HSS Hire Group Plc

New operating model driving significant increase in profitability

HSS Hire Group plc ("HSS" or the "Group") today announces results for the 53 week period ended 1 January 2022

Financial Highlights Continuing Operations[1]	FY21	FY20		Change
Revenue	**£303.3m**	**£250.1m**		**21.3%**
Adjusted EBITDA[2]	**£69.8m**	**£59.6m**		**17.2%**
Adjusted EBITDA margin	**23.0%**	**23.8%**		**(0.8pp)**
Adjusted EBITA[3]	**£31.7m**	**£13.4m**		**£18.3m**
Adjusted EBITA margin	**10.4%**	**5.3%**		**5.1pp**
Adjusted basic earnings/(loss) per share	**1.52p**	**(4.64)p**		**6.16p**
ROCE[4]	**22.1%**	**10.7%**		**11.4pp**
Net debt leverage[5]	**1.5x**	**2.8x**		**1.3x**
Other extracts				
Operating profit / (loss)	**£34.5m**	**£(4.7)m**		**£39.2m**
Profit / (loss) before tax	**£6.1m**	**£(29.6)m**		**£35.7m**
Basic earnings/(loss) per share	**1.05p**	**(15.13)p**		**16.18p**

- Strong trading performance with new operating model driving improved profitability
  - 2021 like-for-like[6] revenues up 20% year-on-year, returning to pre-pandemic 2019 levels
  - Capital-light Services revenue 24% ahead of 2020 on a like-for-like[6] basis,
  - EBITDA and EBITA materially ahead of 2020 with EBITA margin almost twice prior year; reflective of operating model effectiveness and continued strong price control
  - Technology-led, low-cost operating model underpinning improved Group returns with ROCE[4] increasing to 22.1%, up 11.4pp compared to 2020

- Materially stronger balance sheet with leverage on a non-IFRS16 basis reduced 1.8x to 0.8x
  - Net debt[7] reduced to £45.4m (2020: £120.4m)
  - Sales of Laois completed for net proceeds of £10.0m and All Seasons Hire for £54.3m
  - Refinancing completed, reducing the ongoing annual interest charge to around £3m[8] (2020: £16.3m)

- Technology-led low capital intensity operating model continues to drive accelerated growth
  - c.60% of transactions now processed through HSS Pro, our new digital platform, enabling improved enquiry conversion as customers value the enhanced experience
  - Restructured organisation into two divisions, already delivering improved performance
    - HSS ProService – focused on customer acquisition, sales enquiry conversion and leveraging digital assets; and
    - HSS Operations – focused on customer fulfilment and service
  - Low-cost builders merchant network expanded to 55 locations (December 2020: 24), now representing 16% of customer orders in England & Wales. 44% like-for-like[9] revenue growth

- Continued technology investment, including enhancements to HSS.com, with online revenue 128% above pre-pandemic levels and representing 23% of transactions in 2021

- Targeting net zero carbon emissions[10] by 2040, building on good progress in 2021
  - Detailed plan to deliver targets developed in partnership with specialist consultants
  - Focus on leveraging technology platforms to help customers and suppliers reduce their carbon footprint
  - By reducing our branch network and switching to renewable electricity, Group energy carbon emissions are now 97% lower than 2016

- Current trading and outlook
  - Revenue has grown 13% in Q1 2022 with EBITDA and EBITA in line with management expectations
  - Management expect full year EBITA to be in line with market expectations
  - Capex investment in 2022 is expected to increase to £35-£40m to support the accelerated delivery of our technology roadmap
  - Limited exposure to supply chain disruption which is being caused by the tragic conflict in Ukraine. Cost inflation being successfully offset through selling price increases.
  - Strategy is delivering; we are well positioned for accelerated growth and targeting:
    - Services revenue growth of 10pp above the market
    - Rental revenue growth in line with the market

Steve Ashmore, Chief Executive Officer, said:

"2021 was a year of significant progress for HSS with successful implementation of a number of transformational strategic projects. Trading returned to pre-pandemic levels, our EBITA margin almost doubled, and we delivered strong operating profit while significantly strengthening our balance sheet. This performance is testament to the effectiveness of our new, technology-led, capital light, low-cost operating model which provides us with the agility and flexibility to adapt and respond to changing market conditions.

In 2022 our focus will be to further invest in and enhance our digital capabilities, and we have a clear technology roadmap ahead of us which will be largely implemented by the end of the year. This technology provides an unparalleled, easy-to-use service, further differentiating us in the market and will be a key enabler of our continued profitable growth. Supporting this growth is our new structure based around two complementary divisions: HSS ProService and HSS Operations. By simplifying the business with one division wholly focused on sales and the other on service, we have further improved our efficiency and effectiveness.

We have started 2022 well, carrying over the momentum achieved in 2021. We will continue to build on this and position ourselves as the most technologically advanced company with the most comprehensive customer offering in the sector."

Notes

1) Results for 2021 and 2020 are on a continuing operations and IFRS16 basis (excluding Laois Hire Limited and All Seasons Hire Limited sold in April 2021 and September 2021 respectively)
2) 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
3) Adjusted EBITA defined as Adjusted EBITDA less depreciation
4) ROCE is calculated as Adjusted EBITA for the 53 weeks to 1 January 2022 divided by the average of total assets less current liabilities (excluding intangible assets, cash and debt items) over the same period
5) Net debt leverage is calculated as closing net debt divided by adjusted EBITDA for the 53 weeks to 1 January 2022 (prior year 52 weeks to 26 December 2020)
6) Like-for-like excludes impact of additional week's trading in 2021
7) Non-IFRS16 basis
8) Based on current SONIA rate and £70m senior finance facility
9) Merchant locations open for comparable periods in both 2021 and 2020
10) Scopes 1,2 and 3

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 and its extensive supply chain of rehire partners. It offers a one-stop shop for all equipment through a combination of its complementary Rental and Services businesses 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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CHAIRMAN'S STATEMENT

Dear shareholder,

2021 was a significant year for HSS, marking the completion of the strategy we first set out in 2017: to Delever the Group, Transform the Tool Hire business and Strengthen our commercial proposition.

Today, the Group is unrecognisable from the HSS of five years ago and we have established ourselves as a digital leader in the hire market. The progress is testament to the resilience of our colleagues who have provided customers with exceptional service during an immensely challenging period for both the business and society at large. We begin 2022 with the technology, organisational structure and resources that will support us as we begin a new chapter of exciting growth for HSS, focused on delivering our vision: **to be the market-leading, digitally-led brand for equipment services.**

Summary
Following the significant acceleration of our digital strategy in 2020, we entered 2021 with strong momentum and performance quickly returned to pre-COVID-19 levels, delivered through our lower cost operating model.

We continued to invest in technology, rolling out HSS Pro and on-boarding colleagues to improve the customer journey while expanding our builders merchant network to enhance our reach with little capital investment.

The strategic divestitures of Laois Hire Services and All Seasons Hire represented good value for shareholders while our ongoing commercial relationships with both companies, entered into as part of these transactions, ensure we continue to offer a one-stop shop for our customers.

We used the cash generated to further reduce the Group's debt. With a strengthened balance sheet and net debt leverage at approximately 0.8x (non-IFRS 16, 2020 2.6x), our refinancing was successfully completed leading to a significant reduction in ongoing interest cost and increase in earnings per share.

In 'Delevering the business', we completed the last stage of the strategy set out in 2017 and now occupy a differentiated position within the market as a digitally-enabled, capital-light business, supported by a strong balance sheet. We are now well-positioned for the future as we begin a new chapter of exciting growth built around our unique business model.

Our vision
As we embark on our next stage of growth, we have a clear vision underpinning our strategy: to become the market-leading, digitally-led brand for equipment services. Through the investments and digital developments we have made over the last four years, combined with our new organisational structure, we have the foundations in place on which to realise this vision.

Our Board and management team
Our Board members act as custodians of the HSS brand and we benefit from a stable and experienced Board with no Director having served for fewer than four years. This stability has been a crucial asset, both during the uncertainty of the pandemic and also in steering the business through a significant transformation. The Board has provided essential support to senior management at key moments where important strategic decisions have been made as well as helping shape the Company's approach to risk during this period of change.

The Board continues to engage with all stakeholders to ensure HSS operates with transparency, integrity and in the interests of our colleagues and partners while leading the Company into the next phase of growth as we deliver on our vision.

Our people
At the heart of HSS are our colleagues and, against the backdrop of the COVID-19 pandemic, they have worked tirelessly to support our stakeholders. Our success as a business is wholly a product of this hard work and, on behalf of the Board, I would like to express my sincere thanks to all our colleagues for their unfaltering commitment.

Thankfully the pandemic appears to be receding, however it has had a significant impact on society and ways of working. Given this, it is more important than ever to maintain regular communication with colleagues to ensure we are aware of their views and concerns and provide them with a fulfilling and engaging place to work. This communication was vital in our decision-making process as we adapted our working policies, moving to a new head office designed for hybrid working and rolling out our HSS Pro technology to support their day-to-day work. Our colleagues are now able to adapt their working patterns with greater flexibility while continuing to provide a seamless service for our customers.

2021 also saw us implement significant strategic and structural change across the business and it was vital that colleagues were kept abreast of these developments, had their questions answered, and their views addressed. Accordingly, during the year, we provided regular updates through company-wide emails, FAQs and our annual management roadshow, supplemented by more informal company updates through our CEO's blog.

'Make It Together' is one of our four core values as a business but we can only live up to this value if we maintain our position as a diverse and inclusive employer. Engaging with our colleagues is central to this and feedback from the Women's Networking Group provided management with new methods of attracting women into a historically male-dominated industry while our employee engagement surveys helped us establish the topics for our monthly wellbeing events. We are incredibly pleased with the progress that has been made over the year and have now laid the groundwork for a large-scale refresh of our diversity training and outreach programmes.

Environment, Social and Governance
At HSS, we strive to operate in a responsible and sustainable way. We are cognisant, however, that we can always do better and, accordingly, in 2021 we began a comprehensive review of our ESG strategy.

Throughout 2021 health and safety has remained paramount to our business including an increased focus on mental health and wellbeing. To support our colleagues, we have implemented a variety of measures, see the ESG section for more information, while continuing to support our customers, our communities and the environment in which we operate.

In Q4 we appointed an external consultant, Sustainable Advantage, to conduct a comprehensive analysis of our ESG credentials and identify improvement opportunities. They benchmarked us as “excellent” during their review of 62 ESG-related categories. They have also supported us with a materiality assessment and net zero analysis, which has led us to accelerate our ESG strategy with a new set of objectives and commitments which are outlined in our Sustainability section.

Our investors
Over the year, the Group has benefited from continued support from our long-term shareholders while engagement with new and potential investors has ensured our vision and operating model are well-understood.

Having made excellent progress in delivering our 2017 strategy, we now want to build on this success and accelerate growth through further investment in our digital capabilities to create longer-term shareholder value. Accordingly, the Board believes that the interests of shareholders are best served by not declaring a dividend for 2021, a position that will be kept under review as we progress through 2022.

Looking ahead
Following the changes made last year, I am pleased to say that we are entering 2022 with the technology, structure, resources and – most importantly – the colleagues, to deliver on our next phase of accelerated growth. I would like to thank my fellow Board members for their continual support and, reiterating my earlier sentiment, express my immense gratitude to our colleagues for all that they have done over the last year in driving our transformation and continued success as a business. We are confident that 2022 will see HSS continue to grow by leveraging our differentiated position within the tool hire market.

Alan Peterson OBE
Chairman

CHIEF EXECUTIVE OFFICER'S STRATEGIC REVIEW

I am very pleased with our performance in 2021 and would like to thank all my colleagues for their exceptional efforts and performance over the last year.

Despite the ongoing headwinds of the pandemic, our agile, digitally-enabled, lower-carbon network ensured we were able to support our customers and deliver a strong set of results during a challenging period for the global economy. We ended 2021 with underlying (adjusted to account for an extra week in 2021) revenue up 20% against prior year and back in line with pre-pandemic 2019 levels. EBITDA and EBITA both stepped forward against 2020 by £10.2m and £18.3m respectively with the improved revenue performance fulfilled through our lower-cost operating model.

2021 also marked the successful completion of the strategy we set out in 2017: to Delever the Group, Transform the Tool Hire business, and Strengthen our commercial proposition.

We enter 2022 with a new organisational structure, a strong balance sheet and a differentiated business model that we believe positions us as the most agile and technologically advanced operator in the equipment hire industry. Our market-leading digital capabilities continue to develop at pace and allow us to provide a comprehensive and efficient service to our customers. With these foundations firmly in place, we are entering a new stage of growth, ready to capitalise on the market opportunities present in the sector.

Our year in summary

Following the significant acceleration of our strategy in 2020, we started 2021 well and EBITDA and EBITA margins in the first quarter were comfortably ahead of both 2019 and 2020 levels. This was despite the impact of a third COVID-19 lockdown across all territories starting in January, with our click-and-collect service and digital capabilities ensuring trading remained strong.

Early in the year, we moved our shares from the Main Market to AIM to benefit from its greater flexibility following the significant strategy acceleration we made in 2020. This was widely supported by existing shareholders and we have since seen increased interest from potential new investors.

By April, HSS Pro had been rolled out across our entire salesforce, improving our efficiency and decision-making processes. As a result, OneCall enquiries grew, conversion rates increased, and we saw a material improvement in like-for-like Services revenue.

In April, we announced the decision to sell Laois Hire Services Limited to Briggs Equipment Ireland Limited for €11.2 million. With Laois contributing 4% of the Group's revenue in 2019, €11.2m was an attractive valuation and, with our new operating model performing well, we determined that the capital could be more effectively used in other parts of the business. The proceeds of the sale were used to increase investment in our core Tool Hire business and reduce debt, supporting two of our 2017 objectives: to Delever the Group and Transform the Tool Hire business. As part of the transaction, we entered into a commercial agreement with Briggs for the cross-hire of equipment, ensuring that we continue to provide our Irish customers with their large plant requirements.

By the half-year, revenue was back in line with 2019 levels. Profitability had stepped forward with EBITDA up 3ppts and EBITA up 6ppts versus FY19 and ROCE at a record 24%.

In September we announced the sale of our heating, ventilation and air conditioning hire provider – All Seasons Hire (ASH) – to Cross Rental Services for £55m. As with Laois, this was an attractive valuation and, by striking a commercial agreement with the company, we continue to provide our customers with access to ASH's equipment and services. This transaction reduced our leverage to around 0.8x – a significant decrease from the 2.6x leverage (both measures on a non-IFRS 16 basis) we started the year with, and the proceeds were used to repay debt, marking the completion of the strategy we began in 2017.

With our 2017 strategy delivered, in the latter half of 2021 we launched a new business model in preparation for our next stage of growth, creating a more focused, more efficient organisation consisting of two distinct divisions – HSS ProService and HSS Operations – which work together to provide our customers with what we believe is the most comprehensive offering in the sector.

Capitalising on our new structure, materially stronger balance sheet, and growth potential, in November we engaged with our lenders whose confidence in our operating model and financial position enabled us to successfully refinance the business, significantly reducing our annual interest costs (on our senior finance facility) from £16.3m in 2020 to approximately £3.0m per annum (based on our £70m facility), improving earnings per share and free cash flow.

Towards the end of what was already a year of significant change, we also started to review our sustainability approach, appointing an external agency, Sustainable Advantage, to conduct a comprehensive review of our current ESG credentials, identify areas of strength and weakness, and help us establish a new set of commitments and targets which are outlined later in this report.

With a new business model, stronger balance sheet, and one of the most advanced digital offerings in the marketplace, we ended 2021 well. We have continued to build on this and started 2022 strongly with first quarter revenue growth of 13% compared to 2021 and we are well-positioned to build on this as we continue our exciting new phase of growth.

