HSS Hire Group Plc

Continued strategic progress, well placed for future growth

HSS Hire Group plc ("HSS" or the "Group") today announces results for the 26 week period ended 1 July 2023

Financial Highlights (*Unaudited*)	**H1 2023** *(26 weeks to 1 July 2023)*	**H1 2022** *(26 weeks to 2 July 2022)*	**Change**
Revenue	**£170.1m**	**£159.9m**	**6.3%**
Adjusted EBITDA[1]	**£32.1m**	**£32.9m**	**(2.6)%**
Adjusted EBITA[2]	**£11.8m**	**£13.6m**	**(12.9)%**
Adjusted profit before tax[3]	**£5.9m**	**£8.4m**	**£(2.5)m**
Adjusted basic EPS	**0.66p**	**0.96p**	**(0.30)p**
ROCE[4]	**20.0%**	**23.8%**	**(3.8)pp**
Net debt leverage[5] - non IFRS16	**1.0x**	**0.9x**	**(0.1)x**
Net debt leverage[5] - IFRS16	**1.6x**	**1.5x**	**(0.1)x**
Operating profit	**£10.8m**	**£10.2m**	**£0.6m**
Profit before tax	**£5.5m**	**£6.5m**	**£(1.0)m**
Basic EPS	**0.78p**	**0.86p**	**(0.08)p**

Financial Highlights

- Solid trading performance with H1 23 revenue growth +6.3%, ahead of market[6]
  - Continued strong growth in capital-light Services segment[7], +14%, enabled by technology and expanded supplier partner network
  - Rental growth of 2% with fleet utilisation maintained at 56%

- Adjusted EBITDA post material strategic investment broadly in line with H1 22
  - £2.2m invested in additional operating expenditure, including new central sales team, and £2.4m technology platform capex, both to drive future growth through new routes to market
  - Adjusted EBITDA and Adjusted EBITA up 4% excluding the £2.2m strategic opex
  - Continued strong returns with ROCE at 20%, in line with Group medium term target

- Robust balance sheet with non-IFRS16 leverage of 1.0x (H1 22: 0.9x)
  - Material liquidity headroom to support ongoing strategic investment

- Interim dividend increased by 6% to 0.18 pence per share[8]

Operational Highlights

- Good progress with transformational marketplace growth strategy
  - 67 customers successfully transitioned to our HSS Pro self-service platform with 50% average revenue growth compared to H1 22
  - 28% of Group transactions[9] (H1 22: 21%) are now originated through our self-serve technology platforms: HSS Pro and HSS.com
  - Data-driven central sales team delivered 25% growth on targeted customer portfolios
- Low-cost builders merchant network expanded to 67 locations (June 22: 54) and delivered 23% growth on a same stores basis[10]
  - Accelerating migration of remaining HSS branches to this model with 16 to be closed in H2 23 delivering c£1m annualised cost saving

- ESG plan remains on track to meet key milestones
    - 2040 Net Zero action plan and targets[11] validated by SBTi[12]
    - Achieved ISO27001 cyber-security accreditation

Current trading and outlook

- The Group has delivered solid results in H1 23, ahead of the market[6], and demonstrated positive progress against its strategic initiatives.
- However, the weak macro environment has caused trading in the first twelve weeks of H2 23 to slow considerably to 2% (H1 23: 6.3%), albeit with significant week on week variation.
- While the Group's Services segment has continued to deliver double-digit growth, Rental has been impacted by demand softness across certain customer segments including RMI and fit-out, exacerbated by seasonal product weakness.
- Management has responded quickly with targeted action to minimise costs. This is expected to deliver benefits of approximately £6m in H2 23, including accelerating the branch migration to the builders merchant model.
- Forward visibility is limited given the weekly volume volatility that the Group has recently experienced, and as such the Board currently expects full year Adjusted EBITA to be in the range of £23m to £30m. Even at the lower end of this range, the Group will deliver the second highest Adjusted Profit Before Tax in its listed history.
- The Board remains very confident in its transformation strategy to evolve HSS into a leading marketplace for equipment services. It will therefore continue to maintain the appropriate balance between shorter term profitability and future growth. With the early positive results coming from this strategy despite challenging market conditions, £6.5m strategic operating expenditure investment and £6m technology roadmap capex for the full year will remain as planned.

Steve Ashmore, Chief Executive Officer, said:

"I am pleased to report another consecutive period of growth with strong underlying performance driven by continued double-digit growth in our capital-light Services segment. We have made great strides delivering our strategy in the first half of 2023 as our marketplace proposition continues to develop for our customers and suppliers. The early results underpin our confidence in our transformational strategy to be the leading marketplace for equipment services and as such we will continue to invest in the balance of 2023 to build upon this success.

"The macro environment has become more challenging from July; we have experienced significant volatility of demand in our Rental segment over the last few weeks which has widened the range of possible performance outcomes for the balance of the year. However, this will be temporary, and we therefore plan to leverage our robust balance sheet to sustain investment in the business, implementing our strategy to ensure that HSS can take full advantage of the market when it recovers."

Notes

1) Adjusted EBITDA is defined as operating profit before depreciation, amortisation, and exceptional items. For this purpose depreciation includes the net book value of hire stock losses and write offs, and the net book value of other fixed asset disposals less the proceeds on those disposals
2) Adjusted EBITA defined as Adjusted EBITDA less depreciation
3) Adjusted Profit before tax defined as profit before tax excluding amortisation of brand and customer lists and exceptional items
4) ROCE is calculated as Adjusted EBITA for the 52 weeks to 1 July 2023 divided by the average of total assets less current liabilities (excluding intangible assets, cash and debt items) over the same period
5) Net debt leverage is calculated as closing net debt divided by adjusted EBITDA for the 52 weeks to 1 July 2023 (prior year 52 weeks to 2 July 2022).
6) European Rental Association forecast +3.3%, ONS Construction Output H1 23 +3.4%
7) Historic operating segments will continue to be reported to provide year-on-year comparative performance as the Group transitions to its new operating segments
8) 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 5 October 2023
9) Contracts raised through HSS.com and HSS Pro as a percentage of total contracts raised in August 2023
10) Merchant locations open for comparable period in both H1 23 and H1 22
11) Net Zero action plan as shared in the 2nd edition of the HSS ESG Impact Report published in Q2 23
12) Science Based Targets initiative

-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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This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018, as amended (together, "MAR"). Upon the publication of this announcement, this inside information is now considered to be in the public domain. The person responsible for arranging the release of this announcement on behalf of HSS is Paul Quested, Chief Financial Officer.

Chief Executive Officer's Report

The Group has progressed well during the first six months of 2023, delivering a solid set of numbers alongside increased strategic investment, a combination of additional operating expenditure including the new central sales team, and technology capex building a platform for continued growth and high returns.

Our two main businesses, HSS ProService and HSS Operations, continue to work alongside each other, but with their own objectives and performance frameworks. Both businesses have performed well in the first half of 2023.

HSS ProService

We have invested in both our technology platform and our sales channels, to extend the range of services we offer and enable more customers to self-serve, improving loyalty and increasing share of wallet. During the last six months we have seen the benefits of this investment start to materialise, with changing customer behaviours and improvement across all these metrics. We expect to see our investments drive market share growth over the next two years, enabling margin improvement as the business scales and leverages our technology platform.

Self-Serve

We now have 67 customers signed up to our HSS Pro platform. The platform allows these customers to fulfil their own requirements with no need for active intervention with a HSS colleague unless they wish to. This convenience is supporting an increase in share of wallet with growth of 50% on average across these specific customers, significantly faster than those not using the platform.

In the last three months we have successfully migrated our biggest single customer on to our HSS Pro platform. During the rest of the year, we plan to move more of our key accounts on to and drive further volumes through the self-serve platform.

28% of all contracts are now transacted through our HSS Pro and HSS.com self-serve technology platforms. This has increased from 21% in H1 22.

Central Sales

Our data-driven central sales team formed of 95 colleagues now manage a portfolio of over 10,000 customers, utilising our ProPOS platform and our new Microsoft Dynamics CRM software, This team is promoting our full and expanding range of products and services through increased customer contact. Revenue from this portfolio of 10,000 customers is up 25% year to date, with a large proportion of the growth delivered through our rehire partner network.

Following a significant increase in the first half of the financial year, we believe the team is now at optimum size. As the team matures and productivity improves, we will add more customers to their portfolio. This capacity will also be increased as the central sales colleagues migrate customers to self-serve at the appropriate time.

