HSS Hire Group Plc

Second consecutive year of double-digit revenue growth, supported by launch of marketplace business

HSS Hire Group plc ("HSS" or the "Group") today announces results for the 52 week period ended 31 December 2022

Financial Highlights *Continuing operations*[1]	**FY22** *(52 weeks to 31 December 2022)*	**FY21** *(53 weeks to 1 January 2022)*	**Change**	**Like-for-like[2] change**
Revenue	**£332.8m**	**£303.3m**	**9.7%**	**10.7%**
Adjusted EBITDA[3]	**£71.6m**	**£69.8m**	**2.6%**	**5.0%**
Adjusted EBITA[4]	**£32.0m**	**£31.7m**	**1.0%**	**6.4%**
Adjusted profit before tax[5]	**£21.0m**	**£10.7m**	**95%**	**130%**
Adjusted basic EPS	**2.41p**	**1.25p**	**93%**	**130%**
ROCE[6]	**22.8%**	**22.1%**	**0.7pp**	
Net debt leverage[7] - IFRS16	**1.3x**	**1.5x**	**0.2x**	
Net debt leverage[8] - non IFRS16	**0.8x**	**0.9x**	**0.1x**	
Other statutory extracts (Underlying[9])				
Operating profit	**£26.6m**	**£26.5m**	**0.4%**	**6.9%**
Profit before tax	**£18.9m**	**£8.0m**	**138%**	**198%**
Basic EPS	**2.90p**	**1.05p**	**177%**	**260%**

Strong revenue performance driven by capital-light Services business
- Like-for-like[2] revenues 11% ahead of FY21
- Services revenue like-for-like growth of 14% with contribution margin increasing 0.8pp
- Rental revenue like-for-like[2] growth of 9% with fleet utilisation of 57%

£10m increase in Adjusted profit before tax alongside improved returns
- Like-for-like[2] Adjusted EBITDA and Adjusted EBITA up 5% and 6% respectively
- Significant increase in Adjusted profit before tax and Adjusted basic EPS reflecting continued growth, operational gearing and lower interest cost
- Technology-led, lower-cost operating model enabling further improvement in ROCE to 22.8% (FY21: 22.1%)

Robust balance sheet with leverage at 0.8x[10]
- Net debt[10] £41.5m (FY21: £45.4m) reflecting improved profitability and working capital management
- Strong free cash flow generation of £28.4m despite increased capex investment
- Recommending final dividend[11] of 0.37p bringing the total dividend for the year to 0.54p

Strategy implementation ahead of schedule with ProService business well positioned for growth
- Nine customers successfully transitioned to our HSS Pro self-service platform with average growth of 45% post migration and positive feedback. Strong pipeline of customers lined up to use the platform.
- Further investment in data-driven central sales team; delivered 10% revenue growth in Q4 22 with improving trend
- Training business delivered 16% growth and record profit levels, reflective of clear customer demand
- Low-cost builders merchant network expanded to 63 locations (December 21: 55), and delivered 22% growth on a same store basis[12]

- Continued technology enhancements improved enquiry conversion to 74% (FY21: 71%) with over 20% of transactions through our online channel
- Excellent progress with our 2040 Net Zero action plan, recognised with increases in all independent rating assessments

Current trading and outlook

- Q1 23 revenue growth, EBITDA and EBITA in line with management expectations
- Expanded ProService offer to include building materials through our merchant partner network and equipment sales including small tools
- Capex investment forecast in 2023 is expected to be £34-£38m including c£5m to support further delivery of our technology roadmap
- Management remains confident that full year EBITA will be in line with market expectations

Steve Ashmore, Chief Executive Officer, said:

"HSS achieved a second consecutive year of double-digit revenue growth in 2022 with our technology-led strategy continuing to deliver strong results. The business has been restored to full health, supported by motivated and engaged colleagues who are fully embracing our innovative customer-offering.

We continue to deploy new technologies across both HSS ProService and HSS Operations with all these initiatives remaining on track or ahead of plan. In ProService, our digital self-serve portal – HSS Pro – is delivering stronger than anticipated results. Our growing pipeline of customers waiting to be onboarded to the portal reflects the significant need and demand that exists for our evolving marketplace proposition and differentiates HSS in the fragmented building services market. For HSS Operations, our technology has enabled enhancement to the service we offer while efficiently managing our well invested fleet.

Our systems are also working to support our ESG agenda, allowing both HSS and our customers to make data driven choices on carbon emissions.

We have started 2023 well, building on the previous year's momentum, and our focus remains firmly on sustaining our growth and upholding our position as the technology frontrunner in our sector."

Notes

1) Results for FY22 and FY21 are on a continuing operations basis (excluding Laois Hire Limited and All Seasons Hire Limited sold in April 2021 and September 2021 respectively)
2) Like-for-like performance excludes the impact of the following in FY21: additional week's trading and non-recurring COVID related benefits associated with a business interruption insurance claim and the Republic of Ireland wage subsidy scheme. EPS measures normalised for the capital raise in FY20.
3) Adjusted EBITDA is defined as operating profit before depreciation, amortisation, and exceptional items. For this purpose depreciation includes the net book value of hire stock losses and write offs, and the net book value of other fixed asset disposals less the proceeds on those disposals
4) Adjusted EBITA defined as Adjusted EBITDA less depreciation
5) Adjusted Profit before tax defined as profit before tax excluding amortisation of brand and customer lists and exceptional items
6) ROCE is calculated as Adjusted EBITA for the 52 weeks to 31 December 2022 divided by the average of total assets less current liabilities (excluding intangible assets, cash and debt items) over the same period
7) Net debt leverage is calculated as closing net debt divided by adjusted EBITDA for the 52 weeks to 31 December 2022 (prior year 53 weeks to 1 January 2022).
8) Net debt leverage non-IFRS16 is calculated as closing net debt excluding non-hire equipment leases divided by adjusted EBITDA less right of use depreciation and interest on non-hire equipment for the 52 weeks to 31 December 2022
9) Performance excluding exceptional items (principally related to the Group legal restructure and subsequent strategy refresh)
10) Non-IFRS16 basis
11) All dividends will be paid in cash and no scrip dividend, other dividend reinvestment plan or scheme or currency election will be offered to shareholders. Ex-dividend date of 8 June 2023
12) Merchant locations open for comparable period in both FY22 and FY21

-Ends-

Disclaimer:

This announcement has been prepared solely to provide additional information to shareholders and meets the relevant requirements of the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority. This announcement should not be relied on by any other party or for any other purpose.

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

Notes to editors

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

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CHAIRMAN'S STATEMENT

Dear Shareholder

I am delighted to report another year of strong results for HSS and further strategic progress that is setting us apart in our industry.

The Group is now producing consistently strong results and we continue to be driven by our vision: to be the market-leading, digitally-led brand for equipment services.

Our results

The Group has delivered further revenue growth and enhanced returns on capital. These results, which are outlined in more detail by our CFO, Paul Quested, in the CFO's Financial Review, have enabled us to maintain a strong balance sheet and we have been pleased to reinstate the dividend for shareholders earlier this year. The proposed final dividend payment of 0.37p reflects the continued confidence the Board has in the management team and its execution of our strategy.

Our strategic progress

The Board and management team see a great opportunity to address the ongoing challenges faced by both customers and suppliers in what is a very fragmented, digitally-immature and undifferentiated equipment hire market. With this opportunity in mind, we have executed three strategic priorities this year.

Firstly, on 3 July 2022 we completed the legal restructuring around our two divisions, HSS ProService and HSS Operations. ProService is an asset-light, technology-driven business and its formal separation gives it complete focus on successful customer acquisition and enquiry conversion. HSS Operations is an asset-owning fulfilment business focusing on delivering service, efficiency and the highest standards of health and safety. HSS Operations is a key supplier to ProService.

The second significant development this year is with our Brenda technology platform. Brenda has come a long way since we started its development in 2019 and we continue to make enhancements to extend its reach, taking advantage of its modular, scalable codebase. This year we have made improvements to one of its key interfaces, HSS Pro, which is a self-serve platform designed for larger customers, giving them widespread access to our products and services while enhancing controls and visibility over their purchasing.

Another major element of our technology journey this year has been the development of our extended offering on hss.com, which was launched in early 2023. I am confident this will drive further growth in Services revenue through better conversion and wider product penetration. Our CEO, Steve Ashmore, talks more about the roll-out of HSS Pro and the upgrade of hss.com in his CEO's Statement.

The third significant area of progress I wanted to highlight is the expansion of our Central Sales team. This initiative was made possible by the 2021 launch of HSS ProPOS. This is the Brenda technology interface designed specifically for colleagues, allowing them to access the full range of products and services on a single, easy-to-use platform accessible via a variety of devices. We have been able to build a highly productive, flexible and adaptive, strongly motivated Central Sales team driven by data insight. We now have over 40 individuals working in this structured environment, managing a portfolio of over 5,000 customers and achieving revenue growth through enhanced customer insight and cross-selling. We have recently upgraded our CRM tool to Microsoft Dynamics to further improve performance.

As in previous years, during FY22 we have been unwilling to rest on our laurels, continuing to push forward with technology enhancements and new ways of working. On behalf of the Board, I would like to thank our colleagues for their ongoing commitment and hard work.

ESG

This year the team has made considerable progress with our ESG agenda. We worked closely with specialist consultant Sustainable Advantage in the first half of FY22 to create a new ESG roadmap, with clear goals and governance ultimately overseen by the Board. The culmination of that activity was the publication of our first ESG Impact Report in June which set out our ESG objectives, including our Net Zero 2040 ambition.

I was delighted that EcoVadis, one of the global leaders in ESG accreditation, awarded us its silver medal at the first time of asking. This 'advanced' rating puts us in the top 10% of companies in our sector, and reflects the hard work and dedication put in by our colleagues in recent years. The continued progress with health and safety has also been pleasing to see, with improvements on all three metrics: RIDDORs, Lost Time accident and All Injury frequency rates in FY22. These are impressive results given the low levels already delivered in earlier years.

Our Board

We continue to benefit from a stable and experienced Board, with no Director having served for fewer than five years. We remain custodians of the HSS brand, supporting senior management with their strategic decisions, reviewing the Company's risk profile and monitoring progress in areas such as our ESG roadmap and technology development programme. The Board continues to engage with all stakeholders to ensure HSS operates with transparency, integrity and in the interests of our colleagues and stakeholders.

Dividends

We have been pleased to reinstate a progressive dividend policy this year, which is designed to ensure sustainability through the economic cycle, taking into account underlying profit generation and balance sheet strength.

Having considered the Group's outlook and financial position, and all stakeholders' interests, the Board is recommending a final dividend of 0.37p, making 0.54p for the full year. Assuming the dividend is approved at the Annual General Meeting, it will be paid on 14 July 2023 to shareholders on the register on 9 June 2023.

Outlook

We have seen several years of consistent results for the Group, and this momentum has continued into 2022. I would like to thank my fellow Board members for their support and express my gratitude to our colleagues for their hard work and contribution to our achievements over the year.

Our strategic progress, delivered by our colleagues and underpinned by technology, continues to set the Group apart and, combined with the strength of our balance sheet, positions us well for future transformational growth.

Alan Peterson OBE
Chairman

CHIEF EXECUTIVE OFFICER'S STATEMENT

I am pleased to report on a strong performance for HSS and would like to extend my thanks to all my colleagues for their exceptional dedication to the Group and continued high level of engagement over the last year.

After a good set of results and significant strategic progress in FY21, we set out some ambitious goals for FY22 to improve returns further and continue differentiating our proposition to meet the converging needs of customers and suppliers in the building services sector. I am pleased to say the teams delivered on our plan and we are now very well positioned to maintain this momentum in FY23, with several of our technology developments now reaching fruition.

Our year in summary

Strong financial performance
We entered the year with positive trading momentum which carried through to FY22. Like-for-like revenues were approximately 11% ahead of the prior year, driven by increasing conversion rates, builders merchant growth and excellent Services performance.

Improved conversion rates were driven by the use of HSS ProPOS, the colleague interface of our technology platform Brenda. HSS ProPOS allows all sales colleagues to fulfil enquiries there and then on behalf of customers across our entire range of products, from small drills to large earth-moving equipment and site accommodation. This technology is now accounting for c60% of contracts raised and, as we roll it out further, we expect conversion rates to continue to grow.

The ongoing expansion of our builders merchant network also supported revenue growth. We continue to be very pleased with the performance of this channel and consistently receive positive feedback from our builders merchant partners who continue to grow in number. During FY22 we opened a further eight carefully selected locations which are performing well. Although we are very happy with our current network, we continue to look for opportunities to strengthen it.

