31 August 2016

HSS Hire Group plc

Interim report: Half year results for the 27 week period ended 2 July 2016

HSS Hire Group plc ("HSS" or the "Group") today announces results for the 27 week period ended 2 July 2016.

Financial Highlights	H1 2016 (27 weeks)	H1 2015 (26 weeks)	Change
Revenue	**£166.2m**	£146.4m	+13.5%
Adjusted EBITDA[1]	**£32.1m**	£28.9m	+11.1%
Adjusted EBITA[2]	**£7.4m**	£4.5m	+64.4%
Adjusted EBITA margin	**4.5%**	3.0%	+1.5pp
Adjusted earnings per share	**0.10p**	(2.27)p	+2.37p
Interim dividend	**0.57p**	0.57p	-
Reported loss before tax	**£(9.8)m**	£(14.1)m	+£4.3m
Reported loss per share	**(6.62)p**	(10.51)p	+3.89p

Trading and Operational Highlights

- **Profitable market share growth:**
  - Revenue growth of 13.5% driven by key accounts and services revenue (HSS OneCall and Training)
  - Adjusted EBITA up 64.4% reflecting delivery of planned cost savings and positive impact of accretive services revenue growth
  - Reported loss before tax mainly due to exceptional costs associated with strategy execution
- **Significant progress in strategy execution:**
  - *Optimise distribution and branch network:* New National Distribution and Engineering Centre ("NDEC") now supporting 50% of network; ramp-up for nationwide coverage on track for completion by the end of FY16. Investment provides capacity for scale growth and step-changes customer availability benefits through e-commerce and national branch channels.
  - *Win new, and deepen existing, customer relationships:* Strong growth in key account revenue, including services (+41%); average number of trading accounts up 3%; Net Promoter Score of 42 (top third of TNS NPS Benchmark[3])
  - *Continued development and growth of our specialist businesses:* Strong cross-selling reflecting customers' desire for a one stop shop; businesses co-located to drive operational cost efficiencies; new refurbishment centre driving capital efficiency.
- Further improvement in utilisation: increasing from 48% to 50% in the Core business and from 73% to 76% in the Specialist businesses[4]

Current Trading and Outlook

- Q3 16 trading has started ahead of Q3 15. Continued growth in key accounts and in services revenue reflecting our strong one stop shop positioning.
- NDEC implementation remains on track for completion within FY16 enabling further optimisation of the existing network and reduction in distribution centres.
- Simplification of operating structures within core, powered access and power across England and Wales will deliver sales efficiencies and support cost reduction.

- Continued focus on capital efficiency, with improvement in utilisation and increased refurbishment activity allowing capital spend in 2016 to be lowered to between £40m and £45m.

Explanatory Notes:

1) *Adjusted EBITDA defined as Operating Profit with depreciation, amortisation and exceptional costs added back (exceptional costs include restructuring, IPO and acquisition costs)*
2) *Adjusted EBITA defined as Adjusted EBITDA less depreciation*
3) *The TNS NPS (Net Promoter Score) Benchmark is based on 27,000 business customer interviews in the UK across Industry Product & Services (IPS – UK) Business Customers between 2011 and 2014.*
4) *Utilisation calculated over the last twelve months to the end of H1 2015 and H1 2016 respectively*

John Gill, Chief Executive Officer, said:

"I'm pleased to report strong revenue and underlying profit growth in the first half of the year reflecting the positive impacts of our revised strategy. Customers are increasingly seeing HSS as a single source provider of tools, equipment and related services and our trading growth reflects this. Our focus on capital and operational efficiency shows through in our utilisation rates and our EBITA margin, both of which have continued to improve through Q2 16.

"We are confident our new National Distribution and Engineering Centre will position us well for scale and volume growth and, combined with our e-commerce platform and national branch footprint, will further enhance our customer proposition by transforming availability within our sector.

"The Board believes we are well positioned to take advantage of, and continues to look for, opportunities to increase scale for the benefit of customers and shareholders."

Results presentation

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

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

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

For further information, please contact:

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Notes to editors

HSS Hire Group plc provides tool and equipment hire and related services in the UK and Ireland through a nationwide network of over 330 locations. Focusing primarily on the maintain and operate segments of the market, over 90% of its revenues come from business customers. HSS is listed on the Main Market of the London Stock Exchange. For more information please see www.hsshiregroup.com.

Progress against strategic priorities

The Group operates with three strategic priorities and has made good progress against each in the period, as detailed in the table below.

Strategic priority	**Progress**
Optimise distribution and branch network	• New NDEC opened and national ramp-up on track to complete within FY16 • Positions Group well for scale and volume growth and enhances customer availability promise • Evolution and upgrading of branch network: 8 new openings, 9 relocations and/or refurbishments and 4 closures
Win new, and deepen existing, customer relationships	• 41% growth in key accounts revenue • £6.5m growth in existing key accounts • £12.0m of revenue from new key accounts • Average number of account customers in period up 3% • Net promoter score of 42, in the top third of the TNS NPS Benchmark
Continued development and growth of our specialist businesses	• Increased cross selling through core business • 4 co-location opportunities delivered to enhance national depot network and drive efficiencies • Simplification of operating structures within core, powered access and power across England and Wales will deliver cost reduction and sales efficiencies • Additional capacity in new refurbishment centre, enhancing buy/refurbish decision flexibility and improving capital efficiency

In addition to these core strategic priorities, the Group actively and regularly reviews acquisition opportunities. Acquisitions within this sector can enhance the customer proposition and have the capacity to create significant shareholder value, and can bring positive attributes such as increased scale, alongside improved operating and capital efficiencies. The UK asset rental market remains highly fragmented and provides an opportunity for consolidation and clear market leadership.

Group financial performance

Revenue

Revenue in H1 2016 was £166.2m, 13.5% ahead of H1 2015 (£146.4m). Growth in the organic business accounted for 12.8% of this increase, with the remainder due to the inclusion in H1 2016 of an additional 19 weeks' revenue from All Seasons Hire, which was acquired in May 2015.

Revenue in the Core business was up 14.4% to £141.8m (H1 2015: £124.0m) with continued growth in services such as HSS OneCall and Training, alongside strong growth in key accounts revenue (+41%). Revenue in the Specialist businesses grew 8.9% to £24.4m (H1 2015: £22.4m) reflecting continued high levels of utilisation, the benefit of 2015 and 2016 fleet investment and the inclusion of All Seasons Hire for the full period.

Costs

Exceptional costs in H1 2016 were £7.1m, including £5.9m in relation to NDEC start-up costs and £0.8m in relation to non-trading stores. In H1 2015, exceptional costs were mainly related to the IPO.

Net finance expenses were £5.4m lower at £7.2m (H1 2015: £12.6m including exceptional financial costs of £4.3m).

