HSS Hire Group plc

Audited Results for HSS Hire Group plc for the year ended 29 December 2018

Excellent strategic progress delivered significant profit improvement

HSS Hire Group plc ("HSS" or the "Group") today announces results for the year ended 29 December 2018.

Total (Continuing and Discontinued Operations)	**FY18**	**FY17**	**Change**
Revenue	**£352.5m**	**£335.8m**	**5.0%**
Adjusted EBITDA[1]	**£71.3m**	**£48.9m**	**£22.4m**
Adjusted EBITDA margin	**20.2%**	**14.6%**	**5.6pp**
Adjusted EBITA[2]	**£27.4m**	**£1.8m**	**£25.6m**
Adjusted EBITA margin	**7.8%**	**0.5%**	**7.3pp**
Operating profit/(loss)	**£16.3m**	**£(71.4m)**	**£87.7m**
Reported loss before tax	**£(4.5m)**	**£(85.2m)**	**£80.7m**
Adjusted diluted earnings/(loss) per share[3]	**3.45p**	**(5.68)p**	**9.13p**
Continuing Operations			
Revenue	**£322.8m**	**£304.0m**	**6.2%**
Adjusted EBITDA[1]	**£60.0m**	**£36.0m**	**£24.0m**
Adjusted EBITA[2]	**£22.1m**	**£(6.8m)**	**£28.9m**

Delivered highest adjusted Total EBITDA in Group's history

- Adjusted Total EBITDA up 45.8% to £71.3m
- Total Rental revenue growth, focus on profitability and cost initiatives improved margins by 5.6pp to 20.2%
- Adjusted Total EBITA increased to £27.4m with margins increasing 7.3pp to 7.8%

Total revenue increased 5.0%, with underlying[5] growth of 7.1%

- Underlying[4] Total Rental revenue growth of 4.1% driven by improved availability, sales initiatives and strength of seasonal product range
- LTM utilisation[5] has increased in Tool Hire to 51.8% (FY17: 49.7%) and remained consistently high in Specialist businesses at 72.7% (FY17: 71.9%)
- Continued fast growth in capital light Services with Total revenue +12.0% and contribution +23.8%, through strong performance from our OneCall re-hire and Training businesses

Material reduction in net debt leverage to 3.3x (FY17: 4.8x)

- Successfully secured £245m of new debt facilities
- Cash and total facility headroom greater than £40m as at 29 December 2018
- Net debt further reduced following disposal of UK Platforms for net cash proceeds of £47.5m in January 2019

Significant progress made against other strategic priorities

- Major network reconfiguration successfully delivered whilst maintaining high customer service levels
- Material cost savings delivered with overheads reduced by £20m in FY18
- Return on Capital Employed increased significantly to 16.2% (FY17: 1.0%)

Next phase of strategy focused on developing Group's strong commercial proposition

- Extensive customer segmentation review completed in 2018
- Transforming proposition to provide a more seamless digital experience for both Tool Hire and OneCall customers, in order to differentiate HSS in the equipment hire market

Current trading and outlook

- Trading for the 13 weeks to 30 March 2019 in line with management expectations
- Term debt facility reduced by £38m following disposal of UK Platforms
- Updated medium term targets including leverage now reduced to lower than 2.5x from less than 3.0x and Revenue growth from in-line to ahead of the market

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

"In 2018 we made significant progress against our strategic priorities and delivered the highest Adjusted Total EBITDA in the Group's history. Over the year we made a series of important strategic and operational changes including the seamless transition to a new distribution model which significantly reduces costs, the successful refinancing of the Group giving us long-term stability, and the sale of UK Platforms, allowing us to focus on the Tool Hire business and further reduce debt.

Alongside these changes we have maintained trading momentum with good underlying revenue growth. Our increased focus on improving profitability has also proved successful with margins enhanced across both our Rental and Services segments combined with a material reduction in our cost base.

We are now focused on transforming our proposition to take advantage of the fragmented and digitally immature equipment hire market. This will include creating an end-to-end digital offering in our Tool Hire business and transforming OneCall to ensure a seamless rehire experience.

While the broader economic outlook remains uncertain, our leaner operating model, excellent market positions and clear strategy leave us well placed to continue to grow market share in any market."

Notes

1) Earnings stated before interest, tax, depreciation and amortisation ("EBITDA") and before exceptional items

2) Adjusted EBITA defined as Operating profit/(loss) with amortisation and exceptional items added back

3) Adjusted earnings/(loss) per share defined as profit/(loss) before tax with amortisation and exceptional items added back less tax at the prevailing rate of corporation tax divided by the average weighted average number of ordinary shares

4) Underlying revenue is total revenue adjusted for the impact of business divestments in 2017; Reintec and TecServ

5) Utilisation calculated over the last twelve months to 29 December 2018

Results presentation

Management will be hosting a presentation for analysts at 0900 BST today at Numis Securities, 10 Paternoster Square, London. Analysts/investors unable to attend in person may join the meeting by conference call by dialling in on 0800 3589473, using the Passcode: 87117552#. A copy of the presentation will be available at http://www.hsshiregroup.com/investor-relations/financial-results/ from 0900 BST today.

Group Financial Statements

The attached documents are extracts from the Group's Annual Report and Accounts for the year ended 29 December 2018.

-Ends-

Disclaimer:

This announcement contains forward-looking statements relating to the business, financial performance and results of HSS Hire Group plc and the industry in which HSS Hire Group plc operates. These statements may be identified by words such as “expect”, “believe”, “estimate”, “plan”, “target”, or “forecast” and similar expressions, or by their context. These statements are made on the basis of current knowledge and assumptions and involve risks and uncertainties. Various factors could cause actual future results, performance or events to differ materially from those described in these statements and neither HSS Hire Group plc nor any other person accepts any responsibility for the accuracy of the opinions expressed in this presentation or the underlying assumptions. No obligation is assumed to update any forward-looking statements.

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 240 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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Teneo	**Tel: 020 3757 9248**
Robert Morgan Shona Buchanan	

Chairman's Statement

Board priorities for 2019

We have delivered significant growth in 2018 through the excellent execution of year one of our new strategic plan. We will build upon this momentum into 2019 through continued focus on our three strategic priorities, progressing from repairing to transforming our Tool Hire business and increasing our emphasis on strengthening the Group's commercial proposition for our customers.

During 2018, the Group Board and senior management have relentlessly focused on the delivery of our strategic priorities which have resulted in significantly improved performance across the Group.

Laying the foundations for future growth

It has been a busy year during 2018, as we continue to deliver on our three clear strategic areas of focus, as set out in December 2017:

1. Delever the Group
2. Transform the Tool Hire business
3. Strengthen the Group's commercial proposition

I am pleased to report that good progress has been made in the first year of implementing our strategic priorities with significant operational changes successfully completed. With these foundations in place, further delivery of our strategic priorities and the continued momentum in performance, we are well positioned to drive profitable growth as we head into 2019 and beyond.

In April 2018, we smoothly implemented changes to our network, moving the testing and repair of all fast moving products back into the branch network, closer to HSS's customers. These changes were substantial: moving around 12,000 items out of the national distribution centre, reducing the trunking routes between a central location to the Customer Distribution Centres (CDCs) from 42 to 8 and training 200 HSS colleagues. This has realised annualised cost savings of around c£20m, improved product availability and increased engineering capacity across the network by 30%.

To enable greater focus on the Tool Hire business and reduce debt, we announced in July 2018 the proposed sale of UK Platforms to Nationwide Platforms with the transaction completing in January 2019. The UK Platforms business has made an excellent contribution to the Group over recent years and I wish our former colleagues well in the future. As part of the disposal, we entered into a long-term commercial agreement with Nationwide ensuring that we continue to provide our customers a market-leading powered access offer.

Our results

The implementation of our strategy has been reflected in our strong performance during the financial year. Adjusted Total EBITDA, including UK Platforms, for the year at £71.3m, 45.8% growth year-on-year, reflects the Group's highest ever Adjusted EBITDA performance, with these margins improving to 20.2%, a 5.6 percentage point increase over prior year. A combination of focused sales initiatives, improved product availability and our extensive range of relevant seasonal products delivered underlying Rental revenue growth of 4.1%. This underlying measure adjusts for the impact of our cleaning rental and services business which was disposed of in November 2017. This was augmented by continued strong performance from our Services business with total revenue growth of 12.0% and, pleasingly, contribution improving 23.8% in absolute terms. Our relentless focus on operational efficiency led to overheads, excluding exceptional costs, being c£20m lower than in 2017, with the changes to the network realising significant benefit. Improved revenue combined with lower overheads also resulted in Adjusted Total EBITA increasing to £27.4m, up £25.6m year-on-year, with Return on Capital Employed (ROCE), including UK Platforms, increasing to 16.2% compared with 2017's 1.0%.

Our results are discussed in more detail in the Financial Review.

Our Board and management team

The Board aspires to lead by example and live the HSS values: safety, value, availability and support.
It was a busy year for the Board, and I want to thank all Directors for their individual contributions and determination to see the Group through what has been a year of change for our business, whilst ensuring HSS continues to deliver for its stakeholders.

In January 2019, we announced the appointment of Dave Crellin as our Chief Operations Officer and he joined the business in March 2019. With supply chain expertise in a multi-channel environment, Dave is a strong addition to the management team.

Governance
We continued our commitment to corporate governance during the year and have started to develop plans to reflect the new Corporate Governance Code guidance, introduced in 2018, in our business. We will report further on that in 2019.

During the year, the Group implemented required changes to ensure compliance within the business as the General Data Protection Regulation (GDPR) became law. We also continued to promote our Code of Ethics in the business, including in relation to the Bribery Act 2010 and the Modern Slavery Act 2015. In respect of the latter, steps undertaken over the year are included on our website.

Our people
Our colleagues are key to our business and I am continually impressed with the motivation, commitment, can-do attitude and achievement of HSS people across our Group, which was borne out by the 2018 employee engagement survey. This is once again reflected by our customer satisfaction scores, which remain consistently high. I am very confident that with their support, HSS will continue on its journey of successfully delivering on its strategy and build upon the momentum created with our strong 2018 performance.

Corporate responsibility
Our primary responsibility is always to ensure our HSS colleagues and customers get home safely at the end of every day. The Board remains fully committed to providing a safe environment for all and starts every meeting with a focus on health and safety matters. The Board is also focused on ensuring that the business operates with transparency and integrity, delivering a sound economic performance, whilst paying close attention to reducing our impact on the environment, and that we are contributing in a positive way in the local communities that we operate within.

Refinancing
The Group refinanced in June 2018 securing £245m of debt facilities. These facilities included a new term loan facility of £220m provided by HPS Investment Partners, with £200m maturing in July 2023, and £20m, with flexibility to be settled before maturity, in December 2020. A new revolving credit facility was also agreed with HSBC UK Bank plc and National Westminster Bank plc, maturing in January 2023. Following the completion of the UK Platforms disposal in January 2019, £38m of the term loan facility was repaid.

This new capital structure provides the liquidity and flexibility to continue delivery of our strategic priorities.

Dividend
The Board is focused on delivering on our strategic priorities, and after careful consideration of the performance of the Group during the year, believes it is in the best interests of the shareholders of the Group, to not pay a final dividend in respect of 2018. The Board will re-evaluate this position once the net debt leverage ratio falls below 2.5x.