Our strategy

The hire market in the UK is significant – estimated to be £5-6bn in size – but it is fragmented, consisting of a small number of large providers and over 1,000 smaller, independent businesses, most of which operate from single sites.

The market is also digitally immature, and many companies are still in their technological infancy. As a result of the work we have done over the last four years, accelerated in 2020 through increased investment in technology, we benefit from a highly differentiated position within the marketplace which we believe creates an exciting prospect for investors as well as our customers.

For customers, our differentiated offering is focused on employing our technology to provide a superior service to that of our peers, building brand loyalty and increasing our market share. Through our website, our customer app, HSS Pro, our ProService platform and

Brenda – the technology on which our digital capabilities are built – we offer our customers a one-stop shop for a full range of building services. We believe our technology provides the quickest, most efficient, most reliable and most comprehensive offering in the sector.

For suppliers, we offer volume and access to the end user. In our ProService division, our rehire suppliers can put their rental equipment on hire with our broad portfolio of customers. We consolidate that demand for them, lowering their customer acquisition and administration costs. Our technology provides them with the insight they require to enhance their returns on investment.

For investors, our differentiated operating model benefits from an extremely flexible cost base and strong margin and ROCE performance. Our technology also means we are highly scalable without the need for large capital investment. By transitioning from a capital-heavy operating model with a large branch network to an agile, digitally-enabled, capital-light model, we fulfil our customers' requirements while delivering superior returns for shareholders (see Investment case in the Annual Report for more information).

This differentiation is key to our success and, as we enter our new chapter of growth, our strategy will focus on leveraging our technology to build on this and position ourselves as the most comprehensive, accessible and reliable service provider in the equipment hire sector, retaining existing client relationships while building new ones to drive revenue growth.

Our new operating model
At the heart of our strategy is our operating model which underwent significant change in 2020 and 2021, making us a far more efficient and profitable business. Our two divisions – HSS ProService and HSS Operations – work together to provide customers and suppliers with the equipment and services they need to complete projects.

HSS ProService:
HSS ProService is our customer-facing sales acquisition division, offering customers a one-stop shop for Hire, Equipment Sales, Accessories, Parts, Fuel, Waste Management, Training, Materials and other building services.

Built on Brenda, the technology platform on which all our digital applications will sit, HSS ProService can source – either from our own fleet or through our extensive supplier network – the equipment our customers need the moment a request is made. By acting as a supply aggregator, we can optimise our owned fleet investment decisions towards higher returning products, while providing our customers with one of the broadest and deepest product offerings in the sector. Similarly, our technology allows us to connect our suppliers with an extensive customer base, consolidating supply and demand and capitalising on converging customer and supplier requirements.

Our Brenda technology ecosystem has been designed to provide tailored interfaces to meet the needs of different users – large customers, SMEs, suppliers and colleagues – but each with a consistent goal: to be quick and easy-to-use and to provide access to our complete range of products and services.

Supported by the Brenda platform, HSS ProService allows us to operate a market-leading, technologically-enabled acquisition model at low cost, positioning us as an aggregator, differentiating us from our peers and replacing a legacy manual process with an advanced, automated digital system to improve the accuracy and speed of conversion, driving customer loyalty and enquiry volumes.

HSS Operations:
HSS Operations leverages our well established, national distribution and engineering network to deliver upon the relationships we build and the enquiries we generate through our HSS ProService team.

Focused on customer service, utilisation and fulfilment rates, HSS Operations makes sure our customers get the equipment they need when and where they need it in the quickest, most efficient, way possible. Operations acts as the largest single fulfilment solution for ProService requirements, choosing to fulfil enquiries where it is well placed from both a customer service and operational efficiency perspective.

At the heart of HSS Operations is 'Spanner', our asset management tool that automates the entire fulfilment process, ensuring that all products are safe and in good working order for our customers. As a 'circular economy' business, HSS Operations is inherently sustainable and Spanner is the foundation of this, prolonging the life-cycle of our equipment by ensuring that our fleet is managed efficiently. In addition, when a piece of equipment is returned, it is routinely tested and maintained to ensure that its life-cycle is extended and our ROCE is maximised. Finally, when equipment does reach the end of its life-cycle, it is recycled or disposed of in a manner that minimises environmental impact. When buying new fleet, our procurement process carefully considers the sustainability credentials of products and this is key to our decision-making process.

Alongside Spanner, we introduced Satalia Delivery – a tried and tested third party routing and scheduling system – to our CDCs in late 2021 to optimise the efficiency of our deliveries. Using technology, and integrating seamlessly with our customer and driver apps, Satalia Delivery examines all our orders to determine the most effective way they can be fulfilled, outlining which drivers should deliver which tools to each customer and by which route. This improves our service by increasing the number of orders we can fulfil in a day and provides our customers with more accurate timeframes as to when they can expect their deliveries. Importantly, it also reduces the time our vans spend on the road, lowering fuel costs, reducing carbon emissions and improving our sustainability as a business.

Working in unison, our Operations platforms ensure our customers are provided with a seamless service, our colleagues have easy-to-use systems to support their day-to-day work.

Our technology roadmap
Beyond the initial focus areas (see below) we will continue to build our digital capabilities by accelerating our investment in customer and supplier acquisition, utilising the data we collect from our digital applications to better understand consumer behaviour and improve fulfilment choices.

We will also leverage our technology to enter new verticals in the building services sector, expanding our customer offering and capitalising on converging customer and supplier needs.

Increasing automation underpins our growth plan, with our digital platforms ensuring transactions are seamless and accurate, reducing manual intervention and improving both customer and supplier adoption.

In short, by utilising our technology and providing our customers with the easiest, quickest and most accurate service in the marketplace, we will continue to differentiate our offering and become the 'go to' building services provider, growing our business, our customer base and our market share.

Acting responsibly and sustainably
Health and Safety is our priority and, via the monthly Health and Safety forums which I chair, I can see that our teams consistently strive to keep themselves, their colleagues and our customers safe at all times. We continue to make progress reporting near misses and safety observations, and our colleagues have really embraced the first of our four values: Make It Safe.

While we strive to act as a sustainable business (see our sustainability report), our appointment of Sustainable Advantage to conduct a review of our policies was in recognition of the fact that there is always room for improvement.

At the end of the year, Sustainable Advantage provided us with a comprehensive review and suggestions for development of our ESG credentials. We are currently in the process of developing a new approach and set of commitments and targets which are detailed later in this report.

Our market
Following a period of uncertainty created by COVID-19 and the associated reductions in demand and supply-side challenges, we saw our market recover well. While the Group has no direct customer exposure, recent tragic events in Ukraine have resulted in cost inflation and supply chain disruptions. Our exposure to supply chain disruption had already been mitigated through early ordering of our current year's hire fleet requirements in the latter part of 2021 as well our Services business supply chain of 600+ partners ensuring that we can continue to provide national availability. We are offsetting cost pressure through targeted selling price increases. We will continue to monitor the situation closely.

Outlook
To summarise, the business is in great shape and, with a high performing team, leading technology, differentiated organisational structure and strong balance sheet, we have all the elements in place to begin a new chapter of sustainable growth.

We have started this already and in the first quarter of 2022 revenue is 13% ahead of prior year.

We continue to benefit from a differentiated position in an attractive marketplace and as such, continuing historic performance trends, we are targeting growth in our Services business segment of 10ppts above the market and our Rental business segment in line with the market.

Steve Ashmore
Chief Executive Officer

TECHNOLOGY ROADMAP - FOCUS AREAS

With technology at the heart of our strategy and business model and a key enabler to our growth, we have a clear technology roadmap that will ensure we retain and build on our already differentiated position, provide our customers, suppliers and colleagues with a seamless, efficient and easy-to use service, and grow market share.

The initial focus areas for our investment will be:

1. Continuing to develop the ProService platform for larger customers, improving its features such as auto-approval and revised order flow, customer push notifications and purchase order validation capabilities.
2. Moving our hss.com website from Spanner to the Brenda technology platform to provide our small customers with the same benefits our large customers receive through the ProService platform, giving them a quicker, easier-to-use system with increased visibility of product availability.
3. Improving our supplier portal and the on-boarding of suppliers to ensure they capitalise on the full benefits of the system. These include the ability to quickly and easily respond to enquiries, manage the equipment they have out on hire and optimise their own utilisation by adjusting their catchment area and pricing. Not only does this benefit our suppliers by improving their efficiency but it also benefits our customers, enhancing availability and response times.
4. Continuing the roll-out of our Satalia Delivery routing and scheduling software to our CDCs to improve efficiency and reduce the carbon impact of deliveries and collections.

FINANCIAL REVIEW

STRONGER BALANCE SHEET, WELL-POSITIONED FOR GROWTH

Financial highlights[1]

	£m	2021	2020	Variance
Revenue	Rental	**191.2**	160.6	19.0%
	Services	**112.1**	89.4	25.4%
	Group	**303.3**	250.1	21.3%
Contribution[2]	Rental	**132.6**	116.8	13.5%
	Services	**16.2**	10.7	51.5%
	Group	**148.8**	127.5	16.7%
Adjusted EBITDA[3]		**69.8**	59.6	17.2%
Adjusted EBITA[3]		**31.7**	13.4	18.3
Operating Profit/(Loss)[3]		**34.5**	(4.7)	39.2

1 Results are for Continuing operations.
2 Contribution is defined as revenue less cost of sales (excluding depreciation and exceptional items), distribution costs and directly attributable costs (for each segment).
3 These measures are not reported on a segmental basis because branch and selling costs, central costs and exceptional items (non-finance) are allocated centrally rather than to each reportable segment.

Overview

FY21 has been an excellent year for the Group, delivering improved performance across all key financial measures and successfully completing the strategy set out in 2017. This is testament to the hard work and commitment demonstrated every day by each and every colleague, especially given it was delivered against the backdrop of the pandemic.

Our revenue, which is back to pre-pandemic levels, was underpinned by continued technology development, including the re-platforming of the business onto our HSS Pro system, and efficient hire fleet investment, leveraging insight from our various tools. This performance was also positive affirmation of the operational changes made at the end of 2020 where we moved to a lower variable cost and scalable model with our regional builders merchant partners. These changes have delivered improved EBITA margin.

Pleasingly, the balance sheet was materially strengthened with the proceeds from the strategic business sales of Laois and All Seasons Hire used to repay the Group's debt and enable an early refinancing at materially lower interest costs. An important part of these divestitures was the ongoing commercial agreement through our technology-led, capital-light business, offering our customers continued access to the broadest range of products. We are delighted with the performance to date under these agreements. To ensure comparability all commentary in this report is on a continuing operations basis.

The combination of these actions resulted in the Group delivering a significant increase in both adjusted EBITDA and EBITA alongside a material reduction in net debt leverage to 1.5x (2020: 2.8x); the lowest level in the Group's history.

With our technology platforms in place and supported by a flexible, low-cost, scalable operating model and strong balance sheet, we are well-positioned for the next phase of growth.

Revenue

Group revenue grew by 21.3% to £303.3m (FY20: £250.1m) and recovered back to pre-pandemic levels through effective strategy execution. This is against a backdrop of COVID-19, including the impact of stricter lockdowns in some territories in the early part of 2021.

Group revenue growth is one of our KPIs as, combined with estimates of market size and growth rates, it provides us with a measure of our market share.

Segmental performance

Rental and related revenues

Our Rental revenues recovered throughout 2021 as we rolled out HSS Pro, expanded the builders merchant network to 55, increased hire fleet investment where customer demand and returns were strong and COVID-19 restrictions were gradually eased. Revenues grew 19.0% to £191.2m (FY20: £160.6m) and accounted for 63% of Revenue (FY20: 64.2%). Rental and related revenues is one of our KPIs.

Contribution, defined as revenue less cost of sales (excluding depreciation and exceptional items), distribution costs and directly attributable costs, of £132.6m (FY20: £116.8m) was up 13.5%. Prior year benefited from £2.0m of COVID-19 support.

Services

Services revenues increased by 25.4% to £112.1m (FY20: £89.4m), accounting for 37% (FY20: 35.7%) of Group revenues. Customers continue to value the one-stop-shop that our Services division provides and our technology platforms, supported by a large network of supply chain partners, are making every transaction even easier and therefore enabled exceptional growth in the financial year.

Contribution from Services increased 51.5% to £16.2m (FY20: £10.7m) as our scalable operating model more efficiently connected customers and suppliers through technology.

Costs

Our cost analysis set out below is on a reported basis and therefore includes exceptional costs, the most significant of which are associated with the successful surrender of branches closed in October 2020 (see note 4).

Our cost of sales increased by 17.1% to £146.3m (2020: £124.9m) reflecting increased sales through our Services division.

Distribution costs reduced to £21.9m (2020: £25.3m) with reduced operating costs following the Group's operating network changes in the latter part of 2020.

Administrative expenses were reduced by £12.2m, of which £7.9m relates to the release of provisions and lease liability held following the successful surrender of the branches closed in October 2020 – refer to the exceptional items section of this review for more detail.

Adjusted EBITDA and Adjusted EBITA
Our Adjusted EBITDA for 2021 was 17% higher at £69.8m (2020: £59.6m) driven by improved revenue through our lower-cost operating model. Adjusted EBITDA margin reduced 0.8pp to 23.0% (2020: 23.8%) with the mix of the business moving more towards our Services segment. Adjusted EBITDA and EBITDA margin are included in our KPIs.

Our Adjusted EBITA increased £18.3m to £31.7m (2020: £13.4m), a combination of improved EBITDA and reduced depreciation on property (Right of Use assets, dilapidations and leasehold enhancements) following the Group's network changes in 2020. This also reflects the impact of careful fleet management to match demand at the height of the pandemic. Adjusted EBITA margin increased 5.1pp to 10.4% (2020: 5.3%). Adjusted EBITA and EBITA margin are included in our KPIs.

Other operating income
Total other operating income was £1.7m, principally due to insurance proceeds following a successful claim under our business interruption policy. This compares to £11.2m in 2020; mainly the result of Government grant income via participation in the UK and Irish Governments' furlough programmes (£9.2m), rate relief grants (£0.6m) and insurance proceeds (£1.2m).

Operating profit
Our operating profit increased by £39.2m to £34.5m (2020: operating loss £4.7m).

Exceptional items
Exceptional costs, excluding profit on disposal of discontinued operations, totalled £1.9m.

Following the successful surrender of properties post the network restructure in October 2020, lease liabilities, onerous property costs and dilapidation provisions related to these locations have been released resulting in an exceptional credit of £7.9m.

This has been offset by costs expensed refinancing the Group (£9.7m) comprising accelerated amortisation of original debt issue costs, and prepayment penalties incurred on the early settlement of the previous senior finance facility.

Restructuring costs of £0.6m were incurred as the Group legally restructures to reflect the two core divisions of ProService (sales acquisition) and HSS Operations (fulfilment) that were introduced at the time of our H1 2021 results. This project will complete later in 2022.

Profit on disposal of discontinued operations
We completed two strategic divestitures in 2021 realising a profit on disposal of £41.2m. Laois Hire Services was sold in April 2021 (profit: £3.2m) and All Seasons Hire in September 2021 (profit; £38.0m). The cash generated was used to further reduce the Group's debt.

Finance costs
Net finance expense increased to £28.5m (2020: £25.0m). The charge for the year included £9.7m of exceptional costs associated with the early repayment of the Group's senior finance facility as part of the successful refinancing completed in November 2021. The new debt facility is lower in quantum and at significantly reduced interest rates. As such ongoing finance expenses will be materially reduced.

Taxation
The Group had a tax credit for the year of £1.2m (2020: tax charge £42k), with a deferred tax credit offsetting tax paid in the year.

Reported and adjusted earnings per share
Our basic and diluted earnings per share, both on a reported and adjusted basis, stepped forward in 2021 from the loss per share in 2020, driven by the improved performance of the business. The successful refinancing of the Group will result in a materially reduced ongoing annual interest charge which will enhance EPS in the future.