Profitability

Adjusted EBITDA grew 11.1% to £32.1m (H1 2015: £28.9m) reflecting the impact of the cost reduction actions implemented in 2015 and 2016 and the growth in revenue through the period, with an increasing proportion coming from HSS OneCall and Training which typically have lower EBITDA margins than other areas of the business. Adjusted EBITDA in the Core business was slightly lower at £17.8m (H1 2015: £18.0m) and Adjusted EBITDA in the Specialist businesses was up 31.2% to £14.3m (H1 2015: £10.9m).

Adjusted EBITA was up 64.4% to £7.4m (H1 2015: £4.5m) and the Adjusted EBITA margin increased by 150 bps to 4.5% (H1 2015: 3.0%) reflecting the positive EBITA margin impact of the continued growth in service revenues.

Loss before tax improved from £14.1m in H1 2015 to £9.8m in H1 2016, reflecting lower finance expenses incurred in H1 2016 and the continued investment in our network.

The basic and diluted loss per share reduced from 10.51p in H1 2015 to 6.62p in H1 2016, reflecting the reduced loss after tax in H1 2016, together with an increase in the weighted average number of shares between the two periods, where the H1 2015 number was lowered by the pre IPO share structure.

The adjusted basic and diluted loss per share improved from a loss of 2.27p per share in H1 2015 to earnings per share of 0.10p in H1 2016. This reflected the move from an adjusted loss before tax in H1 2015 to an adjusted profit before tax in H1 2016, partially offset by the increase in the weighted average number of shares between the two periods.

New segmental reporting

Following a number of years of managing and investing in the specialist businesses separately, the Group has now made changes to integrate the operation of these units more fully into its core business. These changes have prompted us to review the way we present our segmental analysis. As a result, note 3 to this interim statement now shows information relating to two new reportable segments: “Rental (and related revenue)” and “Services”.

The Rental segment consists of revenue earned from owned tools and equipment and directly related revenue e.g. resale, transport and other ancillary revenues. The Services segment comprises the Group’s third party supplied rehire business (HSS OneCall), HSS Training and TecServ.

As a transitional measure, and to aid an understanding of the change, these new segments are reported in this statement alongside information relating to the Group’s previous segments: “Core” and “Specialist”.

Revenue in the Rental segment was up 5.9% to £133.7m (H1 2015: £126.2m) reflecting volume growth and a shift towards key account business that typically operate at lower average rates.

Revenue in the Services segment grew 60.9% to £32.5m (H1 2015: £20.2m), reflecting particularly strong growth in HSS OneCall as a result of broadening relationships with our key account customers.

Contribution, defined as revenue less cost of sales (excluding depreciation and exceptional items), distribution costs and directly attributable costs, in the Rental segment grew 3.6% to £86.5m (H1 2015: £83.5m) with the higher volume. Contribution in the Services segment grew 26.8% to £5.2m (H1 2015: £4.1m) principally reflecting strong growth in lower margin supply chain management contracts over the period.

Net debt and leverage

Net debt at 2 July 2016 was £238.7m, £20.6m higher than at the 2015 year end. This reflects investment in the NDEC start up, settlement of hire and non-hire fleet capital expenditure creditors in respect of purchases made during late 2015 and early 2016 and payment of an extra rental quarter because of the financial calendar. Leverage therefore increased marginally from 3.1x at the 2015 year end to 3.2x as at 2 July 2016. Net debt is expected to reduce through H2 2016 as the Group enters what is typically the most cash generative part of the year.

Dividend

The Directors are declaring an interim dividend of 0.57p per ordinary share. The interim dividend will be paid on 6 October 2016 to shareholders on the register at close of business on 9 September 2016. The ex-dividend date is 8 September 2016.

Outlook

Trading in Q3 2016 has started ahead of Q3 2015 and is in line with management expectations. Our revenue mix continues to reflect particularly strong growth amongst our key accounts and in services, as our customers recognise the operational benefits of single-sourcing tools and equipment, including technical training for their staff. We expect this trend to remain a feature of the second half of the year, alongside continued growth of our specialist categories.

The implementation of the NDEC will transform customer availability within our sector and position us well for scale and volume growth. Combined with our e-commerce platform and national branch footprint, the new facility will significantly enhance our customer proposition.

The simplification of operating structures within core, powered access and power within England and Wales will deliver cost reduction and sales efficiencies. We will continue to focus on utilisation improvements which, together with increased refurbishment activity, will allow capital spend in 2016 to be lowered to between £40m and £45m.

The Board remains confident that the investments being made provide HSS with scalable operating capacity to support future growth and that the Group strategy remains appropriate to create shareholder value over the medium to long term.

Risks and uncertainties

The principal risks and uncertainties that could have a material impact upon the Group's performance over the remaining 26 weeks of the 2016 financial year have not changed significantly from those described in the Group's 2015 Annual Report and are summarised in note 23 of this interim report.

Responsibility Statement

We confirm to the best of our knowledge that:

(a) the condensed interim set of financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union;
(b) the Interim Report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
(c) the Interim Report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

By order of the Board

John Gill

Director

31 August 2016

HSS Hire Group plc

Unaudited consolidated income statement

	Note	**27 weeks ended 2 July 2016 £000s**	26 weeks ended 27 June 2015 £000s
Revenue	3	**166,229**	146,401
Cost of sales		**(74,709)**	(54,990)
Gross profit		**91,520**	91,411
Distribution costs		**(21,775)**	(20,026)
Administrative expenses		**(72,873)**	(73,337)
Other operating income	4	**528**	467
Operating loss		**(2,600)**	(1,485)
Adjusted EBITDA[1]		**32,101**	28,901
Less: Exceptional items (non-finance)	5	**(7,067)**	(3,826)
Less: Depreciation and amortisation[1]		**(27,634)**	(26,560)
Operating loss		**(2,600)**	(1,485)
Finance income	6	**1**	5
Finance expense	6	**(7,208)**	(12,642)
Adjusted finance expense		**(7,208)**	(8,322)
Less: Exceptional finance items	5	**-**	(4,320)
Loss before tax		**(9,807)**	(14,122)
Adjusted profit/ (loss) before tax		**205**	(3,856)
Less: Exceptional items (non-finance)	5	**(7,067)**	(3,826)
Less: Exceptional items (finance)	5	**-**	(4,320)
Less: Amortisation		**(2,945)**	(2,120)
Loss before tax		**(9,807)**	(14,122)
Income tax expense		**(438)**	-
Loss for the financial period		**(10,245)**	(14,122)
Loss attributable to:			
Owners of the company		**(10,245)**	(14,122)
Loss per share			
Basic and diluted loss per share (pence)	7	**(6.62)**	(10.51)
Adjusted basic and diluted earnings per share (pence) [2]	7	**0.10**	(2.27)

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

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

The notes form part of these interim financial statements.

HSS Hire Group plc

Unaudited consolidated statement of comprehensive income

	27 weeks ended 2 July 2016 £000s	26 weeks ended 27 June 2015 £000s
Loss for the financial period	**(10,245)**	(14,122)
Items that may be reclassified to profit or loss:		
Foreign currency translation differences arising on consolidation of foreign operations	**1,326**	(760)
Other comprehensive loss for the period, net of tax	**(8,919)**	(760)
Total comprehensive loss for the period	**(8,919)**	(14,882)
Attributable to owners of the Company	**(8,919)**	(14,882)

The notes form part of these interim financial statements.

