HSS Hire Group Plc

Interim report: Half year results for the 26 week period ended 30 June 2018

Significant progress made against strategic priorities

HSS Hire Group plc ("HSS" or the "Group") today announces results for the 26 week period ended 30 June 2018.

Financial Highlights	H1 2018 (26 weeks)	H1 2017 (26 weeks)	Change
Revenue	**£169.8m**	**£160.5m**	**5.8%**
Adjusted EBITDA[1]	**£29.9m**	**£17.1m**	**74.7%**
Adjusted EBITDA margin	**17.6%**	**10.6%**	**7.0pp**
Adjusted EBITA[2]	**£6.8m**	**(£7.3m)**	**£14.1m**
Adjusted EBITA margin	**4.0%**	**(4.5%)**	**8.5pp**
Adjusted loss before tax	**(£0.7m)**	**(£14.2m)**	**£13.5m**
Adjusted earnings per share	**(0.32p)**	**(6.74p)**	**6.42p**
Interim dividend	**-**	**-**	**-**
Reported loss before tax	**(£7.1m)**	**(£30.1m)**	**£23.0m**
Reported loss per share	**(4.45p)**	**(17.81p)**	**13.36p**

Highlights for H1 18

- Adjusted EBITDA growth of 74.7%
  - Rental revenue growth and cost initiatives improved margins by 7.0pp to 17.6%
  - LTM Adjusted EBITDA of £61.7m

- Revenue growth of 5.8% driven by improved availability and sales initiatives
  - Underlying[3] revenue growth of 8.7%
  - Underlying[3] core rental revenue growth of 3.7%
  - LTM utilisation[4] has increased in Tool Hire to 52.3% (H1 17: 49.5%) and remained consistently high in Specialist businesses at 73.6% (H1 17: 73.6%).
  - Continued strength in Services with revenue +13.9% and contribution +30.8%

- Significant reduction in net leverage to 3.7x (FY17: 4.3x)
  - Net debt has reduced by £7.5m during the first half of the year
  - Cash and total facility headroom greater than £35m as at 30 June 2018

- Secured successful refinancing
  - Appropriate facilities in place to continue delivering on our strategic priorities and the Group's full potential

- Network reconfiguration implementation complete
  - Full implementation of new supply chain model complete with expected savings of c.£11m

Current Trading and Outlook

- Trading momentum continued for the 8 weeks to 25 August 2018
  - o Underlying[3] revenue grew more than 5% against the comparable prior year period
  - o Underlying[3] core rental revenue grew more than 4% against the comparable prior year period
  - o Continued growth in EBITDA

- Secured shareholder approval for proposed sale of UK Platforms Limited
  - o Total Enterprise Value of £60.5 million
  - o Net cash proceeds from the Disposal will be approximately £47.5 million
  - o At least 80% will be used to repay debt, with the balance to be invested in the tool hire business
  - o Subject to CMA approval

- Reducing Group leverage continues to be a key focus
  - o Cash and RCF headroom increased by £18m post successful refinancing
  - o Looking ahead, we expect further deleveraging to occur during the second half of 2018 following the continued implementation of the identified strategic actions and the use of proceeds from the proposed sale of UK Platforms Limited

Steve Ashmore, Chief Executive Officer of HSS Hire, said:

"We are eight months into our new strategy and the Group has made significant progress. In this time we transitioned seamlessly to a new distribution model, refinanced the Group giving us long-term stability and announced the sale of our UK Platforms business, allowing us to focus on the tool hire business and further reduce our debt.

Alongside this strong operational progress, trading has been much improved, helped by our increased focus on our tool hire business and by customer demand for our extensive range of relevant seasonal products.

With significant operational change behind us and continued momentum in current trading, we look forward with confidence as our attention turns to driving improved performance from the tool hire business and strengthening the Group's commercial proposition."

Notes

1) Adjusted EBITDA is defined as operating profit before depreciation, amortisation, and exceptional items. For this purpose depreciation includes the net book value of hire stock losses and write offs, and the net book value of other fixed asset disposals less the proceeds on those disposals.

2) Adjusted EBITA is defined as operating profit before amortisation and exceptional items

3) Underlying revenue is total revenue adjusted for the impact of business divestments in 2017

4) Utilisation calculated over the last twelve months to the end of H1 2018

-Ends-

Disclaimer:

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 250 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.

For further information, please contact:

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Group financial performance

Revenue

Revenue in H1 18 was £169.8m, 5.8% above the previous year (H1 17: £160.5m). This year on year increase reflects improved trading in H1 18 across both our Rental and Services segments.

Rental and related revenues were £122.7m in H1 18 (H1 17: £119.3m), £3.4m or 2.9% higher than in H1 17. This was driven by improved performance in our core tool hire business delivered through focused sales initiatives, improved availability following the smooth implementation of strategic network changes moving test and repair of equipment back into our branches and the implementation of strategic profitability initiatives. Contribution was £80.5m (H1 17: £73.9m), an increase of 8.8% on H1 17 representing a 65.6% margin (H1 17: 62.0%) largely driven by improved revenues and lower operating costs following the network changes made earlier in the year.

Services revenues were £47.0m in H1 18 (H1 17: £41.3m), reflecting a strong performance in our OneCall and Training businesses with customers continuing to value the “one stop shop” service offer. Contribution increased significantly to £6.7m (H1 17: 5.2m), with margins improving to 14.3% (H1 17: 12.6%), reflecting ongoing focus on pricing discipline and effective supply chain management.