Training vertical

We continue to deliver strong growth through our training vertical, achieving an increase of 17% in H1 23 compared to the prior year. We are seeing customers across a broad range of end-markets consolidate their training requirements, taking advantage of our one-stop-shop solution, through a combination of self-delivered and third-party channels. We have strong digital penetration with 33% of training revenue now booked online and over 10% of the courses delivered online. We have enhanced our 'Training Plus' marketplace proposition (third-party delivered) by expanding our seller network (up 48% year on year) and therefore our course catalogue (now 750 unique courses).

New Verticals

During the first half of this year we launched two new product verticals: Equipment Sales and Building Materials. Independent research of our customer base had previously highlighted that 70-80% of all buyer groups are interested in an online marketplace offering a range of products and services. We are now seeing this demand materialise, with customers purchasing both equipment and building materials, and our supply chain is fulfilling their requirements well. Our network of builders merchant partners is well placed to supply our customer base and our sales of materials to date has already surpassed £1m. On Equipment Sales, we have so far fulfilled over £2m worth of customer requirements this year. We look forward to adding further product verticals next year.

HSS Operations
Our Operations business continues to benefit from the route optimisation software, Satalia, that it rolled out in H1 of last year, with improved vehicle productivity and reduced carbon footprint. As part of our continuous improvement and efficiency initiatives, the Operations business has rolled out further technology in our workshops. We have created a digital service portal for our technicians to use when servicing our equipment providing enhanced information, improving process adherence and ultimately driving higher equipment quality.

We have continued to invest in the HSS Operations equipment fleet, maintaining strong levels of utilisation.

Network Optimisation
We continue to see good performance through our builders merchant locations. During the first six months of the year we added a further four locations, bringing the total to 67. We are now accelerating the migration of the remaining HSS branches to this lower and variable cost model. By the end of 2023 we plan to add a further 20 builders merchants and close 16 traditional branches, with annual cost savings of c£1m and redeployment of all impacted colleagues. There will be some one-off exceptional costs associated with this change which will mainly be non-cash in nature, namely the impairment of existing branch assets.

ESG Progress
We were pleased to receive validation of our Net Zero strategy from the Science Based Targets Initiative in H1 23, an endorsement of our ESG plans. We continue to be focussed on a ‘zero harm’ safety environment and have seen continuous improvement in our safety metrics. Our wider ESG plan continues to make progress this year with a new improved waste reduction strategy and the launch of new customer dashboards providing information on carbon footprint. We have also recently published the second edition of our HSS ESG Impact Report, which is being well received by customers.

Market Outlook
The construction market provides us with a challenging outlook, with mixed performance across sectors in the first half, and weakening forecasts for the second half of 2023. Activity in the housing sector has been particularly weak and further softening is expected in the short term. Infrastructure has seen growth in the first half, but this is also expected to soften as the government has put several major projects on hold. The contrasting fortunes are evident in the July PMI index showing a range in sentiment from house-building (43.0) to civil engineering (53.9).

Despite the challenging market, we continue to benefit from the broad spectrum of customers we serve, the wide range of end markets that they work in, and the large product range offered through a combination of owned and rehire assets. The continued strength of our balance sheet and our increasingly flexible business model mean that we are well positioned to address ongoing market challenges and uncertainty.

Summary
In summary, during H1 2023 we have accelerated investment in our strategic initiatives and they are starting to demonstrate success. We strive to strike the appropriate balance between shorter term profitability and strategic investment for future transformational growth. Based on the proof points to date, we remain confident that the strategy will drive long term growth with improved returns and therefore will continue to invest to scale these initiatives as planned. These changes will ensure that the Group is well placed when market conditions normalise.

Group Financial Performance

Revenue and segmental contribution

The H1 23 results are based on 26 weeks of trading, consistent with H1 22.

Revenue in H1 23 was £170.1m, 6.3% higher than the previous period (H1 22: £159.9m), a solid trading performance delivered through effective strategy execution against the backdrop of a more challenging macro-environment.

Turning to our segmental performance, historically our segments have been Rental and Services. However, following the legal and organisational change (July 22 and January 23 respectively), our new segments are ProService, Operations and Ireland. However, given that it is not feasible to measure H1 FY22 in these segments, FY23 will be a transitional year for segment reporting.

Based on our historic segments, Rental and related revenues were £101.2m in H1 23 (H1 22: £99.3m), 1.9% higher than in H1 22, with high utilisation maintained at 56% despite a larger fleet. Contribution is £67.5m (H1 22: £64.9m). Margin increased to 66.7% (H1 22: 65.3%) with continued price management and focus on operational efficiency.

Services revenue has increased by 13.7% to £68.9m (H1 22: £60.6m). Contribution increased to £10.4m (H1 22: £9.1m). This double-digit growth continues to evidence demand for an easy to access one-stop-shop that has been further delivered by improved customer experience via ongoing technology enhancements and broadening the third party rehire supply chain. Margins continue to be maintained at record high levels of 15.1% (H1 22: 15.1%).

Following our new segments, H1 23 revenues were ProService £151.6m, Operations £68.4m and Ireland £13.5m, partly offset by intercompany eliminations of £63.4m in Central. The H1 23 EBITDA were ProService £9.7m, Operations £27.5m, Ireland £3.7m less £8.8m Central (being intercompany revenue eliminations and central management costs).

Costs

Cost of sales increased to £85.9m during the period (H1 22: £81.3m) mainly driven by the growth in the rehire revenue reflecting the continued demand for the Group's one stop shop.

Distribution costs increased by £1.2m to £15.6m (H1 22: £14.4m). Costs continue to be tightly managed but have increased due to volume driven uplift in activity and the combined impact of higher vehicle costs (including rising fuel and maintenance costs) along with higher salaries.

Administrative expenses increased by £3.4m to £56.6m (H1 22: £53.2m). This reflects additional overhead investment in the Group's strategy and higher inflation.

Net finance expenses

Net finance expenses have increased by £1.5m to £5.2m (H1 22: £3.7m) due to the impact of UK base rate changes on our £70m senior finance facility and our lease liabilities.

Other operating income

Other operating income of £0.1m (H1 22: £0.3m) relates to sub-let income on property space not required by the Group.

Exceptional items

Total exceptional items of £0.3m have been recognised in the period. £0.2m relate to the final costs associated with the Group's restructuring and £0.2m unwinding of the discount within the onerous contract provision, partly offset by £0.1m sublease income from vacant stores.

Profitability

With the early positive results of HSS ProService's strategic initiatives, the Group has invested additional overhead in H1 2023 of £2.2m which has had an expected impact on profit performance. Without this investment for future returns, profit measures would have increased.

Adjusted EBITDA of £32.1m in H1 23 is slightly lower than the prior period (H1 22: £32.9m) by 3%. Whilst Adjusted EBITA decreased to £11.8m (H1 22: £13.6m) with margin decreasing from 8.5% in H1 22 to 6.9% in the current year.

The positive performance in Operating Profit of £10.8m, £0.6m higher than £10.2m H1 FY22 was aided by an extension to our Useful Economic Lives (UEL) of intangible and tangible fixed assets with more detail covered in notes 9 and 10 to the interim financial statements. This resulted in lower depreciation and amortisation during H1 23 of £1.0m and £1.3m respectively.

The reduced profitability led to the adjusted basic earnings per share decreasing to 0.66p in H1 23 from 0.96p in the prior period. Both the basic earnings per share and diluted basic earnings per share were lower than the prior period at 0.78p (H1 22 0.86p) and 0.76p (H1 22 0.84p) respectively.

Return on Capital Employed

ROCE decreased to 20% from 24% in the prior year. This has been driven by a lower EBITDA from strategic initiative led overhead investment and higher capital employed following continued targeted investment in fleet and materials and equipment for hire. ROCE is calculated as Adjusted EBITA (last twelve months) divided by average capital employed, where capital employed is total assets except intangibles, derivatives and cash, less current liabilities excluding current debt items.

Net debt

Net debt on 1 July 2023 was £110.6m, an increase of £7.4m from the H1 22 (£103.2m), contributed by the Group's strategic investment (both overhead and software development) and increased net interest paid following the well documented rate rises. Continued strong working capital management has resulted in leverage only marginally increasing to 1.6x from 1.5x (H1 22 as reported, FY 22: 1.3x).

The debt facilities consist of a £70.0m senior finance facility and an undrawn revolving credit and overdraft facility of £25.0m, both maturing in November 2025 but with an option to extend for a further 12 months. Including cash balances of £36.6m, the Group had access to £61.6m of combined liquidity at 1 July 2023.