HSS Hire Group plc

Unaudited consolidated statement of financial position

	Note	**2 July 2016 £000s**	27 June 2015 Restated [1] £000s	26 December 2015 Restated [1] £000s
ASSETS				
Non-current assets				
Intangible assets	9	**179,614**	180,433	180,242
Property, plant and equipment	10	**185,696**	173,407	183,213
Deferred tax assets	17	**1,282**	2,462	1,900
		366,592	356,302	365,355
Current assets				
Inventories	11	**8,887**	7,748	9,095
Trade and other receivables	12	**103,387**	89,839	97,585
Cash	13	**2,255**	3,949	1,812
		114,529	101,536	108,492
Total assets		**481,121**	457,838	473,847
LIABILITIES				
Current liabilities				
Trade and other payables	14	**(84,652)**	(89,563)	(89,236)
Borrowings	15	**(68,083)**	(42,379)	(47,535)
Provisions	16	**(4,462)**	(3,698)	(3,822)
Current tax liabilities		**(520)**	(238)	(520)
		(157,717)	(135,878)	(141,113)
Non-current liabilities				
Trade and other payables	14	**(21,585)**	(11,503)	(21,583)
Borrowings	15	**(132,717)**	(130,612)	(132,189)
Provisions	16	**(11,059)**	(10,862)	(10,851)
Deferred tax liabilities	17	**(9,549)**	(9,994)	(9,842)
		(174,910)	(162,971)	(174,465)
Total liabilities		**(332,627)**	(298,849)	(315,578)
Net assets		**148,494**	158,989	158,269
EQUITY				
Share capital		**1,548**	1,548	1,548
Share premium		**-**	98,553	-
Merger reserve		**85,376**	85,376	85,376
Retained earnings/ (accumulated deficit)		**61,570**	(26,488)	71,345
Total equity attributable to owners of the company		**148,494**	158,989	158,269

[1] Restated for final fair value on acquisition of All Seasons Hire Limited (see note 2).

The notes form part of these interim financial statements.

HSS Hire Group plc

Unaudited consolidated statement of changes in equity

	Note	Share capital £000s	Share premium £000s	Merger reserve £000s	Retained earnings £000s	Total equity £000s
At 26 December 2015		1,548	-	85,376	71,345	158,269
Total comprehensive loss for the period						
Loss for the period		-	-	-	(10,245)	(10,245)
Foreign currency translation differences arising on consolidation of foreign operations		-	-	-	1,326	1,326
Total comprehensive loss for the period		-	-	-	(8,919)	(8,919)
Transactions with owners recorded directly in equity						
Dividends paid	8	-	-	-	(882)	(882)
Share based payments	19	-	-	-	26	26
At 2 July 2016		**1,548**	**-**	**85,376**	**61,570**	**148,494**

	Note	Share capital £000s	Share premium £000s	Merger reserve £000s	Accumulated deficit £000s	Total equity £000s
At 27 December 2014		645	-	(544)	(11,606)	(11,505)
Total comprehensive loss for the period						
Loss for the period		-	-	-	(14,122)	(14,122)
Foreign currency translation differences arising on consolidation of foreign operations		-	-	-	(760)	(760)
Total comprehensive loss for the period		-	-	-	(14,882)	(14,882)
Transactions with owners recorded directly in equity						
Preference shares issued		50	-	-	-	50
Preference shares redeemed		(50)	-	-	-	(50)
Acquisition of loan notes via share issue in subsidiary		411	-	85,920	-	86,331
New share issue for cash		492	102,629	-	-	103,121
Share issue costs		-	(4,076)	-	-	(4,076)
At 27 June 2015		1,548	98,553	85,376	(26,488)	158,989

	Note	Share capital £000s	Share premium £000s	Merger reserve £000s	Accumulated deficit £000s	Total equity £000s
At 27 December 2014		645	-	(544)	(11,606)	(11,505)
Total comprehensive loss for the period						
Loss for the period		-	-	-	(14,245)	(14,245)
Foreign currency translation differences arising on consolidation of foreign operations		-	-	-	(475)	(475)
Total comprehensive loss for the period		-	-	-	(14,720)	(14,720)
Transactions with owners recorded directly in equity						
Preference shares issued		50	-	-	-	50
Preference shares redeemed		(50)	-	-	-	(50)
Acquisition of loan notes via share issue in subsidiary		411	-	85,920	-	86,331
New share issue for cash		492	102,629	-	-	103,121
Share issue costs		-	(4,076)	-	-	(4,076)
Capital reduction		-	(98,553)	-	98,553	-
Dividends paid	8	-	-	-	(882)	(882)
At 26 December 2015		1,548	-	85,376	71,345	158,269

The notes form part of these interim financial statements.

HSS Hire Group plc

Unaudited consolidated statement of cash flows

	Note	27 weeks ended 2 July 2016	26 weeks ended 27 June 2015
Cash flows from operating activities		**£000s**	£000s
Loss before income tax		**(9,807)**	(14,122)
Adjustments for:			
– Amortisation		**2,945**	2,120
– Depreciation		**20,089**	19,679
– Loss on hire stock asset disposals, hire stock write offs and customer losses		**4,485**	4,145
– Loss on disposal of property, plant and equipment		**115**	615
– Loss on financial instruments at fair value through profit or loss		**-**	-
– share based payment expense		**26**	-
– finance income		**(1)**	(5)
– finance expense		**7,208**	12,642
– Inventories		**208**	(925)
– Trade and other receivables		**(5,802)**	(4,806)
– Trade and other payables		**(2,628)**	(1,831)
– Provisions		**(1,505)**	(332)
Net cash flows from operating activities before changes in hire equipment		**15,333**	17,180
Purchase of hire equipment		**(14,060)**	(42,737)
Cash generated/ (utilised) by operations		**1,273**	(25,557)
Net interest paid		**(6,394)**	(12,335)
Income tax paid		**(113)**	(1,086)
Net cash utilised in operating activities		**(5,234)**	(38,978)
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	21	**-**	(11,011)
Purchases of non hire property, plant, equipment and software		**(8,011)**	(7,881)
Net cash used in investing activities		**(8,011)**	(18,892)
Cash flows from financing activities			
Proceeds from the issue of ordinary share capital		**-**	103,121
Share issue costs		**-**	(4,076)
Proceeds from borrowings (third parties)		**26,000**	34,500
Repayments of borrowings		**(5,000)**	(84,500)
Capital element of finance lease payments		**(6,860)**	(1,963)
Net cash received from financing activities		**14,140**	47,082
Net increase/ (decrease) in cash		**895**	(10,788)
Cash at the start of the period		**277**	5,858
Cash at the end of the period	13	**1,172**	(4,930)

The notes form part of these interim financial statements.

Notes forming part of the unaudited interim financial statements

1. General information

The Company is a public limited company which is listed on the London Stock Exchange and is incorporated and domiciled in the United Kingdom. The address of the registered office is 25 Willow Lane, Mitcham, Surrey, CR4 4TS.