Looking ahead
We have continued the positive momentum of 2018 into the current financial year and are trading in line with our expectations for the first quarter of 2019.

Looking ahead, we will continue to focus on the delivery of our strategic priorities of reducing leverage, driving growth in the Tool Hire business and, with increasing emphasis, on strengthening the commercial proposition to our customers, utilising the extensive customer segmentation work carried out in 2018 to evolve our go-to-market strategy and develop our digital channel. We are confident that this focus will continue to improve profitability and returns and result in profitable market share growth.

Alan Peterson OBE
Chairman

Chief Executive Officer's Strategic Review

Focused on delivering our strategy and building momentum

I am pleased with how the business has performed during 2018; a lot has been achieved and we now have a strong platform on which to build. Having started the year with a clear strategy, we have made significant progress on delivering on our strategic priorities and built good momentum across the Group during 2018. We have set out what we want to achieve and have delivered on a number of areas during the year, but we have lots to be getting on with. We remain focused on the task in hand and are committed to delivering on our strategy and improving shareholder returns. I look forward to continuing to drive profitability within the business and building upon the successes of 2018.

Update on our strategy

As a reminder, our Strategic Review identified three clear priorities, giving us a thorough understanding of the business and a clear route map of how to return HSS to historical performance levels

1. Delever the Group
2. Transform the Tool Hire business
3. Strengthen the Group commercial proposition

We have made excellent progress against these priorities, with success in a number of areas

Overview of the year

HSS has made significant progress during the year, with effective implementation of its strategic priorities as we continue to improve the operational and financial performance of the business.

At the start of 2018, we completed the implementation of our new supply chain model, delivering c£11m of annualised savings. In July, we refinanced the business by securing £245m of debt facilities. This ensures that we have the appropriate facilities in place to continue delivering on our strategic priorities and the Group's full potential.

As part of our efforts to delever the business, we announced the proposed sale of our UK Platforms business in July and completed the disposal in January 2019. This transaction has allowed us to accelerate progress against our strategic priorities, enabling further deleveraging through debt reduction and allowing for greater focus on our core Tool Hire business.

Finally, we have completed a comprehensive customer segmentation review that has given us a much better understanding of customer requirements and their fit with our proposition. We have used this to inform our plans for 2019 and beyond and we are excited that these plans will allow us to differentiate ourselves from our competition and drive profitable growth.

Reminder of our Strategic Review

At the end of 2017, we announced the findings of our Strategic Review which set the basis for the business going into 2018. As a reminder, we engaged an independent third party to work with the HSS management team to undertake the most extensive Strategic Review of the business in its history. The review was wide ranging in scope and involved the analysis of 20 million contract lines, more than 35,000 customers, 1,600 products and more than 240 locations. We focused on a number of areas including profitability, the cost of our operations, processes we have in place and the market opportunity.

Following this Strategic Review, we set out our new strategy at the start of 2018, which involved the three key strategic priorities: Delever the Group, Repair the Tool Hire business and Strengthen the Group's commercial proposition.

We have made excellent progress on implementing our strategy and below provides more insight into what we have achieved over the past year.

Delever

Network reconfiguration: The smooth implementation of a new supply chain model

At the start of 2018, we completed the implementation of our new supply chain model, realising c£11m of annualised savings. We have achieved this through a range of actions. For example, we have moved 12,000 items out of our National Distribution and Engineering Centre (NDEC) into our branch network, providing greater availability to our customers. We have removed handling costs equivalent to 100 full-time employees and shrunk distribution trunking routes from 42 down to 8, significantly reducing our cost base. We moved the testing of our equipment back into our branches, increasing testing capacity from 30 to 200 HSS locations; a move that was strongly welcomed by branch colleagues. This has not only provided greater availability to our customers but also allowed us to lower our transport costs. Furthermore, we have trained 200 HSS colleagues who are now able to test and repair equipment on-site, improving their skillsets and knowledge of our product offering. Finally, engineering capacity has increased by 30% across the network, allowing us to reduce our maintenance backlog which had been steadily increasing across the business. Whilst implementing these changes, service standards have been maintained and trading volumes remained strong.

In addition to the supply chain savings, we also drove efficiencies by eliminating duplication and simplifying our processes across several head office functions, achieving savings in line with plan.

As a consequence of these decisive actions, and in combination with improved trading of the Group, total leverage has reduced from 4.8 times to 3.3 times.

Refinance of the business
We announced in June that we had entered into a new term loan facility of £220m and a revolving credit facility of £25m in order to refinance the existing corporate debt. The new term loan facility of £220m is provided by HPS Investment Partners, with £200m maturing in July 2023, and £20m, with flexibility to be settled before maturity, in January 2021. This facility is at interest rates of between 700bps and 800bps over LIBOR dependent upon the net debt leverage ratio of the Group. In connection with this new term loan facility, the Company has granted HPS Investment Partners 8,510,300 warrants to subscribe for new ordinary shares in the Company. The warrants are exercisable at a price of £0.01per share and can be exercised after five years, subject to certain specific conditions for exercise before then, including the repayment of the term loan facility. A new revolving credit facility has also been agreed with HSBC UK Bank plc and National Westminster Bank plc, maturing in January 2023, at rates of between 250bps and 300bps over LIBOR dependent upon the net leverage of the Group. Closing of the new facilities was completed at the beginning of July and repayment of the Company's existing senior secured notes and revolving credit facility outstanding balances was made. We are very pleased to have secured the long-term refinancing of the Group, as this now ensures that we have the appropriate facilities in place to continue delivering on our strategic priorities and the Group's full potential.

Disposal of our UK Platforms business
In July, we entered into a conditional agreement with Nationwide Platforms Limited, a wholly-owned subsidiary of the Loxam Group, with respect to the sale of UK Platforms Limited for net proceeds of £47.5m. The disposal, completed in January 2019, is consistent with HSS's strategic agenda of delevering the Group through the reduction in debt and enabling greater focus on the core Tool Hire business. As part of this transaction, HSS has also entered into a long-term strategic commercial agreement with Nationwide to provide powered access equipment to complement HSS's existing fleet. This means that we will still be able to provide to our customers, via our OneCall business, the full product offering that we were able to offer through the UK Platforms business. £38.0m of the net proceeds from the disposal has been used to pay down debt in January 2019, with the remaining amount reinvested into the Tool Hire business to purchase new equipment. UK Platforms has been shown as a discontinued operation for both 2018 and 2017 in the financial statements.

Transform
We identified three key areas to transform the Tool Hire business in 2018: customer, product and branch.

Customer
During 2018 we worked closely with our customers to enhance their customer experience, whilst also identifying areas of unnecessary cost and opportunities to create mutual value improvements. This proved very successful with positive amendments made to commercial terms, including price, associated sales and payment terms. Improvements were agreed with over two-thirds of the 30 biggest customer opportunities identified and, where this was not possible with a customer, we reallocated equipment to more profitable customer segments to drive better returns.

Product
In 2018, we introduced smart pricing to better reflect the utilisation and demand for different products, in addition to

the value of our service to customers. We have created more pricing consistency within different product categories. We have also taken decisive action rationalising our range, finding alternative ways of fulfilling high cost-to-serve products (e.g. via rehire) and focused our suppliers' attentions on re-engineering products with high ownership costs. In both areas we have made significant steps forward and continue to pursue more opportunities in 2019.

Branch
Using the detailed branch profitability analysis carried out in the 2017 Strategic Review, we have taken advantage of opportunities to improve profitability in several locations. We have reduced costs by sub-dividing and sub-letting a small number of properties with excessive space for our requirements. We have closed a small number of branches with poor profitability caused by structural drivers (e.g. small market, high cost to serve) and we have increased capability in three of our more remote locations to reduce distribution and support costs. This progress has driven improved profitability without any detrimental impact on our overall national customer proposition, with these changes affecting less than 10% of our network.

We introduced branch P&Ls in to the business in 2018, and began measuring and incentivsing regional management on profit, which has driven an increased focus on pricing and costs.

Strengthen
The third and final strategic priority is to strengthen the Group's commercial proposition. We laid out three actions to be taken here: customer segmentation, geographic focus and sales channel development. These actions take this logical order and, as such, our initial focus in 2018 has been on customer segmentation. We engaged an independent third party to work with the HSS management team to understand the precise requirements of different customer segments and how well our current proposition meets these requirements. This work also involved understanding our relative competitive position in the market and the relative attractiveness of the different customer segments. The review involved extensive external and internal input. Externally, the third party conducted a structured market survey of 168 customers, carried out one-to-one customer interviews with another 78 customers and carried out comprehensive competitor analysis and market research. Internally, they extended the analysis carried out in the 2017 Strategic Review, involving more than 20 million contract lines, 35,000 customers and 1,600 products, carrying out internal management interviews, branch visits and colleague workshops.

The main conclusions of this review were that we should (1) continue to serve all segments; (2) make a series of changes to our customer proposition that will make us easier to work with and more reliable, including sales channel development that puts a greater emphasis on digital; and (3) refine our go-to-market model in parallel to these service improvements to maximise profitable growth and sales channel development. We are confident that the changes we are putting in place in 2019 will differentiate us from our competition, improve customer loyalty and improve returns.

Product Investment
Expanding our product range through further investment
In Q4 2018, we reviewed the decision-making process for fleet investment and introduced a more analytically driven approach, whilst still using the experience of management to sense-check the output. We incorporated the profitability analysis carried out as part of our Strategic Review in order to prioritise investments that provide the best returns. We incorporated the customer feedback carried out in the segmentation review to understand demand, and carefully analysed historical rates of utilisation amongst all product groups. And finally, we also incorporated an assessment of the relative economic merits between owning equipment and rehiring via our low-capital OneCall sales channel. As a result of all this work, our investment plan for 2019 is much more focused on a set of products that provide the best returns and the strongest likelihood of driving growth.

Our market
Our addressable market in tool hire, powered access and power generation in the UK is approximately £1.9bn. The market is estimated to have grown, according to the ERA, by 1% - 2% p.a. this year, with similar growth being forecast for the next two years, albeit with some degree of uncertainty relating to Brexit. The market remains highly fragmented with approximately half the market being served by small independents, most of which operate from one location. Within the tool hire market there are five nationals who make up approximately half of that market with no single player with more than 14% share. We have leading positions in each of our key markets.

Our customer base is large and diverse and operates across a wide set of end markets, including residential, non-residential and infrastructure. Our customers' activities include the new-build, repair, maintenance, renovation and operation of the UK and Ireland's schools, hospitals, offices, factories, roads and all other infrastructure. We continue to benefit from significant exposure to the less cyclical sectors of facilities management, retail operations, commercial fit-out, property, utilities and waste, infrastructure and energy supply services.

We believe that our market provides significant opportunity to differentiate from the competition and remain confident that we can deliver further efficiency benefits from scale for both customers and shareholders.

Management team

The executive team in place at HSS did not change during 2018 and is relatively new in terms of tenure, with myself having joined the Company in June 2017 and Paul Quested, Chief Financial Officer, joining the business in August 2016. Despite this short period of time, we have strength and depth in experience across the Group and I continue to be encouraged by the dedication and commitment of the management team, and the excellent leadership within their respective functions and the wider Group. I am very confident that with their support, we will be successful in continuing to implement our strategic priorities and achieving our goals.