Dividend

The Board has decided to continue with a progressive dividend policy and an interim dividend of 0.18p per share was approved by the Board on 27 September 2023 and will be paid during November 2023.

Going concern

At 27 September 2023 the Group had sufficient liquidity to operate within banking covenants for the next fifteen months even under a 'reasonable worst case' scenario. The reasonable worst case scenario models lower underlying revenue performance, lower value from strategic initiatives, increase in debtor days and further interest rate increases.

After reviewing the above, considering current and future developments and principal risks and uncertainties, and making appropriate enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence over a period of at least twelve months from the date of approval of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing these unaudited condensed consolidated financial statements.

Risks and uncertainties

The principal risks and uncertainties that could have a material impact upon the Group's performance over the remaining 26 weeks of the 2023 financial year have not changed significantly from those described in the Group's 2022 Annual Report and are summarised in note 17 of this interim report.

Global inflationary pressures and associated interest rate increases continue to impact macroeconomic risk and therefore this risk will continue to be closely monitored for its effect on demand and colleague welfare so that we can take appropriate actions.

By order of the Board

Steve Ashmore

Director
28 September 2023

HSS Hire Group plc
Unaudited condensed consolidated income statement

	Note	**26 weeks ended 1 July 2023**			26 weeks ended 2 July 2022		
		Underlying	**Exceptional items (note 5)**	**Total**	Underlying	Exceptional items (note 5)	Total
		£000s	**£000s**	**£000s**	£000s	£000s	£000s
Revenue	3	**170,093**	**-**	**170,093**	159,937	-	159,937
Cost of sales		**(85,872)**	**-**	**(85,872)**	(81,254)	-	(81,254)
							-
Gross profit		**84,221**	**-**	**84,221**	78,683	-	78,683
							-
Distribution costs		**(15,562)**	**-**	**(15,562)**	(14,425)	-	(14,425)
Administrative expenses		**(56,347)**	**(209)**	**(56,556)**	(52,414)	(746)	(53,160)
Impairment loss on trade receivables and contract assets		**(1,454)**	**-**	**(1,454)**	(1,204)	-	(1,204)
Other operating income	4	**-**	**112**	**112**	57	258	315
							-
Operating profit		**10,858**	**(97)**	**10,761**	10,697	(488)	10,209
							-
Financial expense	7	**(5,035)**	**(187)**	**(5,222)**	(3,608)	(66)	(3,674)
Profit before tax		**5,823**	**(284)**	**5,539**	7,089	(554)	6,535
Income tax charge		**(45)**	**-**	**(45)**	(449)		(449)
Profit for the financial period		**5,778**	**(284)**	**5,494**	6,640	(554)	6,086

Alternative performance measures £000s		**26 weeks ended 1 July 2023 £000s**	26 weeks ended 2 July 2022 £000s
Adjusted EBITDA	18	**32,065**	32,917
Adjusted EBITA	18	**11,814**	13,558
Adjusted profit before tax	18	**5,885**	8,376
Earnings per share (pence)			
Adjusted basic earnings per share	8	**0.66**	0.96
Adjusted diluted earnings per share	8	**0.64**	0.94
Basic earnings per share	8	**0.78**	0.86
Diluted earnings per share	8	**0.76**	0.84

The notes form part of these condensed consolidated financial statements.

Unaudited condensed consolidated statement of comprehensive income

	26 weeks ended 1 July 2023	26 weeks ended 2 July 2022
	£000s	£000s
Profit for the financial period	**5,494**	6,086
Items that may be reclassified to profit or loss:		
Foreign currency translation differences arising on consolidation of foreign operations	**(368)**	7
Other comprehensive gain/(loss) for the period, net of tax	**(368)**	7
Total comprehensive profit for the period	**5,126**	6,093
Attributable to owners of the Group	**5,126**	6,093

The notes form part of these condensed consolidated financial statements.

Unaudited condensed consolidated statement of financial position

	Note	**At 1 July 2023 £000s**	At 31 December 2022 £000s
ASSETS			
Non-current assets			
Intangible assets	9	**151,178**	147,867
Property, plant and equipment			
- Hire equipment	10	**80,539**	73,613
- Non-hire assets	10	**12,908**	14,162
Right of use assets			
- Hire equipment	11	**3,061**	2,736
- Non-hire assets	11	**50,993**	49,077
Deferred tax asset		**7,968**	7,515
		306,647	294,970
Current assets			
Inventories		**4,020**	3,779
Trade and other receivables	12	**85,679**	86,068
Cash		**36,622**	47,709
		126,321	137,556
Total assets		**432,968**	432,526
LIABILITIES			
Current liabilities			
Trade and other payables	13	**78,526**	88,302
Lease liabilities	14	**15,025**	13,182
Borrowings	15	**5,834**	5,168
Provisions	16	**4,380**	4,258
Current tax liabilities		**405**	290
		104,170	111,200
Non-current liabilities			
Lease liabilities	14	**44,690**	43,110
Borrowings	15	**80,814**	78,591
Provisions	16	**15,510**	17,045
Deferred tax liabilities		**113**	117
		141,127	138,863
Total liabilities		**245,297**	250,063
Net assets		**187,671**	182,463
EQUITY			
Share capital		**7,050**	7,050
Share premium		**45,552**	45,552
Merger reserve		**97,780**	97,780
Foreign exchange translation reserve		**(790)**	(422)
Retained earnings		**38,079**	32,503
Total equity		**187,671**	182,463

The notes form part of these condensed consolidated financial statements.

Unaudited condensed consolidated statement of changes in equity

	Share capital £000s	**Share premium £000s**	**Merger reserve £000s**	**Foreign exchange translation reserve £000s**	**Retained earnings £000s**	**Total equity £000s**
At 1 January 2023	**7,050**	**45,552**	**97,780**	**(422)**	**32,503**	**182,463**
Profit for the period	**-**	**-**	**-**	**-**	**5,494**	**5,494**
Foreign currency translation differences arising on consolidation of foreign operations	**-**	**-**	**-**	**(368)**	**-**	**(368)**
Total comprehensive profit for the period	**-**	**-**	**-**	**(368)**	**5,494**	**5,126**
Transactions with owners recorded directly in equity						
Share-based payment charge	**-**	**-**	**-**	**-**	**82**	**82**
At 1 July 2023	**7,050**	**45,552**	**97,780**	**(790)**	**38,079**	**187,671**

	Share capital £000s	Share premium £000s	Merger reserve £000s	Foreign exchange translation reserve £000s	Retained earnings £000s	Total equity £000s
At 2 January 2022	7,050	45,552	97,780	(754)	12,273	161,901
Profit for the period	-	-	-	-	6,086	6,086
Foreign currency translation differences arising on consolidation of foreign operations	-	-	-	7	-	7
Total comprehensive profit for the period	-	-	-	7	6,086	6,093
Transactions with owners recorded directly in equity						
Share-based payment charge	-	-	-	-	358	358
At 2 July 2022	7,050	45,552	97,780	(747)	18,717	168,352

The notes form part of these condensed consolidated financial statements.

HSS Hire Group plc

Unaudited condensed consolidated statement of cash flows

	Note	26 weeks ended 1 July 2023 £000s	*Restated*[1] 26 weeks ended 2 July 2022 £000s
Profit for the financial period		**5,494**	6,086
Adjustments for:			
– Tax		**45**	449
– Amortisation	6	**956**	2,851
– Depreciation	6	**17,881**	17,749
– Accelerated depreciation relating to hire stock customer losses and hire stock write offs	6	**2,808**	1,666
– Profit on disposal of property, plant and equipment and right of use assets	6	**(438)**	(64)
– Share-based payment charge		**82**	358
– Foreign exchange gains on operating activities		**(161)**	(40)
– Finance expense	7	**5,222**	3,674
Changes in working capital (excluding the effects of disposals and exchange differences on consolidation):			
– Inventories		**(241)**	(423)
– Trade and other receivables	12	**617**	(1,775)
– Trade and other payables	13	**(9,994)**	1,954
– Provisions	16	**(1,772)**	(1,800)
Net cash flows from operating activities before purchase of hire equipment		**20,499**	30,685
Purchase of hire equipment	10	**(14,163)**	(14,404)
Cash generated from operating activities		**6,336**	16,281
Net interest paid		**(4,471)**	(3,228)
Income tax (paid)/received		**(614)**	(1,238)
Net cash generated from operating activities		**1,251**	11,815
Cash flows from investing activities			
Purchases of non-hire property, plant, equipment and software	10,11	**(5,147)**	(3,670)
Proceeds on disposal of non-hire property, plant and equipment	6	**315**	-
Net cash used in investing activities		**(4,832)**	(3,670)
Cash flows from financing activities			
Capital element of lease liability payments and hire purchase arrangements	14	**(7,506)**	(11,725)
Net cash paid in financing activities		**(7,506)**	(11,725)
Net decrease in cash		**(11,087)**	(3,580)
Cash at the start of the period		**47,709**	42,269
Cash at the end of the period		**36,622**	38,689

[1] As discussed in Note 3 of these interim financial statements, restatements have been made to comparative figures regarding the treatment of certain leases between right of use and hire purchase arrangements.

