RNS Number : 2560L
Ashtead Technology Holdings plc
04 September 2023

4 September 2023

Ashtead Technology Holdings plc

("Ashtead Technology" or the "Group")

Unaudited Half Year Results for the Six-Months Ended 30 June 2023

Strong start to the year with positive outlook

Ashtead Technology Holdings plc (AIM: AT.), a leading subsea equipment rental and solutions provider for the global offshore energy sector, announces its unaudited results for the six months ended 30 June 2023 ("HY23" or "the period").

Financial Performance (£'m)

	HY23	**HY22**	**% Movement**
Revenue	49.8	31.7	57.1%
Gross profit	39.3	23.3	68.7%
Gross profit %	78.8%	73.4%	540bps
Adjusted EBITDA[1]	21.3	12.3	73.7%
Adjusted EBITDA %	42.7%	38.6%	410bps
Adjusted EBITA[2]	15.7	8.2	91.5%
Adjusted EBITA %	31.4%	25.8%	560bps
Adjusted profit before tax[3]	14.3	7.6	87.9%
Adjusted basic earnings per share	14.2p	8.3p	71.1%
Return on Invested Capital (ROIC)[4]	25.5%	19.1%	640bps
Leverage[5]	0.7	0.9	

Additional Statutory Accounting Measures (£'m)

	HY23	**HY22**	**% Movement**
Operating profit	15.1	7.5	102.4%
Profit before tax	13.2	6.9	91.8%
Basic earnings per share	13.1p	7.4p	77.0%

- Strong year-on-year increase in revenue (57.1%) driven by continued high demand across both offshore renewables and offshore oil and gas
    - Offshore renewables revenue increased by 74.1% to £16.3m (HY22: £9.4m)
    - Offshore oil and gas revenue increased by 50.0% to £33.5m (HY22: £22.3m)
- Organic growth of 40.5%, with M&A contributing 13.9% and 2.7% from favourable FX
- Gross Profit margin increased to 78.8% (HY22: 73.4%) reflecting a higher proportion of growth coming from equipment rental, higher utilisation and increased pricing
- Adjusted EBITA increased by 91.5% to £15.7m (HY22: £8.2m) with an adjusted EBITA margin of 31.4% (HY22: 25.8%) driven by top line growth and operational leverage
- Adjusted basic earnings per share of 14.2p (HY22: 8.3p) and basic earnings per share of 13.1p (HY22: 7.4p)

- ROIC of 25.5% increased from 19.1% in HY22
- Net debt of £26.4m (HY22: £21.2m) with leverage reducing to 0.7x from 1.0x at year end due to cash generation and growth in LTM EBITDA

Operational Highlights and Outlook

- WeSubsea and Hiretech acquisitions both integrated and demonstrating strong momentum with growth in revenues and profits.
- Year to date investment of £8m in capital expenditure (HY22: £7.8m) with full year forecast of £20m, having raised capex earlier in the year. We remain focused on expanding our capabilities and international reach and are investing in expanding our fleet to take advantage of structural growth opportunities
- Breadth, depth and reliability of the Ashtead Technology fleet, the largest independent fleet in the market, continuing to provide a competitive advantage
- Continuing to see high levels of quoting activity with value of quotes in HY23 up >50% compared to HY22
- Employee headcount at 30 June 2023 of 289, 11% higher than December 2022, with recruitment focused on expanding on our sales and technical capacity for continued growth
- Continuing to review M&A opportunities to complement organic growth and consolidate a highly fragmented market
- The Board is very encouraged by the Group's performance in HY23 and expects FY23 to be comfortably ahead of its previous expectations

Allan Pirie, Chief Executive Officer, said:

"I am extremely pleased to announce our strongest ever set of interim results. We have continued to see positive momentum through the first half of 2023 with the Group benefiting from our strategic investment in people and equipment, together with further increases to both utilisation and pricing. Our recent acquisitions of Hiretech and WeSubsea have performed ahead of our expectations and we are benefitting from our increased breadth of capabilities.

Market fundamentals remain strong and we continue to expand our offering whilst growing within our existing markets. Given the unseasonal strength of the final quarter of FY22 we expect year-on-year growth to moderate in the second half. Our HY23 results and positive end market dynamics give the Board increased confidence in the outlook for the business and we expect FY23 outturn to be comfortably ahead of our previous expectations."

For further information, please contact:

Ashtead Technology Allan Pirie, Chief Executive Officer Ingrid Stewart, Chief Financial Officer	(Via Vigo Consulting)
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[1] Adjusted EBITDA is defined as operating profit adjusted to add back depreciation, amortisation, foreign exchange movements and non-trading items as shown in Note 18 of the HY23 accounts

[2] Adjusted EBITA is defined as operating profit adjusted to add back amortisation, foreign exchange movements and non-trading items as shown in Note 18 of the HY23 accounts

[3] Adjusted profit before tax is defined as profit before tax adjusted to add back amortisation, foreign exchange movements and non-trading items as shown in Note 18 of the HY23 accounts

[4] Return on Invested Capital (ROIC) is defined as LTM[6] Adjusted EBITA divided by Invested Capital. Invested capital is defined as average net debt plus average equity

[5] Leverage is defined as net debt divided by LTM Adjusted EBITDA

[6] LTM is defined as latest twelve months to 30 June 2023

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.

Cautionary Statement

This announcement contains certain forward-looking statements, including with respect to the Group's current targets, expectations and projections about future performance, anticipated events or trends and other matters that are not historical facts. These forward-looking statements, which sometimes use words such as "aim", "anticipate", "believe", "intend", "plan", "estimate", "expect" and words of similar meaning, include all matters that are not historical facts and reflect the directors' beliefs and expectations, made in good faith and based on the information available to them at the time of the announcement. Such statements involve a number of risks, uncertainties and assumptions that could cause actual results and performance to differ materially from any expected future results or performance expressed or implied by the forward-looking statement and should be treated with caution. Any forward-looking statements made in this announcement by or on behalf of Ashtead Technology speak only as of the date they are made. Except as required by applicable law or regulation, Ashtead Technology expressly disclaims any obligation or undertaking to publish any updates or revisions to any forward-looking statements contained in this announcement to reflect any changes in its expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based.

This announcement contains inside information as defined in Article 7 of the retained EU law version of the Market Abuse Regulation No 596/2014 ("UK MAR") and has been announced in accordance with the Company's obligations under Article 17 of UK MAR. Upon publication of this announcement, this information is now considered in the public domain.

