HSS Hire Group Plc

Resilient performance, continued strategic progress

HSS Hire Group plc ("HSS" or the "Group") today announces results for the 52 week period ended 30 December 2023

Financial Highlights *Continuing operations*[1]	**FY23** *(52 weeks to 30 December 2023)*	**FY22** *(52 weeks to 31 December 2022)*	**Change**
Revenue	**£349.1m**	**£332.8m**	**5%**
Adjusted EBITDA[2]	**£65.1m**	**£71.6m**	**(9%)**
Adjusted EBITA[3]	**£24.3m**	**£32.0m**	**(24%)**
Adjusted profit before tax[4]	**£11.9m**	**£21.0m**	**(43%)**
Adjusted basic EPS	**1.29p**	**2.41p**	**(46%)**
ROCE[5]	**16.2%**	**22.8%**	**(6.6pp)**
Net debt leverage[6] **- IFRS16**	**1.7x**	**1.3x**	**(0.4x)**
Net debt leverage[7] **- non IFRS16**	**1.2x**	**0.8x**	**(0.4x)**
Other statutory extracts (Underlying[8]**)**			
Operating profit	**£22.4m**	**£26.6m**	**(16%)**
Profit before tax	**£11.8m**	**£18.9m**	**(£7.1m)**
Basic EPS	**0.60p**	**2.90p**	**(2.30p)**

Financial Highlights

- Solid trading performance with revenue growth +5%, outperforming the market[9]
  - Growth despite demand softness across certain customer segments and for seasonal products
  - Another year of double-digit Services revenue growth, up 12%, enabled by technology
  - Rental growth of 1%, with strong performance from the Builders Merchant network

- Second highest Profit Before Tax in Group's listed history[10]
  - £5.1m additional investment in operating expenditure and £1.3m non-recurring technology capex, both to drive future growth through new routes to market
  - Adjusted EBITDA and EBITA margins at 18.7% and 7.0%, increasing to 20.1% and 8.4% respectively when excluding this strategic opex
  - Continued strong returns with ROCE above the Group's cost of capital

- Robust balance sheet with reported non-IFRS16 leverage at 1.2x (FY22: 0.8x)
  - Material liquidity headroom to support ongoing investment in the technology-driven marketplace strategy
  - Sale of ABird and APEX completed 7 March 2024 for Enterprise Value of £23.25m with proceeds used to reduce debt and further strengthen the balance sheet

- Recommending final dividend[11] of 0.38p bringing total dividend for the year to 0.56p, an increase of 4% (FY22: 0.54p)

Operational Highlights

- Momentum building with transformational marketplace growth strategy
  - 1,000 customers have now transacted on our self-service marketplace platform with 30% average revenue growth[12]
  - 24% of Group's transactions[13] (FY22: 14%) are now originated through our self-serve technology platforms: ProService Marketplace and HSS.com

- Low-cost builders merchant network expanded to 89 locations (December 22: 63) and delivered 21% growth on a same stores basis[14]
  - Successful migration of 16 traditional HSS branches to builders merchant model in Q4 23 delivering c£1m annualised cost saving
  - Further expansion plans underway with 10 new locations to open in H1 24

- Continued progress with sustainability strategy and on track to meet key milestones
  - 2040 Net Zero action plan and targets[15] validated by SBTi[16]
  - Progress externally recognised with EcoVadis[17] Gold Award for sustainability

Current trading and outlook

- Q1 24 revenue growth of 3% driven by ProService with the Group's historic Services segment continuing to deliver double-digit growth, despite continued softness in certain customer segments and the impact of the mild winter on seasonal products
- Management remains mindful of uncertain macro-economic conditions and accordingly continue to manage costs, while also benefiting from the Group's lower-cost operating model
- Capex investment forecast in 2024 is expected to be £26-£29m including c£3m to support the Group's marketplace strategy
- Management remains confident that full year EBITA will be in line with market expectations

Steve Ashmore, Chief Executive Officer, said:

"I am pleased to report another year of significant strategic progress alongside resilient financial performance, delivering revenue growth ahead of the market despite a more challenging macro-environment. We have made big strides implementing clear focussed strategies for our two divisions ProService and Operations, with early positive results providing the confidence to accelerate strategic investment to evolve HSS into a leading marketplace for equipment services. Customers are engaging with our marketplace platform at an exponential rate, valuing the ease it brings and resulting in significant revenue growth.

We continue to make good progress embedding our ESG agenda in everything we do and are on track to deliver our SBTi validated Net Zero action plan. During the year we have been working alongside both customers and suppliers to enhance reporting to help ensure effective ESG decisions are being made across the whole supply chain and will shortly be launching new technology enabling customers to make product decisions based on carbon emissions. I was delighted that all of this progress was recognised by EcoVadis with the award of their gold medal sustainability rating.

We are more confident than ever in our strategy and the strength of our technology platforms. We are well placed to take full advantage when the market recovers".

Notes

1) Results for FY23 and FY22 are on a continuing operations basis
2) Adjusted EBITDA is defined as operating profit before depreciation, amortisation, and exceptional items. For this purpose depreciation includes the net book value of hire stock losses and write offs, and the net book value of other fixed asset disposals less the proceeds on those disposals
3) Adjusted EBITA defined as Adjusted EBITDA less depreciation
4) Adjusted Profit before tax defined as profit before tax excluding amortisation of brand and customer lists and exceptional items
5) ROCE is calculated as Adjusted EBITA for the 52 weeks to 30 December 2023 divided by the average of total assets less current liabilities (excluding intangible assets, cash and debt items) over the same period
6) Net debt leverage is calculated as closing net debt divided by adjusted EBITDA for the 52 weeks to 30 December 2023 (prior year 52 weeks to 31 December 2022).
7) 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 30 December 2023 (prior year 52 weeks to 31 December 2022).
8) Performance excluding exceptional items
9) European Rental Association forecast 2023 +3.4%, ONS Construction Output 2023 +2.4%
10) Group listed in February 2015
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 23 May 2024, Record date of 24 May 2024 and Payment date of 2 July 2024
12) Based on all customers that have used our self-serve marketplace platform before 1st March 2024. Growth calculated based on total customer spend January and February 2024 compared to January and February 2023.
13) Contracts raised through HSS.com and HSS Pro as a percentage of total contracts raised in March 2023 and March 2024
14) Merchant locations open for comparable period in both FY23 and FY22
15) Net Zero action plan as shared in the 2nd edition of the HSS ESG Impact Report published in Q2 23
16) Science Based Targets initiative
17) EcoVadis is one of the world's largest providers of independent business sustainability ratings

-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 pleased to report on another good year with the Group delivering a resilient performance set against a challenging and uncertain market. The Group has delivered another year of good results, despite an uncertain economic backdrop, whilst continuing to invest in our strategy as we focus on being the market-leading, digitally-led brand for equipment services."

Our results

The Group has delivered further revenue growth and consistently high returns on capital. These results, which are outlined in more detail by our CFO, Paul Quested, in the Financial Review, have enabled a strong balance sheet to be maintained. As such, I am pleased to report a proposed final dividend payment of 0.38p reflecting the continued confidence the Board has in the management team and its execution of our strategy.

Our strategic progress

The Board and management team are pleased with the strategic progress the Group has made during FY23 and believe both divisions, ProService and Operations, are well placed going forward. ProService has developed a technology platform helping it to become what we believe is the leading marketplace for building services in the UK, aggregating buyers and sellers across a broad range of products and services. Operations has evolved its model, driving efficiency and reducing its impact on the environment whilst maintaining high levels of safety, quality and colleague engagement.

Operations continues to be a leading national provider of hire equipment and the largest supplier to ProService.

I would like to highlight significant areas of progress in each of our businesses in FY23.

Starting with ProService, the team has made great progress with the development of our digital marketplace. In addition to our expansive equipment rental offering, we rolled out both new and wider ranges of non-rental products for our customers (we call them 'product verticals') in the areas of Equipment Sales and Building Materials, and in December we launched version 2.0 of our marketplace platform. With both developments, results have been positive and it is interesting to see customer and supplier behaviours evolve as we further deploy our technology. More details about our progress with self-service and new product verticals are provided by our CEO, Steve Ashmore, in his CEO's statement.

During FY23 the ProService team also completed the establishment of a Central Sales function in our office in Manchester, designed to reach more customers through a leaner model whilst improving cross-selling. We have proven that a centralised sales function, powered by data and enabled with technology, can deliver great customer service in an efficient way.

Moving on to Operations, the team has deployed new technology into our workshops, designed to improve quality standards, reduce customer exchanges and further improve our fleet efficiency and carbon footprint. In addition, the team has accelerated the transformation of our branch network into the builders merchant model that we first tested back in 2020. This model provides opportunity for growth, removes fixed costs, strengthens relationships with our Building Materials product vertical suppliers and delivers convenience for customers.

The Group's ESG agenda continues to be very important for the Board, and I am pleased to say we have made some important progress this year. We had our Net Zero plan audited by the SBTi (Science Based Targets initiative) which approved them as being in line with the ambition to limit global warming to 1.5°C. During the year we have launched a new waste reduction project, published our second ESG Impact Report, launched customer CO_2 reporting and rolled out colleague ESG training. All this progress was recognised in the recent EcoVadis audit which resulted in our award of Gold status. You can read more about our ESG journey in the Sustainability at HSS section.

The progress the teams have made in FY23 is impressive and reflects one of the Group's key values: to Make It Better.

Divestment of specialist Power business

On 7 March 2024, we announced the sale of our specialist Power businesses, ABird and Apex, to CES Global. This divestment further strengthens our balance sheet and allows us to continue to focus on our customer proposition, technology development and operational excellence. Specialist power generation continues to be part of our customer proposition and CES Global will be a key supplier to our ProService division going forward.

Equipment Quality

We continue to operate a well-invested fleet with high safety and quality standards.

Our Board

The Group continues to benefit from a stable and experienced Board. 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 continue our 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 0.38p, making 0.56p for the full year. Assuming the dividend is approved at the Annual General Meeting, it will be paid on 2 July 2024 to shareholders on the register on 24 May 2024.

Outlook

We have seen another good year of strategic progress for the Group, delivering robust financial results in an uncertain economic environment. I would like to thank my fellow Board members for their support and express my gratitude to our colleagues for their ongoing commitment, hard work and contribution to our achievements over the year.

The strategic progress made across the Group this year, delivered by our colleagues and underpinned by our investment in technology, makes each of our two divisions well positioned for future growth.

Alan Peterson OBE
Chairman

CHIEF EXECUTIVE OFFICER'S STATEMENT

"The Group has delivered a solid performance alongside further strategic progress and I would like to extend my thanks to all my colleagues for their continued dedication and hard work over the last year."

We entered the year off the back of a strong set of results in FY22, with a robust balance sheet and a new operating model built around two divisions: ProService and Operations. This foundation, combined with positive emerging KPIs from each business, gave us the confidence to accelerate investment in our strategy of becoming the market-leading, digitally-led brand for equipment services. We took this decision to continue our investment in operating costs for future growth against the backdrop of uncertainties in the wider UK economy. It is within this context that I can now reflect on a progressive year, during which we have delivered a resilient financial performance alongside significant investment in our strategy.

OUR YEAR IN SUMMARY

Strong financial performance

Our revenue growth has continued to outperform the market, with like-for-like revenues 4.9% ahead of the prior year, enabled through the ongoing expansion of our successful builders merchant network, early adoption of self-service and support from new product verticals. We have continued to expand our Central Sales team and develop our technology platform, investing £5.1m during the year. Whilst doing so, we have maintained a strong balance sheet and industry-leading returns, which Paul discusses in more detail in the Financial Review.

Self-service technology

Following successful self-service trials with a small number of large contractors in Q4 FY22, we decided to extend trials to over 500 small and medium sized customers in FY23. These trials have shown good results with strong adoption rates and significant growth in revenue from this set of customers. In December 2023 we launched version 2.0 of our self-service marketplace platform with new and improved functionality for customers and we are now rolling out this channel to more of our customers during FY24.

I believe that our self-service technology really differentiates us from the competition. It provides customers with a marketplace platform to access a wide range of building products and services, offering a single point of ordering and control. Results from the trials undertaken in FY23 show strong levels of interest from our customers, with the potential for improved loyalty as they get used to the convenience of a single, easy-to-use platform. We expect to see self-service rates increase markedly in FY24, creating the opportunity to significantly reduce the cost-to-serve thereafter.

New product verticals

Our technology platform allows us to quickly launch new product verticals, enhancing the one-stop shop experience for customers, particularly for those using our self-service marketplace platform. In FY24 we launched two significant new product verticals, Equipment Sales and Building Materials, with both seeing good customer adoption. Our integrated technology platform means that these new products are readily available to customers across all channels, whether they choose to self-serve, visit a builders merchant or contact us via email or phone.