Costs

Cost of sales grew by £2.8m to £78.8m during the period (H1 17: £76.0m) primarily as a result of the growth in our rehire revenues and associated costs. Distribution costs decreased by £2.7m to £20.7m (H1 17: £23.4m) benefiting from increased efficiency following the strategic network changes made earlier in 2018. Administrative expenses decreased by £14.8m to £70.1m (H1 17: £84.9m) due to the benefit of cost actions taken in 2017 and 2018 combined with lower exceptional costs.

Gross exceptional costs in H1 18 were considerably lower at £3.3m (H1 17: £12.6m), including £1.6m of costs which relate to onerous leases on branch closures, £0.5m impairment of fixed assets associated with these closures, £0.7m relating to the implementation of the cost reduction programme across the Group and £0.7m of third party costs to complete the strategic review. In H1 17, exceptional costs were £12.6m, of which £6.2m related to the impairment of property, plant and equipment and £5.0m related to onerous leases. Exceptional income during H1 18 was £0.2m (H1 17: £0.5m) and related to fully or sub-let non-trading stores. This decrease was as a result of sub-let agreements coming to the end of their tenure.

Net finance expenses were £0.5m higher at £7.4m (H1 17: £6.9m) reflecting a higher level of drawdown on the revolving credit facility.

Profitability

Adjusted EBITDA of £29.9m in H1 18 was 74.7% higher than the prior year (H1 17: £17.1m), with adjusted EBITDA margins improving 7.0pp to 17.6% (H1 17: 10.6%). The improving profitability was driven by increased revenues in the period and lower costs due to actions taken in 2017 and 2018, including the successful implementation of the network changes which is expected to realise around £11m of annualised ongoing cost benefit as well as improved availability.

Adjusted EBITA increased from a loss of £7.3m in H1 17 to a profit of £6.8m in H1 18, with the margin improving to 4.0% (H1 17 -4.5%), for the reasons described above, and is in line with management expectations.

Loss before tax reduced by 76.5% to £7.1m, from £30.1m in H1 17, reflecting stronger underlying performance year on year, together with lower exceptional costs.

The basic and diluted loss per share improved to a loss of 4.45p in H1 18 from 17.81p in H1 17, reflecting the lower loss before tax during H1 18.

The adjusted basic and diluted earnings per share saw a small loss of 0.32p per share in H1 18, improving from a loss of 6.74p in H1 17. This reflects an improvement in the adjusted loss before tax position in H1 18 of £0.7m, compared to a loss of £14.2m in H1 17.

Net debt

Net debt at 30 June 2018 was £225.2m, £7.5m lower than December 17 (FY 17: £232.7m) through improved Group profitability and continued focus on working capital efficiency. Headroom in the Group's total facilities including net cash was £35.4m.

On 10 July 2018 the Group successfully refinanced with £245m of new debt facilities replacing the existing senior secured notes and revolving credit facility.

The new debt facilities consist of a £220m term loan facility, with £200m maturing in June 2023 and £20m in December 2020, along with a new revolving credit facility of £25m maturing in December 2022.

In connection with the provision of this new term facility, on 20 June 2018 the Company granted 8,510,300 warrants to subscribe for new ordinary shares to the lenders under the facility, exercisable at £0.01 per share. The fair value of the warrants at the date of grant was £2.7m.

Total other lender and advisory fees incurred in respect of the new facilities amount to around £11m and have been included in accruals at 30 June 2018. These costs and the fair value of the warrants have been deferred in the balance sheet and will be reclassified to debt issue costs in H2 2018. They will then be amortised to the income statement over the life of the facility. Debt issue costs of £1.5m were written off in H2 2018 in relation to the facilities that these arrangements replaced.

Proposed sale of UK Platforms Limited

On 19 July 2018, the Group announced that it had entered into a conditional agreement with Nationwide Platforms Limited for the sale of UK Platforms Limited for a total Enterprise Value of £60.5m and expected net cash proceeds of £47.5m, the majority of which will be used to pay down debt.

HSS shareholder approval for the transaction was granted on 7 August 2018.

Completion of the disposal, contingent upon confirmation that the proposed transaction is not referred to the Competition and Mergers Authority and retention of key managers, is expected to occur in Q4 2018.

Dividend

The Board remains firmly focused on reducing net debt in line with the clear priorities set out in our Strategic Review. As such, it believes that the interests of the shareholders of the Group are best served by not paying a dividend until the net debt leverage ratio falls below 2.5x at the earliest. This is in line with the new term loan facility agreement.

