



WELCOME

Ashtead Technology is a leading international subsea equipment rental and solutions provider to the global offshore energy sector.

38 Years of operation **260** Employees

10 Regional hubs **19,000+** Rental assets

Through our three service lines – survey & robotics, mechanical solutions and asset integrity – we provide specialist equipment, advanced technologies and services to support our customers’ offshore energy projects.

01 // Survey and robotics
Specialists in technologically advanced equipment solutions from leading manufacturers worldwide

02 // Mechanical solutions
Delivering industry-leading mechanical solutions for offshore energy construction, inspection, maintenance, repair (IMR) and decommissioning projects

03 // Asset integrity
Technology solutions to optimise the performance, safety and reliability of offshore infrastructure

Read more about our three service lines on **page 2**



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Visit us online
For the latest news and information on our Group and its activities check out our corporate website to stay up-to-date.

www.ashtead-technology.com

AT A GLANCE

We are an offshore energy technology company

Through our three service lines we support the installation, IMR (inspection, maintenance & repair), and decommissioning of offshore energy infrastructure.

What we do

Survey & robotics

Serving the offshore renewables and oil and gas sectors, we provide an extensive array of survey and robotics equipment.

- Geophysical
- Inspection
- Hydrographic
- Positioning
- Remote visual inspection
- ROV sensors
- Metocean
- Environmental

Mechanical solutions

Providing a wide range of in-house designed and third-party mechanical equipment solutions.

- Design, engineering & fabrication
- Subsea cutting
- Recovery
- Subsea dredging
- Coating removal and cleaning
- ROV tooling
- Intervention skids
- Pumps, reels and ancillary deck equipment

Asset integrity

Offering custom engineered packages tailored to address operational requirements in challenging offshore environments.

- Environmental monitoring
- Offshore construction & life of asset monitoring
- Offshore wind foundation inspection
- Inspection ROV services
- Mooring inspection & analysis
- 3D imaging & metrology
- Riser cleaning & inspection
- Remote operations

Where we operate

Ashtead Technology employs more than 260 people and services its customers from ten facilities strategically located in key energy hubs in the UK, USA, Canada, UAE and Singapore.



Financial highlights

Revenue	Adjusted EBITDA*	Revenue from renewables	Operating profit
£73.1m	£28.6m	£22.6m	£18.1m
2022 £73.1m	2022 £28.6m	2022 £22.6m	2022 £18.1m
2021 £55.8m	2021 £22.4m	2021 £18.5m	2021 £7.6m
2020 £42.4m	2020 £17.0m	2020 £12.1m	2020 £3.1m
2019 £47.8m	2019 £21.9m	2019 £8.5m	2019 £8.8m

* Non-GAAP metric (see definitions on page 88).

Our values

At the heart of everything we do, our values define who we are and what we stand for.



We are nimble, innovative, and responsive in our decision-making, in our planning and in our service delivery.

We are enterprising, commercially focused and strive to respond quickly and meaningfully to our customers' project requirements.



By working together as one team across our disciplines and geographies, we share and use our combined knowledge, expertise, and ingenuity to provide the optimum solutions for our customers.

We seek to develop mutually beneficial, long-term relationships with all our stakeholders, founded on trust and respect.



We have a determined focus on delivery and exceeding our customers' expectations.

We never compromise on safety, integrity and quality and strive for continuous improvement to build a sustainable and profitable business for the long-term.

Our core markets

Ashtead Technology operates in challenging environments around the world supporting the oil and gas and offshore renewables markets.

With our passion for solving problems, combined with our market-leading technology portfolio, we deliver innovation, operational excellence and specialist engineering services to support our customers' offshore energy requirements.



Ashtead Technology has supported the international oil and gas industry for decades as the go-to partner for underwater technology rentals.

With experience across the complete lifecycle of offshore infrastructure, Ashtead Technology understands the increasingly challenging environments of offshore oil and gas, and the need to ensure safe, sustainable and profitable operations particularly during later field life.

Market revenue **69%**
£50.5m
(2021: £37.3m)



Our specialist expertise and understanding of the unique demands of the marine environment enable us to offer integrated solutions to the offshore renewable energy industry.

Ashtead Technology supports offshore renewables projects from pre-survey support and seabed mapping through to offshore installation, operations & maintenance and decommissioning work scopes.

Market revenue **31%**
£22.6m
(2021: £18.5m)

INVESTMENT CASE

A strong platform for future growth

We provide an unrivalled offering to our customers and are committed to delivering sustainable and profitable growth.



OUR STRATEGY

Delivering for today, investing for tomorrow

A market leader with a clear and focused growth strategy.

Supporting the energy transition

- Continue to capitalise on the increase in expenditure in global offshore wind
- Use our knowledge, skills and expertise to maximise the efficiency of existing production and extend field life
- Grow market share in the growing oil & gas decommissioning market
- Pursue new growth opportunities in areas such as offshore carbon capture and storage



Grow and strengthen our position as a leading independent subsea equipment rental business

- Continued operational excellence, ensuring the reliability and availability of equipment through employee training and development, digitisation of internal processes and by focusing on the delivery of integrated solutions and service agility
- Leverage our significant domain expertise and knowledge to serve customers better and increase market share

Leverage our global footprint and broaden our range of complementary equipment and services

- Strengthen our presence and capability in existing markets through the further internationalisation of our products & services
- Extend the range of products and services we provide through:
 - » Innovative delivery models and packages such as using remote access technology for asset integrity operations
 - » Using our in-house engineering capability to solve our customers' operational challenges
 - » Continue investment to broaden our equipment rental fleet and service offering, particularly in data management, analysis and reporting capabilities and by offering integrated services



Augment organic growth through a clear and focused merger and acquisition strategy

- Acquire adjacent businesses that expand our offering and/or our geographical footprint to strengthen our value proposition
- Consolidate a highly fragmented market in order to strengthen geographic reach, product range and service capability



CHAIRMAN'S STATEMENT



Delivering beyond expectations

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.

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. 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
2 May 2023



With the Board's support, management's focus remains on long-term value creation through continued organic growth and an increased focus on M&A opportunities.

CHIEF EXECUTIVE OFFICER'S STATEMENT



Building on our strong foundations

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.

Read more about our approach to sustainability on [page 12](#)

Read more about our market review on [page 10](#)

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 capability 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 our technical capability across our service offering, 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 KPIs

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. We have explained the purpose of each of these measures throughout the strategic report and included definitions on page 88.

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
2 May 2023



MARKET REVIEW

Energy trilemma creates tightness in market

Overview

Throughout 2022 there was a heightened focus on energy security and affordability which, coupled with the need to develop lower-carbon energy solutions for the longer-term, created an energy trilemma of energy security, affordability and sustainability that has resulted in a buoyant market in both renewables and oil and gas.

High activity levels have resulted in increases in utilisation and day rates across the offshore energy industry, and with high oil prices through the year, cash generation amongst the operators has reached a record high of \$1.4tn¹.

As Western Governments seek to remove Russian oil and gas as a key energy source, shortages in energy supply have highlighted the importance of both traditional and new sources of energy in meeting global demand, and there is a greater understanding that under almost all energy transition scenarios there is a need for lower-carbon oil and gas alongside the move towards renewables. With this backdrop, offshore energy producers are looking to utilise their significant cash resources to embark on an investment programme, both within new energy segments such as offshore wind and through traditional oil and gas projects.

It is therefore no surprise that offshore contractors are reporting strong backlogs (up 66% since 2020²) with those focused solely on offshore wind reporting a 174% increase and those serving both markets reporting a 52% increase (albeit from a much higher base). These backlogs indicate ongoing confidence in the market, and most importantly, demand for Ashtead Technology's equipment and service, over the coming years.

Given the fungibility of our equipment and solutions across the offshore wind and oil and gas markets, Ashtead Technology is in a prime position to benefit from the energy transition and an increase in investment across both sectors. Rystad Energy forecasts show a 13% CAGR from 2022 to 2025 with Ashtead Technology's addressable market increasing to \$2.2bn by 2025.



Offshore wind

The expansion of offshore wind as a means of energy production is critical both in ensuring medium to long-term energy supply and in hitting low-carbon targets.

Annual offshore wind spend is expected to increase by 26% CAGR between 2022 and 2025, with the number of operational windfarms set to increase by around 150% in the same period. Through to 2030, growth in spending is forecast at 19% CAGR with the number of operational windfarms increasing by 302%.

Europe remains the most mature offshore wind region in the world and will continue to dominate in the next decade with a 56% expenditure share of the global wind market by 2030 and expenditure growth estimated at 17% CAGR from 2022 to 2030. Asian countries are picking up pace, with Vietnam, South Korea, and Japan as core markets with a 19% CAGR³ in the same period. The US market will see significant growth (25% CAGR) due to aggressive government targets. A material increase in spending is also expected in South America and Australia from what is currently a low base.

Ashtead Technology's presence in Europe, Asia and the US positions us well to capture continued growth from these markets and our stated target of 50% of total revenue from offshore renewables in the medium term remains unchanged. Rystad estimate the growth of Ashtead Technology's addressable market for offshore wind at 26% CAGR from 2022 to 2025.

1 All market data from Rystad Energy March 2023.
 2 Rystad Energy review of backlogs reported by Prysmian Group, Deme Offshore, TechnipFMC, Fugro, Subsea7, Boskalis and Saipem.
 3 Excludes China.



Oil and gas

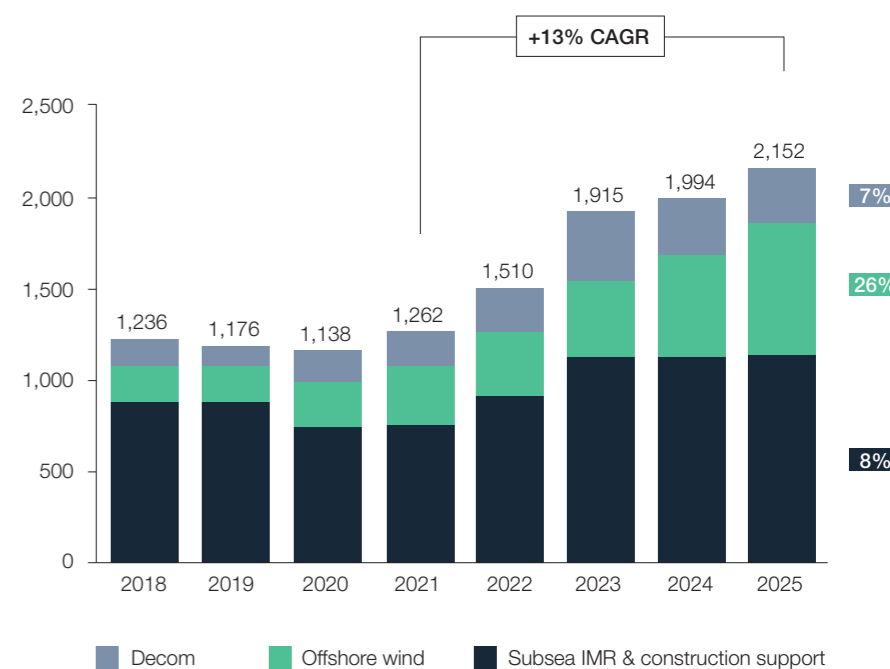
With the events of 2022 highlighting the urgent need for energy security and affordability, the continued importance of oil and gas in delivering energy to the global market in the short to medium term is much better understood.

The removal of cheap Russian oil and gas sources into many economies has put significant strain on energy supply with higher oil prices increasing the need to retain oil and gas assets for longer and delay decommissioning. The need for affordable energy has highlighted a decade of underinvestment in offshore oil and gas infrastructure with significant expenditure required to maintain and extend production from existing fields. In addition, there is an increased focus on new oil and gas developments with most investments now having a break-even point well below \$40/bbl.

Ashtead Technology's oil and gas focus is predominantly on late life inspection, repair and maintenance, and decommissioning, with the latter providing a hedge in the event of lower oil prices.

Rystad Energy forecasts estimate Ashtead Technology's addressable market within subsea IMR and construction support will grow at 8% CAGR from 2022 to 2025, with 7% CAGR in decommissioning spend over the same period.

Addressable market¹ by cost group
MUSD



¹ Rystad Energy research and analysis.

CORPORATE SUSTAINABILITY

Delivering offshore energy technology solutions in a sustainable and responsible way

As our business continues to grow we are committed to the highest standards of corporate governance, keeping safety as our top priority and protecting the environment and our local communities.

Our sustainability approach

We recognise that to be truly sustainable, we must consider the impact our business is having on society and the planet, and we must also recognise and act on the risks and opportunities impacting us and our long-term resilience.

Society has continued its desire to change the energy balance and together we need to ensure we are moving towards a lower-carbon future whilst ensuring we safeguard and respect the current needs for affordable energy.

Delivering our contribution

Ashtead Technology's approach to sustainability is outlined in our sustainability policy which is focused on priorities that are aligned with the ten principles of the UN Global Compact.

In 2022, we increased our priorities from five to six, based on their relevance and importance to our business as outlined below in our materiality matrix. These have been mapped against the UN's 17 Sustainable Development Goals (SDGs) which are designed to help organisations shape priorities and aspirations for sustainable development efforts around a common framework.



Energy transition



A sustainable energy future

Whilst there has been an increase in activity from traditional energy sources as a result of the heightened need for energy security and affordability, the future of energy lies in renewables and there is both a need and a desire to ensure long-term supply from green energy sources. With this, offshore renewable energy is an increasingly important part of our business now, but more importantly, in the future, and we continue to support our customers to meet the growing demand for cleaner, safer and more efficient energy production using our wealth of knowledge, skills and expertise.

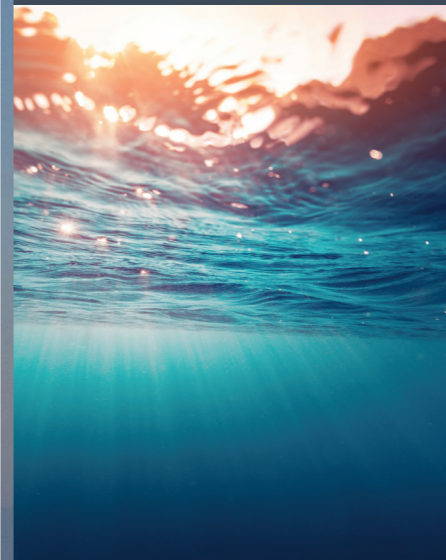
2022 achievements:

- 22% increase in revenue from offshore renewable projects
- Increase in new engineering solutions designed to support windfarm installation and operations
- Bolstered our renewable energy team
- Continued to expand our renewables customer base and securing our first project directly with an offshore energy operator
- Increased our participation at relevant energy transition forums, events and conferences in line with our growth commitments

SDG

7

Ecological impact



Protecting our planet

Lowering the carbon impact from our operations is critical to limiting climate change and its impacts. Furthermore, we play a key role in assisting our customers to inspect, maintain, repair and remove subsea infrastructure in order to reduce and proactively avoid pollution.

2022 achievements:

- Increased the number of remote operations projects delivered globally
- Developed a robust system for evaluating scope 1 & 2 greenhouse gas emissions and monitored progress against reduction targets
- Implemented environmental awareness training and roll-out of ISO 14001 certification to more sites
- Phasing out of single use plastic throughout our operations
- Working with clients and our supply chain to identify carbon reduction solutions

SDG

12 14

Business ethics



Our ethical conduct

We are committed to complying with applicable laws and applying the highest ethical standards in everything we do, treating our customers, people, partners and suppliers fairly and with respect. We have a zero tolerance approach to bribery and corruption, and we want to play our part in combatting it.

2022 achievements:

- Ongoing compliance with QCA code
- Evolution of policies and procedures and continued best practice
- Ongoing review and evaluation of business risk
- Continued 100% compliance with annual anti-bribery and corruption e-learning training and third-party diligence

SDG

16

Employee health, safety and well being



Our people

Safety is our top priority and we are committed to creating, maintaining and promoting a safe, secure and healthy work environment for those that work for and with us. We strive to be a responsible employer and have various initiatives and programmes in place to support the personal development and wellbeing of our people.