The condensed consolidated interim financial information as at, and for the 27 weeks ended 2 July 2016 comprise the Company and its subsidiaries ('the Group').

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

This condensed consolidated interim financial information was approved for issue by the Board on 30 August 2016.

The financial information for the half years ended 2 July 2016 and 27 June 2015 have neither been subject to an audit nor a review in accordance with the International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the Auditing Practices Board.

This condensed consolidated interim financial information does not comprise Statutory Accounts within the meaning of Section 434 of the Companies Act 2006. Statutory Accounts for the year ended 26 December 2015 were approved by the Board on 6 April 2016 and delivered to the Registrar of Companies. The auditor's report on those accounts was unqualified, did not include a reference to any matter by way of emphasis and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006.

2. Basis of preparation

The condensed consolidated interim financial information for the 27 weeks ended 2 July 2016 has been prepared in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority and relevant International Financial Reporting Standards ('IFRS') as adopted by the European Union (including IAS 34 - Interim Financial Reporting). The condensed consolidated interim financial statements should be read in conjunction with the Group's Annual Report and Accounts for the year ended 26 December 2015, which were prepared in accordance with IFRS as adopted by the European Union.

The accounting policies applied in the condensed consolidated interim financial statements are consistent with those set out in the Group's Annual Report and Accounts for the year ended 26 December 2015. There are no new IFRS or IFRIC Interpretations that are effective for the first time for this interim period which have a material impact on the Group.

Restatements

On 8 May 2015, the Group acquired the entire share capital of All Seasons Hire Limited, one of the leading heating, ventilation and air-conditioning ("HVAC") hire companies in the UK. At 26 June 2015 and 26 December 2015, a provisional fair valuation of the identifiable assets and liabilities was recorded.

In accordance with IFRS 3, measurement period adjustments have now been made to provisional values which result in a restatement of amounts previously recognised at 26 June 2015 and 26 December 2015. The result of these adjustments changes the provisional goodwill from £8.4 million as reported at 27 June 2015, and £7.0 million, as reported at 26 December 2015, to £7.3 million at 2 July 2016.

Further details may be found in note 21.

Going concern

The condensed consolidated interim financial statements have been prepared on the going concern basis. Note 18 includes the Group's objectives, policies and processes for capital management and for financial risk management including market risk, credit risk and liquidity risk.

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

- there is no requirement to redeem any of the Senior Secured Notes until 1 August 2019
- the financial covenants relating to the revolving credit facility secured by the Group, and as detailed in note 18.

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

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

Presentational currency

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

Share based payments

Share based payments transactions in which the Group receives goods or services as consideration for its own equity instruments 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 where required, 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.

3. Segmental reporting

For management purposes, the Group's operations have historically been segmented into HSS Core and HSS Specialist, as follows:

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

These segments distinguished between the long-standing tool and equipment hire business of the Group and the specialist businesses that have been acquired in recent years.

Following a number of years of managing and investing in the Specialist businesses separately, the Group has now made changes to integrate the operation of these units more fully into its core business. These changes have prompted management to review the way segmental analysis is presented to the chief operating decision makers. Accordingly, for the 27 week period ended 2 July 2016, the Group's operations are segmented into the following, new reportable segments:

- Rental and related revenue.
- Services.

Rental and related revenue comprises the rental income earned from owned tools and equipment, including powered access, power generation, cleaning and HVAC assets, together with directly related revenue such as resale (fuel and other consumables) transport and other ancillary revenues.

Services comprises the Group's rehire business (HSS OneCall), HSS Training and TecServ. HSS OneCall provides customers with a single point of contact for the hire of products that are not typically held within HSS' fleet and are obtained from approved third party partners; HSS Training provides customers with specialist safety training across a wide range of products and sectors; and TecServ provides customers with maintenance services for a full range of cleaning machines.

As a transitional measure, and to aid an understanding of the change, these new segments are reported alongside information relating to the Group's previous segments, "Core" and "Specialist", for the 27 week period ended 2 July 2016 and the 26 week period ended 27 June 2015, respectively.

All segment revenue, operating profit, assets and liabilities are attributable to the principal activity of the Group, being the provision of tool and equipment hire and related services in the United Kingdom and the Republic of Ireland.

The Group has no single external customers that provide more than 10% of the Group's turnover.

Old basis of segmental reporting:

	27 weeks ended 2 July 2016		
	HSS Core	**HSS Specialist**	**Total**
	£000s	**£000s**	**£000s**
Total revenue from external customers	**141,785**	**24,444**	**166,229**
Adjusted EBITDA	**17,784**	**14,317**	**32,101**
Exceptional items (non-finance)	**(6,817)**	**(250)**	**(7,067)**
Depreciation and amortisation	**(21,383)**	**(6,251)**	**(27,634)**
Segment operating (loss)/profit	**(10,416)**	**7,816**	**(2,600)**
Finance income			**1**
Finance expense			**(7,208)**
Profit before tax			**(9,807)**
Income tax expense			**(438)**
Loss after tax			**(10,245)**
Total assets	**389,063**	**92,058**	**481,121**
Total liabilities	**(266,244)**	**(66,383)**	**(332,627)**
Additions to non-current assets in the period			
Intangible assets	**2,303**	**14**	**2,317**
Property, plant and equipment	**21,234**	**5,059**	**26,293**
Total	**23,537**	**5,073**	**28,610**

	26 weeks ended 27 June 2015		
	HSS Core	HSS Specialist	Total
	£000s	£000s	£000s
Total revenue from external customers	124,037	22,364	146,401
Adjusted EBITDA	17,967	10,934	28,901
Exceptional items (non-finance)	(3,654)	(172)	(3,826)
Depreciation and amortisation	(20,125)	(6,435)	(26,560)
Segment operating (loss)/profit	(5,812)	4,327	(1,485)
Finance income			5
Adjusted finance expense			(8,322)

Exceptional finance expense			(4,320)
Profit before tax			(14,122)
Income tax expense			-
Loss after tax			(14,122)
Total assets [1]	347,389	110,449	457,838
Total liabilities [1]	(255,202)	(43,647)	(298,849)
Additions to non-current assets in the period			
Intangible assets [1]	2,838	9,336	12,174
Property, plant and equipment [1]	31,941	19,156	51,097
Total	34,779	28,492	63,271

[1] Restated for final fair value on acquisition of All Seasons Hire Limited (see note 2).