The notes form part of these condensed consolidated financial statements.

Notes forming part of the unaudited condensed consolidated financial statements

1. General information

The Company is a public limited company, is quoted on the AIM market of the London Stock Exchange and is incorporated and domiciled in the United Kingdom. The address of the registered office is Building 2, Think Park, Mosley Road, Manchester M17 1FQ. These condensed consolidated financial statements comprise the Company and its subsidiaries (the 'Group') and cover the 26 week period ended 1 July 2023.

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

The condensed consolidated financial statements were approved for issue by the Board on 27 September 2023.

The condensed consolidated financial statements do not constitute the Statutory Accounts within the meaning of Section 434 of the Companies Act 2006 and have not been subject to audit by the Group's auditor. Statutory Accounts for the year ended 31 December 2022 were approved by the Board on 26 April 2023 and delivered to the Registrar of Companies. The auditor's report on those accounts was unqualified and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006.

2. Basis of preparation and significant accounting policies

The condensed consolidated financial statements for the 26 weeks ended 1 July 2023 have been prepared in accordance with IAS 34 *Interim Financial Reporting*. The condensed consolidated financial statements should be read in conjunction with the Group's Annual Report and Accounts for the year ended 31 December 2022, which were prepared in accordance with IFRS as adopted by the UK (IFRS).

Accounting policies are consistent with those in the Statutory Accounts for the year ended 31 December 2022 except where specifically included below.

Going concern

At 1 July 2023, the Group's financing arrangements consisted of a drawn senior finance facility of £70.0m, an undrawn revolving credit facility of £19.0m and undrawn overdraft facilities of £6.0m. Cash at 1 July 2023 was £36.6m, providing liquidity headroom of £61.6m. Both the senior finance facility and revolving credit facility are subject to net debt leverage and interest rate cover financial covenant tests each quarter. At the reporting date the Group had significant headroom against these covenants.

The Directors continue to model via a number of scenarios current macroeconomic factors such as increasing inflation and interest rates. At 27 September 2023 the Group had sufficient liquidity to operate within banking covenants for the period to 28 December 2024 even under a 'reasonable worst case' scenario. The reasonable worst case scenario models lower underlying revenue performance, lower value from strategic initiatives, increase in debtor days and further interest rate increases.

After reviewing the above, considering current and future developments and principal risks and uncertainties, and making appropriate enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence over a period of at least fifteen months from the date of approval of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing these unaudited condensed consolidated financial statements.

2. Basis of preparation and significant accounting policies (*continued*)

Prior period restatement
In the Group's 2022 Annual Report, it identified the need to restate the balance sheets at 1 January 2022 and 26 December 2020 where hire equipment subsequently financed by hire purchase 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. This restatement has no impact on income statement, net assets or reserves.

The only restatements included within these interim financial statements that were not in the 2022 Annual Report relate to certain tabular disclosures in respect of movements on the balance sheet and presentation of items within the cash flow statement during the comparative period ended 2 July 2022.

Change in Accounting Estimates

Intangible Assets
During the period, the estimate for the useful economic lives of software assets has been reviewed and updated from not exceeding four years in the previous year, to not exceeding ten years. More details of the change in accounting estimate can be found in the Intangible Assets note (see note 9).

Tangible Fixed Assets
In addition to the change noted above, the Group has conducted a review of the useful economic lives of hire stock assets and has extended the lives of certain types of assets. More details of the change in accounting estimate can be found in the Tangible Fixed Assets note (see note 10).

3. Segmental reporting

As disclosed in the Group's 2022 Annual Report, the Group completed a significant internal restructuring exercise to support its long-term strategic objectives. This included the creation of a new divisional structure, separating out the ProService and Operations businesses:

- *HSS ProService* – Digital marketplace business focussed on customer and supplier acquisition. Technology driven, extremely scalable and uniquely differentiated including training services.
- *HSS Operations* – Fulfilment business including power generation, focused on health and safety and quality, with circular economy credentials, comprehensive national footprint and high customer satisfaction.

Since the start of the current financial period the Group's Chief Operating Decision Maker, identified as the Board of Directors, have changed their internal reporting to reflect the two divisions that have been created.

During the review of operating segments, the Group has identified that one operating segment, HSS Operations Ireland ('Ireland'), the Group's operations in the Republic of Ireland, has exceeded the IFRS 8 threshold test for separate presentation and has therefore not been aggregated with the wider Operations segment and is instead shown as a standalone segment. The Group continues to present separately costs relating to central management within the "Central" heading in the segments disclosure. This also includes the elimination of revenue between trading segments. Under the new divisional structure, it is possible to allocate more costs against the relevant underlying segments and accordingly the level of central costs shown within this category has fallen, making it not directly comparable with the former 'Central' heading previously used by the Group.

As a result of this the Group's operating segments have changed from those presented in the prior year. Under IFRS 8 Operating Segments, comparatives should be restated when reportable segments change as a result of internal restructuring. The Group has not previously had the ability to reliably separate the results, assets and cash flows of the business between the Operations and ProService divisions. IFRS 8 Operating Segments allows for comparatives to be omitted where the information is unavailable and would involve excessive cost to create. The availability of information prior to the restructure is such that the Group are not able to present comparatives under the newly identified reportable segments.

To ensure that comparable segmental information is available to the users of the financial statements, the Group have presented two segmental reporting disclosures for the current period's results. After the period of transition for FY23, the Group will only present the newly identified reportable segments.

3. Segmental reporting (*continued*)

The reportable segments identified in the previous period were 'Rental (and related revenue)' and 'Services'. Rental and related revenue comprises the rental income earned from owned tools and equipment, including powered access, power generation and HVAC assets, together with directly related revenue such as resale (fuel and other consumables), transport and other ancillary revenues. Services comprise the Group's HSS OneCall rehire business and HSS Training. These ceased to be reportable segments in FY23 and will not be presented in the FY24 Annual Report.

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 26 week period ending 1 July 2023 (26 weeks ending 2 July 2022: None).

	26 weeks ending 1 July 2023				
	ProService £000s	**Operations £000s**	**Ireland £000s**	**Central £000s**	**Total £000s**
Total revenue (including intergroup)	**151,641**	**68,361**	**13,541**	**(63,450)**	**170,093**
Adjusted EBITDA	**9,746**	**27,479**	**3,678**	**(8,838)**	**32,065**
Less: Depreciation	(801)	(17,982)	(1,371)	(97)	(20,251)
Adjusted EBITA	**8,945**	**9,497**	**2,307**	**(8,935)**	**11,814**
Less: Exceptional items (non-finance)					(97)
Less: Amortisation					(956)
Operating profit					**10,761**
Net finance expenses					(5,222)
Profit before tax					**5,539**

Central includes the elimination of revenue between trading segments, the largest being between HSS Operations and HSS ProService, along with central management costs to support the businesses.

	As at 1 July 2023				
	ProService £000s	**Operations £000s**	**Ireland £000s**	**Central £000s**	**Total £000s**
Additions to non-current assets					
Property, plant and equipment	**228**	**15,284**	**3,256**	**-**	**18,768**
Right of use assets	**1,147**	**8,922**	**312**	**245**	**10,626**
Intangible assets	**3,762**	**484**	**-**	**-**	**4,246**
Non-current assets net book value					
Property, plant and equipment	**580**	**83,419**	**9,448**	**-**	**93,447**
Right of use assets	**3,573**	**47,470**	**2,628**	**383**	**54,054**
Intangible assets	**67,503**	**75,980**	**7,510**	**185**	**151,178**
Deferred tax assets				**7,968**	**7,968**
Current assets				**126,321**	**126,321**
Current liabilities				**(104,170)**	**(104,170)**
Non-current liabilities				**(141,127)**	**(141,127)**
Net assets					**187,671**

Included within intangible assets is goodwill of £115.9m. Historically, the Group's goodwill has been allocated to HSS Core - UK, HSS Core - Ireland and HSS Power. Under the newly identified reporting segments, the Group has now allocated HSS Core – UK goodwill between ProService and Operations of £35.1m and £67.2m respectively. There has been no change to the goodwill allocated to HSS Core – Ireland or HSS Power.