2022 achievements:

- No lost time incidents
- Appointment of a new Group QHSE Director to drive forward our strategy
- All employees globally undertook key safety e-training
- Committed to mental health first-aid training programme
- Increased focus on the Company safety observation card system, providing key risk insight and enabling prompt action to be taken
- Regular programme of facility HSE inspections carried out across our international operations

SDG

3

Labour practices and human rights



Respecting human rights

Treating our people and those that work with us fairly and with respect is fundamental to the way that we work at Ashtead Technology. We are also committed to working with suppliers and partners whose human rights standards are consistent with our own.

2022 achievements:

- Launched the Ashtead Technology Star Awards, our official employee recognition and reward programme
- Quarterly townhalls, internal webinars and regular internal communications flow to engage with our employees
- Ongoing customer and supplier engagement and monitoring to ensure best practice
- 15 different nationalities across our business from 260 employees
- Continued growth and expansion of business offering employees opportunities for development

Sustainable cities and communities



Local community partnerships

Based on high stakeholder interest, we accelerated our community support programme in 2022 to help build strong and lasting relationships with our local communities in order to protect our shared environment and improve the lives of others.

2022 achievements:

- Launched our science, technology, engineering and maths (STEM) community support programme
- STEM Ambassadors recruited to support engagement with local schools and colleges
- Carried out an employee engagement survey as part of our commitment to improve community involvement and engagement
- Supported various volunteering and fundraising initiatives with local charities

MATERIALITY ASSESSMENT

Our sustainability commitments are guided by a materiality assessment to ensure we prioritise the risks and opportunities that are of greatest importance to our stakeholders, as well as those that have a material impact on our business.

We undertook a review of Company, sector and societal factors to determine which of these should take priority for us and from this created a list of priorities that apply to a wide range of stakeholders and have the greatest impact on our future. This is something we will continue to progress and review in 2023 to ensure relevance with industry advancements and changes in stakeholder interest.

SUSTAINABILITY GOALS FOR 2023

- To attract the best and most diverse talent to lead our growth journey
- Continue to grow our activity in the offshore renewable energy sector
- Maintain our focus on safety and health of our employees and other stakeholders
- Heightened focus on quality assurance and best-in-class delivery of equipment and services
- Minimise our scope 1 and 2 GHG emissions and continue to engage with suppliers to support this
- Calculate our scope 1 and 2 GHG emissions from appropriate non-UK operations where data is available
- Expand our risk management processes to include climate-change risk
- Continue to foster a work environment that encourages incident reporting and whistleblowing
- Ongoing and robust annual anti-bribery and corruption e-learning training for all employees

Task force on climate-related financial disclosures

Ashtead Technology recognises climate change as one of the biggest environmental threats the world faces. As a key supplier to the energy transition, we are committed to supporting global efforts to move to cleaner, green energy solutions.

We are committed to providing transparency to our stakeholders regarding climate-related risk and opportunities that may impact the business and how we manage those risks and opportunities.

The Group is not within the scope of TCFD reporting requirements and while it is not within the scope of SECR reporting requirements it makes the below voluntary disclosures (see table) that would fall within the scope of SECR reporting.

As of 2023 our risk committee will expand the discussion to include climate related risks and opportunities and we will include in our 2023 annual report our governance, strategy and risk management around climate related risks and opportunities. As part of this review, targets will be set focused on managing climate-change risk, reducing carbon in our operations and taking advantage of the opportunities this presents us.

Environment and climate change

Ashtead Technology is supporting the energy transition through the equipment and services it provides to its customer base. In addition, the subsea decommissioning work it undertakes supports the removal of obsolete subsea infrastructure from the seabed for disposal in a safe and efficient manner at the end of its useful life. In terms of our own operations and services, these have a relatively low environmental impact but we are actively looking at ways to minimise our environmental impact and to embed this into every aspect of the company and its operations.

Our sustainability strategy has been in place since 2021 and has and will continue to evolve as we grow and as regulation and legislative requirements change.

Greenhouse gas emissions and energy use

Whilst our business does not as yet require to do so under the regulations, through 2022 we have measured our scope 1 and 2 UK energy consumption and associated GHG emissions in preparation for future requirements to comply with the Streamlined Energy and Carbon Reporting (SECR) legislation.

Our forecasts suggest that we will be required to report this from 2023 and our 2022 calculations will allow us to report on our comparative figures, to see the direction our business is moving, and thereafter to set appropriate targets to minimise environmental impact.

Scope

For FY2022, the scope includes scope 1 and 2 emissions from our UK operations which represents 59% of our global business. This will be expanded in 2023 to include non-UK operations where data is readily available. Reported energy consumption and associated carbon emissions include gas, electricity and heating oil consumption. Transport includes fleet fuel consumption.

Period

The reported figures cover the period from 1 January 2022 to 31 December 2022. We have not included prior year data as we are currently out of scope under SECR and TCFR but intend to include comparative figures in our 2023 annual report.

Calculation methodology

The reporting methodology utilised is the GHG Protocol Corporate Accounting and Reporting Standard, using the Operational Control approach. Energy consumption data comes from invoices and where required, estimates. Transport data comes from fleet owned vehicles mileage records. Emission factors used to calculate UK GHG emissions come from UK Department of Business Energy and Industrial Strategy (BEIS 2022).

Scope 1 includes direct emissions owned or controlled by Ashtead Technology and includes gas and fuel oil consumption as well as fleet owned vehicles for the UK. Scope 2 includes emissions associated with electricity consumption and is calculated on a location-based approach. The intensity ratio chosen is calculated based on total tonnes of CO₂e emissions in the reporting period divided by the number of employees in the reporting period.

Global greenhouse gas emissions and energy use data for the period 1 January 2022 to 31 December 2022

UK Sites: Westhill/Thainstone/Sandy/Fintray/Kemnay

Scope 1 emissions in metric tonnes CO ₂ e	2022
Gas consumption	26.36
Refrigerants	-
Fuel Oil (Kerosene) consumption	0.07
Company owned vehicles	21.12
Total Scope 1	47.55

Scope 2 emissions in metric tonnes CO ₂ e	
Purchased electricity	53.41
Total Scope 2	53.41

Total tonnes CO ₂ e	
Total gross emissions in metric tonnes CO ₂ e	100.96

Underlying Energy Consumption (kWh)	
Gas	144,402
Kerosene	2,867
Electricity	279,336
Total energy consumption	426,605

Underlying Energy Consumption (kWh)	
Company owned vehicles	51,989
Total	51,989

Intensity Ratio	
Tonnes CO ₂ e per FTE	0.57

STAKEHOLDER ENGAGEMENT

Creating value for all stakeholders

The Board considers engaging with our diverse stakeholder base as key to successfully managing Ashtead Technology and understands its duties under section 172 of the Companies Act 2006.

Section 172(1) of the Companies Act 2006 provides that a director of a company must act in a way that they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to various other stakeholder interests – below are the six key factors:

- the likely consequences of any decision in the long-term;
- the interests of the Group's employees;
- the need to foster the Group's business relationships with suppliers, customers and others;
- the impact of the Group's operations on the community and the environment;
- the desirability of the Group maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Group

Proactive engagement remains a central focus for the Board, which ensures the Directors have regard to the matters set out in s172(1) (a) to (f) of the Companies Act. They receive regular stakeholder insights and feedback, which enables them to place stakeholder considerations centrally to the Board's decisions, as follows:



Employees

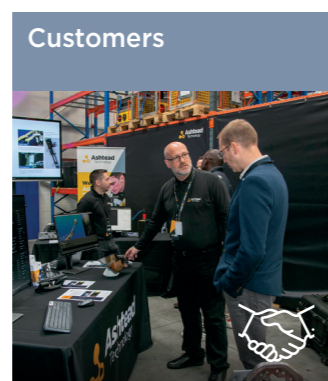
Why we engage

Employees are the Group's key resource and the Board is committed to ensuring their long-term training and development, health and wellbeing. The Group uses employee feedback to help develop a workplace where everyone is motivated, supported and able to deliver for our customers and other stakeholders.

How we engage

The Group operates an open-door policy and, due to the flat organisational structure, employees are encouraged at all levels to directly feedback to management. There is an open dialogue at all levels across the business. The Group operates a safety observation and opportunity for improvement programme, which actively encourages employees to report any observations, whether negative or positive. Regular business and operational update meetings, and employee engagement townhall meetings provide a route for direct feedback to management. Ongoing training is provided both through on-the-job learning and internal/external courses which ensure employees are continuously developed and competent to undertake the tasks performed in a safe and healthy manner. The Board engages with employees throughout the year, mainly informally during site visits.

The Group has achieved what it set out to do in regards to the initiatives for increasing employee engagement through 2022.



Customers

Why we engage

Listening to customers helps us satisfy their changing needs and supports them in fulfilling their obligations to their own customers and overcoming technical project challenges.

The Group seeks feedback on a range of issues such as customer service, technical issues and commercial terms. This ongoing feedback allows the business to monitor its reputation for high standards of business.

How we engage

The Group tracks feedback from customers on a regular basis and communicates this to senior management. This is done through various methods such as customer meetings, direct reporting and surveys, as well as on the ground feedback received through regular discussions between customers and employees. The executive management team keeps the Board informed on pricing, quoting levels, asset performance and win rates as well as information on market drivers and key contract wins and losses. The Board uses this insight to make decisions that serve customers for the long-term, including prioritising investment in people and equipment to support the customers' strategies and foster stronger relationships.

The Group has always aimed to have regular communication with its customers and this has been maintained through 2022.



Suppliers

Why we engage

The quality of our equipment rental fleet and the reliability of the service we deliver to our customers is heavily influenced by the proactive engagement with critical suppliers.

The Board values the role suppliers play in delivering and supporting the delivery of the Group's operations.

How we engage

All new suppliers are screened through a vendor approval process and vendors are continuously monitored for performance across the Group. The Group collaborates and continually works with its suppliers, sharing best practice, seeking out operational synergies and technological advancements to improve performance.

Engagement with suppliers is carried out by members of the senior management team, with regular feedback provided to the Board.

The Group has increased engagement with certain suppliers through 2022 given industry-wide supply chain challenges.



Shareholders

Why we engage

We communicate with our shareholders through our results roadshow, trading updates, Investor Relations website and Annual General Meeting. Where requests to meet with investors are received we will make every effort to accommodate this.

How we engage

We undertook two investor roadshows during 2022 following our full-year and half-year results. In addition to one-to-one meetings with major investors, we offer group meetings where relevant. Our in-person AGM was held in June and provided an opportunity for all shareholders to meet with the Board. We have engaged with a number of research analysts during the year and have increased our coverage from one analyst to six, providing our investors with a wider range of views on our business. We seek to take on board broker, investor and analyst feedback and participate, where appropriate, in formal broker-hosted events.

2022 was the first full year as a listed company and therefore shareholder engagement cannot be compared to prior year.



Government bodies

Why we engage

The Group engages with government bodies where there is a requirement to obtain licences to operate, for example, for owning certain equipment and importing/exporting that equipment to/from certain countries. It is critical for the operation of the Group that licences are maintained allowing our business to operate and to facilitate the movement of the rental equipment fleet around the globe to satisfy customer project demand.

How we engage

Management engages with government bodies responsible for issuing licences in an open and honest manner. Interactions are wide ranging and include telephone calls, written correspondence and face-to-face meetings. Management keep the Board apprised of the status of licences and members of the Board are available to participate in meetings with government bodies as appropriate.

Engagement with government bodies has been maintained in line with 2021 and has been undertaken on an as required basis.



Community and the environment

Why we engage

The Group is an international business with operations supported from ten service centres located in key offshore energy hubs. Being a good neighbour and making a positive contribution to the communities in which it works is critical in the Group's ongoing success. The Group focuses on the communities geographically closest to its various locations to reinforce supportive local services. Given the range of services the Group provides it is ideally positioned to support its customers' projects accelerating the energy transition and the Group is committed to playing its part in this transition.

How we engage

The Group invests in its local facilities, offering long-term, sustainable employment to people in its communities and actively engages with businesses and organisations in the vicinity of each location to discuss opportunities to collaborate. The Group has the skilled personnel and equipment to deliver solutions to support the construction, installation, maintenance and decommissioning of offshore windfarms. The Board supports the Group through the allocation of resources for this key growth market and in supporting the development of innovative remote solutions that can reduce the Group's carbon footprint.

The Group has increased its community involvement through 2022 and has further increased its focus on environment through its ISO 14001 accreditation and increased exposure to renewables.

PRINCIPAL DECISIONS MADE IN THE YEAR

- Acquisition of WeSubsea and Hiretech
- Investment in QHSE function
- Investment in senior leadership of service lines to further strengthen the technical depth, encourage the regions to work together and prioritise investment opportunities
- Invested in additional facilities in Aberdeenshire, UK
- Extension and increase of debt facility
- Increased investment in rental fleet to support customers' energy transition and growth plans

The Group considered the effect of the above decisions on all the stakeholders of the business. The Board agreed that all the decisions positively affected all the stakeholders by increasing the value and opportunities of the Group.

CHIEF FINANCIAL OFFICER'S REPORT



We have made progress against all of our financial KPIs 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 reintroduction 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 of £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 purely 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 on page 88 and reconciliation to GAAP metrics included in Note 28 to the accounts.

Ingrid Stewart

Ingrid Stewart
Chief Financial Officer
2 May 2023

Table A – Results reconciliation/Adjusted figures

Results reconciliation £000	Adjusted	M&A 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
EBITDA/EBITA/Adjusted Profit Before Tax					
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.

KEY PERFORMANCE INDICATORS

Measuring our success

The Group uses a range of financial and non-financial KPIs to measure strategic performance. The business has made significant progress in 2022.

Operational highlights:

- Zero lost time incidents, keeping our employees safe
- Completion of WeSubsea and Hiretech acquisitions, further increasing the breadth and depth of our offering to our customers
- Delivering significant integrated projects, demonstrating our One Ashtead Technology approach across our three service lines
- Continued investment in the senior leadership team with the appointment of a new Commercial Director, Survey & Robotics Director, and QHSE Director, and several senior promotions
- Increased global headcount from 204 to 260
- £14.5m capital expenditure
- Added ISO 14001 and ISO 45001 accreditations to our existing ISO 9001 certification
- Continued support to the energy transition with 22% growth in revenues from the renewables market
- Broadening shareholder register

Alternative Profit Measures are used for KPI calculations.

See [page 19](#) for calculation of Adjusted EBITDA, Adjusted EBITA and Adjusted Profit After Tax

Definitions can be found on [page 88](#)



Revenue	(£m)
£73.1m	
2022	£73.1m
2021	£55.8m

Description

Growth of 31%, split 2% from M&A and 6% from favourable FX with the remainder from increased activity across both oil and gas and renewables markets.

Revenue by market (%)



● Oil and gas	● Renewables
69%	31%
(2021: 67%)	(2021: 33%)

Description

This is measured as an indicator of progress in increasing support to the renewables sector in line with our strategy of supporting the energy transition. 2022 saw 22% growth in renewables revenue and 35% growth in oil and gas.

Adjusted EBITA*	(£m)
£20.1m	
2022	£20.1m
2021	£13.7m

Description

Adjusted EBITA excludes exceptional costs and FX profits/losses. This is a key metric used by analysts and investors in measuring our performance. 47% growth in Adjusted EBITA driven by top line revenue growth.

Adjusted profit before tax*	(£m)
£18.7m	
2022	£18.7m
2021	£10.8m

Description

Profit before tax is seen as a key financial metric to determine financial success. The Group uses Adjusted profit before tax so as to normalise for any adjusting items which may make comparison with previous years challenging. Significant increase in adjusted profit before tax.

