

3 May 2023

Ashtead Technology Holdings plc  
("the Company")

## Full-year Results 2022

Ashtead Technology Holdings plc (AIM: AT.), a leading subsea equipment rental and solutions provider for the global offshore energy sector, announces its full-year results for the period ended 31 December 2022.

## Highlights

### Financial Results

- Group revenue up 31% to £73.1m (2021: £55.8m), primarily driven by organic growth (23.7%) favourable FX rates (c.5.5%) and M&A (1.7%).
- Revenues from offshore renewables and offshore oil and gas markets up 22% and 35%, respectively.
- Gross profit up 34% to £54.3m (2021: £40.5m), with gross margin of 74% (2021: 73%), benefitting from increased pricing and utilisation.
- Adjusted EBITA<sup>1</sup> increased 47% to £20.1m (2021: £13.7m), with an Adjusted EBITA<sup>1</sup> margin of 28% (2021: 25%).
- Adjusted earnings per share of 19.6p (2021: 13.2p) and basic earnings per share of 15.9p (2021: 3.6p).
- ROIC of 21% for the period (2021: 17%).
- RCF refinanced and increased in April 2023 to £100m (plus accordion of £50m) to support growth opportunities.
- Final dividend of 1p per share recommended.

### Operational Highlights

- Meaningfully expanded operational capabilities and technical expertise through bolt-on acquisitions in H2:
  - Hiretech, completed December 2022, adding a multi-purpose fleet of marine and subsea equipment rental assets and skilled personnel
  - WeSubsea, completed September 2022, providing high performance, in-house designed dredge systems to complement existing product and service offering
- Continued to invest in high-quality equipment rental fleet, increasing number of items from 17,000 to over 19,000 through organic investment (£13.1 million capex in our equipment rental fleet), as well as WeSubsea and Hiretech acquisitions.
- Employee headcount 260 at year end, up from 204, with business continuing to scale up to support future growth.
- New senior leadership appointments to grow international footprint and bolster technical capabilities across our services.
- Strong progress towards sustainability goals - increased revenues from offshore renewables, secured ISO14001 environmental management certification.

### Outlook

- Market outlook remains strong, with customer backlogs at record levels. Demand remained high in Q1 2023 across both offshore oil and gas and offshore renewables markets with pricing and utilisation continuing to track upwards.
- Inflationary pressures remain, but increased pricing is expected to continue to offset impact on the business.
- The Board remains confident in the business' near and medium-term prospects and is focused on leveraging its market position and offering to drive further progress.
- Given the performance to date, the Board expects the outturn for the full year to be materially ahead of its previous expectations.

### Allan Pirie, Chief Executive Officer, commented:

*"This has been a very successful and busy year for Ashtead Technology. We believe we are well-positioned to exploit the many growth opportunities that lie before us in 2023 and beyond, driven by higher activity levels across both oil and gas and offshore renewables markets. With a full year's benefit of our two recent acquisitions, coupled with enhanced financial firepower, we will*

renewables market. With a full year's experience, our first acquisitions, coupled with enhanced financial discipline, we will look to further expand our offering whilst continuing to grow within our existing markets."

### Analyst Briefing

A conference call for sell-side analysts will be held today at 8.00am BST. If you would like to participate, please email [ashteadtechnology@vigoconsulting.com](mailto:ashteadtechnology@vigoconsulting.com).

### Investor Presentation

Allan Pirie and Ingrid Stewart will provide a presentation relating to the full year results via the Investor Meet Company platform on 12 May 2023 at 11.00am BST.

The presentation is open to all existing and potential shareholders. Questions can be submitted pre-event via the Investor Meet Company dashboard up until 9.00am the day before the meeting or at any time during the live presentation. Investors can register for the presentation via the link below:

<https://www.investormeetcompany.com/ashtead-technology-holdings-plc/register-investor>

**For further information, please contact:**

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1. Adjusted EBITA is defined as operating profit adjusted to add back, amortisation, foreign exchange movements and non-trading items as described in Note 28 to the accounts. Adjustments predominantly owing to one off costs related to acquisitions

### Notes to editors:

Ashtead Technology is a leading subsea equipment rental and solutions provider for the global offshore energy sector. Ashtead Technology's specialist equipment, advanced-technologies and support services enable its customers to understand the subsea environment and manage offshore energy production infrastructure.

The Company's service offering is applicable across the lifecycle of offshore wind farms and offshore oil and gas infrastructure.

In the fast-growing offshore wind sector, Ashtead Technology's specialist equipment and services are essential through the project development, construction and installation phase. Once wind farms are operational, Ashtead Technology supports customers with inspection, maintenance and repair ("IMR") equipment and services. In the more mature oil and gas sector, Ashtead Technology's focus is on IMR and decommissioning.

Headquartered in the UK, the Company operates globally, servicing customers from its ten facilities located in key offshore energy hubs.

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018, as amended (together, "MAR"). Upon the publication of this announcement, this inside information is now considered to be in the public domain.

## Chairman's Statement

In our first full year as a publicly listed company, I am pleased to report that Ashtead Technology has delivered a strong performance. We have consistently outperformed against the forecasts we set at IPO with revenue growth in both the offshore wind and oil and gas markets, new talent added to the business, a broadened shareholder base, and demonstrable progress towards our sustainability goals. We were also delighted to complete two acquisitions, WeSubsea and Hiretech, during H2.

### Delivering beyond Expectations

When we detailed our investment case prior to our 2021 IPO, we set out four key growth drivers for the business; 1) growth from the significant increase in expenditure in offshore renewables 2) revenues underpinned by strong demand from oil

and gas 3) increased customer propensity to rent and 4) value enhancing M&A. Throughout 2022, the business has delivered across all four growth drivers, delivering a 31% increase in revenues to £73.1m (2021: £55.8m), a 47% increase in Adjusted EBITA to £20.1m (2021: £13.7m) and statutory profit before tax of £16.6m versus £3.6m in 2021, an increase of 363%.

With the Board's support, management's focus remains on long-term value creation through continued organic growth and a focus on M&A. In this regard, we were delighted that the business successfully completed its first two acquisitions since the IPO, both of which have now been fully integrated into the Group. With net debt at £28.7m (2021: £22.7m), leverage at 31 December 2022 was 1.0x. We also recently secured an increase to our banking facility which provides further capacity for future investment.

## **Governance**

The Board remains committed to strong corporate governance and, in particular, making sure we monitor and challenge our strategy, performance, risk and approach to managing our people. More information about our governance arrangements can be found in the Corporate Governance statement on page 29 of our 2022 Annual Report.

I also chair the Nominations Committee which met for the first time during the year. I am pleased to confirm that the Board has integrated itself into the business well and, through our Board review, I am confident that we currently provide a sufficient mix of governance, strategy, financial and industry knowledge, as well as independence.

## **Sustainability**

The Board understands the growing interest in environmental, social and governance ("ESG") matters for all our stakeholders and as a business we recognise the importance of our role in helping deliver a lower carbon future given our offering sits firmly at the heart of the energy transition.

We have made good progress on our sustainability programme throughout 2022 (as highlighted in pages 12 to 15 of our 2022 Annual Report). Given the strengthening of the markets in which we operate, there has been a significant focus on the social element of ESG, with a number of initiatives put in place to support both the recruitment and retention of personnel.

I would like to personally thank everyone within Ashtead Technology who has helped make 2022 such a successful year. In my visits to the business I have been very impressed by the commitment, knowledge, and ambition for the business that was demonstrated by everyone I met and which bodes well for the future.

## **Dividends**

While the Board sees an opportunity to reinvest profits to finance the continued development and expansion of the business through both organic and M&A growth opportunities, it also recognises the importance of dividends both to the Company's shareholders, and in maintaining capital discipline. In this regard, we are delighted to recommend a full and final dividend of 1 pence per share for the year ended 31 December 2022. As noted previously, the Directors will seek to grow the dividend progressively.

## **Looking forward**

The Group has a proven track record of delivering on both organic growth and earnings enhancing M&A. While the events of the last few years have increased fears of recession and cost inflation, Ashtead Technology has successfully mitigated these risks to date through increased pricing and has successfully increased utilisation of its equipment rental fleet through 2022. With a healthy cash position, recently increased debt capacity and a highly experienced management team, I have every faith in our ability to continue to monitor and mitigate risk whilst implementing our growth strategy. The Board is confident that the strategic investments made during the year will contribute to further progress in 2023 and beyond.

**Bill Shannon**

Chair

**Chief Executive Officer's Report**

## **Chief Executive Officer's Report**

I am delighted with the performance of our business in 2022. We made great progress on our strategic goals and continued to build our strength and depth of expertise with a focus on long-term growth.

During 2022 we increased our revenues from offshore renewables projects, supporting subsea activities in the quest for energy affordability and security, supported the increased propensity to rent by our customer base, and completed two strategic acquisitions. In addition to delivering a strong financial performance with revenue growth across all our geographic regions, we invested further in our team, expanded our expertise and continued to invest in our fleet with £13.1m capex on new equipment, positioning us well for long-term growth.

### **Delivering Growth**

We ended an excellent year with 31% growth in revenues, 47% growth in Adjusted EBITA and ROIC of 21%. Increased activity offshore and the emergence of the energy trilemma, a three-way push-pull of energy security, affordability and sustainability, resulted in increased demand for our services across all the markets and geographies in which we operate. Our statutory profit before tax of £16.6m was 363% ahead of prior year (2021: £3.6m).

Responding to the market opportunity and in line with our strategy, we continued to invest in our high-quality equipment rental fleet, increasing the number of items from 17,000 to over 19,000 through both organic investment (£13.1m rental equipment capex) and through the acquisitions of WeSubsea and Hiretech during H2.

WeSubsea, completed in September 2022, added a fleet of high-performance, in-house designed, dredge systems and strong technical know-how that strongly complements, and will provide further pull through for, our wider product and service offerings.

Hiretech, completed in December 2022, was previously a key supplier to Ashtead Technology and a business we had been tracking as an acquisition opportunity for a number of years. Through its multi-purpose fleet of marine and subsea equipment rental assets and skilled personnel, the acquisition provided strong synergies through vertical integration of the supply chain, and meaningfully expanded our business by adding complementary capabilities to strengthen our mechanical solutions service line and deliver an enhanced offering to our customers.

Both the acquired businesses have been active in offshore renewables and now, as part of Ashtead Technology, will be further internationalised increasing their exposure to wider market opportunities both in offshore renewables and in their traditional offshore oil and gas market.

### **Sustainability**

We maintained our QHSE track record with no lost time incidents throughout 2022. We also continued to make good progress on our sustainability journey by increasing our revenues from renewables by 22% and securing our ISO 14001 certification.

From a social perspective, a tightening of the labour market, coupled with increased mobility opportunities following COVID, has increased focus on staff retention and recruitment. Being a responsible employer and supporting the local communities in which we operate is central to how we do business.

On governance, the new Board formed at the time of the IPO has effectively established itself, further strengthening the governance environment and processes and procedures under which we operate the business. We recognise there is always more that can be done as we continue to make progress on our sustainability goals, and our enhanced governance structure has further embedded this into our day-to-day operations.

### **Market**

World events in 2022 resulted in the emergence of the energy trilemma. The heightened focus on energy security and affordability resulted in increased spending in oil and gas production which, when coupled with the continued focus on renewable energy sources, has created a tightness in the market that has allowed the supply chain to increase both utilisation and pricing.

While the expansion of offshore wind as a means of energy production and the decommissioning of existing oil and gas infrastructure are both critical to a successful energy transition, the importance of oil and gas as part of this journey is

now much better understood. Oil and gas will for some time remain an important constituent in meeting energy demand, and will play an important role in the energy transition, not least by continuing its transition to cleaner energy production. Years of underinvestment has resulted in a requirement for significant expenditure to maintain production from existing fields, as well as the renewed need for investment in new oil and gas developments and associated infrastructure.

Ashtead Technology remains committed to supporting the energy transition, targeting 50% of our revenues from the offshore renewables market in the medium term.

The requirement for energy production from offshore sources has never been greater and the fungibility of Ashtead Technology's equipment and solutions across both the offshore wind and oil and gas markets makes for a compelling and robust proposition, enabling the Group to capture growth opportunities across both adjacent markets.

## **Our people**

Employee headcount increased from 204 to 260 during the year as we continued to scale the business for further growth, and included a number of additions to the senior leadership team - all part of our commitment to bolster capability across our three service lines, further strengthen our market leading position internationally, and deliver for our customers.

As part of our programme of wider employee engagement including leadership visits, regular town hall meetings, monthly newsletters, our company magazine, and weekly technology awareness sessions, we also introduced the Ashtead Technology Star Awards recognition programme, where our employees can nominate colleagues who have gone above and beyond in demonstrating our company values of agility, collaboration, and excellence.