In Equipment Sales we partnered with Toolbank to provide an offering of over 30,000 tools, fittings, consumables and personal protective equipment (PPE) to our customers. Whilst relatively small in value compared with equipment hire, these resale products provide convenience for customers and add users to our marketplace which we believe will further enhance loyalty to ProService. We fulfilled orders for almost 1,000 customers by the end of the year, reflecting the power of our offering and the underlying demand for a one-stop shop in the building services market.

In Building Materials we already had a pre-established network of over 20 merchant partners keen to sell their products into our customer base.

We conducted a trial in H1 encouraging our salesforce to promote this offering to customers and setting up a small team to process resultant orders. Following a positive start we decided to make the offering available more widely. In September, we introduced a new 'Building Materials' tile on our technology platform, making it accessible to all customers whether they are self-serving through ProService or the hss.com website, or through our sales teams. By Q4 we were regularly generating over £75k of revenue per week from Building Materials, serving over 400 customers.

In FY24 we expect to gain further momentum in Equipment Sales and Building Materials sales, and intend to roll-out, other product verticals on our technology platform.

Central Sales

During H1 2023, we grew our Central Sales team demonstrating the benefit of a centralised model for greater customer reach, enhanced cross-selling and improved efficiency. Armed with our HSS ProPOS technology and driven by data, this team was given a portfolio of over 10,000, largely SME customers to manage. During the year this portfolio has delivered revenue growth 20 ppts ahead of other SME customers, at higher levels of productivity. Having proved this model we are now in the process of rationalising our overall sales acquisition and order-taking organisation, to drive further productivity benefits and enhanced customer experience.

Operational efficiency and customer service

Operations has had another successful year, continuing to deliver market-leading levels of customer service whilst striving for ongoing efficiency gains and carbon reduction.

Following the roll-out of Satalia route optimisation software in FY22, the Operations team has successfully trialled more new technology in FY23, the Digital Service Portal (DSP), which is designed to improve equipment standards, reduce customer downtime and lower our cost to serve. This year the team will be introducing QR coding for products in our fleet, which will mark the final step in our transition to a paperless operational transaction.

Builders merchants network

Our well-established builders merchant network delivered revenue growth on a same stores basis in excess of 20%, significantly ahead of the market. This variable, lower-cost model provides builders merchants' customers with a convenient solution to equipment hire, in addition to providing a great working environment for our colleagues. During FY23 we accelerated the transition from the traditional HSS branch network to builders merchants, opening a further 26 locations, which we look forward to seeing mature over the coming year.

In FY24 we will complete this network transition, opening further builders merchants in England, Wales, Scotland and Northern Ireland.

ESG roadmap

As Chair of our ESG Forum I am pleased to report that we have continued the successful delivery of our ESG roadmap, staying on track to achieve our Net Zero 2040 target as well as our near-term objectives. We continue to work with consultant, Sustainable Advantage, which monitors our progress, prioritises our activities and provides examples of best practice from other industries. We also engaged auditors EcoVadis and CDP, global leaders in ESG accreditation, to independently assess our progress.

Our achievements are once again detailed in the Sustainability section, but for now I would like to highlight three significant achievements:

1. We launched our customer CO_2 reporting suite, rolling it out to several key accounts. This reporting allows customers to understand the carbon footprint of their hiring activities and make better choices to reduce carbon.
2. In May 2023, the SBTi completed its audit of our plans to reduce GHG emissions and has approved them as being in line with the ambition to limit global warming by 1.5°C. We were the first in our sector to achieve this approval in May 2023.
3. In September we were delighted to be awarded Gold status by EcoVadis following its audit of our business. This puts us in the 95th percentile in our peer group and reflects the significant progress we have made.

During the year we also launched a new waste reduction programme, continued on our journey of fleet electrification, rolled out colleague ESG training, completed a Biodiversity impact assessment and completed over 250 supplier audits as part of our new ESG accreditation programme. We look forward to realising the benefits of these activities in the years to come.

You can read more about ESG in our second Impact Report published in June which is available on our website.

STRATEGY

We separated our business in FY22 with the creation of ProService and Operations: two distinct divisions to take advantage of our fragmented market and capitalise on customer and supplier requirements. Each division has a clear focus to advance their differentiated propositions, defined through their visions and strategic objectives.

ProService

To become the market-leading marketplace for building services

ProService has three strategic objectives:

1. Enhance our market-leading proposition

   ProService addresses customers' demand for a one-stop shop. As such, we will continue to introduce new product verticals, expanding our offering within equipment hire and beyond into areas such as training and resale. We have been encouraged by the uptake of our equipment sales and building materials product verticals in FY23 and will increase activity here in FY24.

   Our in-house technology developers are constantly striving to improve the user journey for customers, suppliers and colleagues. Following the launch of ProService version 2.0 in December 2023, our team will be closely monitoring user behaviours with a view to optimising the self-service platform even further. This will include enhancing content, covering additional product photos, videos and 'how-to' guides. We will also drive ESG, showing customers carbon credentials of alternative products and offering carbon reporting.

2. Expand both our buyer and seller network

   As we constantly strive for market-leading availability, we will deepen our seller base, both in equipment hire and new product categories. A specific area of focus for us in FY24 will be the ongoing expansion of our Training Plus network of third party trainers, offering courses well beyond technical equipment training.

   We will focus on brand promotion and improved messaging, to drive buyer and supplier loyalty. Buyer acquisition will be data driven and increasingly targeted at different customer segments.

   We will build on the progress made during FY23 with our supplier audit programme, helping to reduce upstream carbon footprint, increase buyer choice and improve carbon reporting.

3. Drive self-service adoption

   We have seen strong appetite from customers for a self-service platform, both from market research and the trials carried out so far. It is now a priority for us to promote this self-service channel to all customers, drive improved engagement and enable greater loyalty. Alongside this we will streamline other channels to ensure a consistent, high-quality customer experience, which also results in a leaner cost-to-serve model, enabled by the centralisation and automation of activities.

Operations

To become the most efficient, high-quality rental operator in the UK

Operations has clear strategic objectives:

1.	Lead with ESG We will always prioritise the safety and wellbeing of our customers and colleagues, while continuing to pursue our Net Zero 2040 pledge alongside our shorter-term ESG objectives. There are many ongoing activities in this area (see later in our ESG section). Priorities include reducing carbon footprint with ongoing distribution efficiencies together with further migration to electric vehicles (EVs). We also continue to prioritise the ongoing reduction in the carbon footprint of our physical network (linking to objectives 2 and 3 below).
2.	Optimise our network Our Operations business is currently completing the transition from fixed-cost, low-footfall traditional hire branches to variable, low-cost, high-footfall builders merchant locations. As this network is finalised it also provides an opportunity to optimise the distribution network that supports it.
3.	Focus on customer service We look to technology to improve our levels of service and efficiency. We will continue to leverage the benefits of our Satalia route optimisation software and explore the potential to introduce narrower time windows for customers. The roll-out of our DSP, which I mentioned earlier, will improve equipment standards and efficiency.

Divestment of specialist Power business

On 7 March 2024, we announced the sale of our specialist Power businesses, ABird and Apex, to CES Global. ABird and Apex have been a valued part of our Group business for a number of years, and will continue to provide an important element of our customer proposition as they will be a key specialist power generation supplier to ProService going forward. The teams at ABird and Apex have made an excellent contribution to the Group and I am confident that this change in ownership will give them the specialist support they need to continue to grow. For the HSS Group, the divestment creates yet more focus on technology development, enhanced customer focus and operational excellence. I would like to thank all my ex-colleagues at ABird and Apex for their contributions over the years, and wish them every success for the future.

OUTLOOK

Following significant strategic investment in FY23 the Group retains a healthy balance sheet and industry-leading returns. We continue to operate in a challenging UK economy, impacted by wider uncertainty in global markets, but our lower-cost, technology-enabled operating model positions us well. The investment we have made over the last 12 months puts us in a strong position to capitalise as markets recover.

Our self-service marketplace technology provides the foundation to drive customer loyalty and revenue growth, whilst providing opportunities to further optimise our operating model in future years. The scale of our customer and supplier networks sets us apart from other marketplace startups and our team continues to be highly engaged and motivated to deliver on our ambitions.

We enter 2024 with our business in great shape to continue taking market share and providing an alternative technology-driven, lower-cost operating model. Our one-stop shop proposition, combined with our self-service marketplace solution, provides customers with the opportunity to reduce their procurement costs which will be particularly relevant irrespective of market conditions.

We have made significant progress in recent years, transforming our customer proposition through the reorganisation of our business and the introduction of new technology. I believe these changes will deliver market share gains, enhanced customer service and greater productivity across the Group, as we leverage new product verticals, improved routes to market and our differentiated technology over the coming year. I am confident that this will deliver improved shareholder returns through progressive improvements in earnings per share. I remain excited about the prospects for the Group in FY24 and beyond.

I would like to thank all my colleagues once again for their efforts during FY23, and the continued support of our Chairman, the Board and all our Shareholders.

Steve Ashmore
Chief Executive Officer

FINANCIAL REVIEW

"With continued investment in our marketplace strategy and strong balance sheet, we are well positioned for growth."

OVERVIEW

The Group has delivered a resilient financial performance in a challenging market. Revenue growth has outperformed the market with high returns consistently achieved, a strong balance sheet maintained and investment in our strategy stepped up.

FY23 has been a resilient year for the Group against the backdrop of market uncertainty. Revenue growth of 4.9% has outperformed the market and, throughout a period of material strategic change, industry-leading returns and a strong balance sheet have been maintained. As always, this is testament to the hard work and commitment demonstrated by each and every colleague across the business.

Strategic investment has been centred around our marketplace business with £5.5m invested in the further development of our Brenda technology platform and £5.1m increased overhead including our Central Sales team, product expansion and in-housing senior technology leaders from the third party developer. This investment sets the Group up for future growth, building on already impressive Services performance with revenue growth of 12.0% in the year.

There has been continued focus on ensuring a leaner operating model. This included accelerating the transition from traditional branches to builders merchants. Exceptional costs of £2.2m were recognised in relation to these changes.

While profitability fell year on year, the strategic investment accounted for a material element of this reduction. The Board will always focus on maintaining the appropriate balance between shorter-term profitability and future growth.

Alongside our strong balance sheet, we now have our technology and organisation in place and, through the flexible, low-cost, scalable model we are well positioned to deliver improved returns in the future.

Revenue

Group revenue grew by 4.9% to £349.1m (FY22: £332.8m), driven by 12.0% growth in our Services business and 0.5% growth in our Rental business.

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. HSS's revenue recognition accounting policy includes the judgment that some of the Group's contracts with customers contain leases. Accordingly, the policy explains that the Group's hire and rehire revenue streams fall within the scope of IFRS 16 Leases.

Segmental performance

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:

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

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 ProService and Operations businesses. IFRS 8 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 is 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 has 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.

The table below provides the FY23 revenues, EBITDA and EBITA from our new segments. Central includes intercompany eliminations reflecting the high level of trading between Operations and ProService and central management costs.

£m	FY23 Revenue	FY23 Adjusted EBITDA	FY23 Adjusted EBITA
ProService	**311.0**	**14.4**	**12.8**
Operations	**135.8**	**58.3**	**22.3**
Ireland	**27.4**	**6.9**	**3.9**
Central	**(125.1)**	**(14.5)**	**(14.7)**
Total	**349.1**	**65.1**	**24.3**

To enable comparability we continue to disclose our old operating segments of Rental and Services.

Rental and related revenues

Rental revenues increased marginally by 0.5% to £207.3m (FY22: £206.2m) and accounted for 59% of Group revenue (FY22: 62%). The growth was underpinned by strong like-for-like performance through our builders merchants and targeted investment in high-demand product categories, which all performed well despite softening demand in certain buyer segments and the impact of mild weather on our seasonal product. 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 £136.7m (FY22: £138.4m) was down 1.3%, reflecting the mix of revenues towards larger customers, growth of lower-margin ancillary revenue and continued inflationary pressure on distribution costs.

Services

Services revenues increased by 12.0% to £141.8m (FY22: £126.6m), accounting for 41% (FY22: 38%) of Group revenue. Customers continue to value our one-stop shop marketplace proposition underpinned by our Brenda technology platform and large network of supply chain partners. Over recent years, we have consistently delivered double-digit revenue growth and our continued investment to make the customer experience even easier puts the Group in a positive position for the future.

Contribution from Services increased by 1.4% to £19.5m (FY22: £19.3m).