Leverage	(x)
1.0x	
2022	1.0x
2021	1.0x

Description

Leverage is a key metric to determine capital discipline. Leverage was maintained at 1.0x despite significant organic and M&A investment in year. 0.8x on a proforma basis.

Cost utilisation**	(£m)
44%	
2022	44%
2021	43%

Description

Utilisation improvements reflect continued increase in market activity. Cost utilisation is a useful indicator of performance of the equipment fleet and is calculated as the cost of rental equipment on hire divided by the total cost of the rental equipment owned.

Adjusted EBITA margin*	(£m)
27.5%	
2022	27.5%
2021	24.6%

Description

27.5% adjusted EBITA margin ahead of expectations due to higher than forecast activity. By using Adjusted EBITA we can measure this on a consistent basis year-on-year.

Adjusted earnings per share*	(p)
19.6p	
2022	19.6p
2021	13.2p

Description

Adjusted EPS is used as a measure of Group performance prior to any adjusting costs. This is also the measure used to determine LTIP vesting. 48% increase in adjusted EPS in year.

Return on invested capital (ROIC)	(%)
21%	
2022	21%
2021	17%

Description

ROIC is a useful indicator to ensure capital (being debt and equity) is invested appropriately. 2022 ROIC at 21% is significantly ahead of cost of capital.

Total recordable incident rate (TRIR)**	
0.48	
2022	0.48
2021	0

Description

TRIR is an industry-recognised metric. The Group had one recordable incident in the year resulting in a TRIR of 0.48.

* Non-GAAP metric (see definitions on page 88).

** Non-financial KPI.

RISK MANAGEMENT AND BOARD APPROVAL FOR THE STRATEGIC REPORT

Effective risk management to support growth

The Board has collective responsibility for determining the Group's risk management framework. This framework, the Group's risk culture, its compliance focus and internal controls, supported by the Audit Committee, give the Board assurance that risks are being appropriately identified and managed in line with its risk appetite.

Risk is defined as anything which is a threat to Ashtead Technology, our operations and our workforce, or would prevent the business from achieving its objectives. These include commercial, personnel, asset & systems, financial & credit, sustainability and legal & compliance risks.

- Key**
- ▲ Increased
 - ▼ Decreased
 - = No change

The risk management framework plays a crucial role in ensuring our financial stability and focus on Group performance. Continual identification and monitoring of risk is performed to accomplish the following broad objectives:

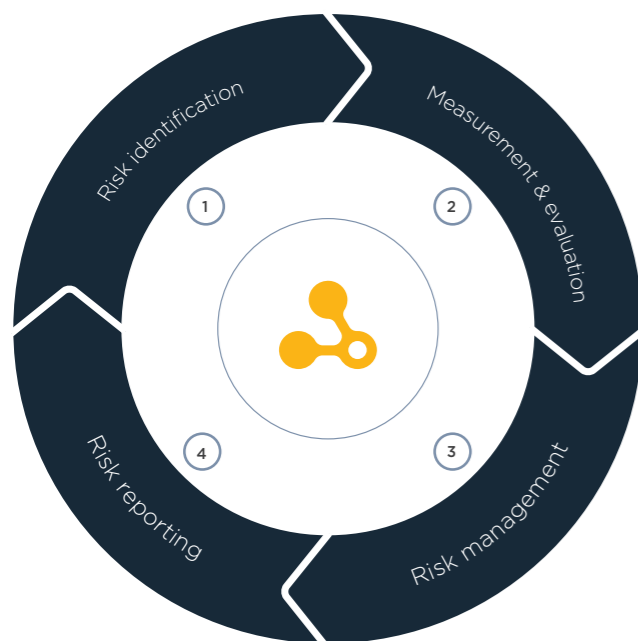
- **Accountability** – a proactive approach to risk mitigation through clearly defined roles and responsibilities.
- **Transparency** – clear and understandable standards around the acceptance of risk in the business.
- **Protection/Security** – protection of personnel and the environment, and security of our finances and facilities.
- **Compliance** – compliance with applicable laws, regulations, industry standards, customer requirements and organisational policies.

Given the relatively common market dynamics across our international business, risk is assessed at Group level with any specific mitigation elements effected at either Group or regional level as appropriate.

¹ Risk trend is based on the risk position currently compared to the prior year reporting date as assessed by the internal risk management committee.

OUR RISK OPERATING MODEL

Our risk operating model focuses on four key components which allows us to effectively identify, measure, manage and report the external and internal risks in our business.



1. Risk identification

The internal risk management committee meets quarterly to identify the principal and emerging risks facing the Group. The internal risk management committee consists of the CEO, CFO, CTO, Operations Director, Commercial Director, Regional General Managers, Service Line Directors and QHSE Director, representing a wide spectrum of the business.

2. Measurement & evaluation

All identified risks are measured and evaluated through a risk register in order to determine potential severity and probability. Each risk is weighted according to its probability, financial impact and reputational impact.

3. Risk management

The internal risk management committee identifies mitigating actions for each risk, based on an assessment of the effectiveness of the existing control environment. Where appropriate, changes to the control environment are identified and implemented.

4. Risk reporting

The Corporate Risk Register is shared and discussed with the Audit Committee. The Audit Committee's purpose is to seek assurance and provide advice to the Board on the adequacy and effective operation of the Group's systems of control and risk management across the business. The Audit Committee is chaired by an independent non-executive director with extensive knowledge and experience in this matter.

The CFO is responsible for ensuring any actions raised by the internal Risk Management Committee are followed up in a timely manner.

Outside of the defined reporting schedule, any changes to risk which have an expected >10% impact on forecast EBITDA for the year is immediately reported to the Board of Directors.

Principal risks and uncertainties


Principal risks are those risks that, given the Group's current position, could materially threaten its business model, future performance, prospects, solvency, liquidity, reputation, or prevent the Group from delivering its strategic objectives.

The principal risks and uncertainties identified are detailed in this section with details of developments through the year and risk trend in comparison to the prior period. Additional risks and uncertainties that the Group is unaware of, or currently deems immaterial, may in the future have a material adverse effect on the Group's reputation, operations, financial performance or position.

Risk	Description	Mitigation	Developments in 2022
Economic Risk trend ¹ ▼	The Group's business depends on the level of activity in the offshore oil and gas and renewable energy industries. Activity can be impacted by such things as changes in energy transition, availability of alternative energy sources, regulatory regimes, changes to customer vessel schedules, oil and gas prices and weather.	Increased exposure to offshore renewables and oil and gas decommissioning activities creates a natural hedge against declining oil and gas activity. Increased geographical diversification can help offset regional seasonal variations.	Increased investment in the offshore renewables sector globally, particularly across Europe, Asia and US, is driving market expansion. Increased exposure to offshore renewables with 31% of revenues generated from offshore wind. Secured first project directly with offshore wind operator reflecting our growing credentials in this sector.
Supply chain Risk trend ¹ ▲	The Group must incur ongoing capital and operating expenditures on its equipment rental fleet to remain competitive and provide quality, reliable equipment. A significant period of interruption affecting elements of our supply chain arising from factors such as pandemics, financial uncertainty, civil unrest, war or other unforeseen external factors would have an impact on our ability to either service our customers or restrict our growth. In addition, general inflation and unexpected increases in supply chain pricing could result in lower profits and higher capex costs.	Maintain dialogue with key suppliers with ability to secure equipment if lead times extend beyond normal parameters. Capex orders placed early in cycle to ensure delivery in time for busy periods. Preferential supply agreements signed with various suppliers. Alternative suppliers sourced for key items. Increased stock holding of critical spares.	Supply issues further exacerbated during 2022 due to global shortages of critical parts. Inflationary cost increases covered through pricing increases. Supply chain issues increasing customers' propensity to rent rather than purchase capital equipment.
Personnel Risk trend ¹ ▲	The Group's operations require a workforce covering a range of managerial, engineering and trade specialists. The Group faces significant competition both from within the offshore energy industry and from other sectors for personnel with the skills it requires to sustain and grow its activities. If the Group is unable to attract and retain personnel with the requisite skills, the business, financial condition, results of operations and prospects of the Group may be adversely affected and opportunities for growth may be curtailed.	The Group utilises medium-term forecasts to assess resource requirements, allowing time to properly resource the organisation. Attrition by function and geography is monitored on an ongoing basis and any trends identified and followed up. The Group is constantly monitoring its remuneration packages to maintain competitiveness.	Pay increases implemented, addressing improvement in market conditions. Increased communication across the business through quarterly townhalls, internal webinars and regular internal communications. Implemented employee recognition programme. Increased recruitment referral fee for employees.
Information technology and operational systems, cyber risks and security Risk trend ¹ =	The Group uses technologies, systems, and networks to conduct the majority of its operations, to collect payments from customers and to pay vendors and employees, and the Group continuously seeks to upgrade and improve these IT systems. The risks associated with cyber incidents and attacks to the Group's Information Technology systems could include disruptions to the supply of products and services to its customers; temporary disruptions relating to the implementation of upgrades and improvements; other impairments of the Group's ability to conduct its operations; loss of intellectual property, proprietary information or customer data; disruption of the Group's customers' operations; and increased costs to prevent, respond to or mitigate cyber security events.	The Group recognises the increased frequency of cyber security threats and events and takes this risk seriously. It is continuously reviewing and enhancing its infrastructure as well as its IT suppliers and partners to ensure risk is minimised. The Group is progressing an upgrade of its IT infrastructure with a focus of moving all legacy systems to cloud based platforms. This has continued to progress through FY22. The Group has an IT disaster recovery plan in place which is regularly reviewed and tested.	The Group has continued to invest in its IT systems through 2022. The transition of all IT systems to a cloud based environment is well progressed with targeted move to a new ERP system in 2023. The Group upgraded its email filter software and cyber security training through 2022.

RISK MANAGEMENT AND BOARD APPROVAL FOR THE STRATEGIC REPORT *CONT.*

Risk	Description	Mitigation	Developments in 2022
Customer risk Risk trend! 	<p>A significant proportion of the Group's revenue in any year may be derived from a relatively small number of customers. If the Group is unable to maintain strong relationships with this core group of customers or fails to offer such customers a high level of service, including with respect to the quality of the products and services provided and their timely delivery, the business, financial condition, results of operations and prospects of the Group may be adversely affected.</p> <p>In addition, if any of its key customers suffer cash flow or credit issues, this could have a negative impact on Ashtead Technology's cash flow due to the inability of its customers to pay monies due to the Group. An increase in market activity is resulting in higher working capital requirements for customers resulting in some customers retaining cash and slowing debtor payments.</p>	<p>The Group maintains regular dialogue with its key customers. Customer relationships are considered critical to the Group's success and are managed across multiple touch points.</p> <p>The Group sets processes and procedures based on industry benchmarks in order to minimise risk of providing poor quality products and services.</p> <p>The Group works to mitigate customer payment issues through its contractual terms, continuously assessing the creditworthiness of its customer and supplier base, and monitoring of debtors and cash flow on a daily basis.</p>	<p>The Group has increased its debtor provision to reflect increased concern with certain customers.</p> <p>Where necessary the Group exercises a range of options to mitigate against credit risk including non-supply and debt collection measures.</p>
Health, safety & environmental Risk trend! 	<p>The Group's projects predominantly take place offshore and in some cases can be complex, and performed in remote environments and varied sea conditions. Providing subsea equipment rental, services and solutions is an inherently dangerous activity and the Group's operations are subject to the hazards inherent in provision of such services and solutions. The continuous monitoring and management of health, safety, security, environmental and quality risk associated with working in these environments is critical.</p> <p>A failure to manage these risks could expose our own, our customers' and/or our suppliers' people and equipment to health, safety and environmental risk which could in turn result in significant commercial, legal and reputational damage.</p>	<p>The Group monitors QHSE statistics on an ongoing basis. There was one recordable incident in August 2022 resulting in a TRIR (Total Recordable Incident Rate) of 0.48 at end 2022.</p> <p>The Group has a competency programme in place to ensure that all of its personnel are properly trained for the tasks they undertake either within the Group's premises or customers' operational sites both onshore or offshore.</p> <p>The Group also maintains insurances including (i) marine insurance for physical damage to its equipment rental fleet, (ii) employers and general liability insurance and (iii) property insurance.</p>	<p>One recordable incident in the year and no lost time incidents.</p> <p>Investment in QHSE function with the appointment of a Group QHSE Director in October 2022.</p> <p>Consolidation of ISO 9001 and 45001 certification across the Group. Achievement of ISO 14001 certification.</p>
Compliance and ethics Risk trend! 	<p>The Group is committed to conducting business in accordance with applicable law and the highest ethical standards. However, there is a risk that its employees, representatives or other persons associated with it may take actions that breach the Group's internal compliance policies, or applicable laws, including but not limited to anti-bribery or anti-corruption.</p> <p>Certain equipment used by the Group is subject to export controls, often as a result of being manufactured in the United States or because of the dual use classification of equipment with the potential to have a military function. The Group uses and exports this equipment under licences prohibiting its export to or use in certain jurisdictions. Any failure to comply with such laws and regulations may result in reputational damage to the Group, administrative and civil penalties, criminal sanctions or the suspension or termination of the Group's operations.</p>	<p>The Group has an internal control programme in place to manage sanctions and export control risk. All appropriate personnel receive annual training covering our export compliance and anti-bribery and corruption policies. Personnel responsible for processing transactions involving items covered by international trade sanctions and export-related laws and regulations are provided with specific training for the tasks performed.</p> <p>The Group maintains comprehensive logs and registers of such equipment's intended use and location, only transacts with reputable customers, and seeks to adhere to all applicable relevant licence terms.</p>	<p>Continued 100% compliance to anti-bribery and sanctions training.</p> <p>Expansion of the Commercial team through appointment of a Commercial Director, working closely with inhouse legal team to manage terms & conditions.</p> <p>Ongoing review and evaluation of business risk.</p>
Geopolitical tensions Risk trend! 	<p>2022 saw Russia's invasion of Ukraine which resulted in an increased focus on energy sustainability and affordability and an increase in activity in oil and gas markets. If this continues, this may result in a continued pivot of Ashtead Technology's revenues towards oil and gas but does not change the strategy to expand its proportion of revenues from offshore renewables in the medium- to long-term.</p>	<p>The fungibility of Ashtead Technology's equipment and services positions it well to support both markets. Whilst the future remains in renewables, there is evidence that the strong bounce back in oil and gas will be maintained over the medium-term.</p>	<p>Continued to focus on long-term strategy, monitoring of market conditions and investing in both organic and inorganic opportunities to position the business to further support the energy transition.</p>

Risk	Description	Mitigation	Developments in 2022
Climate change Risk trend! 	<p>Transition risks arise as the world aims to adapt to the warming climate and reduce the emission of greenhouses gases. Ashtead Technology is very focused on the part it has to play in supporting the energy transition and the speed at which this transition occurs may impact on the proportion of revenues the business secures from each of its key markets.</p> <p>There could be a risk to Ashtead Technology's revenues if there is a significant development in onshore renewable sources.</p> <p>Extreme weather offshore caused by global warming could have an impact on offshore activity and therefore on Ashtead Technology's revenues.</p>	<p>Ashtead Technology is focused on supporting the energy transition and with the fungibility of its equipment sees an opportunity for the business irrespective of the speed of transition, as long as offshore remains a key energy source.</p> <p>Ashtead Technology aims to derive over 50% of its revenues from renewables within the medium-term.</p>	<p>Continued focus on supporting the energy transition and investment in areas critical to the renewables industry.</p>

BOARD APPROVAL FOR THE STRATEGIC REPORT

The Strategic Report, which includes the Chairman's Statement, the Chief Executive Officer's Statement, the Investment Case, Our Strategy, Chief Financial Officer's Report, Key Performance Indicators and Risk Management (covering the principal risks and uncertainties of the Group) was approved by the Board and signed on its behalf by



Allan Pirie

Chief Executive Officer

2 May 2023

BOARD OF DIRECTORS

An experienced management team with strong offshore energy pedigree



Bill Shannon
Independent Chairman and
Non-Executive Director

Committees

A R N

Skills

- Extensive financial expertise
- Sound practical understanding of corporate governance
- Deep appreciation of investor sentiment
- Extensive plc Chairman experience

Experience

Bill has over 28 years of experience in plc board roles across businesses in branded retail and leisure, property, gaming and financial services. He is a Chartered Accountant (Scotland) and, after qualifying, began his career with Whitbread PLC in 1974, where he served as a Board Director for 10 years until his retirement in 2004.