CEO STATEMENT

We have seen continued positive momentum in the business through the first half of 2023 and I am pleased to present our half year results which demonstrate significant growth on HY22. As we near the second anniversary of our IPO in November 2021, I am delighted with the progress the business has made against its strategic goals, as we continue to grow and go from strength to strength.

Strong market dynamics, investment in both organic and inorganic growth, and increased cost utilisation and pricing have resulted in a strong financial performance in HY23 with revenue growth of 57.1% on the prior year, delivering EBITA margins of 31.4% (HY22: 25.8%) and ROIC of 25.5% (HY22: 19.1%). Market dynamics remain strong with long term structural growth across our key end markets. Rystad Energy predict a 22% increase in addressable market in 2023 with a CAGR of 12% 2022 through to 2025. We have seen an increase in quoting activity of over 50% compared to HY22 and our customers continue to report increases in backlog which gives us confidence through the remainder of the year, into 2024 and beyond.

As the market continues to evolve and with increased need for energy security, we delivered significant growth in revenues from the offshore renewables market with a 74.1% growth on HY22, whilst our oil and gas activity grew at 50.0%. Renewables revenues made up 32.7% of our business with this activity coming from our European, American and Asian operations. Whilst the offshore wind sector currently faces increased cost pressures, the global inventory of projects support a reported increase in offshore wind backlog amongst our largest customers, with a record 70 GW of projects expected to be auctioned in 2023.

Our People

We were delighted to recruit Christine Cochrane as our first HR Director who joined us in August. Hiring new talent, providing valuable training and development, and a rewarding place to work, has been, and always will be, a priority for the business and Christine's appointment underlines our focus on these areas.

We increased our headcount to 289, an increase of 11% from year end and 32% on the prior year with the growth predominantly coming from further expansion of our technical and sales teams. We have continued with our Star Awards programme where we reward our employees that have gone above and beyond in demonstrating our company values, and increased our employee recruitment referral bonus which has been a successful tool in supporting our recruitment drive.

Our Equipment

£8m of capital expenditure (£7.7m in rental fleet) was invested during the first half of the year with a forecast of £20m for the full year, having increased capex earlier in the year. We continue to broaden our range of complementary equipment and services, increasing our offering to our customers, investing in equipment that is fungible across both sectors, or is relevant to the offshore renewables market, and ensuring that we maintain our market position as the leading independent provider of subsea rental equipment. The strength of the underlying markets is contributing to lengthening lead times on certain products. Our investment in rental fleet in 2H23 will help secure the equipment to meet anticipated demand both in coming months and into 2024.

Sustainability

We continue to make progress on our sustainability journey and being a good corporate citizen is at the heart of the way we do business at Ashtead Technology. We have maintained our QHSE record and were delighted with the positive feedback from our recent external ISO audits. Our revenues from the renewables market continued to grow and we retain our focus on supporting the energy transition.

Integration

Integration of both WeSubsea and Hiretech into the Ashtead Technology group has progressed well, both businesses have performed ahead of expectations, demonstrating a combined 38.6% growth in revenues year on year. Both acquisitions are highly complementary to our mechanical solutions business and we have witnessed an increase in both cross selling and international opportunities and synergistic benefits of having the equipment as part of our wider offering.

We have integrated both acquisitions into our ERP system with all employees and assets transferred to Ashtead Technology entities. The WeSubsea brand has been retained in relation to the equipment only and we are in the process of fully phasing out the Hiretech brand name in support of our one route to market approach.

These acquisitions are great case studies of the benefits of our M&A strategy and approach to integration and we continue to build on the M&A pipeline as one of our key growth strategies.

Outlook

Market fundamentals remain strong and we continue to expand our offering whilst growing within our existing markets. Given the unseasonal strength of the final quarter of FY22 we expect year-on-year growth to moderate in the second half. Our HY23 results and positive end market dynamics give the Board increased confidence in the outlook for the business and we expect outturn for the year to be comfortably ahead of our previous expectations.

Allan Pirie

Chief Executive Officer

I am delighted to report another strong set of financial results for the first half of 2023 as the positive momentum from FY22 continues into FY23. Our revenues have grown by 57.1% predominantly due to organic growth (40.5%), enhanced by M&A (13.9% growth) and positive FX movements (2.7%).

Renewables revenues accounted for 32.7% of Group HY23 revenue, representing 74.1% growth from this market compared to the prior year. An increased focus on energy security has also resulted in continued growth from the oil and gas market with revenues from this market increasing by 50.0%. Despite the continued resurgence of oil and gas activity, we maintain our target of 50% activity from the offshore renewables market in the medium term.

Our strongest growth in the period has come from our European operations which saw a 90% increase in revenue year on year, in part supported by acquisition as both Hiretech and WeSubsea operations were European based. This region has seen a resurgence in activity across its multiple geographies and in both renewables and oil and gas activity, with a positive outlook for remainder of the year and into 2024 and beyond with Rystad predicting a 16% CAGR in the European market from 2022 to 2025. Both Americas and Middle East businesses continued to grow (40% and 18% respectively) with Asia revenues down 6% on prior year due to a number of project delays in the region, but with Asia expected to rebound in 2024 with Rystad predicting a 22% CAGR in addressable market in this region from 2022 to 2025. We have taken advantage of the global nature of our fleet and the different pricing dynamics across the regions, with a focus on return on investment.

Gross profit

The Group achieved gross profit of £39.3m (HY22: £23.3m) representing a gross profit margin of 78.8%, up from 73.4% in HY22. The gross margin improvement predominantly resulted from improved pricing, higher activity levels and an increase in the proportion of revenues from equipment rental. Our average annualised cost utilisation increased to 45% (HY22: 44%). Our target cost utilisation remains around 45%+.

Administration costs

Administration costs (excluding depreciation, amortisation and exchange gain/loss) for HY23 were £18.5m (HY22: £11.6m), a £6.9m increase on HY22. £2.6m of this increase is due to increased bonus provision (£1.3m) and LTIP costs (£1.3m). The performance in HY23 compared to budget has resulted in us increasing our bonus provision in HY23 and the increased LTIP cost is predominantly due to the timing of awards. Personnel costs (excluding bonus and LTIP) increased by £3.1m due to the increase in employees (32% increase in personnel since June 2022) and a 7% pay increase adopted in January 2023. Excluding the bonus accrual and LTIP cost, personnel cost reduced as a percentage of revenue to 21.7% (from 24.3% in HY22). Other overhead increases relate to travel, marketing, audit, legal and professional costs and insurance which have increased by £1.1m due to increased scale and activity in the business, and inflationary rises.