Building on the strong foundations established in recent years, I would like to thank the whole team at Ashtead Technology for their ongoing contribution as we seek to continue that positive momentum in 2023.

## **Use of Alternative Performance Measures and Non-Financial KPI's**

Throughout the strategic report we use a range of financial and non-financial measures to assess our performance. A number of the financial measures including Adjusted EBITDA, Adjusted EBITA, Adjusted Profit After Tax and Adjusted EPS are not defined under IFRS, so they are considered alternative performance measures ("APMs"). Management uses these measures to monitor the Group's financial performance alongside IFRS measures because they help illustrate the underlying financial performance and position of the Group.

These APM's should be considered in addition to, and not as a substitute for, or as superior to, measures of financial performance, financial position of cash flows reported in accordance with IFRS. APM's are not uniformly defined by all companies, including those in the Group's industry. Accordingly, APM's may not be comparable with similarly titled measures and disclosures by other companies.

## **Current trading and outlook**

The outlook for all our geographic regions is positive, with all markets remaining strong and customer backlogs at record levels. Q1 2023 has continued to deliver strong results with customer demand remaining high across both offshore wind and oil and gas end markets in what traditionally would be our weakest quarter due to seasonality. Activity levels experienced were higher than the same period in the prior year, with utilisation rates and pricing continuing to track upwards. Inflationary pressures continue to be mitigated by increased pricing and we remain confident of making further progress in 2023 as we continue to focus on delivering our strategic growth plan. Given the performance to date, the Board expects the outturn for the full year to be materially ahead of its previous expectations.

## **Allan Pirie**

Chief Executive Officer

## **Chief Financial Officer's Report**

The Group delivered a strong trading performance in 2022, whilst continuing to focus on our strategic goals and long-term growth. We have made progress against all of our financial KPI's and were delighted to add the WeSubsea and Hiretech acquisitions as we continue to build on the strong foundations of our business.

## **Revenue**

The Group delivered revenue of £73.1m in the year, an increase of 31% from £55.8m in 2021, driven by an increase in revenue across both the offshore renewables (22%) and offshore oil and gas markets (35%). Offshore renewables revenue accounted for 31% of total revenue in 2022 (2021: 33%).

Our 31% revenue growth was derived from organic growth (23.7%), M&A (1.7%), and favourable FX rates (5.5%) with growth coming from all our geographical segments.

On a proforma basis, taking into account the full year impact of WeSubsea and Hiretech, our revenues were £80.9m.

## **Gross profit**

Gross profit increased to £54.3m from £40.5m in 2021. The increase in the gross margin to 74% (2021: 73%) was the result of a higher proportion of revenues from equipment rental. In our rental business, we saw cost utilisation increase from 43% in 2021 to 44% in 2022.

## **Administration costs**

Administration expenses of £37.0m compares to £33.9m in 2021 with the increase (£3.1m) coming from personnel costs (up £4.8m) offset by lower professional fees (down £2.2m) predominantly related to IPO costs in 2021. In addition to pay increases and an increase in number of employees, personnel costs were impacted by the re-introduction of an annual bonus scheme (£2.2m) and the introduction of an LTIP (£0.8m).

## **Profitability**

Adjusted EBITA of £20.1m compares to £13.7m in 2021 and represents a margin of 28% (2021: 25%), resulting in ROIC increasing to 21% (2021: 17%), significantly ahead of cost of capital.

Our EBITA growth of 47% can be split as 36% from organic growth, 5% from M&A, and 6% from FX.

On a proforma basis, taking into account the full year impact of WeSubsea and Hiretech, our Adjusted EBITA increased to £25.1m.

Where we have provided adjusted figures, they are after the add-back of adjusting items which, with regard to 2022, predominantly related to professional and other fees arising from our two acquisitions. Our 2021 adjustments were mostly in relation to costs associated with the IPO.

Statutory profit before tax of £16.6m in 2022 compares to a statutory profit before tax of £3.6m in 2021.

## **Net finance expense**

Net finance costs were £1.4m in 2022 compared to £4.0m in 2021, with the decrease reflecting our lower post IPO debt structure.

## **Taxation**

The total tax charge was £4.0m (2021: £1.1m). This equates to an effective tax rate of 23.8% compared to 29.5% in 2021, which was high due to non-deductible expenses associated with the IPO. The 2022 tax charge includes the recognition of a non-cash deferred tax liability of £0.9m, excluding this, our effective tax rate would have been 18.4%. Our expectation is that the Group's effective tax rate will be close to the UK corporation tax rate, although this will be impacted by the amount of profit the Group earns in its overseas jurisdictions where, in some cases, corporation tax rates are higher or lower than those in the UK.

## **EPS and dividend**

Adjusted EPS was 19.6 pence (2021: 13.2 pence) with statutory EPS at 15.9 pence (2021: 3.6 pence). The adjusted figures exclude the impact of adjusting items as set out in note 28 of the accounts, foreign exchange profit/loss and amortisation and reverses the impact of the US deferred tax liability recognition.

The Board sees an opportunity to reinvest profits to expand the business both organically and through M&A growth. At the same time, the Board recognises the importance of dividends both to the Company's shareholders and in maintaining capital discipline. In this regard, the Board has recommended a full and final dividend of 1 pence per share for the year ended 31 December 2022, payable on 23 June 2023 to shareholders with a record date of 26 May 2023. Going forward the Directors will seek to pay a progressive annual final dividend.

#### **Cash flow and balance sheet**

Cash inflow from operations was £36.0m (2021: £11.7m). The Group increased its investment in capital expenditure in the year to £14.5m (2021: £7.9m), investing predominantly in rental equipment to capitalise on the continued improvement in market conditions. The net book value of our rental fleet increased by £10.4m in the period.

Cash spent on acquisitions of £24.0m was funded in part by debt (net draw of £9.3m on RCF during the year). Acquisitions completed in the year resulted in an increase in both intangible assets (£4.7m of additions) and goodwill (£16.9m of additions).

Net working capital reduced significantly in the year due to improvement in debtor days (£0.8m), bonus accrual (£2.5m), accrued completion accounts and other payments relating to acquisitions (£1.6m), and timing of capex payables (£2.4m) resulting in a lower than normal 3% of working capital to revenues ratio.

Overall movement in cash was a positive inflow of £3.9m for the year (2021: £6.3m) with cash balance at £9.0m at year end (2021: £4.9m).

Net debt increased from £22.7m to £28.7m representing leverage of 1.0x at year end (2021: 1.0x). On a proforma basis, taking into account the full year impact of the acquisitions, leverage was 0.8x.

#### **Going concern**

The consolidated financial statements of the Group are prepared on a going concern basis. The Directors of the Group assert that the preparation of the consolidated financial statements on a going concern basis is appropriate based upon a review of the future forecast performance of the Group.

During 2022 the Group continued to generate positive cash flow from operating activities with a cash and cash equivalents balance of £9.0m (2021: £4.9m) at year end.

In December 2022, the Company utilised its accordion facility provided by Clydesdale Bank and HSBC, increasing its RCF capacity to £60m in order to support the Hiretech acquisition. With a continued focus on M&A, in April 2023 the Company extended its RCF facility further to £100m (plus an accordion of £50m), expanding its banking syndicate to include ABN and Citibank. This new RCF facility expires in April 2027.

Under the new RCF facility, the Company is subject to a leverage covenant of 3.0x and an interest cover covenant of 4:1, which are both to be tested on a quarterly basis. The increase in leverage covenant is designed to give more flexibility to funding of potential acquisitions with a focus on maintaining a 1-2x leverage over the short to medium term. The Group has complied with all covenants through 2022 and to the date of this report.

The Group monitors its funding and liquidity position throughout the year to ensure it has sufficient funds to meet its ongoing cash requirements. Each geographic region prepares its own forecasts based on a number of inputs such as estimated revenues, margins and overheads which is challenged by the Executive Directors and rolled into a Group cash flow forecast based on assumed collection and payment terms, capex requirements, and the payment of interest and capital on existing debt facilities. Consideration is also given to the availability of bank facilities. In preparing these forecasts, both management and the Directors have considered the principal risks and uncertainties to which the business is exposed.

Taking account of reasonable changes in trading performance and bank facilities available, the cash forecast prepared by management and reviewed by the Directors indicates that the Group is cash generative, has adequate financial resources to continue to trade for the foreseeable future, and to meet its obligations as they fall due.

#### **Reconciliation of adjusted and reported IFRS results**

The Group uses certain measures that it believes assist a reader of the Report and Accounts in understanding the business. The measures are not defined under IFRS and, therefore, may not be directly comparable with adjusted measures presented by other companies. The non-GAAP measures are not intended to be a substitute for, or superior to, any IFRS measures of performance. However, they are considered by management to be important measures used in the business for assessing performance.

In establishing Adjusted EBITDA, Adjusted EBITA and Adjusted Profit After Tax (used for Adjusted EPS calculation), the Group has added back various costs, deemed to be one-off in nature, which in 2022 predominantly relate to acquisitions completed during the period. The definitions can be found in the definitions section of the 2022 Annual Report and reconciliation to GAAP metrics included in Note 28 to the accounts.

Table A - Results reconciliation / Adjusted figures

Results reconciliation £'000	Adjusted	Acquisition costs	Restructuring costs	Other	Reported
Revenue	73,120	-	-	-	73,120
Gross profit	54,291	-	-	-	54,291
Administrative expenses*	(36,176)	787	28	36	(37,027)
Other operating income	804	-	-	-	804
Operating profit	18,919	787	28	36	18,068
Finance cost (net)	(1,437)	-	-	-	(1,437)
Profit before tax	17,482	787	28	36	16,630
Profit after tax	13,517	787	28	36	12,665
Foreign exchange	3	-	-	-	3
Amortisation	1,202	-	-	-	1,202
Tax impact of adjustments	(12)	-	-	-	(12)
Remove US deferred tax recognition	910	-	-	-	910
Adjusted profit after tax for EPS calculation	15,619	-	-	-	15,619
<b>EBITDA/EBITA/Adjusted Profit Before Tax</b>					
Operating profit	18,919	787	28	36	18,068
Foreign exchange	3	-	-	-	3
Depreciation	8,431	-	-	-	8,431
Amortisation	1,202	-	-	-	1,202
EBITDA	28,555	787	28	36	27,704
Depreciation	(8,431)	-	-	-	(8,431)
EBITA	20,124	787	28	36	19,273
Finance cost (net)	(1,437)	-	-	-	(1,437)
Adjusted profit before tax	18,686	-	-	-	18,686

\*includes impairment loss on trade receivables

**Ingrid Stewart**

Chief Financial Officer

## Consolidated Income Statement

for the year ended 31 December 2022

	Notes	2022 £000	2021 £000
<b>Revenue</b>	4	<b>73,120</b>	55,805
Cost of sales	5	(18,829)	(15,262)
<b>Gross profit</b>		<b>54,291</b>	40,543
Administrative expenses	5	(36,217)	(33,385)
Impairment loss on trade receivables	5	(810)	(545)
Other operating income	5	804	995
<b>Operating profit</b>	5	<b>18,068</b>	7,608
Finance income	7	21	-
Finance costs	7	(1,459)	(4,019)
<b>Profit before taxation</b>		<b>16,630</b>	3,589
Taxation charge	8	(3,965)	(1,060)
<b>Profit for the financial year</b>		<b>12,665</b>	2,529
Profit attributable to:			
Equity shareholders of the Company		12,665	2,529
<b>Earnings per share</b>			
Basic	9	15.9	3.6
Diluted	9	15.7	3.6

The below financial measures are non-GAAP metrics used by management and are not an IFRS disclosure:

Adjusted EBITDA*	28	28,555	22,437
Adjusted EBITA**	28	20,124	19,273



Adjusted EBITA	20	20,227	13,127
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\* Adjusted EBITDA is calculated as earnings before interest, tax, depreciation, amortisation and items not considered part of underlying trading including foreign exchange gains and losses, is a non-GAAP metric used by management and is not an IFRS disclosure. See Note 28 to the financial statements for calculations.

\*\* Adjusted EBITA is calculated as earnings before interest, tax, amortisation and items not considered part of underlying trading including foreign exchange gains and losses, is a non-GAAP metric used by management and is not an IFRS disclosure. See Note 28 to the financial statements for calculations.

All results derive from continuing operations.

The accompanying notes are an integral part of these consolidated financial statements.

## Consolidated Statement of Comprehensive Income

for the year ended 31 December 2022

	2022 £000	2021 £000
Profit for the year	12,665	2,529
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	1,179	163
Net gain on cash flow hedges	–	351
Other comprehensive income for the year, net of tax	1,179	514
<b>Total comprehensive income</b>	<b>13,844</b>	<b>3,043</b>
Total comprehensive income attributable to:		
Equity shareholders of the Company	13,844	3,043

The accompanying notes are an integral part of these consolidated financial statements.