New basis of segmental reporting:

	27 weeks ended 2 July 2016		
	Rental and related revenue	**Services**	**Total**
	£000s	**£000s**	**£000s**
Total revenue from external customers	**133,726**	**32,503**	**166,229**
Contribution	**86,536**	**5,175**	**91,711**
Branch and selling costs			**(49,775)**
Central costs			**(9,835)**
Adjusted EBITDA			**32,101**
Less: Exceptional items (non-finance)			**(7,067)**
Less: Depreciation and amortisation			**(27,634)**
Operating loss			**(2,600)**

	Central	**Rental and related revenue**	**Services**	**Total**
	£000s	**£000s**	**£000s**	**£000s**
Property, plant and equipment				
- Cost	**126,456**	**264,135**	**987**	**391,578**
- Net book value	**43,261**	**142,051**	**384**	**185,696**
Depreciation	**4,785**	**19,815**	**89**	**24,689**

	26 weeks ended 27 June 2015		
	Rental and related revenue	Services	Total

	£000s	£000s	£000s
Total revenue from external customers	126,229	20,172	146,401
Contribution	83,491	4,145	87,636
Branch and selling costs			(46,226)
Central costs			(12,509)
Adjusted EBITDA			28,901
Less: Exceptional items (non-finance)			(3,826)
Less: Depreciation and amortisation			(26,560)
Operating loss			(1,485)

	Central	Rental and related revenue	Services	Total
	£000s	£000s	£000s	£000s
Property, plant and equipment				
- Cost	108,212	253,411	983	362,606
- Net book value	32,981	140,064	362	173,407
Depreciation	3,907	20,468	64	24,439

4. Other operating income

	27 weeks ended 2 July 2016	26 weeks ended 27 June 2015
	£000s	£000s
Property rental income	**528**	467
	528	467

5. Exceptional items

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

	27 weeks ended 2 July 2016	26 weeks ended 27 June 2015
	£000s	£000s
Restructuring, IPO and Acquisition costs		
Included in cost of sales	**4,617**	-
Included in administrative expenses	**2,450**	3,826
	7,067	3,826
Refinancing costs		
Included in finance expense	**-**	4,320
	-	4,320

Restructuring costs

During the period ended 2 July 2016 the Group incurred costs in relation to the restructuring of the business and its operations, including £5.9 million in relation to the start-up cost of the National Distribution and Engineering Centre ("NDEC").

Operations began at the NDEC in March 2016 with a phased national roll-in of branches and distribution centres across England, Wales and Scotland. During the set-up and roll-in phase, the Group has incurred significant start-up costs related to the double running of the existing branch and distribution network in parallel with the NDEC. The Group has recognised an exceptional expense in relation to these inefficiencies during the roll-in stage and has determined that a reasonable approximation of the double running inefficiencies in starting-up the NDEC are the NDEC costs incurred up to the point when the NDEC is processing 50% of operational volumes from the existing branch and distribution network. The Group crossed this 50% milestone at the end of July 2016 and, accordingly, has exceptionalised all related NDEC costs incurred during the period ended 2 July 2016.

Restructuring costs in administrative expenses also included expenses associated with non-trading stores (including onerous leases and dilapidations) of £0.8 million (26 weeks ended 27 June 2015: £0.6 million).

Included in exceptional items (non-finance) for the 26 weeks ended 27 June 2015 is £3.0 million incurred in relation to the IPO and related to professional adviser and broker fees.

Refinancing costs
During the period ended 27 June 2015 £4.3 million was charged to the income statement relating to the early partial redemption of the senior secured note using part of the funds raised from the IPO.

6. Finance income and expense

	27 weeks ended 2 June 2016	26 weeks ended 27 June 2015
	£000s	£000s
Interest received on cash deposits	**(1)**	(5)
Finance income	**(1)**	(5)
Bank loans and overdrafts	**991**	574
Investor loan notes	**-**	945
Senior secured notes	**4,753**	5,134
Finance leases	**878**	666
Interest unwind on discounted provisions	**58**	42
Debt issue costs	**528**	961
Bond redemption premium	**-**	4,320
Finance expense	**7,208**	12,642
Net finance expense	**7,207**	12,637

The bond redemption premium charged in to profit and loss in 2015 relates to the early partial redemption of the senior secured note using part of the funds raised from the IPO.

7. Loss per share

	27 weeks ended 2 July 2016		
	Loss after tax	**Weighted average number of ordinary shares**	**Loss per share**
	£000s	**000s**	**pence**
Basic loss per share	**(10,245)**	**154,762**	**(6.62)**
LTIP shares (see note 19)	**-**	**-**	**-**
Diluted loss per share	**(10,245)**	**154,762**	**(6.62)**

26 weeks ended 27 June 2015

	Loss after tax	Weighted average number of ordinary shares	Loss per share
	£000s	000s	pence
Basic and diluted loss per share	(14,122)	134,307	(10.51)

Basic loss per share is calculated by dividing the result attributable to equity holders by the weighted average number of ordinary shares in issue for that period.

Diluted loss per share is calculated using the loss for the year divided by the weighted average number of shares outstanding assuming the conversion of its potentially dilutive equity derivatives outstanding, being nil cost share options (LTIP shares). All of the Group's LTIP shares were anti-dilutive for the period ended 2 July 2016 for the purpose of diluted loss per share. There were no potentially dilutive equity derivative securities outstanding during the period ended 27 June 2015 for the purpose of diluted loss per share.

The following is a reconciliation between the basic loss per share and the adjusted basic earnings per share.

	27 weeks ended 2 July 2016	26 weeks ended 27 June 2015
Basic loss per share (pence)	**(6.62)**	(10.51)
Add back:		
Exceptional items per share (1)	**4.57**	6.07
Amortisation per share (2)	**1.90**	1.58
Tax charge per share	**0.28**	-
Charge:		
Tax at prevailing rate	**(0.03)**	0.59
Adjusted basic earnings/ (loss) per share (pence)	**0.10**	(2.27)

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

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

The following is a reconciliation between the basic and diluted loss per share and the adjusted diluted earnings/ (loss) per share.

	27 weeks ended 2 July 2016	26 weeks ended 27 June 2015
Basic and diluted loss per share (pence)	**(6.62)**	(10.51)
Add back:		
Adjustment to basic loss per share for dilutive impact of LTIP shares (1)	**0.03**	-
Exceptional items per share (2)	**4.55**	6.07
Amortisation per share (3)	**1.89**	1.58
Tax charge per share	**0.28**	-
Charge:		
Tax at prevailing rate	**(0.03)**	0.59
Adjusted diluted earnings/ (loss) per share (pence)	**0.10**	(2.27)

(1) The LTIP shares were dilutive for purposes of calculating adjusted diluted earnings per share.

[2] Exceptional items per share is calculated as total finance and non finance exceptional items divided by the diluted weighted average number of shares in issue through the period.

[3] Amortisation per share is calculated as the amortisation charge divided by the diluted weighted average number of shares in issue through the period.

The LTIP shares were dilutive for purposes of calculating adjusted diluted earnings per share.The weighted average number of shares for purposes of calculating the adjusted diluted earnings per share are as follows:

	27 weeks ended 2 July 2016 Weighted average number of ordinary shares	26 weeks ended 27 June 2015 Weighted average number of ordinary shares
Basic	**154,762**	134,307
LTIP shares (see note 19)	**696**	**-**
Diluted	**155,458**	134,307

8. Dividends

	2 July 2016	27 June 2015	26 December 2015
	£000s	£000s	£'000s
Dividends	**882**	-	882

During the period ended 2 July 2016, the shareholders approved a final dividend of 0.57p per ordinary share, totalling £0.9 million in respect of the year ended 26 December 2015. The amount was included as a liability at 2 July 2016 and was subsequently paid on 4 July 2016.