Bill has served as Chairman of the boards of LSL Property Services plc, Johnson Service Group plc, St. Modwen Properties plc, Aegon UK plc and Gaucho Grill Holdings Ltd. Bill has also served on the boards of Barratt Developments plc, Matalan plc and Rank Group plc.



Allan Pirie
Chief Executive Officer

Committee

N

Skills

- Sound, proven leadership skills and a considered strategic approach
- Detailed understanding of the subsea market and sector with significant knowledge of commercial, customer and operational matters
- Customer and supplier relationship management
- Successful transaction and M&A experience

Experience

Allan has 27 years of experience in the offshore energy industry. Allan joined the Group in 2009 as Chief Financial Officer, before becoming Chief Executive Officer in 2012.

Prior to joining the Group, Allan was Chief Financial Officer at Triton Group, a Commercial Director at Viking Offshore Services, a Business Strategy Manager at ASCO and qualified as a Chartered Accountant (Scotland) with KPMG.



Ingrid Stewart
Chief Financial Officer

Skills

- Significant experience in corporate finance
- Successful transaction and M&A experience
- Strong technical acumen on financial matters
- Wide, in depth knowledge of business management

Experience

Ingrid has 25 years of experience in the offshore energy industry. Ingrid joined the Group in January 2021 as Chief Financial Officer.

Prior to joining the Group, Ingrid was a Corporate Development Director at EnerMech, a Director at Simmons & Company International and an Associate, Manager and Assistant Director at Deloitte. Ingrid is a qualified Chartered Accountant (Scotland).



Joe Connolly
Non-Executive Director

Committee

N

Skills

- Deep understanding of investor sentiment
- Broad industry experience
- Successful transaction and M&A experience
- Strong knowledge of the business and its history

Experience

Joe has over 22 years of experience in the energy & resources industry and has served on the board of various Ashtead Technology Group companies since 2016. Joe was one of the founders of Buckthorn Partners and currently serves as its Chief Financial Officer.

A qualified Chartered Accountant, Joe was previously the CFO of listed mining company, Sierra Rutile. After qualifying as a Chartered Accountant with Deloitte within its energy and resources group, he joined Morgan Stanley as an Equity Analyst in Morgan Stanley's industrial team.



Thomas Thomsen
Independent
Non-Executive Director

Committees

A R N

Skills

- Deep knowledge of the renewable energy market
- Deep understanding of strategic processes
- Business development and customer focus

Experience

Thomas has over 23 years of experience in the wind sector. Since April 2022 Thomas has served as Senior Vice President of Semco Maritime's renewables division.

Thomas previously served as the Chief Strategy Officer of GE Onshore Wind International and was an Executive Director of AH Industries, Senior Vice President of VESTAS A/S and Chief Sales Officer at AREVA Wind.



Tony Durrant
Independent
Non-Executive Director

Committees

A R N

Skills

- Sound practical understanding of corporate governance
- Extensive financial reporting experience
- Significant understanding of audit processes and risk management
- Deep understanding of investor sentiment

Experience

Tony Durrant has 35 years of experience in the energy & resources industry. Tony was Chief Executive Officer of Premier Oil Plc until December 2020, a position he had held since June 2014. He joined Premier Oil as Finance Director and a Director of the Board in June 2005.

After qualifying as a Chartered Accountant with Arthur Andersen, he joined Lehman Brothers, as an Analyst before joining their investment banking division.

Committee membership key

- A** Audit Committee
- R** Remuneration Committee
- N** Nomination Committee

ROLES AND RESPONSIBILITIES

Remuneration Committee

- determines directors' and senior management remuneration strategy and policy
- oversees the implementation of our Remuneration Policy
- reviews workforce remuneration, related policies and the alignment of incentives and rewards with culture

[Read more on page 34](#)

Audit Committee

- promotes governance and our risk management framework
- ensures the accuracy of our financial reporting
- monitors the external auditors

[Read more on page 31](#)

Nomination Committee

- recommends to the Board for executive and non-executive appointments and succession planning
- promotes employee engagement and diversity

[Read more on page 33](#)

CHAIRMAN'S INTRODUCTION

Committed to high standards of governance

The Board acknowledges the importance of high standards and is committed to effective corporate governance, focused on delivering long-term value and meeting stakeholder expectations around leadership and oversight.

As Chairman of the Board, I am responsible for corporate governance within the Group and we have a clear governance structure centred around the QCA Corporate Governance Code for small- and mid-size quoted companies 2018, which ensures that the Board and the business act responsibly in decision-making, risk management and delivery of objectives. This section of the Annual Report outlines how we apply the principles of the QCA Code.

During 2022, our Board met regularly to consider strategy, performance and the framework of internal controls. To enable the Board to discharge its duties, all Directors receive appropriate and timely information in advance of Board meetings.

We will continue to review and update our governance framework and our approach as the Group continues to grow and we will update the Corporate Governance statement in the AIM rule 26 section of the Company's website. Additional information is contained in our Section 172 Statement on page 16.

Board structure and composition

My role as Chairman of the Board is separate to, and independent of, that of the Chief Executive and each of us has clearly defined responsibilities. These, along with the terms of reference for all the Committees of the Board, can be found on the Investor Relations section of the Ashtead Technology Holdings plc website.

The Board comprises six Directors consisting of two Executive Directors, three independent Non-Executive Directors and one Non-Executive Director (non-independent). The Board ensures that there is a clear balance of responsibilities between the executive and the non-executive functions, and that no individual (or small group of individuals) can dominate the Board's decision making. The Board also believes that it currently has a desirable range of different skills, experiences and backgrounds, further details of which can be found in the Board biographies on pages 26 to 27.

Stakeholder engagement

The Executive Directors spent considerable time engaging with stakeholders. A full review of stakeholder engagement can be found at pages 16 to 17.



Bill Shannon
Chair of the Board
2 May 2023

CORPORATE GOVERNANCE STATEMENT

Focused on effective corporate governance

The Board is committed to effective corporate governance. In this section we set out the arrangements the Board has put in place to ensure that it fulfils its corporate governance obligations, including compliance with the QCA Corporate Governance Code.

Strategy and long-term shareholder value

One of our Board's key roles is to set and monitor the implementation of our Group strategy. This includes support and constructive challenge to management on how the Group intends to deliver long-term shareholder value. Our strategy remains largely unchanged from the prior year and is summarised below:

- Supporting the energy transition whilst being mindful of the global need for energy security and affordability
- Maintaining Ashtead Technology's position as a leading independent subsea equipment rental business
- Continuing to broaden the range of complementary equipment and services to support our customers' operations
- Leveraging Ashtead Technology's global footprint
- Augmenting organic growth through a clear and focused merger and acquisition strategy.

We have made positive progress on all of the key pillars of our strategy through 2022 and remain focused on continued delivery through 2023.

More detail on our strategy can be found on page 5.

Meeting shareholder needs and expectations

We are committed to engaging with our shareholders to ensure their needs and expectations are understood and our strategy and business model are clearly articulated.

We have engaged with our investors at multiple points during the year supplementing our full- and half-year road shows with investor calls and meetings where requested. The Annual General Meeting is also an opportunity for the Company's Directors to meet with and address shareholders' questions.

The Board is kept informed of the views and opinions of shareholders and analysts. We were delighted that since our prior year results announcement, an additional five research analysts have initiated research on our business providing both existing and potential investors with a broader view of the business and its prospects.

Directors receive regular updates from the CEO and CFO, as well as share register analyses and market reports from the Company's Nominated Advisor, Numis.

Stakeholder and social responsibilities

The Group has a number of stakeholders, including, but not limited to our shareholders and employees, and our long-term success is dependent on us maintaining a positive relationship with all stakeholders as well as ensuring we act responsibly at all times. The Board's approach to stakeholder engagement is presented in pages 16 to 17.

Effective risk management

The Board recognises the need for an effective and well-defined risk management process. The risk management framework and key risks facing the business are set out in pages 22 to 25 of this report.

Our internal Risk Management Committee has continued to meet quarterly ensuring that there is a robust process in place for identifying, managing, and monitoring risks relevant to the Group. The internal Risk Management Committee assesses the risk profile of the Group and how the risks arising from the Group's businesses are controlled, monitored and mitigated.

The Audit Committee has responsibility for reviewing the effectiveness of the Group's internal controls as set out in pages 31 to 32 and reports directly to the Board on these matters. The Audit Committee reviews and challenges the output from the internal Risk Management Committee at least once per year.

The Group does not currently have an internal audit function as day-to-day control is sufficiently exercised by the Group's Board of Directors. However, the Board will continue to monitor the need for an internal audit function as the Group grows and develops.

Recognising that there are inherent limitations in any control system and that any such system can only provide reasonable and not absolute assurance, the Board considers the controls in place are reasonable for a Group of its size and complexity.

Maintain the Board as a well-functioning, balanced team, led by the chair

The Board comprises two Executive Directors, Allan Pirie and Ingrid Stewart, three non-executive directors, Bill Shannon, Tony Durrant and Thomas Thomsen whom the Board believes are independent, and, one non-executive director, Joe Connolly who is not considered independent due to his relationship with Buckthorn Partners.

The Board aims to meet at least six times per year with the Board meeting ten times in FY22, with all Board members in attendance. All meetings have been attended by all Directors. Board meetings are open and constructive, with every Director participating fully.

The Board is satisfied that it is sufficiently resourced to discharge its governance obligations on behalf of all stakeholders and that all Directors of the Board have sufficient time, availability, skills and expertise to perform their roles.

Board skills, capabilities and experience

Pages 26 to 27 set out the biographies of the current Board members. The Board is deliberately represented by a diverse mix of individuals with varied experience across a number of industries and in both private and public companies.

The Board is not dominated by any person or group of people. The Non-Executive Directors meet without the presence of the Executive Directors during the year, and also maintain ongoing communications with the Executive Directors between formal Board meetings.

All Board members remain professionally active and are given the opportunity to keep in touch with relevant developments through appropriate seminars to ensure the continued development of each Board member's skills and capabilities. All the Directors have appropriate skills and experience for the roles they perform, including as members of the Board Committees.

If required, the Directors are entitled to take independent legal advice and if the Board is informed in advance, the Group will reimburse the cost of the advice.

Our annual report includes an audit committee report which can be found in pages 31 to 32, and a remuneration committee report in pages 34 to 35.

CORPORATE GOVERNANCE STATEMENT CONT.

Evaluation of Board performance

The Nomination Committee is responsible for reviewing the composition of the Board, as required under QCA code point 7, including evaluating the skills, knowledge and experience of Board members. The Committee seeks to take into account any Board imbalances for future nominations.

The Nomination Committee met in December 2022 and the Chair confirmed that the performance of each of the Non-Executive Directors continues to be effective and each demonstrates commitment to their role, providing distinct and valuable input to the overall operation of the Board. No training activities or requirements were identified. The nomination committee report can be found on page 33.

The Committee will meet again during FY23.

Promoting a corporate culture based on ethical values and behaviours

The Group's core values of Agility, Collaboration and Excellence are at the heart of everything we do, they define who we are, how we operate and what we stand for. A large part of the Group's success is due to continued and respectful dialogue with its employees, customers and other key stakeholders. The Group has a zero-tolerance approach to any form of discrimination, or any inappropriate unethical behaviour relating to bribery, corruption or business conduct in all territories in which it operates.

The Board sets the tone and promotes an ethical corporate culture by having documented policies, including:

- Modern slavery policy
- Anti-money laundering and counter terrorism policy
- Market Abuse Regulation Procedure
- Personal relations and conflict of interest policy
- Employee handbook
- Whistle-blowing policy

These policies, as well as regular training, assist in embedding a culture of ethical behaviour for all employees. The Group has a zero-tolerance approach to any form of discrimination, or any inappropriate unethical behaviour relating to bribery, corruption or business conduct in all territories in which it operates.

The Group has adopted a Share Dealing Policy regulating trading and confidentiality of inside information for the Directors and other persons discharging managerial responsibilities (and their persons closely associated) which contains provisions appropriate for a company whose shares are admitted to trading on AIM (particularly relating to dealing during closed periods which will be in line with the Market Abuse Regulation (EU) No 596/2014). The Group takes all reasonable steps to ensure compliance by the Directors and any relevant employees with the terms of that Share Dealing Policy.

Maintaining governance structures and processes that are fit for purpose and supporting good decision making

The Board is committed to, and ultimately responsible for, high standards of corporate governance. It has a formal schedule of meetings and matters reserved for its attention, including approval of strategic plans and acquisitions, ensuring maintenance of sound risk management and internal controls, delegation of authority and other corporate governance matters.

The Board and its Committees have a formal agenda in place for each meeting, they receive appropriate and timely information and appropriate time is allotted to ensure that s.172 factors are discussed and taken account of during Board discussions and decision-making.

The role of each member of the Board is clearly defined. The Chairman's principal responsibilities are to ensure that the Group and its Board are acting in the best interests of shareholders. His leadership of the Board is undertaken in a manner which ensures that the Board retains integrity and effectiveness and includes creating the right Board dynamic and ensuring that all important matters, in particular strategic decisions, receive adequate time and attention at Board meetings.

The day-to-day management of the Group is carried out by the executive directors (CEO and CFO). The Independent Non-Executives are tasked with constructively challenging the decisions of executive management and satisfying themselves that the systems of business risk management and internal financial controls are robust.

The Group has Audit, Nomination and Remuneration Committees and reports from each are included within this Annual Report. Their respective purposes are as follows:

- Audit Committee - primary responsibility for monitoring the quality of internal controls, ensuring that the financial performance of the Company is properly measured and reported on and reviewing reports from the Company's auditors relating to its accounting and internal controls, in all cases having due regard to the interests of shareholders. The Audit Committee meets at least twice a year.
- Nomination Committee identifies and nominates, for the approval of the Board, candidates to fill Board vacancies as and when they arise. The Nomination Committee meets at least once per year.
- Remuneration Committee reviews the performance of the executive directors and determines their terms and conditions of service, including their remuneration and the grant of options, having due regard to the interests of shareholders. The Remuneration Committee meets at least once per year.

The Committees have the necessary skills and knowledge to discharge their duties effectively.

The Chair and the Board continue to monitor and evolve the Company's corporate governance structures and processes, and maintain that these will evolve over time, in line with the Company's growth and development.

Communicating how the Group is governed and performing with shareholders and other relevant stakeholders

The Group maintains an active dialogue with its shareholders through a planned programme of investor relations. A range of information is included on the Group's website (www.ashtead-technology.com) and further information can be requested via Investor Relations (contact details included on website).

The Group communicates with its shareholders through:

- Annual Report and Accounts
- Half-year report announcements
- Regulation News Service ("RNS") announcements
- Its Annual General Meeting
- One-to-one meetings with existing or potential new shareholders
- Webinar meetings/results presentations

AUDIT COMMITTEE REPORT

Monitoring risk and financial integrity

As the Audit Committee, we assist the Board in its oversight of financial reporting, internal control and risk management. This report summarises our membership and activities over the year.

Membership

Our Audit Committee met three times during 2022 and comprises three independent Directors, Bill Shannon, Thomas Thomsen and myself, Tony Durrant, as Chair of the Committee.