Capital expenditure
Additions to Intangible assets, Property, plant and equipment and Right of Use hire equipment in the year were £34.2m (2020: £24.6m). Investment in technology to support the strategic growth of the business totalled £4.3m, up 30% on 2020. Investment in hire fleet to support our Rental business was £27.1m (2020: £19.0m) with decisions informed from our insight tools to maximise returns.

Return on capital employed
Our ROCE for 2021 was 22.1%, an increase of 11.4pp over 2020. The strong EBITA growth, including from our capital-light Services business, underpinned this performance. ROCE is one of our KPIs.

Trade and other receivables
Gross trade debtors increased 11% over 2020 as revenue recovered throughout the financial year. A strong focus on cash collections is core to the business and forms part of colleagues' objectives. Despite this focus on collections, macroeconomic uncertainty remains and as such we continue to provide at levels above the historic loss rate. The situation will be kept under review moving forward.

Provisions
Provisions reduced £9.8m to £23.8m (2020: £33.7m). The vast majority of this reduction relates to the release of onerous property cost and dilapidations provisions associated with properties surrendered during the year. The balance relates to the ongoing annual utilisation of the onerous contract provision associated with Unipart, created in 2017.

Cash generated from operations
Cash generated from operating activities was £71.6m for FY21, an increase of £15.6m compared to FY20. Materially increased profitability supported by continued focus on working capital management contributed to this improved performance.

Leverage and net debt

Net debt non-IFRS 16 (stated gross of issue costs) decreased by £75.0m to £45.4m (2020: £120.4m) reflecting the strategic divestitures during the year and continued trading performance. On a reported basis net debt is £104.6m (2020: £194.6m). As at 1 January 2022 the Group had access to £78.1m (2020: £118.3m) of combined liquidity from available cash and undrawn borrowing facilities. With the significantly improved Adjusted EBITDA and lower net debt, leverage reduced to 1.5x (2020: 2.8x). Leverage or Net Debt Ratio is one of our KPIs.

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 profit before tax, adjusted earnings per share, leverage (or Net Debt Ratio) and ROCE, which, with the exception of adjusted profit before tax, are included in our KPIs.

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, finance costs, tax charges and non-cash accounting elements such as depreciation and amortisation. This metric was used in 2021 to calculate annual bonuses payable to Executive Directors.

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.

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 2019 LTIP awards.

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. A reconciliation of reported loss per share to adjusted earnings per share is provided in note 33 to the Financial Statements.

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 was also used in the calculation of annual bonuses payable to Executive Directors in 2021.

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 2019 LTIP awards.

Paul Quested
Chief Financial Officer

PRINCIPAL RISKS AND UNCERTAINTIES

MANAGING **RISK AND UNCERTAINTY**

Effective risk management underpins everything we do at HSS and is embedded within our culture as a business. We employ a comprehensive risk management process to identify, assess and mitigate risks to ensure we deliver on our strategic objectives.

Ownership
The Board has overall responsibility for the business strategy and managing the risk associated with its delivery, setting the risk appetite, tolerance and culture to achieve goals. The Audit Committee plays a key supporting role through monitoring the effectiveness of risk management and the control environment, reviewing and requesting deep dives on emerging risk areas and through directing and reviewing independent assurance.

The Group's Executive Management Team (EMT) has overall responsibility for day-to-day risk management. Mark Shirley, HSS's Risk and Assurance Director, maintains the Group's Risk Register which is reviewed in detail by the EMT on a quarterly basis with changes to the risk landscape, assessment and mitigating actions agreed.

Identification and assessment
Risks are identified through a variety of sources, both internal and external, to ensure that developing risk themes are considered. This process is focused on those risks which, if they occurred, would have a material financial or reputational impact on the Group.

Management identifies the controls in place for each risk and assesses the impact and likelihood of the risk occurring, taking into account the effect of these controls, with the result being the residual risk. This assessment is compared with the Group's risk appetite to determine whether further mitigating actions are required.

All risks have an overall EMT owner responsible for the day-to-day management. Health and safety is a key area in our industry and as such it requires collective ownership to continually improve. There is an established Health and Safety Forum which is made up of the EMT, Operational MDs and the Risk and Assurance Director, that meets bi-monthly (and more frequently if required, e.g. during COVID-19) to review trends, incidents and issues such as COVID-19.

Monitoring
The Risk and Assurance Director reports to the EMT and the senior management team on a monthly basis to review the findings of risk-based assurance activity. Risk-based assurance work is then reported to the Audit Committee on a quarterly basis for review.

How we manage risk
We adopt a 'Three Line of Defence' model for managing risk, providing the Board and the EMT with assurance that risk is appropriately managed. This is achieved by dividing responsibilities as follows:

- The first line of defence – functions that own and manage risk.
- The second line of defence – functions that oversee or specialise in risk management, compliance such as Health, Safety Environment and Quality (HSEQ).
- The third line of defence – functions that provide independent assurance, in the HSS case primarily Internal Audit (IA).

Culture and values
The Board is cognisant that risk management processes alone are not enough to mitigate risk, and behaviour is a critical element in risk management. The wellbeing of our colleagues, the drive and skill set they bring and the training and environment we provide are key to our success. These are underpinned in the HSS values which are vital in us achieving our strategy as well as mitigating the risks associated with it:

COVID-19
In 2021 the Group effectively implemented strategy and delivered strong performance, all against the continued backdrop of the COVID-19 pandemic. Keeping our colleagues and customers safe remained paramount throughout the year with measures taken in 2020 maintained including flexible working for colleagues, COVID-19 safety procedures (which were subject to regular audit) above and beyond government guidelines and click-and-collect capability. We continue to monitor emerging variants and adapt policies and procedures to ensure supply is not disrupted and all stakeholders remain safe.

New risks in 2021
In 2021 we expanded our key risks from 9 to 11. We added 'Environment, Social and Governance' (ESG) recognising the importance of working with all our stakeholders to drive a sustainable end-to-end business with defined targets underpinned with clear deliverable plans. 'Safety' and 'Legal and Regulatory Requirements' were previously combined as one risk. We have now separated out Safety as a standalone risk, reflecting its importance to us and the effort and innovation that has gone into improving our performance, for example introducing incident reporting on mobile devices and increasing safety observations, with colleagues challenging each other to keep everyone safe.

Ukraine conflict
The conflict is increasing macroeconomic risk in 2022 and will be closely monitored for its effect on inflation, interest rates and demand.

Measures will be put in place to minimise exposure as risk evolves.

PRINCIPAL RISKS REVIEW

Key Risk	Description and Impact	How we mitigate	What we have done in 2021
1. Macro-economic conditions **Risk Movement: None** **Owner: Steve Ashmore (Chief Executive Officer)**	The Group's sales and profits, either volume or price, are adversely impacted by any decline in the macroeconomic environment. COVID-19 and the Ukraine conflict could have a material impact on inflation, effecting demand and therefore financial performance.	The Group focuses on the 'fit-out, maintain and operate' markets, which are less cyclical, less discretionary and have a large proportion of recurring spend. Ongoing monitoring and modelling of performance, which is reviewed regularly by the EMT.	Embedded our new lower and flexible cost operating model, which mitigates against any downturn in future demand. Trading via this model was in line with 2019. Strengthened the balance sheet by completing the strategic divestures of Laois Hire and All Seasons Hire, and successfully refinancing the Group's debt. Continued to consider via a reverse stress test model the impact of COVID-19 should there be further lockdowns, each time demonstrating significant liquidity and covenant headroom.
2. Competitor challenge **Risk Movement: None** **Owner: Steve Gaskell (Group Strategy Director)**	A highly competitive and fragmented industry, with the chance of increased competition could result in excess capacity therefore creating pricing pressure and adverse impacts on planned growth.	Differentiated technology platforms including fully integrated Customer App. National presence through Customer Distribution Centres (CDCs), branches and builders merchants. Through the Services business, the Group provides customers with access to a huge range of products and complementary services such as training courses.	Further investment and development in the Group's technology capability including re-platforming the business onto the HSS Pro system. Expansion of the builders merchant network to 55 branches, increasing local presence in key markets. Targeted investment in hire fleet based on demand and returns, utilising insight capability.
3. Strategy execution **Risk Movement: None** **Owner: Steve Gaskell (Group Strategy Director)**	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 strategic plan is in place. Clear governance structure, with defined accountabilities. Each strategic initiative is sponsored by an EMT member. Implementation of projects is monitored by the EMT including resource allocation. Regular updates, including initiative-specific deep dives, provided to the Board.	The 2017 strategic plan was completed following the Group's refinancing in November 2021. Delever the Group: leverage reduced from a high of 4.8x to 0.8x (non-IFRS 16) following the completion of strategic divestures. Transform the Tool Hire Business: the new digitally-led, lower-cost operating model has been implemented with performance back to pre-COVID-19 levels. Strengthen the Commercial Proposition: continued investment in technology platforms and fast delivery of improvements through agile development. This includes the re-platforming of the business onto HSS Pro, making it easier for colleagues and customers. A new strategic plan and targets are in development, and will be published during 2022.
4. Customer service **Risk Movement: None** **Owner: Tom Shorten (Chief Commercial Officer)**	The provision of the Group's expected service levels depends on its ability to efficiently transport the hire fleet across the network to ensure it is in the right place, at the right time and of the appropriate quality. Any disruption in supply can reduce revenue and drive	National reach and presence through CDCs, branches, builders merchants and online. Diverse range of rehire suppliers provides ongoing flexibility to ensure continuity of supply for customers. Clear business continuity plans to ensure continuity of supply. Extensive and continued training to ensure testing and repair quality standards are maintained.	Ongoing engagement with colleagues and customers, monitoring and acting on feedback as the technology develops, improving the customer experience at pace. Introduction of new routing and scheduling software for CDCs, improving operational efficiency and providing more accurate delivery windows for customers. Introduction of new engineering processes, including storing digital images

Key Risk	Description and Impact	How we mitigate	What we have done in 2021
	additional costs into the business.	Audits and reporting covering quality, contracts and complaints. Business accreditations are maintained, including ISO 9001 providing customers with confidence in the quality of the services provided.	to improve quality, and continual colleague development.
5. Third party reliance **Risk Movement: None** **Owner: Tom Shorten (Chief Commercial Officer)**	A significant amount of Group revenue is derived from the Services business which is dependent on the performance of third party service providers. Other third parties, such as builders merchants, are an increasingly important part of the operational model. 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 reputation.	Third party rehire suppliers are subject to rigorous on-boarding processes. Each supplier is subject to demanding service level agreements with performance monitored on an ongoing basis. The wide and diverse range of rehire suppliers provides flexibility to select those who meet required service levels. Extensive commercial and risk assessment process undertaken before and after entering into a relationship with a builders merchant or opening a new location.	Further expansion of the rehire supplier base in 2021, ensuring availability of equipment for customers and mitigating against risks caused by COVID-19 or broader supply chain issues. Strengthened relationships with builders merchant partners. There are currently 55 branches open through 17 partners.
6. IT infrastructure **Risk Movement: None** **Owner: Paul Quested (Chief Financial Officer)**	The Group requires an IT system that is appropriately resourced to support the business. An IT system malfunction may affect the ability to manage operations and distribute 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 transactions with customers and suppliers.	Third party specialists are used to assess the appropriateness of IT controls, including the risk of malicious or inadvertent security attacks. Firewalls, antivirus software, endpoint detection and clean up tools to protect against malicious attempts to penetrate the business IT environment and remove malware or similar agents. Procedures to update supplier security patches. Regular disaster recovery tests conducted and appropriate back-up servers to manage the risk of primary server failure. Cross-departmental Data Governance Team to ensure that business processes are, and continue to be, adequate.	Detailed third party review commissioned to review cyber security and develop Group's ongoing server upgrade strategy. Cyber security improvements implemented including the introduction of new software to reduce spear-phishing risk, refreshed testing protocols and colleague awareness and training programmes. Enhanced IT Risk assessment tool introduced. Ongoing resilience and penetration testing with prioritisation of any resultant actions through the Group's governance process.

Key Risk	Description and Impact	How we mitigate	What we have done in 2021
7. Financial **Risk Movement: Decreasing** **Owner: Paul Quested (Chief Financial Officer)**	To deliver its strategic goals the Group must have access to funding at a reasonable cost. Some customers may be unwilling or unable to fulfil the terms of their rental agreements. Bad debts and credit losses can arise due to service issues or fraud. Unauthorised, incorrect or fraudulent payments may lead to financial loss or delays which could affect relationships with suppliers and lead to a disruption in supply.	Working capital management with cash collection targets (which roll up into our net debt KPI). Extensive credit checking for account customers with strict credit control over a diversified customer base. Credit insurance in place to minimise exposure to larger customer default risk. Investigation team focused on minimising Group's exposure to fraud. Clearly defined authorisation matrix governing payments and amendments.	Strategic divestures of Laois Hire and All Seasons Hire materially reduced the Group's net debt and leverage. This improved balance sheet position enabled the Group to refinance at a materially lower interest cost of c.£3.0m (FY20: £16.3m). Technology enhancements to the Group's dispute management modules improved the efficiency in ensuring invoices are paid when they fall due. The vast majority of dark store leases were surrendered during 2021. There are currently eight onerous locations with a liability over the next five years of £0.8m.
8. Inability to attract, train and retain personnel **Risk Movement: Increasing** **Owner: Max Morgan (Group HR Director)**	The Group needs to ensure the appropriate human 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 financial performance.	Market rates are regularly benchmarked to ensure competitive pay and benefits packages. Training for colleagues is provided at all levels to build capability and improve compliance. Training is role-related and behaviour focused, via blended learning. Colleague engagement surveys are conducted, with actions taken as a result of feedback.	Colleague wellbeing and mental health activity has been prioritised, especially with the backdrop of the pandemic and increased homeworking. A number of initiatives have been established to attract and retain certain critical skills, for example Earn as you Learn schemes. Recruitment programmes reintroduced working with the Prison Service and social enterprises (e.g. ex-military personnel).
9. Legal and regulatory requirements **Risk Movement: None** **Owner: Daniel Joll (General Counsel)**	Failure to comply with laws or regulation, leading to material misstatement and potential legal, financial and reputational liabilities for non-compliance.	Robust governance is maintained within the Group including a strong financial structure, assurance provision from internal and external audit, and employment of internal specialist expertise supported by suitably qualified and experienced external practitioners. Training and awareness programmes, focusing on anti-bribery, anti-modern slavery, anti-facilitation of tax evasion and data protection legislation. Whistleblowing process in place providing colleagues with the ability to raise non-compliance issues.	Ongoing review of relevant compliance requirements including development of anti-competition e-learning training programmes and its roll-out to all sales colleagues. Refresher training completed by colleagues on anti-bribery, modern slavery, tax evasion and data protection.
10. Safety **Risk Movement: New** **Owner: (Previously included within Safety, legal and regulatory requirements)** **Owner: Steve Ashmore (Chief Executive)**	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.	Clear Health and Safety policy with ongoing risk management and monitoring of accidents and incidents. Health and Safety leadership forum chaired by the CEO and comprising senior managers with responsibility for setting direction and monitoring progress. Fully skilled HSEQ team and an internal Group investigation team providing assurance and support.	A range of COVID-19 measures were in operation throughout 2021. These were continually risk-reviewed and flexed in line with changes to the business and government advice, including in response to the Omicron variant. Risk assessments were undertaken for all colleagues with an element of home working, to check on physical and mental wellbeing. A new mobile technology enabled Incident Reporting Portal has been established to improve on the already high level of safety

Key Risk	Description and Impact	How we mitigate	What we have done in 2021
		Mandatory training programmes for higher risk for activities. The Group is ISO 45001 Health and Safety accredited.	observations – these have a key role in reducing accidents. Creation of a Senior HSEQ role to enhance accident investigation and resulting insight. Increased focus on awareness communication across the Group.
11. Environmental, Social and Governance (ESG) **Risk Movement: New** **Owner: Steve Gaskell (Group Strategy Director)**	If the Group fails to set and meet appropriate ESG goals, there may be an adverse reputational impact with stakeholders and limit ability to trade with customers. This could result in revenue reduction, deterring people from joining the business and limit attractiveness to investors.	The Group has a comprehensive set of procedures in place to minimise adverse environmental impact including procurement of electricity from renewable sources, third party monitoring of utility consumption and waste management. Procedures are in place to manage Social and Governance risks, many of which are covered in key risks 8, 9 and 10. The Group is ISO 140001 Environmental Management accredited.	Energy carbon emissions reduced 91% compared to 2020 and are now 97% lower than 2016. While the Group has continually improved performance year on year, we recognise the need to set scientifically based environmental targets to become net zero. External consultants were engaged from the start of Q4 FY21 to support the Group set targets and develop milestones within a coherent delivery plan. This will be governed by a senior ESG Forum led by the CEO.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

ACCELERATING OUR SUSTAINABILITY STRATEGY

CEO introduction

At HSS we have a strong desire to operate responsibly and sustainably, and with the best interests of our stakeholders and the planet in mind.