I would also like to welcome Dave Crellin, who joined as our Chief Operations Officer in March 2019. With supply chain expertise in a multi-channel environment, Dave is a strong addition to the management team.

2019 and beyond

We remain focused on our strategy to (1) Delever, (2) Transform and (3) Strengthen, but as we look forward, and following the significant steps taken in 2018, I can see our focus shifting towards element three of our strategy. We will continue to delever the Group and improve the performance of the core tool hire business in 2019, but we will also significantly step forward our commercial proposition. We have carried out a significant amount of research and planning in this area during 2018, and I look forward to these plans coming to bear on further profitable growth in 2019. I am particularly excited about the digital opportunity in the development of our sales channels and am confident that we can create a differentiated customer proposition that gives us significant competitive advantage.

Following a period of turnaround for the Group, I now look forward to a period where we set ourselves apart from the competition and drive profitable growth.

Steve Ashmore
Chief Executive Officer

Financial review

Building a strong foundation for profitable growth
2018 has been a year of significant financial progress with the Group delivering its highest ever level of Adjusted EBITDA. The execution of the defined actions arising from our Strategic Review has resulted in improved Rental revenues with increasing profit margins as cost actions have delivered greater operational efficiency.

Overview
Our 2017 Strategic Review identified a clear set of strategic priorities to restore Group profitability. The excellent execution of these priorities combined with improved trading momentum led to significant increases in both Adjusted EBITDA and Adjusted EBITA from continuing operations by £23.9m and £28.9m respectively. A number of exceptional items were recognised in FY17, including the restructure of the operating network, which were not repeatable. As a consequence there has been a material increase in the Group's operating profit from continuing operations by £91.1m.

We also completed the refinancing of our long-term debt facilities in July 2018, which provided the Group with the necessary liquidity and flexibility to deliver its strategic priorities going forward. With the continued focus on working capital management and capital efficiency, there has been a significant reduction in our leverage (net debt to adjusted EBITDA).

In January 2019, we completed the disposal of UK Platforms, supporting our strategic priorities to reduce debt and enable greater focus on the Core hire business. As a consequence, the financial statements for 2018 are presented to specifically highlight continuing operations, excluding UK Platforms as well as reporting on the full year performance including UK Platforms, given that this business was disposed of in January 2019.

I remain confident that the continued delivery of our strategic priorities will build on the momentum of 2018 and achieve sustainable and improved profitability.

Revenue
Group revenue from continuing operations improved by 6.2% to £322.8m (FY17: £304.0m) ahead of the forecast UK tool and equipment hire market growth rate for 2018 as estimated by the ERA. Discontinued operations contributed revenue of £29.7m (2017: £31.8m) leading to overall Group revenue rising from £335.8m to £352.5m this year. The main drivers of improvements in the continuing operations were:

- an increase in Rental and related revenues, to £226.0m (2017: £217.7m) through improved availability following changes to our operating model, various sales initiatives and the strength of our seasonal product range;
- another year of strong growth in our Services revenues, up 12.2% year-on-year to £96.8m (2017: £86.3m), mainly driven by performance in our rehire business, HSS OneCall, supported with further growth from our HSS Training business.

Revenue and Rental and related revenues growth are two of our KPIs as, combined with estimates of market size and growth rates, they provide us with a measure of our market share. We performed better than the UK tool and equipment hire market during the year for the reasons set out above.

Segmental performance

Rental and related revenues
Our Rental revenues from continuing operations were up 3.8% year-on-year at £226.0m (FY17: £217.7m) and accounted for 70.0% of revenue from continuing operations (FY17: 71.6%). The significant changes to our operating model in 2018, returning the testing and maintenance back into the network, improved availability for our customers and realised material cost savings, improving both revenue and profit margins.

Contribution from continuing operations, defined as revenue less cost of sales (excluding depreciation and exceptional items), distribution costs and directly attributable costs of £155.4m (FY17: £141.5m), was 9.8% higher year-on-year reflecting both increased revenue and a reduction in operating cost coming from the revised operating model.

LTM core utilisation for continuing operations increased to 51.8% (FY17: 49.7%) and LTM specialist brand utilisation for continuing operations was higher at 72.7% (FY17: 71.9%). These are both KPIs.

Discontinued operations contributed Rental and related revenues of £27.9m (2017: £30.1m).

Services

Services revenues from continuing operations increased by 12.2% to £96.8m (FY17: £86.3m) and accounted for 30.0% (FY17: 28.4%) of Group revenues from continuing operations. This was principally due to continued growth in HSS OneCall and the further improvements in HSS Training following the launch of a new online training management and booking system. Our Services revenues benefited from existing and new key account contracts where our one-stop-shop offering has provided clear market differentiation.

Contribution from Services grew by 25.6% to £14.6m (FY17: £11.6m), well ahead of the revenue growth rate, reflecting continued focus on effective margin management and operational efficiency with the increased volume managed through a single central team.

Costs

Our cost analysis set out below is on a reported basis and therefore includes our one off costs associated with streamlining the network and other exceptional items. Year-on-year variances driven by such costs are identified in the commentary.

Cost of sales related to continuing operations increased by 1.5% from £143.3m to £145.5m, mainly reflecting the growth in our Services revenues (principally HSS OneCall) and the associated third party supply costs incurred to support this activity. Cost of sales in discontinued operations amounted to £13.1m (2017: £11.0m) leading to total cost of sales of £160.8m (2017: £154.3m).

Distribution costs in continuing operations reduced to £34.0m (2017: £38.4m) reflecting the benefit of the changes highlighted in the CEO's Review made to the operating model during the year. Discontinued operations incurred £7.1m (2017: £7.8m) of distribution costs with total costs at £41.1m, down from £46.1m in FY17.

Administrative expenses in continuing operations decreased by 34.7% from £203.1m to £132.5m. Exceptional items included within administrative expenses amounted to £5.4m (2017: £67.0m) while discontinued operations incurred £4.4m (2017: £4.5m) of administrative expenses. The exceptional items were related to branch closures and associated asset impairments, reducing the overall cost base and the Strategic Review of the business. In addition, central overheads reduced following the implementation of actions taken following the Strategic Review.

Adjusted EBITDA and Adjusted EBITA

Our Adjusted EBITDA from continuing operations for 2018 was 66.7% higher at £60.0m (2017: £36.0m) driven by the improved revenue, Rental and Services, combined with increased operational efficiency. Discontinued operations contributed Adjusted EBITDA of £11.4m (2017: £12.9m) leading to total Adjusted EBITDA reaching £71.3m, a significant improvement on 2017's £48.9m.

As a result, the Group's Adjusted EBITDA margin from continuing operations for FY18 was 18.6% (FY17: 11.9%). Adjusted EBITDA and margin are included in our KPIs.

Our Adjusted EBITA from continuing operations improved to £22.1m (FY17: £6.8m loss) largely as a result of improved revenue and operational efficiency. The business, including discontinued operations, made an Adjusted EBITA of £27.4m (2017: £1.8m).

Adjusted EBITA and margin are included in our KPIs.

Other operating income

Other operating income of £0.5m (2017: £0.9m) reflects the income received from the sub-letting of non-trading stores which have dropped in number as leases have come to an end. We continued to optimise our estate in 2018 and maintain the monitoring of our portfolio to identify revenue opportunities or to pursue attractive lease surrender opportunities as and when they arise.

Operating profit / (loss)
Operating profit from continuing operations was £11.2m in 2018 compared to a loss of £79.9m in 2017, driven by increased revenue and operating performance and lower exceptional items charged to operating profit of £5.0m (2017: £66.5m). Discontinued operations delivered an operating profit of £5.1m (2017: £8.4m). The total operating profit was £16.3m (2017: £71.4m loss).

Exceptional items
We have incurred significant one off expenditure in a number of areas of the business as we seek to make cost reductions in order to take the business forward in the coming years. These totalled £8.7m (2017: £66.6m) with £6.5m in continuing operations (2017:£66.5m).

12 branches were closed during the year ended 29 December 2018 (2017: 55) leading to an exceptional cost of £2.6m relating to dark stores and onerous leases (2017: £6.9m). Sub-let rental income on onerous leases for the year amounted to £0.5m (2017: £0.9m).

Following the branch closures, management has conducted an impairment review of property, plant and equipment in closed branches to determine what can be reused across the network. During the year ended 29 December 2018 an impairment of £0.5m has been recorded (2017: £8.3m).

The Group has sold businesses not considered core to the Group's strategy in both 2017 and 2018. On 19 July 2018, the Group announced the agreement to sell UK Platforms Limited to Loxam. The disposal of this business, which, for the 2018 year, has been treated as a discontinued operation, completed in January 2019, after clearance was secured from the Competition and Markets Authority in December 2018. Third party adviser costs of £2.1m associated with the disposal have been recognised in 2018. A profit of £20.0m, excluding these costs, will be recorded in 2019, subject to finalisation of the consideration.

Central cost savings of between £3m and £4m were identified at the time of the Strategic Review, primarily through headcount reduction. To realise these benefits exceptional items of £1.1m, largely related to redundancy costs, have been recognised in the year ended 29 December 2018 (2017: £3.7m).

One impact of the refinancing of the Group on 11 July 2018 was to terminate the previous finance facility earlier than scheduled. Unamortised debt issue costs of £1.5m (2017: £nil) associated with that facility have been expensed in the year.

Following the appointment of the new Chief Executive Officer in 2017, a thorough Strategic Review was carried out by the Group. Non-recurring third party consultancy costs of £1.0m were incurred for the period ended 29 December 2018 to complete this review (2017: £1.2m).

Finance costs
Finance expense increased to £20.4m (FY17: £13.2m). This increase is driven by the associated interest expense of the new Group facilities following the successful refinancing in July 2018 and excludes finance costs in discontinued operations of £0.4m (FY17: £0.6m).

Taxation
The Group generated a net tax credit of £2.7m compared with a credit of £6.3m in FY17. The Group made an overall loss for tax purposes in the UK, and the charge represents current tax suffered in Ireland offset by a £2.5m (2017: £4.9m) deferred tax credit arising from the offset of tax losses against the previously recognised deferred tax liability on intangible assets in 2017 and, in 2018, the recognition of certain tax losses considered available for offset against future suitable taxable profits. Discontinued operations incurred a tax expense of £0.6m (FY17: £1.1m).

Reported and adjusted earnings per share
Our basic and diluted reported loss per share from continuing and discontinued operations decreased to a loss of 2.60p (FY17: loss of 46.96p) due to the significantly smaller loss generated in the year.

Our adjusted basic earnings per share, being profit from continuing operations before amortisation and exceptional costs less tax at the prevailing rate of corporation tax divided by the weighted average number of shares, moved from a loss of 10.37p in FY17 to earnings of 1.51p in FY18. Our adjusted diluted earnings per share, calculated in the same manner as basic adjusted earnings per share but with the weighted average number of shares increased to reflect LTIP and Sharesave options, was earnings of 1.36p (FY17: loss of 10.37p). These reflect the significant improvement in Adjusted EBITA in FY18 compared with FY17. Adjusted EPS (diluted) is one of our KPIs and is also used to assess the remuneration of Executive Directors.

