,000) were in respect of other assurance services and £83,000 (2011: £nil) in respect of corporate finance services.

Exceptional items

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Included in cost of sales		
- Costs of implementing new operating model	**-**	50
Included in administrative expenses		
- Redundancy costs relating to rationalisation of operations	**931**	973
- Professional fees relating to rationalisation of operations	**18**	161
- Costs of non-trading stores	**3,533**	1,519
- Costs incurred during sale process	**1,236**	553
	5,718	3,206
Included in distribution expenses		
- Redundancy costs relating to rationalisation of operations	**57**	417
	5,775	3,673
Included in interest payable		
- Termination costs associated with interest rate swap	**1,701**	-
	7,476	3,673

3. Employees

(a) Staff costs

Staff costs (including directors) were as follows:

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Wages and salaries	**50,497**	49,583
Social security costs	**5,321**	4,893
Other pension costs	**1,102**	1,012
	56,920	55,488

Staff costs relate entirely to subsidiary companies.

(b) Employee numbers

The average monthly number of persons employed by the group during the year, including executive directors, was as follows:

	Year ended 31 December 2012 Number	Year ended 31 December 2011 Number
Distribution	**596**	667
Stock Maintenance	**323**	310
Administration	**1,443**	1,290
	2,362	2,267

4. Directors' emoluments

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Aggregate emoluments	**1,095**	982
Pension contributions made	**69**	103
	1,164	1,085

The amounts paid in respect of the highest paid director are as follows:

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Aggregate emoluments	**481**	316
Pension contributions made	**30**	28
	511	344

5. Interest receivable and similar income

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Short-term deposits and other bank interest	**30**	29

6. Interest payable and similar charges

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Bank loans and overdrafts	**13,168**	14,809
Group companies	**1,181**	8,594
Finance leases	**210**	23
Amortisation of issue costs	**2,163**	502
Termination costs associated with interest rate swap	**1,701**	-
	18,423	23,928

7. Tax on loss for the year

(a) Analysis of charge in the year

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Current tax:		
UK corporation tax on the loss for the year	**(118)**	830
Tax recoverable under s455 CTA 2010	**(167)**	-
Total current tax (note 7(b))	**(285)**	830
Deferred tax:		
Origination and reversal of timing differences	**(183)**	**-**
Tax credit on loss on ordinary activities	**(183)**	-
Tax (credit) / charge on loss on ordinary activities	**(468)**	830

(b) Factors affecting the tax charge 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 31 December 2012 £'000	Year ended 31 December 2011 £'000
Loss on ordinary activities before tax	**(17,045)**	(18,907)
UK corporation tax at 24.5% (2011: 26.5%) on loss on ordinary activities	**(4,176)**	(5,010)
Effects of:		
Depreciation in excess of capital allowances	**928**	2,593
Expenses not deductible for tax purposes	**1,052**	3,885
Utilised tax losses	**(33)**	(676)
Non deductible accounting amortisation / fair value adjustment	**1,907**	-
Losses carried forward	**187**	178
Other short term timing differences	**17**	(207)
Tax (recoverable)/payable under s455 CTA 2010	**(167)**	67
	(285)	830

During the year the company surrendered and received payment for group relief to the net tax effect of £2,728,051 (2011: £5,261,594)

(c) Factors that may affect the future tax charge

The group has an unrecognised deferred tax asset of approximately £12,297,000 (2011: £12,184,000). No tax asset has been recognised on the basis that it is not sufficiently certain when taxable profits will be made in the future in order to absorb the reversal of the timing difference.

8. Intangible fixed assets

	Goodwill £'000
Cost	
At 1 January 2012	239,821
Additions (note 18)	3,317
At 31 December 2012	**243,138**
Accumulated amortisation	
At 1 January 2012	122,583
Charge for the year	7,695
Impairment charge	-
At 31 December 2012	**130,278**
Net book amount	
At 31 December 2012	**112,860**
At 31 December 2011	117,238

Goodwill brought forward arose on the acquisition of HSS Hire Service Holdings Limited by the group on 15 June 2007.