This allocation is based on the current estimated value in use for the segments and will be updated at the year end once a full year of trading results are available.

3. Segmental reporting (*continued*)

	26 weeks ending 1 July 2023 (*Historic segments*)			
	Rental (and related revenue) £000s	**Services £000s**	**Central £000s**	**Total £000s**
Total revenue from external customers	**101,174**	**68,919**	**-**	**170,093**
Contribution	**67,525**	**10,404**	-	**77,929**
Branch and selling costs			**(30,507)**	**(30,507)**
Central costs			**(15,357)**	**(15,357)**
Adjusted EBITDA				**32,065**
Less: Exceptional items (non-finance)			**(97)**	**(97)**
Less: Depreciation and amortisation	**(10,831)**	**(766)**	**(9,610)**	**(21,207)**
Operating profit				**10,761**
Net finance expenses				**(5,222)**
Profit before tax				**5,539**

	As at 1 July 2023 (Historic *segments*)			
	Rental (and related revenue) £000s	**Services £000s**	**Central £000s**	**Total £000s**
Additions to non-current assets				
Property, plant and equipment	**17,788**	**5**	**975**	**18,768**
Right of use assets	**1,012**	**269**	**9,345**	**10,626**
Intangible assets	**-**	**3,762**	**484**	**4,246**
Non-current assets net book value				
Property, plant and equipment	**80,541**	**125**	**12,781**	**93,447**
Right of use assets	**3,061**	**726**	**50,267**	**54,054**
Intangible assets	**138,160**	**10,467**	**2,551**	**151,178**
Deferred tax asset			**7,968**	**7,968**
Current assets			**126,321**	**126,321**
Current liabilities			**(104,170)**	**(104,170)**
Non-current liabilities			**(141,127)**	**(141,127)**
Net assets				**187,671**

3. Segmental reporting (***continued***)

	26 weeks ended 2 July 2022 (Historic segments)			
	Rental (and related revenue) £000s	Services £000s	Central £000s	Total £000s
Total revenue from external customers	99,311	60,626	-	159,937
Contribution	64,872	9,129	-	74,001
Branch and selling costs			(26,740)	(26,740)
Central costs			(14,344)	(14,344)
Adjusted EBITDA				32,917
Less: Exceptional items (non-finance)			(488)	(488)
Less: Depreciation and amortisation	(12,295)	(224)	(9,701)	(22,220)
Operating profit				10,209
Net finance expenses				(3,674)
Profit before tax from continuing operations				6,535

	As at 31 December 2022 (Historic segments)			
	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
Intangible assets	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
Intangible assets	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

4. Other operating income

	26 weeks ended 1 July 2023 £000s	26 weeks ended 2 July 2022 £000s
Sublease rental and service charge income	**112**	315

During the period sub-let rental income of £0.1m (26 weeks ended 2 July 2022: £0.3m) was received on properties no longer used by the Group for trading purposes.

5. Exceptional items

Items of income or expense have been shown as exceptional because of their size and nature or because they are outside the normal course of business. During the 26 weeks ended 1 July 2023 the Group has recognised exceptional items as follows:

	Included in administrative expenses £000s	**Included in other operating income £000s**	**Included in finance expense £000s**	**Total 26 weeks ended 1 July 2023 £000s**
Onerous property costs/(credits)	**10**	**(112)**	**18**	**(84)**
Costs relating to restructure	**208**	**-**	**-**	**208**
Onerous contract	**(9)**	**-**	**169**	**160**
Total	**209**	**(112)**	**187**	**284**

During the 26 weeks ended 2 July 2022, the Group recognised exceptional items analysed as follows:

	Included in administrative expenses £000s	Included in other operating income £000s	Included in finance expense £000s	Total 26 weeks ended 2 July 2022 £000s
Onerous property costs/(credits)	12	(258)	13	(233)
Costs relating to restructure	945	-	-	945
Onerous contract	(211)	-	53	(158)
Total	746	(258)	66	554

Costs related to onerous properties: branch and office closures (incurred in 2023 and 2022)
In the 26 weeks ended 1 July 2023 an exceptional credit of £0.1m has been recognised within other operating income, this mainly relates to sublease income on vacant stores (2022: credit of £0.3m).

Cost relating to restructuring (incurred in 2023 and 2022)
Following the changes made to its operating network in Q4 2020 and the roll-out of HSS Pro in Q1 2021, the Group finalised the restructuring exercise in the prior period. This related primarily to the legal separation of the HSS Operations and HSS Pro Service divisions into distinct entities, with the legal separation completed on 3 July 2022.

In the current period, additional fees of £0.2m (2022: costs of £0.9m) have been incurred in respect of liquidation for the now dormant holding companies and accession to the banking group for new group companies as part of this legal restructure. The remaining costs of this programme are not expected to be material.

6. Depreciation and amortisation expense

	26 weeks ended 1 July 2023 £000s	26 weeks ended 2 July 2022 £000s
Amortisation	**956**	2,861
Depreciation	**20,251**	19,359

Amounts charged in respect of depreciation:	**26 weeks ending 1 July 2023**			As restated[1] 26 weeks ending 2 July 2022		
	Property, plant and equipment	***Right of use assets***	**Total**	*Property, plant and equipment*	*Right of use assets*	Total
	£000s	**£000s**	**£000s**	£000s	£000s	£000s
Depreciation (notes 10,11)	**9,897**	**7,984**	**17,881**	10,039	7,710	17,749
Accelerated depreciation relating to hire stock lost by customers or written off (notes 10,11)	**2,680**	**128**	**2,808**	1,371	295	1,666
Loss on disposal of other assets (notes 10,11)	**259**	**115**	**374**	56	-	56
Total depreciation per notes 10,11	**12,836**	**8,227**	**21,063**	11,466	8,005	19,471
Profit on surrender of leases	**(163)**	**(340)**	**(503)**	(120)	-	(120)
Proceeds on disposal of property, plant and equipment	**(315)**	**-**	**(315)**	-	-	-
Dilapidations profit on surrender of leases	**(4)**	**-**	**(4)**	-	-	-
Accelerated depreciation included in exceptionals	**10**	**-**	**10**	8	-	8
Total depreciation per the income statement	**12,364**	**7,887**	**20,251**	11,354	8,005	19,359

[1] As discussed in Note 3 of these interim financial statements, certain notes have been changed following a prior period restatement relating to the classification of leases within the Group's FY22 Annual Report between property, plant and equipment and right of use assets.

Amounts charged in respect of amortisation:

	26 weeks ended 1 July 2023 £000s	26 weeks ended 2 July 2022 £000s
Intangible assets		
Amortisation (note 9)	**935**	2,851
Loss on write off	**21**	10
Total amortisation	**956**	2,861

7. Finance income and expense

	26 weeks ended 1 July 2023 £000s	26 weeks ended 2 July 2022 £000s
Senior finance facility	**2,462**	1,269
Amortisation of debt issue costs	**254**	254
Lease liabilities and hire purchase arrangements	**2,094**	1,936
Interest unwind on discounted provisions	**358**	94
Revolving credit facility, including commitment fees	**108**	132
Other interest received	**(54)**	(11)
Net finance expense	**5,222**	3,674

8. Earnings per share

Basic earnings per share:

	Profit after tax £000s	**Weighted average number of shares 000s**	**Earnings after tax per share pence**
26 weeks ended 1 July 2023	**5,494**	**704,988**	**0.78**
26 weeks ended 2 July 2022	6,086	704,988	0.86

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 period.

Diluted earnings per share:

	Profit after tax £000s	**Weighted average number of shares 000s**	**Earnings after tax per share pence**
26 weeks ended 1 July 2023	**5,494**	**726,283**	**0.76**
26 weeks ended 2 July 2022	6,086	722,559	0.84

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

All of the Group's potentially dilutive equity derivative securities were dilutive for the purpose of diluted basic earnings per share for the period (26 weeks ending 2 July 2022: all equity derivative securities were dilutive).