Committee activities

The Committee undertook the following activities during FY22:

- Oversaw and scrutinised the preparation of the financial statements for the year ended 31 December 2021.
- Approved the approach taken with regards to audit input and scrutinised the content of the half-year statements to 30 June 2022.
- Discussed key areas of financial judgement, including capitalised development costs.
- Reviewed and commented on trading updates given throughout FY22.
- Reviewed the Group's evaluation of principal risks and uncertainties, including emerging risks.
- Reviewed the effectiveness of BDO LLP as external auditors.
- Discussed and agreed the Group's approach to internal audit.
- Reviewed the Committee's performance since Admission, its composition and Terms of Reference.

Financial reporting

The primary role of the Committee in relation to financial reporting is to review and monitor the integrity of the financial statements, including annual and half-year reports, and any other formal statements relating to the Group's financial performance.

In preparation of the Group's 2022 financial statements, the Committee assessed the accounting principles and policies adopted, and whether management had made appropriate estimates and judgements. The Committee also reviewed the reports prepared by the external auditors on the 2022 Annual Report.

The Committee, together with management, identified significant areas of financial statement risk and judgement as described in the table:

Fair, balanced and understandable

At the request of the Board, the Committee has reviewed the content of the 2022 Annual Report and considered whether, taken as a whole, in its opinion it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy. The Committee reviewed the application and appropriateness of the Group's accounting policies and procedures and whether the Group has made appropriate estimates and judgements, taking into account the external auditor's views as well as the Group's attitude to risk. This included the financial reporting responsibilities of the Directors under section 172 of the Companies Act 2006 to promote the success of the Company for the benefit of its members as well as considering the interests of other stakeholders which will have an impact on the Company's long-term success.

Following the Committee's review, the Directors confirm that, in their opinion, the 2022 Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

Description of significant area	Audit Committee action
Provision for bad debts The Group's debtors balance includes debtors from foreign jurisdictions and with a history of slow payment. 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 and known factors regarding specific debtors.	As this was a focus for 2021, debtor recoverability has been discussed in the Board meetings during the year to allow the Board to obtain as much comfort as possible on the status of payments and adequacy of the provision for 2022. As part of the year-end discussions, Management's doubtful debt calculations were reviewed and challenged by the Board. The Committee is satisfied that the provision for doubtful debts is reasonable as at 31 December 2022.
Impairment of goodwill The Group has a significant value of goodwill on the balance sheet and this has further increased in 2022 with the acquisitions of WeSubsea and Hiretech. There is a risk that impairment of the goodwill balance has not been identified by management.	Management performed an impairment review at the year end date for each group of CGUs (cash generating units) to which goodwill is allocated. 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 is based on certain assumptions, including future forecast cash flows, discount rates and growth rates. The value in use calculation including assumptions made was challenged by corroborating the assumptions made and determining whether there is any contrary evidence to indicate the conclusion reached may not be appropriate. The Audit Committee is satisfied with the carrying value of goodwill as at 31 December 2022.
Carrying value and useful lives of property, plant and equipment Management makes assumptions on the useful economic lives of property, plant and equipment. The significant value and high volume of assets increases the risk that the assumptions made on the useful lives of property, plant and equipment are incorrect and that the carrying value of property, plant and equipment requires impairment.	Management reviewed the estimated useful lives of property, plant and equipment at the year-end date based on the condition of those assets and these were deemed to be appropriate. Management's review of impairment indicators was challenged by corroborating assertions made and determining whether there is any contrary evidence to indicate the conclusion reached may not be appropriate. The Committee is satisfied with the useful lives of property, plant and equipment and its carrying value at 31 December 2022.

AUDIT COMMITTEE REPORT CONT.

Description of significant area	Audit Committee action												
<p>Alternative performance measures</p> <p>The Directors have included reference to certain Alternative Performance Measures ("APMs") within the Annual Report, including Adjusted EBITDA, Adjusted EBITA and Adjusted Profit After Tax. The Directors consider that these provide useful financial information in addition to those provided under IFRS.</p>	<p>The Committee considered the disclosures are APMs to satisfy itself that these are appropriate, including:</p> <ul style="list-style-type: none"> • Whether definitions are clear • Whether there is a clear reconciliation to IFRS measures • Ensuring balanced prominence of APMs and IFRS measures taken across the Annual Report as a whole 												
<p>Foreign jurisdictions and general compliance with laws and regulations</p> <p>The Group has ten operating locations globally and undertakes projects across multiple jurisdictions. Trading in foreign jurisdictions presents an increased risk of non-compliance with laws and regulations including tax legislation.</p>	<p>The Group has worked in the jurisdictions in which it operates for many years and is familiar with local laws and regulations. The Group makes regular use of local advisors including lawyers, tax advisors and other relevant experts to support them when doing business and to monitor ongoing compliance with relevant laws and regulations, including taxes.</p> <p>The Group has a well-established process for training and monitoring of compliance risk such as anti-bribery, corruption and sanctions and operates consistent standards globally.</p> <p>The Committee is satisfied that appropriate procedures are in place.</p>												
<p>Acquisitions of WeSubsea and Hiretech</p> <p>Ashtead Technology completed two acquisitions in the year, WeSubsea AS and Hiretech Limited. These acquisitions are aligned with Ashtead Technology's strategy of consolidating the fragmented mechanical solutions market and delivering a wider offering to its customers.</p>	<p>The Committee has reviewed the purchase price allocation performed for each of the WeSubsea and Hiretech acquisitions. As a result of the PPAs the following assets and related values were identified and recorded at acquisition:</p> <table border="1"> <thead> <tr> <th></th> <th>WeSubsea</th> <th>Hiretech</th> </tr> </thead> <tbody> <tr> <td>Customer relationships</td> <td>926</td> <td>3,488</td> </tr> <tr> <td>Non-compete</td> <td>-</td> <td>274</td> </tr> <tr> <td>Goodwill</td> <td>3,982</td> <td>12,870</td> </tr> </tbody> </table> <p>The residual goodwill reflects the significant opportunity for future growth in integrating the acquisitions within Ashtead Technology's business, and in particular, the international growth opportunities through adding the equipment and services into Ashtead Technology's international network.</p> <p>Having regard to the rationale for acquisition and the approach adopted on previous acquisitions, the Committee concluded that the PPA had been appropriately assessed.</p>		WeSubsea	Hiretech	Customer relationships	926	3,488	Non-compete	-	274	Goodwill	3,982	12,870
	WeSubsea	Hiretech											
Customer relationships	926	3,488											
Non-compete	-	274											
Goodwill	3,982	12,870											

Internal controls and risk management environment

The Board is ultimately responsible for the operation of an effective system of internal control and risk management appropriate to the business. The Committee's responsibilities include assisting the Board in its oversight of risk management within the Group. The Committee has reviewed the effectiveness and is satisfied that the Group has appropriate internal controls and risk management systems in place in relation to its financial reporting processes and preparation of consolidated accounts.

Internal control environment

The following key elements comprise the internal control environment which has been designed to identify, evaluate and manage, rather than eliminate, the risks faced by the Group in seeking to achieve its business objectives and ensure accurate and timely reporting of financial data for the Company and the Group:

- An appropriate organisation structure with clearly defined lines of responsibility;
- Systems of control and delegated authorities which are appropriate for the size of the business;
- A robust financial control, budgeting and forecasting system which includes a weekly three month revenue forecast, quarterly reforecasting, variance analysis and monitoring of KPIs;
- Established procedures by which the Group's consolidated financial statements are prepared including clear reporting deadlines and monitoring of key financial reporting risks arising from changes in the business or accounting standards;
- Key contracting processes, procedures and principles in place in order to minimise contractual risk, including an experienced and commercially focused legal function;
- Established policies and procedures setting out expected standards of integrity and ethical standards including mandatory annual training on anti-bribery and corruption and sanctions controls;

- An experienced and qualified finance function which regularly assesses the possible financial impact of the risks facing the Group; and

- A Group risk framework and internal Risk Management Committee to monitor and minimise risk.

Risk management framework

The risk management framework and risks identified are presented on pages 22 to 25. The Committee reviews the internal control systems, risk management processes and corporate risk register on behalf of the Board and assesses the actions being taken by senior management to monitor and mitigate risk.

External audit

The Committee is satisfied that BDO LLP maintained its independence during 2022. During the year, the Auditors provided non-audit services to the Company in a review of the half-year report for the six-month period ended 30 June 2022. The fee for this service was £5,000. BDO has not received any other fees from the Group other than in relation to the audit.

The Committee reviewed BDO LLP's findings in respect of the audit of the financial statements for the year ended 31 December 2022. The Committee met with representatives from BDO LLP without management present and with management without representatives of BDO LLP present, to ensure that there were no issues in the relationship between management and the external auditors which it should address. There were none. The year ended 31 December 2022 is the second year for which Mark McCluskey will sign the auditors' report as senior statutory auditor. As relatively new auditors to the Group, no consideration has been given as yet to the rotation of auditors and this will be reviewed in the future based on audit tender rules applying to the Company from time-to-time.

On behalf of the Audit Committee



Tony Durrant
Chair of the Audit Committee
2 May 2023

NOMINATION COMMITTEE REPORT

Evaluating the balance of skills

The Nomination Committee comprises myself, Bill Shannon (Chair), Tony Durrant and Thomas Thomsen, all of whom are considered independent and are considered to have relevant commercial and operating experience. The Committee met once during FY22 with all members present.

Duties

The Committee is responsible for evaluating the balance of skills, knowledge and experience of the Directors as well as the composition, structure and effectiveness of the Board. It is the Committee's responsibility to make recommendations to the Board on retirements and appointments of additional and replacement Directors, including succession planning.

Board composition and evaluation

The Board of the Company was elected in November 2021 prior to admission of the Company on AIM. A number of changes took place at this point, including the appointment of myself as Chair and both Tony Durrant and Thomas Thomsen as independent non-executive directors. The appointment followed a formal recruitment process after assessing the skills and character profiles that would be required. This included candidates meeting ongoing Directors prior to their recommendation for appointment.

The Committee undertook its first evaluation of the Board in December 2022 which involved the Chair of the Nominations Committee obtaining feedback from each Board member through individual meetings as well as a wider Board discussion on the effectiveness of the Board and any identified gaps. The feedback from this review was discussed in depth by the Nominations Committee. The review confirmed that the Board had integrated well during its first year and it had an appropriate mix of skills that provide a sufficient mix of governance, strategy, financial and industry knowledge, being the key criteria required. It was also confirmed that the Board had a sufficient number of independent non-executive directors given the independence of the three members of the Nomination Committee.

As part of this review, the Nomination Committee and Board also discussed succession planning.

2023

The Committee is scheduled to meet at least once in 2023 and will continue to review the balance of skills and diversity of the Board.

On behalf of the Nominations Committee



Bill Shannon
Chair of the Nomination Committee
2 May 2023

REMUNERATION COMMITTEE REPORT

Ensuring fair and responsible reward

As Chair of the Remuneration Committee, I am pleased to present on behalf of the Committee the Report on Director's Remuneration (the "Report") for the year ended 31 December 2022.

Role of the Remuneration Committee

The Committee comprises myself as Committee Chair, Thomas Thomsen, independent non-executive director and Bill Shannon, the Chair of the Board.

The role of the Committee is to assist the Board to fulfil its responsibility to shareholders to ensure that:

- remuneration policy and practices of the Company are designed to support strategy and promote long-term sustainable success, reward fairly and responsibly, with a clear link to corporate and individual performance, having regard to statutory and regulatory requirements; and
- executive remuneration is aligned to company purpose and values and linked to delivery of the Group's long-term strategy.

The Committee met three times during 2022 with all members in attendance.

Committee activities during 2022

- consideration of feedback from investors and proxy agencies from the 2022 AGM
- review of market and governance updates and impact on the Company
- determination of 2022 bonus targets
- sought guidance from external advisors on overall Executive Director remuneration and approved pay reviews for Executive Directors and Group senior management
- approved overall pay increase for employees as part of budgeting process

Since the year-end the remuneration committee has:

- approved a new rolling 3-year LTIP including introduction of shareholding guidelines and bonus/malus language.
- approved 2023 bonus weightings, targets and measures applicable for the Executive Directors and Group senior management.

Business performance

The underlying performance of the business has given rise to a record set of results. Revenue grew by 31% year-on-year with Adjusted EBITA growing by 47% and Adjusted Earnings Per Share growing by 53%. In addition, the Company has seen significant share price growth, a broadening of its shareholder base, an increase in its exposure to the renewables market and has made two strategic acquisitions. The business has made significant strides forward in achieving its strategic goals and has delivered results significantly ahead of market forecasts, demonstrating management's ability to execute and outperform the ambitious growth targets set out at IPO.

Further details on our overall financial performance during 2022 are set out in the CFO Statement on pages 18 to 19.

Fixed remuneration

Executive Directors receive an amount of fixed pay made up of a base salary, a benefits package and pension contribution. Allan Pirie receives a pension allowance of 8.9% of salary in lieu of Group pension contribution. Ingrid Stewart receives a contribution to the Group pension scheme equating to 10% of salary. There are no excess retirement benefits of Directors or past Directors of the Group.

The Executive Directors salaries were reviewed as of January 2023 with the next review in January 2024. Details of 2023 remuneration are included below.

Annual bonus

The Executive Directors are entitled to participate in the annual bonus scheme. The bonuses are payable subject to the achievement of financial targets relating to the Group as well as personal targets.

The annual bonus becomes available once 90% of budget Adjusted EBITDA is achieved and is maximised at 110% of budget Adjusted EBITDA. In addition to the financial targets, 10% of the eligible bonus is aligned to a Group-wide safety target with 20% dependent on achievement of personal objectives. This is aligned with all participants in the bonus scheme.

The maximum bonus potential for the Executive Directors is 100% of base salary. As a result of the exceptionally strong financial and strategic performance of the business, the business has significantly surpassed the financial targets to achieve maximum bonus. The Group safety target and two personal objectives were also met therefore both Executive Directors will receive full pay-out in May 2023. The Committee was pleased with progress made against the strategic plan and in particular, the strategic investment decisions made by Executive Directors during the year.

The formal annual bonus scheme was reintroduced in 2022 having been suspended in prior years due to COVID-19. As such, there was no payment in 2022 in relation to 2021 bonus. However, both executive directors received payments in 2021 to cover the cost of purchase of shares under the previous (pre-IPO) MIP.

Service contracts

In accordance with general practice, and Group policy, the Executive Directors have contracts with an indefinite term and a notice period of six months. The contracts are held with Ashtead Technology Limited. Ashtead Technology Limited may elect to place each Executive Director on garden leave for all or part of the notice period and/or terminate the employment of each Executive Director by making a payment in lieu of notice.

Executive Directors' contracts of service (which include details of their remuneration) will be available for inspection at the Annual General Meeting. In addition to their basic salary, Executive Directors receive certain benefits comprising

a car allowance, private medical, life insurances and pension contributions (or cash in lieu of such contributions).

LTIP awards

The Ashtead Technology long-term incentive Plan ("LTIP") was adopted at IPO and will continue to operate indefinitely. The purpose of the LTIP is to retain and incentivise Executive Directors and senior employees whose contributions are essential to the continued growth and success of the business.

IPO LTIP

As agreed at the time of the IPO, both the CEO and CFO were entitled to grants on admission of up to 200% of base salary (by reference to the offer price at admission). These awards were made during 2022. The IPO LTIP award equates to 406,389 shares for the CEO and 246,914 for the CFO.

The awards took the form of an option which will vest in three equal tranches following the date of grant in proportion to the attainment of an Adjusted EPS (see table).

The first tranche of awards will vest on release of this Annual Report. In total 365,919 options are expected to vest of which 135,463 relate to Allan Pirie and 82,305 relate to Ingrid Stewart. These can be exercised at any time up until 10 years post award.

An option may only be exercised if the relevant participant is an employee or director of any company within the Group, unless the Board exercises its discretion to allow otherwise. Certain leavers may be permitted to retain all or a proportion of their options, subject to a potential requirement to exercise them during a limited period, depending on the circumstances of their cessation.