Capital expenditure

Additions to intangible assets and property, plant and equipment in the year were £31.8m (2017: £37.4m), largely in relation to hire stock used to support our rental businesses with other amounts spent on property and software development. During 2018, £24.8m (2017: £25.8m) was spent on hire stock reflecting a slight reduction against prior year due to efficiency gains following changes to the Group's operating model, moving the testing of fast moving products back into branches, and more targeted investment using insight from the Strategic Review. The remaining £7.0m was spent on non-hire additions (software and property, plant and equipment) (2017: £11.6m). We anticipate our 2019 capital expenditure investment will increase to support the strategic focus on tool hire growth, reinvesting an element from the UK Platforms disposal proceeds. Fleet investment is one of our KPIs.

Return on Capital Employed (ROCE)

Our ROCE, including UKP, for 2018 was 16.2% compared with 1.0% for FY17. ROCE is calculated as Adjusted EBITA from continuing operations divided by the total of average total assets (excluding intangible assets and cash) less average current liabilities (excluding current debt items). Total (including discontinued operations) Adjusted EBITA improved by £25.6m (2017: decline of £18.7m) whilst the average capital employed by the Group decreased by 12.3% from the level calculated at the end of 2017, reflecting depreciation and asset disposals being higher than capital expenditure. This is one of our KPIs and is also used to assess the remuneration of Executive Directors.

Provisions

Significant provisions were set up in 2017 in order to address the changes to the operating model and to streamline branch operations. Of the £32.6m of onerous contract provisions brought forward to address the costs of exiting our arrangements with Unipart, £9.9m was utilised in the year, leaving £22.8m to be used over the remaining seven years of the contract. £3.3m of provisions were utilised in relation to onerous leases, primarily around our branch network; £4.6m is available to cover costs arising in future years.

Cash generated from/utilised in operations

Cash generated from operating activities was £19.8m for FY18, an increase of £22.3m over the prior year (FY17: outflow of £2.5m). This reflects the improvement in profits, reduction in exceptional costs and a continuation of the planned reduction in hire fleet asset capital expenditure.

Share price and net asset value

The share price of the Group is influenced by a number of factors including investor expectations of the financial performance of the Group, its competitive position, financial liquidity and the availability of shares to a wide shareholder base. At the year end, HSS's share price was 34.0p (2017: 27.0p) giving it a market valuation of £57.9m (2017: £46.0m) compared to net asset value of the Group of £71.5m (2017: £73.6m). The Directors have considered this position and strongly discount any indication of impairment deriving from this on the basis that the Group's current share price and market capitalisation do not reflect its long term recoverable value based on its fundamentals and future prospects.

Leverage and net debt

Net debt (stated gross of issue costs) increased by £12.2m to £235.6m (FY17: £223.4m).

As at 29 December 2018, the Group had access to £44.9m (2017: £29.6m) of combined liquidity from available cash and undrawn committed borrowing facilities. Our leverage, calculated as net debt divided by total Adjusted EBITDA, decreased from 4.8x in FY17 to 3.3x at the end of FY18. On a pro forma basis to take into account the disposal of UK Platforms, leverage reduces to 3.1x. This was primarily due to the increase in Adjusted EBITDA generated in FY18. Leverage or Net Debt Ratio is one of our KPIs and is also used to assess the remuneration of Executive Directors.

Use of alternative performance measures to assess and monitor performance
In addition to the statutory figures reported in accordance with IFRS, we use alternative performance measures (APMs) to assess the Group's ongoing performance. The main APMs we use are Adjusted EBITDA, Adjusted EBITA, Adjusted earnings per share, leverage (or Net Debt Ratio) and ROCE, all of which are included in our key performance indicators.

We believe that Adjusted EBITDA, a widely used and reported metric amongst listed and private companies, presents a 'cleaner' view of the Group's operating profitability in each year by excluding exceptional costs associated with non-recurring projects or events, finance costs, tax charges and non-cash accounting elements such as depreciation and amortisation.

Additionally, analysts and investors assess our operating profitability using the Adjusted EBITA metric, which treats depreciation charges as an operating cost to reflect the capital-intensive nature of the sector in which we operate. This metric is used to calculate any annual bonuses payable to Executive Directors.

Analysts and investors also assess our earnings per share using an Adjusted earnings per share measure, calculated by dividing an Adjusted profit after tax by the weighted average number of shares in issue over the period. This approach aims to show the implied underlying earnings of the Group. The Adjusted profit before tax figure comprises the reported loss before tax of the business with amortisation and exceptional costs added back. This amount is then reduced by an illustrative tax charge at the prevailing rate of corporation tax (currently 19%) to give an adjusted profit after tax. Adjusted earnings per share is used as a performance metric for the vesting of share awards made in 2017 and 2016.

The calculation of Adjusted EBITDA and Adjusted EBITA can vary between companies, and a reconciliation of Adjusted EBITDA and Adjusted EBITA to operating profit / (loss) and Adjusted profit before tax to loss before tax is provided on the face of the Group's income statement.

In accordance with broader market practice we comment on the amount of net debt in the business by reference to leverage (or Net Debt Ratio), which is the multiple of our Adjusted EBITDA that the net debt represents. This metric is also used in the calculation of any annual bonuses payable to Executive Directors.

We use ROCE to assess the return (the Adjusted EBITA) that we generate on the average tangible fixed assets and average working capital employed in each year. We exclude all elements of net debt from this calculation. This metric is also used as a performance metric for the vesting of 2016 LTIP awards.

Paul Quested
Chief Financial Officer

Principal risks and strategy

The Board has carried out a robust assessment of the principal financial and operating risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity, based on its three strategic priorities:

- Delever the Group
- Transform the Tool Hire business
- Strengthen the Group's commercial proposition

These risks, how they have changed and how they are mitigated are shown in the table below.

Key risks	Description and impact	Mitigation	Risk change
Macroeconomic conditions	An economic downturn in the UK and Ireland may adversely affect the Group's revenue and operating results by decreasing the demand for its services and the prices it may charge. The consequences of the UK exit from the European Union "Brexit" have caused economic uncertainty with potential short-term and long-term effects on demand for services within the Group's industry and broad customer base, increased costs of spare parts due to import tariffs and deterioration in working capital as customers take longer to pay.	The Group focuses on the 'fit-out, maintain and operate' markets, which are less cyclical, less discretionary, and have a larger proportion of recurring spend than the new-build construction sector. Whilst it is not isolated from the construction sector, the above focus provides mitigation. A detailed Group risk assessment conducted with the support of third party specialists, has identified areas of the business that would be affected by various BREXIT scenarios along with mitigating actions including managing the timing of capital investment to align with demand, negotiating fixed price contracts with suppliers and further reducing overheads. The monitoring of the developing BREXIT situation and progress in implementing the mitigating actions is reviewed regularly by the Executive Management Team.	Unchanged
Competitor Challenge	The Group's industry is highly competitive, and competition may increase. The equipment rental industry is highly fragmented, with competitors ranging from national equipment rental companies to smaller multi-regional companies and small, independent businesses operating in a limited number of locations. Competition in the market could lead to excess capacity and resultant pricing pressure.	The Group is ranked second or third in each of its primary markets and the resulting economies of scale enable it to be highly competitive, whilst the fragmented nature of the market may offer consolidation opportunities. The Group's national presence, effective distribution service model and well-maintained fleet provide improved customer availability. Through its Services business, the Group provides its customers with access to a significantly wider range of products and complementary services such as training courses.	Unchanged

		A key part of the strategy is to Strengthen the Group's Commercial Proposition. Following on from an extensive customer segmentation review, there are focused plans designed to differentiate the service offer further.	
Strategy execution	Failure to successfully implement the Group's strategic plans could lead to lower than forecast financial performance both in terms of revenue growth and cost savings.	A clearly defined and communicated three year plan has been established with appropriate performance metrics and KPIs. Prioritised projects have been identified to deliver the three year plan and have been appropriately resourced. A clear governance structure has been established, with accountabilities designed to support delivery on time, to quality and within budget. Implementation of projects is monitored by the Group's Executive Management Team.	New
Customer service	The reliable supply of safe, good-quality and well-maintained equipment in a timely and cost effective manner is critical for delivery of the Group's customer promise. The provision of the Group's expected service levels depends on its ability to efficiently transport hire fleet across the network to ensure it is in the right place, at the right time and of the appropriate quality. The Group is dependent on its relationships with key suppliers to obtain equipment and other services on acceptable terms. Any disruption in supply, reduced availability or unreliable equipment can reduce potential revenue and drive additional operating costs into the business. In addition a decline in the Group's customer service	In 2018 changes were successfully made to the operating model by moving the testing and repair of fast moving equipment back into the branch network and closer to the customer. These changes were targeted to improve availability for the customer as well as reduce costs through greater efficiency. Extensive colleague training is conducted to ensure testing and repair quality standards continue to be maintained. The Group has a flexible national distribution model incorporating Customer Distribution Centres "CDCs" which support the branch network. This flexibility ensures supply can be maintained in the event of a failure at any CDC. Performance is continually monitored to identify areas where the efficiency, and therefore cost, of the network can be improved. Every effort is made to evaluate its counterparties prior to entering into significant procurement contracts and	Unchanged

	levels could result in a loss of customers and market share.	the Group seeks to maintain a range of suppliers. A number of business accreditations are maintained, including ISO, which provides our customers with confidence in the quality of the services provided.	
Third party service levels	A significant amount of the Group revenue is derived from the Services business which is dependent upon the performance of third party service providers. If any third parties become unable or refuse to fulfil their obligations, or violate laws or regulations, there could be a negative impact on the Group's operations leading to an adverse impact on profitability and publicity.	Outsourcing of services by the Group is subject to stringent procurement and service criteria and all contracts are subject to demanding service level agreements. Performance and quality KPIs are monitored on an ongoing basis.	Unchanged
IT Infrastructure	The Group requires an IT system that is appropriately resourced to support the business. Any IT system malfunction may affect the ability to manage its operations and distribute its hire equipment and service to customers, affecting revenue and reputation An internal or external security attack could lead to a potential loss of confidential information and disruption to the business' transactions with customers and suppliers	The current IT system has been fully reviewed to ensure that it is the best possible option to optimise the success of the Group's strategy. Disaster recovery tests are carried out on a regular basis. Firewalls are in place to protect against malicious attempts to penetrate the IT environment. Penetration testing is carried out on a regular basis to detect weakness in our IT and cyber security. Software has been implemented to identify any malicious attack or attempt to download personal data. A cross-departmental Data Governance Team has been established to ensure business processes are, and continue to be, adequate.	Unchanged
Financial	To deliver its strategic goals the Group must have access to funding at a reasonable cost. Some of the Group's customers may be unwilling or unable to fulfil the terms of their rental agreements with the Group.	The Group successfully refinanced in 2018 providing liquidity and flexibility to invest in its strategic plans. The Group disposed of UK Platforms in January 2019 realising proceeds to invest in the Tool Hire business and reduce debt, both strategic priorities.	Reduced - successful refinancing and sale of UK Platforms

