HSS Hire Group Plc

2017 strategic plan complete; business positioned for next phase of accelerated growth

HSS Hire Group plc ("HSS" or the "Group") today announces results for the 27 week period ended 3 July 2021

Financial Highlights [1] **(*Unaudited*)**	**H1 2021**	**H1 2020**		**Change**
Revenue[2]	**£150.5m**	**£120.7m**		**22.0%**
Adjusted EBITDA[3]	**£38.3m**	**£27.9m**		**37.2%**
Adjusted EBITDA margin	**25.4%**	**23.1%**		**2.3pp**
Adjusted EBITA[4]	**£17.7m**	**£1.1m**		**£16.6m**
Adjusted EBITA margin	**11.8%**	**0.9%**		**10.9pp**
Net debt leverage[5,7]	**1.7x**	**2.9x**		**1.2x**
Other extracts				
Operating profit / (loss)	**£22.6m**	**£(0.7)m**		**£23.3m**
Profit / (loss) after tax	**£11.2m**	**£(12.9)m**		**£24.1m**
Basic earnings/(loss) per share	**1.61p**	**(7.55)p**		**9.16p**

- Strong trading performance with new operating model driving significantly improved profitability above 2019 levels
  - H1 2021 like-for-like[6] revenues at 99% of H1 2019, with Q2 2021 at 102%
  - Capital-light Services segment 17% ahead of FY19 on a like-for-like[6] basis
  - EBITDA[7] and EBITA[7] comfortably ahead of 2019, up 13% and 99% respectively
  - Digitally-led, lower-cost operating model underpinning Group profitability with EBITDA margin up 2.3pp on H1 2020 and ROCE[8] increasing to 24.0%, up 13.3pp since December 2020

- Further strengthening of balance sheet with leverage reduced to 1.7x[7]
  - Net debt[7] reduced further to £97.6m (FY 2020: £120.4m)
  - Leverage at a record low and significantly ahead of previous FY 2021 target
  - Sale of Laois completed April 2021 for €11.2m
  - Efficient working capital management maintained, overdue debt remains at low levels

- Delivered 2017 strategic plan, focus now on leveraging digital offering to drive accelerated growth
  - Transition to new digital platform, HSS Pro POS, largely complete; improving the customer experience by providing single point-of-sale access to full range of HSS products and services
  - Restructured organisation into two divisions, already delivering improved sales conversion and customer service
    - "Sales Acquisition", focused on customer conversion and the leveraging of digital assets; and
    - "Make it Happen", focused on customer fulfilment and service.
  - Low cost builders merchant network expanded to 50 locations (June 2020: 10), now representing 13% of customer orders in England & Wales
  - Continued technology investment including enhancements to HSS.com, with online revenue up 75% compared to prior year representing 24% of transactions in H1 2021

- Current trading and outlook
  - Revenue, EBITDA[7] and EBITA[7] all above management expectations in Q3 2021 to date.
  - Management now expect full year EBITDA, on a non-IFRS16, continuing operations basis, to be ahead of market expectations and EBITA[7] to be materially ahead
  - Sale of All Seasons Hire completed 29 September 2021 for gross consideration of £55m, with proceeds to be used to further reduce debt. Leverage[7] as at 3 July 2021 on a LTM pro-forma basis will reduce to c1.0x post this transaction, delivering on one of the three strategic objectives announced in 2017 – "Delever the Group".
  - Group revised target is for leverage[7] to remain between 1.0x and 1.5x
  - Refinancing process underway, well placed for material reduction in Group interest cost
  - Strategy delivering, well positioned to capitalise on market opportunities
  - HSS will host a series of events, starting later in the year, to demonstrate the Group's technology platforms and provide an update on the Group's financial performance framework

Steve Ashmore, Chief Executive Officer, said:

"The first half of 2021 has been one of significant progress and I am very pleased with what we have accomplished. We started the year with strong momentum and trading continued to improve over the period, with Q2 21 revenues at 102% of 2019 levels, EBITDA and EBITA margins up and ROCE at a record level. This strong performance, combined with the post balance sheet date sale of All Seasons Hire, has allowed us to reduce leverage to around 1.0x, well below our 2.0x target, completing the final element of the strategic plan set out in 2017: to Delever the Group, Transform the Tool Hire business and Strengthen our Commercial proposition.

The Group has made strong progress over the last four years so that HSS today is unrecognisable from the HSS of 2017. Our unrivalled digital capabilities allow us to offer our customer what they need, when they need it, servicing demand through our 500+ partner supply chain. Leveraging our differentiated customer offering, highly-evolved technology platform, and scalable structure built around two key divisions, we are uniquely positioned to capitalise on market opportunities as we begin the next exciting phase of our growth."

Notes

1) Results for H1 21 and H1 20 are for continuing operations on an IFRS16 basis (unless otherwise stated) and exclude the Laois Hire Limited business which was sold in April 2021
2) Revenue variance excludes the impact of additional week's trading in H1 FY21
3) Adjusted EBITDA is defined as operating profit before depreciation, amortisation, and exceptional items. For this purpose depreciation includes the net book value of hire stock losses and write offs, and the net book value of other fixed asset disposals less the proceeds on those disposals
4) Adjusted EBITA defined as Adjusted EBITDA less depreciation
5) Net debt leverage is calculated as closing net debt divided by adjusted Last Twelve Months (LTM) EBITDA
6) Like-for-like excludes impact of loss of Services volume associated with FY19 announced change to one managed service contract and impact of additional week's trading in Q1 FY21
7) Pre-IFRS16 basis
8) ROCE is calculated as Adjusted EBITA for the 12 months to 3 July 2021 divided by the average of total assets less current liabilities (excluding intangible assets, cash and debt items) over the same period

-Ends-

Disclaimer:

Notes to editors

HSS Hire Group plc provides tool and equipment hire and related services in the UK and Ireland through a nationwide network and its OneCall rehire business. It offers a one-stop shop for all equipment through a combination of its complementary rental and re-hire business to a diverse, predominantly B2B customer base serving a range of end markets and activities. Over 90% of its revenues come from business customers. HSS is listed on the AIM Market of the London Stock Exchange. For more information please see www.hsshiregroup.com.

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Chief Executive Officer's Report

The first six months of 2021 saw our new operating model deliver well, with revenue returning to pre-COVID-19 levels despite further related government restrictions, and profitability increasing significantly above 2019 levels. Performance has been driven by the rollout of new technology (HSS Pro POS) to our salesforce, expansion of the builders merchant model and a resilient construction market. The changes made to our network in Q4 2020 have proved successful, delivering strong customer service, while reducing costs and our carbon footprint. Following on from that we have reorganised our business into two divisions, Sales Acquisition and Make it Happen, which is bringing separate focus to how we acquire customers and then fulfil their requirements.

HSS Pro POS Technology Rollout

We have continued to invest in the Brenda platform since its launch for the OneCall business in 2018. During Q1 2021 we rolled out the latest application, HSS Pro POS, to our entire salesforce. This allows them direct access to our full range of products and services, whether sourced directly from owned fleet or via our large supply chain of rehire suppliers. The platform has landed well with colleagues, being simple, quick and intuitive, and most important of all, allowing them to say "Yes!" to customers quickly for all hire enquiries.

We are already seeing HSS Pro POS deliver great results with rehire enquiries up 18%, conversion rates improved by 17ppts and a resultant 17% improvement in like-for-like Services revenue. We are also seeing better decision-making, reducing the number of high cost-to-serve and high-carbon, long-distance jobs in favour of using our rehire supply chain to offer a more efficient response to customers. This is likely to drive continued outperformance of Services revenue against Rental.

Builders Merchants Network Expansion

In H1 2021 we increased the number of builders merchant locations from 24 to 43, and at mid-September have 50 open, all of which have significantly higher footfall than a typical standalone hire location. These builders merchants are proving to be a convenient location for our customers to order and collect hire equipment, with 13% of our contracts raised in England & Wales now being done at these locations. Our network is approaching optimum size with a national footprint now in place with 14 partners. The pace of rollout will slow in H2 as we focus instead on maturing open locations and working with our partners to improve penetration with their larger customers.

Market Resilience

While some important end-user markets like retail, hospitality and airports continued to be adversely impacted by COVID-19 in H1, the lack of volume there has been replaced by strong demand in areas like housebuilding, home improvement, repair & maintenance and infrastructure. It is testament to our diversified customer base and exposure to so many end-user markets that our revenue performance remains strong. As more COVID-19 restrictions are removed we see further opportunities for growth in H2. The outlook for the market is positive with the Construction Products Association forecasting 6.3% growth in construction output for 2022 and the ONS publishing forecasts for GDP growth in 2022 averaging 5.4%.