Profitability

Adjusted EBITA of £15.7m compares to £8.2m in HY22 representing an EBITA margin of 31.4% compared to 25.8% in HY22 and delivering continued margin growth on our full year FY22 numbers. The increase in EBITA was the principal driver for an increase in ROIC to 25.5% (HY22: 19.1%).

Finance costs of £1.9m include a £0.5m write-off of deferred finance costs due to the refinancing which completed in April 2023. Excluding this, normalised finance costs were £1.4m, an increase of £0.8m due to an increase in drawn debt (utilised for the WeSubsea and Hiretech acquisitions) and increased banking base rates.

Profit Before Tax of £13.2m compares to £6.9m in HY22, an increase of 92%.

The tax provision for the period was £2.8m (HY22: £1.0m) representing an effective tax rate of 21.1% (HY22: 14.4%). The estimate has been based on the effective tax rates of each entity after removing any adjusting items. The higher effective tax rate in HY23 reflects reduced availability of brought forward overseas losses and the increased tax rate in the UK.

Adjusting for amortisation and exceptional costs results in an Adjusted basic earnings per share of 14.2p which compares to 8.3p in HY22.

Cash flow and balance sheet

The Group generated positive cash inflow before financing activities of £4.3m (HY22: £2.8m) in the period.

Continued investment in our equipment rental fleet has resulted in an increased net book value of property, plant and equipment from £25.8m in HY22 to £34.2m, and contributed to the £1.6m increase in depreciation from £4.1m in HY22 to £5.6m in HY23. We also increased our goodwill and intangible assets compared to the prior year due to the acquisitions completed in H2 2022.

Working capital at 30 June 2023 represented 9% of the last 12 months revenues compared to 16% at 30 June 2022 due to improvements in cash collection and timing of capex creditors.

We were pleased to announce our first dividend payment as a listed company following announcement of our annual results for FY22 which resulted in a £0.8m payment in June. We continue to see attractive opportunities in our M&A pipeline and in line with previous guidance, the Board has not recommended an interim dividend for HY23 and intends to continue its small, progressive dividend policy as part of its full year reporting.

Net debt has increased from £21.2m at HY22 to £26.4m but leverage has reduced from 0.9x to 0.7x (1.0x at year end). Both acquisitions were funded wholly through debt which contributed to the increase in net debt year on year. We have debt capacity of £118.5m (including £50m accordion facility) as at 30 June 2023 that can be utilised to fund further organic and inorganic growth.

Ingrid Stewart

Chief Financial Officer

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE HALF-YEARLY FINANCIAL REPORT

The Directors of Ashtead Technology Holdings plc (set out on page 26 and 27 of the latest Annual Report and Accounts) confirm that to the best of their knowledge:

- the condensed consolidated set of financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK;
- the interim management report includes a fair review of the information required by:

  (i) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed consolidated set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

  (ii) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board of Directors

Allan Pirie	Ingrid Stewart
Chief Executive Officer	Chief Financial Officer
4 September 2023	4 September 2023

Consolidated income statement

for the six-month period ended 30 June 2023

	Unaudited	*Unaudited*	*Audited year ended*

	Notes	six months to 30 June 2023 £000	six months to 30 June 2022 £000	31 December 2022 £000
Revenue	2	49,846	31,730	73,120
Cost of sales	2	(10,573)	(8,450)	(18,829)
Gross profit	2	39,273	23,280	54,291
Administrative expenses	2	(24,323)	(16,158)	(36,217)
Impairment loss on trade receivables	2	(320)	(211)	(810)
Other operating income	2	508	569	804
Operating profit	2	15,138	7,480	18,068
Finance income	3	50	-	21
Finance costs	3	(1,949)	(579)	(1,459)
Profit before taxation		13,239	6,901	16,630
Taxation charge	4	(2,799)	(997)	(3,965)
Profit for the financial period		10,440	5,904	12,665
Profit attributable to:				
Equity shareholders of the Company		10,440	5,904	12,665
Earnings per share				
Basic	5	13.1	7.4	15.9
Diluted	5	12.9	7.4	15.7

The below financial measures are non-GAAP metrics used by management and are not an IFRS disclosure:				
Adjusted EBITDA^	18	21,288	12,252	28,555
Adjusted EBITA^^	18	15,651	8,174	20,124

^ Adjusted EBITDA is calculated as earnings before interest, tax, depreciation, amortisation and items not considered part of underlying trading including share based payments and foreign exchange gains and losses, is a non-GAAP metric used by management and is not an IFRS disclosure. See Note 18 to the condensed consolidated interim financial statements for calculations.

^^ Adjusted EBITA is calculated as earnings before interest, tax, amortisation and items not considered part of underlying trading including share based payments and foreign exchange gains and losses, is a non-GAAP metric used by management and is not an IFRS disclosure. See Note 18 to the condensed consolidated interim financial statements for calculations.

All results derive from continuing operations.

Consolidated statement of comprehensive income

for the six-month period ended 30 June 2023

	Unaudited six months to 30 June 2023 £000	*Unaudited Six months to 30 June 2022 £000*	*Audited year ended 31 December 2022 £000*
Profit for the period	10,440	5,904	12,665
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	(1,098)	1,036	1,179
Other comprehensive income for the period, net of tax	(1,098)	1,036	1,179
Total comprehensive income	9,342	6,940	13,844
Total comprehensive income attributable to:			
Equity shareholders of the Company	9,342	6,940	13,844

Consolidated balance sheet

at 30 June 2023

	Notes	Unaudited as at 30 June 2023 £000	Unaudited as at 30 June 2022 £000	Audited as at 31 December 2022 £000
Non-current assets				
Property, plant and equipment	6	34,193	25,782	31,812
Goodwill	7	65,796	49,185	66,043
Intangible assets	7	5,387	1,259	5,978
Right-of-use assets	13	2,342	2,746	2,631
Deferred tax asset		–	1,059	–
		107,718	80,031	106,464
Current assets				
Inventories	8	2,679	2,351	1,865
Trade and other receivables	9	24,298	21,748	19,456
Cash and cash equivalents		6,492	4,425	9,037
		33,469	28,524	30,358
Total assets		141,187	108,555	136,822
Current liabilities				
Trade and other payables	10	18,779	14,196	19,134
Income tax payable		1,863	551	1,820
Lease liabilities	13	797	791	865
		21,439	15,538	21,819
Non-current liabilities				
Loans and borrowings	11	30,347	22,678	34,865
Lease liabilities	13	1,723	2,164	1,991
Deferred tax liability		2,241	–	2,227
Provisions for liabilities		135	103	117
		34,446	24,945	39,200
Total liabilities		55,885	40,483	61,019
Equity				
Share capital	16	3,997	3,979	3,979
Share premium	16	14,115	14,115	14,115
Merger reserve	16	9,435	9,435	9,435
Share based payment reserve	16	1,780	–	827
Foreign currency translation reserve	16	(1,209)	(254)	(111)
Retained earnings	16	57,184	40,797	47,558
Total equity		85,302	68,072	75,803
Total equity and liabilities		141,187	108,555	136,822