## Consolidated Balance Sheet

at 31 December 2022

	Notes	2022 £000	2021 £000
<b>Non-current assets</b>			
Property, plant and equipment	11	31,812	20,832
Goodwill	12	66,043	48,651
Intangible assets	12	5,978	1,760
Right-of-use assets	19	2,631	2,923
Deferred tax asset	8	–	1,010
		<b>106,464</b>	<b>75,176</b>
<b>Current assets</b>			
Inventories	13	1,865	1,778
Trade and other receivables	14	19,456	17,224
Cash and cash equivalents	15	9,037	4,857
		<b>30,358</b>	<b>23,859</b>
<b>Total assets</b>		<b>136,822</b>	<b>99,035</b>
<b>Current liabilities</b>			
Trade and other payables	16	19,134	9,415
Income tax payable	8	1,820	821
Lease liabilities	19	865	783
		<b>21,819</b>	<b>11,019</b>
<b>Non-current liabilities</b>			
Loans and borrowings	17	34,865	24,425
Lease liabilities	19	1,991	2,351
Deferred tax liability	8	2,227	–
Provisions for liabilities	20	117	108
		<b>39,200</b>	<b>26,884</b>
<b>Total liabilities</b>		<b>61,019</b>	<b>37,903</b>
<b>Equity</b>			
Share capital	23	3,979	3,979
Share premium	23	14,115	14,115
Merger reserve	23	9,435	9,435
Share based payment reserve	23	827	–
Foreign currency translation reserve	23	(111)	(1,290)
Retained earnings	23	47,558	34,893
<b>Total equity</b>		<b>75,803</b>	<b>61,132</b>
<b>Total equity and liabilities</b>		<b>136,822</b>	<b>99,035</b>

The accompanying notes are an integral part of these consolidated financial statements.

The financial statements of Ashtead Technology Holdings plc (registered number 13424040) for the year ended 31

December 2022 were authorised by the Board of Directors on 2 May 2023 and signed on its behalf by:

**Allan Pirie**  
Chief Executive Officer

**Ingrid Stewart**  
Chief Financial Officer

2 May 2023

2 May 2023

## Consolidated Statement of Changes in Equity

for the year ended 31 December 2022

	Share capital £000	Share premium £000	Merger reserve £000	Share based payment reserve £000	Hedging reserve £000	Foreign currency translation reserve £000	Retained earnings £000	Total £000
<b>At 1 January 2021</b>	3,500	–	9,429	–	(351)	(1,453)	33,660	44,785
Profit for the year	–	–	–	–	–	–	2,529	2,529
Other comprehensive income	–	–	–	–	351	163	–	514
<b>Total comprehensive income</b>	–	–	–	–	351	163	2,529	3,043
Issue of shares from IPO	479	15,044	–	–	–	–	–	15,523
Transaction fees on issue of shares from IPO	–	(929)	–	–	–	–	–	(929)
Issue of shares*	–	–	6	–	–	–	–	6
Dividends declared**	–	–	–	–	–	–	(1,296)	(1,296)
<b>At 31 December 2021</b>	3,979	14,115	9,435	–	–	(1,290)	34,893	61,132
Profit for the year	–	–	–	–	–	–	12,665	12,665
Other comprehensive income	–	–	–	–	–	1,179	–	1,179
<b>Total comprehensive income</b>	–	–	–	–	–	1,179	12,665	13,844
Share based payment charge	–	–	–	827	–	–	–	827
<b>At 31 December 2022</b>	3,979	14,115	9,435	827	–	(111)	47,558	75,803

\* The movement in merger reserve represents the issue of shares in BP INV2 Pledgeco Limited and Ashtead US Pledgeco Inc pre IPO.

\*\* The dividends declared in 2021 relate to the pre-IPO group restructure.

The accompanying notes are an integral part of these consolidated financial statements.

## Consolidated Cash Flow Statement

for the year ended 31 December 2022

	Notes	2022 £000	2021 £000
<b>Cash generated from operating activities</b>			
Profit before taxation		16,630	3,589
Adjustments to reconcile profit before taxation to net cash from operating activities			
Finance income	7	(21)	–
Finance costs	7	1,459	4,019
Depreciation	11 & 19	8,431	8,713
Amortisation	12	1,202	1,516
Gain on sale of property, plant and equipment	5	(804)	(995)
Share based payment charges	6	825	–
Provision for liabilities	20	(4)	(28)
<b>Cash generated before changes in working capital</b>		27,718	16,814
Decrease/(increase) in inventories		274	(524)
Decrease/(increase) in trade and other receivables		785	(6,597)
Increase in trade and other payables		7,207	2,016
<b>Cash inflow from operations</b>		35,984	11,709
Interest paid		(1,132)	(3,615)
Tax paid		(1,998)	(858)
<b>Net cash generated from operating activities</b>		32,854	7,236
<b>Cash flow used in investing activities</b>			
Purchase of property, plant and equipment		(13,728)	(7,889)
Proceeds from disposal of property, plant and equipment		1,518	1,453

Proceeds from disposal of property, plant and equipment	1,518	1,453
Purchase of computer software	(725)	–
Acquisition of subsidiary undertakings net of cash acquired	(23,999)	–
Interest received	21	–
<b>Net cash used in investing activities</b>	<b>(36,913)</b>	<b>(6,436)</b>
<b>Cash flow generated from/(used in) financing activities</b>		
Proceeds from IPO share issue	–	15,523
Transaction fees on share issue	–	(929)
Proceeds from share issue	–	50
Loans received	31,000	25,107
Transaction fees on loans received	(228)	(914)
Repayment of bank loans	(21,727)	(44,121)
Payment of lease liability	(1,064)	(1,012)
Repayment of loan notes	–	(830)
<b>Net cash generated from/(used in) financing activities</b>	<b>7,981</b>	<b>(7,126)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>3,922</b>	<b>(6,326)</b>
Cash and cash equivalents at beginning of year	4,857	10,958
Net foreign exchange difference	258	225
<b>Cash and cash equivalents at end of year</b>	<b>9,037</b>	<b>4,857</b>

The accompanying notes are an integral part of these consolidated financial statements.

## Notes to the Consolidated Financial Statements

for the year ended 31 December 2022

### 1. General information

#### 1.1 Background

Ashtead Technology Holdings plc (the "Company") is a public limited company incorporated in the United Kingdom under the Companies Act 2006, whose shares are traded on AIM. The consolidated financial statements of the Company as at and for the year ended 31 December 2022 comprise the Company and its interest in subsidiaries (together referred to as the "Group"). The Company is domiciled in the United Kingdom and its registered address is 1 Gateshead Close, Sunderland Road, Sandy, Bedfordshire, SG19 1RS, United Kingdom.

#### 1.2 Basis of preparation

The financial information set out in this statement has been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards ("IFRSs"), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. It does not include all the information required for full annual accounts.

The financial information does not constitute the Company's statutory accounts for the years ended 31 December 2022 or 31 December 2021 but is derived from those accounts. Statutory accounts 2022 will be delivered to the Registrar of Companies in due course. The Auditor has reported on the 2022 accounts; his reports (i) were unqualified, (ii) did not include a reference to any matters to which the Auditor drew attention by way of emphasis without qualifying his report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

#### 1.3 Predecessor accounting

Ashtead Technology Holdings plc was incorporated on 27 May 2021 and became the parent entity of the Group on 17 November 2021 when Ashtead Technology Holdings plc acquired the entire shareholding of both BP INV2 Pledgeco Limited and Ashtead US Pledgeco Inc by way of share for share exchange agreement.

This does not constitute a business combination under IFRS 3 'Business Combinations' as it is effectively a combination among entities under common control. There is currently no guidance in IFRS on the accounting treatment for combinations among entities or businesses under common control. IAS 8 requires management, if there is no specifically applicable standard or interpretation, to develop a policy that is relevant to the decision making needs of users and that is reliable. The entity first considers requirements and guidance in other international standards and interpretations dealing with similar issues, and then the content of the IASB's Conceptual Framework for Financial Reporting (Conceptual Framework). Management might consider the pronouncements of other standard-setting bodies that use a similar conceptual framework to the IASB's, provided that they do not conflict with the IASB's sources of guidance.

Considering facts and circumstances management has decided to apply a method broadly described as predecessor accounting. The principles of predecessor accounting are:

- Assets and liabilities of the acquired entity are stated at predecessor carrying values. Fair value measurement is not required.
- No new goodwill arises in predecessor accounting.
- Any difference between the consideration given and the aggregate carrying value of the assets and liabilities of the acquired entity at the date of the transaction is included in equity in retained earnings or in a separate reserve.

During the year ended 31 December 2021, management used merger accounting and had taken merger relief at a Company level. Under merger accounting principles, the assets and liabilities of the subsidiaries were consolidated at book value in the Group financial statements and the consolidated reserves of the Group were adjusted to reflect the statutory share capital of Ashtead Technology Holdings plc with the difference presented as the merger reserve. The cost of investments in subsidiaries is determined by the historical cost of investments in the subsidiaries of the Group transferred from the previous owning entities, including transaction costs. The value of total equity reflects the combination of former BP INV2 Pledgeco Limited and Ashtead US Pledgeco Inc Group.

#### 1.4 Presentational currency

The consolidated financial statements, unless otherwise stated, are presented in sterling, to the nearest thousand.

#### 1.5 Going concern

The consolidated financial statements of the Group are prepared on a going concern basis. The Directors of the Group assert that the preparation of the consolidated financial statements on a going concern basis is appropriate, which is based upon a review of the future forecast performance of the Group for a two year period ending 31 December 2024.

During 2022 the Group has continued to generate positive cash flow from operating activities with a cash and cash equivalents balance of £9,037,000 (2021: £4,857,000). The Group has access to a multi currency RCF and additional accordion facility. After a refinancing which completed on 5 April 2023, the RCF and accordion facility have total commitments of £100,000,000 and £50,000,000 respectively, both of which expire in April 2027, with an option to extend by 1 year. The accordion facility is subject to credit approval. As at 31 December 2022 the RCF had an undrawn balance of £24,562,000 on the £60,000,000 facility available at that time. Refer to Note 17 for details on the available facilities.

The Financial Statements of Ashtead Technology Holdings plc for the year ended 31 December 2022 were approved by the Board of Directors on 15 February 2023.

The Facility Agreement is subject to a leverage covenant of 3.0x and an interest cover covenant of 4:1, which are both to be tested on a quarterly basis. The Group has complied with all covenants from entering the Facility Agreement until the date of these financial statements.

The Group monitors its funding and liquidity position throughout the year to ensure it has sufficient funds to meet its ongoing cash requirements. Cash forecasts are produced based on a number of inputs such as estimated revenues, margins, overheads, collection and payment terms, capex requirements and the payment of interest and capital on its existing debt facilities. Consideration is also given to the availability of bank facilities. In preparing these forecasts, the Directors have considered the principal risks and uncertainties to which the business is exposed.

The Directors perform sensitivity analysis on the going concern assumption to determine whether plausible downside scenarios would have a material impact. Forecasts were flexed to incorporate a 5% downturn in forecast performance in the year ending 31 December 2023 and a 10% downturn in forecast performance in the year ending 31 December 2024.

Under this downside scenario the peak funding requirement over the forecast period would leave £105,000,000 headroom in the available facilities with no threat to breach of covenants.

Taking account of reasonable changes in trading performance and bank facilities available, the application of severe but plausible downside scenarios to the forecasts, the cash forecasts prepared by management and reviewed by the Directors indicate that the Group is cash generative and has adequate financial resources to continue to trade for the foreseeable future and meet its obligations as they fall due.

#### **1.6 Basis of consolidation**

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights and rights to variable returns of the subsidiaries. The acquisition date is the date on which control is transferred to the acquirer. The financial information of subsidiaries is included in the consolidated financial statements from the date that control commences until the date that control ceases. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The consolidated financial statements present the results of the Company and its subsidiaries as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of the business combinations using the acquisition method. In the balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date.

#### **1.7 Business combinations**

All business combinations are accounted for by applying the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration are recognised in the income statement.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

#### **1.8 New and amended standards adopted by the Group**

There are no new IFRS or IFRIC Interpretations that are effective for the first time this financial year which have a material impact on the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective. There are no IFRS standards or amendments that have been issued but not yet adopted that are expected to have a material impact on the Group.

#### **1.9 Statement of compliance**

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in Note 2.

### **2. Summary of significant accounting policies**

#### **2.1 Foreign currencies**

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for each month where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve, within equity. When a foreign operation is disposed of, such that control, joint control or significant influence (as the case may be) is lost, the entire accumulated amount in the foreign currency translation reserve is recycled to the income statement as part of the gain or loss on disposal.