Costs

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

Our cost of sales increased by 9.3% to £180.0m (2022: £164.6m), mainly volume driven, with another year of double-digit growth in Services revenues.

Distribution costs increased by 4.7% to £31.7m (2022: £30.3m) mainly due to a combination of revenue growth and inflationary pressures impacting driver salaries, fuel and third party haulage.

Administrative expenses increased by 2.7% to £115.3m (2022: £112.3m) principally due to additional overhead investment to support delivery of the Group's strategy.

Adjusted EBITDA and Adjusted EBITA

Our Adjusted EBITDA for FY23 was £6.5m lower at £65.1m (FY22: £71.6m) with margins reduced to 18.7% (FY22: 21.5%), reflective of the mix of revenue towards Services and £5.1m (FY22: £0.8m) strategic investment for future growth. Adjusting for the strategic investment, underlying margin was 20.1%. Adjusted EBITDA and EBITDA margin are included in our KPIs.

Our Adjusted EBITA for FY23 was £24.3m (FY22: £32.0m), a combination of reduced EBITDA and increased depreciation. The increased depreciation is from £0.9m property, plant and equipment which is net of a £2.7m benefit from the extension of the useful economic life for Powered Access equipment and £0.3m right of use assets. Adjusted EBITA margin decreased 2.6pp to 7.0% (FY22: 9.6%). Adjusting for the strategic investment, underlying margin was 8.4%. Adjusted EBITA and EBITA margin are included in our KPIs.

Other operating income

Total other operating income of £0.1m (FY22: £0.5m) relates to sub-lease rental and service charge income related to non-trading properties. The value has reduced from FY22 as we have surrendered non-trading leases.

Operating profit

Our operating profit decreased by £4.5m to £19.9m (FY22: £24.4m). This was mainly due to strategic investment in the year.

Exceptional items

Our exceptional costs are summarised in the table below:

	FY23 £m	FY22 £m
Onerous property costs	**0.8**	**(0.4)**
Costs relating to branch network restructure	**1.5**	**–**
Costs relating to group restructure	**0.2**	**3.2**
Onerous contract	**0.3**	**(0.4)**
Total	**2.8**	**2.4**

Exceptional costs totalled £2.8m (FY22 £2.4m). This included £1.7m costs relating to restructuring, primarily from the further transition of moving from traditional branches to builders merchants. This compares with £3.2m in FY22 which included the costs to complete the Group's legal restructuring. The remaining costs of £1.1m relate to onerous contract and property provisions, which compare with exceptional credits from provision releases of £0.8m in FY22.

The total costs for accelerating the transition from traditional branches to builders merchants was £2.1m, £1.5m within costs relating to restructure and £0.6m within onerous property costs.

Finance costs

Net financial expense increased to £10.9m (FY22: £7.8m) due to UK base rate interest increases. These costs are summarised in the table below:

	FY23 £m	FY22 £m
Senior finance facility	**5.3**	**3.0**
Interest on hire purchase arrangements	**0.8**	**1.0**
IFRS 16 lease liabilities	**3.6**	**2.9**
Other	**1.4**	**0.9**
Total finance costs	**11.1**	**7.8**
Bank interest received	**(0.2)**	**–**
Net finance expense	**10.9**	**7.8**

Taxation

The Group had a tax charge for the year of £4.7m (FY22: tax credit of £3.9m). This represents £5.6m (FY22: £5.1m credit) deferred tax charge, partly offset by £0.8m (FY22: £1.2m charge) current tax credit. The change in deferred tax is partly from last year's move to a deferred tax asset based on a three-year recognition window rather than one year, followed by a FY23 reduction in deferred tax asset, reflecting a more cautious outlook based on macroeconomic uncertainty.

Deferred tax assets have been recognised to the extent that management considers it probable that tax losses will be utilised. In FY23 a three-year (FY22: three-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, reduced in FY23 driven by lower profits from the demand softness in certain end markets, reflective of the mix of revenue towards Services and £5.1m (FY22 £0.8m) strategic investment for future growth.

Capital allocation

Our goal is to create long-term shareholder value. In FY23 we have focused on investing in our marketplace business, providing a differentiated proposition in the market for both customers and suppliers. The foundations laid in FY23 set the Group up for future growth and improved shareholder returns.

Dividend

With a strong balance sheet and confidence in the strategy, the Board remains committed to a progressive dividend policy. As such a final dividend of 0.38p is recommended, bringing the full year to 0.56p, an increase of 4% over the prior year (FY22: 0.54p).

Capital expenditure

Additions to Intangible assets, property, plant and equipment and right of use hire equipment in the year were £40.2m (FY22: £43.8m). Investment in technology, principally in our Brenda platform to support future marketplace business growth, totalled £7.1m (FY22: £5.6m). This included £1.3m to acquire full IP of the source code underpinning the Brenda platform. Investment in hire fleet to support our Rental business was £30.6m (FY22: £32.7m) with decisions informed from our insight tools to maximise returns.

Return on capital employed

We believe that our ROCE remains market-leading. In FY23 we achieved 16.2% which was a decrease of 6.6% from FY22, but still comfortably in excess of our weighted cost of capital. A reduction was expected as we invested to support the future growth of the marketplace business, both in terms of overheads and software development. Our underlying ROCE excluding this investment was 19.6% (FY22: 23.3%). ROCE is one of our KPIs.

Trade and other receivables

Gross trade debtors increased 2% over FY23, following increased revenue throughout the financial year. There has been significant focus and improved performance on cash collections. However, with the ongoing macroeconomic uncertainty, we continue to adapt our processes and systems to mitigate this risk (refer to Principal Risk and Uncertainties section) and have applied an adjusted risk factor to expected loss rates in determining the provision for impairment which increased the provision by £0.7m.

Provisions

Provisions reduced £2.7m to £18.6m (FY22: £21.3m). The vast majority of this reduction relates to the ongoing annual onerous contract payments to Unipart following the exit from the National Distribution and Engineering Centre in 2018. At 30 December 2023, the remaining balance on this provision was £6.8m.

Cash generated from operations

Net cash generated from operating activities was £20.2m, a decrease of £18.8m compared with FY22. The reduction is mainly from lower EBITA, higher interest costs and movements in working capital, including settlement of FY22 exceptional costs and the ESA award.

Leverage and net debt

Net debt increased £17.3m to £111.6m (FY22: £94.3m) and at 30 December 2023 the Group had access to £68.2m (31 December 2022: £84.0m) of combined liquidity from available cash and undrawn borrowing facilities. With the reduced Adjusted EBITDA and higher net debt, leverage increased to 1.7x (FY22: 1.3x). Leverage 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 for the 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 FY23 to calculate annual bonuses payable to Executive Directors.

The Adjusted profit before tax figure comprises the reported profit before tax, 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 (a blended rate of 23.5% has been used following the increase to 25% in April 2023) to give an Adjusted profit after tax.

Analysts and investors also assess our earnings per share using an Adjusted earnings per share measure, calculated by dividing 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 calculation of Adjusted EBITDA and Adjusted EBITA can vary between companies, and a reconciliation of Adjusted EBITDA and Adjusted EBITA to operating profit and Adjusted profit before tax to profit before tax is provided in the Consolidated Financial Statements. A reconciliation of reported profit per share to Adjusted earnings per share is provided in the Consolidated Financial Statements.

In accordance with broader market practice, we comment on the amount of net debt in the business by reference to leverage (or Net Debt Ratio), which is the multiple of our Adjusted EBITDA that the net debt represents.

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.

Post balance sheet events

On 7 March 2024, the Group sold ABird and Apex (the Power businesses) within the Group to a third party, CES Global. The businesses were sold for an enterprise value of £23.25m, with customary working capital and debt adjustments resulting in a cash consideration of £20.7m. Net assets disposed were £20.7m (including consolidation related intangibles of £6.4m) for a gain before transaction costs of £nil. In connection with the sale of the businesses the Group has incurred transaction costs of £0.7m in 2024. Subsequent to the sale, proceeds of £12.5m on the sale of the Power businesses were used to make a partial repayment of the Group's senior loan facility, reducing the total liability from £70.0m at the year end to £57.5m.

Based on the ongoing successful performance of the Group's builders merchant locations, the decision was made during FY23 to accelerate the migration to this lower variable cost model. To this end, in March 2024 the further closure of four branches located in England and Scotland was approved reducing ongoing costs by c£0.7m per annum, with expected exceptional costs of between £0.8m and £1.3m

Paul Quested
Chief Financial Officer

RISK MANAGEMENT

MANAGING RISK AND UNCERTAINTY

"Effective risk management underpins everything we do at HSS, from strategy development to managing day-to-day activities. We employ a comprehensive risk management process to help the Group identify emerging risks, assessing impact and ensuring appropriate mitigating actions are put in place."

Ownership

The Board has overall responsibility for the business strategy and managing the risks associated with its delivery, setting the risk appetite, tolerance and culture to achieve its 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 key developing 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 an ESG Committee that oversees improvement actions and monitors risk and opportunities, and the EMT reviews ESG progress on a monthly basis.

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), Supply Chain Auditors, 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

This risk continues to be one of the main risks facing the Group with a combination of domestic and global issues likely to impact UK growth and therefore demand. We have faced an unprecedented period of macroeconomic uncertainty over recent years, starting with Brexit and followed by a pandemic, international conflict, global inflationary pressures and resultant interest rate rises. While inflation pressure has started to ease, we recognise that escalating conflicts in 2024 have the potential to adversely affect energy costs and disrupt global shipping which could impact supply chain lead times and equipment costs. We continue to focus on the direct impact of these macroeconomic conditions on the Group and the mitigating actions that can be taken. While the uncertainty continues to evolve, the Group's risk rating remains unchanged due to actions taken. The transition to a lower-cost and flexible operating model have been key in combating inflationary pressures and a higher cost of borrowing. Credit control systems and procedures continue to be enhanced, mitigating the risk of increased levels of customer insolvency.

ESG risk

ESG risk is integrated into our risk management process as part of the Group's commitment to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and climate-related risks and opportunities have been considered across multiple timeframes. These are covered in more detail in the Sustainability at HSS section.

FY23 risk management developments

The focus in FY23 was 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.

- Achieved ISO 27001 Information Security Management accreditation to enhance cyber risk management.
- Incident management and investigation training provided to all operational management and assurance team members to help improve standards and reporting.
- Revised branch standards (CRSA audits) performed by regional managers by aligning to Internal Audit specific location audits.
- Introduced new Central Sales audit, monitoring the standards of our Manchester-based team.
- Quarterly ESG risk reviews instigated to ensure the Group progresses on its journey to net zero.
- Implemented new supply chain policy with defined standards for third party suppliers and increased the size of the supply chain auditing team to ensure compliance with this policy.

FY24 planned improvements to risk management process

The focus for FY24 will be on improving performance standards through broadened, focused and increased capacity alongside targeted activity on specific risk areas.

- Introduce balanced scorecards to evaluate locations and departments, using a blend of audit scores and performance data, with a focus on safety and standards. This will support the identification of improvement areas alongside recognition of good performance.
- Refresh the Group's safety brand through a combination of campaigns and enhanced targeted training linked to the balanced scorecard insight and recognition of role model behaviours.
- Implementation of enhanced, more dynamic credit governance processes including quarterly fraud and security reviews of trends and emerging threats, new process introduction and targeted training for customer-facing colleagues.
- Develop a new customer complaints module to give better insight into supply chain performance.
- Embed the supply chain audit process ensuring adherence to revised policy.
- Expand the frequency and depth of risk reviews of third party service suppliers, regularly assessing the security and contingency measures in place to ensure continuity of supply.

PRINCIPAL RISKS AND UNCERTAINTIES

Key risk	Description and impact	How we mitigate	What we have done in FY23
1. MACROECONOMIC CONDITIONS **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. International conflicts, inflationary pressures and the higher cost of borrowing lowers growth, affecting demand, supply chains and financial performance.	The Group is not over-exposed to any one area or segment. Ongoing monitoring and modelling of macroeconomic indicators and performance, both of which are reviewed regularly by the EMT. Lower and flexible cost operating model, mitigating against any downturn in future demand.	We have continued to maintain tight cost control measures, taking decisive action during the year in response to softness in certain customer segments whilst ensuring we adequately invest in the strategy and monitor implementation. We have reduced long-term costs in our operating model, including moving more standalone branches to builders merchants. The Group's Procurement team worked with suppliers to ensure that any supply chain disruption was minimised including, where appropriate, seeking alternative providers. Reverse stress-test impact of economic slowdown and higher interest rates. Mitigating action plans developed to respond to uncertain macroeconomic environment.
2. COMPETITOR CHALLENGE **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-service 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 a strong focus on sales acquisition. We have a low-cost operating model, providing national coverage from a network of CDCs, builders merchants and traditional branches.	Following the creation of two distinct divisions in ProService and Operations, clearly defined visions and strategic objectives have been created for each, providing focus to advance their differentiated propositions. Each division has delivered its strategic roadmap during the year, both based on technology investment to enhance the customer experience. The Group continues to monitor innovation outside of the equipment rental market to enable the propositions to further evolve.
3. STRATEGY EXECUTION **Movement - None** **Owner:** Steve Gaskell Group Strategy Director	Failure to successfully implement the Group's strategic plans alongside lower than expected realised benefits lead to reduced forecast financial performance in terms of revenue growth and cost savings.	A clearly defined and communicated strategic plan is in place. Clear governance structure, with defined accountabilities. Each strategic initiative is sponsored by an EMT member. Implementation of projects is monitored by the EMT, including resource allocation. Regular updates, including initiative specific deep dives, provided to the Board.	The Group has continued to implement against initiative milestones underpinning the strategic plan. Enhanced KPI reporting has been implemented to monitor delivery of expected benefits for each initiative and take appropriate actions to ensure that they remain on track.