9. Tangible fixed assets

Group

	Land and Buildings £'000	Plant and Machinery £'000	Materials and Equipment held for hire £'000	Total £'000
Cost				
At 1 January 2012	**35,052**	**46,408**	**118,045**	**199,505**
FX differences	(1)	(18)	(210)	(229)
Additions	2,034	3,539	20,714	26,287
Acquired on acquisition	-	1,043	15,992	17,035
Transfers	1,056	(1,056)	-	-
Disposals	(2,634)	(285)	(18,021)	(20,940)
At 31 December 2012	**35,507**	**49,631**	**136,520**	**221,658**
Accumulated depreciation				
At 1 January 2012	**23,024**	**36,930**	**83,497**	**143,451**
FX differences	-	(13)	(137)	(150)
Charge for the year	1,710	2,926	15,325	19,961
Acquired on acquisition	-	725	7,299	8,024
Disposals	(2,069)	(178)	(13,117)	(15,364)
At 31 December 2012	**22,665**	**40,390**	**92,867**	**155,922**
Net book amount				
At 31 December 2012	**12,842**	**9,241**	**43,653**	**65,736**
At 31 December 2011	**12,028**	**9,478**	**34,548**	**56,054**

The net book value of plant and machinery includes an amount of £6,384,000 (2011: £353,000) in respect of assets held under finance leases. The depreciation charge for assets held under finance leases was £366,000 (2011: £193,000).

Analysis of land and buildings

	Long Leasehold £'000	Short Leasehold £'000	Freehold £'000	Total £'000
Cost	1,162	31,113	2,776	35,051
Additions	-	2,018	16	2,034
Transfers		994	62	1,056
Disposals	-	(565)	-	(565)
Accumulated depreciation	(273)	(23,856)	(605)	(24,734)
Net book value	**889**	**9,704**	**2,249**	**12,842**

10. Fixed asset investments

Company

	2012	2011
	£'000	£'000
Investment in HSS Hire Service Holdings	**100,179**	100,179

The investment represents a 100% interest in the ordinary share capital of HSS Hire Service Holdings Limited, an intermediate holding company incorporated in England.

Group

	£'000
At 1 January 2012	-
Investment in subsidiary undertaking	7,731
At 31 December 2012	**7,731**

At 31 December 2012 the group's principal subsidiary undertakings were as follows:

Name of company *(and country of incorporation if outside UK)*	**Proportion of equity shares held**	**Activities**
Owned directly		
HSS Hire Service Holdings Limited	100%	Intermediate holding company
Owned indirectly		
HSS Hire Service Finance Limited	100%	Intermediate holding company
HSS Hire Service Group Limited	100%	Hire and equipment services
A1 Hire & Sales Limited	100%	Hire and equipment services
Bannagroe Limited *(Republic of Ireland)*	100%	Intermediate holding company
Laois Hire Services Limited *(Republic of Ireland)*	100%	Hire and equipment services
HSS Training Limited	100%	Training
1st Collection Services Limited	100%	Administration of group trade debtors
Abird Superior Limited	100%	Intermediate holding company
Abird Limited	100%	Hire and equipment services

11. Stock for resale

	Group		Company	
	2012	2011	**2012**	2011
	£'000	£'000	**£'000**	£'000
Stock held for resale	**2,878**	2,707	**-**	**-**
Stock of spares	**875**	657	**-**	**-**
	3,753	3,364	**-**	**-**

12. Debtors

	Group		Company	
	2012	2011	**2012**	2011
	£'000	£'000	**£'000**	£'000
Trade debtors	**40,032**	34,803	**-**	-
Due from group undertakings	**-**	4,413	**152,554**	173,372
Other debtors	**938**	2,363	**-**	-
Prepayments and accrued income	**10,111**	10,602	**-**	-
Corporation tax	**167**	-	**-**	-
	51,248	52,181	**152,554**	173,372

Amounts receivable from group entities are unsecured and repayable on demand with interest receivable based on LIBOR plus an agreed rate.