In Q2 2022, we began to expand our central sales team following an outstanding performance from a newly established group of Business Development Managers who had been supporting a portfolio of several hundred customers since June 2021. Armed with our HSS ProPOS technology and incentivised to cross-sell, this team delivered over 3x revenue growth on its portfolios and significantly expanded share of wallet with these customers over a period of just 12 months. Since then, we have grown this highly productive, data-driven team to over 40 colleagues and we plan to grow it further in FY23.

Incorporation of HSS ProService
We changed our organisational model in FY21 forming the ProService and the HSS Operations teams. Following this, in H1 FY22 a key focus was the legal separation of these two divisions, which we completed on 3 July 2022. This now gives complete focus for each division, with ProService targeting customer acquisition and technology development, and HSS Operations concentrating on service, operational efficiency and safety.

Following additional development work on HSS Pro and a significant increase in product content covering our extended range, in October 2022 we rolled this platform out to our first major customer, a top 20 UK contractor. This has been a great success and we now have a pipeline of customers lined up to adopt this technology. Our largest customer, Amey, is due to migrate onto this platform as part of our recent contract extension.

The second technology milestone involves our website. We have consistently achieved industry-leading levels of web traffic to hss.com and have seen over 20% of orders consistently raised online since the pandemic. In May 2022, we were delighted to be awarded the Catalogue of the Year 2022 at the HAE & EHA Hire Awards, recognising the quality of the digital catalogue on HSS.com. At HSS we never stand still; we constantly strive to Make It Better, and with our website we were keen to improve the way we present our extended range.

Until recently, the transactional capability on hss.com was limited to HSS-owned products, with reduced product content, availability and pricing for products in our extended rehire range. Following the re-platforming of hss.com on Brenda, customers can raise orders across our entire range from small drills to large earth-moving equipment and site accommodation on our website, quickly and easily. This transformation mirrors the one we made in 2021 when we launched HSS ProPOS to our colleagues, giving them the same step change in access to equipment. Back then, we saw significant improvements in conversion rate and revenue growth, something we now expect to be repeated over the next year as customers increase their adoption of our online channel.

ESG roadmap
Following the ESG benchmarking review we carried out in FY21, we put in place a new ESG roadmap including a set of clear objectives for FY22. In Q1 FY22 we set up our ESG committee, conducted a materiality assessment across all stakeholders and commissioned a third party, Sustainable Advantage, to undergo a net zero assessment for us. This allowed us to agree a new set of objectives, including a Net Zero 2040 target, which we published in April in our FY21 Annual Report, and then subsequently in June in our first ever ESG Impact Report. The report sets out in more detail our plans and initiatives to achieve those objectives.

Since the publication of the Impact Report, our ESG committee has overseen the delivery of a series of initiatives that puts us on target to deliver our objectives. Our achievements this year are detailed in the ESG section, but would like to highlight four significant achievements:

1	In FY21 we transferred our electricity supply to renewable sources and, despite volatility in the energy markets, we committed to retaining these during FY22. In December we were also able to take the final step of transferring our Irish electricity supply to renewable sources.
2	The roll-out of Satalia route optimisation technology to our HSS Operations teams has delivered a 14% reduction in mileage per job (FY22 versus FY21) and has reduced our carbon emissions by over 195,696kg. Transport mileage is the major contributor to our scope 1 and 2 emissions, so this is a significant step on our journey to net zero.
3	There has been an across-the-board improvement in our safety statistics to record levels. Our RIDDOR rate improved from 0.11 to 0.02, Lost time accident frequency improved from 0.46 to 0.40 and our All Accident frequency rate improved from 3.68 to 3.24. Whilst we are very proud of these improvements, we continue to strive for a zero-accident environment, and this will remain a key priority in FY23.
4	We undertook our colleague engagement survey in November and I am pleased to say we had a record level of responses, with a 92% completion rate (compared with 81% last year) and our engagement score remained at our all-time high of 76%, well above the industry average of 50%. I believe it is so important to keep our teams engaged and this will continue to be an area we focus on.

Given the progress made on our roadmap, we were delighted that EcoVadis classified us in its 'Advanced' category following a comprehensive audit of our ESG credentials this year. This puts us in the top 10% of companies in our industry.

I am excited about our ESG roadmap and, as Chair of our ESG Forum, look forward to personally driving this agenda over the coming years.

Amey renewal

At the end of the year we were delighted to agree a contract extension that will see us working with our largest customer, Amey, for another two years. We have operated a managed service contract for Amey since 2016, inheriting its supply chain and consolidating its equipment requirements through a single HSS team. Amey values the one-stop shop solution we offer and the additional controls and visibility the HSS team provides. As part of the extension we have agreed to migrate the services onto HSS Pro to drive additional benefits for Amey and we are currently rolling this out.

Strategy

We continue to see significant opportunity in our market, and we remain focused on the three objectives outlined in last year's Annual Report:

1	**CAPITALISING ON CONVERGING CUSTOMER AND SUPPLIER REQUIREMENTS**
2	**TAKING ADVANTAGE OF MARKET CONDITIONS**
3	**CONTINUING TO DIFFERENTIATE OUR OFFERING**

Capitalising on converging customer and supplier requirements

Significant challenges persist in the equipment rental market for customers and suppliers; both experience difficulties and high costs associated with transactions. Customers have broad requirements and consequently must access lots of suppliers, frequently struggling to control their expenditure. They have high administration costs, frequently experience invoicing issues, and often have limited buying power.

Similarly, suppliers, ranging from local specialist plant hirers to national generalist hirers, have lots of end markets to serve, many customers to target but most have a lack of reach. There are large acquisition costs associated with targeting the market and returns can be limited by underutilised resources.

We believe we can address these challenges through our technology-led business model. We provide one place for all buying needs and managing the order lifecycle, offering central visibility and control. Customers benefit from our buying power, and they receive one invoice which is accurate to their actions.

Suppliers have one place where they can access thousands of customers, benefiting from our brand recognition, website traffic and credit management controls. They receive a single monthly payment and drastically reduce their administration costs whilst enhancing their utilisation and returns.

Our network of suppliers drives excellent availability, making our solution more attractive to customers, which in turn drives further opportunity for suppliers. We believe that, by focusing on the needs of customers and suppliers, we can deliver significant growth.

Taking advantage of market conditions

The £5.7bn equipment rental market in the UK is highly fragmented with approximately 4,000 suppliers, the biggest of which represents only c10% of the market. Market consolidation is difficult, requiring large deployment of capital with no guarantees of share gain. The barriers to entry are small so consolidation of smaller players can often be followed by their re-emergence. There is also limited differentiation with most suppliers offering the same brands of equipment in particular categories, with similar delivery and collection service levels.

We believe our business model takes advantage of these market conditions, offering an alternative, low-capital way of bringing together fragmented supplier and customer bases through a single platform ensuring simple, fast, and frictionless user journeys. We are committed to scaling up our business to drive customer retention and supplier adoption and we see opportunities to replicate the model across other product verticals such as training and equipment sales.

Continuing to differentiate our offering

We are differentiated by our technology, our scale and our operating model.

Technology is the key to our operating model, enabling the rapid matching of customers' and suppliers' needs, addressing their challenges and driving down their costs. Our technology development roadmap focuses on three areas that enhance our differentiation:

1. Providing suppliers and customers with greater control and visibility by enhancing our self-serve user interfaces
2. Adding product verticals beyond equipment hire to improve the one-stop shop proposition
3. Deploying our technology amongst our salesforce to make every customer touchpoint more effective

The combined scale of our customer and supplier networks provides a significant barrier for technology-focused new entrants to our market. We will continue to broaden and deepen our supplier network to drive greater availability and customer retention, whilst reinforcing our advantage.

Our operating model is unique. The legal restructuring around HSS ProService and HSS Operations gives complete focus for each division, with ProService targeting customer acquisition, enquiry conversion and technology development, and HSS Operations concentrating on service, operational efficiency and safety.

Outlook

The Group has good momentum and a healthy balance sheet following several years of strong performance. We have an operating model and technology platform that set us apart from the competition and believe we can take significant market share by persistently seeking to address the long-established challenges faced by customers and suppliers in our market.

Our technology is well established and we have an exciting roadmap to evolve it further. Our team is highly engaged and motivated to deliver on our ambitions. We have the scale of both customer and supplier networks, with significant opportunity to increase share of wallet with customers and improve utilisation for suppliers.

Whilst the UK economy faces headwinds in 2023, we believe our team is in great shape and we have the right organisational structure to create clarity of direction for our colleagues. In a challenging market our one-stop shop proposition aimed at reducing customers' procurement costs will be particularly attractive, continuing to differentiate us from peers.

We continue to target Services revenue growth of 10ppts above the market and I remain excited about the prospects for the Group in FY23.

Once again, I would like to thank all my colleagues for their efforts during FY22.

Steve Ashmore
Chief Executive Officer

FINANCIAL REVIEW

STRONGER BALANCE SHEET, WELL POSITIONED FOR GROWTH

The Group has achieved another year of excellent financial results. Double digit like-for-like revenue growth combined with effective price and cost management, has enabled a step change in profit before tax.

	£m	**FY22**	FY21	FY22 versus FY21
	Rental	**206.2**	191.2	7.9%
Revenue	Services	**126.6**	112.1	12.9%
	Group	**332.8**	303.3	9.7%
	Rental	**138.4**	132.6	4.4%
Contribution[2]	Services	**19.3**	16.2	18.9%
	Group	**157.7**	148.8	6.0%
Adjusted EBITDA[3]		**71.6**	69.8	2.6%
Adjusted EBITA[3]		**32.0**	31.7	1.0%
Adjusted profit before tax[3]		**21.0**	10.7	95.4%

1 Results are for continuing operations and on a reported basis (with FY21 having an extra week of trading).
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

FY22 has been another positive year for the Group, delivering double-digit revenue growth and a significant increase in profit before tax, all against the backdrop of well-documented global inflationary pressures. As always this is testament to the hard work and commitment demonstrated by each and every colleague across the business.

Our revenue performance was underpinned by continued technology development with £5.6m invested in FY22, further embedding relationships with our builder merchant partners and efficient hire fleet investment, leveraging insight from our various tools which has enabled asset utilisation and ROCE to increase again. Despite significant inflationary pressures, effective price management and cost control has enabled EBITA margins to be maintained at an underlying level.

Following FY21's successful refinancing, our interest expense has materially reduced which has supported a step change in profit before tax of £10.5m and basic earnings per share more than doubling. Based on the Group's cash generation, net debt has reduced further with leverage now at 1.3x. Our strong balance sheet and continued positive trajectory supported another major milestone for the Group in FY22 with the reintroduction of a dividend. As part of a progressive dividend policy, the Board are recommending a final dividend.

We also successfully legally restructured the Group in FY22 into HSS ProService (focussed on customer acquisition and enquiry conversion) and HSS Operations (focussed on service, efficiency and returns). The final operational changes were made at the start of FY23, including rebasing our internal reporting around the new structures and, as such, will adapt our segmental reporting to reflect this going forward.

We have our technology, organisation and balance sheet in place and, through the flexible, low-cost, scalable model we are well positioned for growth.

Revenue

Group revenue grew by 9.7% to £332.8m (FY21: £303.3m), driven by growth in both our Rental and Services businesses as we continue to effectively execute our strategy.

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 grew as we continued to drive improved conversion through HSS Pro, expanded the builders merchant network to 63 (December 2021: 55) and increased hire fleet investment where customer demand and returns were strong. Revenues grew 7.9% to £206.2m (FY21: £191.2m) and accounted for 62% of revenue (FY21: 63%). 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 £138.4m (FY21: £132.6m) was up 4.4%.

Services
Services revenues increased by 12.9% to £126.6m (FY21: £112.1m), accounting for 38% (FY21: 37%) of Group revenue. 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.

Combined with effective margin management through our Brenda platform, contribution from Services increased 18.9% to £19.3m (FY21: £16.2m).

Costs
Our cost analysis set out below is on a reported basis and therefore includes exceptional costs.

Our cost of sales increased by 12.6% to £164.7m (2021: £146.3m) reflecting increased sales through our Services division and the impact of higher fuel costs.

Distribution costs increased by £8.4m to £30.3m (2021: £21.9m) mainly due to revenue growth, higher vehicle costs (including rising fuel and maintenance costs), along with higher salaries, mainly from the one off cost of living payments to colleagues.