4. CUSTOMER SERVICE **Movement - None** **Owner:** Tom Shorten Chief Commercial Officer	The provision of the Group's expected service levels depends on its ability to efficiently transport the hire fleet across the network to ensure it is in the right place, at the right time and of the appropriate quality. 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.	Extensive training put in place for all new colleagues. The Digital Service Portal was introduced to digitally capture images of equipment serviced and repaired, helping to improve quality and enhance training for colleagues working in engineering roles. A central team to manage pricing was introduced (trading desk) to improve consistency on pricing and discounts.
5. THIRD PARTY RELIANCE **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.	Given the importance of the Brenda platform to the Group strategy, we brought the third party developers and technical teams who have worked on the technology development in-house. This provides greater control and reduces third party reliance. The majority of our remaining traditional HSS branches were migrated to the builders merchant model. This included the introduction of new partners, all subject to our extensive assessment process. An enhanced supply chain policy was introduced for third party rehire suppliers. This included a supplier tiered risk assessment dependent upon type of equipment provided and was supported by investment in supply chain assurance with two new dedicated auditors employed and an expanded audit programme.

6. IT INFRASTRUCTURE **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. Multi-factor Authentication login security technology in place for all colleagues remotely accessing the Group's systems. 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.	The cyber security plan continues to evolve to counter emerging threats and was externally recognised with the award of Cyber Essentials certification and ISO 27001 accreditation. Investment has continued in IT infrastructure including the completion of the first phase of our server upgrade plan and improved business continuity such as enhanced data and systems back-up procedures. Further security enhancements to systems including reduced phishing risk through email gateway implementation and expanding Single Sign On (SSO) protocols across other Group systems. Raised cyber security awareness across all colleagues through innovative communication and revised mandatory training. Monthly phishing simulations were run to assess effectiveness.
7. FINANCIAL **Movement - Inherent increase** **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. Comprehensive risk reporting including regular detailed credit limit reviews. Credit insurance in place to minimise exposure to larger customer default risk. Investigation team focused on minimising the Group's exposure to fraud. Clearly defined authorisation matrix governing payments and amendments.	The inherent risk increased due to higher levels of customer insolvency. Our comprehensive mitigating actions mean there is no movement in the residual risk. Our 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. The Group is evolving to a more dynamic, system-led credit governance approach. During the year this included the implementation of credit checking functionality at the point of order.

8. INABILITY TO ATTRACT, TRAIN AND RETAIN PERSONNEL **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.	Continued evolution of our wellbeing strategy based on improved data and insight from third party partners. This provided greater understanding of the challenges being experienced by different demographics and job roles to inform specific actions. Differentiated pay awards were implemented during the year, focused on giving lower-paid colleagues more to offset inflationary pressures. A new discounts platform was launched, providing all colleagues access to discounts on everyday items. Colleague development has been broadened with wider apprenticeship and leadership development offerings. Ensured we remain an attractive inclusive employer by evolving our ED&I agenda and governance, the Aim Hire programme (targeting multiple individuals including ex-military and ex-offenders) and more diversified employer branding.
9. LEGAL AND REGULATORY REQUIREMENTS **Movement - None** **Owner:** Daniel Joll General Counsel	Failure to comply with applicable law and regulation could have severe ramifications, including reputational damage and/or financial loss or penalty.	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 a variety of key topics such as anti-bribery, anti-modern slavery, anti-facilitation of tax evasion, data protection legislation, ED&I and price collusion have all been in place during 2023. Whistleblowing process in place providing colleagues with the ability to raise non-compliance issues, which the Company Secretary discusses with the Audit Committee and the Board.	Continued focus on ESG activities, leading to further awards for the Group. Increased mandatory training programme with particular focus on cyber security and the social element of ESG. Voluntarily liquidated various subsidiaries, simplifying the Group structure as well as reducing administrative burden and compliance requirements.

10. SAFETY **Movement - None** **Owner:** Steve Ashmore Chief Executive Officer	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.	Incident management and investigation training was provided to all operational management and assurance team members to help improve coverage as well as standards and reporting. Worked with the Group's new insurance provider to identify improvement opportunities based on third party best practice. Safety communication has increased with four dedicated safety weeks held to promote safe working. Use of telematics to improve road safety, highlighting how a vehicle is being driven and providing insight to operational management for actions to be taken. Whilst RIDDORS have unfortunately increased by two, our other category of serious accident Lost Time have significantly reduced. The management team were given the target of reducing serious accidents, which they have done by 26%.
11. ESG **Movement - None** **Owner:** Tom Shorten Chief Commercial Officer	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.	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 Committee that oversees improvement actions and monitors progress. Monthly Board updates on ESG progress.	SBTi targets were submitted and approved with the action plan to deliver net zero on track. These are monitored by the Board and the EMT. The Group's second ESG Impact Report was published in June 2023. ESG credentials were assessed externally by EcoVadis, which has upgraded our rating and awarded the HSS Group 'Gold status' for 2022/23, placing HSS in the top 5% of companies assessed. Started an assessment of how our sites impact on biodiversity. This led to the production of the HSS Sites Biodiversity Report, identifying whether the business has operational activities near biodiverse sensitive areas and potential environmental risk, impact and mitigation measures.

SUSTAINABILITY AT HSS

Our People

"Our colleagues are at the heart of our business, and across our Group we are committed to creating a diverse and rewarding workplace for everyone."

Health and safety

Our health & safety governance is driven from the top down, with Steve Ashmore leading our Executive Health & Safety forum which meets quarterly. The forum reviews performance, processes and policy, and monitors colleague training and engagement activity, reporting back to the Board.

We have a zero-tolerance approach to health and safety across the Group, which centres on our three core pillars of correct PPE, robust safety training, and challenging unsafe behaviours in our locations. Safety commitments form a key part of our colleague objectives, as well as management performance, and our senior leadership teams are responsible for driving localised activity within their own areas.

We have unfortunately seen an increase in RIDDORs for FY23, and we have taken immediate action to address these through communications and engagement activity such as safety weeks, forums, and a complete rebrand of our safety activity for roll-out in 2024. We are confident that we can improve this performance moving forward.

Colleague development

We are committed to ensuring that every colleague is given the training they need to excel in their role and develop their skills to build a career with HSS. We do this through a blended approach, with classroom-based and e-learning tailored to role and topic area.

As we further embedded the new Central Sales team we created in 2022, we rolled out bespoke training activities to support them in growing their confidence selling our Group proposition, with ongoing coaching and development from our Learning and Development team. We have also rolled these modules out to our wider salesforce e-learning.

This year we launched two new soft skill development programmes, aimed at developing our existing colleagues who we believe could be our future managers. 'Rising Stars' is aimed at colleagues in HSS Operations who we believe could be future team leaders. Through a series of workshops we helped them develop and learn new skills around communication, customer service, profit and loss, and people management. 'Introduction to Management' is aimed at helping new or existing managers grow their skills and confidence in their role, and this supplemented our existing 'Leaderships Development' programme which sees our current leadership teams training the next potential leaders in our business.

Colleague engagement

Our annual engagement survey is key to driving activity across our Group business, centrally and locally within individual teams, departments and locations. For 2023, we saw another strong response rate of 89% across the Group, and our engagement index remained high at 74%, significantly above the national average of 62%.

These responses and comments feed action plans within the various areas of our business, driven by our leadership teams throughout the following year.

Keeping our colleagues informed on the progress and performance of our business is key to our engagement strategy. Alongside our weekly blog from Steve Ashmore, we ran our digital roadshow in December, inviting colleagues from across the Group to share their progress and projects from 2023. We also took the time to celebrate and reward those colleagues going above and beyond.

Health and wellbeing

Since we introduced our wellbeing strategy over six years ago, we have worked hard to adapt and shape the activity to what our colleagues want, as well as wider societal impacts. This year with the continued cost of living impacts, we have worked alongside our benefits partners, Salary Finance and Royal London, on campaigns around financial education, as well as introducing MyDiscounts, our new discount and cashback portal to help colleagues manage their day-to-day expenses.

In 2023 we have also utilised more of the data available to us, adapting communications activity to the topics raised by our Employee Assistance Programme feedback to ensure we are addressing topics that matter to colleagues in real time. This has helped us shape activity around seasonal depression, conflicts with colleagues and resilience.

We have seen an increase in colleague-led activity this year, with managers in our locations designing their own activity for Wellbeing Wednesdays, as well as peer-led mental wellbeing groups in Think Park. This demonstrates the impact on colleagues when we break down the stigma around talking about mental health, it allows them to feel more comfortable being their true selves at work and offer each other that peer support which can be so important.

ED&I – Fostering a diverse workforce

The hire industry is traditionally very similar to the construction industry, with the majority of colleagues being white and male, but this is something we are dedicated to challenging. To ensure a robust governance structure across all levels of our Group business, we have an ED&I steering committee, which comprises Executive and Managing Director-level leaders from across our business, as well as representatives from our HR and communications teams. This group is responsible for driving the ED&I strategy, escalating key areas and progress updates to the Executive Team and Board. This activity is fed by the ED&I council, made up of colleague volunteers from various different ethnicities, age groups and backgrounds, all passionate about driving ED&I activity and acting as diversity champions within their respective areas. These groups are actively shaping our strategy and activity, ensuring that colleague input is key to driving us forward in this important area.

This year we also committed to the Government's Disability Confident scheme, demonstrating our commitment to creating opportunities for everyone to feel welcome and comfortable within our business, and covering activity from recruitment and beyond.

Charities and communities

We are passionate about ensuring we have a positive impact within the many communities we work in across the UK and Republic of Ireland, and throughout the year we undertake a range of charitable initiatives driven by our colleagues and customers.

Working alongside our account customers such as Canary Wharf Contractors and Sir Robert McAlpine, we've supported Maggie's and Spread a Smile, working together on everything from comedy nights, golf events and five-a-side football matches. We've also been helping the next generation of football stars by sponsoring sports kit for kids teams such as St Mawgan Under 9's. We also partnered with our partners at Lords Builders Merchants to go head to head in a charity football game to raise money for The UK Sepsis Trust.

At our head office in Manchester we've run various charity and engagement campaigns, such as Christmas Jumper day for Save the Children, and clothing collections for Cancer Research. Our colleagues input into this activity, and we ensure that we support a range of charities, nationally and locally. These are just a few examples from 2023 which demonstrate our commitment to working alongside our customers, suppliers and colleagues to drive a positive impact within the communities we work in, and we look forward to continuing this work throughout 2024.

Gender Split

As we aim to increase our percentage of female colleagues across the Group to 25% by 2025, we have made some good progress in 2023.

Our industry is typically male dominated, but we have rolled out a number of initiatives to encourage more women into our business, adapting job descriptions and working patterns, as well as continuing the progress built by our Internal Women's Networking Group to open the discussion and drive activity to support our target of 25% by 2025. This is an area of focus we will continue to progress in 2024.

Aim hire

Our Aim Hire programme has significantly grown throughout 2023, creating opportunities for various groups to join our business. We signed the Armed Forces Covenant and are actively promoting roles for ex-military personnel, as well as the families of actively serving personnel who may be looking for work.

We have also seen positive growth in our activity working alongside various prisons to create opportunities for ex-offenders and people on release on temporary licence to join our business across a range of roles and locations. We have worked direct with a number of regional prisons, as well as alongside charities such as Inside Job to help create awareness of the roles and support we can offer and the dedicated colleagues we have welcomed into our business as a result of this programme.

Our Environment

In FY23 we released our second ESG Impact Report. We have committed to publish this report annually so that we can keep ourselves accountable to the ESG vision, strategy and goals we have publicly set out. This paperless report is available to anyone online and goes into detail about our ESG journey.