Operating Network Changes

The changes to our operating network in October 2020 have delivered ahead of our operational and financial expectations and we are now better placed than ever to fulfil customer requirements. We believe that we have the leading national fulfilment network, offering both depth of coverage and breadth of offering across the UK and Ireland. Our directly employed operations teams have new-found focus on operating 40 well established distribution hubs, into which we consolidated the vast majority of our owned fleet. This strategically located network is fit for the future and we do not foresee any major changes, providing an opportunity for our teams to focus on delivering exceptional customer service using the new routing and scheduling technologies that we are introducing in H2.

Our network also includes fulfilment from a further 2000+ locations operated by over 500 supply partners, ranging from large multi-site generalists to small single-site specialists. Our technology platform allows these suppliers to access our enquiries and fulfil those suited to them. This gives customers access to an unrivalled level of availability in addition to lowering the cost to serve and reducing duplicated carbon footprint.

Finally, the combination of our distribution centres, local sales branches and builders merchants locations means that we now have 135 click-and-collect locations nationwide. I am pleased to report that 21% of customer orders were fulfilled this way in H1, a reflection of customer demand for this technology-driven fulfilment channel.

Business Reorganisation

Following the changes made to our operating network in Q4 2020 and the rollout of HSS Pro POS in Q1 2021, we have now reorganised our business around two divisions in order to drive superior customer service and to create clarity around performance management.

Our Sales Acquisition division comprises our directly employed field sales teams, 45 local sales branches, 50 HSS builders merchant hire counters and over 100 ProService managers. Its role is to drive revenue growth through generating enquiry volume and maximising conversion rates, while maintaining gross margins and improving digital penetration. The rollout of HSS Pro POS has enhanced cross-selling and is driving a quicker response for customers.

Our Make It Happen division comprises our directly employed operations teams in 40 distribution centres, plus the operations teams of the 500 supplier partners which operate from over 2000 locations. This division is focused on fulfilment rates, customer service measures, utilisation, cost-to-serve and returns. We now have an operating model well suited to minimise the Group's carbon footprint going forward.

These two divisions offer customers what we believe is an unrivalled speed of response, the deepest and broadest product offering and by far the best availability in the market. It certainly appears to be working with like-for-like Services revenue up 17% in H1 (versus 2019) and Trustpilot scores of 4.3 stars.

Strategy update

We are approaching the four year anniversary of our strategy reset launched in December 2017, where we set out to: 1. Delever the Group; 2. Repair the Tool Hire business; and 3. Strengthen our Commercial Proposition. I am pleased to report that these three strategic priorities have been fulfilled and our business turnaround is complete. The business is now in great shape, delivering superior profitability and return on capital, and has a strong balance sheet. I believe we are uniquely positioned to target market share gains through outstanding service, driven by unparalleled technology and a focused organisational structure.

1. *Delever the Group*

Since we announced our strategy reset we have reduced our leverage (pre-IFRS16) from 4.8x to 1.7x. This is an outstanding achievement and testament to both the hard work of colleagues and the support from our Board and shareholders on key strategic decisions. The divestments of UKP, Laois and ASH have provided proceeds to reduce debt, while retaining capability and customer service through long-term commercial partnerships. Significantly improved profitability has also reduced our leverage, both through improved trading and cost reduction. In particular, the decisions taken to remove the NDEC and reduce central costs in 2018 removing circa £14m in operating costs per annum, to implement a builders merchant model starting from 2019 and to close 134 branches in October 2020 resulting in £15m annualised cost savings have all led to a leaner, more agile operating network and record returns.

2. *Repair the Tool Hire business (more latterly 'Transform')*

The original priority of improving profitability in key areas of products, branches and customers in 2018 allowed us to repair the tool hire business and then focus on transforming it into the great business we have today. The customer segmentation study in 2018 led to a new vision to become the market-leading digitally-led brand for equipment services. Our journey to make the customer proposition 'easy' started with the launch of our customer App in 2018, the first fully transactional App in our sector, and has more recently involved the launch of HSS Pro POS. Our employee proposition has improved too with continued improvements in engagement scores over four years and significantly improved safety performance.

3. *Strengthen our Commercial Proposition*

Significant progress has been made here in the last 12 months as we accelerated our strategy and created a more scalable organisation model. Our national network of Customer Distribution Centres, click-and-collect locations and supply chain partners offers superior customer choice and availability. Our successful builders merchant network rollout is built on convenience for customers and gives us access to new customers. Our technology provides colleagues with a platform that is easy to operate, allowing them to convert enquiries across the full range of hire products. We now have a scalable, agile, technology-driven proposition in place which has the opportunity to target ambitious market share gains in the next chapter of our development. We are already seeing 24% of orders transacted online.

In conclusion, our turnaround phase is complete and the business is in great shape both financially and operationally. I look forward to sharing our ambitions for the next exciting phase of business growth later in H2.

Group Financial Performance

Results and commentary are presented on a continuing operations basis unless otherwise noted, reflecting the impact of the strategic disposal of Laois in April 2021.

Revenue and segmental contribution

The H1 21 results are based on 27 weeks of trading whereas H1 20 is 26 weeks. Revenue growth metrics versus FY20 have been adjusted to exclude the impact of this additional week (with the adjusted metric shown in brackets). We have made comparisons to FY19 because, given COVID-19, FY20 is not a typical period for trading. All comparisons to FY19 are on a like-for-like basis, taking into account this adjustment as well as the impact of a loss of Services volume associated with the FY19 announced change to one managed service contract.

Revenue in H1 21 was £150.5m, 25% (22%) higher than the previous period (H1 20: £120.7m), which was heavily impacted by the COVID-19 pandemic and associated lockdowns in the UK and Ireland from March 2020. Since then, revenue has recovered to pre-COVID-19 levels through effective strategy implementation in an improving market as government restrictions relax. In H1 21 the Group's revenue, on a like for like basis, was 99% of the comparable FY19 period with an improving trend over the six months.

Turning to segmental performance, Rental and related revenues were £101.7m in H1 21 (H1 20: £82.3m), 24% (21%) higher than in H1 20, and recovered to 94% of FY19 levels on a comparable basis. Contribution is up 27% at £72.0m (H1 20: £56.6m). Margin increased to 70.8% (H1 20: 68.8%) with good cost control as volume recovered and reflecting the benefit of the new operating model. H1 20 contribution benefited from around £1.6m of government furlough income, and after adjusting for the impact of this the improvement in margin rises to 3.8pp.

Services revenue has increased by 27% (24%) to £48.7m (H1 20: £38.4m). Against FY19, on a like for like basis, revenue has grown 17%, reflecting a very strong performance from the business segment with customers continuing to value the one stop shop offer through the Group's evolving technology platforms; making it easy for customers to access all of their hire needs in one simple transaction. Contribution increased to £7.2m (H1 20: £4.9m). Margins are increased by 2.1pp at 14.9% (H1 20: 12.8%), reflecting the mix benefit of recovering Training revenue and the increased OneCall volume. H1 20 contribution benefited from around £0.6m of government furlough income, and after adjusting for the impact of this the improvement in margin rises to 3.6pp.

Costs

In October 2020 the Group implemented a new digitally-led operating model, reducing the fixed cost base by £15m. The benefit of this change is borne out by the year on year reduction in costs set out below.

Cost of sales increased to £68.3m during the period (H1 20: £60.1m) primarily as a result of the recovery in revenue following a COVID-19 related decline in our Services business during 2020. Distribution costs increased only slightly by £0.2m versus the prior year to £13.1m (H1 20: £12.9m). Costs have been tightly managed despite the increase in activity.

Administrative expenses decreased by £7.2m to £48.0m (H1 20: £55.2m) with the reduction mainly driven by the move to a digitally-led operating model noted above and the associated property and headcount related savings.

An exceptional credit of £7.5m was recognised in H1 21 largely as a result of the Group's efforts to negotiate and complete early surrenders on stores closed as part of the changes to the Group's operating model referenced above. The figure includes £0.9m of associated professional fees. In H1 20 an exceptional credit of £0.8m was recognised reflecting a release from onerous lease provision on adoption of IFRS16.

Net finance expenses have reduced reflecting the reduction in discount unwind following lease surrenders and the reduced interest and debt issue cost amortisation following repayments of senior finance facility debt in January and May.

