

# **HSS Hire Service Group Limited**

**Annual report and financial statements**  
**Year ended 28 December 2019**

**Registered number 00644490**

# HSS Hire Service Group Limited

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# **HSS Hire Service Group Limited**

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## **Directors and advisers**

### **Directors**

S. Ashmore  
P.D. Quested

### **Company Secretary**

D.J. Joll

### **Registered office**

Oakland House  
76 Talbot Road  
Old Trafford,  
Manchester  
United Kingdom  
M16 0PQ

### **Auditors**

BDO LLP  
55 Baker Street  
London  
W1U 7EU

### **Bankers**

HSBC Bank Plc  
8 Canada Square  
London  
E14 5HQ

# HSS Hire Service Group Limited

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## Strategic report

For the year ended 28 December 2019

### Principal activities

The principal activity of HSS Hire Service Group Limited (the Company) is the hire and sale of small plant and tools.

### Review of business and future developments

The Company was managed as part of the HSS Hire Group plc group (the Group) during 2019.

It's been another year of significant progress in 2019, as we continue to deliver on our three clear strategic areas of focus as set out in December 2017; Deliver the Group, Transform the tool hire business and Strengthen the Group's commercial proposition.

The sale of UK Platforms to Nationwide Platforms completed in January 2019 with funds received being used to repay intercompany debt and allowing the wider Group to repay a significant element of its external debt. As part of the disposal we entered into a long-term commercial agreement with Nationwide ensuring that we continue to provide our customers a market-leading powered access offer.

There has been excellent progress made on the technology employed by the Company and available to our customers. Having listened to customer and colleague feedback we decided to develop customer and driver apps, both launched in April 2019, which have been well received by both stakeholder groups.

We also began the transformation of our OneCall rehire business in response to feedback from customers and colleagues that it could be slow, manual and felt disjointed. In April 2019 we launched our new OneCall platform, which we named Brenda, allowing customers to source any hire equipment from our extensive network of suppliers. Brenda has provided a significantly shorter customer journey and improved visibility of the process for customers, suppliers and colleagues alike.

Our achievements in the digital and OneCall arenas set us on course, as part of the wider HSS Group, to transform HSS into a market-leading, digital led brand for equipment services.

Subsequent to the year end, the trading environment in 2020 materially changed due to the global COVID-19 pandemic and the Company had to switch focus to dealing with this. The pandemic has had a major impact on people's lives and the economic outlook during 2020. The Company, along with the rest of the Group, took immediate and decisive action to mitigate risks and enacted our business continuity plans to minimise business disruption. Capital expenditure was reduced and the Group engaged in overhead reduction, including negotiating rental holidays with landlords and utilising a number of measures made available by the UK Government, such as the Job Retention Scheme. The Group entered a restructuring programme and moved to a digital approach, including the closure of the majority of branches and making 12% of its employees redundant as of October 2020. The Group's strategy and the actions taken by management to improve liquidity have enabled the Group to meet its debt covenants under its borrowing facilities to date.

The principal risks and uncertainties of the Company were integrated with the principal risks and uncertainties of the Group and were not managed separately. The key business risks affecting the Group and the Company 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.

**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 believes the policies and provisions in place adequately cover such risk.

**COVID-19:** Since the year-end the COVID-19 pandemic has emerged and increases the level of economic and credit risk. Action taken by the Group to mitigate the impact of these risks included the closure of the majority of its UK branches; deferral of capital expenditure; utilisation of the Government's job retention scheme; and the capital raise detailed below.

A more detailed review of the principal risks and uncertainties of the Group, including its response to the COVID-19 pandemic, are set out in the Annual Report of HSS Hire Group plc. A copy of this Annual Report can be obtained from the Company Secretary, HSS Hire Group plc, Oakland House, 76 Talbot Road, Old Trafford, Manchester, England, M16 0PQ and is also available on the Group's website [www.hsshiregroup.com](http://www.hsshiregroup.com).

# HSS Hire Service Group Limited

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## Strategic report (continued)

For the year ended 28 December 2019

### Capital Raise

In order to further strengthen its cash position the Group has completed a Capital Raise from existing and new shareholders resulting in gross proceeds of £52.6m in aggregate. The Capital Raise will ensure a strong cash position and reduce net leverage, enabling the Group to continue its strong progress and successfully execute its strategy.

### Going concern

While encouraged by the resilience of the Group during a period of unprecedented disruption, the Directors continue to model via a number of scenarios the potential impact of COVID-19 on results, including a reasonable worst case scenario. This assumes a second, nationwide, lockdown through to the start of March 2021 which has a materially adverse impact on demand. Even under the reasonable worst case scenario the Group has sufficient liquidity to operate within banking covenants for the next 12 months.

The Directors note the existence of a letter of support provided by the ultimate parent company, HSS Hire Group plc, confirming that it will provide financial assistance as is required, ensuring the Company can meet its liabilities as they fall due, for a period of not less than twelve months from the date of approval of these financial statements.

After reviewing the above, taking into account current and future developments and principal risks and uncertainties, the level of dependence on the wider Group, and making appropriate enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence over a period of at least twelve months from the date of approval of these financial statements. Accordingly they continue to adopt the going concern basis in preparing these Financial Statements.

### Subsequent Events

As noted above the COVID-19 pandemic has emerged since the year end and the Group has completed a Capital Raise from existing and new shareholders resulting in gross proceeds of £52.6m in aggregate.

### Results and KPIs

The Director considers the following to be the key performance indicators of the business: turnover, profit before tax and earnings before interest, depreciation and amortisation and adjusted to add back exceptional items (adjusted EBITDA).

The company's turnover for the year was £283.2 million (2018: £295.0 million); profit before tax was £46.6 million (2018: profit of £0.8 million) and adjusted EBITDA was £51.3 million (2018: £48.4 million) (see note 25).

By order of the board



P.D. Quested  
Director  
18 December 2020

# HSS Hire Service Group Limited

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## Directors' report

For the year ended 28 December 2019

The directors present their report and the audited financial statements of the Company for the year ended 28 December 2019.

### Directors

The directors of the Company who served during the year ended 28 December 2019 are listed below:

S. Ashmore  
P.D. Qusted

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 director's 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 director has elected to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards including Financial Reporting Standard 101 'Reduced Disclosure Framework' 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 Company and of the profit or loss of the Company for that year.

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 including Financial Reporting Standard 101 'Reduced Disclosure Framework' 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.

### Director's 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.

### Strategic Report

In accordance with section S414C (11) of the Companies Act 2006, the Company has produced a Strategic Report which is set on page 2. Information on likely future developments in the business, post balance sheet events and going concern of the Company has been included in the Strategic Report on page 2.

### Equality and diversity

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

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

# HSS Hire Service Group Limited

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## Directors' report (continued)

For the year ended 28 December 2019

### Equality and diversity (continued)

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

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

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

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

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

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

### Employee involvement

The Company uses a combination of ways to communicate with employees including, but not limited to, the intranet (HSS World) that is regularly updated and available on PCs at all locations; its internal newsletter (HIYA!), that reports on recent news, developments, initiatives and events in the business which is circulated a minimum of 18 times annually, and delivered to all locations; a weekly email 'bulletin' supplements this with operational and functional information, that is required to be printed and displayed on all notice boards where colleagues may not have immediate access to email. Meetings and conference calls also form a regular communication channel across the Group. The method of information dissemination adopted depends on the information being made available to employees and the associated confidentiality requirements. The company also sends correspondence of high importance by mail to employees' home addresses.

Employees are consulted formally on issues where their interests are affected via consultation processes led by management and are asked to give feedback.

### Dividends

The directors do not recommend the payment of dividend for the year ended 28 December 2019 (2018: Nil). No interim dividends were paid or proposed during the year (2018: Nil).

### Financial risk management

The information on financial risk management objectives and policies is included in the strategic report.

By order of the board



P.D. Quested

Director

18 December 2020

# HSS Hire Service Group Limited

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## Independent auditor's report to the members of HSS Hire Service Group Limited

For the year ended 28 December 2019

### Opinion

We have audited the financial statements of HSS Hire Service Group Limited ("the Company") for the year ended 28 December 2019 which comprise the Income Statement, Statement of comprehensive income, Statement of financial position, Statement of changes in equity, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 28 December 2019 and of its profit 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.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.



# HSS Hire Service Group Limited

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## Independent auditor's report to the members of HSS Hire Service Group Limited (continued)

For the year ended 28 December 2019

### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

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

### Responsibilities of Directors

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, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

# HSS Hire Service Group Limited

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## Independent auditor's report to the members of HSS Hire Service Group Limited (continued)

For the year ended 28 December 2019

### Use of our report

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.