Administrative expenses increased by £12.1m, principally due to exceptional items. On an underlying basis, costs increased by £1.4m mainly due to investment in the central sales team as part of the strategy and inflation including one off cost of living payments made to colleagues.

Adjusted EBITDA and Adjusted EBITA
Our Adjusted EBITDA for FY22 was 2.6% higher at £71.6m (FY21: £69.8m) driven by improved revenue through our lower-cost operating model. Adjusted EBITDA margins reduced to 21.5% (FY21: 23.0%) reflective of the increased mix of revenue through our Services division. Adjusted EBITDA and EBITDA margin are included in our KPIs.

Our Adjusted EBITA for FY22 was 1.0% higher at £32.0m (FY21: £31.7m), a combination of improved EBITDA, partly offset by increased depreciation. Adjusted EBITA margin decreased 0.8pp to 9.6% (FY21: 10.4%). Adjusting for non-recurring items in FY22 (cost of living payments) and FY21 (Covid-19 related one off benefits), underlying margins were flat. Adjusted EBITA and EBITA margin are included in our KPIs.

Other operating income
Total other operating income of £0.5m relates to sub-lease rental and service charge income related to non-trading properties. This compares with £1.7m in FY21 which included £1.2m of insurance proceeds following a successful claim under our business interruption policy.

Operating profit
Our operating profit decreased by £10.1m to £24.4m (FY21: operating profit £34.5m). This was mainly due to the exceptional items. Excluding such items, operating profit increased £0.1m.

Exceptional items
Exceptional costs totalled £2.4m. This included costs of £3.2m to complete the Group's legal restructuring around its two core divisions of ProService (sales acquisition) and HSS Operations (fulfilment) and the subsequent ProService strategy refresh including evaluating options to create increased shareholder value. These costs were partly offset by exceptional credits of £0.8m from the release of onerous contract and property provisions.

Finance costs
Net financial expense decreased significantly to £7.8m (FY21: £28.5m). The charge for FY21 included £9.7m of exceptional costs associated with the early prepayment 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 are materially lower.

Taxation
The Group had a tax credit for the year of £3.9m (FY21: £1.2m).

Deferred tax assets have been recognised to the extent that management considers it probable that tax losses will be utilised in the short term. In FY22 a three-year (FY21: one-year) recognition window has been applied.

Reported and adjusted earnings per share
Our basic and diluted earnings per share, both on a reported and adjusted basis, significantly improved in FY22 driven by the improved performance of the business and the significantly reduced annual interest charge from the successful refinancing.

Prior period restatement
Following a review of the accounting treatment of hire equipment subsequently financed by hire purchase agreements, a reclassification i) from Right of Use assets to Property, Plant and Equipment and ii) lease liabilities to borrowings has taken place. There is no impact on the Group's income statement, reserves or net assets.

Capital expenditure
Additions to Intangible assets, Property, Plant and Equipment and Right of Use hire equipment in the year were £43.8m (FY21: £34.2m). Investment in technology to support the strategic growth of the business totalled £5.6m (FY21: £4.3m). Investment in hire fleet to support our Rental business was £32.7m (FY21: £27.1m) with decisions informed from our insight tools to maximise returns.

Return on capital employed
Our ROCE for FY22 was 22.8%, an increase of 0.7ppts over FY21. The expansion of our capital-light technology-led operating model underpinning this performance. ROCE is one of our KPIs.

Trade and other receivables
Gross trade debtors increased 5% over FY22 as revenue increased 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 evolving situation is monitored on an ongoing basis.

Provisions
Provisions reduced £2.5m to £21.3m (FY21: £23.8m). The vast majority of this reduction relates to the ongoing annual payments related to the onerous contract associated with Unipart.

Cash generated from operations
Net cash generated from operating activities was £39.0m, a decrease of £5.6m compared to FY21. The benefit from improved profit before tax and lower interest costs offset by increased hire equipment investment to support the growth of our Rental division and working capital movements.

Leverage and net debt
Net debt reduced £10.3m to £94.3m (FY21: £104.6m) and at 31 December 2022 the Group had access to £84.0m (1 January 2022: £78.1m) of combined liquidity from available cash and undrawn borrowing facilities. With the improved adjusted EBITDA and lower net debt, leverage reduced to 1.3x (FY21: 1.5x). 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 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.

Additionally, analysts and investors assess our operating profitability using the Adjusted EBITA metric, which treats depreciation charges as an operating cost to reflect the capital-intensive nature of the sector in which we operate. This metric was used in FY22 to calculate annual bonuses payable to Executive Directors.

Adjusted profit before tax was modified during FY22 to include amounts relating to amortisation of software. Comparative figures have been restated to reflect this change.

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 profit before tax of the business, amortisation of customer relationships and brands related intangibles as well as 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.

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.

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.

Paul Quested
Chief Financial Officer

RISK MANAGEMENT

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 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 and ESG are key areas in our industry and as such require collective ownership to continually improve. There is an established Executive Health and Safety Forum which is made up of the EMT, Operational Managing Directors and the Risk and Assurance Director. The forum meets bi-monthly (and more frequently if required) to review trends, incidents and issues. For ESG we have two committees, a CEO-led ESG Forum that is responsible for communication, engagement and evaluation of risks and opportunities, and an ESG committee that oversees improvement actions and monitors progress.

Monitoring
The Risk and Assurance Director reports and meets with the EMT monthly 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 lines 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 specific risk such as Health, Safety, Environment and Quality (HSEQ), performance reporting, and control risk self-assessment (CRSA) audits undertaken by regional management.
- The third line of defence – functions that provide independent assurance, in the HSS case primarily internal audit.

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 sets 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.

Macroeconomic risk
Global inflationary pressures and associated interest rate increases have impacted macroeconomic risk in FY22. The conflict in Ukraine, pandemic recovery and Brexit have contributed to labour shortages, inflation and interest rate rises.
This risk in FY23 will be closely monitored for its effect on demand and colleague welfare so that we can take appropriate actions. In FY22 two separate payments were made to colleagues earning below £35,000 to help offset the effects of inflation.

ESG risk
As part of the Group's commitment to the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), climate related risks and opportunities have been considered across multiple timeframes. These will be integrated into our standard risk processes in FY23.

FY22 risk management developments

The Group has continued to improve its approach to the management of risk and assurance throughout the year. The focus in FY22 was on enhancing and leveraging our reporting and technology, supporting the Group's strategic technology roadmap delivery, and working more collaboratively with outside specialists to better understand and manage risk.

- Worked with specialist ESG partners to establish targets and an implementation plan, supporting governance process. As a consequence of this work, we achieved Silver medal status with EcoVadis, the globally recognised sustainability rating - ranking the Group in the 91st percentile for the industry.
- Increased the amount of guidance, reference and training material accessible to colleagues through mobile technology (The Gateway), to ensure that help is always available to remote colleagues such as drivers.
- Enhanced EMT review process of audit work and risks to improve the speed of response to emerging issues.
- Started our path to ISO 27001 Information Security Management accreditation, completing our stage 1 audit.
- Increased internal audit engagement in assessing and shaping controls for new processes and systems, conducting audits on new technology, and adding audits focused on merchants and virtual branches.
- Developed succession plans for risk and assurance colleagues covering internal audit and HSEQ. Training was introduced on incident management across both teams to increase geographic coverage.

FY23 planned improvements to risk management

Significant progress has been made in the last year developing reporting tools and guidance, and reference material available on mobile devices. The focus in FY23 is on broadening the organisation's risk and assurance capacity and capability to increase coverage as well as ensuring flexibility to evolve with our changing business.

- Achieve ISO 27001 Information Security Management accreditation and work with third parties to continually enhance cyber risk management.
- Broaden the focus, flexibility and skill set of HSEQ, Internal Audit and Operational Management through training and knowledge sharing. This includes the roll-out of incident management and investigation training to operational management.
- Improve the quality of branch standards and service CRSA audits performed by regional managers by aligning to Internal Audit specific location audits.
- Introduce audits relating to the new central sales team, adapting approach to the changing needs of the business and allowing direct comparison with physical locations.
- Establish monitoring of our approved SBTi's to support our journey to net zero.
- Increase the size of our supply chain auditing team to ensure all suppliers are aligned with our expected standards and supporting the business strategic growth.

PRINCIPAL RISKS AND UNCERTAINITIES

Key risk	Description and impact	How we mitigate	What we have done in FY22
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. Global inflationary pressures and associated interest rate increases impact on demand and therefore financial performance.	The Group is not over-exposed to any one area or segment. Ongoing monitoring and modelling of performance, which is reviewed regularly by the EMT. Lower and flexible cost operating model, mitigating against any downturn in future demand.	The business brought forward capital expenditure in Q1 to mitigate against supply issues and inflationary pressures. Price increases clearly communicated to customers. Maintained tight cost control measures. Reverse stress test impact of economic slowdown and higher inflation. Mitigating action plans developed to respond to uncertain macroeconomic environment.
2. Competitor challenge **Risk Movement: None** **Owner: Steve Gaskell (Group Strategy Director)**	A highly competitive and fragmented industry, with the chance that increased competition could result in excess capacity, therefore creating pricing pressure and adverse impacts on planned growth.	Differentiated technology platforms, including fully integrated self-serve interfaces for customers, suppliers and colleagues, providing fast and efficient user journeys. Through our continually expanding supply chain, the Group gives customers a one-stop shop providing access to a huge range of products and complementary services such as training courses. Our organisational structure allows for strong focus on sales acquisition. We have a low-cost operating model, providing national coverage from 38 CDCs, 35 branches and 63 flexible builders merchants.	Increase in technology investment leading to the launch of HSS Pro (self-service platform) and cash on HSS ProPOS (allowing cash customers to transact through our Brenda technology) in Q4 FY22. In addition, a significant amount of development has gone towards the re-platforming of hss.com onto Brenda, which we plan to roll out in FY23, extending the range of products online. Expansion of the builders merchant network, growing to 63 branches, increasing local presence in key markets. The completion of the legal restructuring around HSS ProService and HSS Operations, which we completed on 3 July 2022, will provide complete focus for each division; ProService targeting customer acquisition and enquiry conversion and Operations concentrating on service, operational efficiency and safety. Expansion of our supply chain to 700+ suppliers.

Key risk	Description and impact	How we mitigate	What we have done in FY22
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 in terms of both 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.	Our strategic aims were supported by five underpinning projects focused on: technology, sales acquisition, standout service, legal restructure and ESG. The legal restructure of individual businesses was completed in July, which will drive greater focus for our management teams. The standout service project was completed with the full roll-out of Satalia software nationally and the associated improvement in vehicle efficiency and carbon savings. Our ESG project achieved all its initial milestones. This initiative will continue into FY23 and beyond with a clear set of milestones. Similarly, our technology and sales acquisition projects made significant progress and continue into FY23. Created our strategic project plan for FY23 with clear milestone plans to deliver.
4. Customer service **Risk Movement:** **None** **Owner:** **Tom Shorten (Chief Commercial Officer)**	The provision of the Group's expected service levels depend 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. Management of customer relationships is important to ensure appropriate payment is received for the quality of service provided. Any disruption in supply, quality or relationship management can reduce revenue and drive additional costs into the business.	National reach and presence through CDCs, branches, builders merchant partners and online. Diverse range of rehire suppliers provides ongoing flexibility to ensure continuity of supply for customers. Clear business continuity plans to maintain supply. Extensive and continued training to ensure testing and repair quality standards are maintained. 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.	The risk description has been widened to cover the importance of managing customer relationships to ensure we are appropriately paid for services provided. Expansion of the merchant model to 63 current locations. Refining of new routing and scheduling software. We have reduced our mileage by c12%, saving on average one mile per job. Central sales team expansion, increasing engagement with customers.

Key risk	Description and impact	How we mitigate	What we have done in FY22
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 operating model. If any third parties become unable to provide reliable equipment, 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 onboarding 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.	Plans initiated to increase supplier audit capabilities, matching the growth in the supply chain. Refinement of supplier onboarding and audit processes to cover ESG.

Key risk	Description and impact	How we mitigate	What we have done in FY22
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 are used 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. Ongoing resilience and penetration testing.	Cyber security enhancements such as multi-factor authentication (MFA) for all remote access and enhanced processes for joiners, movers and leavers implemented. Enhanced patching policy and process. ISO 27001 stage 1 audit completed, and Cyber Essentials certification achieved.