In recent years we have continued to make significant progress with ESG across several areas, including colleague engagement and welfare, health and safety and year on year reductions in energy carbon emissions. In 2021 we decided to take stock of our progress, engaging with a specialist sustainability consultant to review our ESG credentials and help us create an ESG strategy for our business.

In Q4 2021 we appointed Sustainable Advantage to carry out a comprehensive assessment of our ESG activity and provide recommendations of where we could improve. As part of this work Sustainable Advantage have recently conducted a materiality assessment on our behalf to understand our stakeholders' requirements. They have also completed a thorough analysis of our carbon footprint, including scope 3, and have advised us on how to reduce gross emissions further. The conclusion of this work is an ESG strategy, incorporating new objectives including a net zero target.

As we embark on an exciting new phase of growth, I am also looking forward to seeing the positive impact our new ESG strategy will have on all our stakeholders and ultimately the contribution we make to the global challenge of climate change.

Steve Ashmore
CEO

Our people

The guiding principles of how our colleagues operate are set by our **corporate values**, all of which are underpinned by an ethos of sustainability:

MAKE IT SAFE

- Safety comes first, always!
- Think safe, work safe, home safe.

MAKE IT HAPPEN

- No job is too big or too small, we do what it takes to get things done.
- We do our best for our customers and our business.

MAKE IT BETTER

- We're excited about what's next.
- We're focused on making things better, brighter and fit for our future.

MAKE IT TOGETHER

- We're like a family and we've all got each other's backs.
- We celebrate success, work well as a team, and have fun along the way.

In 2021 we continued our commitment to supporting, engaging and protecting our colleagues, and made advances in many areas including health and safety, wellbeing, personal development and colleague engagement.

COVID-19

Throughout 2021, our priority was to "Make It Safe" for our colleagues during the ongoing COVID-19 pandemic. We continued to operate the COVID-19 protocols introduced in 2020 which are outlined in our HSS COVID-19 colleague handbook.

We made our new hybrid-working model permanent in 2021, giving colleagues flexibility to work from home. This also enabled us to relocate our head office in Manchester to a smaller site with improved facilities for colleagues. Our new head office facilitates collaboration between colleagues whether at home or in the office, via a combination of physical meeting spaces and technology that connects colleagues in different locations.

In Q1 2021 we rolled out our HSS Pro technology platform to our sales colleagues, giving them the flexibility to work remotely whilst also improving our efficiency in serving our customers.

To support our colleagues working from home, remote working packages were provided containing practical advice and support. We also carry out regular workplace assessments to ensure our colleagues are properly supported.

Against the backdrop of the pandemic, communication was also key in ensuring our colleagues across the business remained up to date with changes to our policies as government guidelines around self-isolation continued to develop. Regular communication through bulletins, emails, WhatsApp groups, our annual colleague roadshow, working from home welfare calls, and our CEO blog helped support this while also ensuring our colleagues felt part of one cohesive business and not isolated. It was important, however, that conversation was two-way, with management engaging with colleagues to ask them their opinions and ensure that the Board remained cognisant of colleague concerns so they could be addressed.

Health and safety

As well as protecting our colleagues from COVID-19, keeping our colleagues safe and well in their day-to-day work remains fundamental to our success as a business. It is why 'Make It Safe' is the first of our values. We have seen continued low levels of RIDDOR accidents with just 5 in 2021. While this is a significant improvement on pre-COVID-19 levels, we regard any accident as one too many. Accordingly, we implemented additional health and safety initiatives in 2021 including an increased focus on safety observations and new training materials such as safety videos and safety flipbooks for our drivers.

We also held a dedicated 'Health and Safety Month' in December which focused on a different health and safety topic each week. We continued to hold CEO-led health and safety forums to maintain a collaborative approach and ensure colleagues from all levels of the business give suggestions on how to improve our company-wide health and safety procedures.

To complement our internal initiatives, we launched a number of external health and safety projects including undertaking an International Powered Access Federation (IPAF) review, the result of which saw us receive an IPAF Rental+ silver safety award for the first time.

Responsibility for our colleagues extends beyond accidents, with employee wellbeing equally important to our "Make It Safe" value. Our wellbeing agenda is based around three core pillars – financial wellbeing, physical wellbeing and mental health – and each month, an expert in their field hosts a webinar to provide colleagues with useful information to support their wellbeing. For example, in January, we had an expert nutritionist host a bespoke session for our colleagues focused on nutrition and healthy living. The topics for discussion are informed by our monthly Employee Assistance Programme (EAP) reports, our forums and our other engagement activities. For example, following feedback from the Women's Networking Group, in 2022 we will be increasing focus on menopause and fertility, providing additional support in these areas as well as re-thinking our family- friendly policies.

Our health and safety initiatives are supported by our learning and development programme (see 'colleague development' section, below) with qualified first-aider and responder mental health training delivered in collaboration with St John's Ambulance.

Colleague development

To support our 'Make It Happen' and 'Make It Better' values, colleague development is a central element of our activity. It ensures our colleagues can provide customers with unrivalled service and provides our colleagues with an engaging and fulfilling place to work. Our Learning and Development (L&D) team utilises a variety of tools to support this. Along with specific training modules for certain subjects such as health and safety and diversity, we offer a range of structured training programmes to foster talent, engage colleagues and build careers. We have also adapted many training courses taking on a blended in-person and virtual approach.

Our apprenticeship programme gives current and future colleagues the opportunity to take the next step in their career, whether that be through our early career development partnership with Reaseheath College, or our advanced in-role schemes which offer technical and managerial development in a range of areas, from customer services to IT to coaching. In addition, we provide ongoing Continued Development Programmes to address the changing world of business, such as more effective management in the age of permanent hybrid working. We are also currently trialling an 'Earn As You Learn' scheme with our drivers to encourage upskilling and hope to roll the scheme out in our engineering community with a view to expanding further beyond that.

At the heart of our Learning & Development programmes is our e-learning platform, LearningLab, and our dedicated HSS L&D intranet page, which offer colleagues a wealth of resources and information to support their development, allowing them to learn remotely at a time that is suitable for them.

The success of our learning and development programme is dependent on colleague engagement – therefore, we always collect anonymous feedback following each session and conduct pulse surveys at the conclusion of each course.

Our annual engagement survey acts as a consistent signpost to inform our policies. Last year we saw the opportunity to improve 'My Manager' scores and following a series of development initiatives for managers in 2021, we have been pleased to see a significant improvement in scores in this area in our latest engagement survey.

Colleague engagement

A key indicator of colleague wellbeing in the workplace is our annual engagement survey. Our latest survey carried out in February 2022 showed further improvement in colleague engagement, which has now risen four times in a row since our first survey in FY16. Our latest score of 76.1% is up on 75.0% from the prior year and is significantly higher than the national average of 61%. The score is a good reflection of our workforce with over 80% of colleagues answering the survey once again.

One area that saw a significant increase, up 4ppts, was 'My Manager', which is very pleasing to see following the focus we put on training and developing our managers in 2021.

Diversity and inclusion

Our approach to diversity and inclusion is led by our commitment to open dialogue with our colleagues. We believe that there is always progress to be made in this area and we therefore encourage engagement at all levels of the business to make HSS a more inclusive company.

This engagement has involved a number of initiatives that are pushing the Company forward and enhancing the colleague experience. For example the Women's Networking Group, which brings together women at all levels of seniority to discuss their experiences and how they believe HSS can improve its approach to diversity and attracting women to a traditionally male dominated industry. We maintain a constant thread of diversity and inclusion throughout all training programmes, from induction to apprenticeships. Our 2021 median pay gap was -6.9% (2020 -1.01%).

Our colleague engagement has laid the groundwork for the future, helping us update our Diversity, Equity and Inclusion (DE&I) learning programmes.

Our communities

In line with our values, we are committed to giving back to the communities we work in. We are a corporate partner of the Lighthouse Club (an organisation which provides mental, financial, and medical support for construction industry workers and their families) and in 2021 we raised funds through several charity events and initiatives.

Our relationship with the charities we support is reciprocal and extends beyond simply raising money. We regularly engage with the Lighthouse Club and men's mental health charity, Andy's Man Club, both of which have hosted webinars to support our colleagues as part of our wellbeing agenda.

At a local level, we're proud to say our colleagues regularly support local community initiatives in their area: for example, our Onsite team collaborated with Sir Robert McAlpine to support a local food bank, with the wider business supporting the cause through raising donations.

The environment

Approach

As a circular economy business, tool hire is inherently sustainable, ensuring that a single piece of equipment is reused multiple times by multiple clients during its life-cycle. We help our customers reduce their carbon footprint through hire, but we are very conscious that there is much more we can do, not just with our customers but with our suppliers too. It was with this in mind that we engaged Sustainable Advantage to work with us towards the end of 2021 to help us accelerate our ESG strategy, and this project has led to a new set of objectives which are outlined later. Progress has been made in 2021 across several key areas:

Responsible waste management

We have made good progress in disposing of our waste in a responsible manner, thanks to our continuous relationship with Biffa. In 2021, Biffa disposed of 985.3 tonnes of waste for us (2020 - 937.5 tonnes), diverting 88% from landfill. Our hazardous waste disposal partner, Slicker, ensured that items like waste oils are recovered, reused or converted into electricity in accordance with their zero landfill policy. Across HSS, 27,900 litres of waste oil was collected. We have also achieved 57% Waste to Energy, 1% Reuse, 2% Processed Fuel Oil and 30% Recycling.

Energy and emissions

Through our partnership with Maloney Associates, we maintain a robust approach to monitoring our energy and emissions and, in 2021, building energy carbon emissions reduced 91% compared to 2020 and are now 97% lower than in 2016. We have moved to 100% sourced renewable electricity at all our sites in England, Wales and Scotland and are targeting to do the same in Ireland this coming year.

As part of the Streamlined Energy and Carbon Reporting (SECR) framework, the total UK energy use for HSS totals 48,325,397 kWh for the period 1 January to 31 December 2021 (2020 - 49,167,771 kWh). This includes our built environment, transport, and process fuel energy. Total emissions expressed as a percentage of revenue is a Group KPI. We utilise the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard to fulfil the reporting requirements around energy and emissions. This includes DEFRA conversion factors to calculate Greenhouse Gas (GHG) emission disclosures. The extent of the GHG reporting boundary comprises of all building, transport and process emissions within the three reporting scopes.

We continue to reduce the carbon footprint of our company car fleet with 24% of our fleet now electrified in some way, and that number set to increase significantly as we replace older models next year. All our commercial vehicles are now a minimum of Euro 6 standard and we have reduced idling through a driver education program and the adoption of anti-idling technology in new vehicles. All commercial vehicles are also fitted with telematics which were updated in 2021 to provide additional information on driver behaviours and fuel consumption. Looking forward, we have recently launched a trial of Hydrotreated Vegetable Oil (HVO) as a fuel for a small number of vehicles and we are exploring a range of larger electric delivery vehicles, including trucks. Our Electric Vehicle (EV) loan scheme, by which colleagues can try out an EV for a limited period before deciding on their permanent company vehicle, has proven popular and we expect to see greater take-up next year as many drivers near the end of their current leases. To support this, we have introduced charging points at our head office and will increase the number of these this year across our CDCs.

Our new route optimisation system, Satalia, which we rolled out at the end of 2021, is expected to reduce our mileage per job and we look forward to seeing the associated reduction in carbon as this technology embeds in 2022.

Our future plans

Our future plans for sustainability have been informed by the ongoing project carried out in partnership with Sustainable Advantage which has involved five stages:

1. ESG Benchmarking Review
2. Materiality Assessment
3. Net Zero Analysis
4. Objective Setting
5. ESG Impact Report

Benchmarking Review

Sustainable Advantage carried out a comprehensive benchmarking review in Q4 2021 involving 62 areas that cover Environment, Social, Governance and ESG Integration.

Our overall score put us in their top category of 'Excellent' which accounts for the top 10% of companies they have benchmarked.

Following their review they made a series of recommendations in many areas, which we have since made commitments against. In January 2022 we set up an ESG committee to ensure that we meet these commitments and improve our scores across all areas.

Materiality Assessment
Stage 2 of this ESG project has been to carry out a materiality assessment to gauge the ESG requirements of our colleagues, customers, suppliers, our Board and our biggest shareholders. This materiality assessment was concluded in March 2022 and has informed our new set of ESG objectives. The results of these surveys will continue to inform our ESG priorities and activity throughout 2022.

Net Zero Analysis
We decided to carry out a comprehensive independent analysis of our Scope 1, 2 and 3 carbon emissions across the HSS Group. Following the conclusion of this work, we have clear and realistic goals for reducing our gross emissions over the coming years which has culminated in the net zero pledge outlined in our ESG Objectives.

ESG Impact Report
Following the comprehensive work in stages 1-3 we will publish our first ever ESG Impact Report in Q2 2022. This will showcase the progress we have made and set out our plan going forward. The report will also confirm our objectives for 2025 and beyond.

ESG objectives
The culmination of these five areas of activity now means we have a very clear ESG plan and well defined objectives.

Our key objectives include:

1. Net Zero pledge by 2040
2. Submit science-based targets in 2022
3. 40% of company cars and vans electric by 2025
4. 10% of commercial fleet (HGVs) electric or other low-carbon technology by 2025
5. 16% of fuel through ABird and Apex generators is HVO (or other low-carbon fuel) by 2025
6. 6% of orders for large generators are fulfilled by low-carbon products (e.g. hybrid machines) by 2025
7. 100% of electricity is sourced from renewable providers
8. Achieve 95% zero waste to landfill by 2025
9. Achieve ISO 50001: 2018 accreditation for Energy Management
10. All products in our fleet to have 'Eco' classification and credentials, and 20% of capex is spent on 'Eco' products by 2025
11. Targeting a zero RIDDOR environment by 2025
12. Adoption of the following UN Sustainable Development Goals by the end of 2022:
    - SDG3: Good Health and Wellbeing
    - SDG7: Affordable and Clean Energy
    - SDG8: Decent Work & Economic Growth
    - SDG9: Industry, Innovation and Infrastructure
    - SDG12: Responsible Consumption & Production
    - SDG13: Climate Action
13. Adoption of the TCFD reporting framework by Q1 2023

In addition, we have various ESG activities in 2022, including the creation of an ESG policy, a community investment policy, a gap analysis against the Government's Social Value model, creation of a CEO-led ESG forum (akin to our successful H&S forum), new carbon reporting for customers, enhanced ESG integration with suppliers and improved DE&I reporting.