BDO LLP

Sophia Michael (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
London, UK  
18 December 2020

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

# HSS Hire Service Group Limited

## Income statement

For the year ended 28 December 2019

	<i>Note</i>	<b>Year ended 28 December 2019 £000s</b>	<b>Year ended 29 December 2018 £000s</b>
<b>Revenue</b>		<b>283,180</b>	<b>294,972</b>
Cost of sales	4	(134,408)	(145,254)
<b>Gross profit</b>		<b>148,772</b>	<b>149,718</b>
Distribution costs	4	(26,549)	(27,542)
Administrative expenses	4	(110,085)	(116,022)
Other operating income	2,4	542	494
Profit on disposal of subsidiary	4	40,579	2,080
<b>Operating profit</b>	<b>3,4</b>	<b>53,259</b>	<b>8,728</b>
Exceptional items	4	33,773	(7,000)
<b>Operating profit excluding exceptional items</b>		<b>19,486</b>	<b>15,728</b>
Finance income	7	670	731
Finance expense	7	(7,361)	(8,663)
<b>Profit before tax</b>		<b>46,568</b>	<b>796</b>
Income tax (charge)/credit	8	(1,350)	2,269
<b>Profit for the financial year</b>		<b>45,218</b>	<b>3,065</b>

All activities are from continuing operations.

The notes on pages 13 to 40 form part of these financial statements.

## HSS Hire Service Group Limited

### Statement of other comprehensive income

For the year ended 28 December 2019

	Year ended 28 December 2019 £000s	Year ended 29 December 2018 £000s
<b>Profit/(loss) for the financial year</b>	<b>45,218</b>	<b>3,065</b>
<b><i>Items that may be reclassified to profit or loss:</i></b>		
Foreign currency translation differences arising on consolidation of foreign operations	(389)	(168)
<b>Total comprehensive profit/(loss) for the year</b>	<b>44,829</b>	<b>2,897</b>

The notes on pages 13 to 40 form part of these financial statements.

# HSS Hire Service Group Limited

## Statement of financial position

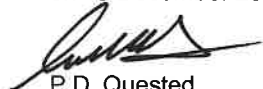
As at 28 December 2019

Registered number 00644490

		28 December 2019	29 December 2018 As restated
	Note	£000s	£000s
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	9	4,556	4,904
Property, plant and equipment	10	71,721	76,814
Investments	11	22,049	25,437
Deferred tax assets	20	-	2,500
		<b>98,326</b>	<b>109,655</b>
<b>Current assets</b>			
Inventories	12	2,894	3,172
Trade and other receivables	13	91,022	104,950
Cash	14	20,287	12,210
		<b>114,203</b>	<b>120,332</b>
<b>Total assets</b>		<b>212,529</b>	<b>229,987</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	15	(171,756)	(220,797)
Borrowings and finance leases	16	(4,240)	(3,882)
Provisions	17	(7,982)	(10,050)
Current tax liabilities		-	(48)
		<b>(183,978)</b>	<b>(234,777)</b>
<b>Non-current liabilities</b>			
Trade and other payables	15	-	(11,635)
Borrowings and finance leases	16	(9,364)	(8,204)
Provisions	17	(31,835)	(33,562)
		<b>(41,199)</b>	<b>(53,401)</b>
<b>Total liabilities</b>		<b>(225,177)</b>	<b>(288,178)</b>
<b>Net liabilities</b>		<b>(12,648)</b>	<b>(58,191)</b>
<b>EQUITY</b>			
Share capital	18	25,000	25,000
Share premium		3,014	3,014
Capital contribution reserve		844	-
Foreign currency translation reserve		(512)	(123)
Retained deficit		(40,994)	(86,082)
<b>Total equity</b>		<b>(12,648)</b>	<b>(58,191)</b>

The notes on pages 13 to 41 form part of these financial statements.

The financial statements on pages 9 to 40 were approved and authorised for issue by the board on 18 December 2020 and were signed on its behalf by:



P.D. Quested  
Director  
18 December 2020

# HSS Hire Service Group Limited

## Statement of changes in equity

For the year ended 28 December 2019

	Share capital £000s	Share premium £000s	Capital contribution reserve £000s	Foreign currency reserve £000s	Retained earnings £000s	Total equity £000s
<b>At 30 December 2018 as restated</b>	25,000	3,014	-	(123)	(86,082)	(58,191)
Loss for the year	-	-	-	-	45,218	45,218
Foreign currency translation differences arising on consolidation of foreign operations	-	-	-	(389)	-	(389)
<b>Total comprehensive loss for the year</b>	-	-	-	(389)	45,218	44,829
Capital contribution	-	-	714	-	-	714
Transfer	-	-	130	-	(130)	-
<b>At 28 December 2019</b>	<b>25,000</b>	<b>3,014</b>	<b>844</b>	<b>(512)</b>	<b>(40,994)</b>	<b>(12,648)</b>
	Share capital £000s	Share premium £000s	Capital contribution reserve £000s	Foreign currency reserve £000s	Retained earnings £000s	Total equity £000s
<b>At 31 December 2017 - as previously stated</b>	25,000	3,014	-	45	(88,150)	(60,091)
<b>Prior year adjustment</b>	-	-	-	-	(997)	(997)
<b>At 31 December 2017 - as restated</b>	25,000	3,014	-	45	(89,147)	(61,088)
Loss for the year	-	-	-	-	3,065	3,065
Foreign currency translation differences arising on consolidation of foreign operations	-	-	-	(168)	-	(168)
<b>Total comprehensive loss for the year</b>	-	-	-	(168)	3,065	2,897
<b>At 29 December 2018 - as previously presented</b>	25,000	3,014	-	(123)	(85,085)	(57,194)
<b>At 29 December 2018 - as restated</b>	25,000	3,014	-	(123)	(86,082)	(58,191)

The notes on pages 13 to 40 form part of these financial statements.

# HSS Hire Service Group Limited

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## Notes to the financial statements

For the year ended 28 December 2019

### 1. Accounting policies

#### a) Reporting entity

HSS Hire Service Group Limited (the "Company") is a private company limited by shares, incorporated and domiciled in the United Kingdom.

The Company's principal activity is providing tool and equipment hire and related services in the United Kingdom and the Republic of Ireland.

#### b) Statement of compliance

The financial statements have been prepared in accordance with Financial Reporting Standard 100 Application of Financial Reporting Requirements (FRS 100) and Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101), and the Companies Act 2006.

The directors have taken advantage of the option within section 390 of the Companies Act 2006 to prepare their financial statements up to a date seven days either side of the Company's accounting reference date of 31 December, and these accounts therefore cover the period from 30 December 2018 to 28 December 2019 (2018: 31 December 2017 to 29 December 2018).

#### c) Functional and presentational currency

These financial statements are presented in pounds Sterling (£), which is the Company's functional and presentational currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated. Also refer to note 1(l).

#### d) Basis of preparation

The financial statements have been prepared on a historical cost basis, and are in accordance with the Companies Act 2006.

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

In preparing these financial statements the company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

- certain comparative information as otherwise required by EU endorsed IFRS;
- certain disclosures regarding the company's capital;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- the disclosure of the remuneration of key management personnel; and
- disclosure of related party transactions with other wholly owned members of the group headed by HSS Hire Group plc.

In addition, and in accordance with FRS 101 further disclosure exemptions have been adopted because equivalent disclosures are included in the consolidated financial statements of HSS Hire Group Plc. These financial statements do not include certain disclosures in respect of:

- Financial Instruments (other than certain disclosures required as a result of recording financial instruments at fair value);
- Fair value measurement (other than certain disclosures required as a result of recording financial instruments at fair value);
- Share-based payments; and
- Impairment of assets.

#### Exemption from preparation of consolidated financial statements

The financial statements contain information about HSS Hire Service Group Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company has taken advantage of the exemption conferred by S400 of the Companies Act 2006 not to produce consolidated financial statements as it is included in the consolidated accounts of an EEA entity, HSS Hire Group plc.

# HSS Hire Service Group Limited

## Notes to the financial statements (continued)

For the year ended 28 December 2019

### 1. Accounting policies (continued)

#### e) New accounting standards

There were no new accounting standards that had to be implemented in the year that materially affect these financial statements.

#### f) Going concern

The Company's principal activities are set out in the strategic report, and also as explained in that report, the Company is managed as part of a Group. The Company is funded through group loans and party to the cross-guaranteed bank loan secured across the assets of the Group as a whole. Since the year end the Group has completed a Capital Raise from existing and new shareholders resulting in gross proceeds of £52.6m in aggregate.