Key risk	Description and impact	How we mitigate	What we have done in FY22
7. FINANCIAL **Risk Movement: None** **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. High inflation leads to base interest rate increases and therefore adversely impacts cash flow.	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.	A strong balance sheet, lower debt and underlying interest cost mitigated the impact of higher interest costs, with every 1% increase in the base rate increasing the interest charge by c£0.7m. Invested in additional resource to improve debt management. Developed and embedded dispute management modules to ensure invoices are paid when they fall due.
8. Inability to attract, train and retain personnel **Risk Movement: None** **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. Global inflationary pressures impact ability to retain colleagues.	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. Recruitment programmes working with third parties such as prisons offering opportunities to ex-offenders, Initiatives such as Earn as you Learn.	A refreshed ED&I strategy launched. Refresh of employer brand and recruitment practices, including a new careers website and the introduction of a one-click application process to attract diverse talent. Two payments made to colleagues to provide support with rising prices and interest rates.

Key risk	Description and impact	How we mitigate	What we have done in FY22
9. Legal and regulatory requirements **Risk Movement:** **Decreasing** **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.	Stepping up of ESG activities, including introduction of both a Committee and Forum which regularly meet. Refresher training completed by colleagues relating to cyber security. Significant internal reorganisation project completed to simplify the Group structure, liquidate various subsidiaries and reduce administrative burden and compliance requirements.
10. Safety **Risk Movement:** **None** **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 internal investigators providing assurance and support. Mandatory training programmes for higher-risk activities. The Group is ISO 45001 Health and Safety accredited.	A review and refresh of driver training was undertaken with additional reference material and reporting information made available to support drivers to undertake their role safely. Increased safety communication, including three dedicated safety weeks held to promote safe working. Launched 'The Gateway', a one-stop health and safety portal for reporting incidents, training, and guidance which can be accessed remotely on mobile devices. Combined with our underlying mitigating actions; these helped reduce RIDDORs and Lost Time accidents by 80% and 10% respectively.

Key risk	Description and impact	How we mitigate	What we have done in FY22
11. Environmental, Social and Governance (ESG) **Risk Movement:** **Decreasing** **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 it could limit ability to trade with customers. This could result in revenue reduction, deterring people from joining the business and limiting attractiveness to investors. More detail on ESG is contained within the Task Force on Climate-Related Financial Disclosures (TCFD).	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 14001 Environmental Management accredited. An ESG Forum that is responsible for communication, engagement and evaluation of risks and opportunities. An ESG Committee that oversees improvement actions and monitors progress. Monthly Board updates on ESG progress.	An ESG Impact Report was published in June, identifying clear targets, including net zero by 2040. These are based on three key strategic priorities: materially reduce operational GHG emissions, provide customers with access to sustainable products and proactive engagement with our supply chain. An ESG roadmap with robust SBTs set with a Director appointed to lead programme. Evaluation of scope 1, 2 and 3 emissions within the business. EcoVadis Silver medal was granted in August, classifying the business in 'Advanced' status and at the 91st percentile in the industry. All electricity supply is now derived from renewable sources.

SUSTAINABILITY AT HSS

Our people

Our colleagues are the heart of our business, and key to setting us apart within our industry. Our aim is to ensure they are safe, valued, supported, developed, and rewarded for the hard work they do for our business and customers.

Innovative ways of working

Our technology innovation has allowed us to create systems which make day-to-day working processes easier for our teams, and we continued this momentum into FY22. Our HSS ProPOS system has continued to grow and develop, and to further support our sales strategy we launched our new Customer Relationship Management (CRM) system in December, making sales administration and customer relationship management easier than ever.

To enhance our customer and colleague experience we created a new sales function based in our Manchester head office, spanning business development and customer improvement activities. With these teams co-located, we've been able to create a collaborative, competitive and rewarding working environment, keeping the teams engaged and allowing us to roll out sales development training so they can upskill together and create lasting careers with HSS.

Health and safety

Safety is at the forefront of our working practices, and it flows through our communications and operational activities at all levels, driven from the top down by our CEO, Steve Ashmore. We're proud that our RIDDOR rates have reduced and we finished FY22 with only one RIDDOR for the reporting period. This demonstrates our colleagues' commitment to keeping safety top of the agenda.

Colleague development

We take a blended approach to learning and development to ensure all our colleagues have opportunities to grow their skills, knowledge and careers. Whether it's apprenticeships, e-learning, video modules or classroom-based training, we strive to tailor our approach and offer colleagues the chance to progress and build a long-term career with HSS.

One of our key successes in FY22 has been our 'Earn As You Learn' programme, which upskills our drivers from 3.5 to 7 tonne vehicles. 11 colleagues have completed their training, with a further 25 expected to complete it early in FY23. This initiative has created a clear career path for drivers wanting to progress and has aided in retention in traditionally high-turnover driving roles.

Our biggest risk area within the Group is Operations, as often these roles involve handling equipment, loading and unloading vehicles and driving. To offer more support to these teams, we launched our 'Safety Starts with Me' campaign, implementing a range of actions such as new safety notice boards and signage, new PPE, and regular team huddles to discuss key safety topics and drive best practice.

We had 18 colleagues successfully complete our nine-month development programme. They took part in workshops focused on leading people, managing change, and personal effectiveness, equipping them with the skills to take the next steps in their careers with HSS. Four of the colleagues who completed the programme have since secured promotions or new roles within the Group.

Colleague engagement

Our annual colleague survey helps drive our engagement agenda for the year, informing Groupwide initiatives, as well as local level activities to ensure HSS is the best place to work. This year we had our highest ever completion rate, with 92% of our colleagues providing a response. Our overall engagement score remained high at 76%, a good result considering the change projects we have implemented over the past two years and the impact of macroeconomic conditions on living standards.

One of our key engagement initiatives this year was to address the pressures many of our colleagues were facing in relation to the rising cost of living. As well as communicating our benefits and financial wellbeing support, we made a one-off payment of £750 to colleagues earning under £35,000 per annum.

Throughout FY22, we have run our usual engagement campaigns, including our peer-to-peer recognition campaign 'Love Your Colleague' around Valentine's Day, and an educational campaign for Pride across our communications and social channels. To ensure we reached more of our operational colleagues, we introduced 'Wellbeing Wednesdays', one day each month where the management team would visit depots and join the local teams to discuss wellbeing topics, highlighting our benefits and support.

We continue to see success from our apprenticeship programmes, with colleagues enrolled from level 2 to level 7 in a broad range of disciplines. We also introduced two new programmes this year, for team leaders and operational management, which are helping to improve our internal management capabilities. We ended FY22 with 39 delegates in active programmes, and enrolment re-opened for FY23.

Equality, Diversity & Inclusion

At HSS we are committed to creating a diverse, inclusive workforce, where everyone is made to feel welcome and valued, and during FY22 we have made some tangible progress against our ED&I strategy.

We established a colleague council which meets quarterly, sharing ideas and insights from across the colleague population to help drive positive progress. We have also completely revised our ED&I training, adopting a top down approach with our Management and Executive teams completing the training first so they can lead on this topic within their own organisations. Once the management training is complete, we will then roll out our mandatory e-learning to all other colleagues in FY23.

Communities
As well as providing a supportive, engaging and progressive workplace for our colleagues, we are committed to giving back to the communities we operate within. This year we continued our partnership with the Lighthouse Club, a charity which supports the construction industry on health and wellbeing. As well as a corporate donation, our colleagues held a range of fundraising activities such as golf days, competitions and games to raise further funds throughout the year.

We supported two charities helping families and children impacted by the war in Ukraine. In addition, we supported a number of our customers with charitable outreach work throughout FY22, such as the Green Corridor initiative through Heathrow Airport. The initiative supports local people with special educational needs, creating opportunities for them to learn new skills. Throughout the year, we donated a range of equipment for their horticultural activities. We have also worked with our Onsite partners in central London, donating a percentage of their spend to the charity of their choice. For example, the Multiplex Onsite at 30 Grosvenor Square which supports Willow, a charity providing special days out for seriously ill 16 to 40-year-olds.

Our environment

In FY22, we produced our inaugural ESG Impact Report, which is available on-line, detailing progress and future plans as we navigate our ESG journey. We've committed to achieve net zero by 2040 and the report explains our materiality-based approach to our ESG strategy and disclosure.

This Annual Report outlines how we are driving practical and positive environmental and social changes as a business, in partnership with our key stakeholders, along with appropriate amendments to our already strong governance.

Our ESG impact report
The report is a blueprint for the future as we strive to deliver positive changes for our people, planet and performance. Amongst other things, the report sets out:

- Our vision, values and purpose
- Our sustainability journey
- ESG commitments and targets
- Governance
- Carbon footprint
- Net Zero 2040 roadmap
- Supply chain and other stakeholder Engagement
- Equality, Diversity and Inclusion
- Health and safety
- Learning and development
- Community engagement

Innovation
At HSS, we pride ourselves in driving innovation within the hire industry and this has always been key to enabling us to implement positive change across our Group. When it comes to our ESG programme and hitting our ambitious 2040 net zero goals, innovation is especially important. In line with this thinking, we are working hard to improve our ESG offering to our customers to help them meet their net zero targets, as well as our own.

One important example of this is our Innovation Roadshows, which ran between February and October 2022. We held a roadshow each month across the length and breadth of the UK, inviting our suppliers to collaborate and showcase their ranges and technology to our customers and sales teams. The purpose of these events was to highlight our eco-friendly product lines and the environmental improvements these can help our customers drive across their own sites and locations. Products showcased included hydrogen powered lighting towers, solar powered welfare units, solar-hybrid Hydrotreated Vegtable Oil (HVO) compatible generators, electric plant, electric powered access and electric grounds care equipment.

Given the success of the roadshows, we are planning to repeat these throughout FY23, making them even bigger and better in order to reach more customers.

HSS ProService has continued to focus on improving and streamlining our customer journey and, with increasing numbers of customers looking for more sustainable product lines and CO2 data, we will be launching enhancements to our Brenda system in early FY23 to help meet this requirement.

Science based targets (SBT)
In our 2022 ESG Impact Report, we set out our ambition to be net zero by 2040. To achieve this, we are taking several steps and a materiality-based approach to our ESG goals. To further demonstrate our commitment to accelerate the reduction of our greenhouse gas (GHG) emissions, in October 2022 we signed up to the UN-backed Science Based Targets initiative (SBTi).

We have publicly set near and long-term Companywide emissions reduction targets and have made the decision to align with a 1.5°C rise in global temperatures compared with pre-industrial levels through the Business Ambition for 1.5°C campaign.

Our net zero by 2040 and 1.5°C temperature alignments are more ambitious than those mandated by the SBTi, demonstrating how seriously we are taking our ESG commitments. We believe these goals are crucial to futureproofing our business, the planet, and the people and communities we work with.

Customer sustainability metrics
In FY22, we experienced a dramatic rise in the number of end users, government bodies and customers requesting carbon data and other ESG-related information, something we expect to continue as more of these drive their own ESG strategies. To better support this demand, we kick-started a number of pilot projects in FY22, working in partnership with a number of key customers to understand their ESG requirements. Our aim is to take advantage of the lessons learned and understand how we can provide customers with greater transparency in their selection and use of more eco-friendly products, and more sustainable solutions. The intention is to expand these initiatives throughout FY23 to support all our stakeholders on their own ESG journeys.

To externally assess where we are on our own ESG journey, we participated in the CDP and EcoVadis ESG surveys in FY22. We have made excellent progress, evidenced by an increase in our CDP rating. Furthermore, we have been awarded a Silver EcoVadis medal for the first time, placing HSS as a leader in our industry sector and in the 91st percentile overall, testament to our hard work and progress on our ESG strategy.

Our supply chain has a significant impact on our ESG performance and has been an increasing area of focus. In Q2 FY22, we sent out our first full ESG supplier surveys, aiming to benchmark where our suppliers are on their ESG journeys. The surveys covered the fundamental elements of ESG for their businesses, but also probed how they are thinking about the emissions of their businesses, product lines, and their future operations. In FY23, we intend to build on this baseline information and place more focus on our supply chain's emissions, innovation pipeline, governance practices and look to partner more closely with suppliers who share our ESG vision, helping us to collaboratively drive change in our industry.

Low carbon fleet
As we look to further reduce the emissions of our vehicle fleet, we continue to invest in hybrid and electric vehicles, encouraging our company car users to select these options as well. During FY22, as vehicle leases expired, we moved to 33% of our company car fleet being electric (EV) or Hybrid (PHEV), with a further 30% of vehicles with emissions less than 120g CO2. With 120 cars (30 EV, 66 PHEV) on order and mostly due for delivery in the first half of FY23, our fleet will soon comprise over 60% EV or PHEV.