In summary, we have a clear ESG plan, a defined set of objectives and a management framework that ensures we will accelerate the progress we have made in all areas of sustainability.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 1 JANUARY 2022

	Note	**Year ended 1 January 2022 £000s**	Year ended 26 December 2020 Restated[1] £000s
Revenue	2	**303,269**	250,063
Cost of sales		**(146,271)**	(124,881)
Gross profit		**156,998**	125,182
Distribution costs		**(21,915)**	(25,312)
Administrative expenses		**(100,435)**	(112,606)
Impairment losses on trade receivables and contract assets[2]	11	**(1,835)**	(3,085)
Other operating income	3	**1,708**	11,150
Adjusted EBITDA	2	**69,777**	59,560
Less: Depreciation		**(38,120)**	(46,193)
Adjusted EBITA		**31,657**	13,367
Less: Exceptional items (non-finance)	4	**8,039**	(13,016)
Less: Amortisation	8	**(5,175)**	(5,022)
Operating profit/(loss)		**34,521**	(4,671)
Finance expense	5	**(28,455)**	(24,968)
Adjusted profit/(loss) before tax		**13,147**	(11,228)
Less: Exceptional items (non-finance)	4	**8,039**	(13,016)
Less: Exceptional items (finance)	4	**(9,945)**	(373)
Less: Amortisation	8	**(5,175)**	(5,022)
Profit/(loss) before tax		**6,066**	(29,639)
Income tax credit/(charge)	6	**1,239**	(42)
Profit/(loss) from continuing operations		**7,305**	(29,681)
Profit on disposal of discontinued operations	4, 17	**41,242**	–
Profit from discontinued operations, net of tax[1]	17	**5,179**	6,100
Profit/(loss) for the financial period		**53,726**	(23,581)
Earnings/(loss) per share (pence)			
Continuing operations			
Basic earnings/(loss) per share	7	**1.05**	(15.13)
Diluted earnings/(loss) per share	7	**1.02**	(15.13)
Adjusted basic earnings/(loss) per share[3]	7	**1.52**	(4.64)
Adjusted diluted earnings/(loss) per share[3]	7	**1.49**	(4.64)
Continuing and discontinued operations			
Basic earnings/(loss) per share	7	**7.71**	(12.02)
Diluted earnings/(loss) per share	7	**7.52**	(12.02)
Adjusted basic earnings/(loss) per share[3]	7	**2.15**	(2.03)
Adjusted diluted earnings/(loss) per share[3]	7	**2.11**	(2.03)

1 As required by IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, the income statement and related notes for the prior year have been restated to separately present the results of discontinued operations.
2 Impairment losses on trade receivables and contract assets, as determined in accordance with IFRS 9 Financial Instruments, previously included in administration expenses have been shown separately.
3 Adjusted earnings/(loss) 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 1 JANUARY 2022

	Year ended 1 January 2022 £000s	Year ended 26 December 2020 £000s
Profit/(loss) for the financial period	**53,726**	(23,581)
Items that may be reclassified to profit or loss:		
Foreign currency translation differences arising on consolidation of foreign operations	**(720)**	617
Foreign currency reserve disposal as part of business divestiture (note 17)	**(49)**	–
Gains arising on cash flow hedges	**–**	306
Other comprehensive (loss)/gain for the period, net of tax	**(769)**	923
Total comprehensive profit/(loss) for the period	**52,957**	(22,658)
Attributable to owners of the Company	**52,957**	(22,658)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 1 JANUARY 2022

	Note	**Year ended 1 January 2022 £000s**	Year ended 26 December 2020 Restated[1] £000s
ASSETS			
Non-current assets			
Intangible assets	8	**147,648**	158,498
Property, plant and equipment			
Hire equipment[1]	9	**44,332**	50,429
Non-hire assets	9	**15,605**	17,946
Right of use assets			
Hire equipment[1]	10	**20,651**	20,576
Non-hire assets	10	**55,329**	62,912
Deferred tax asset		**2,404**	–
		285,969	310,361
Current assets			
Inventories		**2,682**	3,183
Trade and other receivables	11	**78,680**	75,880
Cash and cash equivalents		**42,269**	97,573
		123,631	176,636
Total assets		**409,600**	486,997
LIABILITIES			
Current liabilities			
Trade and other payables	12	**(78,704)**	(61,821)
Lease liabilities	13	**(19,310)**	(23,395)
Borrowings	14	**–**	(15,000)
Provisions	15	**(4,713)**	(7,448)
Current tax liabilities		**(293)**	(1)
		(103,020)	(107,665)
Non-current liabilities			
Lease liabilities	13	**(57,255)**	(66,177)
Borrowings	14	**(68,166)**	(179,099)
Provisions	15	**(19,110)**	(26,206)
Deferred tax liabilities		**(148)**	(260)
		(144,679)	(271,742)
Total liabilities		**(247,699)**	(379,407)
Net assets		**161,901**	107,590
EQUITY			
Share capital	16	**7,050**	6,965
Share premium	16	**45,552**	45,580
Warrant reserves		**–**	2,694
Merger reserve		**97,780**	97,780
Foreign exchange translation reserve		**(754)**	15
Retained earnings/(deficit)		**12,273**	(45,444)
Total equity		**161,901**	107,590

1 Leased assets transferred to right-of-use assets on adoption of IFRS16 were overstated in the prior year due to the inclusion of expired leases. These have been re-presented as owned assets. The net book value of the assets as at 26 December 2020 was £6.4m - there is no impact to total non-current assets.

The Financial Statements were approved and authorised for issue by the Board of Directors on 27 April 2022 and were signed on its behalf by:

P Quested
Director

27 April 2022

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 1 JANUARY 2022

	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	–	–	–	–	–	–	53,726	53,726
Foreign currency translation differences arising on consolidation of foreign operations	–	–	–	–	(720)	–	–	(720)
Foreign currency reserve disposal as part of business divestiture (note 17)	–	–	–	–	(49)	–	–	(49)
Total comprehensive (loss)/profit for the period	**–**	**–**	**–**	**–**	**(769)**	**–**	**53,726**	**52,957**
Transactions with owners recorded directly in equity								
Warrants exercised	85	–	(2,694)	–	–	–	2,694	85
2020 Share issue cost	–	(28)	–	–	–	–	–	(28)
Share-based payment charge	–	–	–	–	–	–	1,374	1,374
Share-based payment transfer to reserves	–	–	–	–	–	–	(77)	(77)
At 1 January 2022	**7,050**	**45,552**	**–**	**97,780**	**(754)**	**–**	**12,273**	**161,901**

	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 29 December 2019	1,702	–	2,694	97,780	(602)	(306)	(22,316)	78,952
Loss for the period	–	–	–	–	–	–	(23,581)	(23,581)
Foreign currency translation differences arising on consolidation of foreign operations	–	–	–	–	617	–	–	617
Hedging of financial instruments	–	–	–	–	–	306	–	306
Total comprehensive profit/(loss) for the period	–	–	–	–	617	306	(23,581)	(22,658)
Transactions with owners recorded directly in equity								
Share issue	5,263	45,580	–	–	–	–	–	50,843
Share-based payment charge	–	–	–	–	–	–	453	453
At 26 December 2020	6,965	45,580	2,694	97,780	15	–	(45,444)	107,590

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 1 JANUARY 2022

	Note	**Year ended 1 January 2022 £000s**	Year ended 26 December 2020 £000s
Profit/(loss) after income tax		**53,726**	(23,581)
Adjustments for:			
– Tax	6	**(1,156)**	15
– Profit on disposal of discontinued operations	17	**(41,242)**	–
– Amortisation		**5,310**	5,197
– Depreciation		**36,128**	44,709
– Accelerated depreciation relating to hire stock customer losses and hire stock write-offs		**3,761**	4,727
– Impairment of property, plant and equipment and right of use assets		**497**	11,557
– Disposal of sub-lease		**–**	59
– Loss on disposal of property, plant and equipment and right of use assets		**2**	2,110
– Lease disposals	13	**(6,222)**	(4,012)
– Capital element of receipts from net investment in sublease		**311**	356
– Rent concessions	13	**–**	(996)
– Share-based payment charge		**1,374**	453
– Foreign exchange (gains)/loss on operating activities		**(506)**	535
– Finance expense	5	**28,527**	25,065
Changes in working capital (excluding the effects of disposals and exchange differences on consolidation):			
– Inventories		**252**	552
– Trade and other receivables	11	**(6,999)**	9,845
– Trade and other payables	12	**23,671**	(1,780)
– Provisions	15	**(8,401)**	(5,181)
Net cash flows from operating activities before purchase of hire equipment		**89,033**	69,630
Purchase of hire equipment	9	**(17,468)**	(13,673)
Cash generated from operating activities		**71,565**	55,957
Interest paid		**(26,628)**	(22,052)
Income tax (paid)/received		**(779)**	552
Net cash generated from operating activities		**44,158**	34,457
Cash flows from investing activities			
Proceeds from disposal of business, net of cash disposed of	17	**62,813**	–
Proceeds from disposal of assets as part of business divestiture	17	**526**	–
Purchases of non-hire property, plant, equipment and software	8, 9	**(6,651)**	(5,814)
Net cash generated from/(used by) investing activities		**56,688**	(5,814)
Cash flows from financing activities			
(Costs associated with)/proceeds from capital raise (net of share issue costs paid)		**(1,471)**	52,335
Proceeds from borrowings (third parties)	14	**70,000**	17,200
Facility arrangement fees	14	**(1,946)**	–
Repayment of borrowings	14	**(199,182)**	–
Capital element of lease liability payments	13	**(23,551)**	(23,263)
Net cash (paid)/received from financing activities		**(156,150)**	46,272
Net (decrease)/increase in cash		**(55,304)**	74,915
Cash at the start of the year		**97,573**	22,658
Cash at the end of the year – continuing operations		**42,269**	94,978
Cash at the end of the year – discontinued operations		**–**	2,595
Cash at the end of the year		**42,269**	97,573

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 1 JANUARY 2022

1. Basis of preparation

The Group's financial information has been prepared in accordance with International Financial Reporting Standards as adopted by the UK (IFRS) and on a basis consistent with those policies set out in our audited financial statements for the year ended 1 January 2022 (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 26 December 2020. The financial statements were approved by the Board on 27 April 2022.

The financial information for the year ended 1 January 2022 and the year ended 26 December 2020 does not constitute the company's statutory accounts for those years. Statutory accounts for the year ended 26 December 2020 have been delivered to the Registrar of Companies. The statutory accounts for the year ended 1 January 2022 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 1 January 2022 and 26 December 2020 were unqualified and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006, nor did they draw attention to any matters by way of emphasis.

The Annual Report and Accounts for the year ended 1 January 2022 will be posted to shareholders in early May 2022.

Going concern

At 1 January 2022, the Group's financing arrangements consisted of a fully drawn term loan of £70m, an undrawn revolving credit and overdraft facility (RCF) of £23.2m and finance lines to fund hire fleet capital expenditure, of which £12.6m had not been utilised. Both the term loan and RCF are subject to net debt leverage and interest cover covenant tests each quarter. At the financial year-end the Group had significant headroom against these covenants. Cash at 1 January 2022 was £42.3m.

The Directors have prepared a going concern assessment up to 29 April 2023, which confirms that the Group is capable of continuing to operate within its existing facilities and can meet its covenant tests during that period. The key assumptions on which the projections are based include an assessment of the impact of future market conditions on projected revenues and the capital investment required to support that level of revenue.

The Group's base case for the 12 months to 29 April 2023 assumes a continued recovery of revenue during 2022. The Board has considered various downside scenarios including a 'reasonable worst-case' driven by lower than forecast market growth rates, the loss of a major customer contract, increased inflationary pressures and an increase in debtor days. In addition, it assumes that continued strategic investment in technology does not deliver the expected uplift in revenue. This reasonable worst-case scenario has been modelled without mitigating actions and, despite this, the Group is forecast to maintain headroom against its working capital requirements and financial covenants within the assessment period.

Whilst the Directors consider that there is a degree of subjectivity involved in their assumptions, taking into account the adequacy of the Group's debt facilities, its ability to deploy mitigating actions where appropriate and the principal risks and uncertainties and, after making appropriate enquiries, they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing its Consolidated Financial Statements.

2. 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 powered access and power generation 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 either not held within or available from HSS's 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.

During the year the Group recognised £0.2m in grant income from participation in the Republic of Ireland's job retention scheme which had been received in 2020 and deferred. In 2020, £9.1m was recognised as a result of participation in the UK COVID-19 Job Retention Scheme and a similar scheme operated in the Republic of Ireland. Income has been allocated to segments based on where the underlying costs were incurred. This resulted in £0.1m (2020: £2.7m) being allocated to Rental and related contribution, £nil (2020: £0.7m) to Services contribution, £0.1m (2020: £5.2m) to branch and selling costs, £nil (2020: £0.3m) to central costs, and £nil (2020: £0.2m) to exceptional items.

In 2020, £0.6m of grant income related to property rates was allocated to branch and selling costs – no such grant income was received in 2021.

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. No single customer represented more than 10% of Group revenue in the year (2020: one customer was more than 10%).

	Year ended 1 January 2022			
	Rental (and related revenue) £000s	**Services £000s**	**Central £000s**	**Total £000s**
Total revenue from external customers	**191,158**	**112,111**	**–**	**303,269**
Contribution	**132,583**	**16,209**	**–**	**148,792**
Branch and selling costs			**(49,229)**	**(49,229)**
Central costs			**(29,786)**	**(29,786)**
Adjusted EBITDA				**69,777**
Less: Exceptional items			**8,039**	**8,039**
Less: Depreciation and amortisation	**(22,350)**	**(826)**	**(20,119)**	**(43,295)**
Operating profit				**34,521**
Net finance expenses				**(28,455)**
Profit before tax from continuing operations				**6,066**
Income tax credit				**1,239**
Profit after tax from continuing operations				**7,305**
Profit on disposal of discontinued operations				**41,242**
Profit for the year from discontinued operations				**5,179**
Profit for the financial period				**53,726**

	Year ended 1 January 2022			
	Rental (and related revenue) £000s	**Services £000s**	**Central £000s**	**Total £000s**
Additions to non-current assets				
Property, plant and equipment	**18,558**	**16**	**2,750**	**21,324**
Right of use assets	**8,558**	**56**	**6,826**	**15,440**
Intangibles	**2,928**	**39**	**1,361**	**4,328**
Non-current assets net book value				
Property, plant and equipment	**44,332**	**129**	**15,476**	**59,937**
Right of use assets	**20,651**	**384**	**54,945**	**75,980**
Intangibles	**143,553**	**836**	**3,259**	**147,648**
Deferred tax assets			**2,404**	**2,404**
Current assets			**123,631**	**123,631**
Current liabilities			**(103,020)**	**(103,020)**
Non-current liabilities			**(144,679)**	**(144,679)**
				161,901

	Year ended 26 December 2020 Restated[1]			
	Rental (and related revenue) £000s	Services £000s	Central £000s	Total £000s
Total revenue from external customers from continuing operations	160,615	89,448	–	250,063
Contribution	116,812	10,737	–	127,549
Branch and selling costs			(46,202)	(46,202)
Central costs			(21,787)	(21,787)
Adjusted EBITDA				59,560
Less: Exceptional items			(13,016)	(13,016)
Less: Depreciation and amortisation	(25,134)	(600)	(25,481)	(51,215)
Operating loss				(4,671)
Net finance expenses				(24,968)
Loss before tax from continuing operations				(29,639)
Income tax charge				(42)
Profit for the year from discontinued operations				6,100
Loss after tax and discontinued operations				(23,581)

1 The notes supporting the income statement have been restated to disclose continuing operations

	Year ended 26 December 2020 Restated[2]			
	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	50,429	203	17,743	68,375
Right of use assets	20,576	212	62,700	83,488
Intangibles	153,804	1,246	3,448	158,498
Current assets			176,636	176,636
Current liabilities			(107,665)	(107,665)
Non-current liabilities			(271,742)	(271,742)
				107,590

2 Leased assets transferred to right-of-use assets on adoption of IFRS16 were overstated in the prior year due to the inclusion of expired leases. These have been re-presented as owned assets. The net book value of the assets as at 26 December 2020 was £6.4m - there is no impact to total non-current assets.