2023 LTIP

LTIP awards are due to be granted in 2023 with a performance period of three years with vesting on announcement of annual results for 31 December 2025. The awards will be limited to 150% of salary for the CEO and 125% of salary for the CFO and will vest dependent on criteria to be set on a three-year rolling basis to be measured 50% by EPS growth, 25% by ROI and 25% by relative Total Shareholder Return.

The 2023 LTIP rules will contain standard clauses regarding malus and clawback.

The targets have been set based on organic growth only and the Board have the right to adjust these if the Company does further M&A.

The Executive Directors are entitled to potential future awards at the discretion of the Board and it is intended that the Options will be granted each year within six weeks of the announcement of annual results.

Non-Executive Director remuneration

All Non-Executive Directors have specific terms of engagement and are for an initial term of three years, unless terminated earlier by either party giving to the other three months' prior written notice.

Non-executive Directors are paid fees appropriate to time commitments and responsibilities of the role. This includes a base fee plus a fee for any role as chair of committee. The 2022 fees were agreed prior to IPO and were reviewed for the first time in January 2023. At each review, the Board will be guided by any market movements. In addition, reasonable business expenses may be reimbursed.

The Non-Executive Directors are expected to attend a minimum of six Board meetings per annum and be available for ad hoc support as required.

The highest paid Director in 2022 was Ingrid Stewart.

No Director has received compensation for loss of office. No sums have been paid to third parties in respect of Directors' services.

Directors remuneration for the year commencing 1 January 2023

The Committee reviewed the Executive Directors' base salaries taking account of the external market, timing of last pay increases and the increases given to the wider workforce. It was agreed to increase the CEO salary by 7% and the CFO salary by 12.5%. The increase results in base case salaries of £353,100 and £225,000 respectively.

The FY23 bonus structure and maximum opportunity levels

(100% for both Executive Directors) remain the same as FY22. 0% of bonus is payable on achievement of 90% of budgeted Adjusted EBITDA, 50% payout on achievement of budgeted Adjusted EBITDA and 100% on achievement of 110% of budgeted Adjusted EBITDA (with linear extrapolation between 90%-100%). Once total bonus is determined, 10% is then dependent on achieving Group safety targets with 20% dependent on achieving agreed personal targets. The personal targets were agreed and approved by the Committee. Other participants in the scheme have a similar construct but with bonus maximum at a lower percentage dependent on seniority.

The FY23 LTIP grant awards will be restricted to a maximum of 150% and 125% of salary for each of the CEO and CFO as noted above.

Wider employee context

Whilst our focus is predominantly on the pay and benefits offered to the Executive Directors, we take an active interest in the pay and benefits offered to the wider employee base, as well as other related workforce policies and practices.

Closing remarks

We have closed FY22, the first full financial year since listing, with strong performance against our financial KPIs and business strategy. The Committee is satisfied that the remuneration outcomes for FY22 demonstrate a strong link between pay and performance and that the remuneration policy for FY23 continues to support the growth of the business.

On behalf of the Committee, thank you for reading this report and I look forward to receiving your support at the AGM on 8 June 2023 in relation to the advisory resolution to approve this Annual Report on Remuneration.

On behalf of the Remuneration Committee



Tony Durrant
Chairman of the Remuneration Committee
2 May 2023

IPO LTIP

	Year ending 31 December 2022	Year ending 31 December 2023	Year ending 31 December 2024
Adjusted EPS needed for full vesting	18.30p	20.61p	23.59p
Adjusted EPS needed for 25% hurdle vesting	15.96p	17.17p	19.15p

Total Directors' remuneration for 2022

Director	Salaries and fees £'000	Additional payment £'000	Other benefits £'000	Long-term incentives ² £'000	Total £'000
Allan Pirie	330	-	41	-	371
Ingrid Stewart	200	200	31	-	431
Bill Shannon	110	-	-	-	110
Thomas Thomsen	45	-	-	-	45
Joe Connolly ¹	45	-	-	-	45
Tony Durrant	60	-	-	-	60

- Additional payment for Ingrid Stewart by way of IPO bonus dependent on valuation of MIP on conversion to shares at IPO paid in January 2022.
- Nil value attributed to long-term incentives for 2022 as whilst LTIP was granted in year, none vested. 33.3% of the IPO LTIP award made in September 2022 is due to vest on issuing of this annual report.

Total Directors' remuneration for 2021

Director	Salaries and fees £'000	Annual bonus £'000	Other benefits £'000	Long-term incentives £'000	Total £'000
Allan Pirie ¹	275	9	36	-	320
Ingrid Stewart ²	200	259	31	-	490
Bill Shannon ³	12	-	-	-	12
Thomas Thomsen ³	5	-	-	-	5
Joe Connolly ³	5	-	-	-	5
Tony Durrant ³	6	-	-	-	6

- Annual bonus for Allan Pirie paid to fund purchase of MIP shares prior to IPO.
- Annual bonus for Ingrid Stewart agreed to fund initial purchase of MIP shares prior to IPO.
- Remuneration in regard to the non-executive directors was from IPO only. Joe Connolly did not receive any remuneration for any directorships held within the Group prior to IPO.

Directors' interests in shares

The interests of the Directors in the shares of the Company as of 31 December 2022 were:

Director	Shares	% of issued shares	Options to vest on release of Annual Report	Options unvested and subject to performance conditions
Allan Pirie ¹	2,166,600	2.7%	135,463	270,926
Ingrid Stewart	300,786	0.4%	82,305	164,609
Bill Shannon	49,382	0.1%	-	-
Thomas Thomsen	-	-	-	-
Joe Connolly ¹	124,969	0.2%	-	-
Tony Durrant	10,000	<0.1%	-	-

- The interests are held directly and indirectly via an interest in BP INV2B Bidco Ltd.

DIRECTORS' REPORT

Delivering on expectations

The Directors present their Annual Report and audited financial statements for the Group and the Company for the year ended 31 December 2022. The comparative results are for the year ended 31 December 2021.

Principal activities

Ashtead Technology Holdings plc is an AIM-quoted company. The principal activity of the Group is the provision of subsea equipment rental and solutions to the global offshore energy sector.

Strategic Report

The Strategic Report is a requirement of the Companies Act 2006 and can be found on pages 1 to 25. Ashtead Technology has chosen, in accordance section 414C(11) of the Companies Act 2006, to include other matters of strategic importance that would otherwise be disclosed in the Directors' Report in other sections of this Annual Report (see below table). This information should be read in conjunction with this Directors' Report.

Future development and prospects

Whilst significant investment in renewable sources of energy continues, there is also an increased importance globally on energy security and affordability which has created tightness in the markets in which Ashtead Technology operates. This market dynamic has highlighted the need for traditional energy sources to play a part in the energy transition as well as the need to accelerate investment in greener energy.

Ashtead Technology has been operating in the offshore energy market for 38 years and with its highly fungible fleet of equipment and services is ideally positioned to support both the rapidly growing offshore renewables market and the strategically important oil and gas market.

Ashtead Technology's commitment to service excellence and the provision of leading edge technology, as well as its position in a large and growing addressable market, puts it in a strong position as it looks to the future. Through 2022 and early 2023, Ashtead Technology has continued to invest in both organic and inorganic growth opportunities to allow it to increasingly meet the needs of its customers, helping them to continue to adapt through the energy transition.

Results and dividends

The audited financial statements of the Group and of the Company are set out on pages 46 to 50 and pages 82 to 83 respectively.

The Directors' see an opportunity to reinvest profits to finance the continued development and expansion of the business through both organic and M&A growth opportunities. At the same time, the importance of dividends both to the Company's shareholders and in maintaining capital discipline is recognised. In this regard, the directors have recommended a full and final dividend of 1 pence per share for the year ended 31 December 2022, payable on 23 June 2023 with a record date of 26 May 2023. Going forward, the Directors' will seek to pay a progressive annual final dividend.

Going concern

Full consideration of the going concern assessment is included in note 1.5 to the accounts. In assessing the appropriateness of adopting the going concern basis in the preparation of these financial statements, the Directors have prepared cash flow forecasts and projections for a two-year period ending 31 December 2024. Following careful consideration of the base case forecasts and the application of severe but plausible downside scenarios to these forecasts, the Directors have a reasonable expectation that the Group has adequate resources to continue to operate within the level of its current facilities for a period of at least 12 months from the date of this Report. Therefore, the Directors continue to adopt the going concern basis of accounting in preparing the Group and Company financial statements.

Directors and their interests

The Directors of the Company who were in office during the year and up to the date of signing the Group financial statements were:

- Bill Shannon (Chair)
- Allan Pirie (CEO)
- Ingrid Stewart (CFO)
- Joe Connolly (Non-Executive Director)
- Tony Durrant (Independent Non-Executive Director)
- Thomas Thomsen (Independent Non-Executive Director)

Biographical details of the current Directors are included in pages 26 to 27.

	At 31 December 2022		At 31 December 2021	
	Shares	Options	Shares	Options
Bill Shannon ¹	49,382	-	49,382	-
Allan Pirie	2,166,600	406,389	2,166,600	-
Ingrid Stewart	300,786	246,914	300,786	-
Joseph Connolly ¹	124,969	-	124,969	-
Tony Durrant ¹	10,000	-	-	-
Thomas Thomsen ¹	-	-	-	-

¹ Denotes Non-Executive Director.

As at 31 December 2022, some of the Directors who held office during the year held interests in the Ordinary Shares of the Company. These are included in the table below.

On 5 September 2022 Allan Pirie and Ingrid Stewart were granted options of 406,389 and 246,914 respectively under the IPO LTIP. The options had been noted in the IPO documentation and in the 2021 annual report as having been promised but not granted. The detailed vesting requirements under these options are included in the Remuneration Report on pages 34 to 35.

On 14 December 2022, Tony Durrant, Non-Executive Director, acquired 10,000 shares at £3.17 each.

Directors' insurance

The Company maintains Directors and Officers liability insurance, which was in force during the period under which the Company was part of the Group and remains in force as at the date of this report.

Directors' indemnity

Pursuant to the Company's articles of association, the Company has granted an indemnity for the benefit of Directors of the Group or Directors and officers of associated companies under which the Company will indemnify them, subject to the relevant article, against all costs, charges, losses and liabilities incurred by them in the performance of their duties. There were no qualifying pension scheme indemnity provisions.

Employee involvement

The Group's policy is to consult and discuss with employees, primarily at meetings, on matters likely to affect employees' interests. The Group is an equal opportunity employer and provides training, performance evaluation and opportunities for advancement and career development. The Group recognises its responsibility to employ disabled persons in suitable employment and gives full and fair consideration to such persons, including any employee who becomes disabled, having regard to their particular aptitudes and abilities. Where practicable, disabled employees are treated equally with all other employees in respect of their eligibility for training, career development and promotion. Further details on how the Company communicates with its employees as a key stakeholder group and has regard to their interests can be found in the Section 172 Statement on pages 16 to 17.

Business relationships

The Board recognises the importance of considering all stakeholders in its decision-making, as set out in Section 172 of the Companies Act, and is committed to engaging effectively and working constructively with all of our stakeholders. To date, this has the positive impact of promoting the success of the Group as a whole. More information on how we engage, along with steps taken to evolve relationships with stakeholders, can be found in the Section 172 Statement on pages 16 to 17.

Research and development

The Group is continually looking at ways to enhance its offering to its customers, including innovating and enhancing its technology and applications.

Streamlined energy and carbon reporting (SECR)

The Group and the Company are currently exempt from energy and carbon reporting under SECR requirements as none of the entities within the Group qualify at an individual level due to falling below the reporting threshold. Notwithstanding this exemption, the management team have started to monitor and test the appropriate metrics in order to report on these in future periods.

See page 15 for more detail.

Share capital and voting

Details of the Company's share capital are shown in note 23 of the Group accounts and note 8 of the Company accounts. The Company has one class of Ordinary Shares which carry no right to fixed income. Each share carries the right to one vote at a general meeting of the Company.

Significant shareholders

As at 31 March 2023 the Company has been advised, in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority, notifiable interests in 3% or more of its voting rights (see table below).

BP INV2B Bidco Limited is controlled by Buckthorn Partners ("Buckthorn") and Arab Petroleum Investments Corporation ("APICORP"). During 2022 and in early 2023, Buckthorn and APICORP have sold down their respective positions in Ashtead Technology and now hold less than 10% on a combined basis.

Significant Shareholders

BP INV2B Bidco Limited	7,301,656	9.1%
Fidelity Management & Research	7,272,000	9.1%
abrdrn	5,024,637	6.3%
Amati Global Investors	4,887,249	6.1%
Columbia Threadneedle Investments	4,811,948	6.0%
JP Morgan Asset Management	4,269,397	5.3%
Schroder Investment Management	3,389,178	4.2%
Blackrock	3,292,982	4.1%
Chelverton Asset Management	3,077,156	3.9%
Jupiter Asset Management	2,937,366	3.7%
Vermeer Partners	2,719,704	3.4%
Lothian Pension Fund	2,460,000	3.1%

The relationship agreements put in place at IPO ("Relationship Agreements"), a summary of which was included in the Directors' Report for the year ended 31 December 2021, were automatically terminated on 19 January 2023 due to the parties no longer being considered a Significant Shareholder under the terms of the Relationship Agreements.

Whilst Buckthorn Partners and APICORP are no longer entitled to appoint a Nominee Director, the Board have confirmed they welcome Joe Connolly's continuation on the Board. Mr Connolly is not considered independent given his relationship with BP INV2B Bidco Limited and from time-to-time, is requested to step out of the Board meeting so as not to compromise independence.

The Group complied with the independence provisions and, insofar as it is aware, Buckthorn and APICORP complied with the independence provisions during the year ended 31 December 2022 and upto and including 19 January 2023 whilst these were still in place.

Lock up arrangements

Following the placement of shares on 19 January 2023 BP INV2B Bidco Limited, Allan Pirie and Ingrid Stewart entered into lock up deeds pursuant to which they agreed that, subject to certain customary exceptions during the period of 120 days (in respect of Allan Pirie and Ingrid Stewart) and 60 days (in respect of BP INV2B Bidco Limited), they will not, without prior written consent dispose, or agree to dispose, of any shares.

Employee benefit trust

The Ashtead Technology Holdings Employee Benefit Trust (the "EBT") was established by a declaration of trust between the Company and Intertrust Employee Benefit Trustee Limited (the "Trustee") on 1 June 2022.

As at 31 December 2022, no shares were held by the EBT. In March 2023, the Company issued 365,919 newly authorised shares each 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 aggregate subscription price has been funded through a loan facility arrangement between the Company and the Trustee.

Prior to the exercise of any options, the shares are held by the EBT on general trust but the Trustee has agreed to satisfy any option that is exercised by transferring the relevant number of shares directly to the exercising shareholder. Prior to the exercise of any options, the Trustee may vote or abstain from voting shares, or accept or reject any offer relating to shares, in any way it sees fit without incurring any liability and without being required to give reasons for its decision. Once option holders choose to exercise their options, the legal and beneficial interest in the relevant number of shares will be transferred from the EBT to the option holder.

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DIRECTORS' REPORT CONT.

Political donations

It is the Group's policy not to make political donations. The Directors confirm that no donations for political purposes were made during the year (2021: nil).

Articles of association and powers of the Directors

The Company's Articles of Association (the "Articles") contain the rules relating to the powers of the Company's Directors and their appointment and replacement mechanisms. The Articles may only be amended by special resolution at a general meeting of the shareholders. Subject to the Articles and relevant regulatory measures, including the Companies Act 2006, the day-to-day business of the Group is managed by the Board which may exercise all the powers of the Company. In certain circumstances, including in relation to the issuing or buying back by the Company of its shares, the powers of the Directors are subject to authority being given to them by shareholders in general meeting.