#### **2.2 Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

Leasehold improvements	- remaining lease term
Freehold property	- 25 years
Fixtures and fittings	- 5 years
Motor vehicles	- 5 years
Assets held for rental	- 4-8 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in the income statement.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

## 2.3 Intangible assets and goodwill

### **Goodwill**

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment.

### **Other intangible assets**

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses.

### **Amortisation**

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Non-compete arrangements	- 3 years
Customer relationships	- 3 years
Computer software	- 5 years

Both the non-compete arrangements and customer relationships are intangible assets arising from business combinations. The fair value of the non-compete arrangements at the acquisition date has been determined using the 'with and without method', an income approach which considers the difference between discounted future cash flow models, with and without the non-compete clause. The fair value of the customer relationships at the acquisition date has been determined using the multi-period excess earnings method.

## 2.4 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the FIFO (first in, first out) method.

## 2.5 Impairment of non-financial assets excluding inventories, deferred tax assets and contract assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to groups of cash-generating units ("CGUs") that are expected to benefit from the synergies of the combination. For the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. This is subject to an operating segment ceiling test.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## 2.6 Employee benefits

### **Defined contribution plans**

The Group pays contributions to selected employees' defined contribution pension plans. The amounts charged to the income statement in respect of pension costs are the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments on the balance sheet.

## 2.7 Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

## 2.8 Revenue recognition

Revenue relates to the provision of services, rental of equipment and sale of equipment. Revenues arising from the rental of equipment are recognised in accordance with the requirements of IFRS 16: Leases. Revenues arising from all other revenue streams are recognised in accordance with the requirements of IFRS 15.

### **Revenue under IFRS 15**

Revenues for the provision of services are recognised over time as the services are provided. The services provided to customers meet the criterion that the customer simultaneously receives and consumes the benefits provided. Accordingly, these services qualify for over-time revenue recognition.

Revenues for the provision of goods are recognised at a point in time, which is the point at which the Group satisfies the performance obligation under the terms of the contract. The performance obligation is the delivery of the goods to the customer, which is the point at which the customer obtains control.

Revenues for the provision of goods and services are measured at the transaction price, stated net of VAT.

revenues for the provision of goods and services are measured at the transaction price, stated net of VAT.

#### **Revenue under IFRS 16**

All contracts for leases of equipment entered into by the Group are classified as operating leases. The contracts for equipment rentals do not transfer substantially all of the risks and rewards incidental to ownership of the underlying asset to the customer.

The Group recognises lease payments received under operating leases as revenue on a straight-line basis over the lease term.

Where customers are billed in advance, deferred rental income is recognised, which represents the portion of billed revenue to be deferred to future periods. Where customers are billed in arrears for equipment rentals, accrued rental income is recognised, which represents unbilled revenues recognised in the period.

#### **Performance obligations and timing of revenue recognition**

Revenue derived from selling goods is recognised at a point in time when control of the goods has transferred to the customer. This is generally when the goods are delivered to the customer. However, for export sales, control might also be transferred when delivered either to the port of departure or port of arrival, depending on the specific terms of the contract with a customer. There is limited judgement needed in identifying the point control passes: once physical delivery of the products to the agreed location has occurred, the group no longer has physical possession, usually will have a present right to payments (as a single payment on delivery) and retains none of the significant risks and rewards of the goods in question.

#### **2.9 Operating segments**

The Group operates in the following four geographic regions, which have been determined as the Group's reportable segments. The operations of each geographic region are similar.

- Europe
- Americas
- Asia-Pacific
- Middle East

The Chief Operating Decision Maker (CODM) is determined as the Group's Board of Directors. The Group's Board of Directors reviews the internal management reports of each geographic region monthly as part of the monthly management reporting. The operations within each of the above regional segments display similar economic characteristics. There are no reportable segments which have been aggregated for the purpose of the disclosure of segment information.

#### **2.10 Taxation**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Current tax assets and current tax liabilities are offset only when:

- the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- the Group intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if:

- the Group has a legally enforceable right to set off current tax liabilities and assets; and
- the deferred tax liabilities and assets relate to income taxes levied by the same tax authority.

#### **2.11 Leases**

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

##### **As a lessee**

At commencement or on modification of a contract that contains a lease component, along with one or more other lease or non-lease components, the Group accounts for each lease component separately from the non-lease components. The Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price and the aggregate stand-alone price of the non-lease components.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.

- commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise;
- lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in the income statement.

The Group presents right-of-use assets and lease liabilities as separate line items on the balance sheet.

#### **Short-term leases and leases of low-value assets**

The Group has elected not to recognise right-of-use assets and lease liabilities for lease of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### **As a lessor**

Refer to the revenue accounting policy note for the Group's accounting policy under IFRS 16, as a lessor.

### **2.12 Financial instruments**

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

#### **Financial assets and liabilities**

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs).

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest' (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling. Non-derivative financial assets are classified on initial recognition in accordance with the Group's business model as trade and other receivables, or cash and cash equivalents and accounted for as follows:

- **Trade and other receivables:** These are non-derivative financial assets that are primarily held in order to collect contractual cash flows and are measured at amortised cost, using the effective interest rate method, and stated net of allowances for credit losses.
- **Cash and cash equivalents:** Cash and cash equivalents include cash in hand and deposits held on call.

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Non-derivative financial liabilities, including loans and borrowings, and trade and other payables, are stated at amortised cost using the effective interest method.

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at

fair value through profit or loss.

Financial liabilities at amortised cost (loans & borrowings, trade payables, other payables, accruals and lease liabilities) is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 17.

Financial assets are derecognised when and only when (a) the contractual rights to the cash flows from the financial asset expire or are settled, (b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or (c) the Group, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

#### **Fair value measurement**

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

#### **Impairment of financial assets**

The Group recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost.

Loss allowances for trade receivables and accrued income are measured at an amount equal to the lifetime ECL. Trade receivables do not contain a significant financing component and typically have a short duration of less than 12 months. The Group prepares a provision matrix when measuring its ECLs. Trade receivables and accrued income are segmented on the basis of historic credit loss experience, based on geographic region. Historical loss experience is applied to trade receivables and accrued income, after being adjusted for:

- information about current economic conditions; and
- reasonable and supportable forecasts of future economic conditions.

#### **Write-offs**

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

#### **2.13 Borrowing costs**

Borrowing costs are capitalised and amortised over the term of the related debt. The amortisation of borrowing costs is recognised as finance expenditure in the income statement.

#### **2.14 Share based payments**

The Group has equity settled compensation plans. Equity settled share based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity settled share based payments is expensed over the vesting period, based on the Group's estimate of awards that will eventually vest. Fair value is measured by the use of the Black Scholes option pricing model.

The cost is recognised in staff costs (Note 6), together with a corresponding increase in equity (share based payment reserve), over the period in which the service and the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in Note 9).

#### **2.15 Dividends**

Dividends are recognised as a liability and deducted from equity at the time they are paid or approved by shareholders at the Annual General Meeting. Otherwise dividends are disclosed if they have been proposed or declared after the year end and before the relevant financial statements are approved.

#### **2.16 Critical estimates and judgements**

In the application of the Group's accounting policies the Directors are required to make judgements that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The Directors have not identified any critical judgements that have a significant effect on the amounts recognised in the consolidated financial statements, apart from those involving estimations (which are explained separately below).

#### **2.17 Key sources of estimation uncertainty**

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

#### **Provision for bad debts**

The Group applies IFRS 9 to measure the lifetime expected credit loss of trade receivables. The lifetime expected credit loss is based upon historic loss experience, which is then adjusted for information about current economic conditions and reasonable and supportable forecasts of future economic conditions. The Group applies judgement to the adjustments to the expected credit loss for information about current economic conditions and reasonable and supportable forecasts of future economic conditions, and it considers all relevant factors that impact future payment by customers. The expected credit loss on trade receivables at the reporting date is estimated on the basis of these underlying assumptions. Refer to



Credit loss on trade receivables at the reporting date is estimated on the basis of these underlying assumptions. Refer to Note 24(a) for the carrying value of trade receivables to which the expected credit loss model is applied.

#### **Impairment of goodwill**

The Group determines whether goodwill is impaired on an annual basis. For each group of CGUs to which goodwill has been allocated a goodwill impairment review is performed. The carrying value of each group of CGUs to which goodwill is allocated is compared to the recoverable amount, which is determined through a value in use calculation. The value in use at each reporting date is based on certain assumptions, including future forecast cash flows, discount rates and growth rates. Refer to Note 12 for further information in respect of the key assumptions applied in determining the value in use for each group of CGUs.

#### **Carrying value and useful lives of property, plant and equipment**

The Group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period based on condition and usage of those assets. Based on management's assessment as at the end of the reporting period the useful lives of property, plant and equipment remain appropriate. The Group reviews at the end of each reporting period, the carrying amounts of its property, plant and equipment to determine whether there is any indication that these assets have suffered an impairment loss. The Group applies judgement to the impairment review including future cash flow, discount rates and growth rates, which are common with the impairment review of goodwill noted above. No impairment loss was recognised during the period.

#### **Business combinations**

The Group assesses the fair value of the assets and liabilities on acquisition and there is estimation uncertainty in identifying any adjustments to the book values. The business combinations in 2022 included adjustments for intangible assets in respect of customer relationships and non-compete agreements. For intangible assets, a valuation methodology based on a discounted cash flow (DCF) model was used and there is estimation uncertainty in the future forecast cash flows, discount rates and growth rates used. The acquisition of Hiretech also gave rise to a fair value adjustment to property, plant and equipment. The Group reviewed the estimated useful lives of property, plant and equipment on acquisition, based on condition and usage of those assets. The Group has had to estimate the residual value of property, plant and equipment which resulted in a fair value adjustment to book value. The Group reviewed all other assets and liabilities on acquisition and after considering all relevant factors, no other adjustments were made to book value. Refer to Note 27 for further information in respect of the business combinations.

#### **2.18 Adjusting items**

Adjusting items are significant items of income or expense in revenue, profit from operations, net finance costs and/or taxation which individually or, if of a similar type, in aggregate, are relevant to an understanding of the Group's underlying financial performance because of their size, nature or incidence. In identifying and quantifying adjusting items, the Group consistently applies a policy that defines criteria that are required to be met for an item to be classified as an adjusting item. These items are separately disclosed in the segmental analysis or in the notes to the accounts as appropriate.

The Group believes that these items are useful to users of the consolidated financial statements in helping to understand the underlying business performance and are used to derive the Group's principal non-GAAP measure of Adjusted EBITDA, which is before the impact of adjusting items and which is reconciled from profit from operations.

### **3. Segmental analysis**

#### **For the year ended 31 December 2022**

	Europe £000	Americas £000	Asia Pacific £000	Middle East £000	Head Office £000	Total £000
<b>Total revenue</b>	<b>42,827</b>	<b>13,912</b>	<b>10,874</b>	<b>5,507</b>	<b>-</b>	<b>73,120</b>
Cost of sales	(9,663)	(4,867)	(2,368)	(1,931)	-	(18,829)
<b>Gross profit</b>	<b>33,164</b>	<b>9,045</b>	<b>8,506</b>	<b>3,576</b>	<b>-</b>	<b>54,291</b>
Administrative expenses	(12,735)	(5,274)	(3,014)	(1,563)	(4,805)	(27,391)
Other operating income	264	156	362	22	-	804
<b>Operating profit before depreciation, amortisation and foreign exchange gain/(loss)</b>	<b>20,693</b>	<b>3,927</b>	<b>5,854</b>	<b>2,035</b>	<b>(4,805)</b>	<b>27,704</b>
Foreign exchange loss						(3)
Depreciation						(8,431)
Amortisation						(1,202)
<b>Operating profit</b>						<b>18,068</b>
Finance income						21
Finance costs						(1,459)
<b>Profit before taxation</b>						<b>16,630</b>
Taxation charge						(3,965)
<b>Profit for the financial year</b>						<b>12,665</b>
<b>Total assets</b>	<b>93,522</b>	<b>15,335</b>	<b>11,025</b>	<b>5,429</b>	<b>11,511</b>	<b>136,822</b>
<b>Total liabilities</b>	<b>17,500</b>	<b>2,755</b>	<b>2,310</b>	<b>723</b>	<b>37,731</b>	<b>61,019</b>

#### **For the year ended 31 December 2021**

	Europe £000	Americas £000	Asia Pacific £000	Middle East £000	Head Office £000	Total £000
<b>Total revenue</b>	<b>33,241</b>	<b>11,779</b>	<b>7,911</b>	<b>2,874</b>	<b>-</b>	<b>55,805</b>
Cost of sales	(7,723)	(4,599)	(1,817)	(1,123)	-	(15,262)
<b>Gross profit</b>	<b>25,518</b>	<b>7,180</b>	<b>6,094</b>	<b>1,751</b>	<b>-</b>	<b>40,543</b>
Administrative expenses	(9,143)	(3,799)	(2,169)	(1,064)	(7,311)	(23,486)
Other operating income	351	313	77	254	-	995
<b>Operating profit before depreciation, amortisation and foreign exchange gain/(loss)</b>	<b>16,726</b>	<b>3,694</b>	<b>4,002</b>	<b>941</b>	<b>(7,311)</b>	<b>18,052</b>
Foreign exchange loss						(215)
Depreciation						(8,713)
Amortisation						(1,516)
<b>Operating profit</b>						<b>7,608</b>
Finance costs						(4,019)
<b>Profit before taxation</b>						<b>3,589</b>
Taxation charge						(1,060)
<b>Profit for the financial year</b>						<b>2,529</b>
<b>Total assets</b>	<b>62,402</b>	<b>15,912</b>	<b>9,669</b>	<b>5,102</b>	<b>5,950</b>	<b>99,035</b>
<b>Total liabilities</b>	<b>8,343</b>	<b>3,014</b>	<b>1,080</b>	<b>644</b>	<b>24,822</b>	<b>37,903</b>

Central administrative expenses represent expenditures which are not directly attributable to any single operating segment. The expenditure has not been allocated to individual operating segments.