During the year ended 26 December 2015, the Directors paid an interim dividend of £0.9 million.

9. Intangible assets

27 weeks ended 2 July 2016

	Goodwill	Customer relationships	Brands	Software	Total
	£000s	£000s	£000s	£000s	£000s
Cost					
At 26 December 2015 [1]	130,171	27,044	24,142	14,999	196,356
Additions	-	-	-	2,317	2,317
At 2 July 2016	130,171	27,044	24,142	17,316	198,673
Amortisation					
At 26 December 2015	-	8,014	234	7,866	16,114
Charge for the period	-	1,383	82	1,480	2,945
At 2 July 2016	-	9,397	316	9,346	19,059
Net book value					
At 2 July 2016	**130,171**	**17,647**	**23,826**	**7,970**	**179,614**
At 26 December 2015	130,171	19,030	23,908	7,133	180,242

[1] Restated for final fair value on acquisition of All Seasons Hire Limited (see note 2).

26 weeks ended 27 June 2015 [1]

	Goodwill	Customer relationships	Brands	Software	Total
	£000s	£000s	£000s	£000s	£000s
Cost					
At 27 December 2014	122,385	25,700	23,510	10,032	181,627
Additions	-	-	-	2,433	2,433
Acquired on acquisition[1]	7,765	1,344	632	-	9,741
Disposals	-	-	-	-	-
At 27 June 2015	130,150	27,044	24,142	12,465	193,801
Amortisation					
At 27 December 2014	-	(5,409)	(112)	(5,727)	(11,248)
Charge for the period	-	(1,284)	(51)	(785)	(2,120)
Disposals	-	-	-	-	-
At 27 June 2015	-	(6,693)	(163)	(6,512)	(13,368)
Net book value					
At 27 June 2015	130,150	20,351	23,979	5,953	180,433
At 27 December 2014	122,385	20,291	23,398	4,305	170,379

[1] Restated for final fair value on acquisition of All Seasons Hire Limited (see note 2).

Details of intangible assets acquired in the period are set out in note 21.

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

Analysis of goodwill and brands by cash generating units

	Goodwill	Indefinite life Brands	Total
	£000s	£000s	£000s
Allocated to			
HSS Core	112,677	21,900	134,577
Powered access	4,114	-	4,114
Climate control	7,327	-	7,327
Power generation	6,053	-	6,053
At 2 July 2016	**130,171**	**21,900**	**152,071**

	Goodwill	Indefinite life Brands	Total
	£000s	£000s	£000s
Allocated to			
HSS Core	112,656	21,900	134,556
Powered access	4,114	-	4,114
Climate control	7,327	-	7,327
Power generation	6,053	-	6,053
At 27 June 2015 [1]	130,150	21,900	152,050

[1] Restated for final fair value on acquisition of All Seasons Hire Limited (see note 2).

10. Property, plant and equipment

27 weeks ended 2 July 2016

	Land and Buildings	Plant and Machinery	Materials and Equipment held for hire	Total
	£000s	£000s	£000s	£000s
Cost				
At 26 December 2015	63,313	55,914	256,208	375,435
Foreign exchange differences	23	184	1,908	2,115
Additions	4,208	4,280	17,805	26,293
Disposals	(384)	(95)	(11,786)	(12,265)
At 2 July 2016	**67,160**	**60,283**	**264,135**	**391,578**
Accumulated depreciation				
At 26 December 2015	35,258	44,016	112,948	192,222
Foreign exchange differences	-	126	1,110	1,236
Charge for the period	2,754	2,008	15,327	20,089
Disposals	(269)	(95)	(7,301)	(7,665)
At 2 July 2016	**37,743**	**46,055**	**122,084**	**205,882**
Net book value				
At 2 July 2016	**29,417**	**14,228**	**142,051**	**185,696**
At 26 December 2015	28,055	11,898	143,260	183,213

26 weeks ended 27 June 2015 [(1)]

	Land and Buildings	Plant and Machinery	Materials and Equipment held for hire	Total
	£000s	£000s	£000s	£000s
Cost				
At 27 December 2014	49,985	51,122	222,577	323,684
Foreign exchange differences	(10)	(110)	(1,166)	(1,286)
Additions	5,333	3,248	39,507	48,088
Acquired on acquisition [1]	32	217	2,760	3,009
Disposals	(620)	(2)	(10,267)	(10,889)
At 27 June 2015	54,720	54,475	253,411	362,606
Accumulated depreciation				
At 27 December 2014	31,533	41,136	103,802	176,471
Foreign exchange differences	-	(77)	(745)	(822)
Charge for the period	1,536	1,731	16,412	19,679
Disposals	(7)	-	(6,122)	(6,129)
At 27 June 2015	33,062	42,790	113,347	189,199
Net book value				
At 27 June 2015	21,658	11,685	140,064	173,407
At 27 December 2014	18,452	9,986	118,775	147,213

[(1)] Restated for final fair value on acquisition of All Seasons Hire Limited (see note 2).

The net book value of materials and equipment held for hire includes an amount of £41.4 million in respect of assets held under finance leases (27 June 2015: £21.4 million; and 26 December 2015: £38.8 million).

The depreciation charge for assets held under finance leases in the period ended 2 July 2016 was £3.8 million (period ended 27 June 2015: £2.1 million).

11. Inventories

	2 July 2016	27 June 2015	26 December 2015
	£000s	£000s	£'000s
Inventories	**6,178**	6,584	5,716
Inventory spares	**3,074**	2,597	3,719
Total inventories	**9,252**	9,181	9,435
Provision for impairment	**(365)**	(1,433)	(340)
Inventories	**8,887**	7,748	9,095

	Period ended 2 July 2016	Period ended 27 June 2015	Year ended 26 December 2015
Provision for impairment of inventories	**£000s**	£000s	£'000s
Balance at the beginning of the period	**340**	1,457	1,457
Utilisation of provisions	**-**	(24)	(1,117)
Impairment provisions recognised during the period	**25**	-	-
Balance at the end of the period	**365**	1,433	340

The cost of inventories recognised as an expense and included in cost of sales in the period is £19.0 million (period ended 27 June 2015: £20.5 million, year ended 26 December 2015: £26.4m).

12. Trade and other receivables

	2 July 2016	27 June 2015	26 December 2015
		Restated [(1)]	Restated [(1)]
	£000s	£000s	£'000s
Gross trade receivables	**78,231**	73,147	84,763
Less provision for impairment	**(4,766)**	(3,854)	(4,000)
Net trade receivables	**73,465**	69,293	80,763
Other debtors	**510**	324	387
Prepayments and accrued income	**29,412**	20,222	16,327
Corporation tax	**-**	-	108
Total trade and other receivables	**103,387**	89,839	97,585

[(1)] Restated for final fair value on acquisition of All Seasons Hire Limited (see note 2).