3. Other operating income

	Year ended 1 January 2022 £000s	Year ended 26 December 2020 Restated[1] £000s
COVID-19 Government grant income: job retention schemes	**232**	9,118
COVID-19 Government grant income: rates grants	**–**	595
Insurance proceeds (net of fees)	**1,203**	1,216
Sub-lease rental and service charge income	**273**	221
	1,708	11,150

During the year, the Group recognised £0.2m as a result of earlier participation in the Republic of Ireland's job retention scheme. The income was received during 2020 with recognition deferred pending confirmation of eligibility. In 2020, the Group received and recognised £9.1m of grant income from the UK COVID-19 Job Retention Scheme and a similar scheme in the Republic of Ireland; and COVID-19 rates grants of £0.6m. During the year the Group also received £1.2m (2020: £1.2m) from COVID-19 business interruption insurance claims. Sub-let rental income of £0.3m (2020: £0.2m) was received on vacant properties.

1 The notes supporting the income statement have been restated to disclose continuing operations.

4. Exceptional items

Items of income or expense have been shown as exceptional either because of their size or nature or because they are outside the normal course of business. As a result, during the year ended 1 January 2022 the Group has recognised exceptional items as follows:

	Included in administrative expenses £000s	**Included in other operating income £000s**	**Included in finance expense £000s**	**Year ended 1 January 2022 £000s**
Onerous property (credits)/costs	**(7,982)**	**(106)**	**223**	**(7,865)**
Costs expensed on refinancing	**–**	**–**	**9,730**	**9,730**
Costs relating to restructure	**556**	**–**	**–**	**556**
Onerous contract	**(257)**	**–**	**(8)**	**(265)**
Capital Raise and Aim listing	**(250)**	**–**	**–**	**(250)**
Exceptional items continuing operations	**(7,933)**	**(106)**	**9,945**	**1,906**
Profit arising on business divestiture – discontinued operations	**(41,242)**	**–**	**–**	**(41,242)**
Total	**(49,175)**	**(106)**	**9,945**	**(39,336)**

During the year ended 26 December 2020, the Group recognised exceptional costs analysed as follows:

	Included in cost of sales £000s	Included in distribution costs £000s	Included in administrative expenses £000s	Restated[1] Included in other operating income £000s	Included in finance expense £000s	Year ended 26 December 2020 £000s
Onerous property costs	–	–	7,010	(21)	373	7,362
Network restructure	305	25	4,422	(150)	–	4,602
Onerous contract	–	–	557	–	–	557
Capital Raise and AIM listing	–	–	868	–	–	868
	305	25	12,857	(171)	373	13,389

1 The notes supporting the income statement have been restated to disclose continuing operations.

Exceptional items incurred in 2021 and 2020

Costs related to onerous properties: branch and office closures

In October 2020 the Group announced a decision to permanently close 134 stores as part of an acceleration of strategy. Since that date the Group has been working to agree exits from these and pre-existing dark stores. An exceptional credit of **£7.9m** has been recognised in 2021 (2020 an exceptional charge of £7.4m) was recognised. This relates mainly to the release of lease liabilities, onerous property cost and dilapidations provisions on surrender of properties following the branch closures.

Right of use (ROU) assets valuing £9.5m were fully impaired following the decision to close stores in October 2020. As a result, any subsequent surrender of the associated leases results in a gain on the disposal of remaining lease liability. 66 of the leases related to October 2020 restructuring were disposed of in the year resulting in a gain of **£4.0m** (2020: 60 leases surrendered and net gain of £4.0m). Other dark stores exited in the year resulted in a gain of **£1.0m**. The lease liability associated with the last nine dark stores is £1.1m.

Two closed stores were subject to lease modifications (rent reviews) during 2021. This resulted in the addition of lease liabilities and corresponding ROU assets – which were immediately impaired - generating a charge of **£0.1m**.

In 2020, COVID-19 qualifying rent concessions of £0.3m were recognised as an exceptional credit because they related to stores that were non-trading and previously had been considered onerous.

An interest charge (discount unwind) of **£0.2m** (2020: £0.4m) on dark store liabilities was recognised through exceptional finance costs.

Onerous property cost provisions for rates and utilities associated with surrendered dark stores have been released resulting in a credit of **£3.0m** (figure is net of £1.1m in fees paid, mainly to the Group's restructuring adviser). In 2020, onerous property costs of £2.1m were recognised, including £0.4m in advisory fees.

As part of the surrender negotiations to exit dark stores dilapidations liabilities were agreed and a net credit of **£0.2m** was recognised. In 2020, dilapidations assets totalling £1.2m were impaired as a result of the decision to close branches, following which settlements were agreed for certain properties resulting in a release of liability of £1.2m. Reassessment of remaining non-trading store liabilities resulted in a further release of £0.3m in 2020.

The amounts remaining for onerous contract costs and dilapidations provisions on dark stores are £0.2m and £1.1m respectively (2020: £4.0m and £3.9m respectively).

Onerous contract

The Group maintains a provision to cover the expected outflows related to its onerous contract with Unipart for the NDEC operation which ceased in late 2017 (note 15). The liability at the balance sheet date is £13.5m (2020: £17.0m). The discount rate used to calculate the present value of the provision is the 5 year UK gilt rate of 0.81% (2020: -0.05%). Application of the new discount rate at the balance sheet date resulted in a credit to the income statement of £0.3m (2020: debit of £0.6m), recognised as exceptional in line with the original provision.

Capital raise and AIM listing
In 2020 the Group successfully completed a capital raise to strengthen its balance sheet and moved its listing to AIM in January 2021. An over-accrual of legal costs of £0.3m was released in 2021 (fees totalling £0.9m had been recognised in 2020). Costs that related specifically to the capital raise were deducted from the net proceeds and included in the share premium account.

Exceptional items incurred in 2021 only
Costs expensed on refinancing
In October 2021, following the sale of All Seasons Hire Limited (see business divestitures below and note 17) the Group repaid £50.0m of the senior finance facility in place at that time. The early repayment resulted in a prepayment penalty of £1.9m. In November 2021 the Group completed a refinancing exercise. A new senior finance facility of £70m was agreed at a significantly reduced interest rate. The early repayment of the previous facility resulted in a prepayment penalty of £4.5m. Repayments of the senior finance facility led to accelerated amortisation of debt issue costs of £3.3m.

Costs related to restructure
Following the changes made to its operating network in Q4 2020 and the roll-out of HSS Pro in Q1 2021, the Group has commenced an exercise to legally separate the HSS Operations and Pro Service divisions into distinct entities. Fees incurred relating to the restructure of £0.6m have been recognised as exceptional. The restructure is expected to complete in 2022 and to cost less than £2m in total.

Business divestiture
To enable the Group to strengthen its balance sheet and focus on its strategic priority to Transform the Tool Hire Business, the Group made two strategic divestments during the year:

Laois Hire Limited, the Irish large plant hire business was sold to Briggs Equipment Ireland Limited (Briggs) on 7 April 2021. Proceeds of the disposal, net of transaction costs, were £10.0m generating a profit on disposal of £3.2m.

All Seasons Hire Limited, a cooling and heating provider was sold to Cross Rental Services Limited with the transaction completing on 29 September 2021. Proceeds of the disposal, net of transaction costs, were £54.3m generating a profit on disposal of £38.0m.

As part of these transactions, the Group entered into commercial agreements to cross-hire equipment to ensure the broadest possible distribution of, and customer access to, each party's existing fleet.

Exceptional items incurred in 2020 only
Network restructure (excluding onerous property items)
As a result of the decision to close branches and operate a more flexible structure, the Group incurred significant other, non-property costs. 300 colleagues were placed at risk of redundancy with the majority leaving the business on completion of consultation. £1.6m was recognised in this regard. Property, plant and equipment with a net book value of £2.0m was impaired and a further £0.8m disposed of. Excess resale stock valued at £0.3m was written off.

5. Finance expense

	Year ended 1 January 2022 £000s	Year ended 26 December 2020 Restated[1] £000s
Senior finance facility	**12,653**	16,334
Senior finance facility prepayment penalties (note 4)	**6,430**	–
Debt issue costs	**1,896**	2,398
Lease liabilities	**3,950**	4,950
Interest unwind on discounted provisions	**15**	424
Revolving credit facility	**58**	382
Interest on financial instruments	**–**	320
Bank loans and overdrafts	**153**	160
Accelerated amortisation of debt issue costs (note 4)	**3,300**	–
	28,455	24,968

1 The notes supporting the income statement have been restated to disclose continuing operations.

6. Income tax charge

(a) Analysis of tax charge in the year

	Year ended 1 January 2022 £000s	Year ended 26 December 2020 Restated[1] £000s
Current tax charge/(credit)		
UK corporation tax on the result for the year	**1,151**	78
Adjustments in respect of prior years	**(80)**	17
Total current tax charge	**1,071**	95
Deferred tax (credit)/charge for the year		
Deferred tax credit for the year	**(2,319)**	(592)
Deferred tax impact of change in tax rate	**(117)**	13
Adjustments in respect of prior years	**126**	526
Total deferred tax credit	**(2,310)**	(53)
Income tax (credit)/charge	**(1,239)**	42

1 The notes supporting the income statement have been restated to disclose continuing operations.

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

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

	Year ended 1 January 2022 £000s	Year ended 26 December 2020 Restated[1] £000s
Profit/(loss) before tax from continuing operations	**6,066**	(29,639)
Profit/(loss) before tax multiplied by the effective standard rate of corporation tax of 19% (2020: 19%)	**1,153**	(5,631)
Effects of:		
Unprovided deferred tax movements on short-term temporary differences and capital allowance timing differences	**(2,958)**	3,003
Adjustments in respect of prior years	**46**	543
Expenses not deductible for tax purposes	**2,437**	858
Losses surrendered for no consideration	–	1,178
Foreign tax suffered	**200**	78
Recognition of prior year tax losses	**(2,000)**	–
Impact of change in tax rate	**(117)**	13
Income tax (credit)/charge	**(1,239)**	42

1 The notes supporting the income statement have been restated to disclose continuing operations.

The charge of £2.4m (2020: £0.9m) arising in respect of expenses not deductible is mainly attributable to costs associated with the Group exiting property leases and removing dormant entities from the Group structure. The credit of £2.0m (2020: £nil) arises from the recognition of a deferred tax asset in respect of prior period losses. Based upon forecasts, the Group considers the recognition criteria in IAS 12 have been met. In 2020, the adjustment in respect of prior years relates to an increase in deferred tax liability due to accelerated capital allowances in earlier periods.

(c) Factors that may affect future tax charge

The standard rate of UK corporation tax will increase to 25% from 1 April 2023. The increased rate has been used to calculate the above deferred tax disclosures except where it is known the temporary differences will unwind before the new rate applies, in which case the existing rate of 19% has been used.

The Group has an unrecognised deferred tax asset relating to temporary timing differences on plant and equipment, intangible assets and provisions of £15.2m (2020: £12.8m) and relating to trading losses of £17.9m (2020: £13.3m). These potential deferred tax assets have not been recognised on the basis that it is not sufficiently certain when taxable profits that can be utilised to absorb the reversal of the temporary differences will be made.

7. Earnings per share

Basic earnings/(loss) per share:

	Profit/(loss) after tax from total operations £000s	Profit/(loss) after tax from continuing operations £000s	Weighted average number of shares 000s	Earnings/ (loss) after tax from total operations per share pence	Earnings/ (loss) after tax from continuing operations per share pence
Year ended 1 January 2022	**53,726**	**7,305**	**696,821**	**7.71**	**1.05**
Year ended 26 December 2020	(23,581)	(29,681)	196,232	(12.02)	(15.13)

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 year.

Diluted earnings/(loss) per share:

	Profit/(loss) after tax from total operations £000s	Profit/(loss) after tax from continuing operations £000s	Diluted weighted average number of shares 000s	Earnings/ (loss) after tax from total operations per share pence	Earnings/ (loss) after tax from continuing operations per share pence
Year ended 1 January 2022	**53,726**	**7,305**	**714,816**	**7.52**	**1.02**
Year ended 26 December 2020	(23,581)	(29,681)	196,232	(12.02)	(15.13)

Diluted earnings/(loss) per share is calculated using the profit/(loss) for the year 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 for the purpose of diluted earnings per share (2020: anti-dilutive for the purpose of diluted basic loss per share).

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

	Year ended 1 January 2022 pence total operations	**Year ended 1 January 2022 pence continuing operations**	Year ended 26 December 2020 pence total operations	Year ended 26 December 2020 pence continuing operations
Basic earnings/(loss) per share	**7.71**	**1.05**	(12.02)	(15.13)
Add back:				
Exceptional items per share[1]	**(5.64)**	**0.27**	6.85	6.82
Amortisation per share[2]	**0.76**	**0.74**	2.65	2.56
Tax per share	**(0.17)**	**(0.18)**	0.01	0.02
Charge:				
Tax (credit)/charge at prevailing rate	**(0.51)**	**(0.36)**	0.48	1.09
Adjusted basic earnings/(loss) per share	**2.15**	**1.52**	(2.03)	(4.64)

1 Exceptional items per share is calculated as total exceptional items divided by the weighted average number of shares in issue through the year.
2 Amortisation per share is calculated as the amortisation charge divided by the weighted average number of shares in issue through the year.

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

	Year ended 1 January 2022 pence total operations	**Year ended 1 January 2022 pence continuing operations**	Year ended 26 December 2020 pence total operations	Year ended 26 December 2020 pence continuing operations
Diluted earnings/(loss) per share	**7.52**	**1.02**	(12.02)	(15.13)
Add back:				
Exceptional items per share[1]	**(5.50)**	**0.27**	6.85	6.82
Amortisation per share[2]	**0.74**	**0.72**	2.65	2.56
Tax per share	**(0.16)**	**(0.17)**	0.01	0.02
Charge:				
Tax (credit)/charge at prevailing rate	**(0.49)**	**(0.35)**	0.48	1.09
Adjusted diluted earnings/(loss)	**2.11**	**1.49**	(2.03)	(4.64)

1 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 year.