13. Creditors: amounts falling due within one year

	Group		Company	
	2012	2011	**2012**	2011
	£'000	£'000	**£'000**	£'000
Bank overdraft	**4,019**	-	**-**	-
Trade creditors	**20,288**	16,532	**-**	-
Due to group undertakings	**2,507**	166,933	**43,114**	218,808
Corporation tax	**134**	68	**-**	-
Other taxes and social security costs	**4,117**	3,227	**-**	-
Other creditors	**1,409**	785	**-**	-
Obligations under finance lease	**2,092**	172	**-**	-
Accrued interest	**737**	5,887	**737**	5,887
Accruals and deferred income	**7,842**	7,834	**18**	593
Bank and other borrowings	**375**	167	**375**	-
	43,520	201,605	**44,244**	225,288

Amounts payable to group entities are unsecured and repayable on demand with interest payable based on LIBOR plus an agreed rate.

14. Creditors: amounts falling due after more than one year

	Group		Company	
	2012	2011	**2012**	2011
	£'000	£'000	**£'000**	£'000
Bank and other borrowings (note 15)	**124,170**	203,754	**124,170**	203,921
Due to group undertakings	**88,364**	-	**88,364**	-
Obligations under finance leases	**3,045**	252	**-**	-
	215,579	204,006	**212,534**	203,921

Amounts payable to group entities are unsecured and repayable in 2020 with interest payable based on LIBOR plus an agreed rate.

15. Maturity profile of creditors

(a) Bank and other borrowings

Bank and other borrowings are repayable as follows:

	Group		Company	
	2012	2011	**2012**	2011
	£'000	£'000	**£'000**	£'000
Due within one year				
Term loans	**375**	167	**375**	-
Due after more than one year				
Term loans	**129,625**	203,754	**129,625**	203,754
Loan notes – group undertakings	**-**	1,278	**-**	1,278
Payment in kind notes – group undertakings	**-**	732	**-**	732
Issue costs to be amortised under FRS4	**(5,455)**	(2,010)	**(5,455)**	(2,010)
	124,170	203,754	**124,170**	203,754

On 25th October 2012, Hero Acquisitions Limited was sold to Havana BidCo Limited. The bank loans in existence at the date of acquisition were repaid and replaced by a new facility.

Issue costs relate entirely to the term loans.

	Group and Company	
	2012	2011
	£'000	£'000
Secured Senior Term Loan 'A' repayable as set out below	**40,000**	-
Secured Senior Term Loan 'B' repayable in full in October 2018	**90,000**	-
Secured Senior Bank Facility 'B'	**-**	90,763
Secured Senior Bank Facility 'C1'	**-**	60,509
Secured Senior Bank Facility 'C2'	**-**	23,898
Secured Senior Bank Facility 'D'	**-**	28,751
	130,000	203,921

Term Loan 'A' is an amortising loan with £375,000 due for repayment in 2013, £875,000 in 2014, £1,125,000 in 2015, £1,375,000 in 2016, £1,625,000 in 2017 and the balance due in 2018.

	Group and Company	
Senior Bank Facility interest rates as at year end:	**2012**	2011
	% above LIBOR	% above LIBOR
Secured Senior Term Loan 'A'	4.25	-
Secured Senior Term Loan 'B'	4.75	-
Secured Senior Bank Facility 'B'	**-**	3.75
Secured Senior Bank Facility 'C1'	**-**	4.25
Secured Senior Bank Facility 'C2'	**-**	5.25
Secured Senior Bank Facility 'D'	**-**	15.00

The term loans are secured by fixed and floating charges over the assets of the group and company.

The company has in place an interest rate swap to fix LIBOR interest at 0.959% in respect of £120,000,000 of the senior debt which expires on 26 November 2016.