Consolidated statement of changes in equity

for the six-month period ended 30 June 2023

	Share capital £000	Share premium £000	Merger reserve £000	Share based payment reserve £000	Foreign currency translation reserve £000	Retained earnings £000	Total £000
At 1 January 2022 audited	3,979	14,115	9,435	–	(1,290)	34,893	61,132
Profit for the period	–	–	–	–	–	5,904	5,904
Other comprehensive income	–	–	–	–	1,036	–	1,036
Total comprehensive income	–	–	–	–	1,036	5,904	6,940
At 30 June 2022 unaudited	3,979	14,115	9,435	–	(254)	40,797	68,072
Profit for the period	–	–	–	–	–	6,761	6,761
Other comprehensive income	–	–	–	–	143	–	143

Total comprehensive income	–	–	–	–	143	6,761	6,904
Share based payment charge	–	–	–	827	–	–	827
At 31 December 2022 audited	3,979	14,115	9,435	827	(111)	47,558	75,803
Profit for the period	–	–	–	–	–	10,440	10,440
Other comprehensive income	–	–	–	–	(1,098)	–	(1,098)
Total comprehensive loss	–	–	–	–	(1,098)	10,440	9,342
Share based payment charge	–	–	–	953	–	–	953
Issue of shares	18	–	–	–	–	(18)	–
Dividends paid	–	–	–	–	–	(796)	(796)
At 30 June 2023 unaudited	3,997	14,115	9,435	1,780	(1,209)	57,184	85,302

Consolidated cash flow statement

	Notes	*Unaudited six months to 30 June 2023* £000	*Unaudited six months to 30 June 2022* £000	*Audited year ended 31 December 2022* £000
Cash generated from operating activities				
Profit before taxation		13,239	6,901	16,630
Adjustments to reconcile profit before taxation to net cash from operating activities				
Finance income	3	(50)	–	(21)
Finance costs	3	1,949	579	1,459
Depreciation	6, 13	5,637	4,078	8,431
Amortisation	7	860	758	1,202
Gain on sale of property, plant and equipment		(508)	(569)	(804)
Share based payment charges		1,281	–	825
Provision for liabilities		24	(17)	(4)
Cash generated before changes in working capital		22,432	11,730	27,718
(Increase)/decrease in inventories		(848)	(484)	274
(Increase)/decrease in trade and other receivables		(5,408)	(4,635)	785
Increase in trade and other payables		818	4,716	7,207
Cash inflow from operations		16,994	11,327	35,984
Interest paid		(1,257)	(426)	(1,132)
Tax paid		(2,535)	(1,112)	(1,998)
Net cash generated from operating activities		13,202	9,789	32,854
Cash flow used in investing activities				
Purchase of property, plant and equipment		(7,780)	(7,571)	(13,728)
Proceeds from disposal of property, plant and equipment		818	823	1,518
Purchase of computer software		(269)	(255)	(725)
Acquisition of subsidiary undertakings net of cash acquired		(1,674)	–	(23,999)
Interest received		50	–	21
Net cash used in investing activities		(8,855)	(7,003)	(36,913)
Cash flow (used in)/generated from financing activities				
Loans received		2,014	–	31,000
Transaction fees on loans received		(1,241)	(5)	(228)
Repayment of bank loans		(5,628)	(3,017)	(21,727)
Payment of lease liability		(628)	(520)	(1,064)
Dividends paid		(796)	–	–
Net cash (used in)/generated from financing activities		(6,279)	(3,542)	7,981
Net (decrease)/increase in cash and cash equivalents		(1,932)	(756)	3,922
Cash and cash equivalents at beginning of the period		9,037	4,857	4,857
Net foreign exchange difference		(613)	324	258
Cash and cash equivalents at end of the period		6,492	4,425	9,037

for the six-month period ended 30 June 2023

Notes to the consolidated interim financial statements

1. General information

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 condensed consolidated interim financial statements of the Company for the six-month period ended 30 June 2023 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. The Company registration number is 13424040.

Basis of preparation

The annual consolidated financial statements of Ashtead Technology Holdings plc will be prepared in accordance with UK-adopted International Accounting Standards. These condensed consolidated interim financial statements for the six-month period ended 30 June 2023 have been prepared in accordance with UK adopted International Accounting Standard ("IAS") 34, 'Interim Financial Reporting' and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

The financial information for the six-month period ended 30 June 2023 is unaudited. It does not constitute statutory financial statements within the meaning of Section 434 of the Companies Act 2006. This report should be read in conjunction with the Group's Annual Report and Accounts as at and for the year ended 31 December 2022 ("last Annual Report and Accounts"), which were prepared in accordance with UK-adopted International Accounting Standards. The last Annual Report and Accounts have been filed with the Registrar of Companies and are available from the Group's website (www.ashtead-technology.com). The auditors' report on those accounts was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

The condensed consolidated interim financial statements unless otherwise stated are presented in sterling, to the nearest thousand. The functional currency of the Group is sterling.

The condensed consolidated interim financial statements were approved by the Board of Directors on 4 September 2023.

Accounting policies

The condensed consolidated interim financial statements have been prepared in accordance with the accounting policies set out on pages 53-59 of the last Annual Report and Accounts.

Taxation

Tax on income in the interim periods are accrued using management's best estimate of the weighted average annual tax rate that would be applicable to expected total annual earnings.

Critical accounting judgements and estimates

In preparing these condensed consolidated interim financial statements, management has made judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The areas of judgement and estimate which have the greatest potential effect on the amounts recognised in these financial statements are the provision for bad debts, impairment of goodwill, carrying value and useful lives of property, plant and equipment and business combinations. These are consistent with matters disclosed on pages 58-59 of the last Annual Report and Accounts.

Standards, amendments, and interpretations not yet effective

A number of amendments and interpretations have been issued which are not expected to have any significant impact on the accounting policies and reporting.

Standards and amendments effective for the period

There are no new or amended standards or interpretations from 1 January 2023 onwards that have a significant impact on the accounting policies and reporting.

Going concern

These condensed consolidated financial statements of the Group are prepared on a going concern basis. The Directors of the Group assert that the preparation of the condensed 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 an eighteen-month period ending 31 December 2024.