The revenues generated by each geographic segment almost entirely comprise revenues generated in a single country. Revenues in the Europe, Americas, Asia Pacific and Middle East segments are almost entirely generated in the UK, USA, Singapore and UAE respectively. Revenues generated outside of these jurisdictions are not material to the Group. The basis for the allocation of revenues to individual countries is dependent upon the depot from which the equipment is provided.

No single customer or group of customers under common control account for 10% or more of Group revenue.

The carrying value of non-current assets, other than deferred tax assets, split by the country in which the assets are held is as follows:

	As at 31 December 2022 £000	As at 31 December 2021 £000
UK	82,337	51,411
USA	11,163	11,394
Singapore	8,885	7,799
UAE	4,079	3,562

#### 4. Revenue

##### (a) Revenue streams:

The Group's key revenue generating activity comprises equipment rental, sale of equipment and provision of related services (non-rental revenue). The revenue is attributable to the continuing activities of renting equipment, selling equipment or providing a service. All rental income is expected to be settled within 12 months.

	2022 £000	2021 £000
Rental income (Note 19)	61,157	43,913
Non-rental revenue	11,963	11,892
<b>Total revenue</b>	<b>73,120</b>	<b>55,805</b>

##### (b) Disaggregation of revenue from contracts with customers:

Revenue from contracts with customers from sale of equipment and provision of related services is disaggregated by primary geographical market, major products and services and timing of revenue recognition.

	2022 £000	2021 £000
<b>Primary geographical markets</b>		
Europe	7,812	7,579
Americas	1,859	3,052
Asia Pacific	1,037	550
Middle East	1,255	711
<b>Non-rental revenue</b>	<b>11,963</b>	<b>11,892</b>

Major products and services and timing of revenue recognition of non-rental revenue:

	2022 £000	2021 £000
Sale of equipment, transferred at a point in time	5,259	6,147
Provision of related services, transferred over time	6,704	5,745
<b>Non-rental revenue</b>	<b>11,963</b>	<b>11,892</b>

#### 5. Operating profit

This is stated after charging/(crediting):

	2022 £000	2021 £000
Spares, consumables and external repairs	4,956	2,838
Facilities costs	464	329
Depreciation on property, plant and equipment (Note 11)	7,501	7,878
Depreciation on right-of-use assets (Note 19)	930	835
Amortisation of intangible assets (Note 12)	1,202	1,516
Staff costs including share based payments (Note 6)	18,622	13,851
Transaction costs	787	3,332
Foreign exchange losses	3	215
Operating lease rentals	172	165
Impairment loss on trade receivables	810	545
Impairment loss on inventories	394	98
<b>Other operating income</b>		
Gain on sale of property, plant and equipment	804	995
	<b>804</b>	<b>995</b>

##### Fees payable to the auditor for the audit of the financial statements:

Total audit fees	202	167
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##### Fees payable to the auditor and its associates for other services to the Group

Review of interim financial statements	5	-
Reporting accountant services*	-	152
<b>Total non-audit fees</b>	<b>5</b>	<b>152</b>

\* These fees were incurred as reporting accountant services provided by BDO LLP in relation to the listing. Included in the total fee is £18,000 that was deducted from share premium.

## 6. Staff costs

	2022 £000	2021 £000
Wages and salaries	16,190	12,520
Social security costs	1,097	908
Other pension costs (Note 22)	510	423
Share based payment expense	825	-
	<b>18,622</b>	<b>13,851</b>

The average number of employees during the year was as follows:

	No.	No.
Operations	133	122
Sales and administrative	97	77
	<b>230</b>	<b>199</b>

Full details of the Directors' remuneration and interests are set out in the Directors' Remuneration Report on pages 34 to 35.

## 7. Finance income and costs

Finance income	2022 £000	2021 £000
Bank interest receivable	21	-
	<b>21</b>	<b>-</b>

Finance costs	2022 £000	2021 £000
Interest on bank loans (held at amortised cost)	1,139	2,261
Amortisation of deferred finance costs	182	1,222
Loan note interest	-	71
Interest expense on lease liability (Note 19)	138	151
Hedge reserve movement	-	313
Other interest and charges	-	1
	<b>1,459</b>	<b>4,019</b>

## 8. Tax

### (a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2022 £000	2021 £000
<b>Current tax:</b>		
UK corporation tax on profit for the year	2,555	1,397
Adjustment in respect of previous periods	(218)	(78)
Foreign tax	94	1
Exchange rate differences	3	4
Total current income tax	<b>2,434</b>	<b>1,324</b>
<b>Deferred tax:</b>		
Origination and reversal of temporary differences	1,122	(227)
Origination and reversal of temporary differences - prior periods	320	292
Effect of changes in tax rates	99	(326)
Exchange rate differences	(10)	(3)
Total deferred tax	<b>1,531</b>	<b>(264)</b>
Tax charge in the profit and loss account (Note 8(b))	<b>3,965</b>	<b>1,060</b>

### (b) Factors affecting the current tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	2022 £000	2021 £000
Profit on ordinary activities before taxation	<b>16,630</b>	<b>3,589</b>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	<b>3,160</b>	<b>682</b>
<i>Effects of:</i>		
Expenses not deductible for tax purposes	112	500
Income not taxable	(88)	(43)
Gains/rollover relief	16	11
Effects of overseas tax rates	87	213
Adjustments in respect of previous periods	102	213
Tax rate changes	74	(326)
Share options	(17)	-
Movement in deferred tax not recognised	525	(176)
Exchange rate difference	47	7
Adjustment in relation to IFRS 16	-	(21)
Super deduction relief	(53)	-
Tax charge	<b>3,965</b>	<b>1,060</b>

### (c) Income tax due

	2022 £000	2021 £000
Income tax due	<b>1,820</b>	<b>821</b>

**(d) Unrecognised tax losses:**

The Group has tax losses which arose in the UK, Canada and USA of £11,447,000 (2021: £10,255,000) that are available indefinitely for offset against future taxable profits of the Group companies in which the losses arose.

Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group and they have arisen in subsidiaries that are loss making.

**(e) Deferred tax:**

Deferred tax included in the Group balance sheet is as follows:

	2022 £000	2021 £000
Fixed asset timing differences	(1,212)	838
Short-term timing differences	319	76
Tax losses	85	242
Intangible asset timing differences	(1,419)	(146)
Deferred tax (liability)/asset	(2,227)	1,010
The recoverability of the deferred tax (liability)/asset is as follows:		
Current	85	17
Non-current	(2,312)	993
	(2,227)	1,010

**9. Earnings per share****Basic earnings per share**

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of Ordinary Shares in issue during the year.

**Diluted earnings per share**

For diluted earnings per share, the weighted average number of Ordinary Shares in issue is adjusted to assume conversion of all potentially dilutive Ordinary Shares. The Group has potentially dilutive ordinary shares arising from share options granted to employees under the share schemes as detailed in Note 22 of these financial statements. During the year ended 31 December 2021, the Group had no potentially dilutive Ordinary Shares.

**Adjusted earnings per share**

Earnings attributable to ordinary shareholders of the Group for the year, adjusted to remove the impact of adjusting items and the tax impact of these, divided by the weighted average number of Ordinary Shares outstanding during the period.

	Adjusted 2022	Statutory 2022	Adjusted 2021	Statutory 2021
Earnings attributable to equity shareholders of the Group:				
Profit for the year (£000)	15,619*	12,665	9,385*	2,529
Number of shares:				
Weighted average number of Ordinary Shares - Basic	79,582,000	79,582,000	70,995,578	70,995,578
Weighted average number of Ordinary Shares - Diluted	80,679,071	80,679,071	70,995,578	70,995,578
Earnings per share attributable to equity holders of the Group - continuing operations:				
Basic earnings per share (pence)	19.6	15.9	13.2	3.6
Diluted earnings per share (pence)	19.4	15.7	13.2	3.6

\* Refer to Note 28 for the reconciliation of Non-GAAP Profit Metrics.

**10. Dividends**

The Board is pleased to propose a final dividend of 1.0p per share, which if approved at the Annual General Meeting to be held on 8 June 2023, will be paid on 23 June 2023 with a record date of 26 May 2023. The shares will become ex-dividend on 25 May 2023. No interim dividend was paid in 2022.

**11. Property, plant and equipment**

	Assets held for rental £000	Leasehold improvements £000	Freehold property £000	Fixture and fittings £000	Motor vehicles £000	Total £000
<b>Cost:</b>						
At 1 January 2021	104,906	1,537	197	3,322	245	110,207
Additions	6,625	201	-	421	56	7,303
Disposals	(6,666)	-	-	(29)	-	(6,695)
Foreign exchange movements	2	1	-	(31)	4	(24)
<b>At 31 December 2021</b>	<b>104,867</b>	<b>1,739</b>	<b>197</b>	<b>3,683</b>	<b>305</b>	<b>110,791</b>
<b>Accumulated depreciation:</b>						
At 1 January 2021	(84,593)	(974)	(60)	(2,593)	(157)	(88,377)
Charge for the year	(7,158)	(244)	(8)	(296)	(24)	(7,730)
Disposals	6,252	-	-	12	-	6,264
Foreign exchange movements	(122)	(1)	-	10	(3)	(116)
<b>At 31 December 2021</b>	<b>(85,621)</b>	<b>(1,219)</b>	<b>(68)</b>	<b>(2,867)</b>	<b>(184)</b>	<b>(89,959)</b>
<b>Net book value:</b>						
<b>At 31 December 2021</b>	<b>19,246</b>	<b>520</b>	<b>129</b>	<b>816</b>	<b>121</b>	<b>20,832</b>

	Assets held for rental £000	Leasehold improvements £000	Freehold property £000	Fixture and fittings £000	Motor vehicles £000	Total £000
<b>Cost:</b>						
At 1 January 2022	104,867	1,739	197	3,683	305	110,791
Acquisitions (Note 27)	10,984	409	-	443	29	11,865
Fair value adjustment on						

acquisitions (Note 27)	467	–	–	–	–	467
Additions	13,098	208	–	295	–	13,601
Disposals	(6,280)	(76)	–	(60)	(30)	(6,446)
Foreign exchange movements	5,937	85	–	170	35	6,227
<b>At 31 December 2022</b>	<b>129,073</b>	<b>2,365</b>	<b>197</b>	<b>4,531</b>	<b>339</b>	<b>136,505</b>
<b>Accumulated depreciation:</b>						
At 1 January 2022	(85,621)	(1,219)	(68)	(2,867)	(184)	(89,959)
Acquisitions (Note 27)	(5,920)	(338)	–	(267)	(21)	(6,546)
Fair value adjustment on acquisitions (Note 27)	(1,118)	–	–	(81)	–	(1,199)
Charge for the year	(6,892)	(253)	(8)	(311)	(37)	(7,501)
Disposals	5,613	43	–	46	29	5,731
Foreign exchange movements	(5,018)	(62)	–	(117)	(22)	(5,219)
<b>At 31 December 2022</b>	<b>(98,956)</b>	<b>(1,829)</b>	<b>(76)</b>	<b>(3,597)</b>	<b>(235)</b>	<b>(104,693)</b>
<b>Net book value:</b>						
<b>At 31 December 2022</b>	<b>30,117</b>	<b>536</b>	<b>121</b>	<b>934</b>	<b>104</b>	<b>31,812</b>