The Company has received written confirmation from its ultimate parent company, HSS Hire Group plc, confirming that it will provide financial assistance as is required, ensuring the Company can meet its liabilities as they fall due, for a period of not less than twelve months from the date of approval of these financial statements.

While encouraged by the resilience of the Group during a period of unprecedented disruption, the Directors continue to model via a number of scenarios the potential impact of COVID-19 on results, including a reasonable worst case scenario. This assumes a second, nationwide, lockdown through to the start of March 2021 which has a materially adverse impact on demand. Even under the reasonable worst case scenario the Group has sufficient liquidity to operate within banking covenants for the next 12 months.

After reviewing the above, taking into account current and future developments and principal risks and uncertainties, the level of dependence on the wider Group, and making appropriate enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence over a period of at least twelve months from the date of approval of these financial statements. Accordingly they continue to adopt the going concern basis in preparing these Financial Statements.

The Company is a wholly owned subsidiary of HSS Hire Group plc.

#### g) Critical accounting estimates and judgements

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company'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 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.

#### **Estimates**

##### **Useful economic life and residual value of assets**

No sensitivity analysis has been given in relation to the useful economic life and residual value of assets held for hire due to the volume of the items involved and the complexities of the current system used by the Company to record property, plant and equipment. Improvements have been made during the financial year with the implementation of a new asset management system which is in use by the 2020 financial year.

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

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. Such calculations require assumptions related to the appropriate discount rate, the long term growth rate and also short term performance and cash flows. The Directors consider historic performance as well as referencing to external information to arrive at these assumptions.



# HSS Hire Service Group Limited

## Notes to the financial statements (continued)

For the year ended 28 December 2019

### 1. Accounting policies (continued)

#### g) Critical accounting estimates and judgements (continued)

##### *Estimates (continued)*

##### *Onerous lease provision*

Provisions have been made for onerous leases on non-trading stores associated with the Company's property portfolio. The carrying amount of the onerous lease provision will be affected by changes in the discount rate, lease disposal or sub-let income and its timing. Further details of the assumptions are given in note 17.

##### *Dilapidations provisions*

A corresponding amount equivalent to the provision for dilapidation is also recognised as part of the cost of the related property. The timing and amounts of future cash flows related to lease dilapidations are subject to uncertainty. The provision recognised is based on management's experience and understanding of the commercial retail property market and third party surveyors reports commissioned for specific properties in order to best estimate the future outflow of funds, requiring the exercise of judgement applied to existing facts and circumstances, which can be subject to change. The amount recognised is the estimated cost of dilapidations, discounted to its net present value, and since the cash outflow can take place many years in the future, the carrying amount of the provision is reviewed regularly and adjusted to take account of changing facts and circumstances, including the age and condition of the property, experience of actual spending, third party surveyors' reports commissioned for specific properties, the Company's specific lease obligations, market practice generally and any agreements specifically reached with landlords in respect of any given property. 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. Further details of the assumptions are given in note 17.

##### *Recoverability of trade receivables*

Judgements are required in assessing the recoverability of overdue trade receivables and determining whether a provision against those receivables is required. The Company monitors the risk profile of debtors and makes provisions for amounts that may not be recoverable based on past default experience and sets an expectation based on the Directors' assessment of the economic environment. The recoverability of overdue receivables is considered together with the sales credit note provision. The Company makes provision for credit notes raised and expected to be 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.

##### *Judgements*

##### *Determining whether an arrangement constitutes a lease*

Any arrangement that is dependent on the use of a specific asset or assets should be accounted for as a lease. The Directors have concluded that none of the Company's contracts with customers are dependent on the use of a specific asset or group of specific assets as the Company can swap hire stock as required to provide tool and equipment hire services to them.

##### *Exceptional items*

Exceptional items are disclosed separately in the income statement where it is necessary to do so to provide further understanding of the underlying financial performance of the Company. Exceptional items are items of income or expense that have been shown separately due to the significance of their nature or amount. These are more fully disclosed in note 4.

##### *Intercompany receivables*

Judgements are required in assessing the recoverability and timing of intercompany receivables and determining whether impairments of those receivables are required. Judgements are based on the historical performance as well as forecasts. The Company monitors the recoverability of such receivables and recognises impairments for amounts that may not be recoverable.

# HSS Hire Service Group Limited

## Notes to the financial statements (continued)

For the year ended 28 December 2019

### 1. Accounting policies (continued)

#### h) Changes in accounting policy

There were no new accounting standards that had to be implemented in the year that materially affect these financial statements.

#### i) Revenue recognition

The Company's activities consist of supplying hire and equipment services within the UK and the Republic of Ireland. Revenue is measured based on the consideration specified in a contract with a customer and excluded value added taxes. The Company recognises revenue when it transfers control over a good or service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies:

Type of product or service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Approach to revenue recognition
Hire and rehire activities	Equipment on hire to customers is under the customer's control from the point of collection or delivery until its return or notification that it is available for collection. Cash customers pay a deposit to secure the hire for which the charges are settled on return of the equipment. Account customers pay 30 days from the month of invoice or to such terms as have been specifically negotiated up to a maximum of 90 days from the end of the month of invoice.	Revenue is recognised over time as the hire period progresses. The stand-alone selling price is determined based on the contracted prices at which the Company hires out the equipment under the specific contract with the customer and commences when the equipment is collected or has been delivered to a customer's premises and has been accepted by the customer. Revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Therefore, the amount of revenue recognised is adjusted for expected returns, contract corrections and any negotiated rebate, which are estimated based on historical data. For expected returns and contract corrections an estimate of the impact is treated as a correction to the asset's carrying value and deducted from the amount recognised as a trade receivable. Rebates are recognised as a separate liability and included as a component of accruals and deferred income (see note 15). The Company reviews its estimate of all these items at each reporting date and updates the amounts of the reduction in the asset or the liability accordingly.
Resale and ancillary revenue to hire including fuel and consumables	Customers obtain control of the goods at the point of collection or delivery and settle as above.	Revenue is recognised when the goods are collected or have been delivered to a customer's premises and have been accepted by customers. Revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Therefore, the amount of revenue recognised is adjusted for expected returns, contract corrections and any negotiated rebate, which are estimated based on historical data. For expected returns and contract corrections an estimate of the impact is treated as a correction to the asset's carrying value and deducted from the amount recognised as a trade receivable. Rebates are recognised as a separate liability and included as a component of accruals and deferred income (see note 16). The Company reviews its estimate of all these items at each reporting date and updates the amounts of the reduction in the asset or the liability accordingly.

# HSS Hire Service Group Limited

## Notes to the financial statements (continued)

For the year ended 28 December 2019

### 1. Accounting policies (continued)

#### i) Revenue recognition (continued)

Type of product or service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Approach to revenue recognition
Damaged / lost hire stock compensation	In circumstances where a customer loses or damages the equipment they have on hire, the Company is entitled to reclaim the costs of repair or the replacement cost in case of loss. Settlement is at the point the cost is finalised for cash customers and under normal settlement terms for account customers.	When the loss or damage is identified and quantified.
Ex-hire fleet asset sales	Customers obtain control of the goods at the point of collection or delivery and settle as above.	Revenue is recognised when the goods are collected or have been delivered to a customer's premises and have been accepted by customers. Payment is on or before collection.
Training course income	Customers obtain the benefit of the service at the point of delivery. Training courses are paid for in advance or for account customers, in arrears in accordance with their normal settlement terms.	Revenue is recognised when the training course or support service is provided to the customer.

#### j) Contract costs

Costs associated with the award of significant contracts by customers are deferred in the statement of financial position and amortised to the income statement over the life of the contract where such costs are incremental and are expected to be covered by the profits generated on the contract.

#### k) Cost of sales, distribution costs and administrative expenses

Cost of sales includes direct costs associated with the Company'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.

#### l) Foreign currency translation

Foreign currency transactions are translated into an entity's functional currency using the exchange rates prevailing at the dates of the transactions. 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 Company's presentational currency, sterling, at foreign currency exchange rates ruling at the reporting date.

The revenues and expenses of foreign operations are translated at an average rate for the year, 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.

# HSS Hire Service Group Limited

## Notes to the financial statements (continued)

For the year ended 28 December 2019

### 1. Accounting policies (continued)

#### m) Property, plant and equipment

The Company'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, and achieved values on sale when disposed.