Notice of Annual General Meeting

The Annual General Meeting (AGM) will be held at 11.00am on Thursday 8 June 2023 at the offices of White & Case, 5 Old Broad Street, London, EC2N 1DW. The Notice of Meeting will be posted to shareholders along with the Annual Report on 2 May 2023. The Notice of Meeting will be available on the website on that date and will set out the business of the meeting and an explanatory note. In line with good governance, voting on all resolutions at this year's AGM will be conducted by way of a poll.

Corporate governance

The Group's statement on corporate governance can be found in the Corporate governance section of this Annual Report on pages 29 to 30, which is incorporated by reference and forms part of this Directors' Report. It can also be found on the Company's website.

Post balance sheet 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 £60m to £100m and the accordion facility was increased from £nil to £50m. The RCF 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 Clydesdale Bank plc and HSBC UK 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.

Branches outside of the United Kingdom

Neither the Company nor any of its subsidiaries has any branches outside of the United Kingdom.

Directors' statement as to disclosure of information to auditors

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

- the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditor

The auditors, BDO LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the AGM.

Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the group financial statements in accordance with UK adopted international accounting standards and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and company and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK adopted international accounting standards subject to any material departures disclosed and explained in the financial statements;

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006.

They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Approved by the Board and signed on behalf of the Board.



Allan Pirie
Chief Executive Officer
2 May 2023

INDEPENDENT AUDITOR'S REPORT

To the members of Ashtead Technology Holdings plc

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Ashtead Technology Holdings plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2022 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company balance sheets, the consolidated and company statements of changes in equity, the consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- understanding the processes relating to the assessment of the appropriateness of the going concern assumptions through the review of the Director's assessment, assumptions made and cashflow forecasts underpinning their conclusion;
- testing the arithmetic accuracy of the cashflow forecast model, checking that the logic of any calculations are performed as designed;
- analysing the current and forecast performance of the Group including working capital requirements, by assessing the Directors' assumptions against market data and the Group's post year end performance;
- re-performing the Directors sensitivity testing and performing reverse stress testing on Directors' forecasts over the going concern period and assessing the likelihood of the scenario occurring and mitigating actions available to the Board;
- assessing whether the financing options that are available to the group including the post year end refinancing, are sufficient to support plausible downside scenarios;
- recalculating current loan covenants under both the base case and sensitised scenarios, in order to assess compliance over the going concern period;
- using various external data sources to identify indicators of potential going concern risks at the Group and industry level; and
- assessing whether the going concern disclosures are appropriate, consistent with the Directors going concern assessment and in conformity with the applicable reporting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

INDEPENDENT AUDITOR'S REPORT CONT.

To the members of Ashtead Technology Holdings plc

Overview

Coverage¹	97% (2021: 95%) of Group profit before tax 97% (2021: 97%) of Group revenue 97% (2021: 99%) of Group total assets		
Key audit matters	Revenue recognition – Revenue from rental equipment	2022 ✓	2021 ✓
	Carrying value of rental fleet	✓	✓
	Listing event and group structure rationalisation*		✓
	Acquisition accounting	✓	
	* The listing event and group structure rationalisation is no longer considered to be a key audit matter because it related to the year of listing only, being the prior year.		
Materiality	Group financial statements as a whole £800,000 (2021: £558,00) based on 5% (2021: 1%) of Profit before tax (2021: Revenue).		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The Group's finance function is managed from a single location in the UK and has common financial systems, processes and controls covering all significant components.

We determined that six significant components, Ashtead Technology Holdings plc, Ashtead Technology Limited (UK), Ashtead Technology Offshore Inc (USA), Ashtead Technology (SEA) Pte Ltd (Singapore), Underwater Cutting Solutions Limited (UK) and TES Survey Equipment Services LLC (UAE) represented the principal business units within the Group. A full scope audit was undertaken on these components by the group audit team, who also carried out specific procedures on balances arising on consolidation. The non-significant components were subject to desktop review and specific procedures on certain financial statement areas by the group audit team.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the scope of our audit addressed the key audit matter	
Revenue recognition – Revenue from the rental of equipment	Revenue from rental of equipment is recognised over time as the contract progresses based on a daily rate.	We tested the operating effectiveness of general controls within the IT system which management have implemented to ensure that the IT environment has appropriate access, program change and logical access controls.
Refer, Accounting policies Note 2.8 (page 54) and Note 4 of the consolidated financial statements (page 60).	There is a potential risk of fraud as revenue from rental equipment could be manipulated through inappropriate application of the cut-off principle, incorrect calculation of accrued income or the posting of top-side manual journals.	We tested accrued income by tracing a sample of year-end income accruals to the underlying sales order and asset utilisation reports where appropriate, recalculating the number of days to be accrued and comparing to post-year end invoices raised.
	Revenue recognition was an area of focus for our audit in considering possible areas of management bias and fraud.	We tested the appropriate application of the cut-off principal through testing revenue recognised in the month before and after year-end by tracing a sample of items to supporting documentation to confirm the revenue is being recorded in the correct period.
	Given the significance of this balance in the context of the financial statements and the risks identified, we considered this was an area requiring significant auditor attention and therefore was considered to be a key audit matter.	We performed journal entry testing, applying a particular focus to individually unusual and/or material manual journals posted to the revenue account throughout the year. We agreed journals meeting predetermined criteria to supporting evidence to confirm that the revenue recognised was appropriate, had an appropriate business rationale and was in line with the Group's accounting policy.
		Key observations: Based on the procedures performed we considered that the calculation of accrued income was appropriate, that revenue was appropriately recorded in the correct period, and that top-side manual adjustments were supported.

Key audit matter	How the scope of our audit addressed the key audit matter	
Carrying value of rental fleet	The Group owns a significant number of assets included within its rental fleet. Assets included in the rental fleet are used across all jurisdictions and are regularly transferred between companies by way of intercompany transfer.	We obtained an understanding of the key controls management have implemented throughout the process for identifying impairment indicators within the rental fleet.
Refer, Accounting policies Note 2.2 (page 53) and Note 11 of the consolidated financial statements (page 65).	As many of the assets are specialised in nature, with the frequency of their use not being directly linked to their value in use, management uses a discounted cash flow to assess the rental fleet for impairment indicators. This assessment requires the application of judgement by management about future forecast income and costs, as well as other inputs such as the discount rate.	We tested the operating effectiveness of general controls within the IT system which management has implemented to ensure that the IT environment has appropriate access, program change and logical access controls. We further tested the operating effectiveness of application controls which ensure intercompany asset sales are recorded at net book value and the useful life of the asset is not altered.
	The carrying value of the asset fleet was a key area of focus for our audit due to the large fleet, frequent intercompany sales and judgement required in assessing impairment indicators.	We performed testing to confirm the existence of assets including physical verification of a sample of assets at year-end while attending on site visits or tracing to documentation confirming existence of assets that were on hire.
		We obtained managements discounted cash flow supporting their value in use calculation and tested the assumptions inherent in the model by
		<ul style="list-style-type: none"> testing forecasting accuracy by comparing recent budgets to actual results as well as comparing the forecast period to date with post-year end performance engaging with our internal valuations experts to assist us in assessing the appropriateness of the discount rate utilised testing the sensitivity of headroom returned by the model by stressing growth and discount rate assumptions to determine the effect plausible changes in assumptions would have to the headroom performing reverse stress testing to determine the required scenarios for headroom to be eliminated and assessing the likelihood of the scenarios coming to fruition
		Key observations: Based on the procedures performed we consider that the judgements made by management in accounting for the carrying value of its rental fleet is appropriate.
Acquisition accounting	On 28 September 2022 the Group completed its acquisition of WeSubsea AS for a total consideration of £6.7m and on 5 December 2022 acquired Hiretech Limited for a total consideration of £27m.	We obtained and reviewed the agreement for the sale and purchase of WeSubsea AS and Hiretech Limited, signed by both parties, together with any related documents to determine whether the Group had obtained the requisite control over all entities to be included upon consolidation.
Refer, Accounting policies Note 1.7 (page 52) and Note 27 of the consolidated financial statements (page 78).	The Group has recorded the assets and liabilities acquired at fair value. Attributing fair values to assets acquired and liabilities assumed as part of business combinations is considered to be a key judgement and, together with the calculated purchase consideration, directly impact the calculation of any goodwill recognised upon acquisition.	We agreed the consideration to be paid to the agreement for the sale and purchase of WeSubsea AS and Hiretech Limited.
	Furthermore, the financial statement disclosure requirements associated with acquisitions are extensive and there is a risk that the disclosures within the financials statements do not comply with the requirements of the accounting standards.	We challenged the analysis and assumptions used by management in identifying and determining the fair value of intangible assets which had not previously been recognised within each of the acquired companies. We assessed the recognition of the intangible assets with reference to the requirements and guidance detailed in the relevant accounting standards to assess whether intangible assets recognised are appropriate and engaged our internal valuation experts to assist in challenging the assumptions and methodology used by management to determine the fair value against recognised valuation techniques and independent industry benchmarks.
		We assessed the fair value of the remaining assets acquired and liabilities assumed included in the acquisition date balance sheet with reference to the applicable account standards, the nature of the asset acquired or liability assumed and the rationale supporting the fair value adjustments.
		We recalculated the goodwill recognised upon acquisition as the surplus of the purchase consideration over the fair value of the identifiable assets acquired and liabilities assumed.
		We assessed the disclosures within the financial statements with reference to the accounting standards.
		Key observations: Based on the procedures performed we consider the judgements made by management in accounting for the acquisition of the WeSubsea AS and Hiretech Limited and the related disclosures to be appropriate.

INDEPENDENT AUDITOR'S REPORT CONT.

To the members of Ashtead Technology Holdings plc

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2022 £m	2021 £m	2022 £m	2021 £m
Materiality	800,000	558,000	490,000	230,000
Basis for determining materiality	5% of profit before tax	1% of Revenue	62% of Group materiality	42% of Group materiality
Rationale for the benchmark applied	We considered profit before tax to be the users principal consideration in assessing the performance of the Group. Historic volatility in this measure prevented the use of this measure as a benchmark.	We considered revenue to be the users principal consideration in assessing the financial performance of the Group as this also demonstrated less volatility than other performance measures.	Materiality was set at 62% of Group materiality taking into consideration component aggregation risk.	42% of Group materiality taking into consideration component aggregation risk.
Performance materiality	560,000	390,000	343,000	161,000
Basis for determining performance materiality	70% of the above materiality threshold.	70% of the above materiality threshold.	70% of the above materiality threshold.	70% of the above materiality threshold.
Rationale for the percentage applied for performance materiality	Based on our expectation of total value of known and likely misstatements, our knowledge of the Group's internal controls and management's attitude towards proposed adjustments.	Based on our expectation of total value of known and likely misstatements, our knowledge of the Group's internal controls and management's attitude towards proposed adjustments.	Based on our expectation of total value of known and likely misstatements, our knowledge of the Parent Company's internal controls and management's attitude towards proposed adjustments.	Based on our expectation of total value of known and likely misstatements, our knowledge of the Parent Company's internal controls and management's attitude towards proposed adjustments.

Component materiality

For the purposes of our Group audit opinion, we set materiality for each significant component of the Group, apart from the Parent Company whose materiality is set out above, based on a percentage of between 21% and 80% (2021: 10% and 89%) of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £170,000 to £640,000 (2021: £57,000 to £496,000). In the audit of each component, we further applied performance materiality levels of 70% (2021: 70%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £32,000 (2021: £22,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report and accounts other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none"> the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. <p>In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.</p>
Matters on which we are required to report by exception	<p>We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:</p> <ul style="list-style-type: none"> adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or the Parent Company financial statements are not in agreement with the accounting records and returns; or certain disclosures of Directors' remuneration specified by law are not made; or we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Group and the industry in which it operates;
- Discussion with management, those charged with governance and the audit committee; and
- Obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations.

We considered the significant laws and regulations to be the applicable accounting frameworks, UK tax legislation, AIM Listing Rules and the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT CONT.

To the members of Ashtead Technology Holdings plc

Non-compliance with laws and regulations cont.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be General Data Protection Regulation, Employment Rights Act 1996, Health and Safety at Work etc Act 1974, Management of Health and Safety at Work Regulations 1999 and the QCA Code.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Involvement of tax specialists in the audit to assess compliance with relevant tax legislation;
- Review of legal expenditure accounts to understand the nature of expenditure incurred; and
- Direct confirmation with the Group's legal council for confirmation of any outstanding litigation relating to matters of non-compliance with laws and regulations.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance and the audit committee regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
 - » Detecting and responding to the risks of fraud; and
 - » Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of controls, revenue recognition on rental equipment through inappropriate application of the cut-off principle, incorrect calculation of accrued income or the posting of top-side manual journals, carrying value of rental fleet and acquisition accounting.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- Involvement of forensic specialists in the audit to assist in our identification of areas that may be susceptible to fraud and the design of the audit approach to address the identified areas;
- Assessing significant estimates made by management for bias, including those set out in the key audit matters section of the report;
- Agreeing balances and reconciling items in Management's key control account reconciliations to supporting documentation as at 31 December 2022;
- With regards to the risk of fraud in revenue recognition on rental equipment through inappropriate application of the cut-off principle, incorrect calculation of accrued income or the posting of top-side manual journals, carrying value of rental fleet and acquisition accounting, performing the procedures set out in the key audit matters section of the report; and
- Performing a stand back review of misstatements identified, to determine whether these were indicative of management bias.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Mark McCluskey (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

Glasgow, UK

2 May 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2022

	Notes	2022 £000	2021 £000
Revenue	4	73,120	55,805
Cost of sales	5	(18,829)	(15,262)
Gross profit		54,291	40,543
Administrative expenses	5	(36,217)	(33,385)
Impairment loss on trade receivables	5	(810)	(545)
Other operating income	5	804	995
Operating profit	5	18,068	7,608
Finance income	7	21	-
Finance costs	7	(1,459)	(4,019)
Profit before taxation		16,630	3,589
Taxation charge	8	(3,965)	(1,060)
Profit for the financial year		12,665	2,529
Profit attributable to: Equity shareholders		12,665	2,529
Earnings per share			
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	13,724

* 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
Total comprehensive income	13,844	3,043
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
Non-current assets			
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
		106,464	75,176
Current assets			
Inventories	13	1,865	1,778
Trade and other receivables	14	19,456	17,224
Cash and cash equivalents	15	9,037	4,857
		30,358	23,859
Total assets		136,822	99,035
Current liabilities			
Trade and other payables	16	19,134	9,415
Income tax payable	8	1,820	821
Lease liabilities	19	865	783
		21,819	11,019
Non-current liabilities			
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
		39,200	26,884
Total liabilities		61,019	37,903
Equity			
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
Total equity		75,803	61,132
Total equity and liabilities		136,822	99,035

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
2 May 2023



Ingrid Stewart
Chief Financial Officer
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
At 1 January 2021	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
Total comprehensive income	-	-	-	-	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)
At 31 December 2021	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
Total comprehensive income	-	-	-	-	-	1,179	12,665	13,844
Share based payment charge	-	-	-	827	-	-	-	827
At 31 December 2022	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
Cash generated from operating activities			
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)
Cash generated before changes in working capital		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
Cash inflow from operations		35,984	11,709
Interest paid		(1,132)	(3,615)
Tax paid		(1,998)	(858)
Net cash generated from operating activities		32,854	7,236
Cash flow used in investing activities			
Purchase of property, plant and equipment		(13,728)	(7,889)
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	-
Net cash used in investing activities		(36,913)	(6,436)
Cash flow generated from/(used in) financing activities			
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)
Net cash generated from/(used in) financing activities		7,981	(7,126)
Net increase/(decrease) in cash and cash equivalents		3,922	(6,326)
Cash and cash equivalents at beginning of year		4,857	10,958
Net foreign exchange difference		258	225
Cash and cash equivalents at end of year		9,037	4,857

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

These consolidated financial statements are for the year ended 31 December 2022 and have been prepared in accordance with UK-adopted International Accounting Standards.