One of the challenges we face is that the range of EVs currently available is insufficient given the mileage undertaken. Our 45 mobile fitters' vans are a good example, as these vehicles do a high mileage per day. After an in-depth study we are now replacing them with PHEVs that still have on average 55% lower CO2 emissions, whilst providing appropriate range to ensure we satisfy our customer service requirements.

Looking at our commercial vehicle fleet, we have focused on depots which average lower delivery distances from their respective locations, to ensure we balance our ESG goals and the limitations of the current vehicle technology against delivering the high level of service our customers expect. These locations with lower average delivery mileages are mainly in the South of England, and we have ordered 40 PHEV drop sides due to arrive in the first half of FY23.

We remain committed to taking advantage of the very latest in EV and PHEV technology as the ranges improve, and we are working alongside various innovative suppliers to find the best solutions. We have engaged with a new start up, BE-EV, which in December 2022 began testing a prototype van at our Central Distribution Centre in Bootle. The prototype is fitted with telematics which provide invaluable data to help advance the technology further. We remain committed to exploring new and developing technologies as they come to market and offer practicable solutions to helping us reduce our carbon emissions without adversely affecting customer service or efficiency.

Technology in relation to our fleet is not solely restricted to vehicle operation. In the second half of FY21, HSS Operations introduced a leading-edge AI software called Satalia, which enables our daily routing of deliveries and collections to be as efficient as possible. Throughout FY22, we have continued to embed and improve the software and it has reduced our average journey in FY22 by over one mile. Whilst this may sound insignificant, throughout the full year period it equates to more than 525,103 miles and 195tCO2 in total per annum, a significant impact on our overall emissions.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022

		Year ended 31 December 2022			Year ended 1 January 2022		
	Note	**Underlying £000s**	**Exceptional items (note 4) £000s**	**Total £000s**	Underlying £000s	Exceptional items (note 4) £000s	Total £000s
Revenue	2	**332,777**	**–**	**332,777**	303,269	–	303,269
Cost of sales		**(164,647)**	**–**	**(164,647)**	(146,271)	–	(146,271)
Gross profit		**168,130**	**–**	**168,130**	156,998	–	156,998
Distribution costs		**(30,325)**	**–**	**(30,325)**	(21,915)	–	(21,915)
Administrative expenses		**(109,554)**	**(2,774)**	**(112,328)**	(108,368)	7,933	(100,435)
Impairment loss on trade receivables and contract assets	11	**(1,667)**	**–**	**(1,667)**	(1,835)	–	(1,835)
Other operating income	3	**8**	**539**	**547**	1,602	106	1,708
Operating profit		**26,592**	**(2,235)**	**24,357**	26,482	8,039	34,521
Financial expense	5	**(7,650)**	**(176)**	**(7,826)**	(18,510)	(9,945)	(28,455)
Profit before tax		**18,942**	**(2,411)**	**16,531**	7,972	(1,906)	6,066
Income tax credit	6	**3,946**	**–**	**3,946**	1,239		1,239
Profit from continuing operations		**22,888**	**(2,411)**	**20,477**	9,211	(1,906)	7,305
Profit on disposal of discontinued operations		**–**	**–**	**–**	–	41,242	41,242
Profit from discontinued operations, net of tax		**–**	**–**	**–**	–	5,179	5,179
Profit for the financial period		**22,888**	**(2,411)**	**20,477**	9,211	44,515	53,726
Alternative performance measures £000s							
Adjusted EBITDA				**71,572**			69,777
Adjusted EBITA				**31,965**			31,657
Adjusted profit before tax				**20,966**			10,731
Earnings per share (pence)							
Adjusted basic earnings per share	7			**2.41**			1.25
Adjusted diluted earnings per share	7			**2.34**			1.22
Basic earnings per share	7			**2.90**			1.05
Diluted earnings per share	7			**2.83**			1.02

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Year ended 31 December 2022 £000s	Year ended 1 January 2022 £000s
Profit for the financial period	**20,477**	53,726
Items that may be reclassified to profit or loss:		
Foreign currency translation differences arising on consolidation of foreign operations	**332**	(720)
Foreign currency disposal as part of business divestiture	**–**	(49)
Other comprehensive gain/(loss) for the period, net of tax	**332**	(769)
Total comprehensive profit for the period	**20,809**	52,957
Attributable to owners of the Group	**20,809**	52,957

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Year ended 31 December 2022 £000s	As restated[1] Year ended 1 January 2022 £000s
ASSETS			
Non-current assets			
Intangible assets	8	**147,867**	147,648
Property, plant and equipment			
Hire equipment	9	**73,613**	63,123
Non-hire equipment	9	**14,162**	15,605
Right of use assets			
Hire equipment	10	**2,736**	1,860
Non-hire equipment	10	**49,077**	55,329
Deferred tax asset	16	**7,515**	2,404
		294,970	285,969
Current assets			
Inventories		**3,779**	2,682
Trade and other receivables	11	**86,068**	78,680
Cash and cash equivalents		**47,709**	42,269
		137,556	123,631
Total assets		**432,526**	409,600
EQUITY			
Share capital	17	**7,050**	7,050
Share premium	17	**45,552**	45,552
Foreign exchange translation reserve		**(422)**	(754)
Other reserves		**97,780**	97,780
Retained earnings		**32,503**	12,273
Total equity		**182,463**	161,901
LIABILITIES			
Current liabilities			
Trade and other payables	12	**88,302**	78,704
Lease liabilities	13	**13,182**	14,052
Borrowings	14	**5,168**	5,258
Provisions	15	**4,258**	4,713
Current tax liability		**290**	293
		111,200	103,020
Non-current liabilities			
Lease liabilities	13	**43,110**	47,413
Borrowings	14	**78,591**	78,008
Provisions	15	**17,045**	19,110
Deferred tax liabilities	16	**117**	148
		138,863	144,679
Total liabilities		**250,063**	247,699
Total equity and liabilities		**432,526**	409,600

1 The Group has identified the need to make a correction to the balance sheets at 1 January 2022 and 26 December 2020 where hire equipment purchased under financing agreements had been reclassed to Property, Plant and Equipment from Right of Use assets. This reclassification includes the corresponding adjustment between lease liabilities and borrowings.

The Financial Statements were approved and authorised for issue by the Board of Directors on 26 April 2023 and were signed on its behalf by:

Paul Quested
Director
26 April 2023

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital £000s	Share premium £000s	Warrant reserve £000s	Merger reserve £000s	Foreign exchange translation reserve £000s	Retained earnings £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 disposal as part of business divestiture	–	–	–	–	(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
Profits for the period	**–**	**–**	**–**	**–**	**–**	**20,477**	**20,477**
Foreign currency translation differences arising on consolidation of foreign operations	**–**	**–**	**–**	**–**	**332**	**–**	**332**
Total comprehensive profit for the period	**–**	**–**	**–**	**–**	**332**	**20,477**	**20,809**
Transactions with owners recorded directly in equity:							
Dividends paid	**–**	**–**	**–**	**–**	**–**	**(1,198)**	**(1,198)**
Share-based payment charge	**–**	**–**	**–**	**–**	**–**	**951**	**951**
As at 31 December 2022	**7,050**	**45,552**	**–**	**97,780**	**(422)**	**32,503**	**182,463**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Year ended 31 December 2022 £000s	As restated[1] Year ended 1 January 2022 £000s
Profit for the financial period		**20,477**	53,726
Adjustments for:			
– Tax	6	**(3,946)**	(1,156)
– Profit on disposal of discontinued operations		**–**	(41,242)
– Amortisation		**5,314**	5,310
– Depreciation		**35,494**	36,128
– Accelerated depreciation relating to hire stock customer losses and hire stock write-offs		**3,951**	3,761
– Impairment of property, plant and equipment and right of use assets		**–**	497
– Loss on disposal of property, plant and equipment and right of use assets		**486**	2
– Lease disposals	13	**(324)**	(6,222)
– Loss on disposal of intangibles		**59**	311
– Capital element of receipts from net investment in sublease		**255**	–
– Share-based payment charge		**951**	1,374
– Foreign exchange loss/(gain) on operating activities		**35**	(506)
– Finance expense	5	**7,826**	28,527
Changes in working capital (excluding the effects of disposals and exchange differences on consolidation):			
– Inventories		**(1,097)**	252
– Trade and other receivables		**(6,616)**	(6,999)
– Trade and other payables		**9,472**	23,671
– Provisions		**268**	(8,401)
Net cash flows from operating activities before purchase of hire equipment		**72,605**	89,033
Purchase of hire equipment	9	**(24,538)**	(17,468)
Cash generated from operating activities		**48,067**	71,565
Interest paid		**(6,836)**	(26,628)
Income tax paid		**(2,220)**	(779)
Net cash generated from operating activities		**39,011**	44,158
Cash flows from investing activities			
Proceeds on disposal of business, net of cash disposed of		**–**	62,813
Proceeds on disposal of assets as part of business divestiture		**–**	526
Purchases of non-hire property, plant, equipment and software	8, 9	**(10,571)**	(6,651)
Net cash (used in)/generated from investing activities		**(10,571)**	56,688
Cash flows from financing activities			
Dividends paid		**(1,181)**	–
Facility arrangement fees		**(35)**	(1,946)
Proceeds from capital raise net of share issue costs paid		**–**	(1,471)
Proceeds from borrowings (third parties)		**–**	70,000
Repayment of borrowings		**–**	(199,182)
Capital element of lease liability payments		**(15,140)**	(17,829)
Capital element of hire purchase arrangement payments		**(6,644)**	(5,722)
Net cash paid from financing activities		**(23,000)**	(156,250)
Net increase/(decrease) in cash		**5,440**	(55,304)
Cash at the start of the year		**42,269**	97,573
Cash at the end of the year		**47,709**	42,269

1 The Group has identified the need to make a correction to the balance sheets at 1 January 2022 and 26 December 2020 where hire equipment purchased under financing agreements had been reclassed to Property, Plant and Equipment from Right of Use assets. This reclassification includes the corresponding adjustment between lease liabilities and borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 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 31 December 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 1 January 2022. The financial statements were approved by the Board on 26 April 2023.

The financial information for the year ended 31 December 2022 and the year ended 1 January 2022 does not constitute the company's statutory accounts for those years. Statutory accounts for the year ended 1 January 2022 have been delivered to the Registrar of Companies. The statutory accounts for the year ended 31 December 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 31 December 2022 and 1 January 2022 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 31 December 2022 will be posted to shareholders in early May 2023.

Going concern

At 31 December 2022, the Group's financing arrangements consisted of a fully drawn senior finance facility of £70.0m, an undrawn revolving credit facility ("RCF") of £19.0m and undrawn overdraft facilities of £6.0m. Cash at the balance sheet date was £47.7m providing liquidity headroom of £72.7m (2021: £65.5m). Both the senior finance facility and RCF are subject to a net debt leverage and interest cover financial covenant tests each quarter. At the financial year-end the Group had 57% and 134% headroom against these covenants respectively (2021: 44% and 49%).

The Directors have prepared a going concern assessment up to 27 April 2024, which confirms that the Group is capable of continuing to operate within its existing facilities and can meet its covenant tests during that period. With regard to the assessment of going concern, Directors have reviewed the Group's cash flow forecasts, taking into account strategic initiatives and sensitivity analysis based on the possible changes in trading performance in an uncertain market environment. The Group's base case for the 12 months to 27 April 2024 assumes a step change in growth through the effective execution of the Board approved strategic initiatives.

The Board has considered various downside scenarios including a 'reasonable worst case' driven by macroeconomic downturn reducing demand and leading to volume decline, strategic initiatives delivering lower than forecast growth and an increase in debtor days. This reasonable worst case scenario has been modelled without mitigating actions and 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 the Financial Statements included within this Annual Report.

Prior period restatement

The Group has identified the need to make a correction to the balance sheets at 1 January 2022 and 26 December 2020 where hire equipment subsequently financed by hire purchase agreements has been reclassed to Property, Plant and Equipment from Right of Use assets. This reclassification includes the corresponding adjustment between lease liabilities and borrowings. There is no impact on income statement, net assets or reserves as a result of this restatement.

To correct the presentation of these balances in the prior year, the Group has restated the balance sheet and associated note disclosures as at 1 January 2022.