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 2018 financial year have not changed significantly from those described in the Group's 2017 Annual Report and are summarised in note 14 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

Steve Ashmore

Director

30 August 2018

HSS Hire Group plc

Unaudited condensed consolidated income statement

	Note	**26 weeks ended 30 June 2018 £000s**	52 weeks ended 30 December 2017 £000s	26 weeks ended 1 July 2017 £000s
Revenue	3	**169,772**	335,780	160,538
Cost of sales		**(78,794)**	(154,289)	(76,000)
Gross profit		**90,978**	181,491	84,538
Distribution costs		**(20,669)**	(46,140)	(23,423)
Administrative expenses		**(70,142)**	(207,652)	(84,866)
Other operating income	4	**182**	882	525
Operating profit / (loss)		**349**	(71,419)	(23,226)
Adjusted EBITDA(1)	3, 17	**29,864**	48,944	17,095
Less: Adjusted depreciation (1)		**(23,111)**	(47,159)	(24,394)
Adjusted EBITA(1)	17	**6,753**	1,785	(7,299)
Less: Exceptional items	4	**(3,335)**	(66,567)	(12,643)
Less: Amortisation(1)	7	**(3,069)**	(6,637)	(3,284)
Operating profit / (loss)		**349**	(71,419)	(23,226)
Net finance expense	5	**(7,420)**	(13,743)	(6,915)
Loss before tax		**(7,071)**	(85,162)	(30,141)
Adjusted loss before tax		**(667)**	(11,958)	(14,214)
Less: Exceptional items	4	**(3,335)**	(66,567)	(12,643)
Less: Amortisation	7	**(3,069)**	(6,637)	(3,284)
Loss before tax		**(7,071)**	(85,162)	(30,141)
Taxation		**(502)**	5,240	(175)
Loss for the financial period		**(7,573)**	(79,922)	(30,316)
Loss per share				
Basic and diluted loss per share	6	**(4.45)**	(46.96)	(17.81)
Adjusted basic and diluted loss per share(2)	6	**(0.32)**	(5.68)	(6.74)

(1) Adjusted EBITDA is defined as operating profit before depreciation, amortisation, and exceptional items. For this purpose depreciation includes the net book value of hire stock losses and write offs, and the net book value of other fixed asset disposals less the proceeds on those disposals. Adjusted EBITA is defined as operating profit before amortisation and exceptional items.

(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 condensed consolidated financial statements.

HSS Hire Group plc

Unaudited condensed consolidated statement of comprehensive income

	26 weeks ended 30 June 2018	52 weeks ended 30 December 2017	26 weeks ended 1 July 2017
	£000s	£000s	£000s
Loss for the financial period	**(7,573)**	(79,922)	(30,316)
Items that may be reclassified to profit or loss:			
Foreign currency translation differences arising on consolidation of foreign operations	**(51)**	104	144
Other comprehensive loss for the period, net of tax	**(51)**	104	144
Total comprehensive loss for the period	**(7,624)**	(79,818)	(30,172)
Attributable to owners of the Company	**(7,624)**	(79,818)	(30,172)

The notes form part of these condensed consolidated financial statements.

HSS Hire Group plc

Unaudited condensed consolidated statement of financial position

	Note	30 June 2018 £000s	30 December 2017 £000s	1 July 2017 £000s
ASSETS				
Non-current assets				
Intangible assets	7	**170,201**	172,509	177,277
Property, plant and equipment	8	**136,464**	150,915	161,945
Deferred tax assets		**358**	358	532
		307,023	323,782	339,754
Asset held for resale		**-**	1,500	-
Current assets				
Inventories		**6,153**	5,519	7,817
Trade and other receivables	9	**110,192**	96,503	97,874
Cash		**10,056**	2,151	7,070
		126,401	104,173	112,761
Total assets		**433,424**	429,455	452,515
LIABILITIES				
Current liabilities				
Trade and other payables	10	**(93,263)**	(82,452)	(83,209)
Borrowings	11	**(74,000)**	(69,000)	(68,500)
Provisions	12	**(10,303)**	(16,684)	(6,236)
Current tax liabilities		**(47)**	(90)	(500)
		(177,613)	(168,226)	(158,445)
Non-current liabilities				
Trade and other payables	10	**(12,110)**	(14,105)	(17,185)
Borrowings	11	**(134,470)**	(134,242)	(133,733)
Provisions	12	**(37,522)**	(36,510)	(12,032)
Deferred tax liabilities		**(3,036)**	(2,800)	(7,911)
		(187,138)	(187,657)	(170,861)
Total liabilities		**(364,751)**	(355,883)	(329,306)
Net assets		**68,673**	73,572	123,209
EQUITY				
Share capital		**1,702**	1,702	1,702
Merger reserve		**97,780**	97,780	97,780
Warrant reserves		**2,694**	-	-
Foreign exchange translation reserve		**374**	425	321
Retained earnings		**(33,877)**	(26,335)	23,406
Total equity attributable to owners of the group		**68,673**	73,572	123,209

The notes form part of these condensed consolidated financial statements.

HSS Hire Group plc

Unaudited condensed consolidated statement of changes in equity

	Note	Share capital £000s	Merger reserve £000s	Warrant reserve £000s	Foreign exchange translation reserve £000s	Retained earnings £000s	Total equity £000s
At 30 December 2017		1,702	97,780	-	425	(26,335)	73,572
Total comprehensive loss for the period							
Loss for the period		-	-	-	-	(7,573)	(7,573)
Foreign currency translation differences arising on consolidation of foreign operations		-	-	-	(51)	-	(51)
Total comprehensive loss for the period		-	-	-	(51)	(7,573)	(7,624)
Transactions with owners recorded directly in equity							
Transfer to warrant reserve	15	-	-	2,694	-	-	2,694
Share based payment		-	-	-	-	31	31
At 30 June 2018		**1,702**	**97,780**	**2,694**	**374**	**(33,877)**	**68,673**