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

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

	Year ended 1 January 2022 Weighted average number of shares 000s	Year ended 26 December 2020 Weighted average number of shares 000s
Basic	**696,821**	196,232
LTIP share options	**8,296**	–
Restricted stock grants	**8,988**	–
CSOP options	**711**	–
Diluted	**714,816**	196,232

8. Intangible assets

	Goodwill £000s	Customer relationships £000s	Brands £000s	Software £000s	Total £000s
Cost					
At 27 December 2020	**124,877**	**26,744**	**23,222**	**27,580**	**202,423**
Additions	**–**	**–**	**–**	**4,328**	**4,328**
Disposals	**–**	**–**	**–**	**(52)**	**(52)**
Business disposal (note 17)	**(9,018)**	**(1,344)**	**(632)**	**–**	**(10,994)**
Foreign exchange differences	**(4)**	**–**	**–**	**–**	**(4)**
At 1 January 2022	**115,855**	**25,400**	**22,590**	**31,856**	**195,701**
Amortisation					
At 27 December 2020	**–**	**21,348**	**622**	**21,955**	**43,925**
Charge for the period	**–**	**2,675**	**84**	**2,551**	**5,310**
Disposals	**–**	**–**	**–**	**(52)**	**(52)**
Business disposal (note 17)	**–**	**(722)**	**(408)**	**–**	**(1,130)**
At 1 January 2022	**–**	**23,301**	**298**	**24,454**	**48,053**
Net book value					
At 1 January 2022	**115,855**	**2,099**	**22,292**	**7,402**	**147,648**

	Goodwill £000s	Customer relationships £000s	Brands £000s	Software £000s	Total £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 year	–	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

Analysis of goodwill, indefinite life brands, other brands and customer relationships by cash generating unit:

	Goodwill £000s	Indefinite life brands £000s	Other brands £000s	Customer relationships £000s	Total £000s
Allocated to					
HSS Core	**109,802**	**21,900**	**–**	**1,900**	**133,602**
Power generation	**6,053**	**–**	**392**	**199**	**6,644**
At 1 January 2022	**115,855**	**21,900**	**392**	**2,099**	**140,246**

	Goodwill £000s	Indefinite life brands £000s	Other brands £000s	Customer relationships £000s	Total £000s
Allocated to					
HSS Core	111,497	21,900	236	4,397	138,030
Climate control	7,327	–	273	708	8,308
Power generation	6,053	–	191	291	6,535
At 26 December 2020	124,877	21,900	700	5,396	152,873

The remaining life of intangible assets other than goodwill and indefinite life brands is between nil and 13 years (2020: nil and 14 years). For the purpose of calculating Adjusted EBITDA and Adjusted EBITA, amortisation, as disclosed on the face of the income statement, is calculated as the total of the amortisation charge for the year and the loss on disposal of intangible assets.

The Group tests property, plant and equipment, right of use assets, goodwill and brands for impairment annually and considers at each reporting date whether there are indicators that impairment may have occurred. In identifying indicators of impairment management considers current market capitalisation, asset obsolescence or closure, adverse trading performance and any other relevant wider economic or operational factors.

Following the disposal of All Seasons Hire Limited, which was the sole component of the Climate Control CGU, the Group has two cash generating units (CGUs): HSS Core and HSS Power.

The recoverable amounts of the goodwill and indefinite life brands, which are allocated to CGUs, are estimated from value in use (VIU) calculations which model pre-tax cash flows for the next five years (2020: five years) together with a terminal value using a long-term growth rate. The key assumptions underpinning the recoverable amounts of the CGUs tested for impairment are those regarding the discount rate, forecast inflation rate, forecast revenue, EBITDA and capital expenditure including cash flows required to maintain the Group's right of use assets.

The key variables applied to the VIU calculations were determined as follows:

- Cash flows were derived based on the budget for 2022 and model of the business for the following two years (to the end of 2024).
- Operational activity then had a long-term growth rate applied to it while capital expenditure was specifically adjusted to reflect expectations of spend in the following years giving a model of five years in total after which a terminal value was calculated. The long-term growth factor used was 2.0% for each of the CGUs (2020: 1.8%).
- A pre-tax discount rate of 9.44% (2020: 9.16%), calculated by reference to a weighted average cost of capital (WACC) based on an industry peer group of quoted companies and including a 2.0% premium reflective of the Group's market capitalisation.

An impairment may be identified if changes to any of the factors mentioned above become significant, including under performance of the Group against forecast, negative changes in the UK tool hire market or a deterioration in the UK economy, which would cause the Directors to reconsider their assumptions and revise their cash flow projections.

Based on the VIU modelling and impairment testing, the Directors do not consider an impairment charge to be required in respect of any of the property, plant and equipment, goodwill or indefinite life brand assets carried in the balance sheet at 1 January 2022 for either of the CGUs.

The Directors carried out sensitivity analysis on various inputs to the models, including growth rates, discount rates and percentage reductions to ongoing cash flows which did not result in an impairment charge for either CGU. Given the level of headroom in VIU these calculations show, the Directors did not envisage reasonably possible changes, either individually or in combination, to the key assumptions that would be sufficient to cause an impairment charge at the balance sheet date. The Directors also noted that the market capitalisation of the group at the balance sheet date was below the consolidated net asset position - which is an indicator that an impairment may exist. On consideration of various factors including the concentrated shareholder base and recent shareholder and investor activity they concluded that an impairment was not required in this regard.

In respect of HSS Core (the more sensitive CGU) at 1 January 2022, the headroom between VIU and carrying value of the related assets was £156.0m (2020: £75.1m). The Directors' sensitivity analysis with regard to HSS Core shows that an increase in the discount rate to 15.0% (2020: 11.5%) or a reduction in the long-term growth rate to a decline of 6.2% (2020: decline of 0.7%) would eliminate the headroom shown. In addition, the Directors have assessed the combined impact of the long-term growth rate falling to zero (2020: zero) and an increase in the discount rate of 1% to 10.44% (2020: 10.16%). This shows that the headroom drops to £65.1m (2020: £53.9m) for HSS Core but that impairment is not required for either CGU.

9. Property, plant and equipment

	Land & buildings £000s	Plant & machinery £000s	Materials & equipment held for hire £000s	Total £000s
Cost				
At 27 December 2020	**58,419**	**55,315**	**149,534**	**263,268**
Transferred from right of use assets	**–**	**–**	**8,742**	**8,742**
Additions	**2,011**	**755**	**18,558**	**21,324**
Disposals[1]	**(22,394)**	**(11,193)**	**(16,515)**	**(50,102)**
Business disposal (note 17)	**(702)**	**(1,683)**	**(26,064)**	**(28,449)**
Foreign exchange differences	**(31)**	**(31)**	**(581)**	**(643)**
At 1 January 2022	**37,303**	**43,163**	**133,674**	**214,140**
Accumulated depreciation				
At 27 December 2020	**45,208**	**50,580**	**99,105**	**194,893**
Transferred from right of use assets	**–**	**–**	**5,200**	**5,200**
Charge for the year	**2,543**	**1,710**	**12,482**	**16,735**
Impairment	**264**	**–**	**–**	**264**
Disposals[1]	**(22,325)**	**(11,171)**	**(13,145)**	**(46,641)**
Business disposal	**(231)**	**(1,485)**	**(14,148)**	**(15,864)**
Foreign exchange differences	**(6)**	**(56)**	**(322)**	**(384)**
Transfers	**–**	**(170)**	**170**	**–**
At 1 January 2022	**25,453**	**39,408**	**89,342**	**154,203**
Net book value				
At 1 January 2022	**11,850**	**3,755**	**44,332**	**59,937**

1 Following the reduction in the Group's branch network and surrender of the majority of dark stores (note 4), an asset verification exercise has been carried out. As a result, land and buildings and property, plant and equipment assets with a gross book value of £19.6m, and which had previously been fully impaired, have been disposed during the year.

The results of the impairment review for property, plant and equipment are included in note 8.

	Land & buildings £000s	Plant & machinery £000s	Materials & equipment held for hire Restated £000s	Total Restated £000s
Cost				
At 29 December 2019	73,505	61,925	179,788	315,218
Transferred to right of use assets at 29 December 2019 - as previously reported	–	–	(46,888)	(46,888)
Restatement[1]	–	–	15,906	15,906
Transferred to right of use assets - restated	–	–	(30,982)	(30,982)
Transferred from right of use assets - as previously reported	–	–	3,144	3,144
Restatement[1]	–	–	348	348
Transferred from right of use assets - restated	–	–	3,492	3,492
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	149,534	263,268
Accumulated depreciation				
At 29 December 2019	54,437	55,936	102,994	213,367
Transferred to right of use assets at 29 December 2019 - as previously reported	–	–	(17,576)	(17,576)
Restatement[1]	–	–	7,843	7,843
Transferred to right of use assets - restated	–	–	(9,733)	(9,733)
Transferred from right of use assets - as previously reported	–	–	1,652	1,652
Restatement[1]	–	–	377	377
Transferred from right of use assets - restated	–	–	2,029	2,029
Charge for the year - as previously reported	3,516	2,139	14,518	20,173
Restatement[1]	–	–	1,683	1,683
Charge for the year - restated	3,516	2,139	16,201	21,856
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	99,105	194,893
Net book value				
At 26 December 2020	13,211	4,735	50,429	68,375

1 'Transferred to right of use assets' category represents the transfer of assets held under finance lease to right of use (ROU) assets (note 10) on adoption of IFRS 16. 'Transferred from right of use assets' category represents the return of ROU assets at expiry of the lease in cases where title is transferred to the Group. Leased assets transferred to right-of-use assets on adoption of IFRS 16 were overstated in the prior year due to the inclusion of expired leases. These have been re-presented as owned assets. The net book value of the assets at transition was £8.1m - there is no impact to total non-current assets. The net book value of the total restatement was £6.4m. The restatement has no impact on the consolidated income statement and no impact on net assets in the consolidated statement of financial position.

10. Right of use assets

	Property £000s	Vehicles £000s	Equipment for internal use £000s	Equipment for hire £000s	Total £000s
Cost					
At 27 December 2020	**61,253**	**23,681**	**562**	**21,998**	**107,494**
Additions	**1,882**	**5,000**	**–**	**8,558**	**15,440**
Re-measurements	**3,407**	**128**	**(12)**	**–**	**3,523**
Transfers to property, plant and equipment	**–**	**–**	**–**	**(4,462)**	**(4,462)**
Disposals	**(8,755)**	**(859)**	**–**	**(755)**	**(10,369)**
Business disposals (note 17)	**(1,304)**	**(1,662)**	**(30)**	**–**	**(2,996)**
Amount re-recognised on disposal of sublease	**544**	**–**	**–**	**–**	**544**
Foreign exchange differences	**(180)**	**(5)**	**–**	**–**	**(185)**
At 1 January 2022	**56,847**	**26,283**	**520**	**25,339**	**108,989**
Accumulated depreciation					
At 27 December 2020	**15,403**	**6,854**	**327**	**1,422**	**24,006**
Transfers to property, plant and equipment	**–**	**–**	**–**	**(920)**	**(920)**
Charge for the period	**7,840**	**7,099**	**147**	**4,307**	**19,393**
Impairments	**233**	**–**	**–**	**–**	**233**
Disposals	**(7,975)**	**(642)**	**–**	**(121)**	**(8,738)**
Business disposals (note 17)	**(397)**	**(538)**	**(30)**	**–**	**(965)**
At 1 January 2022	**15,104**	**12,773**	**444**	**4,688**	**33,009**
Net book value					
At 1 January 2022	**41,743**	**13,510**	**76**	**20,651**	**75,980**

	Property £000s	Vehicles £000s	Equipment for internal use £000s	Restated Equipment for hire £000s	Restated Total £000s
Cost					
Recognised on transition date at 29 December 2019 - as previously reported	58,014	21,416	789	29,312	109,531
Restatement[1]	–	–	–	(8,063)	(8,063)
Recognised on transition date - restated	58,014	21,416	789	21,249	101,468
Additions	1,317	3,040	–	4,880	9,237
Re-measurements	6,931	17	–	–	6,948
Transfers to property, plant and equipment - as previously reported	–	–	–	(3,144)	(3,144)
Restatement[1]	–	–	–	562	562
Transfers to property, plant and equipment - restated	–	–	–	(2,582)	(2,582)
Disposals	(5,164)	(814)	(227)	(1,549)	(7,754)
Foreign exchange differences	155	22	–	–	177
At 26 December 2020	61,253	23,681	562	21,998	107,494
Accumulated depreciation					
Transfers to property, plant and equipment - as previously reported	–	–	–	(1,652)	(1,652)
Restatement[1]	–	–	–	533	533
Transfers to property, plant and equipment - restated	–	–	–	(1,119)	(1,119)
Charge for the period - as previously reported	10,999	7,613	554	5,370	24,536
Restatement[1]	–	–	–	(1,683)	(1,683)
Charge for the period - restated	10,999	7,613	554	3,687	22,853
Impairments	9,541	–	–	–	9,541
Disposals	(5,137)	(759)	(227)	(1,146)	(7,269)
At 26 December 2020	15,403	6,854	327	1,422	24,006
Net book value					
At 26 December 2020	45,850	16,827	235	20,576	83,488

1 Transfers to property, plant and equipment represents the return of ROU assets at expiry of the lease and where title is transferred to the Group. Leased assets transferred to right of use assets on adoption of IFRS16 were overstated in the prior year due to the inclusion of expired leases. These have been re-presented as owned assets. The net book value of the assets at transition was £8.1m - there is no impact to total non-current assets. The overall correction to net book value at 27 December 2020 is £6.4m. The restatement has no impact on the consolidated income statement and no impact on net assets in the consolidated statement of financial position.

Right of use (ROU) assets are depreciated over the lease term on a straight-line basis, except where the Group expects to exercise the right to take ownership of the assets at the end of the lease; in such cases the assets are depreciated over the useful life and transferred to property, plant and equipment at the end of the lease.

ROU assets are measured at cost comprising the initial measurement of lease liability, initial direct costs and restoration costs. During the year the Group recorded re-measurements of £3.4m (2020: £6.9m) on its property leases due to changes in property footprint, including lease extensions and disposals following the decision to close 134 branches in 2020 and subsequent negotiations with landlords to surrender leases. Under HSS accounting policy, locations that have not been permanently closed are deemed to be part of a wider cash generating unit (CGU) when being tested for impairment. The act of permanently closing a location has the effect of separating it from the CGU and is also a trigger for impairment. During the year rent reviews were enacted on two closed stores resulting in the recognition and immediate impairment of additional ROU assets. In 2020 the value of ROU assets impaired as a result of the decision to permanently close locations is £9.5m.

Disclosures relating to lease liabilities are included in note 13.

11. Trade and other receivables

	Year ended 1 January 2022				Year ended 26 December 2020			
	Gross £000s	**Provision for impairment £000s**	**Provision for credit notes £000s**	**Net of provision £000s**	Gross £000s	Provision for impairment £000s	Provision for credit notes £000s	Net of provision £000s
Trade receivables	**73,873**	**(3,884)**	**(3,225)**	**66,764**	66,434	(2,916)	(2,458)	61,060
Accrued income	**4,165**	**(47)**	**–**	**4,118**	6,965	(107)	–	6,858
Total trade receivables and contract assets	**78,038**	**(3,931)**	**(3,225)**	**70,882**	73,399	(3,023)	(2,458)	67,918
Net investment in sub-lease	**961**	**–**	**–**	**961**	1,497	–	–	1,497
Other debtors	**1,282**	**–**	**–**	**1,282**	3,502	–	–	3,502
Prepayments	**5,555**	**–**	**–**	**5,555**	2,963	–	–	2,963
Total trade and other receivables	**85,836**	**(3,931)**	**(3,225)**	**78,680**	81,361	(3,023)	(2,458)	75,880

The following table details the movements in the provisions for impairment of trade receivables and contract assets and credit notes:

	1 January 2022 £000s	**1 January 2022 £000s**	26 December 2020 £000s	26 December 2020 £000s
	Provision for impairment	**Provision for credit notes**	Provision for impairment	Provision for credit notes
Balance at the beginning of the year	**(3,023)**	**(2,458)**	(1,568)	(2,177)
Increase in provision	**(1,835)**	**(3,746)**	(3,085)	(2,877)
Utilisation	**910**	**2,752**	1,630	2,596
Business disposals (note 17)	**17**	**227**	–	–
Balance at the end of the period	**(3,931)**	**(3,225)**	(3,023)	(2,458)

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

1 January 2022	**Current**	**0 to 60 days past due**	**61 to 365 days past due**	**1 to 2 years past due**	**Total**
Trade receivables and contract assets	**44,209**	**22,847**	**9,376**	**1,606**	**78,038**
Expected loss rate	**1.0%**	**2.4%**	**19.7%**	**68.7%**	**5.0%**
Provision for impairment charge	**435**	**544**	**1,848**	**1,104**	**3,931**

26 December 2020	Current	0 to 60 days past due	61 to 365 days past due	1 to 2 years past due	Total
Trade receivables and 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 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 level of uncertainty in the economy driven by the impact of COVID-19, the associated pressures on businesses facing staff and material shortages and, more latterly, increased inflation. At the balance sheet date, similar to 2020, the Group has not seen a marked increase in debt write-offs. However, as has been widely reported, there is an expectation that the situation will deteriorate as companies that continued trading only as a result of Government support fail now that the support has been withdrawn. Given these facts, the Group considers that historical losses are not a reliable predictor of future failures and 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 (2020: £1.2m) from that which would have been required based on loss experience over the past two years. As in the prior year, historical loss rates have been increased where debtors have been identified as high risk with a reduction applied to customer debt covered by credit insurance.