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

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

	Period ended 2 July 2016	Period ended 27 June 2015	Year ended 26 December 2015
		Restated [(1)]	Restated [(1)]
	£000s	£000s	£'000s

Balance at the beginning of the period	**(4,000)**	(3,514)	(3,514)
Movement in provision	**(766)**	(340)	(486)
Balance at the end of the period	**(4,766)**	(3,854)	(4,000)

[1] Restated for final fair value on acquisition of All Seasons Hire Limited (see note 2).

13. Cash

	2 July 2016	27 June 2015	26 December 2015
	£000s	£000s	£'000s
Cash (statement of financial position)	**2,255**	3,949	1,812
Bank overdrafts (note 15)	**(1,083)**	(8,879)	(1,535)
Cash and cash equivalents	**1,172**	(4,930)	277

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

14. Trade and other payables

	2 July 2016	27 June 2015 Restated [1]	26 December 2015 Restated [1]
	£000s	£000s	£'000s
Current			
Obligations under finance leases	**11,446**	7,479	11,050
Trade payables	**44,472**	60,644	48,554
Other taxes and social security costs	**4,521**	2,411	10,284
Other creditors	**1,776**	2,514	1,730
Accrued interest on borrowings	**3,885**	3,771	3,755
Accruals and deferred income	**18,552**	12,744	13,863
	84,652	89,563	89,236

[1] Restated for final fair value on acquisition of All Seasons Hire Limited (see note 2).

	2 July 2016	27 June 2015	26 December 2015
	£000s	£000s	£000s
Non-current			
Obligations under finance lease	**21,585**	11,503	21,583
	21,585	11,503	21,583

15. Borrowings

	2 July 2016	27 June 2015	26 December 2015
	£000s	£000s	£'000s
Current			
Revolving credit facility	**67,000**	33,500	46,000
Bank overdraft	**1,083**	8,879	1,535
	68,083	42,379	47,535
Non-current			
Senior secured note	**132,717**	130,612	132,189
	132,717	130,612	132,189

Nominal value of the Group's loans

	2 July 2016	27 June 2015	26 December 2015
	£000s	£000s	£'000s
Secured senior note	**136,000**	136,000	136,000
	136,000	136,000	136,000

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

Interest rates on the Group's variable interest loan

	2 July 2016	27 June 2015	26 December 2015
	% above LIBOR	% above LIBOR	% above LIBOR
Revolving credit facility	**2.0%**	2.50%	2.0%

Interest rates on the Group's fixed interest loans

	2 July 2016	27 June 2015	26 December 2015
	Fixed rate	Fixed rate	Fixed rate
Secured senior note	**6.75%**	6.75%	6.75%

The Group has undrawn committed borrowing facilities of £20.9 million at 2 July 2016 (27 June 2015: £17.6 million; and 26 December 2015: £35.0m).

The Group's borrowings have the following maturity profile:

	2 July 2016	27 June 2015	26 December 2015
	£000s	£000s	£000s
Less than one year	**9,180**	9,180	9,180
Two to five years	**158,950**	168,130	163,540
Over five years	**-**	-	-
	168,130	177,310	172,720
Less interest cash flows:			
Senior secured note	**(32,130)**	(41,310)	(36,720)
Total principal cash flows	**136,000**	136,000	136,000

16. Provisions

	Non-trading stores	Dilapidations	Other	Total
	£000s	£000s	£000s	£000s
At 26 December 2015	4,537	10,136	-	14,673
Additions	669	2,296	-	2,965
Utilised during the period	(925)	(527)	-	(1,452)
Unwind of provision	32	26	-	58
Released	(163)	(560)	-	(723)

At 2 July 2016	**4,150**	**11,371**	**-**	**15,521**
Of which:				
Current	**1,682**	**2,780**	**-**	**4,462**
Non-current	**2,468**	**8,591**	**-**	**11,059**
	4,150	**11,371**	**-**	**15,521**

	Non-trading stores £000s	Dilapidations £000s	Other £000s	Total £000s
At 27 December 2014	7,017	7,854	21	14,892
Additions	-	1,167	-	1,167
Utilised during the period	(1,053)	(488)		(1,541)
Unwind of provision	20	22	-	42
At 27 June 2015	5,984	8,555	21	14,560
Of which:				
Current	1,488	2,189	21	3,698
Non-current	4,496	6,366	-	10,862
	5,984	8,555	21	14,560

	Non-trading stores £'000	Dilapidations £'000	Other £'000	Total £'000
At 27 December 2014	7,017	7,854	21	14,892
Additions	311	3,336	-	3,647
Utilised during the year	(2,101)	(669)	-	(2,770)
Unwind of provision	(80)	112	-	32
Released	(610)	(497)	(21)	(1,128)
At 26 December 2015	4,537	10,136	-	14,673
Of which:				
Current	1,228	2,594	-	3,822
Non-current	3,309	7,542	-	10,851
	4,537	10,136	-	14,673

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

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

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

17. Deferred tax

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

	Tax losses £000s	Property, plant and equipment and other items £000s	Acquired intangible assets £000s	Total £000s
Deferred tax assets	1,282	-	-	1,282
Deferred tax liabilities	-	(1,265)	(8,284)	(9,549)
At 2 July 2016	**1,282**	**(1,265)**	**(8,284)**	**(8,267)**

	Tax losses £000s	Property, plant and equipment and other items £000s	Acquired intangible assets £000s	Total £000s
Deferred tax assets	2,400	62	-	2,462
Deferred tax liabilities	-	(622)	(9,372)	(9,994)
At 27 June 2015 [1]	2,400	(560)	(9,372)	(7,532)

[1] Restated for final fair value on acquisition of All Seasons Hire Limited (see note 2).

	Tax losses £000s	Property, plant and equipment and other items £000s	Acquired intangible assets £000s	Total £000s
Deferred tax assets	1,900	-	-	1,900
Deferred tax liabilities	-	(1,265)	(8,577)	(9,842)
At 26 December 2015	1,900	(1,265)	(8,577)	(7,942)

18. Financial instruments

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

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

Risk management is carried out under policies approved by the board of directors. Financial risk management is carried out by the Chief Financial Officer under a policy approved by the board. The board approves written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and liquidity risk and receives regular reports on such matters. The Group does not engage in trading or speculative activities using derivative financial instruments.

Market risk

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

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

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

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

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

The Group has policies in place to manage potential credit risk from trade receivables. Customer credit terms are determined using independent ratings agency data and regularly updated to reflect any changes in customer circumstances or trading conditions. If no independent rating is available an internal assessment is made of the credit quality of the customer, taking into account their financial position and past trading history of the Group. The directors do not expect any significant losses of receivables that have not been provided for as shown in note 12.

Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group finance department regularly monitors forecasts of the Groups liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (note 15) at all times so that borrowing limits or covenants on borrowing facilities are not breached.

The financial covenant in place on the Group's revolving credit facility at 2 July 2016 is a minimum EBITDA of £35 million on a rolling twelve month basis.