During the six months ended 30 June 2023 the Group has continued to generate positive cash flow from operating activities, repaying £5,628,000 of its drawn RCF during the period, with a cash and cash equivalents balance of £6,492,000 at 30 June 2023 (31 December 2022: £9,037,000). The Group has access to a multi currency RCF with total commitments of £100,000,000. In addition, the Group has the ability to call upon an additional accordion facility of £50,000,000 subject to credit approval. The RCF and accordion facility expire in April 2027, with an option to extend by 1 year subject to credit approval. As at 30 June 2023 the RCF had an undrawn balance of £68,488,000 and the £50,000,000 accordion facility was undrawn.

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 period 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.

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 to meet its obligations as they fall due.

2. Segmental analysis

The Chief Operating Decision Maker (CODM) is determined as the Group's Board of Directors. The Group's Board of

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 regional segments display similar economic characteristics. There are no reportable segments which have been aggregated for the purpose of the disclosure of segment information.

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

Unaudited for the six-month period ended 30 June 2023

	Europe	*Americas*	*Asia Pacific*	*Middle East*	*Head Office*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Total revenue	32,675	8,775	5,314	3,082	-	49,846
Cost of sales	(6,191)	(2,846)	(945)	(591)	-	(10,573)
	--------	--------	--------	--------	--------	--------
Gross profit	26,484	5,929	4,369	2,491	-	39,273
Administrative expenses	(8,624)	(2,781)	(1,805)	(751)	(4,552)	(18,513)
Other operating income	313	51	126	18	-	508
	--------	--------	--------	--------	--------	--------
Operating profit before depreciation, amortisation and foreign exchange gain/(loss)	18,173	3,199	2,690	1,758	(4,552)	21,268
Foreign exchange gain						367
Depreciation						(5,637)
Amortisation						(860)

Operating profit						15,138
Finance income						50
Finance costs						(1,949)

Profit before taxation						13,239
Taxation charge						(2,799)

Profit for the financial period						10,440

Total assets	100,084	16,392	10,233	5,601	8,877	141,187
Total liabilities	17,678	4,662	2,038	837	30,670	55,885

Unaudited for the six-month period ended 30 June 2022

	Europe	*Americas*	*Asia Pacific*	*Middle East*	*Head Office*	*Total*
	£000	£000	£000	£000	£000	£000
Total revenue	17,178	6,265	5,681	2,606	-	31,730
Cost of sales	(4,163)	(2,129)	(1,172)	(986)	-	(8,450)
	--------	--------	--------	--------	--------	--------
Gross profit	13,015	4,136	4,509	1,620	-	23,280
Administrative expenses	(5,384)	(2,095)	(967)	(550)	(2,693)	(11,689)
Other operating income	223	83	267	(4)	-	569
	--------	--------	--------	--------	--------	--------
Operating profit before depreciation, amortisation and foreign exchange gain/(loss)	7,854	2,124	3,809	1,066	(2,693)	12,160
Foreign exchange gain						156
Depreciation						(4,078)
Amortisation						(758)

Operating profit						7,480
Finance costs						(579)

Profit before taxation						6,901

Taxation charge						(997)

Profit for the financial period						5,904

Total assets	68,545	16,175	12,381	5,873	5,581	108,555
Total liabilities	11,718	3,909	1,339	681	22,836	40,483

Audited for the year ended 31 December 2022

	Europe	Americas	Asia Pacific	Middle East	Head Office	Total
	£000	£000	£000	£000	£000	£000
Total revenue	42,827	13,912	10,874	5,507	-	73,120
Cost of sales	(9,663)	(4,867)	(2,368)	(1,931)	-	(18,829)
	--------	--------	--------	--------	--------	--------
Gross profit	33,164	9,045	8,506	3,576	-	54,291
Administrative expenses	(12,735)	(5,274)	(3,014)	(1,563)	(4,805)	(27,391)
Other operating income	264	156	362	22	-	804
	--------	--------	--------	--------	--------	--------
Operating profit before depreciation, amortisation and foreign exchange gain/(loss)	20,693	3,927	5,854	2,035	(4,805)	27,704
Foreign exchange loss						(3)
Depreciation						(8,431)
Amortisation						(1,202)

Operating profit						18,068
Finance income						21
Finance costs						(1,459)

Profit before taxation						16,630
Taxation charge						(3,965)

Profit for the financial period						12,665

Total assets	93,522	15,335	11,025	5,429	11,511	136,822
Total liabilities	17,500	2,755	2,310	723	37,731	61,019

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.

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:

	Unaudited as at 30 June 2023	*Unaudited as at 30 June 2022*	*Audited as at 31 December 2022*
	£000	*£000*	*£000*
UK	84,257	55,510	82,337
USA	11,456	10,998	11,163
Singapore	7,932	8,470	8,885
UAE	4,073	3,994	4,079

3. Finance income and costs

	Unaudited six months to 30 June 2023	*Unaudited six months to 30 June 2022*	*Audited year ended 31 December 2022*
Finance income	*£000*	*£000*	*£000*
Bank interest receivable	50	-	21

Finance costs	Unaudited six months to 30 June 2023 £000	Unaudited six months to 30 June 2022 £000	Audited year ended 31 December 2022 £000
Interest on bank loans (held at amortised cost)	1,236	419	1,139
Amortisation of deferred finance costs	650	91	182
Interest expense on lease liability (Note 13)	63	69	138
	1,949	579	1,459

4. Tax

The tax expense for the six-month period ended 30 June 2023 is based upon management's best estimate of the weighted average annual tax rate expected for each jurisdiction for the full year ending 31 December 2023 applied to the profit before tax for the interim period. The effective tax rate for the six-month period ended 30 June 2023 is 21.1% and the income tax expense is lower than the standard UK rate of 22% for the period (19% to 31 March 2023 increasing to 25% from 1 April 2023) due to lower tax rates in overseas jurisdictions. The effective tax rate for the year ended 31 December 2022 was 23.8% and the income tax expense was higher than the standard UK rate of 19% during 2022 due to a deferred tax liability recognised arising from temporary timing differences on intangible assets.

5. 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 period.

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 15 of these condensed consolidated interim financial statements. During the period ended 30 June 2022, the Group had no potentially dilutive Ordinary Shares.

Adjusted earnings per share

Earnings attributable to ordinary shareholders of the Group for the period, 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.