	Share capital £000s	Merger reserve £000s	Warrant reserve £000s	Foreign exchange translation reserve £000s	Retained earnings £000s	Total equity £000s
At 1 January 2017	1,702	97,780	-	321	53,583	153,386
Loss for the period	-	-	-	-	(30,316)	(30,316)
Foreign currency translation differences arising on consolidation of foreign operations	-	-	-	-	144	144
Total comprehensive loss for the period	-	-	-	-	(30,172)	(30,172)
Transactions with owners recorded directly in equity						
Share based payment	-	-	-	-	(5)	(5)
At 1 July 2017	1,702	97,780	-	321	23,406	123,209

	Share capital £000s	Merger reserve £000s	Warrant reserve £000s	Foreign exchange translation reserve £000s	Retained earnings £000s	Total equity £000s
At 1 January 2017	1,702	97,780	-	321	53,583	153,386
Loss for the period	-	-	-	-	(79,922)	(79,922)
Foreign currency translation differences arising on consolidation of foreign operations	-	-	-	104	-	104
Total comprehensive loss for the period	-	-	-	104	(79,922)	(79,818)
Transactions with owners recorded directly in equity						
Share based payment charge	-	-	-	-	4	4
At 30 December 2017	1,702	97,780	-	425	(26,335)	73,572

The notes form part of these condensed consolidated financial statements.

HSS Hire Group plc

Unaudited condensed consolidated statement of cash flows

	26 weeks ended 30 June 2018	52 weeks ended 30 December 2017	26 weeks ended 1 July 2017
Cash flows from operating activities	**£000s**	£000s	£000s
Loss before tax	**(7,071)**	(85,162)	(30,141)
Adjustments for:			
– Amortisation	**3,069**	6,637	3,284
– Depreciation	**17,462**	37,006	18,894
– Net book value of hire stock losses and write offs	**5,474**	10,066	5,500
– Impairment of property, plant and equipment	**450**	11,230	6,225
– Impairment of intangible assets	**-**	1,239	-
– Loss on disposal of property, plant and equipment	**175**	87	-
– Loss on disposal of intangible assets	**-**	3	-
– Loss on disposal of subsidiary	**-**	4,919	-
– Share based payment charge	**31**	4	(5)
– Net finance expense	**7,420**	13,743	6,915
Changes in working capital (excluding the effects of disposals and exchange differences on consolidation):			
– Inventories	**(634)**	804	81
– Trade and other receivables	**(11,001)**	6,560	5,853
– Trade and other payables	**14,187**	(5,764)	(3,350)
– Provisions	**(5,586)**	31,504	984
Net cash flows from operating activities before changes in hire equipment	**23,976**	32,876	14,240
Purchase of hire equipment	**(5,837)**	(22,787)	(11,852)
Cash generated from operating activities	**18,139**	10,089	2,388
Net interest paid	**(6,902)**	(12,494)	(6,884)
Tax paid	**(240)**	(59)	(219)
Net cash generated from / (used in) operating activities	**10,997**	(2,464)	(4,715)
Cash flows from investing activities			
Proceeds on disposal of businesses, net of cash disposed of	**-**	1,138	-
Proceeds on disposal of assets held for sale	**1,500**	-	-
Purchases of non-hire property, plant, equipment and software	**(2,862)**	(7,260)	(4,114)
Net cash used in investing activities	**(1,362)**	(6,122)	(4,114)
Cash flows from financing activities			
Bank arrangement fees	**(400)**	-	-
Share issue costs	**-**	-	(226)
Proceeds from borrowings (third parties)	**8,000**	18,000	3,500
Repayments of borrowings	**(3,000)**	(15,000)	(1,000)
Cash received from refinancing hire stock	**-**	5,030	5,030
Capital element of finance lease payments	**(6,330)**	(12,504)	(6,616)
Net cash received from financing activities	**(1,730)**	(4,474)	688
Net increase / (decrease) in cash	**7,905**	(13,060)	(8,141)
Cash at the start of the period	**2,151**	15,211	15,211
Cash at the end of the period	**10,056**	2,151	7,070

The notes form part of these condensed consolidated financial statements.

Notes forming part of the condensed consolidated 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 Oakland House, 76 Talbot Road, Old Trafford, Manchester, England, M16 0PQ.

The condensed consolidated financial statements as at, and for the 26 weeks ended 30 June 2018 comprise the Company and its subsidiaries (the 'Group').

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

The condensed consolidated financial statements were approved for issue by the Board on 29 August 2018.

The condensed consolidated financial statements do not comprise Statutory Accounts within the meaning of Section 434 of the Companies Act 2006. The comparative financial information for the 26 weeks ended 30 June 2018, and the 52 weeks ended 30 December 2017, do not constitute statutory accounts for those periods, respectively. Statutory Accounts for the year ended 30 December 2017 were approved by the Board on 5 April 2018 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 financial statements for the 26 weeks ended 30 June 2018 have 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 financial statements should be read in conjunction with the Group's Annual Report and Accounts for the year ended 30 December 2017, which were prepared in accordance with IFRS as adopted by the European Union.

IFRS 9 *Financial instruments* and IFRS 15 *Revenue from contracts with customers* have been adopted in these condensed consolidated financial statements but neither these IFRS nor any IFRIC Interpretations that are effective for the first time for this interim period have had a material impact on the Group. The accounting policies and judgements and estimates, applied in the condensed consolidated financial statements are therefore consistent with those set out in the Group's Annual Report and Accounts for the year ended 30 December 2017.