The group has undrawn committed borrowing facilities of £5,631,000 at 31 December 2012 (2011: £10,000,000). Interest is payable on the revolving credit facility at 4.25% above LIBOR.

(b) Finance leases

The group's future minimum payments under finance leases are as follows:

	Group	
	2012	2011
	£'000	£'000
Within one year	**2,092**	172
In more than one year, but not more than two years	**1,651**	252
In more than two years, but not more than five years	**1,394**	-
	5,137	424

16. Provisions for liabilities and charges

Group	**Properties £'000**	**Deferred tax £'000**	**Total £'000**
At 1 January 2012	**5,834**	**-**	**5,834**
Acquired	-	**786**	**786**
Utilised during the year	**(550)**	**(183)**	**(733)**
Charged to the profit and loss account	**1,476**	**-**	**1,476**
At 31 December 2012	**6,760**	**603**	**7,363**

17. Share capital

	2012	2011	**2012**	2011
	No.	No.	**£'000**	£'000
Issued, called up and fully paid				
Ordinary shares of £1 each	**14,207,723**	1	**14,208**	-
A Ordinary shares of £0.0001 each	**143,082,605**	**-**	**14**	-
	157,290,328	1	**14,222**	-

On 25 October 2012 the company issued 14,207,722 ordinary shares at par in exchange for the settlement of intercompany debt owed to Hero Topco Limited, the parent company at that time.

On 26 October 2012 the company issued 143,082,605 A ordinary shares for a consideration of £1 per share.

18. Acquisitions

On 31 October 2012 HSS Hire Service Group Limited, a subsidiary company acquired the entire share capital of Abird Superior Limited and its wholly owned subsidiary Abird Limited, a power generation company.

The assets and liabilities of the Abird Superior group and its provisional fair values are set out below:

	Book value £'000	Adjustments £'000	Fair value £'000
Tangible fixed assets	9,011	(100)	8,911
Stock	77	169	246
Debtors	2,142	(220)	1,922
Cash at bank and in hand	91	-	91
Creditors & provisions	(867)	(785)	(1,652)
Finance leases	(4,160)	-	(4,160)
Corporation tax	-	(154)	(154)
Deferred tax	(790)	-	(790)
	5,504	(1,090)	4,414
Goodwill			3,317
Total net assets acquired, satisfied by cash			7,731

The fair value adjustments relate to the recognition of provisions in line with the policies of Hero Acquisitions group and the recognition of fuel stock not previously accounted for by Abird Limited.

The results of the Abird group prior to its acquisition were as follows:

Profit and loss account

	Current period up to acquisition £'000	Year ended 31 December 2011 £'000
Turnover	7,237	7,981
Operating profit	822	728
Net interest	(130)	(178)
Profit on ordinary activites before taxation	692	550
Taxation on profit from ordinary activities	(163)	(78)
Profit for the year	529	472

Cash flows

The net outflow of cash arising from the acquisition of the Abird group was as follows:

	£'000
Cash consideration	7,427
Deferred consideration (payable 31 January 2014)	304
Cash acquired	(91)
	7,640

Reconciliation of movement in reserves

a) Profit and loss reserve	**Group £'000**	**Company £'000**
At 1 January 2012	**(178,542)**	**(155,658)**
Foreign exchange difference	**(92)**	**-**
Capital contribution	**6,581**	**6,176**
Loss for the financial year	**(16,577)**	**(11,853)**
At 31 December 2012	**(188,630)**	**(161,335)**

Capital contributions relate to the waiver of intercompany debt by the previous owners.

b) Share premium	**Group**		**Company**	
	2012	2011	**2012**	2011
	£'000	£'000	**£'000**	£'000
At 1 January 2012	-	-	-	-
Created on issue 26 October 2012	**143,068**	-	**143,068**	-
At 31 December 2012	**143,068**	**-**	**143,068**	**-**