Land and buildings comprise leasehold and freehold branches, 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:

Material and equipment held for hire:

Tools and general equipment	Two to ten years
Powered access	Five to ten years
Power generation	Five to ten years
Climate control	Two to ten years

Non-hire assets:

Leasehold properties with less than fifty years unexpired	Over unexpired period of lease
Freehold buildings and long leasehold properties	Over fifty years
Plant and machinery	Two to ten years

The Company reviews its depreciation policy annually and has made no changes in 2019 to the depreciation rates applied.

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 20% of cost and nil. Residual values are only applied to powered access and power generation assets. Profits or losses arising when customers are invoiced for loss of equipment held for hire purposes are calculated, initially, by reference to average written down values and subsequently re-measured based on any disposal proceeds (net of costs).

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.

#### n) Intangible assets

##### **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 Company 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.

# HSS Hire Service Group Limited

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## Notes to the financial statements (continued)

For the year ended 28 December 2019

### 1. Accounting policies (continued)

#### o) Impairment of intangible assets and property, plant and equipment

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.

#### p) Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management is committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

#### q) 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.

#### r) Trade receivables

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

Impairment provisions are recognised to reflect an assessment of the amount that the Company will be able to collect calculated using the expected credit loss methodology. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision. Trade receivables that are two years or more past their due date are treated as irrecoverable and expensed.

#### s) Cash

Cash includes cash in hand and deposits held at call with banks. Bank overdrafts are shown within borrowings in current liabilities.

#### t) 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.

#### u) 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.

# HSS Hire Service Group Limited

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## Notes to the financial statements (continued)

For the year ended 28 December 2019

### 1. Accounting policies (continued)

#### v) Provisions

##### ***Onerous leases***

The need for provisions for onerous leases against non-trading stores, measured at the value of the future unavoidable lease costs, net of expected rental income, is assessed when the leased property becomes vacant and is no longer used in the operations of the Company. These provisions are recognised on a lease by lease basis. The determination of the onerous lease provision requires management, in conjunction with its third party property advisers, to make estimates about the ultimate cost to the Company, including the nature, timings and cost of exiting a lease, and any additional unavoidable costs, and the level of sublease income, if applicable.

The actual costs and timing of cash flows are dependent on future events and market conditions. Any difference between management estimates and actual costs is accounted for in the period when such determination is made.

##### ***Dilapidations provisions***

Leasehold dilapidations relate to the estimated cost of returning a leasehold property to its original state at the end of the lease in accordance with the lease terms. The cost is recognised as depreciation of leasehold improvements over the remaining term of the lease. The main uncertainty relates to estimating the cost that will be incurred at the end of the lease. Provisions for dilapidations are estimated based on surveyors' report, where available and remaining properties are covered by estimates based on gross internal area. Provisions for dilapidation are recognised in full when the related facilities are installed.

##### ***Restructuring provisions***

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.

##### ***Onerous contract provisions***

Contracts are considered to be onerous when cash is paid to a third party but the Company derives no economic benefit.

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

- the Company 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.

#### w) Share capital

##### ***Ordinary shares***

Financial instruments used by the company are classified as equity only to the extent that they do not meet the definition of a financial asset or financial liability. 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.

##### ***Capital contribution reserve***

Capital introduced into the company without shares issued in return.

##### ***Retained earnings / accumulated deficit***

Cumulative net gains and losses recognised in the income statement.

# HSS Hire Service Group Limited

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## Notes to the financial statements (continued)

For the year ended 28 December 2019

### 1. Accounting policies (continued)

#### w) Share capital (continued)

##### **Dividends**

Dividends on ordinary share capital are recognised as a liability in the Company'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.

##### **Foreign exchange reserve**

This is the amount of gains/losses arising on retranslating the net assets of overseas operations into sterling.

#### x) Investments

Investments in subsidiaries are included in the statement of financial position at cost less amounts written-off, representing impairment in value. Impairment charges are recorded if events or changes in circumstances indicate that the carrying value may not be recoverable.

#### y) Finance income and expense

Finance income comprises interest receivable on cash balances.

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

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

#### z) 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. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liabilities where the timing of the reversal of the temporary difference is controlled by the Company 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.

# HSS Hire Service Group Limited

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## Notes to the financial statements (continued)

For the year ended 28 December 2019

### 1. Accounting policies (continued)

#### aa) 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 Company 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 Company 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 Company. The employer's contributions are charged to income statement in the year in which the contributions are due.

##### **Termination benefits**

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits at the earlier of the following dates: (a) when the Company 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.

##### **Share-based payments**

Share-based payment transactions in which the Company receives goods or services as consideration for equity instruments of the Group are accounted for as equity-settled share-based payments. The grant date fair value of the share-based payment granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employee becomes unconditionally entitled to the awards. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted, and is charged to the income statement on a straight-line basis over the vesting period of the award.

The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

#### bb) 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 Company, and hire purchase contracts are capitalised in the statement of financial position 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.



# HSS Hire Service Group Limited

## Notes to the financial statements (continued)

For the year ended 28 December 2019

### 1. Accounting policies (continued)

#### cc) Fair value measurement

A number of the Company'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 Company'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).

#### dd) Exceptional items

The Company has classified a number of income statement items as exceptional during the year because of their size or nature or because they are non-recurring.

#### ee) Prior year adjustment

During the year the company identified a historical error related to the understatement of customer deposits related to certain cash customers. The issue goes back a number of years and although immaterial in each financial year has the cumulative impact of reducing reserves by £997k and increasing creditors by the same amount. Separately, changes made to process mean that the issue has not reoccurred in 2018 or 2019. The effect of the adjustment posted to correct this historical error has been included in the table below.

	2018 As previously presented £000s	2018 Effect of adjustment £000s	2018 As restated £000s
Other creditors	367	997	1,364
Retained deficit	(85,085)	(997)	(86,082)
	2017 As previously presented £000s	2017 Effect of adjustment £000s	2017 As restated £000s
Other creditors	865	997	1,862
Retained deficit	(88,150)	(997)	(89,147)

### 2. Other operating income

	Year ended 28 December 2019 £000s	Year ended 29 December 2018 £000s
Other operating income	542	494

Other operating income relates to sub-let rental income received on vacant properties, which has been recognised within exceptional items (note 4).

# HSS Hire Service Group Limited

## Notes to the financial statements (continued)

For the year ended 28 December 2019

### 3. Operating profit

Operating profit is stated after charging / (crediting):

	Year ended 28 December 2019 £000s	Year ended 29 December 2018 £000s
Amortisation of intangible assets	2,585	3,036
Disposal of intangible assets	100	1
Depreciation of property, plant and equipment	21,852	20,091
Impairment of tangible assets	363	-
Hire stock asset disposals, write-offs and customer losses, and other asset disposals	7,334	9,501
Operating lease rentals:		
- land and buildings	16,372	13,599
- motor vehicles	8,283	8,218
- hire stock	864	1,622
Foreign currency translation gains	(13)	(241)
Exceptional items (note 4)	(33,773)	7,000

	Year ended 29 December 2018 £000s	Year ended 29 December 2018 £000s
<i>Auditors' remuneration</i>		
- audit of the Company financial statements	78	69
- audit of the Group financial statements	181	-
- other audit related services	28	82
- corporate finance services	-	150
- taxation compliance services	3	12
	290	313

### 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 is given below.

	Included in cost of sales £000s	Included in distribution costs £000s	Included in administrative expenses £000s	Included in other operating income £000s	Included in profit on disposal of subsidiary £000s	Year ended 28 December 2019 £000s
Onerous leases	-	9	2,924	(46)	-	2,887
Cost reduction programme	15	308	484	-	-	807
Impairment of property, plant and equipment	-	-	363	-	-	363
Impairment of intercompany receivables	-	-	2,099	-	-	2,099
Disposal of subsidiary - UK Platforms Ltd	-	-	-	-	(40,580)	(40,580)
Write-off of investments	-	-	651	-	-	651
<b>Total exceptional items</b>	<b>15</b>	<b>317</b>	<b>6,521</b>	<b>(46)</b>	<b>(40,580)</b>	<b>(33,773)</b>

# HSS Hire Service Group Limited

## Notes to the financial statements (continued)

For the year ended 28 December 2019

### 4. Exceptional items (continued)

During the year ended 29 December 2018, the Company recognised total exceptional costs, analysed as follows:

	Included in cost of sales	Included in distribution costs	Included in administrative expenses	Included in other operating income	Included in profit on disposal of subsidiary	Year ended 29 December 2018
	£000s	£000s	£000s	£000s	£000s	£000s
Onerous leases	-	-	2,646	(467)	-	2,179
Cost reduction programme	22	69	1,015	-	-	1,106
Strategic Review	-	-	955	-	-	955
Impairment of property, plant and equipment	-	-	483	-	-	483
Disposal of subsidiary	-	-	-	-	2,080	2,080
Business divestiture	-	-	197	-	-	197
<b>Total exceptional items</b>	<b>22</b>	<b>69</b>	<b>5,296</b>	<b>(467)</b>	<b>2,080</b>	<b>7,000</b>

### Exceptional items incurred in 2019 and 2018

#### Costs related to onerous properties: branch and office closures

In 2017 and 2018 the number of branches was reduced to remove less profitable locations with activity centralised into remaining locations. During the year a distribution centre was closed with operations transferred to nearby centres resulting in an onerous lease provision of £2.1m. No other branches were closed (2018: 12), however, the decision to cease using one of the floors at the Manchester registered office resulted in an additional onerous lease provision of £1.0m. The remaining reduction of £0.4m relates to the reassessment of existing dark stores and onerous lease provisions.