	Bad debts and credit losses can also arise due to service issues or fraud. Unauthorised, incorrect or fraudulent payments could be made, leading to financial loss or delays in payment which could adversely affect the relationship with suppliers and lead to a disruption in supply.	The risk of fluctuating interest rates reducing profitability has been mitigated by entering into an interest rate cap arrangement in 2018. Working capital management remains a clear focus with KPIs and targets cascaded throughout the business. These are reviewed by the Executive Management Team on a regular basis. The Group runs extensive credit checking for its account customers and maintains strict credit control over its diversified customer base. The Group's investigation team conducts proactive and reactive work in order to minimise the Group's exposure to fraud, and provide ongoing training in this area. Payments and amendments should only be made in line with a regularly reviewed authorisation matrix.	
Inability to attract and retain personnel	The Group needs to ensure the appropriate people resources are in place to support the existing and future growth of the business. Failure to attract and retain the necessary high-performing colleagues could adversely impact targeted financial performance.	The Group regularly benchmarks market rates and seeks to ensure a competitive pay and benefits package. It also focuses on building the right working environment for its colleagues. Training for colleagues is provided at all levels to build capability across compliance, job related and behaviours, all through blended learning. Colleague engagement surveys are conducted with actions taken as a result of the feedback. Integral to enabling delivery of the Group's strategic goals are a series of people related projects. These projects are aimed at colleague retention and engagement including targeted management development, expansion of apprenticeships and increased communications at all levels. These are managed and monitored through a clear governance structure.	Unchanged
Safety, legal and regulatory requirements	Failure to comply with laws or regulation, such as the Companies Act 2006, accounting regulations, health	Robust governance is maintained within the Group including: a strong financial structure, assurance provision from internal and external audit, and	Unchanged

	and safety law, the Bribery Act 2010, Modern Slavery Act 2015, Criminal Finances Act 2017 or General Data Protection Regulation, GDPR, leading to material misstatement and potential legal, financial and reputational liabilities for non-compliance. The Group operates in industries where safety is paramount for colleagues, customers and the general public. Failure to maintain high safety standards could lead to the risk of serious injury or death.	employment of internal specialist expertise supported by suitably qualified and experienced external practitioners. A detailed GDPR compliance programme was undertaken involving senior managers, external legal advisers and industry experts. Since the introduction of GDPR, the Group's Data Governance Team has continued to meet regularly to review and monitor progress and developments. Training and awareness programmes are in place, focusing on anti-bribery, anti-modern slavery, anti-facilitation of tax evasion and data protection legislation in 2018. Colleagues are encouraged to raise concerns through the policy, either through their line manager, via any of our 3 whistleblowing officers (anonymously, should a colleague so wish) or via 'Protect', an independent charity specialising in whistleblowing advisory services. The Group operates a clear Health and Safety policy with ongoing risk management and monitoring of accidents overseen by the Executive Management Team and a Health & Safety Forum comprising senior managers. Additional assurance and support is provided by a fully skilled HSEQ team and an internal group investigation team.	

Consolidated Income Statement

For the year ended 29 December 2018

	Note	**Continuing operations Year ended 29 December 2018 £000s**	**Discontinued operations Year ended 29 December 2018 £000s**	**Total Year ended 29 December 2018 £000s**	**Continuing operations Year ended 30 December** 2017 £000s	**Discontinued operations Year ended 30 December** 2017 £000s	Total Year ended 30 December 2017 £000s
Revenue	3	**322,767**	**29,722**	**352,489**	304,020	31,760	335,780
Cost of sales		**(145,549)**	**(13,132)**	**(158,681)**	(143,286)	(11,003)	(154,289)
Gross profit		**177,218**	**16,590**	**193,808**	160,734	20,757	181,491
Distribution costs		**(33,980)**	**(7,086)**	**(41,066)**	(38,364)	(7,776)	(46,140)
Administrative expenses		**(132,514)**	**(4,420)**	**(136,934)**	(203,103)	(4,549)	(207,652)
Other operating income	4	**494**	**–**	**494**	882	–	882
Adjusted EBITDA	3	**59,967**	**11,371**	**71,338**	36,028	12,916	48,944
Less: Depreciation		**(37,883)**	**(6,069)**	**(43,952)**	(42,827)	(4,332)	(47,159)
Adjusted EBITA		**22,084**	**5,302**	**27,386**	(6,799)	8,584	1,785
Less: Exceptional items (non-finance)	5	**(4,965)**	**(173)**	**(5,138)**	(66,460)	(107)	(66,567)
Less: Amortisation		**(5,901)**	**(45)**	**(5,946)**	(6,592)	(45)	(6,637)
Operating profit / (loss)		**11,218**	**5,084**	**16,302**	(79,851)	8,432	(71,419)
Finance expense	6	**(20,374)**	**(440)**	**(20,814)**	(13,152)	(591)	(13,743)
Adjusted profit / (loss) before tax		**3,170**	**4,862**	**8,032**	(19,951)	7,993	(11,958)
Less: Exceptional items (non-finance)	5	**(4,965)**	**(173)**	**(5,138)**	(66,460)	(107)	(66,567)
Less: Exceptional items (finance)	5	**(1,460)**	**–**	**(1,460)**	–	–	–
Less: Amortisation		**(5,901)**	**(45)**	**(5,946)**	(6,592)	(45)	(6,637)
(Loss) / profit before tax		**(9,156)**	**4,644**	**(4,512)**	(93,003)	7,841	(85,162)
Income tax credit / (charge)	7	**2,749**	**(577)**	**2,172**	6,692	(1,452)	5,240
Costs incurred on disposal of discontinued operations	5	**-**	**(2,080)**	**(2,080)**	-	-	-
(Loss) / profit for the financial year		**(6,407)**	**1,987**	**(4,420)**	(86,311)	6,389	(79,922)
(Loss) / profit per share (pence)							
Basic and diluted loss per share	8	**(3.76)**	1.16	**(2.60)**	(50.71)	3.75	(46.96)
Adjusted basic earnings per share[1]	8	**1.51**	2.30	**3.81**	(10.37)	4.69	(5.68)
Adjusted diluted earnings per share[1]	8	**1.36**	2.09	**3.45**	(10.37)	4.69	(5.68)

1 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.

Consolidated Statement of Comprehensive Income

For the year ended 29 December 2018

	Year ended 29 December 2018 £000s	Year ended 30 December 2017 £000s
Loss for the financial period	**(4,420)**	(79,922)
Items that may be reclassified to profit or loss:		
Foreign currency translation differences arising on consolidation of foreign operations	**(245)**	104
Losses arising on cash flow hedges	**(162)**	-
Other comprehensive profit for the period, net of tax	**(407)**	104
Total comprehensive loss for the period attributable to owners of the Company	**(4,827)**	(79,818)

Consolidated Statement of Financial Position

At 30 December 2018

	Note	**29 December 2018 £000s**	30 December 2017 £000s (restated)
ASSETS			
Non-current assets			
Intangible assets	9	**163,657**	172,509
Property, plant and equipment	10	**109,129**	150,915
Deferred tax assets		**2,500**	358
Derivative financial instruments		**405**	-
		275,691	323,782
Assets associated with assets classified as held for sale	12	**46,716**	1,500
Current assets			
Inventories		**4,333**	5,519
Trade and other receivables		**93,981**	96,503
Cash		**17,832**	2,151
		116,146	104,173
Total assets		**438,553**	429,455
LIABILITIES			
Current liabilities			
Trade and other payables		**(71,011)**	(70,560)
Borrowings and finance leases	11	**(19,304)**	(80,892)
Provisions		**(10,284)**	(16,684)
Current tax liabilities		**(101)**	(90)
Liabilities associated with assets classified as held for sale	12	**(13,544)**	-
		(114,244)	(168,226)
Non-current liabilities			
Borrowings and finance leases	11	**(217,630)**	(148,347)
Provisions		**(34,048)**	(36,510)
Deferred tax liabilities		**(1,168)**	(2,800)
		(252,846)	(187,657)
Total liabilities		**(367,090)**	(355,883)
Net assets		**71,463**	73,572
EQUITY			
Share capital		**1,702**	1,702
Warrant reserve		**2,694**	-
Merger reserve		**97,780**	97,780

	29 December 2018 £000s	30 December 2017 £000s (restated)
Foreign exchange translation reserve	**180**	425
Cash flow hedging reserve	**(162)**	-
Retained deficit	**(30,731)**	(26,335)
Total equity attributable to owners of the group	**71,463**	73,572

Consolidated Statement of Changes in Equity

For the year ended 29 December 2018

	Share capital £000s	Warrant reserve £000s	Merger reserve £000s	Foreign exchange translation reserve £000s	Cash flow hedging reserve £000s	Retained earnings/ (deficit) £000s	**Total equity £000s**
At 31 December 2017	1,702	-	97,780	425	-	(26,335)	**73,572**
Total comprehensive loss for the period							
Loss for the period	-	-	-	-	-	(4,420)	**(4,420)**
Foreign currency translation differences arising on consolidation of foreign operations	-	-	-	(245)	-	-	**(245)**
Cash flow hedges	-	-	-	-	(162)	-	**(162)**
Total comprehensive loss for the period	-	-	-	(245)	(162)	(4,420)	**(4,827)**
Transactions with owners recorded directly in equity							
Share-based payment charge	-	-	-	-	-	24	**24**
Warrants issued	-	2,694	-	-	-	-	**2,694**
At 29 December 2018	**1,702**	**2,694**	**97,780**	**180**	**(162)**	**(30,730)**	**71,463**

	Share capital £000s	Merger reserve £000s	Foreign exchange translation reserve £000s	Retained earnings/ (deficit) £000s	Total equity £000s
At 1 January 2017	1,702	97,780	321	53,583	153,386
Total comprehensive loss for the period					
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

Consolidated Statement of Cash Flows

For the year ended 30 December 2018

	Note	**Year ended 30 December 2018 £000s**	Year ended 30 December 2017 £000s
Cash flows from operating activities			
Loss before income tax		**(4,512)**	(85,162)
Adjustments for:			
– Amortisation		**5,946**	6,637
– Depreciation		**31,509**	37,006
– Accelerated depreciation relating to hire stock customer losses, hire stock write-offs		**11,455**	10,066
– Impairment of property, plant and equipment		**533**	11,230
– Impairment of intangible assets		**60**	1,239
– Loss on disposal of property, plant and equipment		**455**	87
– Loss on disposal of intangible assets		**-**	3
– Loss on disposal of subsidiary		**-**	4,919
– Share-based payment charge		**24**	4
– Foreign exchange (gains) / losses on operating activities		**(360)**	-
– Finance expense	6	**20,814**	13,743
Changes in working capital (excluding the effects of acquisitions and exchange differences on consolidation):			
– Inventories		**828**	804
– Trade and other receivables		**(2,548)**	6,560
– Trade and other payables		**(54)**	(5,764)
– Provisions		**(8,302)**	31,504
Net cash flows from operating activities before changes in hire equipment		**55,548**	32,876
Purchase of hire equipment		**(18,544)**	(22,787)
Cash generated from operating activities		**37,304**	10,089
Interest paid		**(17,265)**	(12,494)
Income tax paid		**(231)**	(59)
Net cash generated / (utilised) from operating activities		**19,808**	(2,464)
Cash flows from investing activities			
Proceeds on disposal of businesses, net of cash disposed of		**-**	1,138
Disposal of assets held for sale		**1,500**	-
Purchases of non-hire property, plant, equipment and software		**(7,238)**	(7,260)
Net cash used in investing activities		**(5,738)**	(6,122)

Cash flows from financing activities

Facility arrangement fees	**(11,237)**	-
Proceeds from borrowings	**233,000**	18,000
Repayments of borrowings	**(205,000)**	(15,000)
Cash received from refinancing hire stock*	**-**	5,030
Capital element of finance lease payments	**(12,510)**	(12,504)
Acquisition of derivative financial instruments	**(567)**	-
Net cash received from / (used in) financing activities	**3,686**	(4,474)
Net increase / (decrease) in cash	**17,756**	(13,060)
Cash at the start of the period	**2,151**	15,211
Cash at the end of the period - total	**19,907**	2,151
Cash at the end of the period – continuing operations	**17,832**	2,020
Cash at the end of the period – discontinued operations	**2,075**	131

A summary of cash flows of discontinued operations is given in note 12.