## 12. Goodwill and intangible assets

	Goodwill £000	Customer relationships £000	Non-compete arrangements £000	Computer software £000	Total £000
<b>Cost:</b>					
At 1 January 2021	48,585	4,447	208	2,801	56,041
Additions	–	–	–	966	966
Foreign exchange movements	66	–	–	2	68
<b>At 31 December 2021</b>	<b>48,651</b>	<b>4,447</b>	<b>208</b>	<b>3,769</b>	<b>57,075</b>
<b>Amortisation:</b>					
At 1 January 2021	–	(2,261)	(109)	(2,627)	(4,997)
Charge for the year	–	(1,449)	(67)	(148)	(1,664)
Foreign exchange movements	–	–	–	(3)	(3)
<b>At 31 December 2021</b>	<b>–</b>	<b>(3,710)</b>	<b>(176)</b>	<b>(2,778)</b>	<b>(6,664)</b>
<b>Net book value:</b>					
<b>At 31 December 2021</b>	<b>48,651</b>	<b>737</b>	<b>32</b>	<b>991</b>	<b>50,411</b>
	Goodwill £000	Customer relationships £000	Non-compete arrangements £000	Computer software £000	Total £000
<b>Cost:</b>					
At 1 January 2022	48,651	4,447	208	3,769	57,075
Acquisitions (Note 27)	16,852	4,414	274	–	21,540
Additions	–	–	–	725	725
Foreign exchange movements	540	2	–	–	542
<b>At 31 December 2022</b>	<b>66,043</b>	<b>8,863</b>	<b>482</b>	<b>4,494</b>	<b>79,882</b>
<b>Amortisation:</b>					
At 1 January 2022	–	(3,710)	(176)	(2,778)	(6,664)
Charge for the year	–	(840)	(39)	(323)	(1,202)
Foreign exchange movements	–	2	–	3	5
<b>At 31 December 2022</b>	<b>–</b>	<b>(4,548)</b>	<b>(215)</b>	<b>(3,098)</b>	<b>(7,861)</b>
<b>Net book value:</b>					
<b>At 31 December 2022</b>	<b>66,043</b>	<b>4,315</b>	<b>267</b>	<b>1,396</b>	<b>72,021</b>

Goodwill has arisen on the acquisition of the following subsidiaries: Amazon Group Limited (the parent company of the existing Ashtead Technology Group at the time of acquisition, in April 2016), TES Survey Equipment Services LLC, Welaptega Marine Limited, Aqua-Tech Solutions LLC and its subsidiary Alpha Subsea LLC, Underwater Cutting Solutions Limited, WeSubsea AS and its subsidiary WeSubsea UK Limited and Hiretech Limited, as well as the acquisition of the trade and assets of Forum Subsea Rentals, a division of Forum Energy Technologies (UK) Limited, Forum Energy Asia Pacific PTE Ltd and Forum US, Inc.

### Impairment testing for CGUs containing goodwill

For the purpose of impairment testing, goodwill has been allocated to the Group's CGUs as follows. The group of CGUs to which goodwill has been allocated are consistent with the Group's operating segments.

	2022 £000	2021 £000
Europe	52,271	34,916
Americas	6,591	6,569
Asia Pacific	5,351	5,336
Middle East	1,830	1,830

An impairment test has been performed in respect of each of the groups of CGUs to which goodwill has been allocated on each reporting date.

For each of the operating segments to which goodwill has been allocated, the recoverable amount has been determined on the basis of a value in use calculation. In each case, the value in use was found to be greater than the carrying amount of the group of CGUs to which the goodwill has been allocated. Accordingly, no impairment to goodwill has been recognised. The value in use has been determined by discounting future cash flows forecast to be generated by the relevant regional segment.

A summary of the key assumptions on which management has based its cash flow projections at each reporting date is as follows:

	2022 £000	2021 £000
<b>Europe:</b>		
Pre-tax discount rate	12.8%	11.6%
Terminal value growth rate	2%	2%
Forecast period	2 years	2 years
<b>Americas:</b>		
Pre-tax discount rate	12.8%	11.6%
Terminal value growth rate	2%	2%
Forecast period	2 years	2 years
<b>Asia Pacific:</b>		
Pre-tax discount rate	12.8%	11.6%
Terminal value growth rate	2%	2%
Forecast period	2 years	2 years
<b>Middle East:</b>		
Pre-tax discount rate	12.8%	11.6%
Terminal value growth rate	2%	2%
Forecast period	2 years	2 years

#### Key assumptions used in value in use calculations

In determining the above key assumptions, management has considered past experience together with external sources of information where available (e.g. industry-wide growth forecasts).

The calculation of is most sensitive to the following assumptions:

- Discount rates
- Growth rates used to extrapolate cash flows beyond the forecast period

The discount rate applied to each CGU represents a pre-tax rate that reflects the market assessment of the time value of money as at 31 December 2022. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

Sensitivity analysis shows that a pre-tax discount rate higher than 18.8% would be required to start to indicate impairment.

Growth rate estimates are based on published industry research.

Sensitivity analysis shows that a terminal value growth rate lower than -6.7% would be required to start to indicate impairment.

Sensitivity analysis has been performed in respect of the key assumptions above with no impairment identified from the sensitivities performed.

### 13. Inventories

	2022 £000	2021 £000
Raw materials and consumables	1,865	1,778

The cost of inventories recognised as an expense and included in cost of sales during the year is disclosed in Note 5. The impairment loss recognised as an expense during the year is disclosed in Note 5.

### 14. Trade and other receivables

	2022 £000	2021 £000
Trade receivables (Note 24(a))	16,494	14,212
Prepayments	1,397	1,684
Accrued income	1,565	1,328
	19,456	17,224

The Directors consider that the carrying amount of trade receivables and accrued income approximates to fair value.

Information about the Group's exposure to credit and market risks, and impairment losses for trade receivables is included in Note 24.

### 15. Cash and cash equivalents

	2022 £000	2021 £000
Cash at bank	9,031	4,842
Cash in hand	6	15
Cash and cash equivalents	9,037	4,857

Cash at bank earns interest at floating rates based on daily bank overnight deposit rates. The Directors consider that the carrying amount of cash and cash equivalents equates to fair value.

Foreign currency denominated balances within Group cash and cash equivalents amount to:

	2022 £000	2021 £000
US dollar denominated balances	1,819	1,581
Singapore dollar denominated balances	982	864
Canadian dollar denominated balances	170	150
AED denominated balances	319	133
Norwegian krone denominated balances	127	–
	3,417	2,728

All other balances are denominated in sterling.

## 16. Trade and other payables

	2022 £000	2021 £000
Trade payables	5,896	3,349
Accruals	13,137	5,682
Amounts due to related parties (Note 25)	101	384
	<b>19,134</b>	<b>9,415</b>

The Directors consider that the carrying amount of trade and other payables equates to fair value. The amounts due to related parties bear no interest and are due on demand.

The Group's exposure to currency and liquidity risks is included in Note 24.

## 17. Loans and borrowings

	2022 £000	2021 £000
<b>Non-current</b>		
Bank loans (held at amortised cost)	34,865	24,425
	<b>34,865</b>	<b>24,425</b>

At 31 December 2022 the bank loans comprise a revolving credit facility of £35,438,000 (2021: £24,953,000) which carried interest at SONIA plus 2.2%. The lenders are HSBC Bank plc and Clydesdale Bank plc. The Facility Agreement is subject to a leverage covenant of 2.5x and an interest cover covenant of 4:1. The total commitments are £60,000,000 (2021: £40,000,000) for the RCF and an additional £nil (2021: £20,000,000) accordion facility. As at 31 December 2022 the RCF had an undrawn balance of £24,562,000 (2021: £15,047,000) and the accordion facility was fully drawn (2021: £20,000,000 undrawn). A non-utilisation fee of 0.88% is charged on the non-utilised element of the RCF facility. During 2022 the revolving credit facility was extended by 12 months and is fully repayable by November 2025.

On 5 April 2023 the revolving credit facility was increased from £60,000,000 to £100,000,000 and the accordion facility was increased from £nil to £50,000,000, and is fully repayable by April 2027 with an option to extend the facilities by 1 year. The accordion facility is subject to credit approval. The terms of the facilities are substantially the same terms with ABN AMRO Bank N.V. and Citibank N.A. joining HSBC UK Bank plc and Clydesdale Bank plc as lenders.

Certain companies within the Group joined in cross guarantees with respect to bank loans totalling £35,438,000 (2021: £24,953,000) advanced to Ashtead Technology Limited and Ashtead Technology Offshore Inc. The lenders have a floating charge over certain assets of the Group.

Bank loans are repayable as follows:

	2022 £000	2021 £000
Within one year	–	–
Within one to two years	–	–
Within two to three years	35,438	24,953
	<b>35,438</b>	<b>24,953</b>
Deferred finance costs	(573)	(528)
	<b>34,865</b>	<b>24,425</b>

During the year drawdowns totalling £31,000,000 (2021: £25,107,000) and repayments totalling £21,727,000 (2021: £44,121,000) were made from/to the RCF.

The weighted average interest rates on floating rate instruments during the year was as follows:

	2022	2021
Weighted average interest rates	4.36%	5.54%

The Group's exposure to interest rate, foreign currency and liquidity risks is included in Note 24.

## 18. Financing liabilities reconciliation

	1 January 2021 £000	Cash flows £000	Interest paid £000	Other non- cash changes £000	Changes in exchange rates £000	31 December 2021 £000
Cash at bank and in hand	10,958	(6,326)	–	–	225	4,857
Bank loans	(43,008)	19,928	–	(1,222)	(123)	(24,425)
Related party loan notes	(1,121)	830	–	291	–	–
Lease liabilities	(3,052)	1,012	151	(919)	(326)	(3,134)
Net debt	(36,223)	15,444	151	(1,850)	(224)	(22,702)

The non-cash movement relates to amortisation of deferred finance costs, accrual of finance costs on related party loan notes and lease liability, and addition of new leases during the year.

	1 January 2022 £000	Cash flows £000	Acquisitions £000	Interest paid £000	Other non- cash changes £000	Changes in exchange rates £000	31 December 2022 £000
Cash at bank and in hand	4,857	(3,918)	7,938	–	–	160	9,037
Bank loans	(24,425)	(9,045)	–	–	(182)	(1,213)	(34,865)
Lease liabilities	(3,134)	1,064	–	138	(571)	(353)	(2,856)
Net debt	(22,702)	(11,899)	7,938	138	(753)	(1,406)	(28,684)

The non-cash movement relates to the amortisation of deferred finance costs, accrual of finance costs on lease liability and the addition of new leases during the year.

## 19. Leases

### Leases as lessee

The Group leases warehouses, offices, and other facilities in different locations (UK, UAE, Singapore, Canada, USA). The lease term ranges from 2 to 15 years with an option to renew available for some of the leases. Lease payments are renegotiated every 3-5 years to reflect market terms. The Group has elected not to recognise right-of-use assets and lease liabilities for leases that are short-term and/or of low-value items. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Further information about leases is presented below:

#### a) Amounts recognised in consolidated balance sheet

Right-of-use assets	£000	
Balance at 1 January 2021	2,816	
Additions to right-of-use assets	940	
Depreciation charge for the year	(835)	
Effects of movements in exchange rates	2	
Balance at 31 December 2021	2,923	
Additions to right-of-use assets	571	
Depreciation charge for the year	(930)	
Effects of movements in exchange rates	67	
Balance at 31 December 2022	2,631	
	2022	2021
	£000	£000
Lease liabilities:		
Current	865	783
Non-current	1,991	2,351
Total lease liabilities	2,856	3,134

Refer to Note 24(b) for more information on maturity analysis of lease liabilities.

### Leases as lessee continued

#### b) Amounts recognised in the income statement

	2022	2021
	£000	£000
Depreciation charge	930	835
Interest expense on lease liability	138	151
Expenses relating to short-term leases	172	165
Total amount recognised in the income statement	1,240	1,151

#### c) Amounts recognised in the cash flow statement

	2022	2021
	£000	£000
Total cash payments for leases	1,202	1,163

### Leases as a lessor

The Group leases out equipment to its customers. The lease period is short-term which ranges from weeks to a few months. All leases are classified as operating leases from a lessor perspective, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the equipment.

The Group as a lessor recognises lease payments received from operating leases as income on a straight-line basis. Increases (or decreases) in rental payments over a period of time, other than variable lease payments, are reflected in the determination of the lease income, which is recognised on a straight-line basis (refer to Note 4).