	Unaudited Adjusted Six months to 30 June 2023	*Unaudited Statutory Six months to 30 June 2023*	*Unaudited Adjusted Six months to 30 June 2022*	*Unaudited Statutory Six months to 30 June 2022*	*Audited Adjusted Year ended 31 December 2022*	*Audited Statutory Year ended 31 December 2022*
Earnings attributable to equity shareholders of the Group:						
Profit for the period (£000)	11,355*	10,440	6,581*	5,904	15,619*	12,665
Number of shares:						
Weighted average number of Ordinary Shares - Basic	79,798,317	79,798,317	79,582,000	79,582,000	79,582,000	79,852,000
Weighted average number of Ordinary Shares - Diluted	80,817,881	80,817,881	79,582,000	79,582,000	80,679,071	80,679,071
Earnings per share attributable to equity holders of the Group - continuing operations:						
Basic earnings per share (pence)	14.2	13.1	8.3	7.4	19.6	15.9
Diluted earnings per share (pence)	14.1	12.9	8.3	7.4	19.4	15.7

* Refer to Note 18 for the reconciliation of Non-GAAP Profit Metrics.

6. Property, plant and equipment

	Assets held for rental £000	Leasehold improvements £000	Freehold property £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
Cost:						
At 1 January 2022 audited	104,867	1,739	197	3,683	305	110,791
Additions	7,715	190	–	131	–	8,036
Disposals	(2,802)	–	–	(64)	(30)	(2,896)
Foreign exchange movements	5,197	71	–	180	35	5,483
At 30 June 2022 unaudited	114,977	2,000	197	3,930	310	121,414
Acquisitions	10,984	409	–	443	29	11,865
Fair value adjustment on acquisitions	467	–	–	–	–	467
Additions	5,383	18	–	164	–	5,565
Disposals	(3,478)	(76)	–	4	–	(3,550)
Foreign exchange movements	740	14	–	(10)	–	744
At 31 December 2022 audited	129,073	2,365	197	4,531	339	136,505
Additions	8,033	24	–	192	–	8,249
Disposals	(4,487)	–	–	(6)	–	(4,493)
Foreign exchange movements	(2,347)	(43)	–	(78)	(1)	(2,469)
At 30 June 2023 unaudited	130,272	2,346	197	4,639	338	137,792
Accumulated depreciation:						
At 1 January 2022 audited	(85,621)	(1,219)	(68)	(2,867)	(184)	(89,959)
Charge for the period	(3,349)	(112)	(4)	(162)	(19)	(3,646)
Disposals	2,549	–	–	63	29	2,641
Foreign exchange movements	(4,452)	(50)	–	(144)	(22)	(4,668)
At 30 June 2022 unaudited	(90,873)	(1,381)	(72)	(3,110)	(196)	(95,632)
Acquisitions	(5,920)	(338)	–	(267)	(21)	(6,546)
Fair value adjustment on acquisitions	(1,118)	–	–	(81)	–	(1,199)
Charge for the period	(3,543)	(141)	(4)	(149)	(18)	(3,855)
Disposals	3,064	43	–	(17)	–	3,090
Foreign exchange movements	(566)	(12)	–	27	–	(551)
At 31 December 2022 audited	(98,956)	(1,829)	(76)	(3,597)	(235)	(104,693)
Charge for the period	(4,799)	(114)	(4)	(179)	(18)	(5,114)
Disposals	4,178	–	–	5	–	4,183
Foreign exchange movements	1,929	36	1	61	(2)	2,025
At 30 June 2023 unaudited	(97,648)	(1,907)	(79)	(3,710)	(255)	(103,599)
Net book value:						
At 31 December 2021 audited	19,246	520	129	816	121	20,832
At 30 June 2022 unaudited	24,104	619	125	820	114	25,782
At 31 December 2022 audited	30,117	536	121	934	104	31,812
At 30 June 2023 unaudited	32,624	439	118	929	83	34,193

7. Goodwill and intangible assets

	Goodwill £000	Customer relationships £000	Non-compete arrangements £000	Computer software £000	Total £000
Cost:					
At 1 January 2022 audited	48,651	4,447	208	3,769	57,075
Additions	–	–	–	255	255
Foreign exchange movements	534	2	–	9	545
At 30 June 2022 unaudited	49,185	4,449	208	4,033	57,875
Acquisitions	16,852	4,414	274	–	21,540
Additions	–	–	–	470	470
Foreign exchange movements	6	–	–	(9)	(3)
At 31 December 2022 audited	66,043	8,863	482	4,494	79,882
Additions	–	–	–	269	269
Foreign exchange movements	(247)	–	–	–	(247)
At 30 June 2023 unaudited	65,796	8,863	482	4,763	79,904
Amortisation:					
At 1 January 2022 audited	–	(3,710)	(176)	(2,778)	(6,664)
Charge for the period	–	(594)	(26)	(138)	(758)
Foreign exchange movements	–	1	–	(10)	(9)
At 30 June 2022 unaudited	–	(4,303)	(202)	(2,926)	(7,431)
Charge for the period	–	(246)	(13)	(185)	(444)
Foreign exchange movements	–	1	–	13	14
At 31 December 2022 audited	–	(4,548)	(215)	(3,098)	(7,861)
Charge for the period	–	(549)	(48)	(263)	(860)
Foreign exchange movements	–	–	–	–	–
At 30 June 2023 unaudited	–	(5,097)	(263)	(3,361)	(8,721)

Net book value:					
At 31 December 2021 audited	48,651	737	32	991	50,411
At 30 June 2022 unaudited	49,185	146	6	1,107	50,444
At 31 December 2022 audited	66,043	4,315	267	1,396	72,021
At 30 June 2023 unaudited	65,796	3,766	219	1,402	71,183

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.

The Group tests annually for impairment, or more frequently if there are indicators that goodwill might be impaired.

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. The key assumptions on which management has based its cash flow projections are the same as those used in the last Annual Report and Accounts.

8. Inventories

	Unaudited 30 June 2023 £000	*Unaudited 30 June 2022 £000*	*Audited 31 December 2022 £000*
Raw materials and consumables	2,679	2,351	1,865

The cost of inventories recognised as an expense and included in cost of sales during the period was £3,282,000 (H1 2022: £1,690,000). The impairment loss recognised as an expense during the period was £54,000 (H1 2022: £nil).

9. Trade and other receivables

	Unaudited 30 June 2023 £000	*Unaudited 30 June 2022 £000*	*Audited 31 December 2022 £000*
Trade receivables	21,959	18,295	16,494
Prepayments	1,386	1,045	1,397
Accrued income	953	2,408	1,565
	24,298	21,748	19,456

The Directors consider that the carrying amount of trade receivable and accrued income approximates to fair value. The impairment loss recognised as an expense during the period was £320,000 (H1 2022: £211,000).