* Cash received from refinancing hire stock represents a sale and leaseback transaction to finance newly-acquired hire stock.

1. Basis of Preparation / Accounting policies

The Group's financial information has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and on a basis consistent with those policies set out in our audited financial statements for the year ended 29 December 2018 (which will be available at www.hsshiregroup.com/ investor-relations/financial-results). These policies are consistent with those shown in the audited financial statements for the year ended 30 December 2017 other than for the adoption of IFRS 9 and IFRS 15 which did not have a material impact on the amounts that would have been reported under previous accounting policies.

The Group Financial Statements have been prepared, on a going concern basis, on a consistent basis and under the historical cost convention except for the treatment of certain financial assets and liabilities (including derivative instruments which are measured at fair value through the profit or loss). The financial statements were approved by the Board on 3 April 2019.

The financial information for the year ended 29 December 2018 and the year ended 30 December 2017 does not constitute the company's statutory accounts for those years. Statutory accounts for the year ended 30 December 2017 have been delivered to the Registrar of Companies. The statutory accounts for the year ended 29 December 2018 will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The auditors' reports on the accounts for the years ended 29 December 2018 and 30 December 2017 were unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

The Annual Report and Accounts for the year ended 29 December 2018 will be posted to shareholders on or about 8 May 2019.

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 £220.0m (of which £38.0m has subsequently been repaid) and revolving credit facility of £25.0m secured by the Group; and
- the maturity of the term loan facility (£15.0m in January 2021, £167.0m in July 2023) and revolving credit facility in January 2021.

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 over a period of at least twelve months from the date of approval of the financial statements. Accordingly they continue to adopt the going concern basis in preparing the Financial Statements.

2. New accounting standards, accounting standards not yet effective and changes in accounting policy

Standards effective for the first time in the year

During the year ended 29 December 2018, the Group adopted IFRS 9 (revised) *Financial instruments* and IFRS 15 *Revenue from contracts with customers*.

IFRS 9 *Financial instruments* replaced International Accounting Standard (IAS) 39 *Financial instruments*: *recognition and measurement* in its entirety and addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The standard introduced:

- new requirements for the classification and measurement of financial assets and financial liabilities
- a new model for recognising provisions based on expected credit losses: and
- simplified hedge accounting by aligning hedge accounting more closely with an entity's risk management methodology.

The adoption of IFRS 9 did not have a material impact on the consolidated results of the Group and no restatement was required to any item reported in the Financial Statements for the year ended 30 December 2017. This is because all financial assets are held to collect cash flows that are solely payments of principal and interest and so remain measured at amortised cost; the expected credit loss model has not resulted in a material change in provision for impairment; and hedge accounting was initiated in respect of the new finance facilities in the year (with no hedging being extant in the previous financial year).

IFRS 15 *Revenue from contracts with customers* provides guidance on the recognition, timing and measurement of revenue. This replaces IAS 18 which covers revenue arising from the sale of goods and the rendering of services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The implementation of IFRS 15 did not have any material impact on the Financial Statements as the requirements of the standard are already applied as accounting policy by the Group. No restatement or recognition of the cumulative effect to the previous year's financial statement as at the date of the application of IFRS 15 was required as a result.

Standards effective in future periods

The following new standards, amendments and interpretations to existing standards, which are applicable to the Group, have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2019.

IFRS 16 *Leases* sets out a single accounting model for lessees and specifies how leases are recognised, measured and presented in the financial statements. On adoption, lease agreements will give rise to a right-of-use asset and a lease liability for future lease payables. The right-of-use asset will be depreciated on a straight-line basis over the life of the lease and interest recognised on the lease liability using the effective interest rate method. The Group will apply the cumulative catch-up transition method whereby the right-of-use asset is created at the present value of the remaining lease payments adjusted for any prepaid or accrued lease payments. Under this approach, the comparative information will not be restated.

On adoption of IFRS 16, the Group expects to recognise of around £80m to £85m of additional lease liabilities and around £77m to £82m of right-of-use assets related to existing operating leases. The reduction in the right-of-use asset versus lease liability is the result of a transfer from onerous lease provisions. Annual operating lease expenses, which would have been recognised under the previous accounting standard, will be replaced by depreciation and interest expense. The interest expense is weighted towards the earlier years of the leases and as such there will be a reduction in profit before tax for the year ending 28 December 2019 which is expected to be less than £3m. The standard will not impact the Group's underlying cash flows. The standard will also impact on the Group's tax position (which is currently being reviewed) and a number of other statutory measures such as operating profit and cash generated from operations and alternative non-IFRS financial performance measures used by the Group. Accounting requirements for lessors are substantially unchanged from the previous standard, IAS 17 Leases.

Changes in accounting policy – disclosure of finance leases

In order to better reflect obligations under finance leases as being akin to borrowings and, in anticipation of next year's adoption of IFRS 16 *Leases*, these items have been reclassified from current and non-current trade and other payables within the balance sheet to current and non-current borrowings, including finance leases. There is not impact of this change on either current or non-current liabilities, taken in aggregate, or the income and cash flow statements. The impact on the prior year balance sheet items for this change is as follows:

As at 30 December 2017	As reported £000s	Restatement £000s	As restated £000s
Trade and other payables – current	(82,452)	11,892	**(70,560)**
Borrowings and finance leases – current	(69,000)	(11,892)	**(80,892)**
Other current liabilities	(16,774)	-	**(16,774)**
Current liabilities - total	(168,226)	-	**(168,226)**
Trade and other payables – non-current	(14,105)	14,105	**-**

Borrowings and finance leases – non-current	(134,242)	(14,105)	**(148,347)**
Other non-current liabilities	(39,310)	-	**(39,310)**
Non-current liabilities - total	(187,657)	-	**(187,657)**

3. Segment reporting

The Group's operations are segmented into the following reportable segments:

- Rental and related revenue; and
- Services.

Rental and related revenue comprises the rental income earned from owned tools and equipment, including small tools, powered access, power generation and, in the previous year, 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 known as HSS OneCall and HSS Training. HSS OneCall provides customers with a single point of contact for the hire of products that are not available within the 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. The Group has one customer which accounts for more than 10% of Group turnover (2017: one).

	Year ended 29 December 2018			
	Rental (and related revenue) £000s	**Services £000s**	**Central £000s**	**Total £000s**
Total revenue from external customers	**225,992**	**96,775**	**-**	**322,767**
Contribution	**155,357**	**14,586**	**-**	**169,943**
Branch and selling costs	**-**	**-**	**(84,217)**	**(84,217)**
Central costs	**-**	**-**	**(25,759)**	**(25,759)**
Adjusted EBITDA – continuing operations	**-**	**-**	**-**	**59,967**
Less: Exceptional items	**-**	**-**	**(4,965)**	**(4,965)**
Less: Depreciation and amortisation	**(31,551)**	**(171)**	**(12,062)**	**(43,784)**
Operating profit – continuing operations				**11,218**
Net finance expenses				**(20,374)**
Loss before tax – continuing operations				**(9,156)**
Tax				**2,749**
Profit for the year from discontinued operations				**1,987**
Loss after tax and discontinued operations				**(4,420)**

The rental and related revenue generated by discontinued operations by activity amounted to £27.9m (2017: £30.1m) and services generated £1.7m (2017: £1.7m).

	Rental (and related revenue) £000s	**Services £000s**	**Central £000s**	**Total £000s**
Additions to non-current assets				
Property, plant and equipment	**22,578**	**60**	**7,344**	**29,982**
Intangibles	**-**	**140**	**1,704**	**1,844**
Non-current assets net book value				
Property, plant and equipment	**79,691**	**377**	**29,061**	**109,129**
Intangibles	**158,420**	**324**	**4,913**	**163,657**
Unallocated corporate assets				
Derivative financial instruments			**405**	**405**
Other non-current deferred tax assets			**2,500**	**2,500**
Asset held for sale (net)			**33,172**	**33,172**
Current assets			**116,146**	**116,146**
Current liabilities			**(100,700)**	**(100,700)**
Non-current liabilities			**(252,846)**	**(252,846)**
Net assets				**71,463**

	Year ended 30 December 2017			
	Rental (and related revenue) £000s	Services £000s	Central £000s	Total £000s
Total revenue from external customers	217,705	86,315	–	304,020
Contribution	141,443	11,611	–	153,054
Branch and selling costs	-	-	(78,460)	(78,460)
Central costs	–	–	(38,566)	(38,566)
Adjusted EBITDA – continuing operations	–	–		36,028
Less: Exceptional items			(66,460)	(66,460)
Less: Depreciation and amortisation	(37,465)	(311)	(11,643)	(49,419)

Operating loss- continuing operations	(79,851)
Net finance expenses	(13,152)
Loss before tax	(93,003)
Tax	6,692
Profit for the year from discontinued operations	6,389
Loss after tax and discontinued operations	(79,922)

	Rental (and related revenue) £000s	Services £000s	Central £000s	Total £000s
Additions to non-current assets				
Property, plant and equipment	25,763	24	8,726	34,513
Intangibles	–	200	2,657	2,857
Non-current assets net book value				
Property, plant and equipment	118,643	224	32,048	150,915
Intangibles	165,960	290	6,259	172,509
Unallocated corporate assets				
Assets held for sale	–	–	1,500	1,500
Non-current deferred tax assets			358	358
Current assets			104,173	104,173
Current liabilities			(168,226)	(168,226)
Non-current liabilities			(187,657)	(187,657)
Net assets				73,572

4. Other operating income

	Year ended 29 December 2018 £000s	Year ended 30 December 2017 £000s
Other operating income	**494**	882

Other operating income relates to sub-let rental income received on vacant properties, which has been recognised within exceptional items (note 5).