For the year ending 28 December 2019, the Group will adopt IFRS 16 *Leases*. Having performed an initial review of this standard, the Directors expect it will have a material impact on reported assets and liabilities, EBITDA, operating profit and interest expense as more assets (called right of use assets) are capitalised on to the balance sheet in relation to the lease contracts the Group has entered into.

Going concern

The Directors have reviewed the Group's current performance, forecasts and projections, taking account of reasonably possible changes in trading performance and considering senior debt and interest repayments, combined with expenditure commitments. In particular the directors have considered the adequacy of the Group's debt facilities with specific regard to the following factors:

- the financial covenants relating to the new term loan facility of £220 million and revolving credit facility of £25 million secured by the Group
- the maturity of the term loan facility (£20m in December 2020, £200m in June 2023) and revolving credit facility in December 2022

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.

3. Segmental reporting

The Group's operations are segmented into the following 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 comprise the Group's rehire business (HSS OneCall) and HSS Training. HSS One Call 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.

Contribution is defined as segment operating profit before branch and selling costs, central costs, depreciation, amortisation and exceptional items.

All segment revenue, operating profit, assets and liabilities are attributable to the principal activity of the Group being the provision of tool and equipment hire and related services in, and to customers in, the United Kingdom and the Republic of Ireland. Revenue from one customer exceeded 10% of Group turnover in the period ending 30 June 2018 (26 week ending 1 July 2017: one).

	26 weeks ended 30 June 2018			
	Rental (and related revenue) £000s	**Services £000s**	**Central £000s**	**Total £000s**
Total revenue from external customers	**122,740**	**47,032**	**-**	**169,772**
Contribution	**80,459**	**6,749**	**-**	**87,208**
Branch and selling costs			(43,237)	**(43,237)**
Central costs			(14,107)	**(14,107)**
Adjusted EBITDA				**29,864**
Less: Exceptional items	**-**	**-**	**(3,335)**	**(3,335)**
Less: Depreciation and amortisation	**(20,888)**	**(81)**	**(5,211)**	**(26,180)**
Operating loss				**349**
Net finance expenses				**(7,420)**
Loss before tax				**(7,071)**
Additions to non-current assets				
Property, plant and equipment	6,894	46	2,324	**9,264**
Intangibles	-	124	635	**759**
Non-current assets net book value				
Property, plant and equipment	106,050	224	30,190	**136,464**
Intangibles	134,974	365	34,860	**170,199**
Unallocated corporate assets				
Non current deferred tax assets			358	**358**
Current assets			126,401	**126,401**
Current liabilities			(177,613)	**(177,613)**
Non current liabilities			(187,138)	**(187,138)**
Net assets				**68,671**

3. Segmental reporting (continued)

	26 weeks ended 1 July 2017			
	Rental (and related revenue) £000s	Services £000s	Central £000s	Total £000s
Total revenue from external customers	119,252	41,286	-	160,538
Contribution	73,930	5,158	-	79,088
Branch and selling costs	-	-	(41,315)	(41,315)
Central costs	-	-	(20,678)	(20,678)
Adjusted EBITDA				17,095
Less: Exceptional items	-	-	(12,643)	(12,643)
Less: Depreciation and amortisation	(21,499)	(164)	(6,028)	(27,678)
Operating loss				(23,226)
Net finance expenses				(6,915)
Loss before tax				(30,141)
Additions to non-current assets				
Property, plant and equipment	11,623	18	2,289	13,930
Intangibles	-	109	1,697	1,806
Non-current assets net book value				
Property, plant and equipment	125,611	343	35,991	161,945
Intangibles	168,336	549	8,392	177,277
Unallocated corporate assets				
Non current deferred tax assets			532	532
Current assets			112,761	112,761
Current liabilities			(158,445)	(158,445)
Non current liabilities			(170,861)	(170,861)
Net assets				123,209

4. Exceptional items

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

During the period ended 30 June 2018, the Group has recognised net exceptional costs as follows:

	Included in administrative expenses	**Included in other operating income**	**26 weeks ended 30 June 2018**
	£000s	**£000s**	**£000s**
Onerous leases	1,634	-	**1,634**
Impairment of property, plant & equipment	450	-	**450**
Cost reduction programme	711	-	**711**
Strategic review	722	-	**722**
Sub-let rental income on onerous leases	-	(182)	**(182)**
Exceptional items	**3,517**	**(182)**	**3,335**

During the period ended 30 December 2017, the Group has recognised net exceptional costs as follows:

	Included in cost of sales	Included in distribution costs	Included in administrative expenses	Included in other operating income	Year ended 30 December 2017
	£000s	£000s	£000s	£000s	£000s
Onerous leases	-	-	6,903	-	6,903
Impairment of property, plant and equipment	-	-	8,279	-	8,279
Business divesture	-	-	4,919	-	4,919
Cost reduction programme	176	131	3,432	-	3,739
Senior management changes	-	-	1,031	-	1,031
Strategic review	-	-	1,172	-	1,172
Network reconfiguration	-	-	40,692	-	40,692
Preparatory refinancing cost	-	-	714	-	714
Sub-let rental income on onerous leases	-	-	-	(882)	(882)
Exceptional items	176	131	67,142	(882)	66,567