Other operating income

Other operating income at £1.6m (H1 20: £6.7m) relates to £1.2m received under a COVID-19 business interruption insurance claim, a £0.2m release of provision held against Irish Temporary Wage Subsidy Scheme 2020 receipts (now that eligibility to participate in the scheme has been confirmed) and £0.1m of sublease rental income. Government support has not been taken in FY21 given the recovery of trading and strengthened balance sheet. Prior year income comprises the receipt of £6.2m in grant income as a result of participation in the UK Job Retention Scheme and a similar scheme operated in the Republic of Ireland, alongside rates grants of £0.3m and sublease rental income of £0.2m.

Profitability

Adjusted EBITDA of £38.3m in H1 21 is significantly higher than the prior period (H1 20: £27.9m); improving revenue performance delivered through the Group's lower cost operating model being the principal driver. This has resulted in a corresponding increase in adjusted EBITDA margin of 2.3pp to 25.4% (H1 20: 23.1%).

Adjusted EBITA increased from £1.1m in H1 20 to £17.7m in H1 21 with margin increasing 10.9pp to 11.8% (H1 20: 0.9%). In addition to the drivers of EBITDA performance, depreciation of right-of-use assets materially reduced with the implementation of the new operating model.

The result of the drivers noted above is that the Group recognised a profit before tax of £11.2m versus a loss of £12.9m in the prior period.

The basic earnings per share were 1.61p in H1 21 versus a basic loss per share of 7.55p in H1 20 reflecting the large improvement in profit before tax but reduced by the significant increase in average shares in issue following the Group's highly successful capital raise in December 2020. The diluted earnings per share were 1.55p, versus a loss of 7.55p in the prior period (when all potentially dilutive instruments were anti-dilutive).

Sale of Laois Hire Limited

To enable the Group to focus on its strategic priority to Transform the Tool Hire Business, the disposal of Laois Hire Limited, the Irish large plant hire business, to Briggs Equipment Ireland Limited ("Briggs") completed on 7 April 2021. Proceeds of the disposal, net of transaction costs, were £10.0m generating a profit on disposal of £3.2m. As part of the transaction, HSS entered into a commercial agreement with Briggs for the cross hire of equipment to ensure the broadest possible distribution of, and customer access to, each party's existing fleet. Accordingly, Laois has been treated as a discontinued operation. The loss from the discontinued operation was £0.3m (H1 20: loss of £21k)

The profit on disposal of Laois, net of the loss in the period, increased the profit from total operations for the financial period to £14.1m compared to a loss of £12.9m in the prior period.

Return on Capital Employed

ROCE was 24.0% reflecting the significant improvement in EBITA driven by the improvements in revenue noted above. ROCE is calculated as Adjusted EBITA divided by average capital employed, where capital employed is total assets except intangibles, derivatives and cash, less current liabilities excluding debt items.

Net debt

Net debt at 3 July 2021 was £97.6m, a reduction of £22.8m from the year end. This has been driven by improved EBITDA, strong working capital management, proceeds from the disposal of Laois and a reduction in lease liabilities following the successful surrender of closed branches. Leverage has reduced to 1.7x (pre-IFRS16 basis), ahead of the Group's target of below 2x by the end of 2021. Leverage post-IFRS16 is 2.0x.

The debt facilities consist of a £160.8m senior finance facility, maturing in June 2023, and an undrawn revolving credit and overdraft facility of £23.2m maturing in January 2023. Including net cash balances the Group had access to £119.2m of combined liquidity at 3 July 2021.

Dividend

The Group has made great progress in reducing leverage by executing against its strategy. Reducing net debt and continuing to invest in the technology to drive better returns remain the focus for the Board. As such, it believes that the interests of the shareholders of the Group are best served by not paying a dividend at this time, a position which will be reviewed in the next twelve months.

Going concern

While encouraged by the resilience of the Group during a period of unprecedented disruption, the Directors continue to model via a number of scenarios the potential impact of COVID-19 on results. At the 26 December 2020 year end the Group had sufficient liquidity to operate within banking covenants for the next 12 months even under its reasonable worst case scenario. Actual events and trading since then have been favourable compared to the assumptions made and as a result the more recent models predict only increased liquidity from that position.

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

Risks and uncertainties

The principal risks and uncertainties that could have a material impact upon the Group's performance over the remaining 26 weeks of the 2021 financial year have not changed significantly from those described in the Group's 2020 Annual Report and are summarised in note 19 of this interim report.

The main risk expected to affect the Group in the remaining 26 weeks of the 2021 financial year is macro-economic conditions, which includes the impact that COVID-19 and Brexit related developments could have on the business.

By order of the Board

Steve Ashmore
Director
29 September 2021

HSS Hire Group plc

Unaudited condensed consolidated income statement

	Note	27 weeks ended 3 July 2021 £000s	26 weeks ended 27 June 2020 £000s
Revenue	4	**150,450**	120,657
Cost of sales		**(68,322)**	(60,054)
Gross profit		**82,128**	60,603
Distribution costs		**(13,094)**	(12,883)
Administrative expenses		**(47,988)**	(55,154)
Other operating income	5	**1,554**	6,708
Adjusted EBITDA	4, 20	**38,275**	27,892
Less: Depreciation	7	**(20,580)**	(26,800)
Adjusted EBITA	20	**17,695**	1,092
Add back: Exceptional items (non-finance)	6	**7,539**	802
Less: Amortisation	7	**(2,634)**	(2,620)
Operating profit/(loss)		**22,600**	(726)
Finance expense	8	**(11,379)**	(12,133)
Adjusted profit/(loss) before tax		**6,436**	(11,041)
Add back: Exceptional items (non-finance)	6	**7,539**	802
Add back: Exceptional items (finance)	6	**(120)**	-
Less: Amortisation	7	**(2,634)**	(2,620)
Profit/(loss) before tax		**11,221**	(12,859)
Income tax charge		**(37)**	-
Profit/(loss) from continuing operations		**11,184**	(12,859)
Profit on disposal of discontinued operations	18	**3,180**	-
Loss from discontinued operations, net of tax	18	**(313)**	(21)
Profit/(loss) for the financial period		**14,051**	(12,880)
Earnings/(loss) per share (pence)			
Continuing operations			
Basic earnings/(loss) per share	9	**1.61**	(7.55)
Diluted earnings/(loss) per share	9	**1.55**	(7.55)
Continuing and discontinued operations			
Basic earnings/(loss) per share	9	**2.02**	(7.57)
Diluted earnings/(loss) per share	9	**1.95**	(7.57)

The notes form part of these condensed consolidated financial statements.

Unaudited condensed consolidated statement of comprehensive income

	27 weeks ended 3 July 2021	26 weeks ended 27 June 2020
	£000s	£000s
Profit/(loss) for the financial period	**14,051**	(12,880)
Items that may be reclassified to profit or loss:		
Foreign currency translation differences arising on consolidation of foreign operations	**(654)**	842
Gains arising on cash flow hedges	**-**	86
Other comprehensive (loss)/gain for the period, net of tax	**(654)**	928
Total comprehensive profit/(loss) for the period	**13,397**	(11,952)
Attributable to owners of the Company	**13,397**	(11,952)

The notes form part of these condensed consolidated financial statements.

HSS Hire Group plc

Unaudited condensed consolidated statement of financial position

	Note	**3 July 2021 £000s**	26 December 2020 £000s
ASSETS			
Non-current assets			
Intangible assets	10	**155,920**	158,498
Property, plant and equipment	11	**60,228**	62,024
Right of use assets	12	**80,243**	89,839
		296,391	310,361
Current assets			
Inventories		**3,366**	3,183
Trade and other receivables	13	**68,790**	75,880
Cash		**81,256**	97,573
		153,412	176,636
Total assets		**449,803**	486,997
LIABILITIES			
Current liabilities			
Trade and other payables	14	**(70,049)**	(61,821)
Borrowings	16	**-**	(15,000)
Lease liabilities	15	**(19,233)**	(23,395)
Provisions	17	**(5,395)**	(7,448)
Current tax liabilities		**(75)**	(1)
		(94,752)	(107,665)
Non-current liabilities			
Borrowings	16	**(156,875)**	(179,099)
Lease liabilities	15	**(56,250)**	(66,177)
Provisions	17	**(20,363)**	(26,206)
Deferred tax liabilities		**(230)**	(260)
		(233,718)	(271,742)
Total liabilities		**(328,470)**	(379,407)
Net assets		**121,333**	107,590
EQUITY			
Share capital		**6,965**	6,965
Share premium		**45,552**	45,580
Warrant reserves		**2,694**	2,694
Merger reserve		**97,780**	97,780
Foreign exchange translation reserve		**(639)**	15
Retained deficit		**(31,019)**	(45,444)
Total equity		**121,333**	107,590

The notes form part of these condensed consolidated financial statements.