Our focus sub-goals

SDG No. 7.A. Target – 40% company car fleet electric by 2025. Achieved 27% in 2023; with cars currently on order we will achieve the 2025 target.

SDG No. 13.2. Target- 46.2% GHG Scopes 1 and 2 by 2030. With our current projects, we are on track to achieve this.

How are we contributing?

We remain committed to sourcing the latest products and are continually expand our offering. We continue to build on our greener alternatives offering, making it easier than ever for our customers to make environmentally conscious choices.

Greener alternatives

Another major achievement in 2023 was identifying greener alternatives to traditional fuel-based products that are commonly hired. Developing a database of over 63,000 products, we will implement a greener alternative product prompt for customers who elect to utilise our self-service platform, ProService. This real-time, practical and seemingly relatively simple change will broaden our customers' knowledge and choices of the latest product innovations available via HSS. Customers can make informed, data-driven decisions on steps they can take to reduce their CO2 emissions at product or contract level, real time.

Science Based Targets initiative

In order to achieve our ambitious Net-Zero target date of 2040 we understand that we need to take a materiality-based approach to our ESG goals to drastically reduce our operational GHG emissions in an achievable glide-path.

In 2022 we made our submission to the SBTi. In May of 2023 we were one of the first UK/ROI based companies in our sector to have our near-term targets validated. This means that our near and long-term emissions reduction targets, whilst drastic, are achievable. We've also committed to align with a 1.5ºC rise in global temperatures compared with pre-industrial levels through the Business Ambition for 1.5ºC campaign. This achievement is a great milestone on the road to reaching our goals.

EcoVadis gold

In 2023 we again participated in the EcoVadis audit after previously being awarded Silver in our inaugural year. In 2023 our ESG progress was evidenced by our Gold award, which demonstrates the hard work and collaboration that many HSS colleagues have inputted to achieve this recognition. This Gold award puts us in the top 5% of EcoVadis accredited organisations globally on issues pertaining to the environment, ethics, labour and human rights, and sustainable procurement.

Customer carbon reporting

Through continuous dialogue with our customers and suppliers on ESG elements we recognised that one of the biggest challenges facing industry at the moment is the lack of readily available, manufacturer-provided, Life Cycle Analysis (LCA) data. This data would enable all our stakeholders to have true visibility over the impact their business has on the environment.

Unfortunately, LCA data from manufacturers is not being produced quickly enough. This is why we conduct annual ESG audits of our entire supply chain to focus pressure upstream for various ESG information. However, in the meantime we have identified that the 'use' and 'transport' phases of an LCA have the most impact in our particular industry and have developed an in-house hybrid database of all the products we offer our customers.

Using this database, in 2023 we ran a series of pilot CO2 reporting projects with a variety of different sized customers. These pilots were delivered in collaboration with our customers and provided us with the opportunity to develop a refined in-house customer carbon reporting capability.

These unique tools allow our customers to make informed, data-driven decisions that allow them to meet their own emissions reduction targets. Following successful pilots, in 2024 we will add the customer carbon reporting functionality to customers who use ProService – our innovative self-service platform.

Zero waste to landfill

We recognise that in order to reach our ambitious goals, we need to go much further than just reducing our operational GHGs. A key area of focus for us is our zero waste to landfill ambition and we are aiming to achieve 95% landfill diversion by 2025.

To support this goal, we have developed a series of initiatives such as the introduction of dry mixed recycling bins in all our locations, and monthly reporting of all our waste streams to identify locations with unusually high levels of waste generation. Using league tables, respective business leaders have targeted conversations with locations to discuss practical changes that reduce our waste, in accordance with the waste hierarchy.

After two-way dialogue we developed mandatory e-learning training for all colleagues on waste management and reduction, so that everyone understands how they can play their part, and why it is important that they do – across every aspect of our business.

Supplier sustainability rating

We understand that applying pressure upstream on our supply chain is a vital part of our ESG journey. So that we are actively driving positive change within our industry, we now have a process that enables us to audit our entire supply chain on the progress of their own ESG journeys annually.

In 2023 we received an encouraging 68% response rate to our ESG audits and we hope to advance this further during 2024. Using this audit information, we have developed a weighted scoring system and have ranked our suppliers' ESG maturity, creating a benchmark from which to build on.

To support this, we have trained our procurement managers, supply chain managers and buyers on ESG elements and sustainable procurement.

To encourage more sustainable behaviour in our supply chain, in Q4 2023 we started to introduce a supplier tiering system. This system, supported by our revolutionary in-house self-service technology solution ProService, will offer commercial and financial incentives to reward suppliers that align with our ambitious ESG vision, strategy and goals, which in turn will benefit all our stakeholders.

HSS Sites, key bio-diverse area (KBA) report

HSS has always fostered a strong reputation for effective governance which we feel is necessary for an ethical, profitable and environmentally sustainable business. This is one of the reasons that we submitted a voluntary Task Force on Climate-related Financial Disclosures (TCFD) report in 2022, a year prior to it being mandatory for our business.

With the Taskforce for Nature-related Financial Disclosures (TNFD) on the horizon we have produced our first ever HSS Sites Biodiversity Report. This report identifies whether our business has operational activities that are proximal to biodiversity sensitive areas and details our potential environmental risk, impact and mitigation measures. This report provides an early indication of potential concerns regarding biodiversity, and serves to give guidance that can be used for informed decision-making within the group.

Innovation roadshows

At HSS we understand that technology is moving at an astonishing pace and new products are hitting the market at an almost constant rate; however, some are simply not suitable for the hire and construction market due to their extensive use and conditions on site. So that we remain at the forefront of suitable technological advancements we have continued with our now well-established innovation roadshows.

These regional roadshows aim to bring together HSS colleagues, customers, distribution suppliers and manufacturers to collaboratively meet, share knowledge and get hands-on experience of some of the new and innovative equipment available via HSS. In 2023 we held our first ever innovation roadshow in Belfast, Northern Ireland and look forward to expanding their reach even further in 2024 to the benefit of all our stakeholders.

Data shows that there has been a 73% average increase in orders for the new types of greener products showcased at these events.

Fleet

We have continued to make progress on our journey to transitioning our company car and operational fleet of vehicles into low-carbon alternatives or EVs where practicably possible, given current business requirements. In 2023, as vehicle leases expired, we moved to 69% of our company car fleet being either plug-in hybrid EVs (PHEV's) or EVs with a further 30% of vehicles with emissions of less than 120g CO_2. This means we are on target to achieve our 2030 goal to exceed 60% of our company car fleet being either PHEVs or EVs, and have already exceeded our 2025 goal of 40%.

Unfortunately, EV and PHEV technology still is not able to deliver the mileage we require to maintain our high level of customer service. However, we are taking action where we can; for example, we have converted 50% of our mobile engineer fleet to low-emission PHEV vans, and as the EV range improves we are investigating the trial of EV mobile fitter vans in our fleet.

Furthermore, we are actively exploring the possibility of converting current EV estate cars, on the fleet into mobile fitter vans and look forward to sharing our progress.

We aren't just stopping there: our partnership with Microlise means that we can monitor our drivers' habits and behaviours on the road, such as excessive acceleration and braking, all of which can potentially be unsafe, burn unnecessary fuel and potentially damage our brand reputation. This software enables our operation managers to review this data and have targeted conversations with our driver colleagues, so that we are completing jobs safely, economically and with reduced environmental impact.

Satalia AI is continuing to achieve benefits as we further embed it into our daily operations. Delivering better customer service, by providing more scheduled slots for our customers coupled with a lower carbon footprint by supplying real-time milage optimisation of our fleet.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 DECEMBER 2023

		Year ended 30 December 2023			Year ended 31 December 2022		
	Note	Underlying £000s	Exceptional items (note 4) £000s	Total £000s	Underlying £000s	Exceptional items (note 4) £000s	Total £000s
Revenue	2	349,110	–	349,110	332,777	–	332,777
Cost of sales		(179,978)	–	(179,978)	(164,647)	–	(164,647)
Gross profit		169,132	–	169,132	168,130	–	168,130
Distribution costs		(31,747)	–	(31,747)	(30,325)	–	(30,325)
Administrative expenses		(112,888)	(2,498)	(115,386)	(109,554)	(2,774)	(112,328)
Impairment loss on trade receivables and contract assets	11	(2,183)	–	(2,183)	(1,667)	–	(1,667)
Other operating income	3	49	41	90	8	539	547
Operating profit		22,363	(2,457)	19,906	26,592	(2,235)	24,357
Net finance expense	5	(10,573)	(353)	(10,926)	(7,650)	(176)	(7,826)
Profit before tax		11,790	(2,810)	8,980	18,942	(2,411)	16,531
Income tax (charge)/credit	6	(4,743)	–	(4,743)	3,946	–	3,946
Profit for the financial period		7,047	(2,810)	4,237	22,888	(2,411)	20,477
Alternative performance measures (£000s)							
Adjusted EBITDA				65,136			71,572
Adjusted EBITA				24,306			31,965
Adjusted profit before tax				11,915			20,966
Earnings per share (pence)							
Adjusted basic earnings per share	7			1.29			2.41
Adjusted diluted earnings per share	7			1.25			2.34
Basic earnings per share	7			0.60			2.90
Diluted earnings per share	7			0.58			2.83

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 DECEMBER 2023

	Year ended 30 December 2023 £000s	Year ended 31 December 2022 £000s
Profit for the financial period	**4,237**	20,477
Items that may be reclassified to profit or loss:		
Foreign currency translation differences arising on consolidation of foreign operations	**(231)**	332
Other comprehensive (loss)/gain for the period	**(231)**	332
Total comprehensive profit for the period attributable to owners of the Group	**4,006**	20,809

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 DECEMBER 2023

	Note	**Year ended**	Year ended
ASSETS			
Non-current assets			
Intangible assets	8	**152,982**	147,867
Property, plant and equipment	9	**93,183**	87,775
Of which – Hire equipment	9	***81,191***	*73,613*
Of which – Non-hire equipment	9	***11,992***	*14,162*
Right of use assets	10	**51,811**	51,813
Of which – Hire equipment	10	***2,592***	*2,736*
Of which – Non-hire equipment	10	***49,219***	*49,077*
Deferred tax asset	16	**2,012**	7,515
		299,988	294,970
Current assets			
Inventories		**3,823**	3,779
Trade and other receivables	11	**93,441**	86,068
Cash and cash equivalents		**31,931**	47,709
		129,195	137,556
Total assets		**429,183**	432,526
Share capital	17	**7,050**	7,050
Share premium	17	**45,552**	45,552
Foreign exchange translation reserve		**(653)**	(422)
Other reserves		**97,780**	97,780
Retained earnings		**33,456**	32,503
Total equity		**183,185**	182,463
Current liabilities			
Trade and other payables	12	**85,317**	88,302
Lease liabilities	13	**14,548**	13,182
Borrowings	14	**5,545**	5,168
Provisions	15	**4,816**	4,258
Current tax liability		**–**	290
		110,226	111,200
Non-current liabilities			
Lease liabilities	13	**42,822**	43,110
Borrowings	14	**79,015**	78,591
Provisions	15	**13,753**	17,045
Deferred tax liabilities	16	**182**	117
		135,772	138,863
Total liabilities		**245,998**	250,063
Total equity and liabilities		**429,183**	432,526

The Financial Statements were approved and authorised for issue by the Board of Directors on 30 April 2024 and were signed on its behalf by:

Paul Quested

Director

30 April 2024

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 DECEMBER 2023

	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	–	–	–	–	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
At 31 December 2022	**7,050**	**45,552**	**97,780**	**(422)**	**32,503**	**182,463**
Profit for the period	**–**	**–**	**–**	**–**	**4,237**	**4,237**
Foreign currency translation differences arising on consolidation of foreign operations	**–**	**–**	**–**	**(231)**	**–**	**(231)**
Total comprehensive profit for the period	**–**	**–**	**–**	**(231)**	**4,237**	**4,006**
Transactions with owners recorded directly in equity:						
Dividends paid	**–**	**–**	**–**	**–**	**(3,877)**	**(3,877)**
Share-based payment charge	**–**	**–**	**–**	**–**	**593**	**593**
As at 30 December 2023	**7,050**	**45,552**	**97,780**	**(653)**	**33,456**	**183,185**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 DECEMBER 2023