During the period ended 1 July 2017, the Group has recognised net exceptional costs as follows:

	Included in cost of sales	Included in distribution costs	Included in administrative expenses	Included in other operating income	26 weeks ended 1 July 2017
	£000s	£000s	£000s	£000s	£000s
Branch and distribution centre closure onerous leases	-	-	4,969	-	4,969
Impairment of property, plant and equipment	-	-	6,225	-	6,225
Cost reduction programme	95	162	1,717	-	1,974
Sub-let rental income on onerous leases	-	-	-	(525)	(525)
Exceptional items	95	162	12,911	(525)	12,643

Onerous leases: branch and distribution centre closures

The number of branches has been reduced to remove less profitable locations with activity centralised into fewer locations. 12 branches were closed during the 26 weeks ended 30 June 2018 (26 weeks ending 1 July 2017: 50; 52 weeks ended 30 December 2017: 55). An exceptional cost of £1.6 million relating to dark stores and onerous leases has been recorded in the period (26 weeks ending 1 July 2017: £5.0 million; 52 weeks ended 30 December 2017: £6.9 million). Sub-let rental income on onerous leases for the period amounted to £0.2 million (52 weeks ended 30 December 2017: £0.9 million; 26 weeks ending 1 July 2017: £0.5 million).

Cost reduction programme and network reconfiguration

Following the Strategic Review in the second half of the 2017 financial year, the Group has embarked upon a plan to deliver annual cost savings estimated to be between £10 million and £14 million. Principal to this were annual savings of between £7 million and £10 million to be achieved through the reconfiguration of the Group's supply chain model by moving the testing and repair of all fast moving products closer to our customers. In order to realise these benefits, network reconfiguration costs of £40.7 million was recognised in the year ended 30 December 2017 including the impairment, totalling £7.6m, of certain assets.

The annual cost savings also include a reduction in central overhead estimated to be between £3 million and £4 million. To realise these benefits, largely relating to redundancy costs, an exceptional item of £0.7 million has been recorded during the 26 weeks ended 30 June 2018.

The Group announced plans in the first half of the financial year 2017 to deliver significant cost reductions primarily by reducing head office headcount by redundancy and restructuring costs at the NDEC to drive operational efficiencies in the supply chain. These initiatives gave rise to exceptional items of £3.7 million and £2.0 million for the 52 weeks ended 30 December 2017 and 26 weeks ended 1 July 2017 respectively.

Strategic review

Non-recurring third party consultancy costs of £0.7 million were incurred by the Group towards its strategic review. (52 weeks ended 30 December 2017: £1.2 million; 26 weeks ending 1 July 2017: £nil)

Impairment of closed branch property, plant and equipment

Following the branch closures management conducted an impairment review of property plant and equipment in closed branches to determine what can be reused across the network. During the 26 weeks ended 30 June 2018 an impairment of £0.5m was recorded in relation to branches closed in the period (26 weeks ended 1 July 2017: £6.2 million; year ended 30 December 2017 £8.3 million).

Business divesture

The Group sold businesses not considered core to the strategy during the 52 weeks ended 30 December 2017. The Reintec branded fleet of cleaning machines and the associated Tecserv equipment maintenance business were sold on 16 November 2017 for a consideration of £1.5 million. After transaction costs net proceeds were £1.2 million. This gave rise to a loss of £4.9 million including goodwill written off of £0.8 million.

5. Finance income and expense

	26 weeks ended 30 June 2018 £000s	52 weeks ended 30 December 2017 £000s	26 weeks ended 1 July 2017 £000s
Interest received on cash deposits	**-**	-	(1)
Finance income	**-**	-	(1)
Bank loans and overdrafts	**1,658**	2,118	1,020
Senior secured notes	**4,577**	9,155	4,577
Finance leases	**511**	1,392	761
Interest unwind on discounted provisions	**46**	31	38
Debt issue costs	**628**	1,047	520
Finance expense	**7,420**	13,743	6,916
Net finance expense	**7,420**	13,743	6,915

6. Earnings per share

	Basic and diluted earnings per share		
	Loss after tax	Weighted average number of shares	Loss per share
	£000s	000s	pence
26 weeks ended 30 June 2018	**(7,573)**	**170,207**	**(4.45)**
26 weeks ended 1 July 2017	(30,316)	170,207	(17.81)
52 weeks ended 30 December 2017	(79,922)	170,207	(46.96)

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) and Sharesave Scheme options, as disclosed in note 21 in the Annual Report and Financial Statements for the year ended 30 December 2017 and share warrants as disclosed in note 15 of this report.

All of the Group's potentially dilutive equity derivatives (the LTIP shares, Sharesave Scheme options and warrants) were anti-dilutive for the periods ended 30 June 2018 and 1 July 2017, and the year ended 30 December 2017, respectively, for the purpose of calculating the weighted average number of shares and hence the diluted loss per share.

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

	Basic and diluted earnings per share	52 weeks ended 30 December 2017	26 weeks ended 1 July 2017
Basic and diluted loss per share (pence)	**(4.45)**	(46.96)	(17.81)
Add back:			
Exceptional items per share (1)	**1.96**	39.11	7.43
Amortisation per share (2)	**1.80**	3.90	1.93
Tax charge per share	**0.29**	(3.08)	0.10
Charge:			
Tax at prevailing rate	**0.08**	1.35	1.61
Adjusted basic and diluted loss per share (pence)	**(0.32)**	(5.68)	(6.74)

(1) Exceptional items per share are 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.