HSS Hire Group plc

Unaudited condensed consolidated statement of changes in equity

	Share capital £000s	Share premium £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 27 December 2020	**6,965**	**45,580**	**2,694**	**97,780**	**15**	**-**	**(45,444)**	**107,590**
Profit for the period	-	-	-	-	-	-	14,051	14,051
Foreign currency translation differences arising on consolidation of foreign operations	-	-	-	-	(654)	-	-	(654)
Total comprehensive (loss)/profit for the period	**-**	**-**	**-**	**-**	**(654)**	**-**	**14,051**	**13,397**
Transactions with owners recorded directly in equity								
Cost true up relating to FY 20 share issue	-	(28)	-	-	-	-	-	(28)
Share-based payment charge	-	-	-	-	-	-	451	451
Share based payment transfer to reserves	-	-	-	-	-	-	(77)	(77)
At 3 July 2021	**6,965**	**45,552**	**2,694**	**97,780**	**(639)**	**-**	**(31,019)**	**121,333**

	Share capital £000s	Share premium £000s	Warrant reserve £000s	Merger reserve £000s	Foreign exchange translation reserve £000s	Cash flow hedging reserve £000s	Retained deficit £000s	Total equity £000s
At 29 December 2019 - as previously presented	1,702	-	2,694	97,780	(602)	(306)	(22,307)	78,961
Implementation of IFRS 16	-	-	-	-	-	-	(9)	(9)
At 29 December 2019 - as restated	1,702	-	2,694	97,780	(602)	(306)	(22,316)	78,952
Total comprehensive loss for the period								
Loss for the period	-	-	-	-	-	-	(12,880)	(12,880)
Foreign currency translation differences arising on consolidation of foreign operations	-	-	-	-	842	-	-	842
Hedging of financial instruments	-	-	-	-	-	86	-	86
Total comprehensive income/(loss) for the period	-	-	-	-	842	86	(12,880)	(11,952)
Transactions with owners recorded directly in equity								
Share-based payment charge	-	-	-	-	-	-	221	221
At 27 June 2020	1,702	-	2,694	97,780	240	(220)	(34,975)	67,221

The notes form part of these condensed consolidated financial statements.

HSS Hire Group plc

Unaudited condensed consolidated statement of cash flows

	Note	**27 weeks ended 3 July 2021 £000s**	26 weeks ended 27 June 2020 £000s
Profit/(loss) after income tax		**14,051**	(12,880)
Adjustments for:			
– Tax		**37**	-
– Profit on disposal of discontinued operations	18	**(3,180)**	-
– Amortisation	7	**2,634**	2,620
– Depreciation	7	**19,398**	25,294
– Accelerated depreciation relating to hire stock customer losses and hire stock write offs	7	**1,766**	2,324
– (Profit)/loss on disposal of property, plant and equipment and right of use assets	7	**(47)**	14
– Lease disposals		**(3,463)**	-
– Share-based payment charge		**451**	221
– Foreign exchange (gains)/loss on operating activities		**(378)**	516
– Finance expense	8	**11,388**	12,140
Changes in working capital (excluding the effects of disposals and exchange differences on consolidation):			
– Inventories		**(389)**	469
– Trade and other receivables		**3,265**	20,697
– Trade and other payables		**10,217**	4,154
– Provisions		**(6,929)**	(2,770)
Net cash flows from operating activities before changes in hire equipment		**48,821**	52,799
Purchase of hire equipment	11	**(9,749)**	(6,630)
Cash generated from operating activities		**39,072**	46,169
Net interest paid		**(10,498)**	(8,871)
Income tax repaid		**7**	648
Net cash generated from operating activities		**28,581**	37,946
Cash flows from investing activities			
Proceeds on disposal of business, net of cash disposed of	18	**9,550**	-
Proceeds on disposal of fixed assets		**526**	
Purchases of non-hire property, plant, equipment and software	10,11	**(2,836)**	(3,411)
Net cash generated from/(used in) investing activities		**7,240**	(3,411)
Cash flows from financing activities			
Costs of capital raise		**(1,556)**	-
Proceeds from borrowings	16	**-**	17,200
Repayment of borrowings	16	**(38,432)**	-
Capital element of lease liability payments		**(12,279)**	(11,689)
Capital element of net investment in sublease receipts		**129**	-
			-
Net cash (paid)/received from financing activities		**(52,138)**	5,511
Net (decrease)/increase in cash		**(16,317)**	40,046
Cash at the start of the period		**97,573**	22,658
Cash at the end of the period - continuing operations		**81,256**	61,626
Cash at the end of the period - discontinued operations		**-**	1,078
Cash at the end of the period		**81,256**	62,704

The notes form part of these condensed consolidated financial statements.

Notes forming part of the unaudited condensed consolidated financial statements

1. General information

The Company is a public limited company which is listed on the London Stock Exchange and is incorporated and domiciled in the United Kingdom. The address of the registered office is Oakland House, 76 Talbot Road, Manchester, M16 0PQ. These condensed consolidated financial statements comprise the Company and its subsidiaries (the 'Group') and cover the 27 week period ended 3 July 2021.

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

The condensed consolidated financial statements were approved for issue by the Board on 29 September 2021.

The condensed consolidated financial statements do not constitute the Statutory Accounts within the meaning of Section 434 of the Companies Act 2006 and have not been subject to audit by the Group's auditor. Statutory Accounts for the year ended 26 December 2020 were approved by the Board on 28 April 2021 and delivered to the Registrar of Companies. The auditor's report on those accounts was unqualified and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006.

2. Basis of preparation and significant accounting policies

The condensed consolidated financial statements for the 27 weeks ended 3 July 2021 have been prepared in accordance with IAS 34 *Interim Financial Reporting*. The condensed consolidated financial statements should be read in conjunction with the Group's Annual Report and Accounts for the year ended 26 December 2020, which were prepared in accordance with IFRS as adopted by the European Union.

Accounting policies are consistent with those in the Statutory Accounts for the year ended 26 December 2020.

Going concern

At 3 July 2021, the Group's financing arrangements consisted of a drawn senior finance facility of £160.8m, undrawn overdraft facilities of £6.0m, undrawn revolving credit facilities of £17.2m and finance lease lines to fund hire fleet capital expenditure, of which £14.7m had not been utilised. Both the senior finance facility and revolving credit facility are subject to a net debt leverage financial covenant test every quarter. At the balance sheet date the Group had 51% headroom against this covenant.

While encouraged by the resilience of the Group during a period of unprecedented disruption, the Directors continue to model via a number of scenarios the potential impact of COVID-19 on results. At the 26 December 2020 year end the Group had sufficient liquidity to operate within banking covenants for the next 12 months even under its reasonable worst case scenario. Actual events and trading since then have been favourable compared to the assumptions made and as a result the more recent models only predict increased liquidity from that position.

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

3. Restatement of interim results for 26 weeks ending 27 June 2020

During the preparation of the 26 December 2020 annual financial statements, a lease validation exercise was performed that identified the following restatements relating to the transition date. The restatement of property, plant and equipment of £4.5m represents hire stock assets held under finance lease that had not been included in the transfer to right of use assets. The remaining restatement of right of use assets relates to contractual rent escalations, rolling leases and lease term amendments.

The impact of these entries on the consolidated statement of financial position as at the date of initial application (DIA) 29 December 2019 is reflected below:

	As previously reported	Restatement	Restated 29 December 2019
	£000s	£000s	£000s
Intangible assets	160,378	-	160,378
Property, plant and equipment	76,999	(4,460)	72,539
Right of use assets	104,059	5,472	109,531
Derivative financial instruments	14	-	14
Current assets	112,938	375	113,313
Lease liabilities	(98,351)	(958)	(99,309)
Other liabilities	(238,508)	(272)	(238,780)
Provisions	(38,393)	-	(38,393)
Deferred tax liabilities	(341)	-	(341)
Net assets	78,795	157	78,952

The impact of these entries on the consolidated statement of financial position as at 27 June 2020 is reflected below:

	As previously reported	Restatement	Restated 27 June 2020
	£000s	£000s	£000s
Intangible assets	159,618	-	159,618
Property, plant and equipment	71,545	(4,460)	67,085
Right of use assets	99,140	5,472	104,612
Current assets	131,007	375	131,382
Lease liabilities	(96,928)	(958)	(97,886)
Other liabilities	(261,350)	(272)	(261,622)
Provisions	(35,627)	-	(35,627)
Deferred tax liabilities	(341)	-	(341)
Net assets	67,064	157	67,221

There was no impact on the income statement or the statement of cash flow as a result of this restatement and no change is required to the financial statements for the year ending 26 December 2020.