Provisions are created net of expected sub-let income. During the year, sub-let income of £0.7m was received and recognised as negative provision utilisation.

#### Disposal of subsidiary

On 19 July 2018, the Company announced the agreement to sell UK Platforms Limited, HSS's powered access business, to Loxam (see note 22 for further details). The transaction completed in 2019. The clearance of this transaction was secured from the Competition and Markets Authority in December 2018, thereby completing the last major hurdle in the agreement to sell the business. In 2019 the Company recorded a profit on disposal of £40.6m and £2.1m of costs relating to the transaction were expensed in 2018.

#### Cost reduction programme

In light of headwinds that emerged in the market during the year, the Company has undertaken initiatives to reduce costs. These include the closure costs of a centre used to refurbish hire stock and costs to exit contracts related to the operation of a cross-dock facility used to redistribute assets across the network. Internal restructuring was also carried out, resulting £0.8m of total costs which include £0.6m redundancy costs.

In 2018 costs of £1.1m were recognized, largely relating to redundancy, when the group carried out restructuring as it implemented plans to reduce central overhead.

#### Impairment of property, plant and equipment

Following the branch closures management concluded an impairment review of property, plant and equipment in closed branches to determine what can be reused across the network. During the year ended 28 December 2019, an impairment of £0.4m (2018: £0.5m) to property, plant and equipment was recognized in the closed distribution centre and Manchester registered office referenced above.

#### Impairment of intercompany receivables

During the year the Company recognised a £2.1m (2018: £nil) impairment on intercompany receivables.

# HSS Hire Service Group Limited

## Notes to the financial statements (continued)

For the year ended 28 December 2019

### 4. Exceptional items (continued)

#### *Write-off of investments*

Following a review of investments held the Company has written down £0.7m relating to investments in subsidiaries.

#### *Exceptional items incurred in 2018 only*

##### *Strategic review*

Following the appointment of the new Chief Executive Officer in 2017, a thorough Strategic Review was carried out by the Company. Non-recurring third party consultancy costs of £1.0m were incurred during the year ended 29 December 2018 to complete this review.

##### *Business divestiture*

£0.2m of costs were incurred in 2018 relating to the 2017 disposal of Reintec branded fleet of cleaning machines and the related TecServ maintenance business.

### 5. Employees

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

	Year ended 28 December 2019 Number	Year ended 29 December 2018 Number
Distribution	478	484
Hire stock and inventory maintenance	213	227
Sales and administration	1,517	1,586
	<b>2,208</b>	<b>2,297</b>

The aggregate remuneration costs of these employees were as follows:

	Year ended 28 December 2019 £000s	Year ended 29 December 2018 £000s
Wages and salaries	63,932	67,698
Social security costs	6,283	5,868
Pension costs	1,589	1,409
	<b>71,804</b>	<b>74,975</b>

### 6. Directors' remuneration

The remuneration costs of the Company's directors were:

	Year ended 28 December 2019 £000s	Year ended 29 December 2018 £000s
Aggregate emoluments	670	662
Bonus	306	453
Pension costs	55	55
	<b>1,031</b>	<b>1,170</b>
Share-based payment expense	185	3
	<b>1,216</b>	<b>1,173</b>

There is no compensation for loss of office payable as at 28 December 2019 (29 December 2018: none).

# HSS Hire Service Group Limited

## Notes to the financial statements (continued)

For the year ended 28 December 2019

### 6. Directors' remuneration (continued)

The remuneration of the highest paid director was:

	Year ended 28 December 2019 £000s	Year ended 29 December 2018 £000s
Aggregate emoluments	388	383
Bonus	132	263
Pension costs	31	31
	<b>551</b>	<b>677</b>
Share-based payment expense	114	1
	<b>665</b>	<b>678</b>

The directors of the Company were also directors of other companies in the HSS Hire Group plc 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 HSS Hire Group Plc group. The full salary cost is therefore borne by HSS Hire Service Group Limited.

### 7. Finance income and expense

	Year ended 28 December 2019 £000s	Year ended 29 December 2018 £000s
Interest received on cash deposits	(30)	(13)
Interest received from group companies	(640)	(718)
<b>Finance income</b>	<b>(670)</b>	<b>(731)</b>
Bank interest	18	3
Interest paid to group companies	6,307	7,942
Finance leases	623	623
Interest unwind on discounted provisions	413	45
Other interest	-	50
<b>Finance expense</b>	<b>7,361</b>	<b>8,663</b>
<b>Net finance expense</b>	<b>6,691</b>	<b>7,932</b>

### 8. Income tax credit

#### (a) Analysis of credit in the year

	Year ended 28 December 2019 £000s	Year ended 29 December 2018 £000s
<b>Current tax charge</b>		
Tax on profit on ordinary activities	58	266
Adjustments in respect of prior years	(1,208)	(36)
Total current tax (credit)/charge	(1,150)	231
Deferred tax charge/(credit) for the period	2,500	(2,500)
<b>Total current tax and income tax charge/(credit)</b>	<b>1,350</b>	<b>(2,269)</b>

# HSS Hire Service Group Limited

## Notes to the financial statements (continued)

For the year ended 28 December 2019

### 8. Income tax credit (continued)

#### (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 28 December 2019 £000s	Year ended 29 December 2018 £000s
Profit before tax	46,568	796
Profit before tax multiplied by the standard rate of corporation tax of 19.0% (2018: 19.0%)	8,848	151
Effects of:		
Deferred tax not recognised	(1,896)	(967)
Prior year over provision	(1,208)	(36)
Deferred tax recognised	2,237	(2,500)
Non deductible expenses	331	578
Group relief surrendered	-	83
Impact of change in tax rate	263	-
Difference in foreign tax rate	58	266
Losses carried forward	420	155
Exempt gain on disposal of UKP	(7,703)	-
Income tax credit	1,350	(2,270)

#### c) Factors that may affect future tax charge

The standard rate of corporation tax in the UK is 19% and it is the rate applied to the Company's profit for the year ended 28 December 2019.

The Company has an unrecognised deferred tax asset relating to temporary timing differences relating to losses of £20.5m (2018: £22.4m). This potential deferred tax asset has 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.

Deferred tax has been calculated at 17% (2018: 19%), which is the main rate of corporation tax effective from 1 April 2020. Legislation was passed in 2020 which changed the corporation tax rate to 19% however, as this was not enacted until after the reporting date, its effect is not included in the deferred tax calculation.

At 29 December 2018, the Company had an unrecognised deferred tax asset (note 20). This potential deferred tax asset was not realised due to lower profit before tax and higher capital allowances than had been forecast.