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. As a result, during the period ended 29 December 2018, the Group has recognised exceptional items as follows:

	Included in cost of sales £000s	Included in distribution costs £000s	Included in administrative expenses £000s	Included in other operating income £000s	Included in finance expense £000s	Included in profit on disposal £000s	Year ended 29 December 2018 £000s
Onerous leases	-	-	**2,620**	-	-	-	**2,620**
Cost reduction programme	**2**	**34**	**1,111**	-	-	-	**1,147**
Costs expensed on refinancing	-	-	-	-	**1,460**	-	**1,460**
Strategic Review	-	-	**955**	-	-	-	**955**
Impairment of property, plant and equipment	-	-	**513**	-	-	-	**513**
Business divesture	-	-	**197**	-	-	-	**197**
Sub-let rental income on onerous leases	-	-	-	**(467)**	-	-	**(467)**
Exceptional items – continuing operations	**2**	**34**	**5,396**	**(467)**	**1,460**	-	**6,425**
Exceptional items – discontinued operations	-	-	**173**	-	-	-	**173**
Business divesture – discontinued operations	-	-	-	-	-	**2,080**	**2,080**
Exceptional items – total	**2**	**34**	**5,569**	**(467)**	**1,460**	**2,080**	**8,678**

During the year ended 30 December 2017, the Group recognised exceptional costs analysed as follows:

	Included in cost of sales £000s	Included in distribution costs £000s	Included in administrative expenses £000s	Included in other operating income £000s	Year ended 30 December 2017 £000s
Network reconfiguration	-	-	40,692	-	40,692
Onerous leases	-	-	6,903	-	6,903
Group restructuring	-	-		-	
Impairment of property, plant and equipment	-	-	8,279	-	8,279
Senior management changes	-	-	1,031	-	1,031
Cost reduction programme	176	131	3,325	-	3,632
Strategic Review	-	-	1,172	-	1,172
Business divesture	-	-	4,919	-	4,919
Preparatory refinancing costs	-	-	714	-	714
Sub-let rental income on onerous leases	-	-	-	(882)	(882)
Exceptional items – continuing operations	176	131	67,035	(882)	66,460
Exceptional items – discontinued operations	-	-	107	-	107
Exceptional items – total	176	131	67,142	(882)	66,567

Exceptional items incurred in 2018 and 2017

Onerous leases: branch 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 year ended 29 December 2018 (2017: 55). An exceptional cost of £2.6m relating to dark stores and onerous leases has been recorded in the year (2017: £6.9m). Sub-let rental income on onerous leases for the year amounted to £0.5m (2017: £0.9m).

Business divesture

The Group has arranged to sell businesses not considered core to the Group's strategy in both 2017 and 2018. On 16 November 2017, the Reintec branded fleet of cleaning machines and the associated TecServ equipment maintenance business were sold for a consideration of £1.5m. After transaction costs, net proceeds were £1.2m. This gave rise to a loss of £4.9m including goodwill written off of £0.8m. In 2018, revision to the consideration reduced the net proceeds to c£1.0m and this has been reflected in the continuing operations exceptionals cost (note 13).

Business divesture – discontinued operations

On 19 July 2018, the Group announced the agreement to sell UK Platforms Limited, HSS's powered access business, to Loxam. This transaction completed in January 2019 and has, for the 2018 year, has been treated as a discontinued operation. The clearance of this transaction was secured from the Competition and Markets Authority in December 2018, thereby completing the last major hurdle in the agreement to sell the business. The costs of the transaction were accrued and have been expensed in the year.

Cost reduction programme

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. The annual cost savings include a reduction in central overhead estimated to be between £3m and £4m. To realise these benefits, largely relating to redundancy costs, £1.1m of exceptional items (2017: £3.7m) have been recognised.

Included in these costs for 2017 is an asset impairment relating to the closure of the former head office in Mitcham and associated relocation costs of transferring transactional activity to the new head office in Manchester.

Costs expensed on refinancing

One impact of the refinancing of the Group on 11 July 2018 was to terminate the previous finance facility earlier than scheduled. The costs expensed in the period of £1.5m (2017: £nil) largely relate to debt issue costs related to that facility.

Strategic Review

Following the appointment of the new Chief Executive Officer in 2017, a thorough Strategic Review was carried out by the Group. Non-recurring third party consultancy costs of £1.0m were incurred for the period ended 29 December 2018 to complete this review (2017: £1.2m).

Impairment of closed branch property, plant and equipment

Following the branch closures management have conducted an impairment review of property, plant and equipment in closed branches to determine what can be reused across the network. During the year ended 29 December 2018, an impairment of £0.5m has been recorded (2017: £8.3m).

Exceptional items incurred in 2017 only

Senior management changes

During the first half of the year, a number of senior management changes happened, including the recruitment of a new Chief Executive Officer. Termination costs, legal fees and recruitment costs totalled £1.0m.

Network reconfiguration

The Strategic Review identified operational efficiencies that could be achieved through reconfiguring the Group's supply chain model. Potential annual savings of between £7m and £10m were identified by moving the testing and repair of all fast-moving products closer to HSS's customers, using the Group's existing network of distribution centres and branches. In addition to the cost savings, these changes are expected to improve asset utilisation and availability of product.

To realise these benefits, agreement was reached with Unipart which operated the Group's National Distribution and Engineering Centre (NDEC) to terminate the remaining eight year term of the contract. In terminating this contract the Group will make cash payments of £33.8m over the period 2018 to 2026 as compensation to Unipart. In aggregate a discounted provision of £32.6m has been made for these payments. Included in the above are one off cash payments of £6.5m which were made in 2018 to cover the immediate restructuring costs associated with the change, including redundancy, site decommissioning and exit costs from operating leases.

The Group impaired property, plant and equipment of £1.9m and software intangibles of £1.2m relating to the operation of the NDEC. The Group also impaired a security deposit of £4.5m paid to Unipart prior to the opening of the NDEC as this will not be repaid.

The total provision for network reconfiguration, including £0.5m of legal costs, recorded within exceptional items amounted to £40.7m.

Preparatory refinancing costs

A cost of £0.7m was incurred in respect of preparatory costs for the refinancing of the Senior Secured Notes and the Revolving Credit Facility which was due for repayment in 2019. The Group completed this refinancing on 11 July 2018.

6. Finance expense

	Year ended 29 December 2018 £000s	Year ended 30 December 2017 £000s
Bank loans and overdrafts	**1,620**	1,871
Term facility	**9,440**	-
Senior secured notes	**4,822**	9,155
Finance leases	**774**	1,051
Interest unwind on discounted provisions	**169**	28
Debt issue costs	**2,089**	1,047
Exceptional finance cost on refinancing the business	**1,460**	-
Net finance expense and finance expense – continuing operations	**20,374**	13,152
Finance expense – discontinued operations	**440**	591
Finance expense – total	**20,814**	13,743

7. Income tax credit

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

	Year ended 29 December 2018 £000s	Year ended 30 December 2017 £000s
Current tax charge		
UK corporation tax on the loss for the year	**266**	486
Adjustments in respect of prior years	**(39)**	(789)
Total current tax charge / (credit)	**227**	(303)
Deferred tax credit		
Deferred tax credit for the year	**(2,956)**	(6,447)
Impact of change in rate	**-**	106
Adjustments in respect of prior years	**(20)**	(57)
Total deferred tax credit	**(2,976)**	(6,692)
Deferred tax charge – discontinued operations	**577**	-
Deferred tax (credit) / charge – continuing operations	**(2,399)**	1,452
Income tax credit	**(2,172)**	(5,240)

(b) Factors affecting the income tax expense / (credit) in the year

The tax assessed on the loss for the year differs from the standard UK corporation rate of tax. The differences are explained below:

	Year ended 30 December 2018 £000s	Year ended 30 December 2017 £000s
Loss before tax	**(9,156)**	(93,003)
Loss before tax multiplied by the standard rate of corporation tax of 19% (2017: 19.25%)	**(1,739)**	(17,903)
Effects of:		
Utilisation of tax losses brought forward recognised	**(2,512)**	-
Unprovided deferred tax movements on short-term temporary differences and capital allowance timing differences	**(1,001)**	10,472
Adjustments in respect of prior years	**(58)**	(732)
Expenses not deductible for tax purposes	**1,456**	1,027

Losses carried forward	**839**	
Difference in foreign tax rate	**266**	444
Income tax credit – continuing operations	**(2,749)**	(6,692)
Income tax charge – discontinued operations	**577**	1,452
Income tax credit - total	**(2,172)**	(5,240)

8. Earnings per share

	Year ended 29 December 2018		
	Loss after tax £000s	**Weighted average number of shares 000s**	**Loss per share pence**
Year ended 29 December 2018	(6,406)	170,207	(3.76)
Year ended 30 December 2017	**(86,311)**	**170,207**	**(50.71)**

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) Sharesave Scheme share options and warrants. All of the Group's potentially dilutive equity derivative securities were anti-dilutive for the years ended 29 December 2018 and 30 December 2017 for the purpose of diluted loss per share. There were no potentially dilutive equity derivative securities outstanding during the years ended 29 December 2018 and 30 December 2017 for the purpose of diluted loss per share.

The following is a reconciliation between the basic loss per share and the Adjusted basic earnings / (loss) per share:

	Year ended 29 December 2018	Year ended 30 December 2017
Basic and diluted loss per share (pence)	**(3.76)**	(50.71)
Add back:		
Exceptional items per share[1]	**3.77**	39.05
Amortisation per share[2]	**3.47**	3.87
Tax per share	**(1.62)**	(3.93)
Charge:		
Tax (charge) / credit at prevailing rate	**(0.35)**	1.35
Adjusted basic earnings / (loss) per share (pence)	**1.51**	(10.37)

1 Exceptional items per share is calculated as total 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:

	Year ended 29 December 2018	Year ended 30 December 2017
Basic and diluted loss per share (pence)	**(3.76)**	(50.71)
Add back:		
Adjustment to basic loss per share for the impact of dilutive securities	**0.36**	–
Exceptional items per share[1]	**3.41**	39.05
Amortisation per share[2]	**3.13**	3.87
Tax per share	**(1.46)**	(3.93)
Charge:		
Tax (charge) / credit at prevailing rate	**(0.32)**	1.35
Adjusted diluted earnings / (loss) per share (pence)	**1.36**	(10.37)

1 Exceptional items per share is calculated as total 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 warrants, LTIP, market value options and Sharesave share options were dilutive in the year ended 29 December 2018 for the purpose of calculating adjusted diluted earnings per share. For the year ended 30 December 2017, neither the LTIP, market value options nor Sharesave share options were dilutive and the warrants were not issued until 2018.

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.

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

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

	Year ended 29 December 2018	Year ended 30 December 2017
	Weighted average number of shares 000s	Weighted average number of shares 000s
Basic	**170,207**	170,207
LTIP share options	**1,240**	1,383
Sharesave Scheme options	**1,373**	2,223
Market value options	**11,232**	2,581
Warrants	**4,501**	-
Diluted	**188,553**	176,394

There were no potentially dilutive equity derivative securities outstanding during the year ended 30 December 2017 for the purpose of adjusted diluted loss per share.