## 20. Provisions for liabilities

	Other
	£000
At 1 January 2021	134
Charge for the year	28
Paid during the year	(56)
Movement in foreign exchange	2
At 31 December 2021	108
Charge for the year	30
Paid during the year	(34)
Movement in foreign exchange	13
At 31 December 2022	117

### End of service benefits

The provision relates to end of service benefits for certain employees. The actual amount payable is dependent on the length of service of the impacted employees when their employment ceases and their salary at that time. The provision is calculated on the impacted employees' length of service and salary at the balance sheet date.

## 21. Capital commitments

	2022	2021
	£000	£000
Capital expenditure contracted for but not provided	1,184	2,825

## 22. Employee benefits

### Share based payments

The IPO LTIP awards were granted on 5 September 2022 and comprise three equal tranches, with the first tranche vesting on the publication of the annual report for the year ended 31 December 2022, the second tranche vesting on the publication of the annual report for the year ended 31 December 2023 and the third tranche vesting on the publication of the annual report for the year ended 31 December 2024. Eligible senior managers from various Group companies are eligible for nil cost share option awards with Ashtead Technology Holdings plc granting the awards and the awards will be equity settled with ordinary shares in Ashtead Technology Holdings plc. The share awards vesting is subject to the achievement of Adjusted EPS and that for participants to remain employed by the Group over the vesting period.



The outstanding number of awards at 31 December 2022 is 1,097,071 (2021: nil).

Share based payments	Tranche 1	Tranche 2	Tranche 3
Valuation model	Black-Scholes	Black-Scholes	Black-Scholes
Weighted average share price (pence)	260.5	260.5	260.5
Exercise price (pence)	0	0	0
Expected dividend yield	0.76%	0.81%	0.85%
Expected volatility	41.93%	41.93%	41.93%
Risk-free interest rate	2.79%	3.14%	3.04%
Expected term (years)	0.67	1.67	2.67
Weighted average fair value (pence)	259.2	257.0	254.7
Attrition	5%	5%	5%
Weighted average remaining contractual life (years)	9.67	9.67	9.67

The expected volatility has been calculated using the Group's historical market data history since IPO in 2021.

Share based payments	Number of shares	Weighted average exercise price (£)
Outstanding at beginning of the year	–	–
Granted	1,097,071	–
Exercised	–	–
Forfeited	–	–
Outstanding at the end of the year	1,097,071	–
Exercisable at the end of the year	–	–

Share-based payments expense recognised in the consolidated income statement for 31 December 2022 total £825,000 (2021: £nil).

#### Defined contribution scheme

The Group operates defined contribution retirement benefit schemes for all qualifying employees. The total expense charged to the income statement in the year ended 31 December 2022 was £510,000 (2021: £423,000). There was a balance outstanding of £134,000 in relation to pension liabilities at 31 December 2022 (2021: £59,000).

### 23. Share capital and reserves

The Group considers its capital to comprise its invested capital, called up share capital, merger reserve, retained earnings and foreign exchange translation reserve. Quantitative detail is shown in the consolidated statement of changes in equity. The Directors' objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for the shareholders and benefits for other stakeholders.

#### Called up share capital

	31 December 2022		31 December 2021	
Allotted, called up and fully paid	No.	£000	No.	£000
Ordinary shares of £0.05 each	79,582,000	3,979	79,582,000	3,979
		3,979		3,979

Ordinary share capital represents the number of shares in issue at their nominal value. The holders of Ordinary Shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

#### Share premium

Share premium represents the amount over the par value which was received by the Group upon the sale of the Ordinary Shares. Share premium is stated net of direct costs of £929,000 relating to the issue of the shares in 2021 on IPO.

#### Merger reserve

The merger reserve was created as a result of the share for share exchange under which Ashtead Technology Holdings plc became the parent undertaking prior to the IPO. Under merger accounting principles, the assets and liabilities of the subsidiaries were consolidated at book value in the Group financial statements and the consolidated reserves of the Group were adjusted to reflect the statutory share capital, share premium and other reserves of the Company as if it had always existed, with the difference presented as the merger reserve.

#### Share based payment reserve

The share based payment reserve is built up of charges in relation to equity settled share based payment arrangements which have been recognised within the consolidated income statement.

#### Foreign currency translation reserve

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for each month where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve, within invested capital. When a foreign operation is disposed of, such that control, joint control or significant influence (as the case may be) is lost, the entire accumulated amount in the foreign currency translation reserve is recycled to the income statement as part of the gain or loss on disposal.

#### Retained earnings

The movement in retained earnings is as set out in the Consolidated Statement of Changes in Equity. Retained earnings represent cumulative profits or losses, net of dividends and other adjustments.

### 24. Financial instruments

#### Financial risk management

##### Risk management framework

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group has exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk

**a) Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. The Group has no significant concentration of credit risk, with exposure spread over a large number of customers.

The credit risk on liquid funds held with HSBC, Bank of Montreal and The Royal Bank of Scotland is considered to be low. The long-term credit rating for HSBC is AA-/A+ per Fitch/Standard & Poor's. The long-term credit rating for Bank of Montreal is AA/A+ per Fitch/Standard & Poor's. The long-term credit rating for The Royal Bank of Scotland is A+/A per Fitch/Standard & Poor's.

The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, if they are available, financial statements, credit agency information, industry information and in some cases bank references. Sale limits are established for each customer and reviewed quarterly. Any sales exceeding those limits require approval from management.

**Trade receivables**

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on a credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and action is taken through an escalation process in relation to slow or non-payment of invoices. The Group has no significant concentration of credit risk, with exposure spread over a large number of customers.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to ongoing enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 14. The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as low, as exposure is spread over a large number of customers.

The Group has used a practical expedient by computing the expected credit loss allowance for trade receivables based on a provision matrix. The provision percentage is determined for each subsidiary independently.

	2022 £000	2021 £000
Current (not past due)	6,955	4,698
Past due 0-90 days	9,738	8,934
Past due 91-180 days	427	1,459
Past due 181-270 days	153	484
Past due 271-365 days	625	51
More than 365 days	1,514	410
	19,412	16,036

**Movements in the allowance for impairment in respect of trade receivables**

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	£000
<b>Movement in provision for doubtful debts</b>	
Balance at 1 January 2021	(1,279)
Increase in allowance recognised in profit or loss during the year	(545)
<b>At 31 December 2021</b>	(1,824)
Increase in allowance recognised in profit or loss during the year	(810)
Trade receivables written off during the year as uncollectible	(284)
<b>At 31 December 2022</b>	(2,918)

**Cash and cash equivalents**

The Group held cash and cash equivalents and other bank balances of £9,037,000 at 31 December 2022 (2021: £4,857,000). The cash and cash equivalents are held with the HSBC Bank plc, Bank of Montreal and The Royal Bank of Scotland plc.

**b) Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's objective when managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group utilises both long and short-term borrowing facilities.

Cash flow forecasting is performed centrally with rolling forecasts of the Group's liquidity requirements regularly monitored to ensure it has sufficient cash to meet operational needs. The Group's revenue model results in a strong level of cash conversion allowing it to service working capital requirements.

The Group has access to a multicurrency RCF facility which has total commitments of £60,000,000 at 31 December 2022, which was increased on 5 April 2023 to a multicurrency RCF facility of £100,000,000 plus an accordion facility of £50,000,000. As at 31 December 2022 the RCF had an undrawn balance of £24,562,000.

**Maturities of financial liabilities**

The table below analyses the Group's financial liabilities into relevant maturity groupings based on their contractual maturities:

	Contractual cash flows					
	Carrying total £000	Total £000	Within one year £000	Between one to two years £000	Between two to five years £000	More than five years £000
<b>As at 31 December 2021</b>						
<b>Non-derivative financial liabilities</b>						
Bank loans	24,425	24,953	–	–	24,953	–
Trade and other payables	9,415	9,415	9,415	–	–	–
Lease liabilities	3,134	3,672	966	767	1,577	362
	36,974	38,040	10,381	767	26,530	362
	Contractual cash flows					
	Carrying		Within one	Between one to two	Between two to five	

As at 31 December 2022	total £000	Total £000	year £000	years £000	years £000	five years £000
<b>Non-derivative financial liabilities</b>						
Bank loans	34,865	35,438	–	–	35,438	–
Trade and other payables	19,134	19,134	19,134	–	–	–
Lease liabilities	2,856	3,031	955	722	1,290	64
	56,855	57,603	20,089	722	36,728	64

Based on the RCF balance and the interest rate prevailing at 31 December 2022, the outstanding balance would attract interest at £2,307,000 per annum until repaid.

#### c) Market risk

Market risk is the risk that changes in market prices - such as foreign exchange rates, interest rates and equity prices - will affect the Group's income or the value of its holdings of financial instruments. The Group's exposure to market risk is primarily related to currency risk and interest rate risk.

#### Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's activities expose it primarily to the financial risks of movements in foreign currency exchange rates. The Group monitors net currency exposures and hedges as necessary.

The individual Group entities do not have significant financial assets and liabilities denominated in currencies other than their functional currency (2021: insignificant) and immaterial impact from the sensitivity analysis, therefore disclosures relating regarding exposure to foreign currencies and sensitivity analysis have not been included.

#### Interest rate risk

Interest rate risk can be either fair value interest rate risk or cash flow interest rate risk. Fair value interest rate risk is the risk of changes in fair values of fixed interest-bearing investments and loans. Cash flow interest rate risk is the risk that the future cash flows of floating interest-bearing investments and loans will fluctuate because of fluctuations in the interest rates.

The Group is exposed to interest rate movements on its external bank borrowing. Based on average loans and borrowings an increase/(decrease) of 1.00% in effective interest rates would increase/(decrease) the interest charged to the income statement by £354,000 (2021: £248,000).

#### d) Capital risk management

The Group's objectives when managing capital (defined as net debt plus equity) are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefits for other stakeholders, while optimising returns to shareholders through an appropriate balance of debt and equity funding. The Group manages its capital structure and makes adjustments to it with respect to changes in economic conditions and strategic objectives.

As at 31 December 2022, the Group had gross borrowings of £35,438,000 through its RCF and a cash and cash equivalents balance of £9,037,000. Currently interest is payable on the RCF at a rate of SONIA plus 2.2%. The Group remains in compliance with its banking covenants.

## 25. Related parties

Note 26 provides information about the entities included in the consolidated financial statements as well as the Group's structure, including details of the subsidiaries and the holding company.

#### Key managerial personnel:

Allan Pirie  
Ingrid Stewart  
Bill Shannon  
Joe Connolly  
Tony Durrant  
Thomas Thomsen

Directors' interests in the Ordinary Shares of the Group are included in the Directors' Report on page 36.

#### Entity with significant influence over the Group:

There are no entities with significant influence over the Group.

During 2021 the following entities had significant influence over the Group:

BP INV2 Holdco Limited  
BP INV2 Newco Limited  
BP INV2B Bidco Limited

#### A. Transactions during the period with related parties:

	2022 £000	2021 £000
<b>Dividend expense*</b>		
BP INV2 Newco Limited	–	476
BP INV2B Bidco Limited	–	820
<b>Interest expense</b>		
BP INV2B Bidco Limited	–	71
<b>Compensation to key management personnel</b>		
Emoluments	1,062	838
Share based payment charges	491	–

\* The dividend expense related to the pre-IPO group restructure.

Full details of the Directors' remuneration and interests are set out in the Remuneration Committee Report on pages 34 to 35.

#### B. Outstanding balances with related parties as at year end:

	2022 £000	2021 £000
<b>Payables to:</b>		
BP INV2B Bidco Limited	(101)	(362)
BP INV2 Holdco Limited	–	(20)
BP INV2 Newco Limited	–	(2)
	(101)	(384)

## 26. Group structure

A full list of subsidiary undertakings of Ashtead Technology Holdings plc as defined by IFRS as at 31 December 2022 is disclosed below.

Name of the Group company	Country of incorporation	Equity interest at	
		2022	2021
BP INV2 Pledgeco Limited <sup>(1)</sup>	England & Wales	100%	100%
Ashtead US Pledgeco Inc <sup>(4)</sup>	USA	100%	100%
Amazon Acquisitions Limited <sup>*(1)</sup>	England & Wales	100%	100%
Ashtead Technology (South East Asia) PTE Limited <sup>*(2)</sup>	Singapore	100%	100%
Ashtead Technology Limited <sup>*(3)</sup>	Scotland	100%	100%
TES Survey Equipment Services LLC <sup>*(5)</sup>	UAE	100%	100%
Ashtead Technology Offshore Inc <sup>*(4)</sup>	USA	100%	100%
Welaptega Marine Limited <sup>*(6)</sup>	Canada	100%	100%
Aqua-Tech Solutions LLC <sup>*(4)^^</sup>	USA	100%	100%
Alpha Subsea LLC <sup>*(4)^^</sup>	USA	100%	100%
Underwater Cutting Solutions Ltd <sup>*(1)</sup>	England & Wales	100%	100%
WeSubsea AS <sup>*(7) ^</sup>	Norway	100%	-
WeSubsea UK Limited <sup>*(3)^</sup>	Scotland	100%	-
Hiretech Limited <sup>*(3)^^</sup>	Scotland	100%	-

\* Shares held by a subsidiary undertaking.