7. Intangible assets

	Goodwill £000s	Customer relationships £000s	Brands £000s	Software £000s	Total £000s
Cost					
At 30 December 2017	128,991	26,744	24,102	20,481	200,318
Additions	-	-	-	761	761
At 30 June 2018	128,991	26,744	24,102	21,242	201,079
Amortisation					
At 30 December 2017	-	13,346	526	13,937	27,809
Charge for the period	-	1,326	71	1,672	3,069
At 30 June 2018	-	14,672	597	15,609	30,878
Net book value					
At 30 June 2018	**128,991**	**12,072**	**23,505**	**5,633**	**170,201**
At 30 December 2017	128,991	13,398	23,576	6,544	172,509

	Goodwill £000s	Customer relationships £000s	Brands £000s	Software £000s	Total £000s
Cost					
At 31 December 2016	129,744	27,482	24,142	19,968	201,336
Additions	-	-	-	1,806	1,806
At 1 July 2017	129,744	27,482	24,142	21,774	203,142
Amortisation					
At 31 December 2016	-	10,940	391	11,250	22,581
Charge for the period	-	1,388	72	1,824	3,284
At 1 July 2017	-	12,328	463	13,074	25,865
Net book value					
At 1 July 2017	129,744	15,154	23,679	8,700	177,277
At 31 December 2016	129,744	16,542	23,751	8,718	178,755

8. Property, plant and equipment

	Land & Buildings £000s	Plant & Machinery £000s	Materials & Equipment held for hire £000s	Total £000s
Cost				
At 30 December 2017	71,771	60,282	237,498	369,551
Foreign exchange differences	(7)	(26)	(293)	(326)
Additions	676	1,694	6,894	9,264
Disposals	(571)	(70)	(14,339)	(14,980)
At 30 June 2018	71,869	61,880	229,760	363,509
Accumulated depreciation				
At 30 December 2017	48,115	51,585	118,936	218,636
Foreign exchange differences	-	(20)	(152)	(172)
Charge for the period	2,323	1,348	13,791	17,462
Impairment loss	-	450	-	450
Disposals	(432)	(34)	(8,865)	(9,331)
At 30 June 2018	50,006	53,329	123,710	227,045
Net book value				
At 30 June 2018	**21,863**	**8,551**	**106,050**	**136,464**
At 30 December 2017	23,656	8,697	118,562	150,915

	Land & Buildings £000s	Plant & Machinery £000s	Materials & Equipment held for hire £000s	Total £000s
Cost				
At 31 December 2016	69,187	58,673	247,295	375,155
Foreign exchange differences	10	41	396	447
Additions	1,132	1,175	11,623	13,930
Disposals	(759)	(49)	(14,817)	(15,625)
At 1 July 2017	69,570	59,840	244,497	373,907
Accumulated depreciation				
At 31 December 2016	37,095	46,214	113,373	196,682
Foreign exchange differences	-	30	244	274
Charge for the period	2,359	1,949	14,586	18,894
Impairment loss	6,225	-	-	6,225
Disposals	(758)	(38)	(9,317)	(10,113)
At 1 July 2017	44,921	48,155	118,886	211,962
Net book value				
At 1 July 2017	24,649	11,685	125,611	161,945
At 31 December 2016	32,092	12,459	133,922	178,473

9. Trade and other receivables

	30 June 2018 £000s	30 December 2017 £000s	1 July 2017 £000s
Gross trade receivables	**81,413**	85,270	77,575
Less provision for impairment	**(4,284)**	(4,429)	(3,879)
Net trade receivables	**77,129**	80,841	73,696
Other debtors	**836**	271	417
Prepayments and accrued income	**19,043**	15,391	23,761
Prepaid finance fees on loan facility	**13,184**	-	-
Total trade and other receivables	**110,192**	96,503	97,874

Movements in provision	**30 June 2018 £000s**	30 December 2017 £000s	1 July 2017 £000s
Balance at the beginning of the period	**(4,429)**	(3,740)	(3,740)
Movement in provision	**145**	(689)	(139)
Balance at the end of the period	**(4,284)**	(4,429)	(3,879)

10. Trade and other payables

	30 June 2018 £000s	30 December 2017 £000s	1 July 2017 £000s
Current			
Obligations under finance leases	**9,174**	11,892	12,126
Trade payables	**39,694**	39,729	43,550
Other taxes and social security costs	**5,128**	5,792	6,831
Other creditors	**1,003**	916	1,936
Accrued interest on borrowings	**3,910**	3,904	3,844
Accruals and deferred income	**34,354**	20,219	14,922
	93,263	82,452	83,209
Non-current			
Obligations under finance lease	**12,110**	14,105	17,185

11. Borrowings

	30 June 2018 £000s	30 December 2017 £000s	1 July 2017 £000s
Current			
Revolving credit facility	**74,000**	69,000	68,500
Non-current			
6.75% Senior secured notes	**134,470**	134,242	133,733

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

	30 June 2018 % above LIBOR	30 December 2017 % above LIBOR	1 July 2017 % above LIBOR
Revolving credit facility	**2.50%**	2.50%	2.50%

The following table shows the fair value of the Group's Senior Secured Notes:

	30 June 2018 £000s	30 December 2017 £000s	1 July 2017 £000s
Financial liabilities			
6.75% Senior secured notes	**135,603**	128,778	134,980

The Group has undrawn committed borrowing facilities of £25.3 million at 30 June 2018 (1 July 2017: £28.3 million) under its facilities in place at that date (see note 15). Including net cash balances, the Group had access to £35.4 million of combined liquidity from available cash and undrawn committed borrowing facilities at 30 June 2018.