4. Segmental 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 powered access, power generation 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 HSS OneCall rehire business and HSS Training. HSS OneCall provides customers with a single point of contact for the hire of products that are not typically held within HSS' fleet and are obtained from approved third party partners; HSS Training provides customers with specialist safety training across a wide range of products and sectors.

Contribution is defined as segment operating profit before branch and selling costs, central costs, depreciation, amortisation and exceptional items. In the 27 weeks ending 3 July 2021 the Group recognised £0.2m of income received in 2020, the result of participation in Republic of Ireland's COVID-19 Wage Subsidy Scheme, recognition of which had been deferred pending confirmation of entitlement (26 weeks ended 27 June 2020: £6.2m recognised from participation in UK and Republic of Ireland schemes). Income has been allocated to segments based on where the underlying costs were incurred. This resulted in £0.1m being allocated to Rental and related contribution (26 weeks ending 27 June 2020: £1.6m), £nil to Services contribution (26 weeks ending 27 June 2020: £0.6m), £0.1m to Branch and Selling Costs (26 weeks ending 27 June 2020: £3.8m) and £nil to Central costs (26 weeks ending 27 June 2020: £0.2m). £0.3m of grant income related to property rates was allocated to Branch and Selling Costs for the 26 weeks ending 27 June 2020.

All segment revenue, operating profit, assets and liabilities are attributable to the principal activity of the Group being the provision of tool and equipment hire and related services in, and to customers in, the United Kingdom and the Republic of Ireland. Revenue from one customer was 10% or more of Group Revenue in the period ending 3 July 2021 (26 weeks ending 27 June 2020: one customer was 10% or more of Group Revenue).

	27 weeks ended 3 July 2021			
	Rental (and related revenue) £000s	**Services £000s**	**Central £000s**	**Total £000s**
Total revenue from external customers from continuing operations	**101,742**	**48,708**	**-**	**150,450**
Contribution	**71,992**	**7,248**	**-**	**79,240**
Branch and selling costs			**(26,115)**	**(26,115)**
Central costs			**(14,850)**	**(14,850)**
Adjusted EBITDA				**38,275**
Add back: Exceptional items			**7,539**	**7,539**
Less: Depreciation and amortisation	**(14,237)**	**(297)**	**(8,680)**	**(23,214)**
Operating profit				**22,600**
Net finance expenses				**(11,379)**
Profit before tax from continuing operations				**11,221**

	As at 3 July 2021			
	Rental (and related revenue) £000s	**Services £000s**	**Central £000s**	**Total £000s**
Additions to non-current assets				
Property, plant and equipment	**9,749**	**15**	**1,070**	**10,834**
Right of use assets	**3,590**	**-**	**1,170**	**4,760**
Intangibles	**1,178**	**-**	**573**	**1,751**
Non-current assets net book value				
Property, plant and equipment	**43,999**	**203**	**16,026**	**60,228**
Right of use assets	**24,602**	**579**	**55,062**	**80,243**
Intangibles	**151,717**	**1,046**	**3,157**	**155,920**
Unallocated corporate assets				
Current assets			**153,412**	**153,412**
Current liabilities			**(94,752)**	**(94,752)**
Non-current liabilities			**(233,718)**	**(233,718)**
				121,333

	26 weeks ended 27 June 2020			
	Rental (and related revenue) £000s	Services £000s	Central £000s	Total £000s
Total revenue from external customers from continuing operations	82,255	38,402	-	120,657
Contribution	56,612	4,902	-	61,514
Branch and selling costs			(22,203)	(22,203)
Central costs			(11,419)	(11,419)
Adjusted EBITDA				27,892
Add back: Exceptional credit			802	802
Less: Depreciation and amortisation	(15,027)	(236)	(14,157)	(29,420)
Operating loss				(726)
Net finance expenses				(12,133)
Loss before tax from continuing operations				(12,859)

	Year ended 26 December 2020			
	Rental (and related revenue) £000s	Services £000s	Central £000s	Total £000s
Additions to non-current assets				
Property, plant and equipment	14,099	59	2,286	16,444
Right of use assets	4,880	-	4,357	9,237
Intangibles	979	861	1,477	3,317
Non-current assets net book value				
Property, plant and equipment	44,078	203	17,743	62,024
Right of use assets	26,976	212	62,651	89,839
Intangibles	153,804	1,246	3,448	158,498
Unallocated corporate assets				
Current assets			176,636	176,636
Current liabilities			(107,665)	(107,665)
Non-current liabilities			(271,742)	(271,742)
Net assets				107,590

5. Other operating income

	27 weeks ended 3 July 2021 £000s	26 weeks ended 27 June 2020 £000s
COVID-19 Government grant income: Job retention schemes	**232**	6,194
COVID-19 Government grant income: Rates grants	**-**	345
Insurance proceeds	**1,203**	-
Sublease rental and service charge income	**119**	169
	1,554	6,708

During the 27 weeks ended 3 July 2021 the Group recognised £0.2m of income received in 2020, the result of participation in Republic of Ireland's COVID-19 Wage Subsidy Scheme, recognition of which had been deferred pending confirmation of entitlement (26 weeks ended 27 June 2020: £6.2m recognised from participation in UK and Republic of Ireland schemes), and £1.2m from a COVID-19 business interruption insurance claim.

Sub-let rental income £0.1m (26 weeks ended 27 June 2020: £0.2m) was received on vacant properties that were not treated as exceptional and which have been assessed as operating sub-leases under IFRS 16.

6. Exceptional items

Items of income or expense have been shown as exceptional because of their size and nature or because they are outside the normal course of business. As a result, during the period ended 3 July 2021 the Group has recognised exceptional items as follows:

	Included in administrative expenses £000s	**Included in finance expense £000s**	**27 weeks ended 3 July 2021 £000s**
Release of onerous property costs	**(7,539)**	**120**	**(7,419)**
Exceptional items - continuing operations	**(7,539)**	**120**	**(7,419)**
Business divesture - discontinued operations	**(3,180)**	**-**	**(3,180)**
Total	**(10,719)**	**120**	**(10,599)**

During the period ended 27 June 2020, the Group recognised exceptional costs analysed as follows:

	Included in administrative expenses £000s	26 weeks ended 27 June 2020 £000s
Release of onerous property costs	(828)	(828)
Cost reduction programme	26	26
Total	(802)	(802)

Costs related to onerous properties: branch and office closures (incurred in 2021 and 2020)
An exceptional credit of £7.4m (26 weeks ended 27 June 2020 exceptional credit of £0.8m) has been recognised in the 27 weeks ended 3 July 2021. This relates mainly to the release of lease liabilities, onerous property cost and dilapidations provisions on surrender of properties following the branch closures as part of the Group's acceleration of its digital and network strategy announced in October 2020. The figure includes £0.9m of associated professional fees. Lease liability discount unwind on closed stores totalling £0.1m was recognised as an exceptional finance expense.

In H1 20 an exceptional credit of £0.8m was recognised reflecting a release from onerous lease provision on adoption of IFRS16.

Business divesture (incurred in 2021 only)
To enable the Group to focus on its strategic priority to Transform the Tool Hire Business, the disposal of Laois Hire Limited, the Irish large plant hire business, to Briggs Equipment Ireland Limited ("Briggs") completed on 7 April 2021. Proceeds of the disposal, net of transaction costs, were £10.0m generating a profit on disposal of £3.2m. As part of the transaction, HSS entered into a commercial agreement with Briggs for the cross hire of equipment to ensure the broadest possible distribution of, and customer access to, each party's existing fleet.

Cost reduction programme (incurred in 2020 only)
In the 26 weeks ended 27 June 2020 the Group recognised final costs related to a cost reduction programme which included internal restructuring that was announced and largely completed during 2019.