- (1) The registered address of the subsidiary is 1 Gateshead Close, Sunderland Road, Sandy, Bedfordshire, SG19 1RS, United Kingdom.
- (2) The registered address of the subsidiary is 80 Raffles Place, #32-01 UOB Plaza 1, Singapore, 048624.
- (3) The registered address of the subsidiary is Ashtead House, Discovery Drive, Arnhall Business Park, Westhill, AB32 6FG, United Kingdom.
- (4) The registered address of the subsidiary is 2711 Centerville Road, Suite 400, Wilmington, Delaware, 19808, USA.
- (5) The registered address of the subsidiary is Warehouse B301, Plot M29, ICAD III, Musaffah, Abu Dhabi, UAE.
- (6) The registered address of the subsidiary is 238 Brownlow Avenue, Unit 103, Dartmouth, Nova Scotia, B3B 1Y2, Canada.
- (7) The registered address of the subsidiary is Bryggegate 6, 0250 Oslo, Norway.

<sup>^</sup> On 27 September 2022, the Group acquired 100% of the issued share capital of WeSubsea AS and its subsidiary WeSubsea UK Limited, companies whose primary activity is the provision of subsea dredges and ancillary equipment rental to the offshore energy industry.

<sup>^^</sup> On 5 December 2022, the Group acquired 100% of the issued share capital of Hiretech Limited, a company whose primary activity is the provision of equipment rental and solutions to the offshore energy industry.

<sup>^^^</sup> On 10 March 2023, Alpha Subsea LLC was merged into Aqua-Tech Solutions LLC and thereafter Aqua-Tech Solutions LLC was merged into Ashtead Technology Offshore Inc.

## 27. Business Combinations

### A. Acquisition of WeSubsea AS

On 27 September 2022, the Group acquired 100% of the issued share capital of WeSubsea AS and its subsidiary WeSubsea UK Limited, companies whose primary activity is the provision of subsea dredges and ancillary equipment rental to the offshore energy industry.

The acquisition has been accounted for under the acquisition method. The following tables sets out the book values of the separately identifiable assets and liabilities acquired and their fair value to the Group:

	Book value £000	Revaluation £000	Other adjustments £000	Fair value to the Group £000
<b>Fixed assets</b>				
Property, plant and equipment	800	-	-	800
Intangible assets	-	926	-	926
<b>Current assets</b>				
Inventories	10	-	-	10
Trade and other receivables	791	-	-	791
Cash	959	-	-	959
<b>Total assets</b>	<b>2,560</b>	<b>926</b>	<b>-</b>	<b>3,486</b>
Trade and other payables	278	-	-	278
Income tax payable	298	-	-	298
Deferred tax liability	41	195	-	236
<b>Total liabilities</b>	<b>617</b>	<b>195</b>	<b>-</b>	<b>812</b>
<b>Net assets</b>	<b>1,943</b>	<b>731</b>	<b>-</b>	<b>2,674</b>
Goodwill				3,982
				<b>6,656</b>

Satisfied by:  
Cash

6,656

Cash	8,888
	<b>6,656</b>

The Group incurred acquisition-related expenditure of £386,000 on legal fees and due diligence costs. These costs have been expensed to the Consolidated Income Statement and included in 'Administrative expenses'.

In the year ended 31 December 2022, revenue of £143,000 and operating profit of £107,000 was included in the Consolidated Income Statement in respect of WeSubsea AS and WeSubsea UK Limited. If the acquisition had occurred on 1 January 2022, management estimates that the consolidated revenue would have been £75,092,000 and the consolidated operating profit for the year would have been £19,705,000. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2022.

The goodwill reflects the significant opportunity for future growth in integrating WeSubsea, utilising their in-house technical knowledge in renting subsea dredges and ancillary equipment to both new and existing customers of Ashtead Technology, and increasing cross selling opportunities across all of our businesses. In addition, this is an opportunity to increase WeSubsea's international presence and exposure through Ashtead Technology's existing international network.

The wider synergies for the Group will be created by broadening our rental fleet, investing further in our people, and increasing our service offering to our customers with a resultant broadening in customer relationships and increased retention.

#### **B. Acquisition of Hiretech Limited**

On 5 December 2022, the Group acquired 100% of the issued share capital of Hiretech Limited, a company whose primary activity is the provision of equipment rental and solutions to the offshore energy industry.

The acquisition has been accounted for under the acquisition method. The following tables sets out the book values of the separately identifiable assets and liabilities acquired and their fair value to the Group:

	Book value £000	Revaluation £000	Other adjustments £000	Fair value to the Group £000
<b>Fixed assets</b>				
Property, plant and equipment	4,519	(732)	-	3,787
Intangible assets	-	3,762	-	3,762
<b>Current assets</b>				
Inventories	395	(132)	-	263
Trade and other receivables	2,002	-	-	2,002
Cash	6,980	-	-	6,980
<b>Total assets</b>	<b>13,896</b>	<b>2,898</b>	-	<b>16,794</b>
Trade and other payables	1,427	-	-	1,427
Income tax payable	640	-	-	640
Deferred tax liability	651	739	-	1,390
<b>Total liabilities</b>	<b>2,718</b>	<b>739</b>	-	<b>3,457</b>
<b>Net assets</b>	<b>11,178</b>	<b>2,159</b>	-	<b>13,337</b>
Goodwill				12,870
				<b>26,207</b>
Satisfied by:				
Cash*				26,207
				<b>26,207</b>

\* Of the total cash consideration of £26,207,000, £25,281,000 was paid in 2022 and £926,000 was paid in 2023.

The Group incurred acquisition-related expenditure of £401,000 on legal fees and due diligence costs. These costs have been expensed to the Consolidated Income Statement and included in 'Administrative expenses'.

In the year ended 31 December 2022, revenue of £519,000 and operating profit of £500,000 was included in the Consolidated Income Statement in respect of Hiretech Limited. If the acquisition had occurred on 1 January 2022, management estimates that the consolidated revenue would have been £78,955,000 and the consolidated operating profit for the year would have been £21,741,000. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2022.

The fair value of the acquired trade and other payables includes an accrual of £748,000 which is provisional pending clarification of the tax treatment of certain matters.

The goodwill reflects the significant opportunity for future growth in integrating Hiretech, increasing rental equipment and solutions to both new and existing customers through utilising Hiretech's in-house technical knowledge and increasing

relations to both new and existing customers through enhancing interaction in-house technical knowledge, and increasing cross selling opportunities to our combined customer base. In addition, there is an opportunity to increase Hiretech's international presence and exposure through Ashtead Technology's existing international network. The wider synergies for the Group will be achieved by broadening the rental fleet, investing further in our people, and increasing our service offering which will broaden our customer relationships and increase customer retention.

## 28. Reconciliation of Non-IFRS Profit Metrics

### Reconciliation of Adjusted EBITDA

For the year ended 31 December

	Notes	2022 £000	2021 £000
<b>Adjusted EBITDA</b>		<b>28,555</b>	22,437
Cost associated with IPO		-	(3,332)
Cost associated with M&A	27	(787)	-
Restructuring costs		(28)	(1,314)
One-off bad debts & debt collection costs		-	(39)
One-off inventory adjustment		-	205
One-off asset disposal		-	130
Other exceptional costs		(36)	(35)
<b>Operating profit before depreciation, amortisation and foreign exchange loss</b>		<b>27,704</b>	18,052
Depreciation on property, plant and equipment	11	(7,501)	(7,878)
Depreciation on right-of-use asset	19	(930)	(835)
<b>Operating profit before amortisation and foreign exchange loss</b>		<b>19,273</b>	9,339
Amortisation of intangible assets	12	(1,202)	(1,516)
Foreign exchange loss	5	(3)	(215)
<b>Operating profit</b>		<b>18,068</b>	7,608

### Reconciliation of Adjusted EBITA

For the year ended 31 December

	Notes	2022 £000	2021 £000
<b>Adjusted EBITA</b>		<b>20,124</b>	13,724
Cost associated with IPO		-	(3,332)
Cost associated with M&A	27	(787)	-
Restructuring costs		(28)	(1,314)
One-off bad debts & debt collection costs		-	(39)
One-off inventory adjustment		-	205
One-off asset disposal		-	130
Other exceptional costs		(36)	(35)
Amortisation of intangible assets	12	(1,202)	(1,516)
Foreign exchange loss	5	(3)	(215)
<b>Operating profit</b>		<b>18,068</b>	7,608

### Reconciliation of Adjusted Profit After Tax

For the year ended 31 December

	Notes	2022 £000	2021 £000
<b>Adjusted Profit After Tax</b>		<b>15,619</b>	9,385
Cost associated with IPO		-	(3,332)
Cost associated with M&A	27	(787)	-
Restructuring costs		(28)	(1,314)
One-off bad debts & debt collection costs		-	(39)
One-off inventory adjustment		-	205
One-off asset disposal		-	130
One-off hedge reserve movement		-	(313)
Loan repayment fees		-	(100)
Deferred finance cost write off		-	(704)
Other exceptional costs		(36)	(35)
Foreign exchange loss	5	(3)	(215)
Amortisation of intangible assets	12	(1,202)	(1,516)
Tax impact of the adjustments above		12	377
Deferred tax arising from temporary timing differences on intangible assets		(910)	-
<b>Profit for the financial year</b>		<b>12,665</b>	2,529

Adjusted Profit After Tax is used to calculate the Adjusted basic earnings per share and Adjusted diluted earnings per share in Note 9. A reconciliation of adjusted profit before tax is included in the CFO report on page 19.

Throughout the annual report we use a range of financial and non-financial measures to assess our performance. A number of the financial measures including Adjusted EBITDA, Adjusted EBITA, Adjusted Profit After Tax and Adjusted EPS are not defined under IFRS, so they are considered alternative performance measures ("APMs").

Management uses these measures to monitor the Group's financial performance alongside IFRS measures because they help illustrate the underlying financial performance and position of the Group. We have explained the purpose of each of these measures throughout the strategic report and included definitions on page 86. Management uses APMs as they measure business performance in a more consistent way.

These APM's should be considered in addition to, and not as a substitute for, or as superior to, measures of financial performance, financial position of cash flows reported in accordance with IFRS. APM's are not uniformly defined by all companies, including those in the Group's industry. Accordingly, APM's may not be comparable with similarly titled measures and disclosures by other companies.

## 29. Subsequent events

On 13 March 2023, the Company issued 365,919 newly authorised shares at a subscription price of £0.05 (being nominal value) to the EBT in anticipation of the vesting of the first tranche of IPO LTIP share options. The shares are held by the EBT on the behalf of certain option holders and are non-voting until each of the option holders choose to exercise their options at which point they will be transferred to the option holder and become voting shares. As of 31 March 2023 the Company has 79,947,919 shares in issue representing a nominal value of £3,997,396.

On 5 April 2023 the revolving credit facility was increased from £60,000,000 to £100,000,000 and the accordion facility was increased from £nil to £50,000,000, and is fully repayable by April 2027 with an option to extend the facilities by 1 year. The terms of the facilities are substantially the same terms with ABN AMRO Bank N.V. and Citibank N.A. joining HSBC UK Bank plc and Clydesdale Bank plc as lenders.

On 10 March 2023, Alpha Subsea LLC was merged into Aqua-Tech Solutions LLC and thereafter Aqua-Tech Solutions LLC was merged into Ashtead Technology Offshore Inc.

On 10 February 2023, the name of Welaptega Marine Limited was changed to Ashtead Technology (Canada) Limited.

## Company Information

### Directors

W M F C Shannon  
A W Pirie  
I Stewart  
J A Connolly  
A R C Durrant  
T Hamborg-Thomsen

### Company Secretary

I Stewart

### Auditor

**BDO LLP**  
Statutory Auditor  
4 Atlantic Quay  
70 York Street  
Glasgow G2 8JX

### Bankers

**HSBC Bank plc**  
95-99 Union Street  
Aberdeen AB11 6BD

**Clydesdale Bank plc**  
1 Queen's Cross  
Aberdeen AB15 4XU

### Solicitors

**White & Case LLP**  
5 Old Broad Street  
London EC2N 1DW

### Corporate broker

**Numis Securities Ltd**  
45 Gresham Street  
London EC2V 7BF

### Registrar

**Computershare Limited**  
The Pavilions  
Bridgwater Road  
Bristol BS13 8AE

### Registered Office

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Registered number: 13424040

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