8. Earnings per share (continued)

The following is a reconciliation between the basic earnings per share and the adjusted basic earnings per share:

	26 weeks ended 1 July 2023	26 weeks ended 2 July 2022
	Pence	pence
Basic earnings per share	**0.78**	0.86
Add back:		
Exceptional items per share	**0.04**	0.08
Amortisation of customer relationships and brands per share	**0.01**	0.18
Tax per share	**0.01**	0.06
Charge:		
Tax charge at prevailing rate	**(0.18)**	(0.22)
Adjusted basic earnings per share	**0.66**	0.96

The following is a reconciliation between the diluted earnings per share and the adjusted diluted earnings per share:

	26 weeks ended 1 July 2023	26 weeks ended 2 July 2022
	pence	pence
Diluted earnings per share	**0.76**	0.84
Add back:		
Adjustment to basic loss per share for the impact of dilutive securities		
Exceptional items per share	**0.04**	0.08
Amortisation of customer relationships and brands per share	**0.01**	0.18
Tax per share	**0.01**	0.06
Charge:		
Tax charge at prevailing rate	**(0.18)**	(0.22)
Adjusted diluted earnings per share	**0.64**	0.94

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

	26 weeks ended 1 July 2023 Weighted average number of shares 000s	26 weeks ended 2 July 2022 Weighted average number of shares 000s
Basic	**704,988**	704,988
LTIP share options	**3,003**	4,687
Restricted stock grant	**18,209**	12,801
CSOP options	**83**	83
Diluted	**726,283**	722,559

9. Intangible assets

	Goodwill	Customer relationships	Brands	Software	Total
	£000s	**£000s**	**£000s**	**£000s**	**£000s**
Cost					
At 1 January 2023	**115,855**	**25,400**	**22,585**	**32,764**	**196,604**
Additions	**-**	**-**	**-**	**4,246**	**4,246**
Disposals	**-**	**-**	**-**	**(3,827)**	**(3,827)**
At 1 July 2023	**115,855**	**25,400**	**22,585**	**33,183**	**197,023**
Amortisation					
At 1 January 2023	**-**	**25,291**	**327**	**23,119**	**48,737**
Charge for the period	**-**	**45**	**17**	**873**	**935**
Disposals	**-**	**-**	**-**	**(3,827)**	**(3,827)**
At 1 July 2023	**-**	**25,336**	**344**	**20,165**	**45,845**
Net book value					
At 1 July 2023	**115,855**	**64**	**22,241**	**13,018**	**151,178**

	Goodwill	Customer relationships	Brands	Software	Total
	£000s	£000s	£000s	£000s	£000s
Cost					
At 2 January 2022	115,855	25,400	22,590	31,856	195,701
Additions	-	-	-	2,764	2,764
At 2 July 2022	115,855	25,400	22,590	34,620	198,465
Amortisation					
At 2 January 2022	-	23,301	298	24,454	48,053
Charge for the period	-	1,270	17	1,564	2,851
At 2 July 2022	-	24,571	315	26,018	50,904
Net book value					
At 2 July 2022	115,855	829	22,275	8,602	147,561

	Goodwill	Customer relationships	Brands	Software	Total
	£000s	£000s	£000s	£000s	£000s
Cost					
At 2 January 2022	115,855	25,400	22,590	31,856	195,701
Additions	-	-	-	5,592	5,592
Disposals	-	-	(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 period	-	1,990	34	3,290	5,314
Disposals	-	-	(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

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

9. Intangible assets (*continued*)

During the year, as part of a routine review of the useful lives of assets, the Group considered how the new Operations and ProService divisional structure impacted the intended use, and by extension the lifespan, of certain Intangible assets. Specifically, the Group considered their core operating systems used by Operations and ProService, Spanner and Brenda, and related intangible assets.

In response to the new divisional structure and following an extensive review process, the Directors revised the estimated useful economic life of both assets from four to ten years. The Directors consider this to reflect the most reliable estimate of the minimum period of operation for the systems in their current form.

The impact of this change was a reduction in amortisation for these assets of £1.3m during the current financial period. Details of the total impact on the change for the 2023 financial year will be included in the Group's 2023 Annual Report.

10. Property, plant and equipment

	Land & buildings £000s	Plant & machinery £000s	Materials & equipment held for hire £000s	Total £000s
Cost				
At 1 January 2023	35,045	29,196	174,508	238,749
Transferred from right of use assets	-	-	242	242
Additions	575	405	17,788	18,768
Disposals	(360)	(40)	(9,958)	(10,358)
Remeasurement	-	-	-	-
Foreign exchange differences	(32)	(3)	(302)	(337)
At 1 July 2023	**35,228**	**29,558**	**182,278**	**247,064**
Accumulated depreciation				
At 1 January 2023	23,957	26,122	100,895	150,974
Transferred from right of use assets	-	-	169	169
Charge for the period	1,278	666	7,953	9,897
Disposals	(102)	(40)	(7,278)	(7,420)
Foreign exchange differences	(3)	-	-	(3)
At 1 July 2023	**25,130**	**26,748**	**101,739**	**153,617**
Net book value				
At 1 July 2023	**10,098**	**2,810**	**80,539**	**93,447**

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

10. Property, plant and equipment (*continued*)

	Land & buildings £000s	Plant & machinery £000s	Materials & equipment held for hire £000s	Total £000s
Cost				
At 2 January 2022 – as previously reported	37,303	43,163	133,674	214,140
Restatement[1]	-	-	26,457	26,457
At 2 January 2022 – as restated	37,303	43,163	160,131	240,597
Transferred to right of use assets	-	-	(1,504)	(1,504)
Transferred from right of use – as previously reported	-	-	4,498	4,498
Restatement[1]	-	-	(3,761)	(3,761)
Transferred from right of use – as restated	-	-	737	737
Additions – as previously reported	221	685	15,416	16,322
Restatement[1]	-	-	2,352	2,352
Additions – as restated	221	685	17,768	18,674
Disposals – as previously reported	(266)	(41)	(7,086)	(7,393)
Restatement[1]	-	-	(13)	(13)
Disposals – as restated	(266)	(41)	(7,099)	(7,406)
Remeasurement – as previously reported	(790)	-	-	(790)
Restatement[1]	-	-	1,504	1,504
Remeasurement – as restated	(790)	-	1,504	714
Foreign exchange differences	4	9	71	84
At 2 July 2022	36,472	43,816	171,608	251,896
Accumulated depreciation				
At 2 January 2022 – as previously reported	25,453	39,408	89,342	154,203
Restatement[1]	-	-	7,666	7,666
At 2 January 2022 – as restated	25,453	39,408	97,008	161,869
Transferred from right of use assets – as previously reported	-	-	2,140	2,140
Restatement[1]	-	-	(1,403)	(1,403)
Transferred from right of use assets – as restated	-	-	737	737
Charge for the period – as previously reported	1,163	833	6,091	8,087
Restatement[1]	-	-	1,952	1,952
Charge for the period – as restated	1,163	833	8,043	10,039
Disposals – as previously reported	(209)	(42)	(5,682)	(5,933)
Restatement[1]	-	-	(47)	(47)
Disposals – as restated	(209)	(42)	(5,729)	(5,980)
Foreign exchange differences	-	-	1	1
At 2 July 2022	26,407	40,199	100,060	166,666
Net book value				
At 2 July 2022	10,065	3,617	71,548	85,230

[1] As discussed in Note 3 of these interim financial statements, certain notes have been changed following a prior period restatement relating to the classification of leases within the Group's FY22 Annual Report between property, plant and equipment and right of use assets.

10. Property, plant and equipment (*continued*)

	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	(4,606)	(14,561)	(16,686)	(35,853)
Remeasurement	(2,497)	-	-	(2,497)
Foreign exchange differences	28	2	243	273
Transfers	(102)	-	102	-
At 31 December 2022	35,045	29,126	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	(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

During the year, as part of a routine review of the useful lives of assets, the Group revised the useful economic lives of assets included within the “material and equipment held for hire” class of property, plant and equipment. As part of this review, the Group have considered the levels of disposals and write offs for these assets, as well as their period of service in the business and anticipated remaining useful economic lives.

The product of this review was that certain assets useful lives were extended but remained within the original estimates as disclosed in note 4f of the Group’s 2022 Annual Report, with one exception. The Group’s powered access equipment had previously been depreciated over between five and ten years but has been revised to between five and fifteen years from the start of the current period.

The impact of this change was a reduction in depreciation for these assets of £1.0m during the current financial period. Details of the total impact on the change for the 2023 financial year will be included in the Group’s 2023 Annual Report.