7. Depreciation and amortisation expense

	27 weeks ended 3 July 2021 £000s	26 weeks ended 27 June 2020 £000s
Amortisation	**2,634**	2,620
Depreciation	**20,580**	26,800

Amounts charged in respect of depreciation:

	27 weeks ending 3 July 2021 Depreciation *Property, plant and equipment* £000s	**27 weeks ending 3 July 2021 Depreciation *Right of use assets* £000s**	**27 weeks ending 3 July 2021 Depreciation Total £000s**	26 weeks ending 27 June 2020 Depreciation *Property, plant and equipment* £000s	26 weeks ending 27 June 2020 Depreciation *Right of use assets* £000s	26 weeks ending 27 June 2020 Depreciation Total £000s
Depreciation (note 11,12)	**7,889**	**11,509**	**19,398**	12,045	12,978	25,023
Accelerated depreciation relating to hire stock customer losses and hire stock write offs (note 11,12)	**6,488**	**133**	**6,621**	2,324	1	2,325
Loss on disposal of other assets (note 11,12)	**625**	**304**	**929**	284	1	285
	15,002	**11,946**	**26,948**	14,653	12,980	27,633
Less accelerated depreciation included in exceptionals	**(243)**	**-**	**(243)**	-	-	-
Less disposal of Laois hire stock assets	**(4,612)**	**-**	**(4,612)**	-	-	-
Less (loss)/profit on disposals included in exceptional amounts	**(94)**	**145**	**51**	-	(1)	(1)
Less disposal of Laois other assets	**(588)**	**(439)**	**(1,027)**	-	-	-
Less depreciation from discontinued operations	**(413)**	**(124)**	**(537)**	(731)	(101)	(832)
Total non-exceptional depreciation	**9,052**	**11,528**	**20,580**	13,922	12,878	26,800

Amounts charged in respect of amortisation

	27 weeks ending 3 July 2021 £000s	26 weeks ending 27 June 2020 £000s
Intangible assets		
Amortisation (note 10)	**2,634**	2,620
Loss on disposal of intangible assets	**1,695**	-
	4,329	2,620
Less disposal of Laois goodwill	**(1,695)**	-
Total non-exceptional amortisation	**2,634**	2,620

8. Finance income and expense

	27 weeks ended 3 July 2021 £000s	26 weeks ended 27 June 2020 £000s
Senior finance facility	**7,590**	8,167
Debt issue costs	**1,085**	1,199
Accelerated amortisation of debt issue costs	**166**	-
Lease liabilities	**2,088**	2,315
Interest unwind on discounted provisions	**13**	142
Revolving credit facility	**104**	75
Interest on financial instruments	**-**	100
Bank loans and overdrafts	**333**	135
	11,379	12,133

9. Earnings per share

Basic earnings/(loss) per share

	Profit/(loss) after tax from continuing operations £000s	Weighted average number of shares 000s	Profit/(loss) per share from continuing operations pence
27 weeks ended 3 July 2021	**11,184**	**696,478**	**1.61**
26 weeks ended 27 June 2020	(12,859)	170,207	(7.55)

Basic earnings/(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 earnings per share is calculated using the result attributable to equity holders divided by the weighted average number of shares outstanding assuming the conversion of potentially dilutive equity derivatives outstanding, being market value options, nil-cost share options (LTIP shares), restricted stock grants, deferred bonus shares, Sharesave Scheme share options and warrants.

All of the Group's potentially dilutive equity derivative securities were dilutive (26 weeks ending 27 June 2020: anti-dilutive) for the purpose of diluted basic earnings per share for the period except for market value options and their related CSOP's which were anti-dilutive.

Diluted earnings/(loss) per share

	Profit/(loss) after tax from continuing operations £000s	Weighted average number of shares 000s	Profit/(loss) per share from continuing operations pence
27 weeks ended 3 July 2021	**11,184**	**721,364**	**1.55**
26 weeks ended 27 June 2020	(12,859)	170,207	(7.55)

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

	27 weeks ended 3 July 2021 Weighted average number of shares 000s	26 weeks ended 27 June 2020 Weighted average number of shares 000s
Basic	**696,478**	170,207
Warrants	**8,505**	-
LTIP share options	**8,368**	-
Restricted stock grant	**7,265**	-
CSOP options	**748**	-
Diluted	**721,364**	170,207

10. Intangible assets

	Goodwill	Customer relationships	Brands	Software	Total
	£000s	**£000s**	**£000s**	**£000s**	**£000s**
Cost					
At 27 December 2020	**124,877**	**26,744**	**23,222**	**27,580**	**202,423**
Additions	**-**	**-**	**-**	**1,751**	**1,751**
Disposals	**(1,695)**	**-**	**-**	**(138)**	**(1,833)**
At 3 July 2021	**123,182**	**26,744**	**23,222**	**29,193**	**202,341**
Amortisation					
At 27 December 2020	**-**	**21,348**	**622**	**21,955**	**43,925**
Charge for the period	**-**	**1,377**	**51**	**1,206**	**2,634**
Disposals	**-**	**-**	**-**	**(138)**	**(138)**
At 3 July 2021	**-**	**22,725**	**673**	**23,023**	**46,421**
Net book value					
At 3 July 2021	**123,182**	**4,019**	**22,549**	**6,170**	**155,920**

	Goodwill	Customer relationships	Brands	Software	Total
	£000s	£000s	£000s	£000s	£000s
Cost					
At 29 December 2019	124,877	26,744	23,222	24,409	199,252
Additions	-	-	-	1,860	1,860
At 27 June 2020	124,877	26,744	23,222	26,269	201,112
Amortisation					
At 29 December 2019	-	18,694	525	19,655	38,874
Charge for the period	-	1,328	48	1,244	2,620
At 27 June 2020	-	20,022	573	20,899	41,494
Net book value					
At 27 June 2020	124,877	6,722	22,649	5,370	159,618

	Goodwill	Customer relationships	Brands	Software	Total
	£000s	£000s	£000s	£000s	£000s
Cost					
At 29 December 2019	124,877	26,744	23,222	24,409	199,252
Additions	-	-	-	3,317	3,317
Disposals	-	-	-	(146)	(146)
At 26 December 2020	124,877	26,744	23,222	27,580	202,423
Amortisation					
At 29 December 2019	-	18,694	525	19,655	38,874
Charge for the period	-	2,654	97	2,446	5,197
Disposals	-	-	-	(146)	(146)
At 26 December 2020	-	21,348	622	21,955	43,925
Net book value					
At 26 December 2020	124,877	5,396	22,600	5,625	158,498

The Group tests property, plant and equipment, goodwill and indefinite life brands for impairment annually and considers at each reporting date whether there are indicators that impairment may have occurred.

11. Property, plant and equipment

	Land and buildings £000s	Plant and machinery £000s	Materials and equipment held for hire £000s	Total £000s
Cost				
At 27 December 2020	58,419	55,315	133,280	247,014
Transferred from right of use assets	-	-	5,967	5,967
Additions	673	412	9,749	10,834
Disposals	(618)	(1,235)	(17,669)	(19,522)
Foreign exchange differences	(31)	(31)	(581)	(643)
At 3 July 2021	58,443	54,461	130,746	243,650
Accumulated depreciation				
At 27 December 2020	45,208	50,580	89,202	184,990
Transferred from right of use assets	-	-	3,336	3,336
Charge for the year	1,318	859	5,712	7,889
Disposals	(163)	(1,065)	(11,181)	(12,409)
Foreign exchange differences	(6)	(56)	(322)	(384)
At 3 July 2021	46,357	50,318	86,747	183,422
Net book value				
At 3 July 2021	**12,086**	**4,143**	**43,999**	**60,228**

	Land and buildings £000s	Plant and machinery £000s	Restated Materials and equipment held for hire £000s	Restated Total £000s
Cost				
At 29 December 2019	73,505	61,925	179,788	315,218
Transferred to right of use assets	-	-	(46,888)	(46,888)
Additions	1,012	551	7,279	8,842
Disposals	(559)	(236)	(9,778)	(10,573)
Foreign exchange differences	118	149	734	1,001
At 27 June 2020	74,076	62,389	131,135	267,600
Accumulated depreciation				
At 29 December 2019	54,437	55,936	102,994	213,367
Transferred to right of use assets	-	-	(17,576)	(17,576)
Charge for the year	1,971	887	9,187	12,045
Disposals	(343)	(168)	(7,454)	(7,965)
Foreign exchange differences	95	123	426	644
At 27 June 2020	56,160	56,778	87,577	200,515
Net book value				
At 27 June 2020	17,916	5,611	43,558	67,085

Refer to note 3 for further details on the restatement relating to the 26 weeks ending 27 June 2020.