19. Reconciliation of movements in equity shareholders' funds

	Group		**Company**	
	2012	2011	**2012**	2011
	£'000	£'000	**£'000**	£'000
Loss for the year	**(16,577)**	(19,737)	**(11,853)**	(14,595)
Foreign exchange difference	**(92)**	(231)	**-**	-
Capital contribution	**6,581**	-	**6,176**	-
Share capital issued	**14,222**	-	**14,222**	-
Share premium	**143,068**	-	**143,068**	-
Net increase / (deduction) to equity shareholders' funds	**147,202**	(19,968)	**151,613**	(14,595)
Opening equity shareholders' deficit	**(178,542)**	(158,574)	**(155,658)**	(141,063)
Closing equity shareholders' deficit	**(31,340)**	(178,542)	**(4,045)**	(155,658)

22. Capital commitments

	Group		Company	
	2012	2011	**2012**	2011
	£'000	£'000	**£'000**	£'000
Capital expenditure contracted but not provided for	**229**	136	**-**	-

23. Operating lease commitments

The group's annual commitment under operating leases is set out below:

	Land and Buildings		Other	
	2012	2011	**2012**	2011
Group	**£'000**	£'000	**£'000**	£'000
Operating leases which expire:				
Within one year	**806**	369	**1,170**	-
In two to five years	**6,853**	4,176	**4,308**	3,543
After five years	**7,757**	7,980	**-**	-
	15,416	12,525	**5,478**	3,543

Company

The company has no operating lease commitments.

24. Pension commitments

The group provides the option of one of two stakeholder pension schemes to employees. The assets of both schemes are held separately from those of the group in an independently administered fund. At 31 December 2011, no contributions were owing to the schemes (2011: nil).

25. Related party transactions

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8, Related Party Disclosures, not to disclose transactions with group companies, on the basis that it is 100% controlled within the group and its parent company, Havana Topco Limited prepares consolidated financial statements which are publically available.

During the year Aurigo Hero LP (the previous ultimate controlling party) charged the group £165,000 (2011: £200,000) in fees of which £nil (2011: £nil) was outstanding at the year end.

26. Ultimate holding company

At 31 December 2012, the company's immediate parent company was Havana Bidco Limited a company incorporated in the United Kingdom, and its ultimate parent company was Havana Topco Limited, also a company incorporated in the United Kingdom. The financial statements of the company at 31 December 2012 have been consolidated into the Havana Topco Limited group whose financial statements can be obtained from: The Company Secretary, 12 Henrietta Street, London, WC2E 8LH.

By virtue of its majority shareholding, Havana Topco Limited is controlled by funds managed by Exponent Private Equity LLP.

27. Continuing and acquisition activities

	Year ended 31 December 2012 Continuing activities pre-Exceptional Items £'000	Year ended 31 December 2012 Acquisition activities pre-Exceptional Items £'000	Year ended 31 December 2012 Pre-Exceptional Items £'000	Year ended 31 December 2012 Exceptional Items (note 2) £'000	Year ended 31 December 2012 Total £'000
Turnover	**180,600**	**1,207**	**181,807**	-	**181,807**
Cost of sales	(59,445)	(764)	(60,209)	-	(60,209)
Gross profit	**121,155**	**443**	**121,598**	-	**121,598**
Administrative expenses	(91,202)	(230)	(91,432)	(5,718)	(97,150)
Distribution expenses	(23,441)	(146)	(23,587)	(57)	(23,644)
Other operating income	1,216	-	1,216	-	1,216
Operating profit	**7,728**	**67**	**7,795**	**(5,775)**	**2,020**

28. Revision of financial statements

As explained in the revised directors report, the original financial statements did not comply with the Companies Act 2006 because certain amounts due to group companies were treated as repayable on demand, notwithstanding that agreements had been entered into at the time of acquisition of the company during the year that these would be repayable in 2020. The effect of the revision is to recognise £88,364,000 of the amounts due to group undertakings as due in greater than one year in both the company and group balance sheet, and reduce the amounts due within one year to group undertakings by the same amount. There is no effect on the group profit and loss account.