9. Intangible assets

	Goodwill £000s	Customer relationships £000s	Brands £000s	Software £000s	Total £000s
Cost					
At 31 December 2017	**128,991**	**26,744**	**24,102**	**20,481**	**200,318**
Additions	**-**	**-**	**-**	**1,844**	**1,844**
Transferred to assets held for sale	**(4,114)**	**-**	**(880)**	**(97)**	**(5,091)**
At 29 December 2018	**124,877**	**26,744**	**23,222**	**22,228**	**197,071**
Amortisation					
At 31 December 2017	**–**	**13,346**	**526**	**13,937**	**27,809**
Charge for the period	**-**	**2,650**	**100**	**3,151**	**5,901**
Transferred to assets held for sale	**-**	**-**	**(199)**	**(97)**	**(296)**
At 29 December 2018	**-**	**15,996**	**427**	**16,991**	**33,414**
Net book value					
At 29 December 2018	**124,877**	**10,748**	**22,795**	**5,237**	**163,657**

	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
Foreign exchange differences	2	–	–	–	2
Additions	–	–	–	2,857	2,857
Sale of business	(755)	(738)	(40)	(240)	(1,773)
Disposals	–	–	–	(2,104)	(2,104)
At 30 December 2017	128,991	26,744	24,102	20,481	200,318
Amortisation					
At 31 December 2016	–	10,940	391	11,250	22,581
Charge for the period	–	2,762	143	3,732	6,637
Impairment loss	–	–	–	1,239	1,239
Sale of business	–	(356)	(8)	(183)	(547)
Disposals	–	–	–	(2,101)	(2,101)
At 30 December 2017	–	13,346	526	13,937	27,809
Net book value					
At 30 December 2017	128,991	13,398	23,576	6,544	172,509

Analysis of goodwill, indefinite life brands, other brands and customer relationships by cash generating units.

	Goodwill £000s	Indefinite life brands £000s	Other brands £000s	Customer relationships £000s	Total £000s
Allocated to					
HSS Core	111,497	21,900	276	9,345	143,018
Climate control	7,327	–	399	932	8,658
Power generation	6,053	–	220	471	6,744
At 29 December 2018	124,877	21,900	895	10,748	158,420

	Goodwill £000s	Indefinite life brands £000s	Other brands £000s	Customer relationships £000s	Total £000s
Allocated to					
HSS Core	111,497	21,900	299	11,793	145,489
Powered access	4,114	-	681	-	4,795
Climate control	7,327	-	462	1,044	8,833
Power generation	6,053	-	234	561	6,848
At 30 December 2017	128,991	21,900	1,676	13,398	165,965

The remaining life of intangible assets other than goodwill and indefinite life brands is between two and sixteen years (2017: three and seventeen years).

10. 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	-	-	115	**115**
Additions	4,983	2,421	22,578	**29,982**
Transferred to asset held for sale	(2,304)	(649)	(69,907)	**(72,860)**
Disposals	(1,164)	(120)	(28,536)	**(29,820)**
At 29 December 2018	**73,286**	**61,934**	**161,748**	**296,968**
Accumulated depreciation				
At 30 December 2017	**48,115**	**51,585**	**118,936**	**218,636**
Foreign exchange differences	-	-	-	**-**
Charge for the year	6,090	2,241	18,492	**26,823**
Impairment loss	-	-	533	**533**
Transferred to asset held for sale	(1,159)	(557)	(37,144)	**(38,860)**
Disposals	(418)	(115)	(18,760)	**(19,293)**
At 29 December 2018	**52,628**	**53,154**	**82,057**	**187,839**
Net book value				
At 29 December 2018	**20,658**	**8,780**	**79,691**	**109,129**

	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	16	65	620	701
Additions	6,664	2,086	25,763	34,513
Transferred to asset held for resale	(3,806)	–	–	(3,806)
Sale of business	(93)	(463)	(5,504)	(6,060)
Disposals	(197)	(79)	(30,676)	(30,952)
At 30 December 2017	71,771	60,282	237,498	369,551
Accumulated depreciation				
At 31 December 2016	37,095	46,214	113,373	196,682
Foreign exchange differences	1	46	382	429
Charge for the year	4,382	3,669	28,955	37,006
Impairment loss	9,103	2,127	–	11,230
Transferred to asset held for resale	(2,306)	–	–	(2,306)
Sale of business	(33)	(409)	(3,164)	(3,606)
Disposals	(127)	(62)	(20,610)	(20,799)
At 30 December 2017	48,115	51,585	118,936	218,636

Net book value				
At 30 December 2017	23,656	8,697	118,562	150,915

The net book value of materials and equipment held for hire includes an amount of £24.4m (2017: £46.1m) in respect of assets held under finance leases. The depreciation charge for assets held under finance leases in the year ended 29 December 2018 was £4.7m (2017: £6.5m).

11. Borrowings and finance leases

	29 December 2018 £000s	30 December 2017 £000s (restated)
Current		
Obligations under finance leases	**6,304**	11,892
Revolving credit facility	**13,000**	69,000
	19,304	80,892
Non-current		
Obligations under finance leases	**9,468**	14,105
Senior finance facility	**208,162**	-
Senior secured note	**-**	134,242
	217,630	148,347

Obligations under finance leases have been reclassified to this category from trade and other payables (note 2).

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

	30 December 2018 £000s	30 December 2017 £000s
Senior finance facility	**220,000**	-
Revolving credit facility	**13,000**	69,000
Secured senior note	**-**	136,000
	233,000	205,000

On entering into new finance facilities on 11 July 2018, the Group expensed as a finance cost, £1.5m of debt issue costs that had not been amortised to the income statement held in relation to that facility.

The Group's senior finance facility and revolving credit facility expire on 10 July 2023 and 10 January 2023 respectively. £15.0m of the senior finance facility is to be repaid not later than 10 January 2021.

The senior finance facility is secured over the assets of a group company Hero Acquisitions Limited and all of its subsidiaries. These subsidiaries comprise all of the trading activities of the Group. The revolving credit facility (RCF) is guaranteed in a similar way to the senior finance facility, save the lenders under the RCF rank behind those under the senior finance facility. The secured senior note was a 6.75% fixed rate bond maturing in August 2019, and was listed on the Luxembourg stock exchange until its redemption on 11 July 2018.

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

After the disposal of the UK Platforms business on 11 January 2019, the Group made a repayment of the senior finance facility amounting to £38.0m.

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

	Interest rate type		**29 December 2018**	30 December 2017
Finance leases	Floating	%age above LIBOR	**3.1%**	3.2%
Revolving credit facility	Floating	%age above LIBOR	**3.0%**	2.5%
Senior finance facility	Floating	%age above LIBOR	**8.0%**	-
Secured senior note	Fixed		**-**	6.75%

The weighted average interest rate on the Group's borrowings are as follows:

	29 December 2018	30 December 2017
Weighted average interest rate on borrowings	**7.0%**	5.3%
Weighted average interest rate on leases	**5.7%**	7.2%

Amounts under the RCF are typically drawn for a one to three-month borrowing period, with the interest set for each borrowing based upon LIBOR and a fixed margin.

The Group's leases and borrowings have the following maturity profile:

	29 December 2018 £000s		30 December 2017 £000s	
	Finance leases	**Borrowings**	Finance leases	Borrowings
Less than one year	**6,927**	**13,000**	12,950	9,180
Two to five years	**9,993**	**306,158**	14,740	145,180
	16,920	**319,158**	27,690	154,360
Less interest cash flows:				
Senior finance facility	**-**	**(86,158)**	-	-
Senior secured notes	**-**	**-**	-	(18,360)
Finance leases	**(1,148)**	**-**	(1,693)	-
Total principal cash flows	**15,772**	**233,000**	25,997	136,000

The repayment of £38.0m of the senior finance facility in January 2019 reduced the facilities available by the same amount. The two to five years category in the table above reduced from £286.5m to £248.5m at that time leading to the total principal cash flows reducing from £233.0m to £198.0m. In addition, the £13.0m drawn under the RCF was repaid in February 2019 and a new £6.0m overdraft facility put in place with one of the Group's bankers. This overdraft facility forms part of the overall £25.0m RCF as does a £1.8m guarantee arrangement put in place in October 2018 to secure the Group's card-acquiring services provided by a third party.

The Group had undrawn committed borrowing facilities of £27.1m at 29 December 2018 (2017: £27.6m). Including net cash balances, the Group had access to £44.7m of combined liquidity from available cash and undrawn committed borrowing facilities at 29 December 2018 (2017: £29.6m). In addition, the Group is able to borrow up to £30m (outstanding at any time) under its finance lease facilities.

The maturity profile, excluding interest cash flows, of the Group's finance leases is as follows:

	29 December 2018 £000s	30 December 2017 £000s
Less than one year	**6,295**	11,892
Two to five years	**9,477**	14,105
	15,772	25,997

Finance leases principally relate to hire fleet assets.

12. Discontinued operation and assets and liabilities classified as held for sale

On 19 July 2018, the Group announced the agreement to sell UK Platforms Limited, HSS's powered access business, to Nationwide Platforms Limited. The clearance of this transaction was secured from the Competition and Markets Authority in December 2018, thereby completing the last major hurdle in the agreement to sell this business. As UK Platforms Limited formed the entirety of the powered access CGU, the assets and liabilities of the CGU have been classified as held for sale in the consolidated statement of financial position; this business has been classified as a discontinued operation. On 11 January 2019, the Group completed the disposal (note 13). At 29 December 2018, the balance sheet of this business was:

	£000s
Intangible assets	4,752
Property, plant and equipment	30,612
Deferred tax assets	27
Inventories	358
Trade and other receivables	8,892
Cash	2,075
Assets associated with assets classified as held for sale	46,716
Debt – finance leases	(5,300)
Trade and other payables	(6,281)
Provisions	(561)
Deferred tax liabilities	(1,402)
Liabilities associated with assets classified as held for sale	(13,544)
Net assets of disposal group	33,172

The following table shows a summary of the cash flows for UK Platforms Limited:

	29 December 2018 £000s	30 December 2017 £000s
Operating cash inflow	**4,286**	3,887
Cash outflow from investing activities	**(225)**	(19)
Cash outflow from financing activities	**(4,197)**	(3,935)

13. Business disposal and post-balance sheet events

Disposal of UK Platforms Limited – discontinued operation

On 11 January 2019, the Group completed the disposal of UK Platforms Limited to Nationwide Platforms Limited, a wholly-owned subsidiary of the Loxam Group, in order to pay down debt and generate cash flow for the expansion of the Group's other businesses. After completion of the sale, £38.0m of the net proceeds was used to pay down Group debt, reducing the senior finance facility from £220.0m outstanding to £182.0m. The table below shows the assets and liabilities disposed of:

Descriptions of assets and liabilities	**£000s**
Intangible assets	**637**
Property, plant and equipment	**32,028**
Current assets, excluding cash	**5,508**
Cash	**2,445**
Debt – finance leases	**(5,149)**
Current liabilities, excluding debt	**(8,620)**
Deferred tax liabilities	**(1,375)**
Net assets disposed of	**25,474**
Proceeds of disposal less transaction cost[1]	**47,522**
Profit on disposal before goodwill written back	**22,048**
Goodwill written back	**(4,054)**
Profit on disposal	**17,994**
Of which costs expensed in 2018	**2,080**
Profit to be recorded in 2019	**20,074**

1 Consideration is subject to finalisation during the course of 2019.

Changes to finance arrangements

After completion of the sale to Loxam on 11 January 2019, £38.0m of the net proceeds were used to repay a proportion of the senior finance facility. At the same time, £1.7m of debt issue costs were expensed as an exceptional finance cost.

Also in January 2019, the Group concluded an overdraft facility of £6.0m that is supplied by one of the Group's bankers; this overdraft is part of the RCF and does not increase the overall level of facilities available to the Group. At the same time the overdraft facility was made available, the Group repaid all of the sums drawn under the RCF amounting to £13.0m.