The impact on the 1 January 2022 balance sheet is set out below:

	1 January 2022 £000s	Adjustments £000s	1 January 2022 (Restated) £000s
Non-current assets:			
Property, plant and equipment – Hire equipment	**44,332**	**18,791**	**63,123**
Right of use assets – Hire equipment	**20,651**	**(18,791)**	**1,860**
Current liabilities:			
Lease liabilities	**19,310**	**(5,258)**	**14,052**
Borrowings	**-**	**5,258**	**5,258**
Non-current liabilities:			
Lease liabilities	**57,255**	**(9,842)**	**47,413**
Borrowings	**68,166**	**9,842**	**78,008**

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, 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 not typically held within 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.

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 (2021: no customer was more than 10%).

	Year ended 31 December 2022			
	Rental (and related revenue) £000s	Services £000s	Central £000s	Total £000s
Total revenue from external customers	**206,175**	**126,602**	**–**	**332,777**
Contribution	**138,439**	**19,271**	**–**	**157,710**
Branch and selling costs			**(53,612)**	**(53,612)**
Central costs			**(32,526)**	**(32,526)**
Adjusted EBITDA				**71,572**
Less: Exceptional items			**(2,235)**	**(2,235)**
Less: Depreciation and amortisation	**(22,998)**	**(359)**	**(21,623)**	**(44,980)**
Operating profit				**24,357**
Net finance expenses				**(7,826)**
Profit before tax				**16,531**
Income tax				**3,946**
Profit for the financial period				**20,477**

	Year ended 31 December 2022			
	Rental (and related revenue) £000s	Services £000s	Central £000s	Total £000s
Additions to non-current assets				
Property, plant and equipment	**30,436**	**49**	**5,461**	**35,935**
Right of use assets	**2,220**	**521**	**7,672**	**10,413**
Intangibles	**3,052**	**35**	**2,505**	**5,592**
Non-current assets net book value				
Property, plant and equipment	**73,613**	**138**	**14,024**	**87,775**
Right of use assets	**2,736**	**614**	**48,463**	**51,813**
Intangibles	**145,430**	**67**	**2,370**	**147,867**
Deferred tax assets			**7,515**	**7,515**
Current assets			**137,556**	**137,556**
Current liabilities			**(111,200)**	**(111,200)**
Non-current liabilities			**(138,863)**	**(138,863)**
				182,463

	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 charge				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

	As restated[1] 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	25,815	16	2,750	28,581
Right of use assets	1,301	56	6,826	8,183
Intangibles	2,928	39	1,361	4,328
Non-current assets net book value				
Property, plant and equipment	63,123	129	15,476	78,728
Right of use assets	1,860	384	54,945	57,189
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

3. Other operating income

	Year ended 31 December 2022 £000s	Year ended 1 January 2022 £000s
COVID 19 Government grant income: Job retention schemes	**–**	232
Insurance proceeds (net of fees)	**–**	1,203
Sub-lease rental and service charge income	**547**	273
	547	1,708

During the year, the Group received sub-let rental income of £0.5m (2021: £0.3m) on vacant properties.
During the prior 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 2021.

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 31 December 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 31 December 2022 £000s
Onerous property costs	**112**	**(539)**	**26**	**(401)**
Costs relating to restructure	**3,182**	**–**	**–**	**3,182**
Onerous contract	**(520)**	**–**	**150**	**(370)**
Total	**2,774**	**(539)**	**176**	**2,411**

During the year ended 1 January 2022, the Group recognised exceptional costs analysed as follows:

	ed 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)

Exceptional items incurred in 2022 and 2021

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 £0.4m has been recognised in 2022 (2021: £7.9m). In the current year this relates primarily to sublet rental income received where properties have been sublet; amounts from sublet rental income have been included in other operating income. In the prior year this credit mainly related to the release of lease liabilities, onerous property cost and dilapidations provisions on surrender of properties following the branch closures.

Costs related to restructure

Following the changes made to our operating network in Q4 2020 and the roll-out of HSS ProPOS in Q1 2021, the Group completed the legal separation of HSS ProService in July 2022. Following this legal separation, a detailed strategy refresh was undertaken working with third party advisors to develop the growth plans for HSS ProService and evaluate opportunities to create greater shareholder value. Fees incurred relating to the restructure and strategy refresh in the year ended 31 December 2022 amount to £3.2m (2021: £0.6m).

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 early 2018. The liability at the balance sheet date is £9.8m (2021: £13.5m). The discount rate used to calculate the present value of the provision is the five-year UK gilt rate of 3.62% (2021: 0.81%). Application of the new discount rate at the balance sheet date resulted in a credit to the income statement of £0.5m (2021: £0.3m), recognised as exceptional in line with the original provision. An interest charge (discount unwind) of £0.15m (2021: £0.01m) was recognised through exceptional finance costs.

Exceptional items incurred in 2021 only

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. Costs that related specifically to the capital raise were deducted from the net proceeds and included in the share premium account.

Costs expensed on refinancing

In October 2021, following the sale of All Seasons Hire Limited (see business divestitures below) 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 £70.0m 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.

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 2021:

Laois Hire Services Limited

Laois Hire Services 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.

5. Finance expense

	Year ended 31 December 2022 £000s	Year ended 1 January 2022 £000s
Senior finance facility	**3,041**	12,653
Senior finance facility prepayment penalties	**–**	6,430
Debt issue costs	**473**	1,896
Lease and hire purchase arrangements	**3,908**	3,950
Interest unwind on discounted provisions	**150**	15
Revolving credit facility	**–**	58
Interest on financial instruments	**–**	–
Bank loans and overdrafts	**254**	153
Accelerated amortisation of debt issue costs	**–**	3,300
	7,826	28,455

6. Income tax charge

(a) Analysis of tax credit in the year

	Year ended 31 December 2022 £000s	Year ended 1 January 2022 £000s
Current tax charge		
UK corporation tax on the result for the year	**1,495**	1,151
Adjustments in respect of prior years	**(299)**	(80)
Total current tax charge	**1,196**	1,071
Deferred tax credit for the year		
Deferred tax credit for the year	**(5,493)**	(2,319)
Deferred tax impact of change in tax rate	**(40)**	(117)
Adjustments in respect of prior years	**391**	126
Total deferred tax credit	**(5,142)**	(2,310)
Income tax credit	**(3,946)**	(1,239)

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

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

	Year ended 31 December 2022 £000s	Year ended 1 January 2022 £000s
Profit before tax	**16,531**	6,066
Profit before tax multiplied by the effective standard rate of corporation tax of 19% (2021: 19%)	**3,141**	1,153
Effects of:		
Unprovided deferred tax movements on short-term temporary differences and capital allowance timing differences	**(2,530)**	(2,958)
Adjustments in respect of prior years	**92**	46
Expenses not deductible for tax purposes	**1,096**	2,437
Recognition of brought forward tax losses	**(5,367)**	(2,000)
Utilisation of unrecognised tax losses brought forward	**(449)**	–
Foreign tax suffered	**111**	200
Impact of change in tax rate	**(40)**	(117)
Income tax credit	**(3,946)**	(1,239)

The charge of £1.1m (2021: £2.4m) arising in respect of expenses not deductible is mainly attributable to costs associated with share options awarded to some employees, the Group exiting property leases and removing dormant entities from the Group structure. This amount has decreased in the current year due to the lower level of properties exited during the year. The credit of £5.4m (2021: £2.0m) arises from the recognition of a deferred tax asset in respect of prior period losses not previously recognised. Based upon forecasts, the Group considers the recognition criteria in IAS 12 have been met.

(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.

At 31 December 2022 the Group had an unrecognised deferred tax asset relating to losses of £13.1m (2021 (restated): £21m). The gross balance at 31 December 2022 was £52.3m (2021 (restated): £84.0m).

At 31 December 2022 the Group also had an unrecognised deferred tax asset relating to temporary differences on plant and equipment, intangible assets and provisions of £9.8m (2021: £15.2m). The gross balance at 31 December 2022 was £39.4m (2021 (restated): £60.0m).

The gross balances as at 1 January 2022 on unrecognised temporary differences temporary differences on plant and equipment, intangible assets and provisions have been restated to decrease by £20.0m due to input errors in the preparation of the FY21 financial statements.

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 difference will occur.

7. Earnings per share

Basic earnings per share calculated on a continuing operations basis:

	Profit after tax from continuing operations £000s	Weighted average number of shares 000s	Earnings per share from continuing operations pence
Year ended 31 December 2022	**20,477**	**704,988**	**2.90**
Year ended 1 January 2022	7,305	696,821	1.05

Basic earnings 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 per share calculated on a continuing operations basis:

	Profit after tax from continuing operations £000s	Diluted weighted average number of shares 000s	Earnings per share from continuing operations pence
Year ended 31 December 2022	**20,477**	**723,950**	**2.83**
Year ended 1 January 2022	7,305	714,816	1.02

Diluted earnings per share is calculated using the profit 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) and restricted stock grants.

All of the Group's potentially dilutive equity derivative securities were dilutive for the purpose of diluted earnings per share in both 2022 and 2021.

The following is a reconciliation between the basic earnings per share and the adjusted basic earnings per share on a continuing operations basis:

	Year ended 31 December 2022 pence	Year ended 1 January 2022 pence
Basic earnings per share	**2.90**	1.05
Add back:		
Exceptional items per share[1]	**0.34**	0.27
Amortisation of customer relationships and brands per share [2]	**0.29**	0.40
Tax credit per share	**(0.56)**	(0.18)
Charge:		
Tax charge at prevailing rate	**(0.56)**	(0.29)
Adjusted basic earnings per share	**2.41**	1.25

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 of customer relationships and brands per share is calculated as the amortisation charge on customer relationships and brands divided by the weighted average number of shares in issue through the year.

The following is a reconciliation between the diluted earnings per share and the adjusted diluted earnings per share on a continuing operations basis:

	Year ended 31 December 2022 pence	Year ended 1 January 2022 pence
Diluted earnings per share	**2.83**	1.02
Add back:		
Adjustment to basic earnings per share for the impact of dilutive securities		
Exceptional items per share [1]	**0.33**	0.27
Amortisation of customer relationships and brands per share[2]	**0.28**	0.39
Tax credit per share	**(0.55)**	(0.17)
Charge:		
Tax credit at prevailing rate	**(0.55)**	(0.29)
Adjusted diluted earnings per share	**2.34**	1.22

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 of customer relationships and brands per share is calculated as the amortisation charge on customer relationships and brands 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 is as follows:

	Year ended 31 December 2022 Weighted average number of shares 000s	Year ended 1 January 2022 Weighted average number of shares 000s
Basic	**704,988**	696,821
LTIP share options	**3,843**	8,296
Restricted stock grant	**15,036**	8,988
CSOP options	**83**	711
Diluted	**723,950**	714,816

8. Intangible assets

	Goodwill £000s	Customer relationships £000s	Brands £000s	Software £000s	Total £000s
Cost					
At 2 January 2022	**115,855**	**25,400**	**22,590**	**31,856**	**195,701**
Additions	**–**	**–**	**–**	**5,592**	**5,592**
Disposals[1]	**–**	**–**	**(5)**	**(4,684)**	**(4,689)**
At 31 December 2022	**115,855**	**25,400**	**22,585**	**32,764**	**196,604**
Amortisation					
At 2 January 2022	**–**	**23,301**	**298**	**24,454**	**48,053**
Charge for the year	**–**	**1,990**	**34**	**3,290**	**5,314**
Disposals[1]	**–**	**–**	**(5)**	**(4,625)**	**(4,630)**
At 31 December 2022	**–**	**25,291**	**327**	**23,119**	**48,737**
Net book value					
At 31 December 2022	**115,855**	**109**	**22,258**	**9,645**	**147,867**

1 As part of the internal legal restructuring an asset verification exercise was conducted. As a result, intangible assets, with a gross book value of £4.6m and accumulated depreciation of £4.6m, have been disposed during the year.

	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	(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 year	–	2,675	84	2,551	5,310
Disposals	–	–	–	(52)	(52)
Business disposal	–	(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

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 – UK	**102,292**	**21,900**	**–**	**–**	**124,192**
HSS Core – Ireland	**7,510**	**–**	**–**	**–**	**7,510**
HSS Power	**6,053**	**–**	**358**	**109**	**6,520**
At 31 December 2022	**115,855**	**21,900**	**358**	**109**	**138,222**

	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
HSS Power	6,053	–	392	199	6,644
At 1 January 2022	115,855	21,900	392	2,099	140,246

The remaining life of intangible assets other than goodwill and indefinite life brands is between nil and 12 years (2021: nil and 13 years). For the purpose of calculating Adjusted EBITDA and Adjusted EBITA, amortisation, is calculated as the total of the amortisation charge for the year and the loss on disposal of intangible assets. For the purpose of calculating Adjusted profit before tax, amortisation of customer relationships and brands is calculated as the total amortisation charge for the year and the loss on disposal of customer relationships and brands.