	Land and buildings £000s	Plant and machinery £000s	Materials and equipment held for hire £000s	Total £000s
Cost				
At 29 December 2019	73,505	61,925	179,788	315,218
Transferred to right of use assets	-	-	(46,888)	(46,888)
Transferred from right of use assets	-	-	3,144	3,144
Additions	1,284	1,061	14,099	16,444
Disposals	(16,408)	(7,748)	(17,328)	(41,484)
Foreign exchange differences	38	77	465	580
At 26 December 2020	58,419	55,315	133,280	247,014
Accumulated depreciation				
At 29 December 2019	54,437	55,936	102,994	213,367
Transferred to right of use assets	-	-	(17,576)	(17,576)
Transferred from right of use assets	-	-	1,652	1,652
Charge for the year	3,516	2,139	14,518	20,173
Impairment	1,789	227	-	2,016
Disposals	(14,536)	(7,592)	(13,004)	(35,132)
Foreign exchange differences	2	40	448	490
Transfers	-	(170)	170	-
At 26 December 2020	45,208	50,580	89,202	184,990
Net book value				
At 26 December 2020	13,211	4,735	44,078	62,024

‘Transferred from right of use assets’ category represents assets previously held under a lease where ownership has passed to the Group. ‘Transferred to right of use assets’ category represents the value of assets transferred to right of use assets on adoption of IFRS16.

12. Right of use assets

	Property £000s	Vehicles £000s	Equipment for hire and internal use £000s	Total £000s
Cost				
At 27 December 2020	61,253	23,681	30,061	114,995
Foreign exchange differences	(120)	(23)	-	(143)
Additions	519	651	3,590	4,760
Remeasurements	227	137	-	364
Transfers to property, plant and equipment	-	-	(5,967)	(5,967)
Disposals	(7,785)	(805)	(727)	(9,317)
At 3 July 2021	54,094	23,641	26,957	104,692
Accumulated depreciation				
At 27 December 2020	15,403	6,854	2,899	25,156
Transfers to property, plant and equipment	-	-	(3,336)	(3,336)
Charge for the period	4,340	3,783	3,386	11,509
Disposals	(7,920)	(366)	(594)	(8,880)
At 3 July 2021	11,823	10,271	2,355	24,449
Net book value				
At 3 July 2021	**42,271**	**13,370**	**24,602**	**80,243**

	Restated Property £000s	Restated Vehicles £000s	Restated Equipment for hire and internal use £000s	Restated Total £000s
Cost				
Recognised on transition date	58,014	21,416	30,101	109,531
Foreign exchange differences	167	26	-	193
Additions	3,254	961	3,652	7,867
Disposals	(110)	(136)	-	(246)
At 27 June 2020	61,325	22,267	33,753	117,345
Accumulated depreciation				
Charge for the period	6,180	3,927	2,871	12,978
Disposals	(110)	(135)	-	(245)
At 27 June 2020	6,070	3,792	2,871	12,733
Net book value				
At 27 June 2020	55,255	18,475	30,882	104,612

Refer to note 3 for further details on the restatement relating to the 26 weeks ending 27 June 2020.

	Property £000s	Vehicles £000s	Equipment for hire and internal use £000s	Total £000s
Cost				
Recognised on transition date	58,014	21,416	30,101	109,531
Foreign exchange differences	155	22	-	177
Additions	1,317	3,040	4,880	9,237
Remeasurements	6,931	17	-	6,948
Transfers to property, plant and equipment	-	-	(3,144)	(3,144)
Disposals	(5,164)	(814)	(1,776)	(7,754)
At 26 December 2020	61,253	23,681	30,061	114,995
Accumulated depreciation				
Transfers to property, plant and equipment	-	-	(1,652)	(1,652)
Charge for the period	10,999	7,613	5,924	24,536
Impairments	9,541	-	-	9,541
Disposals	(5,137)	(759)	(1,373)	(7,269)
At 26 December 2020	15,403	6,854	2,899	25,156
Net book value				
At 26 December 2020	45,850	16,827	27,162	89,839

Right of use assets are measured at cost comprising the initial measurement of lease liability, initial direct costs and restoration costs.

Right of use assets are depreciated over the lease term on a straight line basis, except where the Group has the right, and expects to exercise that right, to take ownership of the assets after the end of the lease; in such cases the assets are depreciated over the useful life.

Disclosures relating to lease liabilities are included in note 15.

13. Trade and other receivables

	3 July 2021			26 December 2020		
	Gross £000s	**Provision for impairment £000s**	**Net of provision £000s**	Gross £000s	Provision for impairment £000s	Net of provision £000s
Trade receivables	**65,607**	**(5,698)**	**59,909**	66,434	(5,374)	61,060
Accrued income	**3,288**	**(73)**	**3,215**	6,965	(107)	6,858
Contract assets	**68,895**	**(5,771)**	**63,124**	73,399	(5,481)	67,918
Net investment in sublease	**1,029**	**-**	**1,029**	1,497	-	1,497
Other debtors	**939**	**-**	**939**	3,502	-	3,502
Prepayments	**3,698**	**-**	**3,698**	2,963	-	2,963
Total trade and other receivables	**74,561**	**(5,771)**	**68,790**	81,361	(5,481)	75,880

The following table details the movements in the provision for impairment of trade receivables and other receivables:

	3 July 2021 £000s	26 December 2020 £000s
Balance at the beginning of the period	**(5,481)**	(3,745)
Movement in provision	**(290)**	(1,736)
Balance at the end of the period	**(5,771)**	(5,481)

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

	3 July 2021 £000s	26 December 2020 £000s
Bad debt provision	**(3,156)**	(3,023)
Credit note provision	**(2,615)**	(2,458)
	(5,771)	(5,481)

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

3 July 2021	**Current**	**0-60 days past due**	**61-365 days past due**	**1-2 years past due**	**Total**
Contract assets	**57,208**	**5,342**	**4,993**	**1,352**	**68,895**
Expected loss rate	**1.6%**	**5.7%**	**25.5%**	**50.1%**	**4.6%**
Provision for impairment charge	**902**	**302**	**1,274**	**678**	**3,156**

26 December 2020	Current	0-60 days past due	61-365 days past due	1-2 years past due	Total
Contract assets	61,197	5,902	4,962	1,338	73,399
Expected loss rate	1.4%	4.6%	25.7%	47.5%	4.1%
Provision for impairment charge	839	272	1,276	636	3,023

Contract assets consist of trade receivables and accrued income.

The bad debt provision is estimated using the simplified approach to expected credit loss methodology and is based upon past default experience and the Directors' assessment of the current economic environment for each of the Group's ageing categories.

The Directors have given specific consideration to the impact of COVID-19 on the general economy, particularly given tapering of government support. At the balance sheet date the Group has not seen a marked increase in debt write-offs. However the Group expects the situation to deteriorate as government support is withdrawn. Given the above, historical losses are not a good predictor of future failures and the Group has exercised judgement in increasing the expected loss rates across all categories of debt. In so doing the provision has been increased by around £1.2m from that which would have been required based on loss experience over the past two years. The position is being monitored closely and the Group expects to review these judgements at year-end based on ageing of debt, write-offs in the second half of the year and the economic outlook at that point.

Provisions are made for credit notes expected to be raised after the reporting date for income recognised during the year.

14. Trade and other payables

	3 July 2021 £000s	26 December 2020 £000s
Current		
Trade payables	**30,407**	23,957
Other taxes and social security costs	**5,091**	5,109
Other creditors	**1,603**	2,300
Accrued interest on borrowings	**2,785**	3,442
Accruals	**29,760**	26,907
Deferred income	**403**	106
	70,049	61,821

15. Lease liabilities

	3 July 2021 £000s	26 December 2020 £000s
Current		
Lease liabilities	**19,233**	23,395
	19,233	23,395
Non-current		
Lease liabilities	**56,250**	66,177
	56,250	66,177

The weighted average interest rates on the Group's lease liabilities are as follows:

	3 July 2021	26 December 2020
Lease liabilities	5.2%	4.8%

The Group's leases have the following maturity profile:

	3 July 2021 £000s	26 December 2020 £000s
Less than one year	**22,685**	27,452
Two to five years	**47,342**	55,544
More than five years	**20,091**	23,483
	90,118	106,479
Less interest cash flows:	**(14,635)**	(16,907)
Total principal cash flows	**75,483**	89,572

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

	3 July 2021 £000s	26 December 2020 £000s
Less than one year	**19,233**	23,395
Two to five years	**39,909**	47,030
More than five years	**16,341**	19,147
	75,483	89,572

16. Borrowings

	3 July 2021 £000s	26 December 2020 £000s
Current		
Senior finance facility	-	15,000
	-	15,000
Non-current		
Senior finance facility	**156,875**	161,899
Revolving credit facility	-	17,200
	156,875	179,099

The senior finance facility is stated net of unamortised debt issue costs of £3.9m (26 December 2020: £5.1m).