# HSS Hire Service Group Limited

## Notes to the financial statements (continued)

For the year ended 28 December 2019

### 9. Intangible assets

	Software £000s
<b>Cost</b>	
At 30 December 2018	21,391
Additions	2,337
Disposals	(167)
<b>At 28 December 2019</b>	<b>23,561</b>
<b>Amortisation</b>	
At 30 December 2018	16,487
Charge for the year	2,585
Disposal	(67)
<b>At 28 December 2019</b>	<b>19,005</b>
<b>Net book value</b>	
<b>At 28 December 2019</b>	<b>4,556</b>

	Software £000s
<b>Cost</b>	
At 31 December 2017	19,691
Additions	1,703
Disposals	(3)
<b>At 29 December 2018</b>	<b>21,391</b>
<b>Amortisation</b>	
At 31 December 2017	13,453
Charge for the year	3,036
Disposal	(2)
<b>At 29 December 2018</b>	<b>16,487</b>
<b>Net book value</b>	
<b>At 29 December 2018</b>	<b>4,904</b>

# HSS Hire Service Group Limited

## Notes to the financial statements (continued)

For the year ended 28 December 2019

### 10. Property, plant and equipment

	Land & buildings £000s	Plant & machinery £000s	Materials & equipment held for hire £000s	Total £000s
<b>Cost</b>				
At 30 December 2018	68,894	57,468	127,469	253,831
Additions	2,207	1,563	20,686	24,456
Disposals	(1,796)	(530)	(25,240)	(27,566)
Transfers	(72)	(1,074)	1,146	-
<b>At 28 December 2019</b>	<b>69,233</b>	<b>57,427</b>	<b>124,061</b>	<b>250,721</b>
<b>Accumulated depreciation</b>				
At 30 December 2018	48,411	50,915	77,691	177,017
Charge for the year	4,227	2,029	15,596	21,852
Impairment	209	154	-	363
Disposals	(1,261)	(605)	(18,366)	(20,232)
Transfers	49	(316)	267	-
<b>At 28 December 2019</b>	<b>51,635</b>	<b>52,177</b>	<b>75,188</b>	<b>179,000</b>
<b>Net book value</b>				
<b>At 28 December 2019</b>	<b>17,598</b>	<b>5,250</b>	<b>48,873</b>	<b>71,721</b>

	Land & buildings £000s	Plant & machinery £000s	Materials & equipment held for hire £000s	Total £000s
<b>Cost</b>				
At 31 December 2017	64,318	56,021	133,584	253,923
Additions	5,694	1,601	18,555	25,850
Disposals	(1,118)	(154)	(24,670)	(25,942)
<b>At 29 December 2018</b>	<b>68,894</b>	<b>57,468</b>	<b>127,469</b>	<b>253,831</b>
<b>Accumulated depreciation</b>				
At 1 January 2017	43,109	48,572	81,686	173,367
Charge for the year	5,689	2,437	11,965	20,091
Disposals	(387)	(94)	(15,960)	(16,441)
<b>At 29 December 2018</b>	<b>48,411</b>	<b>50,915</b>	<b>77,691</b>	<b>177,017</b>
<b>Net book value</b>				
<b>At 29 December 2018</b>	<b>20,483</b>	<b>6,553</b>	<b>49,778</b>	<b>76,814</b>

The net book value of materials and equipment held for hire includes an amount of £11.2 million (2018: £10.4 million) in respect of assets held under finance leases. The depreciation charge for assets held under finance leases in the year ended 28 December 2019 was £3.2 million (2018: £2.2 million).

HSS Hire Group plc's (the Company's ultimate parent company in which it is consolidated) senior finance facility is secured over the assets of a group company Hero Acquisitions Limited and all of its subsidiaries of which HSS Hire Service Group Limited is one. The revolving credit facility (RCF) is guaranteed in a similar way to the senior finance facility, save the lenders under the RCF rank behind those under the senior finance facility.



# HSS Hire Service Group Limited

## Notes to the financial statements (continued)

For the year ended 28 December 2019

### 11. Investments

	£000s
<b>At 29 December 2018</b>	25,437
Disposals	(2,737)
Write-offs (note 4)	(651)
<b>At 28 December 2019</b>	<b>22,049</b>

The Company's subsidiaries are:

Company	Holding	Country of incorporation	Principal activity	Ordinary shares held
Bannagroe Limited	Direct	Republic of Ireland	Intermediate holding company	100%
ABird Superior Limited	Direct	United Kingdom	Intermediate holding company	100%
A1 Hire & Sales Limited	Direct	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%
HSS Training Limited	Direct	United Kingdom	Training services	100%
1st Collection Services Limited	Direct	United Kingdom	Administration of group debtors	100%
All Seasons Hire Limited	Direct	United Kingdom	Hire and equipment services	100%
HSS Hire Limited	Indirect	United Kingdom	Dormant	100%
HSS Hire Trading Limited	Indirect	United Kingdom	Dormant	100%

On 11 January 2019 the Company disposed of its 100% holding in UK Platforms Limited, a UK company whose principal activity is hire and equipment services.

Since the balance sheet date the COVID-19 pandemic has emerged as a threat and means that the Directors' assessment of economic risk has changed. The risk that investments in subsidiaries may be impaired has increased. Given the level of uncertainty with regard to the future effect of COVID-19 on economic conditions an assessment of the impact of this increase in risk has not been made.

# HSS Hire Service Group Limited

## Notes to the financial statements (continued)

For the year ended 28 December 2019

### 12. Inventories

	Year ended 28 December 2019 £000s	Year ended 29 December 2018 £000s
Inventories	1,933	1,964
Inventory spares	1,305	1,478
<b>Total inventories</b>	<b>3,238</b>	<b>3,442</b>
Provision for impairment	(344)	(270)
<b>Inventories</b>	<b>2,894</b>	<b>3,172</b>

	Year ended 28 December 2019 £000s	Year ended 29 December 2018 As restated £000s
<b>Provision for impairment of inventories</b>		
Balance at the beginning of the year	270	396
Impairment provisions recognised / (utilised) during the year	74	(126)
<b>Balance at the end of the year</b>	<b>344</b>	<b>270</b>

The cost of inventories recognised as an expense and included in cost of sales was £16.9 million (2018: £16.8 million).

### 13. Trade and other receivables

	Year ended 28 December 2019 £000s	Year ended 29 December 2018 £000s
Gross trade receivables	65,123	70,022
Less provision for impairment	(3,203)	(3,440)
<b>Net trade receivables</b>	<b>61,920</b>	<b>66,582</b>
Amounts owed by Group undertakings	10,329	20,928
Other debtors	2,795	2,135
Accrued income	5,686	8,529
Prepayments	10,292	6,776
<b>Total trade and other receivables</b>	<b>91,022</b>	<b>104,950</b>

The provision for impairment of trade receivables consists of a bad debt and a credit note provision. The bad debt provision is estimated using the simplified approach to expected credit loss techniques and is based upon past default experience and the Directors' assessment of the current economic environment for each of the Company's ageing categories. Receivables over two years past their due date are expensed in their entirety and written back to income if subsequently recovered. The total amount expensed was £3.4m (2018: £4.0m); unless the counterparty is in liquidation, these amounts are still subject to enforcement action. Provisions are made for credit notes expected to be raised after year end for customer invoices that were issued during the year (see note 1i). The overall provisions for bad debts and credit notes amount to 4.9% of trade receivables at 28 December 2019 (2018: 4.9%). The creation and release of bad debt provisions are charged or credited to administrative expenses in the income statement and movements in the credit note provision are charged or credited to revenue.

Since the balance sheet date the COVID-19 pandemic has emerged as a threat and means that the Directors' assessment of economic risk has changed. The risk that trade receivables and receivables from Group undertakings are recovered late or are not recovered has increased. Given the level of uncertainty with regard to the future effect of COVID-19 on economic conditions an assessment of the impact of this increase in risk has not been made.

# HSS Hire Service Group Limited

## Notes to the financial statements (continued)

For the year ended 28 December 2019

### 13. Trade and other receivables (continued)

The estimated credit loss rates are estimated based on historical loss rates and then adjusted for current and forward-looking information on macroeconomic factors affecting the Company's operating environment. At the balance sheet date the Company had considered economic uncertainty around Brexit, and expected GDP growth, inflation and unemployment rates in determining the level of adjustment required.

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

	Year ended 28 December 2019 £000s	Year ended 29 December 2018 As restated £000s
Balance at the beginning of the year	(3,440)	(3,749)
Movement in provision	237	309
<b>Balance at the end of the year</b>	<b>(3,203)</b>	<b>(3,440)</b>

The provision for impairment of trade receivables is comprised as follows:

	Year ended 28 December 2019 £000s	Year ended 29 December 2018 £000s
Bad debt provision	(1,420)	(1,766)
Credit note provision	(1,783)	(1,674)
	<b>(3,203)</b>	<b>(3,440)</b>

The bad debt provision based on expected credit losses and applied to trade receivables, all of which are current, is as follows:

#### Year ended 28 December 2019

Categories	Current	0-60 days	61-365	1 - 2 years	Total
Contract assets, £000s	56,543	6,914	6,243	1,108	70,808
Expected loss rate	1.0%	3.0%	7.8%	12.8%	2.0%
Provision for impairment charge, £000s	583	209	486	142	1,420

#### Year ended 29 December 2018

Categories	Current	0-60 days	61-365	1 - 2 years	Total
Contract assets	62,120	8,304	6,750	1,377	78,551
Expected loss rate	0.0%	0.9%	21.4%	17.7%	2.2%
Provision for impairment charge	-	78	1,444	244	1,766

### 14. Cash

	Year ended 28 December 2019 £000s	Year ended 29 December 2018 £000s
Cash and cash equivalents	<b>20,287</b>	12,210

The company's banking arrangements are subject to a master netting off agreement with its 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.