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.

The Group has three (2021: two) cash generating units (CGUs): HSS Core UK, HSS Core Ireland and HSS Power.

During the year, the Group completed a restructure which included the legal creation of HSS Hire Ireland Limited in the Republic of Ireland. Following this restructure, the HSS Core CGU was subdivided into HSS Core UK and HSS Core Ireland and in line with IAS 36, the goodwill allocated based on each CGU's value in use (VIU).

The recoverable amounts of the goodwill and indefinite life brands, which are allocated to CGUs, are estimated from VIU calculations which model pre-tax cash flows for the next five years (2021: 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 2023 and model of the business for the following two years (to the end of 2025).
- 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 (2021: 2.0%).
- A pre-tax discount rate of 12.2% (2021: 9.44%), 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 31 December 2022 for any of the CGUs. The Directors carried out sensitivity analysis on various inputs to the models, including growth rates and discount rates, which did not result in an impairment charge for any 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 UK (the larger CGU) at 31 December 2022, the headroom between VIU and carrying value of the related assets was £229.5m. The Directors' sensitivity analysis, with regard to HSS Core UK, shows that an increase in the discount rate to 22.2% or a reduction in the long-term growth rate to a decline of 14.5% would eliminate the headroom shown. Furthermore, the Directors' sensitivity analysis shows that no impairment would be required to the HSS Core UK CGU until the actual EBITDA was 26.6% lower than forecast. In addition, the Directors have assessed the combined impact of the long-term growth rate falling to zero and an increase in the discount rate of 1% to 13.2%. This shows that the headroom drops to £139.1m for HSS Core UK.

In respect of HSS Power (the smallest CGU) at 31 December 2022, the headroom between VIU and carrying value of the related assets was £8.4m (2021: £30.9m). The Directors' sensitivity analysis, with regard to HSS Power, shows that an increase in the discount rate to 16.1% (2021: 24.1%) or a reduction in the long-term growth rate to a decline of 3.4% (2021: decline of 30.3%) would eliminate the headroom shown. Furthermore, the Directors' sensitivity analysis shows that no impairment would be required to the Power CGU until the actual EBITDA was 10.0% (2021: 29.8%) lower than forecast. In addition, the Directors have assessed the combined impact of the long-term growth rate falling to zero (2021: zero) and an increase in the discount rate of 1% to 13.2% (2021: 10.44%). This shows that the headroom drops to £2.4m (2021: £18.6m) for HSS Power.

In respect of HSS Core Ireland at 31 December 2022, the headroom between VIU and carrying value of the related assets was £16.4m. The Directors' sensitivity analysis, with regard to HSS Core Ireland, shows that an increase in the discount rate to 21.8% or a reduction in the long-term growth rate to a decline of 13.8% would eliminate the headroom shown. Furthermore, the Directors' sensitivity analysis shows that no impairment would be required to the HSS Core Ireland CGU until the actual EBITDA was 18.3% lower than forecast. In addition, the Directors have assessed the combined impact of the long-term growth rate falling to zero and an increase in the discount rate of 1% to 13.2%. This shows that the headroom drops to £9.8m for HSS Core Ireland.

9. Property, plant and equipment

	Land & buildings £000s	Plant & machinery £000s	Materials & equipment held for hire £000s	Total £000s
Cost				
At 2 January 2022	**37,303**	**43,163**	**160,131**	**240,597**
Transferred from right of use assets	**–**	**–**	**283**	**283**
Additions	**4,919**	**592**	**30,435**	**35,946**
Disposals[1]	**(4,606)**	**(14,561)**	**(16,686)**	**(35,853)**
Re-measurement	**(2,497)**	**–**	**–**	**(2,497)**
Foreign exchange differences	**28**	**2**	**243**	**273**
Transfer	**(102)**	**–**	**102**	**–**
At 31 December 2022	**35,045**	**29,196**	**174,508**	**238,749**
Accumulated depreciation				
At 2 January 2022	**25,453**	**39,408**	**97,008**	**161,869**
Transferred from right of use assets	**–**	**–**	**261**	**261**
Charge for the year	**2,433**	**1,501**	**16,654**	**20,588**
Disposals[1]	**(3,927)**	**(14,621)**	**(13,189)**	**(31,737)**
Foreign exchange differences	**(2)**	**(5)**	**–**	**(7)**
Transfers	**–**	**(161)**	**161**	**–**
At 31 December 2022	**23,957**	**26,122**	**100,895**	**150,974**
Net book value				
At 31 December 2022	**11,088**	**3,074**	**73,613**	**87,775**

1 As part of the internal legal restructuring an asset verification exercise was conducted. As a result, land and buildings and plant and machinery assets, with a net book value of £0.5m (£18.0m gross book value less £17.5m accumulated depreciation), have been disposed during the year.

	Land & buildings £000s	Plant & machinery £000s	Materials & equipment held for hire £000s	Total £000s
Cost				
At 27 December 2020 – as previously reported	58,419	55,315	149,534	263,268
Restatement[1]	–	–	28,550	28,550
At 27 December 2020 – as restated	58,419	55,315	178,084	291,818
Transferred from right of use assets – as previously reported	–	–	8,742	8,742
Restatement[1]	–	–	(8,519)	(8,519)
Transferred from right of use assets – as restated	–	–	223	223
Additions – as previously reported	2,011	755	18,558	21,324
Restatement[1]	–	–	7,257	7,257
Additions – as restated	2,011	755	25,815	28,581
Disposals – as previously reported	(22,394)	(11,193)	(16,515)	(50,102)
Restatement[1]	–	–	(831)	(831)
Disposals – as restated	(22,394)	(11,193)	(17,346)	(50,933)
Business disposal	(702)	(1,683)	(26,064)	(28,449)
Foreign exchange differences	(31)	(31)	(581)	(643)
At 1 January 2022	37,303	43,163	160,131	240,597
Accumulated depreciation				
At 27 December 2020 – as previously reported	45,208	50,580	99,105	194,893
Restatement[1]	–	–	9,417	9,417
At 27 December 2020 – as restated	45,208	50,580	108,522	204,310
Transferred from right of use assets – as previously reported	–	–	5,200	5,200
Restatement[1]	–	–	(4,990)	(4,990)
Transferred from right of use assets – as restated	–	–	210	210
Charge for the year – as previously reported	2,543	1,710	12,482	16,735
Restatement[1]	–	–	3,641	3,641
Charge for the year – as restated	2,543	1,710	16,123	20,376
Impairment	264	–	–	264
Disposals – as previously reported	(22,325)	(11,171)	(13,145)	(46,641)
Restatement[1]	–	–	(402)	(402)
Disposals – as restated	(22,325)	(11,171)	(13,547)	(47,043)
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	97,008	161,869
Net book value				
At 1 January 2022	11,850	3,755	63,123	78,728

The transferred from right of use category represents the acquisition of right of use assets at expiry of the lease in cases where the title is transferred to the Group.

10. Right of use assets

	Property £000s	Vehicles £000s	Equipment for internal use £000s	Equipment held for hire £000s	Total £000s
Cost					
At 2 January 2022	**56,847**	**26,283**	**520**	**2,328**	**85,978**
Additions	**2,290**	**5,903**	**–**	**2,220**	**10,413**
Transferred to property, plant and equipment	**–**	**–**	**–**	**(293)**	**(293)**
Disposals	**(2,273)**	**(548)**	**–**	**(649)**	**(3,470)**
Foreign exchange differences	**31**	**(25)**	**–**	**–**	**6**
At 31 December 2022	**56,895**	**31,613**	**520**	**3,606**	**92,634**
Accumulated depreciation					
At 2 January 2022	**15,104**	**12,773**	**444**	**468**	**28,789**
Transferred to property, plant and equipment	**–**	**–**	**–**	**(271)**	**(271)**
Charge for the period	**7,458**	**6,522**	**58**	**868**	**14,419**
Disposals	**(2,022)**	**(386)**	**–**	**(195)**	**(2,603)**
At 31 December 2022	**20,540**	**18,909**	**502**	**870**	**40,821**
Net book value					
At 31 December 2022	**36,355**	**12,704**	**18**	**2,736**	**51,813**

	Property £000s	Vehicles £000s	Equipment for internal use £000s	Equipment held for hire £000s	Total £000s
Cost					
At 27 December 2020 – as previously reported	61,253	23,681	562	21,998	107,494
Restatement[1]	–	–	–	(20,497)	(20,497)
At 27 December 2020 – as restated	61,253	23,681	562	1,501	86,997
Additions – as previously reported	1,882	5,000	–	8,558	15,440
Restatement[1]	–	–	–	(7,257)	(7,257)
Additions – as restated	1,882	5,000	–	1,301	8,183
Re-measurements	3,407	128	(12)	–	3,523
Transfers to property, plant and equipment – as previously reported	–	–	–	(4,462)	(4,462)
Restatement[1]	–	–	–	4,297	4,297
Transfers to property, plant and equipment – as restated	–	–	–	(165)	(165)
Business disposal	(1,304)	(1,662)	(30)	–	(2,996)
Disposals – as previously reported	(8,755)	(859)	–	(755)	(10,369)
Restatement[1]	–	–	–	446	446
Disposals – as restated	(8,755)	(859)	–	(309)	(9,923)
Amount re-recognised on disposal of sublease	544	–	–	–	544
Foreign exchange differences	(180)	(5)	–	–	(185)
At 1 January 2022	56,847	26,283	520	2,328	85,978
Accumulated depreciation					
At 27 December 2020 – as previously reported	15,403	6,854	327	1,422	24,006
Restatement[1]	–	–	–	(1,364)	(1,364)
At 27 December 2020 – as restated	15,403	6,854	327	58	22,642
Transfers to property, plant and equipment – as previously reported	–	–	–	(920)	(920)
Restatement[1]	–	–	–	768	768
Transfers to property, plant and equipment – as restated	–	–	–	(152)	(152)
Charge for the period – as previously reported	7,840	7,099	147	4,307	19,393
Restatement[1]	–	–	–	(3,641)	(3,641)
Charge for the period – as restated	7,840	7,099	147	666	15,752
Impairments	233	–	–	–	233
Business disposal	(397)	(538)	(30)	–	(965)
Disposals – as previously reported	(7,975)	(642)	–	(121)	(8,738)
Restatement[1]	–	–	–	17	17
Disposals – as restated	(7,975)	(642)	–	(104)	(8,721)
At 1 January 2022	15,104	12,773	444	468	28,789
Net book value					
At 1 January 2022	41,743	13,510	76	1,860	57,189

The transferred to property, plant and equipment category represents the acquisition of right of use assets at expiry of the lease in cases where the title is transferred to the Group.

11. Trade and other receivables

	31 December 2022				1 January 2022			
	Gross	**Provision for impairment**	**Provision for credit notes**	**Net of provision**	Gross	Provision for impairment	Provision for credit notes	Net of provision
	£000s	**£000s**	**£000s**	**£000s**	£000s	£000s	£000s	£000s
Trade receivables	**77,308**	**(3,343)**	**(5,554)**	**68,411**	73,873	(3,884)	(3,225)	66,764
Accrued income	**10,543**	**(106)**	**–**	**10,437**	4,165	(47)	–	4,118
Total trade receivables and contract assets	**87,851**	**(3,449)**	**(5,554)**	**78,848**	78,038	(3,931)	(3,225)	70,882
Net investment in sublease	**712**	**–**	**–**	**712**	961	–	–	961
Other debtors	**3,493**	**–**	**–**	**3,493**	1,282	–	–	1,282
Prepayments	**3,015**	**–**	**–**	**3,015**	5,555	–	–	5,555
Total trade and other receivables	**95,071**	**(3,449)**	**(5,554)**	**86,068**	85,836	(3,931)	(3,225)	78,680

Included in other debtors is £1.0m (2021: £nil) relating to tax receivables.