11. Right of use assets

	Property £000s	Vehicles £000s	Equipment for internal use £000s	Equipment for hire £000s	Total £000s
Cost					
At 1 January 2023	**56,895**	**31,613**	**520**	**3,606**	**92,634**
Additions	**2,152**	**7,462**	**-**	**1,012**	**10,626**
Transferred to property, plant and equipment	**-**	**-**	**-**	**(242)**	**(242)**
Disposals	**(4)**	**(547)**	**(200)**	**(179)**	**(930)**
Foreign exchange differences	**(64)**	**(35)**	**-**	**-**	**(99)**
At 1 July 2023	**58,978**	**38,493**	**320**	**4,197**	**101,989**
Accumulated depreciation					
At 1 January 2023	**20,540**	**18,909**	**502**	**870**	**40,821**
Charge for the period	**4,028**	**3,453**	**17**	**486**	**7,984**
Transferred to property, plant and equipment	**-**	**-**	**-**	**(169)**	**(169)**
Disposals	**(4)**	**(432)**	**(200)**	**(51)**	**(687)**
Foreign exchange differences	**(5)**	**(9)**	**-**	**-**	**(13)**
At 1 July 2023	**24,559**	**21,921**	**319**	**1,137**	**47,935**
Net book value					
At 1 July 2023	**34,419**	**16,573**	**1**	**3,061**	**54,054**

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

11. Right of use assets (continued)

	Property	Vehicles	Equipment for internal use	Equipment for hire	Total
	£000s	£000s	£000s	£000s	£000s
Cost					
At 2 January 2022 – as previously reported	56,847	26,283	520	25,339	108,989
Restatement[1]	-	-	-	(23,011)	(23,011)
At 2 January 2022 – as restated	56,847	26,283	520	2,328	85,978
Additions – as previously reported	-	1,451	-	3,700	5,151
Restatement[1]	-	-	-	(2,352)	(2,352)
Additions – as restated	-	1,451	-	1,348	2,799
Remeasurements – as previously reported	-	-	-	1,504	1,504
Restatement[1]	-	-	-	(1,504)	(1,504)
Remeasurements – as restated	-	-	-	-	-
Transferred to property, plant and equipment	-	-	-	(3,761)	(3,761)
Restatement[1]	-	-	-	3,761	3,761
Transferred to property, plant and equipment – as restated	-	-	-	-	-
Disposals – as previously reported	(71)	(334)	-	(489)	(894)
Restatement[1]	-	-	-	13	13
Disposals – as restated	(71)	(334)	-	(476)	(881)
Foreign exchange differences	4	12	-	-	16
At 2 July 2022	**56,780**	**27,412**	**520**	**3,200**	**87,912**
Accumulated depreciation					
At 2 January 2022 – as previously reported	15,104	12,773	444	4,688	33,009
Restatement[1]	-	-	-	(4,220)	(4,220)
At 2 January 2022 – as restated	15,104	12,773	444	468	28,789
Transferred to property, plant and equipment – as previously reported	-	-	-	(1,403)	(1,403)
Restatement[1]	-	-	-	1,403	1,403
Transferred to property, plant and equipment – as restated	-	-	-	-	-
Charge for the period – as previously reported	3,878	3,296	29	2,459	9,662
Restatement[1]	-	-	-	(1,952)	(1,952)
Charge for the period – as restated	3,878	3,296	29	507	7,710
Disposals – as previously reported	(71)	(334)	-	(227)	(632)
Restatement[1]	-	-	-	47	47
Disposals – as restated	(71)	(334)	-	(180)	(585)
At 2 July 2022	**18,911**	**15,735**	**473**	**795**	**35,914**
Net book value					
At 2 July 2022	**37,869**	**11,677**	**47**	**2,405**	**51,998**

[1] As discussed in Note 3 of these interim financial statements, certain notes have been changed following a prior period restatement relating to the classification of leases within the Group's FY22 Annual Report between property, plant and equipment and right of use assets.

11. Right of use assets (continued)

	Property £000s	Vehicles £000s	Equipment for internal use £000s	Equipment 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
Transfers to property, plant and equipment	-	-	-	(271)	(271)
Charge for the year	7,458	6,522	58	868	14,906
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**

Disclosures relating to lease liabilities are included in note 14.

12. Trade and other receivables

	26 week period ended 1 July 2023			
	Gross £000s	**Provision for impairment £000s**	**Provision for credit notes £000s**	**Net of provision £000s**
Trade receivables	**74,452**	**(3,479)**	**(5,969)**	**65,004**
Accrued income	**8,911**	**(92)**	**-**	**8,819**
Trade receivables and contract assets	**83,363**	**(3,571)**	**(5,969)**	**73,823**
Net investment in sublease	**677**	**-**	**-**	**677**
Other debtors	**4,357**	**-**	**-**	**4,357**
Prepayments	**6,822**	**-**	**-**	**6,822**
Total trade and other receivables	**95,219**	**(3,571)**	**(5,969)**	**85,679**

	Year ended 31 December 2022			
	Gross £000s	Provision for impairment £000s	Provision for credit notes £000s	Net of provision £000s
Trade receivables	77,308	(3,343)	(5,554)	68,411
Accrued income	10,543	(106)	-	10,437
Trade receivables and contract assets	87,851	(3,449)	(5,554)	78,848
Net investment in sublease	712	-	-	712
Other debtors	3,493	-	-	3,493
Prepayments	3,015	-	-	3,015
Total trade and other receivables	95,071	(3,449)	(5,554)	86,068

12. Trade and other receivables (continued)

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

	26-week period ended 1 July 2023		Year ended 31 December 2022	
	Provision for impairment £000s	**Provision for credit notes £000s**	Provision for impairment £000s	Provision for credit notes £000s
Balance at the beginning of the period	**(3,449)**	**(5,554)**	(3,931)	(3,225)
Increase in provision	**(1,454)**	**(4,750)**	(1,667)	(6,278)
Utilisation	**1,332**	**4,335**	2,149	3,949
Balance at the end of the period	**(3,571)**	**(5,969)**	(3,449)	(5,554)

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

At 1 July 2023	**Current**	**0-60 days past due**	**61-365 days past due**	**1-2 years past due**	**Total**
Trade receivables and contract assets	**66,330**	**7,574**	**8,210**	**1,249**	**83,363**
Expected loss rate	**1.1%**	**3.0%**	**19.0%**	**83.7%**	**4.3%**
Provision for impairment charge	**740**	**224**	**1,561**	**1,046**	**3,571**

At 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

Contract assets consist of accrued income.

The provision for impairment 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 2022, the Group considers that historical losses are not a reliable predictor of future failures and has exercised judgement in the expected loss rates across all categories of debt. In so doing the Group has applied an adjusted risk factor of 1.25x (2022: 1.25x) to reflect the increased risk of future insolvency. 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.

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

The combined provisions for bad debt and credit notes amount to 11.4% of trade receivables and contract assets at 1 July 2023 (31 December 2022: 10.2%).

13. Trade and other payables

	1 July 2023 £000s	31 December 2022 £000s
Current		
Trade payables	**42,785**	41,693
Other taxes and social security costs	**4,447**	4,718
Other creditors	**1,712**	2,010
Accrued interest on borrowings	**677**	534
Accruals	**27,622**	38,689
Deferred income	**1,283**	658
	78,526	88,302

14. Lease liabilities

	1 July 2023 £000s	31 December 2022 £000s
Current		
Lease liabilities	**15,025**	13,182
Non-current		
Lease liabilities	**44,690**	43,110
	59,715	56,292

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

		1 July 2023	31 December 2022
Equipment for hire	Fixed	**10.6 to 19.1%**	11.1 to 19.1%
Other	Fixed	**3.5 to 9.5%**	3.5 to 6.0%

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

	1 July 2023	31 December 2022
Lease liabilities	**6.2%**	6.1%

The Group's leases have the following maturity profile:

	1 July 2023 £000s	31 December 2022 £000s
Less than one year	**19,124**	16,227
Two to five years	**38,763**	36,798
More than five years	**13,542**	15,133
	71,429	68,158
Less interest cash flows:	**(11,714)**	(11,866)
Total principal cash flows	**59,715**	56,292

14. Lease liabilities (*continued*)

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

	1 July 2023 £000s	31 December 2022 £000s
Less than one year	**15,025**	13,182
Two to five years	**33,544**	30,690
More than five years	**11,146**	12,420
	59,715	56,292

The lease liability movements are detailed below:

	Property	**Vehicles**	**Equipment for hire and internal use**	**Total**
	£000s	**£000s**	**£000s**	**£000s**
At 1 January 2023	39,268	13,472	3,552	56,292
Additions	2,153	7,462	994	10,609
Discount unwind	1,196	305	290	1,791
Payments (including interest)	(4,502)	(2,695)	(1,637)	(8,834)
Disposals	(34)	(106)	-	(140)
Foreign exchange differences	(3)	-	-	(3)
At 1 July 2023	**38,078**	**18,438**	**3,199**	**59,715**

	Property	Vehicles	Equipment for hire and internal use	Total
	£000s	£000s	£000s	£000s
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

15. Borrowings

	1 July 2023 £000s	31 December 2022 £000s
Current		
Hire purchase arrangements	**5,834**	5,168
Non-current		
Hire purchase arrangements	**11,947**	9,978
Senior finance facility	**68,867**	68,613
	80,814	78,591

The senior finance facility is stated net of transaction fees of £1.1m (31 December 2022: £1.4m) which are being amortised over the loan period.