10. Trade and other payables

	Unaudited 30 June 2023 £000	*Unaudited 30 June 2022 £000*	*Audited 31 December 2022 £000*
Trade payables	4,990	5,775	5,896
Accruals	13,789	8,298	13,137
Amounts due to related parties	–	123	101
	18,779	14,196	19,134

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.

11. Loans and borrowings

	Unaudited 30 June 2023 £000	*Unaudited 30 June 2022 £000*	*Audited 31 December 2022 £000*
Non-current			
Bank loans (held at amortised cost)	30,347	22,678	34,865

At 30 June 2023 the bank loans comprise a revolving credit facility of £31,512,000 (of which £5,512,000 is denominated in USD) which carries interest at SONIA plus 2.25%. The lenders are ABN AMRO Bank N.V. and Citibank N.A., Clydesdale Bank plc and HSBC Bank plc. The Facility Agreement is subject to a leverage covenant of 3.0x and an interest cover covenant of 4:1. The total commitments are £100,000,000 for the RCF with an additional £50,000,000 accordion facility available subject to credit approval. As at 30 June 2023 the RCF had an undrawn balance of £68,488,000 and the £50,000,000 accordion facility was undrawn. A non-utilisation fee of 0.7875% is charged on the

non-utilised element of the RCF facility. The revolving credit facility is fully repayable by April 2027, with an option to extend by 1 year.

At 30 June 2022 the bank loans comprise a revolving credit facility of £23,121,000 (of which £11,430,000 is denominated in USD) which carried interest at SONIA plus 2.2%. The lenders were HSBC Bank plc and Clydesdale Bank plc. The Facility Agreement was subject to a leverage covenant of 2.5x and an interest cover covenant of 4:1. The total commitments were £40,000,000 for the RCF with an additional £10,000,000 accordion facility available subject to credit approval. As at 30 June 2022 the RCF had an undrawn balance of £16,879,000 and the £10,000,000 accordion facility was undrawn. A non-utilisation fee of 0.88% was charged on the non-utilised element of the RCF facility.

Certain companies within the Group are party to cross guarantees with respect to bank loans totalling £31,512,000 (31 December 2022: £35,438,000) 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:

	Unaudited 30 June 2023 £000	*Unaudited 30 June 2022 £000*	*Audited 31 December 2022 £000*
Within one year	–	–	–
Within one to two years	–	–	–
Within two to three years	–	23,121	35,438
Within three to four years	31,512	–	–
	31,512	23,121	35,438
Deferred finance costs	(1,165)	(443)	(573)
	30,347	22,678	34,865

12. Financing liabilities reconciliation

	Audited 1 January 2022 £000	*Cash flows £000*	*Interest paid £000*	*Other non-cash changes £000*	*Changes in exchange rates £000*	*Unaudited 30 June 2022 £000*
Cash at bank and in hand	4,857	(756)	–	–	324	4,425
Bank loans	(24,425)	3,022	–	(91)	(1,184)	(22,678)
Lease liabilities	(3,134)	520	69	(261)	(149)	(2,955)
Net debt	(22,702)	2,786	69	(352)	(1,009)	(21,208)

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 period.

	Unaudited 30 June 2022 £000	*Cash flows £000*	*Acquisitions £000*	*Interest paid £000*	*Other non-cash changes £000*	*Changes in exchange rates £000*	*Audited 31 December 2022 £000*
Cash at bank and in hand	4,425	(3,162)	7,938	–	–	(164)	9,037
Bank loans	(22,678)	(12,067)	–	–	(91)	(29)	(34,865)
Lease liabilities	(2,955)	544	–	69	(310)	(204)	(2,856)
Net debt	(21,208)	(14,685)	7,938	69	(401)	(397)	(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 period.

	Audited 31 December 2022 £000	*Cash flows £000*	*Interest paid £000*	*Other non-cash changes £000*	*Changes in exchange rates £000*	*Unaudited 30 June 2023 £000*
Cash at bank and in hand	9,037	(1,933)	–	–	(612)	6,492
Bank loans	(34,865)	4,855	–	(650)	313	(30,347)

Lease liabilities	(2,856)	628	63	(171)	(184)	(2,520)
Net debt	(28,684)	3,550	63	(821)	(483)	(26,375)

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 period.

13. 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 and/or extend 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 2022 audited	2,923
Additions to right-of-use assets	180
Depreciation charge for the period	(432)
Effects of movements in exchange rates	75
Balance at 30 June 2022 unaudited	2,746
Additions to right-of-use assets	391
Depreciation charge for the period	(498)
Effects of movements in exchange rates	(8)
Balance at 31 December 2022 audited	2,631
Additions to right-of-use assets	108
Depreciation charge for the period	(523)
Effects of movements in exchange rates	126
Balance at 30 June 2023 unaudited	2,342

Lease liabilities:	*Unaudited 30 June 2023 £000*	*Unaudited 30 June 2022 £000*	*Audited 31 December 2022 £000*
Current	797	791	865
Non-current	1,723	2,164	1,991
Total lease liabilities	2,520	2,955	2,856

Lease liabilities are repayable as follows:

	Unaudited 30 June 2023 £000	*Unaudited 30 June 2022 £000*	*Audited 31 December 2022 £000*
Within one year	895	910	976
Within one to two years	757	690	743
Within two to three years	502	683	668
Within three to four years	376	460	365
Within four to five years	214	335	315
Beyond five years	–	198	64
	2,744	3,276	3,131
Effect of discounting	(224)	(321)	(275)
Total lease liabilities	2,520	2,955	2,856

b) *Amounts recognised in the income statement*

	Unaudited six months to 30 June 2023 £000	*Unaudited six months to 30 June 2022 £000*	*Audited year ended 31 December 2022 £000*
Depreciation charge	523	432	930
Interest expense on lease liability	63	69	138
Expenses relating to short-term leases	119	100	172
Total amount recognised in the income statement	705	601	1,240

c) *Amounts recognised in the cash flow statement*

	Unaudited six months to 30 June 2023 £000	*Unaudited six months to 30 June 2022 £000*	*Audited year ended 31 December 2022 £000*
Total cash payments for leases	691	589	1,202

14. Capital commitments

	Unaudited 30 June 2023 £000	*Unaudited 30 June 2022 £000*	*Audited 31 December 2022 £000*
Capital expenditure contracted for but not provided	9,364	2,720	689

15. Share based payments

IPO LTIP Awards

The IPO LTIP awards were granted on 5 September 2022 and comprise three equal tranches, with the first tranche vested 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. Certain senior managers from various Group companies are eligible for nil cost share option awards with Ashtead Technology Holdings plc granting the awards and on exercise, the awards will be equity settled with ordinary shares in Ashtead Technology Holdings plc. The IPO LTIP share awards vesting is subject to the achievement of a target annual Adjusted EPS and participants remaining employed by the Group over the vesting period.