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

	31 December 2022 Provision for impairment £000s	**31 December 2022 Provision for credit notes £000s**	1 January 2022 Provision for impairment £000s	1 January 2022 Provision for credit notes £000s
Balance at the beginning of the period	**(3,931)**	**(3,225)**	(3,023)	(2,458)
Increase in provision	**(1,667)**	**(6,278)**	(1,835)	(3,746)
Utilisation	**2,149**	**3,949**	910	2,752
Business disposal	**–**	**–**	17	227
Balance at the end of the period	**(3,449)**	**(5,554)**	(3,931)	(3,225)

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

31 December 2022	**Current**	**0-60 days past due**	**61-365 days past due**	**1-2 years past due**	**Total**
Trade receivables and contract assets	**71,292**	**7,747**	**7,262**	**1,550**	**87,851**
Expected loss rate	**0.9%**	**2.8%**	**20.9%**	**69.4%**	**3.9%**
Provision for impairment charge	**638**	**218**	**1,517**	**1,076**	**3,449**

1 January 2022	Current	0-60 days past due	61-365 days past due	1-2 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

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 macroeconomic uncertainty leading to pressures on businesses facing staff and material shortages and, more latterly, increased inflation. At the balance sheet date, similar to 2021, 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 Group has applied an adjusted risk factor of 1.25x (2021: 1.50x) to reflect the increased risk of future insolvency. In so doing the provision has been increased by £0.7m (2021: £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 £3.1m (2021: £2.8m). Unless the counterparty is in liquidation, these amounts are still subject to enforcement actions.

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 10.2% of trade receivables and contract assets at 31 December 2022 (2021: 9.2%). A 0.5% increase in the combined provision rate would give rise to an increased provision of £0.4m (2021: £0.4m).

12. Trade and other payables

	Year ended 31 December 2022 £000s	Year ended 1 January 2022 £000s
Current		
Trade payables	**41,693**	43,062
Other taxes and social security costs	**4,718**	5,175
Other creditors	**2,010**	1,308
Accrued interest on borrowings	**534**	271
Accruals	**38,689**	28,494
Deferred income	**658**	394
	88,302	78,704

13. Lease liabilities

	31 December 2022 £000s	As restated[1] 1 January 2022 £000s
Current		
Lease liabilities	**13,182**	14,052
Non-current		
Lease liabilities	**43,110**	47,413
	56,292	61,465

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

		31 December 2022	As restated[1] 1 January 2022
Equipment for hire	Fixed	**11.1 to 19.1%**	11.1 to 19.1%
Other	Fixed	**3.5 to 6.0%**	3.5 to 6.0%

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

	31 December 2022	As restated[1] 1 January 2022
Lease liabilities	**6.1%**	5.7%

The lease liability movements are detailed below:

	Property £000s	**Vehicles £000s**	**Equipment for hire and internal use £000s**	**Total £000s**
Lease liability movement				
At 2 January 2022	**44,879**	**14,247**	**2,339**	**61,465**
Additions	**2,290**	**5,903**	**2,090**	**10,283**
Discount unwind	**2,460**	**444**	**3**	**2,907**
Payments (including interest)	**(10,144)**	**(7,023)**	**(880)**	**(18,047)**
Disposals	**(217)**	**(107)**	**–**	**(324)**
Foreign exchange differences	**–**	**8**	**–**	**8**
At 31 December 2022	**39,268**	**13,472**	**3,552**	**56,292**

	Property £000s	Vehicles £000s	As restated[1] Equipment for hire and internal use £000s	As restated[1] Total £000s
Lease liability movement				
At 27 December 2020	57,181	16,861	1,771	75,813
Additions	1,981	5,029	1,418	8,428
Re-measurements	3,407	128	(13)	3,522
Discount unwind	2,805	535	5	3,345
Payments (including interest)	(13,209)	(7,012)	(842)	(21,063)
Disposals	(6,006)	(216)	–	(6,222)
Business disposal	(1,063)	(1,048)	–	(2,111)
Foreign exchange differences	(217)	(30)	–	(247)
At 1 January 2022	44,879	14,247	2,339	61,465

The Group's leases have the following maturity profile:

	31 December 2022 £000s	As restated[1] 1 January 2022 £000s
Less than one year	**16,227**	17,415
Two to five years	**36,798**	38,566
More than five years	**15,133**	19,353
	68,158	75,334
Less interest cash flows:	**(11,866)**	(13,869)
Total principal cash flows	**56,292**	61,465

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

	31 December 2022 £000s	As restated[1] 1 January 2022 £000s
Less than one year	**13,182**	14,052
Two to five years	**30,690**	31,575
More than five years	**12,420**	15,838
	56,292	61,465

14. Borrowings

	31 December 2022 £000s	As restated[1] 1 January 2022 £000s
Current		
Hire purchase arrangements	**5,168**	5,258
Non-current		
Hire purchase arrangements	**9,978**	9,842
Senior finance facility	**68,613**	68,166
	78,591	78,008

The senior finance facility is stated net of transaction fees of £1.4m (2021: £1.8m) which are being amortised over the loan period.

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

	31 December 2022 £000s	1 January 2022 £000s
Hire purchase arrangements	**15,146**	15,100
Senior finance facility	**70,000**	70,000
Revolving credit facility	**–**	–
	85,146	85,100

The senior finance facility and revolving credit facility are secured over the assets of Hampshire TopCo Limited and Hero Acquisitions Limited and all of its subsidiaries. These subsidiaries comprise all of the trading activities of the Group. The £25.0m revolving credit facility includes a £6.0m overdraft facility and in 2021 also included a £1.8m guarantee arrangement to secure the Group's card-acquiring services provided by a third party, which concluded during 2022.

The Group had undrawn committed borrowing facilities of £36.3m at 31 December 2022 (2021: £35.8m), including £11.3m (2021: £12.6m) of finance lines to fund hire fleet capital expenditure not yet utilised. Including net cash balances, the Group had access to £84.0m of combined liquidity from available cash and undrawn committed borrowing facilities at 31 December 2022 (2021: £78.1m).

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

			31 December 2022	1 January 2022
Hire purchase arrangements	Floating	percentage above NatWest base rate	**2.3 to 2.9%**	2.4 to 3.3%
Senior finance facility	Floating	percentage above SONIA	**3.0%**	3.0%
Revolving credit facility	Floating	percentage above SONIA	**3.0%**	3.0%

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

	31 December 2022	1 January 2022
Hire purchase arrangements	**6.0%**	2.7%
Senior finance facility	**6.4%**	3.0%
Revolving credit facility	**6.4%**	3.0%

Amounts under the revolving credit facility are typically drawn for a one to three month borrowing period, with the interest set for each borrowing period based upon SONIA and a fixed margin.

The Group's borrowings have the following maturity profile:

	31 December 2022		As restated[1] 1 January 2022	
	Hire purchase arrangements £000s	**Borrowings £000s**	Hire purchase arrangements £000s	Borrowings £000s
Less than one year	**5,718**	**2,235**	5,600	2,235
Two to five years	**10,670**	**74,245**	10,190	76,498
	16,388	**76,480**	15,790	78,733
Less interest cash flows:				
Hire purchase arrangements	**(1,242)**	**–**	(690)	–
Senior finance facility	**–**	**(6,480)**	–	(8,733)
Total principal cash flows	**15,146**	**70,000**	15,100	70,000

15. Provisions

	Onerous property costs £000s	Dilapidations £000s	Onerous contracts £000s	Total £000s
At 2 January 2022	**186**	**10,174**	**13,463**	**23,823**
Additions	**–**	**4,430**	**–**	**4,430**
Utilised during the period	**(7)**	**(58)**	**(3,289)**	**(3,354)**
Unwind of provision	**1**	**113**	**–**	**114**
Impact of change in discount rate	**(6)**	**(2,822)**	**(368)**	**(3,196)**
Releases	**(57)**	**(467)**	**–**	**(524)**
Foreign exchange	**–**	**10**	**–**	**10**
At 31 December 2022	**117**	**11,380**	**9,806**	**21,303**
Of which:				
Current	**47**	**1,232**	**2,979**	**4,258**
Non-current	**70**	**10,148**	**6,827**	**17,045**
	117	**11,380**	**9,806**	**21,303**

	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 disposal	–	(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
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 £nil (2021: £0.1m) and the release of the provision of £0.1m (2021: £3.6m) have been treated as exceptional and are included in the property cost credit of £0.1m (2021: £3.0m). 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.

The liabilities, assessed on a property-by-property basis, are expected to arise over a period of up to four years (2021: five years) with the weighted average age of the onerous property costs being 2.73 years (2021: 3.30 years). The onerous property cost provision has been discounted at a rate of 3.62% (2021: 0.81%). Sensitivity analysis has not been conducted due to the immaterial nature of the remaining provision.

Dilapidations
An amount equal to the provision for dilapidation is recognised as part of the asset of the related property. 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 31 December 2022 was £8.83 per square foot (psf) (2021: £7.53 psf). The increase is mainly due to a revision of the £ per square foot estimates in line with actual expenditure on the exit of properties. 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 possibly 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 31 December 2022 of £1.1m (2021: £1.5m).

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 3.62% and 3.70% respectively (2021 0.81% and 0.97% respectively). A 1% increase in both the discount rates at 31 December 2022 would decrease the dilapidations provision by £0.6m (2021: £0.6m). The inflation rate applied in the calculation of the dilapidations provision was 5% for year 1 and thereafter 2.5% (2021: 3% average was used). The Directors have noted the significant pressure on inflation towards the end of 2021 and especially in 2022 but the expectation is that inflation has now peaked and that it would gradually come down in 2023 with levels returning to around 2% again from 2024 onwards.

The aggregate movement in additions, releases and change in discount rate of £1.1m has generated £1.1m of asset additions, remeasurements and disposals.

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 31 December 2022 £9.8m is payable over the period to 2026 (2021: £13.5m) and £3.3m has been paid during the year (2021: £3.3m). The provision has been remeasured to present value by applying a discount rate of 3.62% (2021: 0.81%). A 1% increase in the discount rate at 31 December 2022 would decrease the provision by £0.2m (2021: £0.3m).

16. Deferred tax

Deferred tax is provided in full on taxable temporary differences under the liability method using applicable tax rates.

Deferred tax asset/(liability)	**Tax losses £000s**	**Property, plant and equipment and other items £000s**	**Acquired intangible assets £000s**	**Total £000s**
At 2 January 2022	**2,000**	**404**	**(148)**	**2,256**
Credit/(charge) to the income statement	**5,367**	**(256)**	**31**	**5,142**
At 31 December 2022	**7,367**	**148**	**(117)**	**7,398**

Deferred tax asset/(liability)	Tax losses £000s	Property, plant and equipment and other items £000s	Acquired intangible assets £000s	Total £000s
At 27 December 2020	-	66	(326)	(260)
Credit to the income statement – continuing operations	2,000	289	21	2,310
Charge to the income statement – discontinuing operations	-	-	(12)	(12)
Eliminated on disposal of business	-	49	169	218
At 1 January 2022	2,000	404	(148)	2,256

Deferred tax assets have been recognised to the extent that management considers it probable that tax losses will be utilised in the short term. Due to trading losses in prior years, the Directors expect to phase in the recognition of taxable losses expected to be utilised in the medium and long term as they can better assess the probability of their utilisation. The level of losses to be utilised is measured by reference to the Board approved budget and 3-year plan. In the year ended 31 December 2022 a three-year (2021: one-year) recognition window has been applied. If this window were to be decreased to a period of one year, in line with the recognition window in the prior year, the deferred tax asset would decrease by £5.2m from £7.5m to £2.3m.

A deferred tax liability of £0.1m has been recognised on the net book value of acquired intangibles. This amount has not been offset against deferred tax assets elsewhere in the Group due to there being no legal right of offset in the relevant tax jurisdictions.

At 31 December 2022 £0.1m (2021: £0.1m) of the deferred tax liability is expected to crystallise after more than one year.

At 31 December 2022 the Group had an unrecognised deferred tax asset relating to losses of £13.1m (2021 (restated): £21.0m). The gross balance at 31 December 2022 was £52.3m (2021 (restated): £84.0m).

At 31 December 2022 the Group also had an unrecognised deferred tax asset relating to temporary differences on plant and equipment, intangible assets and provisions of £9.8m (2021: £15.2m). The gross balance at 31 December 2022 was £39.4m (2021 (restated): £60.0m).

The gross balances as at 1 January 2022 on unrecognised temporary differences for losses and temporary differences on plant and equipment, intangible assets and provisions have been restated to decrease by £10.0m and £20.0m respectively due to input errors in the preparation of the FY21 financial statements.

Additionally, the unrecognised deferred tax assets for losses as at 01 Jan 2022 were restated to increase these by £3.1m to correct the substantively enacted rate that was used from 19% to 25%.

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 difference will occur.

17. Share capital

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 2 January 2022 and 31 December 2022	**704,987,954**	**7,050**	**45,552**

	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