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

	1 July 2023 £000s	31 December 2022 £000s
Hire purchase arrangements	**17,781**	15,146
Senior finance facility	**70,000**	70,000

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

			1 July 2023	31 December 2022
Hire purchase arrangements	Floating	% above NatWest base rate	**2.2% to 2.5%**	2.3 to 2.9%
Revolving credit facility	Floating	% above SONIA	**3.0%**	3.0%
Senior finance facility	Floating	% above SONIA	**3.0%**	3.0%

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

			1 July 2023	31 December 2022
Hire purchase arrangements	Floating	% above NatWest base rate	**6.9%**	6.0%
Revolving credit facility	Floating	% above SONIA	**7.9%**	6.4%
Senior finance facility	Floating	% above SONIA	**7.9%**	6.4%

The Group had undrawn committed borrowing facilities of £36.3m at 1 July 2023 (2022: £36.3m), including £11.3m (2022: £11.3m) of finance lines to fund hire fleet capital expenditure not yet utilised. Including net cash balances, the Group had access to £72.9m of combined liquidity from available cash and undrawn committed borrowing facilities at 1 July 2023 (2022: £84.0m).

15. Borrowings (*continued*)

The Group's borrowings have the following maturity profile:

	1 July 2023		31 December 2022	
	Hire purchase arrangements £000s	**Senior finance facility £000s**	Hire purchase arrangements £000s	Senior finance facility £000s
Less than one year	**6,656**	**5,550**	5,718	2,235
Two to five years	**12,976**	**77,740**	10,670	74,245
	19,632	**83,290**	16,388	76,480
Less interest cash flows:	**(1,851)**	**(13,290)**	(1,242)	(6,480)
Total principal cash flows	**17,781**	**70,000**	15,146	70,000

16. Provisions

	Onerous property costs £000s	**Dilapidations £000s**	**Onerous contracts £000s**	**Total £000s**
At 1 January 2023	**117**	**11,380**	**9,806**	**21,303**
Additions	**128**	**12**	**-**	**140**
Utilised during the period	**(128)**	**(85)**	**(1,645)**	**(1,858)**
Unwind of provision	**2**	**187**	**169**	**358**
Impact of change in discount rate	**-**	**-**	**-**	**-**
Releases	**(27)**	**(1)**	**-**	**(28)**
Foreign exchange	**-**	**(25)**	**-**	**(25)**
At 1 July 2023	**92**	**11,468**	**8,330**	**19,890**
Of which:				
Current	**41**	**1,307**	**3,032**	**4,380**
Non-current	**51**	**10,161**	**5,298**	**15,510**
	92	**11,468**	**8,330**	**19,890**

16. Provisions (*continued*)

	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

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 releases are the result of early surrenders being agreed with landlords – the associated liabilities are generally limited to the date of surrender but were provided for to the date of the first exercisable break clause to align with the recognition of associated lease liabilities.

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.

17. Risks and uncertainties

The principal risks and uncertainties which could have a material impact upon the Group's performance over the remaining 26 weeks of the 2023 financial year have not changed significantly from those set out on pages 38 to 41 of the Group's 2022 Annual Report, which is available at https://www.https://www.hsshiregroup.com/investor-relations/financial-results/.

These risks and uncertainties are:

1) Macroeconomic conditions;
2) Competitor challenge;
3) Strategy execution;
4) Customer service;
5) Third party reliance;
6) IT infrastructure;
7) Financial risk;
8) Inability to attract and retain personnel;
9) Legal and regulatory requirements;
10) Safety; and
11) Environment, Social and Governance ('ESG').

17. Risks and uncertainties (continued)

With global inflationary pressures and associated interest rate increases the main risk expected to affect the Group in the remaining 26 weeks for the 2023 financial year is macroeconomic conditions.

The conflict in Ukraine, pandemic recovery and Brexit have contributed to labour shortages, inflation and interest rate rises. Therefore, this risk will continue to be closely monitored for its effect on demand and colleague welfare so that we can take appropriate actions.

18. Alternative performance measures

Earnings before interest, taxation, depreciation and amortisation (EBITDA) and Adjusted EBITDA, earnings before interest, tax and amortisation (EBITA) and Adjusted EBITA and Adjusted profit before tax are alternative, non-IFRS and non-Generally Accepted Accounting Practice (GAAP) performance measures used by the Directors and Management to assess the operating performance of the Group.

– EBITDA is defined as operating profit before depreciation and amortisation. For this purpose, depreciation includes depreciation charge for the year on property, plant and equipment and on right of use assets; the net book value of hire stock losses and write-offs; the net book value of other fixed asset disposals less the proceeds on those disposals; impairments of right of use assets; the net book value of right of use asset disposals, net of the associated lease liability disposed of; and the loss on disposal of sub-leases. Amortisation is calculated as the total of the amortisation charge for the year and the loss on disposal of intangible assets. Exceptional items are excluded from EBITDA to calculate Adjusted EBITDA.

– EBITA is defined by the Group as operating profit before amortisation. Exceptional items are excluded from EBITA to calculate Adjusted EBITA.

– Adjusted profit before tax is defined by the Group as profit before tax, amortisation of customer relationships and brand related intangibles as well as exceptional items.

The Group discloses Adjusted EBITDA, Adjusted EBITA and Adjusted profit before tax as supplemental non-IFRS financial performance measures because the Directors believe they are useful metrics by which to compare the performance of the business from period to period and such measures like Adjusted EBITDA, Adjusted EBITA and Adjusted profit before tax are broadly used by analysts, rating agencies and investors in assessing the performance of the Group. Accordingly, the Directors believe that the presentation of Adjusted EBITDA, Adjusted EBITA and Adjusted profit before tax provides useful information to users of the financial statements.

As these are non-IFRS measures, other entities may not calculate the measures in the same way and hence are not directly comparable.

Adjusted EBITDA is calculated as follows:

	26 weeks ended 1 July 2023 £000s	26 weeks ended 2 July 2022 £000s
Operating profit	**10,761**	10,209
Add: Depreciation of property, plant and equipment and right of use assets	**20,251**	19,359
Add: Amortisation of intangible assets	**956**	2,861
EBITDA	**31,968**	32,429
Add: Exceptional items (non-finance)	**97**	488
Adjusted EBITDA	**32,065**	32,917

18. Alternative performance measures (continued)

Adjusted EBITA is calculated as follows:

	26 weeks ended 1 July 2023 £000s	26 weeks ended 2 July 2022 £000s
Operating profit	**10,761**	10,209
Add: Amortisation of intangible assets	**956**	2,861
EBITA	**11,717**	13,070
Add: Exceptional items (non-finance)	**97**	488
Adjusted EBITA	**11,814**	13,558

Adjusted profit before tax is calculated as follows:

	26 weeks ended 1 July 2023 £000s	26 weeks ended 2 July 2022 £000s
Profit before tax	**5,539**	6,535
Add: Amortisation of customer relationships and brands	**62**	1,287
Profit before tax and amortisation of customer relationships and brands	**5,601**	7,822
Add: Exceptional items (finance and non-finance)	**284**	554
Adjusted profit before tax	**5,885**	8,376

19. Post Balance Sheet Events

Based on the ongoing successful performance of the Group's builders merchant locations, the decision was made to accelerate the migration to this lower variable cost model over the next twelve months. To this end, in September the closure of sixteen branches located in England and Wales was announced. This specific change will reduce ongoing costs by c£1m per annum with expected exceptional costs of between £2.1m and £2.4m, the majority non-cash and asset impairment related. All impacted branch colleagues have been informed of the changes and it is anticipated that they will all migrate to new roles within this model. Work is now underway with the Group's property restructuring specialist to review all possible options with the remaining property leases.