	Note	Year ended	Year ended
Profit for the financial period		**4,237**	20,477
Adjustments for:			
– Tax	6	**4,743**	(3,946)
– Amortisation		**1,943**	5,314
– Depreciation		**33,673**	35,494
– Accelerated depreciation relating to hire stock customer losses and hire stock write-offs		**6,653**	3,951
– Accelerated depreciation of other property, plant and equipment and right of use assets		**1,459**	–
– Loss on disposal of property, plant and equipment and right of use assets		**2,504**	486
– Lease disposals	13	**(1,795)**	(324)
– Loss on disposal of intangibles		**–**	59
– Capital element of receipts from net investment in sublease		**143**	255
– Share-based payment charge		**593**	951
– Foreign exchange loss/(gain) on operating activities		**(23)**	35
– Finance expense	5	**10,926**	7,826
Changes in working capital (excluding the effects of disposals and exchange differences on			
– Inventories		**(44)**	(1,097)
– Trade and other receivables		**(5,767)**	(6,616)
– Trade and other payables		**(2,327)**	9,472
– Provisions		**(3,192)**	268
Net cash flows from operating activities before purchase of hire equipment		**53,726**	72,605
Purchase of hire equipment	9	**(22,789)**	(24,538)
Cash generated from operating activities		**30,937**	48,067
Interest paid		**(9,550)**	(6,836)
Income tax repaid		**(1,183)**	(2,220)
Net cash generated from operating activities		**20,204**	39,011
Cash flows from investing activities			
Proceeds on disposal of non-hire property, plant and equipment		**541**	–
Purchases of non-hire property, plant, equipment and software	8,9	**(10,090)**	(10,571)
Net cash used in investing activities		**(9,549)**	(10,571)
Cash flows from financing activities			
Dividends paid		**(3,877)**	(1,181)
Facility arrangement fees		**(35)**	(35)
Capital element of lease liability payments		**(15,729)**	(15,140)
Capital element of hire purchase arrangement payments		**(6,703)**	(6,644)
Net cash used in financing activities		**(26,344)**	(23,000)
Net (decrease)/increase in cash and cash equivalents		**(15,689)**	5,440
Net effects of foreign exchange on cash and cash equivalents		**(89)**	–
Cash and cash equivalents at the start of the year		**47,709**	42,269
Cash and cash equivalents at the end of the year		**31,931**	47,709

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 DECEMBER 2023

1. BASIS OF PREPARATION

The Group Financial Statements of HSS Hire Group plc have 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 30 December 2023 (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 31 December 2022, with the exception of certain revenue streams which are now recognised under IFRS 16. The change in accounting policy had no effect on the measurement of revenue in the current or preceding financial year. Further detail is provided in note 4 of the audited financial statements for the year ended 30 December 2023. The financial statements were approved by the Board on 30 April 2024.

The financial information for the year ended 30 December 2023 and the year ended 31 December 2022 does not constitute the company's statutory accounts for those years. Statutory accounts for the year ended 31 December 2022 have been delivered to the Registrar of Companies. The statutory accounts for the year ended 30 December 2023 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 30 December 2023 and 31 December 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 30 December 2023 will be posted to shareholders in early May 2024.

Going concern

At 30 December 2023, 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 £31.9m providing liquidity headroom of £56.9m (2022: £72.7m). 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 44% and 54% headroom against these covenants respectively (2022: 57% and 134% respectively). The Directors have prepared a going concern assessment up to 28 June 2025, 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, the 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 Directors have considered the impact of the expiration of the Group's Senior Finance Facility in November 2025, shortly after the end of the going concern assessment period. The Directors expect to refinance before the expiration date, with no impact on going concern.

The Board has considered various downside scenarios including a 'reasonable worst case' driven by macroeconomic downturn and assumes reducing demand with decline in our revenue generated from the Group's owned assets, lower than historic growth from third party supply (rehire) rental revenue, our strategic cost initiatives deliver less than planned, wage inflation is above forecast, rehire margins are lower than forecast and there is 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.

2. SEGMENT 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:

- ProService – Digital marketplace business focused on customer and supplier acquisition. Technology driven, extremely scalable and uniquely differentiated including training services.
- 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, has changed its internal reporting to reflect the two divisions that have been created.

As a result of this, the Group's operating segments have changed from those presented in the prior year. Under IFRS 8 Operating Segments (IFRS 8), 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 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 any comparatives under the newly identified reportable segments. To ensure that comparable segmental information is available to the users of the Financial Statements, the Group has 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.

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 rehire business and training business. These ceased to be reportable segments in FY23 and will not be presented in the FY24 Annual Report.

The Group continues to present separately the costs relating to central management within the 'Central' heading in the disclosure. This segment 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 comparable with the former 'Central' heading used by the Group.

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 except for the HSS Operations – Ireland segment whose revenues are derived from customers in the Republic of Ireland. No single customer represented more than 10% of Group revenue in the current year (2022: none).

	Year ended 30 December 2023				
	ProService	Operations – UK	Operations – Ireland	Central	Total
	£000s	£000s	£000s	£000s	£000s
Equipment hire and related revenue	**264,934**	**122,615**	**23,305**	**(116,933)**	**293,921**
Sale of goods and related services	**26,593**	**13,231**	**4,130**	**(8,213)**	**35,741**
Other services rendered	**19,448**	**–**	**–**	**–**	**19,448**
Total revenue	**310,975**	**135,846**	**27,435**	**(125,146)**	**349,110**
Adjusted EBITDA	**14,407**	**58,299**	**6,920**	**(14,490)**	**65,136**
Less: Depreciation	**(1,573)**	**(36,023)**	**(3,067)**	**(167)**	**(40,830)**
Adjusted EBITA	**12,834**	**22,276**	**3,853**	**(14,657)**	**24,306**
Less: Amortisation					**(1,943)**
Less: Exceptional items (non-finance)					**(2,457)**
Operating profit					**19,906**
Net finance expenses					**(10,926)**
Profit before tax					**8,980**

The timing of the satisfaction of performance obligations as it relates to revenue recognition is shown below:

	Year ended 30 December 2023				
	ProService £000s	Operations – UK £000s	Operations – Ireland £000s	Central £000s	Total £000s
Revenue from operating lease	**236,446**	**100,727**	**20,913**	**(97,280)**	**260,806**
Revenue recognised at a point in time	**55,081**	**35,119**	**6,522**	**(27,866)**	**68,856**
Revenue recognised over time	**19,448**	**–**	**–**	**–**	**19,448**
Total revenue recognised	**310,975**	**135,846**	**27,435**	**(125,146)**	**349,110**

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

	Year ended 30 December 2023				
	ProService £000s	Operations – UK £000s	Operations – Ireland £000s	Central £000s	Total £000s
Additions to non-current assets					
Property, plant and equipment	**458**	**26,081**	**5,539**	**–**	**32,078**
Right of use assets	**3,037**	**15,100**	**741**	**309**	**19,187**
Intangibles	**5,718**	**1,340**	**–**	**–**	**7,058**
Net book value					
Property, plant and equipment	**649**	**82,242**	**10,292**	**–**	**93,183**
Right of use assets	**4,477**	**44,311**	**2,601**	**422**	**51,811**
Intangibles	**71,613**	**73,859**	**7,510**	**–**	**152,982**
Deferred tax assets				**2,012**	**2,012**
Current assets				**129,195**	**129,195**
Current liabilities				**(110,226)**	**(110,226)**
Non-current liabilities				**(135,772)**	**(135,772)**
Net assets					**183,185**

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 HSS Core Operations of £38.0m and £64.3m respectively. There has been no change to the goodwill allocated to HSS Core – Ireland or HSS Power.

	Year ended 30 December 2023 (Historic segments)			
	Rental (and related revenue) £000s	Services £000s	Central £000s	Total £000s
Total revenue from external customers	**207,273**	**141,837**	**–**	**349,110**
Contribution	**136,661**	**19,532**	**–**	**156,193**
Branch and selling costs			**(62,055)**	**(62,055)**
Central costs			**(29,002)**	**(29,002)**
Adjusted EBITDA				**65,136**
Less: Exceptional items (non-finance)			**(2,457)**	**(2,457)**
Less: Depreciation and amortisation	**(23,052)**	**(1,488)**	**(18,233)**	**(42,773)**
Operating profit				**19,906**
Net finance expenses				**(10,926)**
Profit before tax				**8,980**
Income tax charge				**(4,743)**
Profit after tax				**4,237**

	Year ended 30 December 2023 (Historic segments)			
	Rental (and related revenue) £000s	Services £000s	Central £000s	Total £000s
Additions to non-current assets				
Property, plant and equipment	**29,551**	**11**	**2,516**	**32,078**
Right of use assets	**1,062**	**753**	**17,372**	**19,187**
Intangibles	**–**	**5,718**	**1,340**	**7,058**
Net book value				
Property, plant and equipment	**81,191**	**115**	**11,877**	**93,183**
Right of use assets	**2,592**	**1,008**	**48,211**	**51,811**
Intangibles	**138,097**	**11,751**	**3,134**	**152,982**
Deferred tax assets			**2,012**	**2,012**
Current assets			**129,195**	**129,195**
Current liabilities			**(110,226)**	**(110,226)**
Non-current liabilities			**(135,772)**	**(135,772)**
Net assets				**183,185**

	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 from continuing operations				16,531
Income tax charge				3,946
Profit after tax from continuing operations				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	35,946
Right of use assets	2,220	521	7,672	10,413
Intangibles	3,052	35	2,505	5,592
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)
Net assets				182,463

3. OTHER OPERATING INCOME

	Year ended 30 December 2023 £000s	Year ended 31 December 2022 £000s
Property sublease rental and service charge income	**90**	547

During the year, the Group received sublet rental income of £0.1m (2022: £0.5m) on vacant properties.

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 30 December 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**	**Year ended 30 December 2023 £000s**
Onerous property costs	**838**	**(41)**	**42**	**839**
Costs relating to branch network restructure	**1,467**	**–**	**–**	**1,467**
Costs relating to group restructure	**221**	**–**	**–**	**221**
Onerous contract	**(28)**	**–**	**311**	**283**
Total	**2,498**	**(41)**	**353**	**2,810**

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

Exceptional items incurred in 2023 and 2022

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 closed stores. In the current year, expenses incurred in respect of historic closures included within exceptional items were £0.2m (2022: credit of £0.4m). In the prior year, the credit related primarily to sublet rental income received where properties have been sublet; amounts from sublet rental income are included within other operating income.

Also included within onerous property costs during the current year are the costs to create provisions for the UK branch network restructure discussed in more detail below. The costs of creating these provisions amounted to £0.6m (2022: £nil). Amounts in respect of accelerated depreciation arising on the exit of these trading locations is included within the costs relating to restructuring category.

Costs related to group restructure

In the previous year, the Group completed the legal separation of HSS ProService. The majority of the costs associated with this separation were incurred in the prior year, a total of £0.2m of residual costs were incurred in the current year (2022: £3.2m). Costs associated with the separation in the prior year include a detailed strategy refresh, working with third party advisors to develop the growth plans for HSS ProService and evaluate opportunities to create greater shareholder value.

Costs related to branch network restructure

During the current year, the Group took the strategic decision to migrate the remaining UK HSS branches to the Builder's Merchant model. The impact of the change includes the closure of 16 branches during the current year, with additional closures approved by the Board subsequent to the year-end. This strategic initiative is expected to generate annual cost savings of c£1m and all impacted colleagues have been redeployed to new locations.

The total costs incurred in respect of the UK branch network restructure were £1.5m (2022: £nil). These costs materially all relate to accelerated depreciation on the exit of these trading locations. These costs are incurred where useful economic life estimates for assets at these branches, which cannot be repurposed elsewhere, have been revised downwards to the expected closure date.

Separately to the above, in the previous year, the Group completed the legal separation of HSS ProService. The majority of the costs associated with this separation were incurred in the prior year, a total of £0.2m of residual costs were incurred in the current year (2022: £3.2m). Costs associated with the separation in the prior year include a detailed strategy refresh, working with third party advisors to develop the growth plans for HSS ProService and evaluate opportunities to create greater shareholder value.

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 £6.8m (2022: £9.8m). The discount rate used to calculate the present value of the provision is the five-year UK gilt rate of 3.98% (2022: 3.62%). Application of the new discount rate at the balance sheet date resulted in a credit to the income statement of £28k (2022: credit of £368k), recognised as exceptional in line with the original provision. An interest charge (discount unwind) of £0.3m (2022: £0.2m) was recognised through exceptional finance costs.