# HSS Hire Service Group Limited

## Notes to the financial statements (continued)

For the year ended 28 December 2019

### 15. Trade and other payables

	Year ended 28 December 2019 £000s	Year ended 28 December 2019 As restated £000s
<b>Current</b>		
Trade payables	31,583	40,786
Amounts owed to Group undertakings	117,369	159,163
Other taxes and social security costs	6,255	3,556
Accruals and deferred income	15,023	15,928
Other creditors	1,526	1,364
	<b>171,756</b>	<b>220,797</b>

	Year ended 28 December 2019 £000s	Year ended 29 December 2018 £000s
<b>Non-current</b>		
Amounts owed to Group undertakings	-	11,635

Amounts payable to group entities are unsecured and repayable on demand. During the year interest was payable based on LIBOR plus an agreed rate.

### 16. Finance leases

	Year ended 28 December 2019 £000s	Year ended 29 December 2018 £000s
<b>Current</b>		
Obligations under finance leases	4,240	3,882
	<b>4,240</b>	<b>3,882</b>
	Year ended 28 December 2019 £000s	Year ended 29 December 2018 £000s
<b>Non-current</b>		
Obligations under finance lease	9,364	8,204

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

	Year ended 28 December 2019 £000s	Year ended 29 December 2018 £000s
Less than one year	4,240	3,882
Two to five years	9,364	8,204
	<b>13,604</b>	<b>12,086</b>

# HSS Hire Service Group Limited

## Notes to the financial statements (continued)

For the year ended 28 December 2019

### 16. Finance leases (continued)

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

	Year ended 28 December 2019 £000s	Year ended 29 December 2018 £000s
Less than one year	5,107	4,432
Two to five years	9,648	8,671
	<b>14,755</b>	<b>13,103</b>
Less future interest payments	(1,151)	(1,017)
Carrying value of lease liabilities	<b>13,604</b>	<b>12,086</b>

### 17. Provisions for liabilities

	Onerous leases £000s	Dilapidations £000s	Onerous contracts £000s	Total £000s
<b>At 30 December 2018</b>	4,745	16,059	22,808	<b>43,612</b>
Additions	4,942	340	-	<b>5,282</b>
Utilised during the period	(2,570)	(700)	(3,580)	<b>(6,850)</b>
Unwind of provision	20	48	345	<b>413</b>
Released	(2,304)	(336)	-	<b>(2,640)</b>
<b>At 28 December 2019</b>	<b>4,833</b>	<b>15,411</b>	<b>19,573</b>	<b>39,817</b>
<b>Of which:</b>				
<b>Current</b>	2,043	2,827	3,112	<b>7,982</b>
<b>Non current</b>	2,790	12,584	16,461	<b>31,835</b>
	<b>4,833</b>	<b>15,411</b>	<b>19,573</b>	<b>39,817</b>

	Onerous leases £000s	Dilapidations £000s	Onerous contracts £000s	Total £000s
<b>At 31 December 2017</b>	6,587	12,910	32,612	<b>52,109</b>
Additions	2,054	5,581	-	<b>7,635</b>
Utilised during the period	(3,234)	(1,303)	(9,918)	<b>(14,455)</b>
Unwind of provision	11	34	114	<b>159</b>
Released	(673)	(1,163)	-	<b>(1,836)</b>
<b>At 29 December 2018</b>	<b>4,745</b>	<b>16,059</b>	<b>22,808</b>	<b>43,612</b>
<b>Of which:</b>				
<b>Current</b>	3,234	3,254	3,562	<b>10,050</b>
<b>Non current</b>	1,511	12,805	19,246	<b>33,562</b>
	<b>4,745</b>	<b>16,059</b>	<b>22,808</b>	<b>43,612</b>

#### Onerous leases

Provisions for onerous leases relate to the current value of contractual liabilities for future rent and rates payments and other unavoidable costs on leasehold properties the Company no longer operationally uses. These liabilities, assessed on a lease by lease basis, are expected to arise over a period of up to 8 years (2018: 9 years) with the weighted average being 3.9 years (2018: 2.5 years). They are stated net of existing and anticipated sub-let income based on management's experience of the commercial retail property market in conjunction with specialist third party advice. The onerous lease provision has been discounted at a rate of 0.891% (2018: 0.891%). A 1% increase in the discount rate at 28 December 2019 (2018: 1% increase) would reduce the onerous lease provision by £0.1m (2018: £0.1m).

The amount of anticipated sub-let income for vacant properties included in the onerous lease provision amounted to £0.9m at 28 December 2019 (2018: £0.5m). Variations in the actual timings or amounts of sub-let income will lead to a commensurate increase or decrease in the amount of provision required in the future.

# HSS Hire Service Group Limited

## Notes to the financial statements (continued)

For the year ended 28 December 2019

### 17. Provisions for liabilities (continued)

Since the balance sheet date the COVID-19 pandemic has emerged as a threat and means that the Directors' assessment of economic risk has changed. As detailed in note 1f, forecasts prepared since the balance sheet date show a large drop in profits in the short term which could result in additional leases becoming onerous. Forecasts have not been prepared at a site level and so this has not been quantified.

#### *Dilapidations*

The dilapidations provision represents dilapidation costs in respect of the Group's leasehold properties and will therefore arise over the lease lives of the Group's properties, and comprises specific amounts based on surveyors' reports on a property by property basis, where available. The remaining properties are covered by an estimate based on gross internal area, adjusted for location, size and age of the property. The weighted average dilapidations provision at 28 December 2019 was £8.73 per square foot (psf) (2018: £8.34 psf). Estimates for future dilapidations costs are regularly reviewed, and the increase in the cost of the provision psf reflects a change in the estimate of future cost based upon experience during the year ended 28 December 2019. A £0.50 psf increase in the dilapidations provision would lead to an increase in the provision at 28 December 2019 of £1.0m (2018: £1.2m).

The dilapidations provision has been discounted at a rate of 1.26% (2018: 1.26%) at 28 December 2019. A 1% increase in the discount rate at 28 December 2019 would decrease both the dilapidations provision and associated dilapidation fixed asset by £0.8m (2018: £0.6m), respectively.

#### *Onerous contract*

The onerous contract represents amounts payable in respect of the agreement reached between the Company and Unipart to terminate the contract to operate the NDEC. Under the terms of the agreement at 28 December 2019 £20.3m is payable over the period to 2026 (2018: £24.2) and £3.6m has been paid during the year (2018: £9.6m). The provision has been discounted at a rate of 1.19% (2018: 1.19%). A 1% increase in the discount rate at 28 December 2019 would decrease the provision by £0.6m (2018: £0.9m).

### 18. Share capital

	Year ended 28 December 2019 Number	Year ended 29 December 2018 Number
Issued, called up and fully paid 25,000,000 ordinary shares of £1 each	25,000,000	25,000,000
	Year ended 28 December 2019 £000s	Year ended 29 December 2018 £000s
Issued, called up and fully paid 25,000,000 ordinary shares of £1 each	25,000	25,000

# HSS Hire Service Group Limited

## Notes to the financial statements (continued)

For the year ended 28 December 2019

### 19. Operating lease commitments

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

	Year ended 28 December 2019 £000s	Year ended 29 December 2018 £000s
<b>Land and buildings</b>		
Within one year	13,067	10,284
Between two and five years	28,807	38,277
After five years	10,210	29,070
	<u>52,085</u>	<u>77,631</u>
<b>Other</b>		
Within one year	7,580	7,382
Between two and five years	13,648	11,348
After five years	-	187
	<u>21,228</u>	<u>18,917</u>
	<u>73,313</u>	<u>96,548</u>

The Company's future minimum sub-lease income expected to be received under non-cancellable operating leases are set out below:

	Year ended 28 December 2019 £000s	Year ended 29 December 2018 £000s
<b>Sub-lease rental income</b>		
Within one year	551	499
Between two and five years	1,134	1,017
After five years	595	161
	<u>2,280</u>	<u>1,677</u>

### 20. Deferred tax

	<b>Deferred tax asset relating to tax losses £000s</b>
At 30 December 2018	2,500
Charge to the income statement	<u>(2,500)</u>
<b>At 28 December 2019</b>	<u>-</u>
	<b>Deferred tax asset relating to tax losses £000s</b>
At 30 December 2017	-
Credit to the income statement	<u>2,500</u>
<b>At 29 December 2018</b>	<u>2,500</u>

The majority of the deferred tax asset recognised for the year ended 29 December 2018 was not realised due to lower profit before tax and higher capital allowances than had been forecast.