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

	3 July 2021 £000s	26 December 2020 £000s
Senior finance facility	**160,750**	181,982
Revolving credit facility	-	17,200
	160,750	199,182

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

			3 July 2021	26 December 2020
Revolving credit facility	Floating	%age above LIBOR	**2.5%**	2.5-3.0%
Senior finance facility	Floating	%age above LIBOR	**7.5%-8.0%**	8.0%

The weighted average interest rates on the Group's borrowings is 9.3% (26 December 2020: 9.8%).

The Group's borrowings have the following maturity profile:

	3 July 2021 £000s	26 December 2020 £000s
Less than one year	**13,085**	30,581
Two to five years	**174,702**	208,725
	187,787	239,306
Less interest cash flows:		
Senior finance facility	**(27,037)**	(38,822)
Revolving credit facility	-	(1,302)
Total principal cash flows	**160,750**	199,182

The Group repaid £15.0m of the senior finance facility in January 2021 and a further £6.2m in May 2021. The £17.2m RCF was repaid in April 2021.

The Group has undrawn committed borrowing facilities of £37.9m at 3 July 2021 (26 December 2020: £20.7m), including £14.7m of finance lines (26 December 2020: £14.7m) to fund hire fleet capital expenditure not yet utilised. Including net cash balances, the Group had access to £119.2m at 3 July 2021 (26 December 2020: £118.3m) of combined liquidity from available cash and undrawn committed borrowing facilities.

17. Provisions

	Onerous property costs £000s	Dilapidations £000s	Onerous contracts £000s	Total £000s
At 27 December 2020	**3,959**	**12,677**	**17,018**	**33,654**
Additions	**147**	**24**	**-**	**171**
Utilised during the period	**268**	**(2,058)**	**(1,645)**	**(3,435)**
Unwind of provision	**-**	**13**	**-**	**13**
Releases	**(3,727)**	**(919)**	**-**	**(4,646)**
Foreign exchange	**-**	**1**	**-**	**1**
At 3 July 2021	**647**	**9,738**	**15,373**	**25,758**
Of which:				
Current	**212**	**1,894**	**3,289**	**5,395**
Non-current	**435**	**7,844**	**12,084**	**20,363**
	647	**9,738**	**15,373**	**25,758**

	Onerous property costs £000s	Dilapidations £000s	Onerous contracts £000s	Total £000s
At 29 December 2019	4,833	16,209	19,573	40,615
Eliminated on transition to IFRS 16	(2,222)	-	-	(2,222)
Additions	5,326	1,452	-	6,778
Utilised during the period	(601)	(2,726)	(3,330)	(6,657)
Unwind of provision	7	204	218	429
Impact of change in discount rate	88	747	557	1,392
Releases	(3,472)	(3,226)	-	(6,698)
Foreign exchange	-	17	-	17
At 26 December 2020	3,959	12,677	17,018	33,654
Of which:				
Current	1,328	2,823	3,297	7,448
Non-current	2,631	9,854	13,721	26,206
	3,959	12,677	17,018	33,654

On the 8th October 2020, the Group announced a programme of restructuring which includes the permanent closure of around 130 of its branches. Since then, the Group has worked hard to negotiate and complete the early surrender of leases resulting in the large reduction in the value of onerous property cost and dilapidations provisions.

18. Business disposal

To enable the Group to focus on its strategic priority to Transform the Tool Hire Business, the disposal of Laois Hire Limited, the Irish large plant hire business, along with its parent company Bannagroe Limited, to Briggs Equipment Ireland Limited ("Briggs") completed on 7 April 2021. Proceeds of the disposal, net of transaction costs, were £10.0m generating a profit on disposal of £3.2m. As part of the transaction, HSS entered into a commercial agreement with Briggs for the cross hire of equipment to ensure the broadest possible distribution of, and customer access to, each party's existing fleet. The funds from the sale are being used to invest in the hire fleet.

The table below shows the assets and liabilities disposed of:
Of the transaction fees included in the calculation £0.1m remains unpaid at period end.

The table below shows the result of discontinued operations:

	£000s
Description of assets and liabilities	
Intangible assets (incl Goodwill)	**1,695**
Property, plant and equipment	**5,200**
Right of use assets	**439**
Current assets, excluding cash	**2,509**
Cash	**504**
Current liabilities (incl lease liabilities)	**(3,241)**
Foreign exchange reserve	**(53)**
Net assets disposed of	**7,053**
Proceeds of disposal less transaction costs	**9,950**
Profit on asset sale	**283**
Less net assets disposed of	**(7,053)**
Total profit from disposal of Laois Hire Limited	**3,180**

	27 weeks ended 3 July 2021 £000s	26 weeks ended 27 June 2020 £000s
Result of discontinued operations		
Revenue	**2,991**	5,160
Expenses other than finance costs, amortisation and depreciation	**(2,758)**	(4,342)
Depreciation	**(537)**	(832)
Finance costs	**(9)**	(7)
Loss from discontinued operations, net of tax	**(313)**	(21)
Profit on disposal of discontinued operations	**3,180**	-
Profit for the period	2,867	(21)
Basic earnings/(loss) per share	**0.41**	(0.01)
Diluted earnings/(loss) per share	**0.40**	(0.01)

19. Risks and uncertainties

The principal risks and uncertainties which could have a material impact upon the Group's performance over the remaining 26 weeks of the 2021 financial year have not changed significantly from those set out on pages 30 to 35 of the Group's 2020 Annual Report, which is available at https://www.hsshiregroup.com/wp-content/uploads/2021/05/HSS_ARA2020_Web.pdf.

These risks and uncertainties are:

1) Macroeconomic conditions;
2) Competitor challenge;
3) Strategy execution;
4) Customer service;
5) Third party reliance;
6) IT infrastructure;
7) Financial risk;
8) Inability to attract and retain personnel; and
9) Safety, legal and regulatory requirements

COVID-19 has been considered in terms of its impact on each of the principal risks and uncertainties. The main risk expected to affect the Group in the remaining 26 weeks of the 2021 financial year is macroeconomic conditions, which includes the impact COVID-19 and Brexit could have on the prevailing demand from new and existing customers within the numerous and diverse market sectors which HSS serves.

20. Adjusted EBITDA and Adjusted EBITA

Adjusted EBITDA is calculated as follows:

	27 weeks ended 3 July 2021 Continuing operations £000s	26 weeks ended 27 June 2020 Continuing operations £000s
Operating profit/(loss)	**22,600**	(726)
Add: Depreciation of property, plant and equipment	**7,476**	11,314
Add: Depreciation of right of use assets	**11,385**	12,877
Add: Accelerated depreciation relating to hire stock customer losses, hire stock write offs and other asset and right of use asset disposals	**1,719**	2,609
Add: Impairments of right of use assets	**-**	-
Add: Loss on disposal of subleases	**-**	-
Add: Amortisation of intangible assets	**2,634**	2,620
Add: Loss on disposal of intangible assets	**-**	-
EBITDA	**45,814**	28,694
Less: Exceptional items	**(7,539)**	(802)
Adjusted EBITDA	**38,275**	27,892

Adjusted EBITA is calculated as follows:

	27 weeks ended 3 July 2021 Continuing operations £000s	26 weeks ended 27 June 2020 Continuing operations £000s
Operating profit/(loss)	**22,600**	(726)
Add: Amortisation of intangible assets	**2,634**	2,620
Add: Loss on disposal of intangible assets	**-**	-
EBITA	**25,234**	1,894
Less: Exceptional items	**(7,539)**	(802)
Adjusted EBITA	**17,695**	1,092

21. Post balance sheet event

On the 29th September 2021, following market close, the Group entered into an unconditional agreement to sell All Seasons Hire Limited ("ASH"), the Group's heating, ventilation and air-conditioning ("HVAC") hire solution provider, to Cross Rental Services ("CRS") for a cash consideration of £55million (the "Disposal"). The proceeds from the Disposal will principally be used to accelerate the repayment of debt. As part of this transaction, HSS has entered into a commercial agreement with CRS for the cross hire of HVAC equipment to ensure the broadest possible distribution of, and customer access to, both parties existing fleets. The sale has been treated as a non-adjusting post balance sheet event.