5. NET FINANCE EXPENSE

	Year ended 30 December 2023 £000s	Year ended 31 December 2022 £000s
Interest on senior finance facility	**5,278**	3,041
Debt issue costs	**506**	473
Interest on lease liabilities	**3,620**	2,907
Interest on hire purchase arrangements	**775**	1,001
Unwind on discounted provisions	**693**	150
Interest on other bank loans and overdrafts	**169**	254
Other interest payable	**83**	–
Gross finance expense	**11,124**	7,826
Bank interest receivable	**(198)**	–
Net finance expense	**10,926**	7,826

6. INCOME TAX CHARGE

a) Analysis of tax charge/(credit) in the year

	Year ended 30 December 2023 £000s	Year ended 31 December 2022 £000s
Current tax (credit)/charge		
UK corporation tax on the result for the year	**236**	1,495
Adjustments in respect of prior years	**(1,061)**	(299)
Total current tax (credit)/charge	**(825)**	1,196
Deferred tax charge/(credit) for the year		
Deferred tax charge/(credit) for the year	**4,935**	(5,493)
Deferred tax impact of change in tax rate	**(27)**	(40)
Adjustments in respect of prior years	**660**	391
Total deferred tax credit	**5,568**	(5,142)
Income tax charge/(credit)	**4,743**	(3,946)

b) Factors affecting the income tax charge/(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 30 December 2023 £000s	Year ended 31 December 2022 £000s
Profit before tax	**8,980**	16,531
Profit before tax multiplied by the effective standard rate of corporation tax of 23.5% (2022: 19.0%)	**2,110**	3,141
Effects of:		
Unprovided deferred tax movements on short-term temporary differences and capital allowance timing differences	**(2,715)**	(2,530)
Adjustments in respect of prior years	**(402)**	92
Expenses not deductible for tax purposes	**283**	1,096
Derecognition/(recognition) of brought forward tax losses and temporary timing differences	**6,485**	(5,367)
Utilisation of unrecognised tax losses brought forward	**(739)**	(449)
Differential in oversees tax rates	**(252)**	–
Foreign tax suffered	**–**	111
Impact of change in tax rate	**(27)**	(40)
Income tax charge/(credit)	**4,743**	(3,946)

The charge of £0.3m (2022: £1.1m) 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 previous year. The charge of £6.5m (2022: credit of £5.4m) arises from the reduction in deferred tax assets in respect of the utilisation of forecast losses in the three-year (2022: three-year) recognition window.

c) Factors that may affect future tax charge

The standard rate of UK corporation tax increased to 25% from 1 April 2023. The increased rate has been used to calculate the above deferred tax disclosures.

At 30 December 2023 the Group had an unrecognised deferred tax asset relating to losses of £21.1m (2022: £13.1m). The gross value of this balance at 30 December 2023 was £84.5m (2022: £52.3m).

At 30 December 2023 the Group also had an unrecognised deferred tax asset relating to temporary differences on plant and equipment, intangible assets and provisions of £3.1m (2022: £9.8m). The gross value of this balance at 30 December 2023 was £12.5m (2022: £39.4m).

The unrecognised 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:

	Profit after tax £000s	Weighted average number of shares 000s	Earnings per share Pence
Year ended 30 December 2023	**4,237**	**704,988**	**0.60**
Year ended 31 December 2022	20,477	704,988	2.90

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:

	Profit after tax £000s	Diluted weighted average number of shares 000s	Earnings per share Pence
Year ended 30 December 2023	**4,237**	**728,238**	**0.58**
Year ended 31 December 2022	20,477	723,950	2.83

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 2023 and 2022.

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

	Year ended 30 December 2023 Pence	Year ended 31 December 2022 Pence
Basic earnings per share	**0.60**	2.90
Add back:		
Exceptional items per share[1]	**0.40**	0.34
Amortisation of customer relationships and brands per share[2]	**0.02**	0.29
Tax charge/(credit) per share	**0.67**	(0.56)
Charge:		
Tax charge at prevailing rate	**(0.40)**	(0.56)
Adjusted basic earnings per share	**1.29**	2.41

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:

	Year ended 30 December 2023 Pence	Year ended 31 December 2022 Pence
Diluted earnings per share	**0.58**	2.83
Add back:		
Exceptional items per share[1]	**0.39**	0.33
Amortisation of customer relationships and brands per share[2]	**0.02**	0.28
Tax charge/(credit) per share	**0.66**	(0.55)
Charge:		
Tax charge at prevailing rate	**(0.40)**	(0.55)
Adjusted diluted earnings per share	**1.25**	2.34

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 30 December 2023 Weighted average number of shares 000s	Year ended 31 December 2022 Weighted average number of shares 000s
Basic	**704,988**	704,988
LTIP share options	**3,003**	3,843
Restricted stock grant	**20,164**	15,036
Company Share Option Plan (CSOP) options	**83**	83
Diluted	**728,238**	723,950

8. INTANGIBLE ASSETS

	Goodwill £000s	Customer relationships £000s	Brands £000s	Software £000s	Total £000s
Cost					
At 1 January 2023	**115,855**	**25,400**	**22,585**	**32,764**	**196,604**
Additions	**–**	**–**	**–**	**7,058**	**7,058**
Disposals	**–**	**–**	**–**	**(360)**	**(360)**
At 30 December 2023	**115,855**	**25,400**	**22,585**	**39,462**	**203,302**
Amortisation					
At 1 January 2023	**–**	**25,291**	**327**	**23,119**	**48,737**
Charge for the year	**–**	**91**	**34**	**1,818**	**1,943**
Disposals	**–**	**–**	**–**	**(360)**	**(360)**
At 30 December 2023	**–**	**25,382**	**361**	**24,577**	**50,320**
Net book value					
At 30 December 2023	**115,855**	**18**	**22,224**	**14,885**	**152,982**

	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 prior year.

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 Operations	**64,328**	**–**	**–**	**–**	**64,328**
HSS ProService	**37,964**	**21,900**	**–**	**–**	**59,864**
HSS Core – Ireland	**7,510**	**–**	**–**	**–**	**7,510**
HSS Power	**6,053**	**–**	**324**	**19**	**6,396**
At 30 December 2023	**115,855**	**21,900**	**324**	**19**	**138,098**

	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

The remaining life of intangible assets other than goodwill and indefinite life brands is between nil and 11 years (2022: nil and 12 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.

During the prior 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).

As part of this process and first disclosed in the Group's interim Financial Statements, the Goodwill historically allocated to HSS Core – UK had to be allocated to HSS ProService and HSS Core Operations – UK for the first time. This was done using a VIU-based allocation and the table above shows the allocation between CGUs. The identification of segments, CGUs and the allocation of the Goodwill balance is all considered to be part of a significant judgement in the current year.

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 (2022: 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, long-term growth rate, forecast 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 2024 and model for the following two years (to the end of 2026).
- Operational activity then had a long-term growth rate applied 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 (2022: 2.0%).
- A pre-tax discount rate of 13.3% (2022: 12.2%), calculated by reference to a weighted average cost of capital based on an industry peer group of quoted companies and including a 3.1% premium reflective of the Group's market capitalisation (2022: 2.0%).

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 30 December 2023 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. The level of headroom in all CGUs except HSS Power was sufficient that the Directors did not believe a reasonably possible change could trigger an impairment.

In respect of HSS Power, further evidence became available subsequent to the balance sheet date for the recoverable amount of the CGU, as the HSS Power business was sold on 8 March 2024. As the carrying value of goodwill allocated to HSS Power would be measured as the higher of the value in use calculation and the fair value less costs to sell, even if estimates used in the value in use calculation changed unfavourably, the evidence for the fair value less costs of disposal would be sufficient to confirm that no impairment was required 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.

The following tables summarise the results of sensitivity testing and scenario modelling on the headroom from impairment testing in respect of the Group's CGUs in the current and prior period:

	At 30 December 2023			
	HSS ProService	**HSS Core Operations**	**HSS Power**	**HSS Operations - Ireland**
Headroom between VIU and carrying value before sensitivity	**£25.3m**	**£31.5m**	**£2.2m**	**£10.9m**
Discount rate required to eliminate the headroom above	**16.3%**	**15.7%**	**14.5%**	**19.7%**
Long-term growth rate required to eliminate the headroom above	**(2.0%)**	**(1.4%)**	**0.4%**	**(7.8%)**
The permanent reduction in EBITDA before an impairment would be triggered	**9.2%**	**5.6%**	**3.1%**	**14.2%**
Headroom with 0% long-term growth and an increase of 1% to the discount rate before mitigating actions	**3.3m**	**(£0.3m)**	**(£2.0m)**	**£5.5m**

	At 31 December 2022		
	HSS Core - UK	HSS Power	HSS Core - Ireland
Headroom between VIU and carrying value before sensitivity	£229.5m	£8.4m	£16.4m
Discount rate required to eliminate the headroom above	22.2%	16.1%	21.8%
Long-term growth rate required to eliminate the headroom above	(14.5%)	(3.4%)	(13.8%)
The reduction in EBITDA before an impairment would be triggered	26.6%	10.0%	18.3%
Headroom with 0% long-term growth and an increase of 1% to the discount rate	£139.1m	£2.4m	£9.8m

9. 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	**–**	**–**	**372**	**372**
Transferred to right of use assets	**–**	**–**	**(483)**	**(483)**
Additions	**1,680**	**847**	**29,551**	**32,078**
Disposals	**(724)**	**(8,128)**	**(22,753)**	**(31,605)**
Re-measurement	**(216)**	**–**	**–**	**(216)**
Foreign exchange differences	**(26)**	**(3)**	**(141)**	**(170)**
At 30 December 2023	**35,759**	**21,912**	**181,054**	**238,725**
Accumulated depreciation				
At 1 January 2023	**23,957**	**26,122**	**100,895**	**150,974**
Transferred from right of use assets	**–**	**–**	**323**	**323**
Transferred to right of use assets	**–**	**–**	**(380)**	**(380)**
Charge for the year	**2,531**	**1,248**	**15,296**	**19,075**
Disposals	**(444)**	**(8,124)**	**(16,382)**	**(24,950)**
Accelerated depreciation on exit of trading locations	**507**	**9**	**–**	**516**
Foreign exchange differences	**(12)**	**–**	**(4)**	**(16)**
Transfers	**–**	**(115)**	**115**	**–**
At 30 December 2023	**26,539**	**19,140**	**99,863**	**145,542**
Net book value				
At 30 December 2023	**9,220**	**2,772**	**81,191**	**93,183**

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 has 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 result of this review was that certain assets’ useful lives were extended but remained within the original estimates as disclosed in the Group’s 2022 Consolidated Financial Statements, 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; this was due to evidence that this equipment was being consistently used for a period in excess of its original estimate. The total impact of the change was a reduction in depreciation for these assets of £2.7m in the current financial period; the impact on future periods is expected to be materially the same as the current year subject to the impact of future additions and disposals. All changes to estimates have been applied prospectively.

Accelerated depreciation on exit of trading locations relates to additional depreciation charged as a result of reductions to specific useful economic lives when branches cease operations early.

	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.

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.

Included within property, plant and equipment are assets against which charges have been registered as security against their acquisition through hire purchase arrangements. The total value of assets subject to these securities at the balance sheet date was £20.5m (2022: £19.3m).

10. RIGHT OF USE ASSETS

	Property £000s	Vehicles £000s	Equipment for internal use £000s	Equipment held for hire £000s	Total £000s
Cost					
At 1 January 2023	**56,895**	**31,613**	**520**	**3,606**	**92,634**
Additions	**5,243**	**12,882**	**–**	**1,062**	**19,187**
Re-measurements	**(608)**	**–**	**–**	**–**	**(608)**
Transferred to property, plant and equipment	**–**	**–**	**–**	**(372)**	**(372)**
Transferred from property, plant and equipment	**–**	**–**	**–**	**483**	**483**
Disposals	**(8,558)**	**(16,573)**	**(520)**	**(645)**	**(26,296)**
Foreign exchange differences	**(37)**	**(14)**	**–**	**–**	**(51)**
At 30 December 2023	**52,935**	**27,908**	**–**	**4,134**	**84,977**
Accumulated depreciation					
At 1 January 2023	**20,540**	**18,909**	**502**	**870**	**40,821**
Transferred to property, plant and equipment	**–**	**–**	**–**	**(323)**	**(323)**
Transferred from property, plant and equipment	**–**	**–**	**–**	**380**	**380**
Charge for the period	**6,625**	**6,976**	**18**	**979**	**14,598**
Accelerated depreciation on exit of trading locations	**943**	**–**	**–**	**–**	**943**
Disposals	**(6,787)**	**(15,582)**	**(520)**	**(364)**	**(23,253)**
At 30 December 2023	**21,321**	**10,303**	**–**	**1,542**	**33,166**
Net book value					
At 30 December 2023	**31,614**	**17,605**	**–**	**2,592**	**51,811**

Accelerated depreciation on exit of trading locations relates to additional depreciation charged as a result of reductions to specific useful economic lives when branches cease operations early.