In addition to the recognised deferred tax asset of £nil (2018: £2.5m), the company has a further unrecognised deferred tax asset of £20.5m (2018: £22.4m) relating to temporary differences on unused trade losses & plant. This potential deferred tax asset has 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 differences will be made in the future.

# HSS Hire Service Group Limited

## Notes to the financial statements (continued)

For the year ended 28 December 2019

### 21. Share-based payments

The Group operates a number of share-based payment schemes as part of its reward and retention strategies. During the year the Company expensed £0.7m (2018: £nil) of share-based payments relating to share options issued by the Group to employees of the Company. The key points of each of the Group's share schemes for grants up to 28 December 2019 are summarised below. All schemes are equity-settled. All disclosure relates to both the Group and the Company.

#### **Long Term Incentive Plan**

On 4 June 2019 share awards under the Long Term Incentive Plan ("LTIP") were issued to eligible colleagues in the form of nil-cost options over ordinary shares. The LTIP options will vest subject to performance conditions based on earnings per share and return on capital employed measured over the three-year period ending with the group's 2021 financial year. To the extent it vests, each award will, ordinarily, be released to the participant at the end of a further two-year holding period. The awards were valued as the grant-date share price, adjusted for anticipated dividends payable.

During 2018, share awards under the LTIP were issued to eligible colleagues in the form of nil-cost options over ordinary shares. The LTIP options will vest subject to share price performance measured over the three-month period ending with the Company's 2021 financial year.

On the same dates as the LTIP awards, tax-qualifying share options were granted as part of the LTIP awards (CSOP options) via a Company Share Option Plan approved by HMRC. Each CSOP is subject to the same performance targets as apply to the nil-cost options part of the LTIP and will vest and be released at the same time as the nil-cost options. If a CSOP option is exercised as a gain, the number of shares that may be delivered under the associated LTIP award will be reduced at exercise by the same value to ensure that the total pre-tax value of the original LTIP award delivered to the participant is not increased by the grant of the CSOP option.

As such, the LTIP comprises a bundled HMRC-approved option in respect of the first £30,000 worth of an award, and an unapproved LTIP award for amounts in excess of this HMRC limit. Therefore, the fair value of the award in aggregate is determined by reference to the market value of the original LTIP share awards at the date of grant.

#### **Market value options**

During 2018, share awards (the 2018 Awards) were granted to eligible colleagues in the form of market value options over ordinary shares. The market value options will vest subject to performance conditions based on HSS's share price measured over the three-month period ending with 31 December 2021. The award will lapse if the award made in 2017 (see below) vests.

During 2017, share awards (the 2017 Awards) were granted to eligible colleagues in the form of market value options over ordinary shares. The market value options will vest subject to performance conditions based on earnings per share and return on capital employed measured over the period ending with the Company's 2020 financial year.

To the extent it vests, each of the 2018 and 2017 Awards will, ordinarily, be released to the participant at the end of a further one-year holding period.

On the same dates for the 2018 and 2017 Awards, tax-qualifying share options were granted as part of the market value option awards (CSOP options) via a Company Share Option Plan approved by HM Revenue & Customs (HMRC). Each CSOP is subject to the same performance targets as are applied to the market value options and they will vest and be released at the same time as them.

As such the total award to each individual comprises a bundled HMRC-approved option in respect of the first £30,000 worth of an award, and an unapproved market value option award for amounts in excess of this HMRC limit.

#### **Deferred Bonus Plan**

On 16 April 2019 shares were issued to Directors under the Group's Deferred Bonus Plan ("DBP"). The awards are not subject to any performance conditions and will ordinarily vest after a two-year holding period. The awards were valued as the grant-date share price, adjusted for anticipated dividends payable.

#### **2016 3-year Sharesave Scheme (SAYE Plan)**

During 2016, the Group offered all colleagues the opportunity to participate in the 2016 Sharesave Scheme, a SAYE plan. The Sharesave Scheme enables participating employees to save anything from £5 to £250 per month over three years. At the end of the three years, the employee may use the amount saved to purchase HSS Hire Group plc shares at a discounted price (compared with the price on the date of issue) of 57.7p per share. Alternatively, the employee may, at their request, withdraw their savings and leave the SAYE Plan at any time. Participants will be eligible to exercise their awards during the 6 month period from 1 January 2020.

No awards have been made under the SAYE Plan since 2016.



# HSS Hire Service Group Limited

## Notes to the financial statements (continued)

For the year ended 28 December 2019

### 21. Share-based payments (continued)

The table below reconciles the options outstanding during the year ended 28 December 2019:

	MVO Number	LTIP Number	CSOP Number	DBP Number	SAYE Number
Outstanding at 30 December 2018	21,477,547	4,762,622	1,967,025	–	1,102,474
Granted	415,388	6,570,227	242,808	350,715	–
Lapsed	–	(1,239,622)	–	–	–
Cancelled	–	–	–	–	(260,580)
Outstanding at 28 December 2019	21,892,935	10,093,227	2,209,833	350,715	841,894
Exercisable at end of year, number	–	–	–	–	–
Weighted average exercise price, pence	38.4	–	24.3	–	57.7
Weighted average remaining contractual life, years	8.3	9.2	8.5	1.3	0.5
Weighted average fair value of options granted, pence	7.5	25.6	5.1	37.3	23.0

The table below reconciles the options outstanding during the year ended 29 December 2018:

	MVO Number	LTIP Number	CSOP Number	DBP Number	SAYE Number
Outstanding at 31 December 2017	7,076,202	1,239,622	666,660	–	1,660,893
Granted	14,500,000	3,523,000	1,355,920	–	–
Cancelled	(98,655)	–	(55,555)	–	(558,419)
Outstanding at 29 December 2018	21,477,547	4,762,622	1,967,025	–	1,102,474
Exercisable at end of year, number	–	–	–	–	–
Weighted average exercise price, pence	40.4	–	42.6	–	57.7
Weighted average remaining contractual life, years	3.9	3.4	3.9	–	1.3
Weighted average fair value of options granted, pence	9.2	5.2	9.0	–	23.0

### 22. Business disposal

On 11 January 2019, HSS Hire Service Group Limited completed the disposal of UK Platforms Limited to Nationwide Platforms Limited, a wholly owned subsidiary of the Loxam Group, in order to pay down debt and generate cashflow for the expansion of the Group's other businesses.

### 23. Related party transactions

As disclosed in Note 1d) and in accordance with the exemptions in FRS 101 the Company is not required to disclose related party transactions with key management personnel or between members of the Group. The Company has not completed any related party transactions with any other entities or parties.

### 24. Ultimate and immediate parent company

The Company's immediate parent company is HSS Hire Service Finance Limited.

HSS Hire Group plc is the ultimate parent in which HSS Hire Service Group Limited is consolidated.

By virtue of its majority shareholding in HSS Hire Group plc, the company's ultimate controlling party is Exponent Private Equity LLP.

# HSS Hire Service Group Limited

## Notes to the financial statements (continued)

For the year ended 28 December 2019

### 25. Adjusted EBITDA

	Year ended 28 December 2019 £000s	Year ended 29 December 2018 £000s
Operating profit	53,259	8,728
Add: Depreciation of property, plant and equipment	21,852	20,091
Add: Accelerated depreciation relating to hire stock customer losses, hire stock write offs and other asset disposals	7,334	9,501
Add: Amortisation	2,585	3,036
EBITDA	85,030	41,356
Exceptional items	(33,773)	7,000
Adjusted EBITDA	51,257	48,356

### 26. Post balance sheet events

Since the balance sheet date, a new virus, COVID-19, has resulted in a pandemic which is impacting the wider Group's performance. This could impact the recoverability of trade and intercompany receivables, and the values of fixed assets and stock. Given the level of uncertainty with regard to economic conditions and their recovery from COVID-19 an assessment of the impact has not been made. Action taken by the Group to mitigate the impact of the pandemic includes the closure of the majority of its UK branches; deferral of capital expenditure; utilisation of the Government's job retention scheme; and the capital raise noted below.

The Group has completed a Capital Raise from existing and new shareholders resulting in gross proceeds of £52.6m in aggregate.

These represent non-adjusting post balance sheet events.