The total amount expensed was £2.8m (2020: £4.1m). Unless the counter-party is in liquidation, these amounts are still subject to enforcement action.

Following a review of the Annual Report and Accounts for the year ended 26 December 2020 by the FRC's Corporate Reporting Review Team, the presentation of the income statement has been changed to separately disclose the impairment loss on trade receivables of £1.8m (2020: £3.1m) on the face of the consolidated income statement. Previously it was included within administrative expenses (which has now decreased by the corresponding amount of £1.8m (2020: £3.1m). There was no impact on profit.

In line with the requirements of IFRS 15, provisions are made for credit notes expected to be raised after year-end for income recognised during the year.

The combined provisions for bad debt and credit notes amount to 9.2% of trade receivables and contract assets at 1 January 2022 (2020: 7.5%). A 0.5% increase in the combined provision rate would give rise to an increased provision of £0.4m (2020: £0.4m).

12. Trade and other payables

	1 January 2022 £000s	26 December 2020 £000s
Current		
Trade payables	**43,062**	23,957
Other taxes and social security costs	**5,175**	5,109
Other creditors	**1,308**	2,300
Accrued interest on borrowings	**271**	3,442
Accruals	**28,494**	26,907
Deferred income	**394**	106
	78,704	61,821

13. Lease liabilities

	1 January 2022 £000s	26 December 2020 £000s
Current		
Lease liabilities	**19,310**	23,395
Non-current		
Lease liabilities	**57,255**	66,177
	76,565	89,572

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

			1 January 2022	26 December 2020
Equipment for hire	Floating	%age above NatWest base rate (2020: LIBOR)	**2.4 to 3.3%**	2.4 to 2.9%
Other	Fixed		**3.5 to 6.0%**	3.5 to 6.0%

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

	1 January 2022	26 December 2020
Lease liabilities	**4.8%**	4.8%

The lease liability movements are detailed below:

	Property £000s	Vehicles £000s	Equipment for hire and internal use £000s	Total £000s
At 27 December 2020	**57,181**	**16,861**	**15,530**	**89,572**
Additions	**1,981**	**5,029**	**8,591**	**15,601**
Re-measurements	**3,407**	**128**	**(12)**	**3,523**
Discount unwind	**2,805**	**535**	**5**	**3,345**
Payments (including interest)	**(13,209)**	**(7,012)**	**(6,675)**	**(26,896)**
Disposals	**(6,006)**	**(216)**	**–**	**(6,222)**
Business disposals (note 17)	**(1,063)**	**(1,048)**	**–**	**(2,111)**
Foreign exchange differences	**(217)**	**(30)**	**–**	**(247)**
At 1 January 2022	**44,879**	**14,247**	**17,439**	**76,565**

	Property £000s	Vehicles £000s	Equipment for hire and internal use £000s	Total £000s
Recognised on transition	60,609	21,331	17,369	99,309
Additions	1,301	3,040	4,896	9,237
Re-measurements	6,931	17	–	6,948
Discount unwind	3,622	661	779	5,062
Payments (including interest)	(10,241)	(8,213)	(7,514)	(25,968)
COVID-19 rental concessions	(996)	–	–	(996)
Disposals	(4,012)	–	–	(4,012)
Foreign exchange differences	(33)	25	–	(8)
At 26 December 2020	57,181	16,861	15,530	89,572

The Group's leases have the following maturity profile:

	1 January 2022 £000s	26 December 2020 £000s
Less than one year	**23,015**	27,452
Two to five years	**48,755**	55,544
More than five years	**19,354**	23,483
	91,124	106,479
Less interest cash flows:		
Lease liabilities	**(14,559)**	(16,907)
Total principal cash flows	**76,565**	89,572

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

	1 January 2022 £000s	26 December 2020 £000s
Less than one year	**19,310**	23,395
Two to five years	**41,417**	47,030
More than five years	**15,838**	19,147
	76,565	89,572

14. Borrowings

	1 January 2022 £000s	26 December 2020 £000s
Current		
Senior finance facility	**–**	15,000
Non-current		
Senior finance facility	**68,166**	161,899
Revolving credit facility	**–**	17,200
	68,166	179,099

The Senior finance facility is stated net of transaction fees of £1.8m (2020: £5.0m) which are being amortised over the loan period.

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

	1 January 2022 £000s	26 December 2020 £000s
Senior finance facility	**70,000**	181,982
Revolving credit facility	**–**	17,200
	70,000	199,182

On 9 November 2021, the Group refinanced, replacing the existing Senior finance facility and Revolving credit facility (RCF). The new finance facility consists of a Senior finance facility of £70.0m and a Revolving credit facility (RCF) of £25.0m both of which expire on 9 November 2025 with an option to extend for a further 12 months.

The Senior finance facility and RCF are secured over the assets of a Group company, Hampshire BidCo Limited and Hero Acquisitions Limited, and all of its subsidiaries. These subsidiaries comprise all of the trading activities of the Group. The overall £25.0m RCF includes a £6.0m overdraft facility and a £1.8m guarantee arrangement to secure the Group's card-acquiring services provided by a third party.

The Group had undrawn committed borrowing facilities of £35.8m at 1 January 2022 (2020: £20.7m), including £12.6m of finance lines to fund hire fleet capital expenditure not yet utilised. Including net cash balances, the Group had access to £78.1m of combined liquidity from available cash and undrawn committed borrowing facilities at 1 January 2022 (2020: £118.3m).

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

			1 January 2022	26 December 2020
Senior finance facility	Floating	%age above SONIA (2020: LIBOR)	**3.0%**	8.0%
Revolving credit facility	Floating	%age above SONIA (2020: LIBOR)	**3.0%**	2.5 to 3.0%

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

	1 January 2022	26 December 2020
Borrowings	**3.0%**	9.8%

Amounts under the RCF are typically drawn for a one- to three-month borrowing period, with the interest set for each borrowing period based upon SONIA (2020: LIBOR) and a fixed margin.

The Group's borrowings have the following maturity profile:

	Borrowings 1 January 2022 £000s	Borrowings 26 December 2020 £000s
Less than one year	**2,235**	30,581
Two to five years	**76,498**	208,725
	78,733	239,306
Less interest cash flows:		
Senior finance facility	**(8,733)**	(38,822)
Revolving credit facility	**–**	(1,302)
Total principal cash flows	**70,000**	199,182

15. 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	**86**	**1,471**	**–**	**1,557**
Utilised during the period	**(212)**	**(2,538)**	**(3,290)**	**(6,040)**
Unwind of provision	**(1)**	**24**	**(8)**	**15**
Impact of change in discount rate	**(31)**	**(457)**	**(257)**	**(745)**
Releases	**(3,615)**	**(643)**	**–**	**(4,258)**
Business disposals (note 17)	**–**	**(361)**	**–**	**(361)**
Foreign exchange	**–**	**1**	**–**	**1**
At 1 January 2022	**186**	**10,174**	**13,463**	**23,823**
Of which:				
Current	**70**	**1,453**	**3,190**	**4,713**
Non-current	**116**	**8,721**	**10,273**	**19,110**
	186	**10,174**	**13,463**	**23,823**

	Onerous property costs £000s	Dilapidations £000s	Onerous contracts £000s	Total £000s
At 29 December 2019	4,833	16,209	19,573	40,615
Adoption of 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

Onerous property costs
The provision for onerous property costs represents the current value of contractual liabilities for future rates payments and other unavoidable costs (excluding lease costs) on leasehold properties the Group no longer uses. The additions of £0.1m (2020: £5.3m) and the release of the provision of £3.6m (2020: £3.5m) have been treated as exceptional and are included in the property cost credit of £3.0m (2020: £2.1m) (note 4). The releases are the result of early surrenders being agreed with landlords - the associated liabilities are generally limited to the date of surrender but provided to the date of the first exercisable break clause to align with recognition of associated lease liabilities.

On adoption of IFRS 16, the Company took the practical expedient available to rely on its assessment of whether a lease was onerous by applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application, reducing the carrying value of its right of use asset on implementation. This resulted in the elimination of onerous property costs of £2.2m and a corresponding impairment of the right of use asset on transition date.

The liabilities, assessed on a property-by-property basis, are expected to arise over a period of up to five years (2020: nine years) with the weighted average age of the onerous property costs being 3.30 years (2020: 3.76 years). The onerous property cost provision has been discounted at a rate of 0.81% (2020: inflated at 0.1%). Sensitivity analysis has not been conducted due to the immaterial nature of the remaining provision.

Dilapidations
The timing and amounts of future cash flows related to lease dilapidations are subject to uncertainty. The provision recognised is based on management's experience and understanding of the commercial retail property market and third party surveyors' reports commissioned for specific properties in order to best estimate the future outflow of funds, requiring the exercise of judgement applied to existing facts and circumstances, which can be subject to change. The estimates used by management in the calculation of the provision take into consideration the location, size and age of the properties. The weighted average dilapidations provision at 01 January 2022 was £7.53 per square foot (psf) (2020: £6.65 psf). The increase is the result of a 5% uplift on the rates used for estimates to reflect market conditions and the changing profile of the estate given the large number of properties surrendered in the year. Estimates for future dilapidations costs are regularly reviewed as and when new information is available. Given the large portfolio of properties, the Directors do not believe it is useful or practical to provide sensitivities on a range of reasonably possible outcomes on a site by site basis. Instead, consideration is given to the

impact of a sizeable shift in the average rate. A £1.00 psf increase in the dilapidations provision would lead to an increase in the provision at 01 January 2022 of £1.5m (2020: £0.50 psf lead to an increase of £0.7m).

The dilapidations provisions have been discounted depending on the remaining lease term and the rate is based on the 5 or 10 year UK gilt yields of 0.81% and 0.97% respectively (2020: ten-year UK gilt yields 0.25%). A 1% increase in both the discount rates at 01 January 2022 would decrease the dilapidations provision by £0.6m (2020: £0.7m). The inflation rate applied in the calculation of the dilapidations provision was 3.0% (2020: 1.8%). The Directors have noted the significant pressure on inflation towards the end of 2021 and especially in 2022, however most longer-range forecasts still see inflation returning to 2%. Applying an inflation rate of 5% would result in the provision increasing by £1.3m.

The aggregate movement in additions, releases and change in discount rate of £0.4m has generated £0.8m of asset additions and a credit of £0.4m to exceptionals (note 4).

Onerous contract

The onerous contract represents amounts payable in respect of the agreement reached in 2017 between the Group and Unipart to terminate the contract to operate the NDEC. Under the terms of that agreement, at 1 January 2022 £13.5m is payable over the period to 2026 (2020: £17.0m) and £3.3m has been paid during the year (2020: £3.3m). The provision has been restated to present value by applying a discount rate of 0.81% (2020: inflation rate of 0.1%). A 1% increase in the discount rate at 1 January 2022 would decrease the provision by £0.3m (2020: a 1% increase in the inflation rate would increase the provision by £0.5m).

16. Share Capital and Capital raise

The number of shares in issue and the related share capital and share premium are as follows.

	Ordinary shares Number	**Ordinary shares £000s**	**Share premium £000s**
At 27 December 2020	696,477,654	6,965	45,580
2020 share issue cost	–	–	(28)
Shares issued	8,510,300	85	–
At 1 January 2022	**704,987,954**	**7,050**	**45,552**

Warrants issued in 2018 have been exercised during the year ended 1 January 2022.

	Ordinary shares Number	Ordinary shares £000s	Share premium £000s
At 29 December 2019	170,207,142	1,702	–
Shares issued	526,270,512	5,263	45,580
At 26 December 2020	**696,477,654**	**6,965**	**45,580**

On 8 December 2020 the Group completed a capital raise from existing and new shareholders resulting in gross proceeds of £52.6m. 526,270,512 ordinary shares of 1p each were issued for 10p each.

	Year ended 26 December 2020 £000
Gross proceeds	52,627
Cost of share issue[1]	(1,784)
Net proceeds	50,843
Accounted for as:	
Share capital	5,263
Share premium	45,580
	50,843

1 £1,492,000 of the £1,784,000 costs had not been paid as at 26 December 2020.

17. Business disposals

To enable the Group to strengthen its balance sheet and focus on its strategic priority to Transform the Tool Hire Business, the Group made two strategic divestments during the year ended 1 January 2022:

Laois Hire Limited
Laois Hire Limited, the Irish large plant hire business was sold to Briggs Equipment Ireland Limited on 7 April 2021. Proceeds of the disposal, net of transaction costs were £10.0m generating a profit on disposal of £3.2m.

All Seasons Hire Limited
All Seasons Hire Limited, a cooling and heating provider was sold to Cross Rental Services Limited with the transaction completing on 29 September 2021. Proceeds of the disposal, net of transaction costs were £54.3m generating a profit on disposal of £38.0m.

As part of these transactions, the Group entered into commercial agreements to cross-hire equipment to ensure the broadest possible distribution of, and customer access to, each party's existing fleet.

The table below shows the assets and liabilities disposed of:

	Laois Hire Limited £000s	All Seasons Hire Limited £000s	Total £000s
Description of assets and liabilities			
Intangible assets (including goodwill)	1,691	8,173	9,864
Property, plant and equipment	5,200	7,385	12,585
ROU assets	686	1,345	2,031
Current assets (excluding cash)	2,509	1,400	3,909
Cash	504	1,035	1,539
Debt - leases	(714)	(1,397)	(2,111)
Current liabilities, excluding debt	(2,545)	(1,296)	(3,841)
Deferred tax liabilities	–	(218)	(218)
Provisions	(212)	(149)	(361)
Foreign exchange reserves	(49)	–	(49)
Net assets disposed of	7,070	16,278	23,348
Proceeds of disposal less transaction costs	9,982	54,325	64,307
Profit on asset sale	283	–	283
Total profit from disposal	3,195	38,047	41,242

The table below shows the result of discontinued operations:

	1 January 2022 £000s	26 December 2020 £000s
Result of discontinued operations		
Revenue	**8,405**	19,870
Expenses other than finance costs, amortisation and depreciation	**(1,100)**	(10,128)
Amortisation	**(135)**	(175)
Depreciation	**(1,836)**	(3,397)
Finance costs	**(72)**	(97)
Taxation	**(83)**	27
Profit from discontinued operations, net of tax	**5,179**	6,100
Profit on disposal of discontinued operations	**41,242**	–
Profit for the period	**46,421**	6,100

The revenue relating to Laois Hire Limited is £3.0m (2020: £12.8m) with a loss after tax of £0.2m (2020: profit after tax of £0.2m). The revenue relating to All Seasons Hire Limited is £5.4m (2020: £7.1m) with a profit after tax of £5.4m (2020: £5.9m).

The following table shows a summary of the cashflows relating to discontinued operations:

	1 January 2022 £000s	26 December 2020 £000s
Operating cash (outflow)/inflow	**(644)**	2,195
Cash outflow from investing activities	**(15)**	(177)
Cash outflow from financing activities	**(397)**	(689)

18. Post balance sheet events

War in Ukraine

Following the balance sheet date, the tragic eruption of conflict in Ukraine has occurred. The war has had a significant impact on macroeconomic factors and a high degree of uncertainty persists. The Group does not have operations or direct dependencies in Russia or Ukraine but is exposed to the impact of inflation and supply chain disruption.