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

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

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

The principal bank covenant is to maintain a rolling EBITDA of £35 million. For the rolling twelve months ended 2 July 2016 EBITDA was £62.5 million and adjusted EBITDA was £74.2 million.

Fair value
All financial assets at the balance sheet date which comprise trade and other receivables, cash and cash equivalents are classified as loans and receivables.

All financial liabilities at the balance sheet date which comprise trade and other payables, obligations under finance leases, borrowings are classified as financial liabilities at amortised cost.

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

	2 July 2016	27 June 2015
	£000s	£000s
Financial liabilities		
Senior secured notes	**132**	141

The Senior secured notes are classified as Level 1 in the fair value hierarchy, as they are listed on the Luxembourg stock exchange and have been valued at their market value at the year end.

19. Share based payments

Long Term Incentive Plan

On 7 April 2016, share awards were granted to eligible employees based on a maximum of 100% of base salary in the form of nil-cost options over ordinary shares in the Company in accordance with the Company's 2015 Long Term Incentive Plan (the "LTIP"). The LTIP awards 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 2018 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.

On the same date, tax qualifying share options were granted as part of the LTIP 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 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.

The table below summarises the outstanding nil-cost share options:

	27 weeks ended 2 July 2016	26 weeks ended 27 June 2015
LTIP	**Number of shares 000s**	Number of shares 000s
Outstanding at beginning of period	-	-
Granted	**1,749**	-
Exercised	**-**	-
Cancelled	**(259)**	-
Outstanding at end of period	**1,490**	-
Exercisable at end of period, number	**-**	-
Exercise price, pence	**-**	-

LTIP nil-cost options are exercisable no later than the tenth anniversary of the date of grant. The fair value of the LTIP nil-cost options granted during the period was 82p (2015: nil). The total charge relating to employee share-based payment plans during the period ended 2 July 2016 was £26,000 (2015: nil), all of which related to equity settled share-based payment transactions.

20. Commitments and contingencies

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

	2 July 2016	27 June 2015	26 December 2015
	£000s	£000s	£000s
Land and buildings			
Within one year	**15,863**	15,450	15,910
Between two and five years	**48,047**	46,548	47,953

After five years	**31,758**	28,547	30,799
	95,668	90,545	94,662
Other			
Within one year	**7,657**	6,249	7,607
Between two and five years	**11,311**	9,823	13,021
After five years	**40**	-	-
	19,008	16,072	20,628
	114,676	106,617	115,290

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

	27 June 2015	28 June 2014	26 December 2015
	£000s	£000s	£000s
Sub-lease rental income			
Within one year	**775**	995	862
Between two and five years	**1,407**	2,222	1,704
After five years	**282**	632	376
	2,464	3,849	2,942

21. Business combinations

On 8 May 2015, the Group acquired the entire share capital of All Seasons Hire Limited, one of the leading heating, ventilation and air-conditioning ("HVAC") hire companies in the UK.

In accordance with IFRS 3, measurement period adjustments have now been made to provisional values which result in a restatement of amounts previously recognised at 26 December 2015 and 27 June 2015. The result of these adjustments changes the provisional goodwill from £8.4 million, as reported at 27 June 2015 and £7.0 million, as reported at 26 December 2015, to £7.3 million at 2 July 2016.

The adjustments to the provisional amounts recognised during the measurement period are as follows:

	As reported at 26 December 2015	Adjustments to provisional values	Restated
	£000s	£000s	£000s
Intangible assets	1,976	-	1,976
Materials & equipment held for hire	2,699	(30)	2,669
Property, plant and equipment	211	38	249
Trade and other receivables	1,219	(184)	1,035
Cash at bank and in hand	317	-	317
Creditors and provisions	(2,022)	(130)	(2,152)
Deferred tax liability	(623)	-	(623)
Net assets acquired	3,777	(306)	3,471
Goodwill	7,021	306	7,327
Total consideration	10,798	-	10,798
Satisfied by:			
Cash	10,798	-	10,798

	As reported at 27 June 2015	Adjustments to provisional values	Restated

	£000s	£000s	£000s
Intangible assets	-	1,976	1,976
Materials & equipment held for hire	2,699	(30)	2,669
Property, plant and equipment	211	38	249
Trade and other receivables	1,351	(316)	1,035
Cash at bank and in hand	317	-	317
Creditors and provisions	(1,918)	(235)	(2,152)
Deferred tax liability	(231)	(391)	(623)
Net assets acquired	2,429	1,042	3,471
Goodwill	8,369	(1,042)	7,327
Total consideration	10,798	-	10,798
Satisfied by:			
Cash	10,798	-	10,798

As a result of the acquisition accounting being finalised, the Group has restated comparative amounts in the balance sheet as follows:

	As reported at 26 December 2015	Adjustments to provisional values	Restated
	£000s	£000s	£000s
Intangible assets	179,936	306	180,242
Property, plant and equipment	183,205	8	183,213
Trade and other receivables	97,769	(184)	97,585
Creditors and provisions	(89,106)	(130)	(89,236)

	As reported at 27 June 2015	Adjustments to provisional values	Restated
	£000s	£000s	£000s
Intangible assets	179,499	934	180,433
Property, plant and equipment	173,399	8	173,407
Trade and other receivables	90,155	(316)	89,839
Creditors and provisions	(89,328)	(235)	(89,563)
Deferred tax liabilities	(9,603)	(391)	(9,994)

22. Related party transactions

Ultimate parent entity

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

During the period entities managed by Exponent Private Equity LLP charged the Group fees of £40,000 (period ended 27 June 2015: £20,000) and £nil was outstanding at 2 July 2016 (27 June 2015: £nil).

23. Risks and uncertainties

The principal risks and uncertainties which could have a material impact upon the Group's performance over the remaining 26 weeks of the 2016 financial year have not changed significantly from those set out on pages 28 to 31 of the Group's 2015 Annual Report, which is available at www.hssannualreport2015.com. These risks and uncertainties include, but are not limited to the following:

1) Macroeconomic conditions;
2) Competitor challenge;
3) Operational disruption;

4) Local branch strategy is incorrectly implemented;
5) Customer credit/supplier payment;
6) Equipment supply, maintenance & availability;
7) Customer retention and brand reputation;
8) Outsourcing of services;
9) Inability to attract and retain personnel; and
10) Legal and regulatory requirements

The main risk expected to affect the Group in the remaining 26 weeks of the 2016 financial year is macroeconomic conditions, which includes the impact that the recent EU referendum vote could have on the prevailing demand from new and existing customers within the market sectors which HSS serves.

24. Adjusted EBITA

Adjusted EBITA is calculated as follows:

	27 weeks ended 2 July 2016	26 weeks ended 27 June 2015
	£000s	£000s
Adjusted EBITDA	**32,101**	28,901
Less: Depreciation	**(24,689)**	(24,440)
Adjusted EBITA	**7,412**	4,461
Less: Amortisation	**(2,945)**	(2,120)
Less: Exceptional items (non-finance)	**(7,067)**	(3,826)
Operating loss	**(2,600)**	(1,485)