12. Provisions

	Onerous leases £000s	Dilapidations £000s	Onerous Contracts £000s	Total £000s
At 30 December 2017	6,607	13,975	32,612	53,194
Additions	1,508	65	-	1,573
Utilised during the period	(1,889)	(546)	(4,125)	(6,560)
Unwind of provision	13	32	-	45
Released	(427)	-	-	(427)
At 30 June 2018	**5,812**	**13,526**	**28,487**	**47,825**
Of which:				
Current	**2,176**	**2,641**	**5,486**	**10,303**
Non current	**3,636**	**10,885**	**23,001**	**37,522**
	5,812	**13,526**	**28,487**	**47,825**
At 31 December 2016	5,398	11,745	-	17,143
Additions	4,353	160	-	4,513
Utilised during the period	(2,018)	(1,052)	-	(3,070)
Unwind of provision	16	23	-	39
Released	(104)	(253)	-	(357)
At 1 July 2017	7,645	10,623	-	18,268
Of which:				
Current	3,617	2,619	-	6,236
Non current	4,028	8,004	-	12,032
	7,645	10,623	-	18,268

13. Commitments and contingencies

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

	30 June 2018 £000s	30 December 2017 £000s	1 July 2017 £000s
Land and buildings			
Within one year	**14,810**	15,030	15,972
Between two and five years	**44,119**	45,316	48,550
After five years	**31,457**	33,084	34,920
	90,386	93,430	99,442
Other			
Within one year	**8,574**	9,074	9,162
Between two and five years	**14,762**	15,263	14,451
After five years	**-**	7	56
	23,336	24,344	23,669
	113,722	117,774	123,111

14. 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 2018 financial year have not changed significantly from those set out on pages 14 to 17 of the Group's 2017 Annual Report, which is available at www.hssannualreport2017.com. These risks and uncertainties include, but are not limited to the following:

1) Macroeconomic conditions;
2) Competitor challenge;
3) Distribution Network;
4) IT infrastructure;
5) Insufficient liquidity headroom;
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 2018 financial year is macroeconomic conditions, which includes the impact that the Brexit related developments could have on the prevailing demand from new and existing customers within the numerous and diverse market sectors which HSS serves.

15. New finance arrangements and share warrants

HSS Hire Group plc entered into a new five year, £220 million term loan facility, provided by HPS Investment Partners on 20 June 2018 and which completed on 10 July 2018. In connection with this term loan facility, the Company granted the lenders under the facility, 8,510,300 Warrants on 20 June 2018 to subscribe for new ordinary shares in the Company exercisable at a price of £0.01 per share and valued at £2.7m. The warrants can be exercised for five years subject to certain conditions that include full repayment of the term loan facility itself. Total lender and advisory fees incurred in respect of the new facility amount to c£11m and have been included in accruals at 30 June 2018. The warrant valuation and prepaid finance fees on loan facility, together totalling £13.2m net of amounts already accrued, have been deferred in the balance sheet and will be reclassified to debt issue costs in H2 2018; they will be amortised to the income statement over the life of the facility. Debt issue costs of £1.5m were written off in H2 2018 in relation to the facility that these arrangements replaced.

16. Post balance sheet event

On 19 July 2018, the Group announced the proposed sale of UK Platforms Limited to Nationwide Platforms Limited, a wholly-owned subsidiary of Loxam Group, for an enterprise value of £60.5m. The proposed disposal, which was not highly probable as at 30 June 2018, is subject to Competition and Markets Authority approval and is expected to complete in quarter 4 of 2018. The Group will use at least 80% of any proceeds from the sale to pay down debt and UK Platforms Limited will be treated as a discontinued operation in the results for the year ending 29 December 2018.

17. Adjusted EBITDA and Adjusted EBITA

Adjusted EBITDA is calculated as follows:

	26 weeks ended 30 June 2018	52 weeks ended 30 December 2017	26 weeks ended 1 July 2017
	£000s	£000s	£000s
Operating profit / (loss)	**349**	(71,419)	(23,226)
Add: Depreciation of property, plant and equipment	**17,462**	37,006	18,894
Add: Net book value of hire stock losses and write offs	**5,649**	10,153	5,500
Add: Amortisation	**3,069**	6,637	3,284
EBITDA	**26,529**	(17,623)	4,452
Add: Exceptional items	**3,335**	66,567	12,643
Adjusted EBITDA	**29,864**	48,944	17,095

Adjusted EBITA is calculated as follows:

	26 weeks ended 30 June 2018	52 weeks ended 30 December 2017	26 weeks ended 1 July 2017
	£000s	£000s	£000s
Operating profit / (loss)	**349**	(71,419)	(23,226)
Add: Amortisation	**3,069**	6,637	3,284
EBITA	**3,418**	(64,782)	(19,942)
Add: Exceptional items	**3,335**	66,567	12,643
Adjusted EBITA	**6,753**	1,785	(7,299)