	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	14,906
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

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

	30 December 2023				31 December 2022			
	Gross £000s	**Provision for impairment £000s**	**Provision for credit notes £000s**	**Net of provision £000s**	Gross £000s	Provision for impairment £000s	Provision for credit notes £000s	Net of provision £000s
Trade receivables	**76,620**	**(3,607)**	**(5,528)**	**67,485**	77,308	(3,343)	(5,554)	68,411
Accrued income	**13,318**	**(103)**	**–**	**13,215**	10,543	(106)	–	10,437
Total trade receivables and contract assets	**89,938**	**(3,710)**	**(5,528)**	**80,700**	87,851	(3,449)	(5,554)	78,848
Net investment in sublease	**569**	**–**	**–**	**569**	712	–	–	712
Other debtors	**5,846**	**–**	**–**	**5,846**	3,493	–	–	3,493
Prepayments	**6,326**	**–**	**–**	**6,326**	3,015	–	–	3,015
Total trade and other receivables	**102,679**	**(3,710)**	**(5,528)**	**93,441**	95,071	(3,449)	(5,554)	86,068

Included in other debtors is £2.8m (2022: £1.0m) relating to tax receivables.

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

	30 December 2023 Provision for impairment £000s	**30 December 2023 Provision for credit notes £000s**	31 December 2022 Provision for impairment £000s	31 December 2022 Provision for credit notes £000s
Balance at the beginning of the period	**(3,449)**	**(5,554)**	(3,931)	(3,225)
Increase in provision	**(2,183)**	**(4,166)**	(1,667)	(6,278)
Utilisation	**1,922**	**4,192**	2,149	3,949
Balance at the end of the period	**(3,710)**	**(5,528)**	(3,449)	(5,554)

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

30 December 2023	**Current £000s**	**0-60 days past due £000s**	**61-365 days past due £000s**	**1-2 years past due £000s**	**Total £000sl**
Trade receivables and contract assets	**73,810**	**7,594**	**7,031**	**1,503**	**89,938**
Expected loss rate (%)	**0.6%**	**2.4%**	**24.1%**	**90.6%**	**4.1%**
Provision for impairment	**469**	**184**	**1,696**	**1,361**	**3,710**

31 December 2022	Current £000s	0-60 days past due £000s	61-365 days past due £000s	1-2 years past due £000s	Total £000s
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	638	218	1,517	1,076	3,449

Contract assets consist of accrued income which is invoiced to customers in the next financial period.

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 2022, 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 (2022: 1.25x) to reflect the increased risk of future insolvency. In so doing the provision has been increased by £0.7m (2022: £0.7m) 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 £3.0m (2022: £3.1m). 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 10.3% of trade receivables and contract assets at 30 December 2023 (2022: 10.2%). A 0.5% increase in the combined provision rate would give rise to an increased provision of £0.4m (2022: £0.4m).

12. TRADE AND OTHER PAYABLES

	Year ended 30 December 2023 £000s	Year ended 31 December 2022 £000s
Current		
Trade payables	**50,410**	41,693
Other taxes and social security costs	**4,631**	4,718
Other creditors	**1,020**	2,010
Accrued interest on borrowings	**716**	534
Accruals	**27,204**	38,689
Deferred income	**1,336**	658
	85,317	88,302

All deferred income relates to goods and services to be provided to customers in the next financial period.

13. LEASE LIABILITIES

	Year ended 30 December 2023 £000s	Year ended 31 December 2022 £000s
Lease liabilities – Current	**14,548**	13,182
Lease liabilities – Non-current	**42,822**	43,110
	57,370	56,292

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

		30 December 2023	31 December 2022
Equipment for hire	Fixed	**10.6 to 19.1%**	11.1 to 19.1%
Other	Fixed	**5.7 to 6.1%**	3.5 to 6.0%

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

	30 December 2023	31 December 2022
Lease liabilities	**6.4%**	6.1%

The lease liability movements are detailed below:

	Property £000s	Vehicles £000s	Equipment for hire and internal use £000s	Total £000s
Lease liability movement				
At 1 January 2023	**39,268**	**13,472**	**3,552**	**56,292**
Additions	**5,167**	**12,955**	**1,126**	**19,248**
Re-measurements	**(720)**	**–**	**–**	**(720)**
Unwind of discount	**2,320**	**764**	**536**	**3,620**
Payments (including interest)	**(9,483)**	**(7,924)**	**(1,942)**	**(19,349)**
Disposals	**(584)**	**(1,091)**	**–**	**(1,675)**
Foreign exchange differences	**(28)**	**(18)**	**–**	**(46)**
At 30 December 2023	**35,940**	**18,158**	**3,272**	**57,370**

	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
Unwind of discount	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

The Group's leases have the following maturity profile:

	30 December 2023 £000s	31 December 2022 £000s
Less than one year	**17,735**	16,227
Two to five years	**37,765**	36,798
More than five years	**13,375**	15,133
	68,875	68,158
Less interest cash flows:	**(11,505)**	(11,866)
Total principal cash flows	**57,370**	56,292

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

	30 December 2023 £000s	31 December 2022 £000s
Less than one year	**14,548**	13,182
Two to five years	**31,737**	30,690
More than five years	**11,085**	12,420

	57,370	56,292

14. BORROWINGS

	30 December 2023 £000s	31 December 2022 £000s
Current		
Hire purchase arrangements	**5,545**	5,168
Non-current		
Hire purchase arrangements	**9,930**	9,978
Senior finance facility	**69,085**	68,613
	79,015	78,591

The senior finance facility is stated net of transaction fees of £0.9m (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:

	30 December 2023 £000s	31 December 2022 £000s
Hire purchase arrangements	**15,475**	15,146
Senior finance facility	**70,000**	70,000
Revolving credit facility	**–**	–
	85,475	85,146

The senior finance facility and revolving credit facility are covered by composite company unlimited multilateral guarantee across all group subsidiaries and 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 30 December 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 £68.2m of combined liquidity from available cash and undrawn committed borrowing facilities at 30 December 2023 (2022: £84.0m).

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

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

The margin above of 3.0% that applies to the senior finance facility and revolving credit facility is subject to a ratchet mechanism, the output of which ranges from 2.75% to 3.50%. The specific margin to apply is dependent on the Group's net leverage position and updated quarterly based on the latest position.

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

	30 December 2023	31 December 2022
Hire purchase arrangements	**7.7%**	6.0%

Senior finance facility	**8.2%**	6.4%
Revolving credit facility	**8.2%**	6.4%

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:

	30 December 2023		31 December 2022	
	Hire purchase arrangements £000s	**Borrowings £000s**	Hire purchase arrangements £000s	Borrowings £000s
Less than one year	**6,333**	**5,733**	5,718	2,235
Two to five years	**10,805**	**75,096**	10,670	74,245
	17,138	**80,829**	16,388	76,480
Less interest cash flows:				
Hire purchase arrangements	**(1,663)**	**–**	(1,242)	–
Senior finance facility	**–**	**(10,829)**	–	(6,480)
Total principal cash flows	**15,475**	**70,000**	15,146	70,000

15. PROVISIONS

	Onerous property costs £000s	**Dilapidations £000s**	**Onerous contracts £000s**	**Total £000s**
At 1 January 2023	**117**	**11,380**	**9,806**	**21,303**
Additions	**492**	**230**	**–**	**722**
Utilised during the period	**(60)**	**(508)**	**(3,289)**	**(3,857)**
Unwind of discount	**5**	**377**	**311**	**693**
Impact of change in discount rate	**–**	**907**	**(28)**	**879**
Unused amounts reversed	**–**	**(1,153)**	**–**	**(1,153)**
Foreign exchange	**–**	**(18)**	**–**	**(18)**
At 30 December 2023	**554**	**11,215**	**6,800**	**18,569**
Of which:				
Current	**271**	**1,477**	**3,068**	**4,816**
Non-current	**283**	**9,738**	**3,732**	**13,753**
	554	**11,215**	**6,800**	**18,569**

	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 discount	1	113	–	114
Impact of change in discount rate	(6)	(2,822)	(368)	(3,196)
Unused amounts reversed	(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 additions of £0.5m (2022: £nil) and the release of the provision of £nil (2022: £0.1m) have been treated as exceptional and are included in the property cost charge of £0.8m (2022: credit of £0.1m). These additions relate primarily to the UK branch network restructure. The releases in the prior year 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 six years (2022: four years) with the weighted average period expected for onerous property costs being 2.64 years (2022: 2.73 years). The onerous property cost provision is discounted at a rate of 3.48% (2022: 3.62%), representing a short-term risk free rate based upon UK 5-year GILT rates. 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 out-flow 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 30 December 2023 was £8.61 per square foot (psf) (2022: £8.83 psf). The increase is mainly due to a revision of the £ psf 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 30 December 2023 of £1.2m (2022: £1.1m).

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 3.48% and 3.54% respectively (2022: 3.62% and 3.7% respectively). A 1% increase in both the discount rates at 30 December 2023 would decrease the dilapidations provision by £0.5m (2022: £0.6m). The inflation rate applied in the calculation of the dilapidations provision was 5% for year 1 and thereafter 2.5% (2022: 5% for year 1 and a 2.5% average used thereafter).

The aggregate movement in additions, releases and change in discount rate of has generated a net decrease of £0.1m (2022: increase of £1.1m) to property, plant and equipment through asset additions, re-measurements 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 30 December 2023 £6.8m is payable over the period to 2026 (2022: £9.8m) and £3.3m has been paid during the year (2022: £3.3m). The provision has been re-measured to present value by applying a discount rate of 3.98% (2022: 3.62%). A 1% increase in the discount rate at 30 December 2023 would decrease the provision by £0.1m (2022: £0.2m).

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)	**Other temporary timing differences £000s**	**Tax losses £000s**	**Property, plant and equipment and other items £000s**	**Acquired intangible assets £000s**	**Total £000s**
At 1 January 2023	–	**7,367**	**148**	**(117)**	**7,398**
(Charge)/credit to the income statement	**1,130**	**(6,485)**	**(244)**	**31**	**(5,568)**
At 30 December 2023	**1,130**	**882**	**(96)**	**(86)**	**1,830**

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 assets have been recognised to the extent that management considers it probable that tax losses will be utilised. 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, which, is also used to determine value in use for the Group's cash generating units. In the year ended 30 December 2023 a three-year (2022: three-year) recognition window has been applied.

The net deferred tax liability on property, plant and equipment and other items, and the deferred tax liability on acquired intangible assets, are stated after offset of deferred tax assets from available tax losses of £2.9m (2022: £0.3m) and £5.5m (2022: £5.5m) respectively.

At 30 December 2023 the Group had an unrecognised deferred tax asset relating to losses of £21.1m (2022: £13.1m). The gross value of the balance at 30 December 2023 was £84.5m (2022: £52.3m).

At 30 December 2023 the Group also had an unrecognised deferred tax asset relating to temporary differences on plant and equipment, intangible assets and provisions of £3.1m (2022: £9.8m). The gross value of the balance at 30 December 2023 was £12.5m (2022: £39.4m).

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 30 December 2023 £0.1m (2022: £0.1m) of the deferred tax liability is expected to crystallise after more than one year.

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 1 January 2023 and 30 December 2023	**704,987,954**	**7,050**	**45,552**

18. POST BALANCE SHEET EVENTS

Sale of Power businesses

Subsequent to the year end, on 7 March 2024, the Group sold ABird Superior Limited, ABird Limited and Apex Generators Limited (together the 'Power' businesses within the Group) to a third party, CES Global. The businesses were sold for an enterprise value of £23.25m, with customary working capital and debt adjustments resulting in a cash consideration of £20.7m. Net assets disposed were £20.7m (including consolidation related intangibles of £6.4m) for a gain before transaction costs of £nil. In connection with the sale of the businesses the Group has incurred transaction costs of £0.7m in 2024.

The disposed entities contributed £26.5m revenues to the group, and management expect to retain a majority of the revenues on an ongoing basis through a continuing supplier agreement between ProService and the disposed entities.

Subsequent to the sale, proceeds of £12.5m on the sale of the Power businesses were used to make a partial repayment of the Group's senior loan facility, reducing the total liability from £70.0m at the year end to £57.5m.

UK branch network

Based on the ongoing successful performance of the Group's builders merchant locations, the decision was made during FY23 to accelerate the migration to this lower variable cost model. To this end, in March 2024 the further closure of four branches located in England and Scotland was approved. This change will reduce ongoing costs by c£0.7m per annum with expected exceptional costs of between £0.8m and £1.3m, the majority of which are property related.

Dividends

Subsequent to the year end, on 30 April 2024, a final dividend of 0.38p per share was approved by the Board. This will be paid in cash during July 2024 and had an ex-dividend date of 23 May 2024.