The outstanding number of IPO LTIP awards at 30 June 2023 is 1,011,329 (30 June 2022: 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)	9.17	9.17	9.17

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 period	1,097,751	–
Granted	–	–
Exercised	(86,422)	375.6
Forfeited	–	–
Outstanding at the end of the period	1,011,329	–
Exercisable at the end of the period	279,497	–

Share-based payments expense recognised in the consolidated income statement during the period was £1,185,000 (H1 2022: £nil).

2023 LTIP Awards

The 2023 LTIP awards were granted on 4 May 2023, with vesting on the announcement of the annual results for the year ended 31 December 2025. Certain senior managers from various Group companies are eligible for nil cost share option awards with Ashtead Technology Holdings plc granting the awards and on exercise, the awards will be equity settled with ordinary shares in Ashtead Technology Holdings plc. The share awards vesting is subject to the achievement of agreed Adjusted EPS, ROIC and total shareholder return ("TSR") targets and participants remaining employed by the Group over the vesting period.

The outstanding number of awards at 30 June 2023 is 438,622 (30 June 2022: nil).

Share based payments	**EPS**	**ROIC**	**TSR**
Valuation model	Black-Scholes	Black-Scholes	Monte Carlo
Weighted average share price (pence)	379.0	379.0	379.0
Exercise price (pence)	0	0	0
Expected dividend yield	0.0%	0.0%	0.0%
Expected volatility	40.17%	40.17%	40.17%
Risk-free interest rate	3.71%	3.71%	3.71%
Expected term (years)	3.02	3.02	3.02

Weighted average fair value (pence)	379.0	379.0	298.0
Attrition	5%	5%	5%
Weighted average remaining contractual life (years)	9.84	9.84	9.84

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 period	–	–
Granted	438,622	–
Exercised	–	–
Forfeited	–	–
Outstanding at the end of the period	438,622	–
Exercisable at the end of the period	–	–

Share-based payments expense recognised in the consolidated income statement during the period was £94,000 (H1 2022: £nil).

16. Share capital and reserves

The Group considers its capital to comprise its called up share capital, share premium, merger reserve, share based payment 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	*Unaudited 30 June 2023*		*Unaudited 30 June 2022*		*Audited 31 December 2022*	
Allotted, called up and fully paid	*No.*	*£000*	*No.*	*£000*	*No.*	*£000*
Ordinary shares of £0.05 each	79,947,919	3,997	79,582,000	3,979	79,582,000	3,979
		3,997		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.

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.

17. Related parties

There were no transactions with related parties, other than key management personnel, in the six-month period ended 30 June 2023.

Compensation of key management personnel:	*Unaudited six months to 30 June 2023 £000*	*Unaudited six months to 30 June 2022 £000*	*Audited year ended 31 December 2022 £000*
Salaries and fees	428	407	790
Bonus	530	200*	200*
Other benefits	38	41	72
Share based payment charges (Note 15)	756	-	491

Total	1,752	648	1,553

* Bonus paid was a contractual obligation on the successful completion of the IPO, which was accrued at 31 December 2021 and paid during February 2022.

The outstanding balance due to related parties as at 30 June 2022 (£123,000) and 31 December 2022 (£384,000) related to payments to BP INV2B Bidco Limited, BP INV2 Holdco Limited and BP INV2 Newco Limited which are no longer considered related parties as at 30 June 2023.

18. Reconciliation of Non-GAAP Profit Metrics

Reconciliation of Adjusted EBITDA	Notes	*Unaudited six months to 30 June 2023 £000*	*Unaudited six months to 30 June 2022 £000*	*Audited year ended 31 December 2022 £000*
Adjusted EBITDA		21,288	12,252	28,555
Cost associated with M&A		-	-	(787)
Restructuring costs		(20)	-	(28)
Other exceptional costs		-	(92)	(36)
Operating profit before depreciation, amortisation and foreign exchange gain/(loss)		21,268	12,160	27,704
Depreciation on property, plant and equipment	6	(5,114)	(3,646)	(7,501)
Depreciation on right-of-use asset	13	(523)	(432)	(930)
Operating profit before amortisation and foreign exchange gain/(loss)		15,631	8,082	19,273
Amortisation of intangible assets	7	(860)	(758)	(1,202)
Foreign exchange gain/(loss)		367	156	(3)
Operating profit		15,138	7,480	18,068

Reconciliation of Adjusted EBITA	Notes	*Unaudited six months to 30 June 2023 £000*	*Unaudited six months to 30 June 2022 £000*	*Audited year ended 31 December 2022 £000*
Adjusted EBITA		15,651	8,174	20,124
Cost associated with M&A		-	-	(787)
Restructuring costs		(20)	-	(28)
Other exceptional costs		-	(92)	(36)
Amortisation of intangible assets	7	(860)	(758)	(1,202)
Foreign exchange gain/(loss)		367	156	(3)
Operating profit		15,138	7,480	18,068

Reconciliation of Adjusted Profit Before Tax	Notes	*Unaudited six months to 30 June 2023 £000*	*Unaudited six months to 30 June 2022 £000*	*Audited year ended 31 December 2022 £000*
Adjusted Profit Before Tax		14,274	7,595	18,686
Cost associated with M&A		-	-	(787)
Restructuring costs		(20)	-	(28)
Amortisation of deferred finance costs		(522)	-	-
Other exceptional costs		-	(92)	(36)
Foreign exchange gain/(loss)		367	156	(3)
Amortisation of intangible assets	7	(860)	(758)	(1,202)
Profit before taxation		13,239	6,901	16,630

Reconciliation of Adjusted Profit After Tax	*Unaudited six months to 30*	*Unaudited six months to 30 June*	*Audited year ended 31 December*

	Notes	Six months to 30 June 2023 £000	Six months to 30 June 2022 £000	31 December 2022 £000
Adjusted Profit After Tax		11,355	6,581	15,619
Cost associated with M&A		-	-	(787)
Restructuring costs		(20)	-	(28)
Amortisation of deferred finance costs		(522)	-	-
Other exceptional costs		-	(92)	(36)
Foreign exchange gain/(loss)		367	156	(3)
Amortisation of intangible assets	7	(860)	(758)	(1,202)
Tax impact of the adjustments above		120	17	12
Deferred tax arising from temporary timing differences on intangible assets		-	-	(910)
Profit for the financial period		10,440	5,904	12,665

Adjusted Profit After Tax is used to calculate the Adjusted earnings per share in Note 5.

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