These consolidated financial statements have been prepared under the historical cost convention.

Subsidiary audit exemption

Ashtead Technology Holdings plc has issued a parental company guarantee under s479A of the Companies Act 2006. As a result, for the year ended 31 December 2022, Underwater Cutting Solutions Limited (company registration number 05031272) is entitled to exemption from audit.

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 refinance 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT.

For the year ended 31 December 2022

1. General information cont.

1.5 Going concern cont.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT.

For the year ended 31 December 2022

2. Summary of significant accounting policies cont.

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.

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. Summary of significant accounting policies cont.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT.

For the year ended 31 December 2022

2. Summary of significant accounting policies cont.

2.11 Leases cont.

As a lessee cont.

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;
- 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.

2. Summary of significant accounting policies cont.

2.12 Financial instruments cont.

Financial assets and liabilities cont.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT.

For the year ended 31 December 2022

2. Summary of significant accounting policies cont.

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 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.

2. Summary of significant accounting policies cont.

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
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 year						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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT.

For the year ended 31 December 2022

3. Segmental analysis cont.

For the year ended 31 December 2021

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

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
Total revenue	73,120	55,805

4. Revenue cont.**(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.

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

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
Non-rental revenue	11,963	11,892

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
Other operating income		
Gain on sale of property, plant and equipment	804	995
	804	995

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
Total non-audit fees	5	152

* 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT.

For the year ended 31 December 2022

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	-
	18,622	13,851

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

	No.	No.
Operations	133	122
Sales and administrative	97	77
	230	199

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	-
	21	-

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
	1,459	4,019

8. Tax**(a) Tax on profit on ordinary activities**

The tax charge is made up as follows:

	2022 £000	2021 £000
Current tax:		
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	2,434	1,324
Deferred tax:		
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	1,531	(264)
Tax charge in the profit and loss account (Note 8(b))	3,965	1,060

(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	16,630	3,589
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	3,160	682
<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	3,965	1,060

(c) Income tax due

	2022 £000	2021 £000
Income tax due	1,820	821

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT.

For the year ended 31 December 2022

8. Tax cont.**(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
Cost:						
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)
At 31 December 2021	104,867	1,739	197	3,683	305	110,791
Accumulated depreciation:						
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)
At 31 December 2021	(85,621)	(1,219)	(68)	(2,867)	(184)	(89,959)
Net book value:						
At 31 December 2021	19,246	520	129	816	121	20,832

	Assets held for rental £000	Leasehold improvements £000	Freehold property £000	Fixture and fittings £000	Motor vehicles £000	Total £000
Cost:						
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
At 31 December 2022	129,073	2,365	197	4,531	339	136,505
Accumulated depreciation:						
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)
At 31 December 2022	(98,956)	(1,829)	(76)	(3,597)	(235)	(104,693)
Net book value:						
At 31 December 2022	30,117	536	121	934	104	31,812

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT.

For the year ended 31 December 2022

12. Goodwill and intangible assets

	Goodwill £000	Customer relationships £000	Non-compete arrangements £000	Computer software £000	Total £000
Cost:					
At 1 January 2021	48,585	4,447	208	2,801	56,041
Additions	-	-	-	966	966
Foreign exchange movements	66	-	-	2	68
At 31 December 2021	48,651	4,447	208	3,769	57,075
Amortisation:					
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)
At 31 December 2021	-	(3,710)	(176)	(2,778)	(6,664)
Net book value:					
At 31 December 2021	48,651	737	32	991	50,411
	Goodwill £000	Customer relationships £000	Non-compete arrangements £000	Computer software £000	Total £000
Cost:					
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
At 31 December 2022	66,043	8,863	482	4,494	79,882
Amortisation:					
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
At 31 December 2022	-	(4,548)	(215)	(3,098)	(7,861)
Net book value:					
At 31 December 2022	66,043	4,315	267	1,396	72,021

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.

12. Goodwill and intangible assets cont.

Impairment testing for CGUs containing goodwill cont.

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
Europe:		
Pre-tax discount rate	12.8%	11.6%
Terminal value growth rate	2%	2%
Forecast period	2 years	2 years
Americas:		
Pre-tax discount rate	12.8%	11.6%
Terminal value growth rate	2%	2%
Forecast period	2 years	2 years
Asia Pacific:		
Pre-tax discount rate	12.8%	11.6%
Terminal value growth rate	2%	2%
Forecast period	2 years	2 years
Middle East:		
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.

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For the year ended 31 December 2022

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
	19,134	9,415

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
Non-current		
Bank loans (held at amortised cost)	34,865	24,425
	34,865	24,425

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
	35,438	24,953
Deferred finance costs	(573)	(528)
	34,865	24,425

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT.

For the year ended 31 December 2022

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

Lease liabilities:	2022 £000	2021 £000
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.

b) Amounts recognised in the income statement

	2022 £000	2021 £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 £000	2021 £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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT.

For the year ended 31 December 2022

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 £000	2021 £000
Capital expenditure contracted for but not provided	689	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).

22. Employee benefits cont.**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

Allotted, called up and fully paid	31 December 2022		31 December 2021	
	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT.

For the year ended 31 December 2022

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:

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

24. Financial instruments cont.

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
As at 31 December 2021						
Non-derivative financial liabilities						
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 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
As at 31 December 2022						
Non-derivative financial liabilities						
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 1.0% 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT.

For the year ended 31 December 2022

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
Dividend expense*		
BP INV2 Newco Limited	-	476
BP INV2B Bidco Limited	-	820
Interest expense		
BP INV2B Bidco Limited	-	71
Compensation to key management personnel		
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
Payables to:		
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 ¹	England & Wales	100%	100%
Ashtead US Pledgeco Inc ⁴	USA	100%	100%
Amazon Acquisitions Limited ¹	England & Wales	100%	100%
Ashtead Technology (South East Asia) PTE Limited* ²	Singapore	100%	100%
Ashtead Technology Limited* ³	Scotland	100%	100%
TES Survey Equipment Services LLC* ⁵	UAE	100%	100%
Ashtead Technology Offshore Inc* ⁴	USA	100%	100%
Welaptega Marine Limited* ⁶	Canada	100%	100%
Aqua-Tech Solutions LLC* ^{4^^^}	USA	100%	100%
Alpha Subsea LLC* ^{4^^^}	USA	100%	100%
Underwater Cutting Solutions Ltd* ¹	England & Wales	100%	100%
WeSubsea AS* ^{7^}	Norway	100%	-
WeSubsea UK Limited* ^{3^}	Scotland	100%	-
Hiretech Limited* ^{3^^}	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.

[^] 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.

^{^^} 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.

^{^^^} 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT.

For the year ended 31 December 2022

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
Fixed assets				
Property, plant and equipment	800	-	-	800
Intangible assets	-	926	-	926
Current assets				
Inventories	10	-	-	10
Trade and other receivables	791	-	-	791
Cash	959	-	-	959
Total assets	2,560	926	-	3,486
Trade and other payables	278	-	-	278
Income tax payable	298	-	-	298
Deferred tax liability	41	195	-	236
Total liabilities	617	195	-	812
Net assets	1,943	731	-	2,674
Goodwill				3,982
				6,656
Satisfied by:				
Cash				6,656
				6,656

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.

27. Business combinations cont.**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
Fixed assets				
Property, plant and equipment	4,519	(732)	-	3,787
Intangible assets	-	3,762	-	3,762
Current assets				
Inventories	395	(132)	-	263
Trade and other receivables	2,002	-	-	2,002
Cash	6,980	-	-	6,980
Total assets	13,896	2,898	-	16,794
Trade and other payables	1,427	-	-	1,427
Income tax payable	640	-	-	640
Deferred tax liability	651	739	-	1,390
Total liabilities	2,718	739	-	3,457
Net assets	11,178	2,159	-	13,337
Goodwill				12,870
				26,207
Satisfied by:				
Cash*				26,207
				26,207

* 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONT.

For the year ended 31 December 2022

28. Reconciliation of Non-IFRS Profit Metrics**Reconciliation of Adjusted EBITDA**

For the year ended 31 December

	Notes	2022 £000	2021 £000
Adjusted EBITDA		28,555	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)
Operating profit before depreciation, amortisation and foreign exchange loss		27,704	18,052
Depreciation on property, plant and equipment	11	(7,501)	(7,878)
Depreciation on right-of-use asset	19	(930)	(835)
Operating profit before amortisation and foreign exchange loss		19,273	9,339
Amortisation of intangible assets	12	(1,202)	(1,516)
Foreign exchange loss	5	(3)	(215)
Operating profit		18,068	7,608

Reconciliation of Adjusted EBITA

For the year ended 31 December

	Notes	2022 £000	2021 £000
Adjusted EBITA		20,124	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)
Operating profit		18,068	7,608

28. Reconciliation of Non-IFRS Profit Metrics cont.**Reconciliation of Adjusted Profit After Tax**

For the year ended 31 December

	Notes	2022 £000	2021 £000
Adjusted Profit After Tax		15,619	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)	-
Profit for the financial year		12,665	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 88. Management uses APMs as they measure business performance in a more consistent way.

These APMs 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. APMs are not uniformly defined by all companies, including those in the Group's industry. Accordingly, APMs 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 BALANCE SHEET

At 31 December 2022

	Notes	2022 £000	2021 £000
Non-current assets			
Investments	4	43,140	42,313
Deferred tax asset	5	85	242
Trade and other receivables	6	15,287	11,376
		58,512	53,931
Total assets		58,512	53,931
Current liabilities			
Trade and other payables	7	16	-
		16	-
Total liabilities		16	-
Equity			
Share capital	8	3,979	3,979
Share premium	8	14,115	14,115
Merger reserve	8	38,318	38,318
Share based payment reserve	8	827	-
Retained earnings	8	1,257	(2,481)
Total equity		58,496	53,931
Total equity and liabilities		58,512	53,931

The accompanying notes are an integral part of the Company financial statements.

The profit for the year ended 31 December 2022 dealt with in the financial statements of the Company was £3,738,000 (period from 27 May 2021 to 31 December 2021: £2,481,000 loss).

The financial statements were approved by the Board of Directors of Ashtead Technology Holdings plc (registered number 13424040) on 2 May 2023 and were signed on its behalf by:



Allan Pirie
Chief Executive Officer
2 May 2023



Ingrid Stewart
Chief Financial Officer
2 May 2023

COMPANY 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	Retained earnings £000	Total £000
At 27 May 2021	-	-	-	-	-	-
Loss for the period	-	-	-	-	(2,481)	(2,481)
Total comprehensive loss	-	-	-	-	(2,481)	(2,481)
Issue of shares	50	-	-	-	-	50
Insertion of new top company	3,450	-	38,318	-	-	41,768
Shares issued on listing	479	15,044	-	-	-	15,523
Transaction fees on share issue	-	(929)	-	-	-	(929)
At 31 December 2021	3,979	14,115	38,318	-	(2,481)	53,931
Profit for the year	-	-	-	-	3,738	3,738
Total comprehensive income	-	-	-	-	3,738	3,738
Share based payment charge	-	-	-	827	-	827
At 31 December 2022	3,979	14,115	38,318	827	1,257	58,496

The accompanying notes are an integral part of the Company financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. Basis of preparation

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 financial statements of the Company as at and for the year ended 31 December 2022 are presented under the Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The prior year comparatives are for the period from incorporation on 27 May 2021 to 31 December 2021. 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's financial statements are prepared under FRS101 and take the available exemptions from FRS 101 in conformity with Companies Act 2006 as noted below:

- a cash flow statement and related notes;
- comparative period reconciliations;
- disclosures in respect of transactions with wholly-owned subsidiaries;
- disclosures in respect of capital management;
- disclosures in respect of financial instruments;
- disclosures in respect of fair value measurement;
- the effects of new but not yet effective IFRSs; and
- disclosures in respect of the compensation of key management personnel.

As the consolidated financial statements of the Group include equivalent disclosures, the Company has also taken the exemptions under FRS101 available in respect of the disclosures under IFRS 2 related to Group-settled share based payments.

The preparation of the financial statements requires the Directors to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities.

The Company financial statements have been prepared in sterling, which is the functional and presentational currency of the Company. All figures presented are rounded to the nearest thousand (£000), unless otherwise stated.

As permitted by Section 408 of the Companies Act 2006, the profit and loss of the Company has not been presented in these financial statements.

The Directors have used the going concern principle on the basis that the current profitable financial projections and facilities of the consolidated Group will continue in operation for a period not less than 12 months from the date of this report.

Subsidiary audit exemption

Ashtead Technology Holdings plc has issued a parental company guarantee under s479A of the Companies Act 2006. As a result, for the year ended 31 December 2022, Underwater Cutting Solutions Limited (company registration number 05031272) is entitled to exemption from audit.

2. Accounting policies

Investments

Investments in subsidiaries are measured at cost less any provision for impairment. Annually, the Directors consider whether any events or circumstances have occurred that could indicate that the carrying amount of fixed asset investments may not be recoverable. If such circumstances do exist, a full impairment review is undertaken to establish whether the carrying amount exceeds the higher of net realisable value or value in use. If this is the case, an impairment charge is recorded to reduce the carrying value of the related investment.

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.

Trade and other receivables

Trade and other receivables 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.

Trade and other payables

Trade and other payables are non-derivative financial liabilities that are stated at amortised cost using the effective interest method and are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

2. Accounting policies cont.

Taxation

UK corporation tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred on the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all evidence available, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried-forward tax losses and from which the future reversal of underlying temporary differences can be deducted.

Deferred tax is measured at the average rates that are expected to apply in the periods in which the temporary differences are expected to reverse based on the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

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.

In the Company financial statements, the cost is recognised in investments (Note 4), 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 increase or decrease to investments 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.

Critical estimates and judgements

The Directors do not consider there to be any critical estimates or any significant judgements in the carrying amounts of asset and liabilities of the Company.

3. Staff costs

The Company has no employees. Full details of the Directors' remuneration and interests are set out in the Directors' Remuneration Report on pages 34 to 35.

4. Investments

	2022 £000	2021 £000
Cost:		
At the beginning of the period	42,313	-
Additions	827	42,313
At the end of the year	43,140	42,313

On 17 November 2021 and 18 November 2021, the Company acquired 100% of the issued share capital of BP INV2 Pledgeco Limited and Ashtead US Pledgeco Inc respectively through a share for share exchange agreement. The value of investments represents the historical cost of investments in the subsidiaries of the Group transferred from the previous owning entities, including transaction costs.

There were no indicators of impairment noted under IAS 36 and accordingly, no impairment charge has been recognised.

Subsidiary undertakings are disclosed within Note 26 of the consolidated Group financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONT.

For the year ended 31 December 2022

5. Deferred tax asset

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

	2022 £000	2021 £000
Tax losses	85	242

6. Trade and other receivables

	2022 £000	2021 £000
Amounts owed by Group companies	15,167	11,311
Group relief	120	65
	15,287	11,376

Amounts owed by Group companies comprise intercompany balances with subsidiary companies within the Group. The amounts owed by Group companies bear no interest and are due on demand. IFRS 9 expected credit losses have been assessed as immaterial in relation to this balance. Amounts owed by Group companies are classified as non-current as the amounts are expected to be repaid after more than 12 months of the reporting period.

7. Trade and other payables

	2022 £000	2021 £000
Accruals	16	-
	16	-

8. Share capital and reserves**Called up share capital**

	31 December 2022		31 December 2021	
	No.	£000	No.	£000
Allotted called up and fully paid				
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 Company 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. The Company investment in subsidiary undertakings is the book value from predecessor shareholders in the Group, with the difference over the statutory share capital issued by the Company presented as the merger reserve. The Company has applied merger relief.

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 investments in subsidiaries in the Company balance sheet.

Retained earnings

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

9. 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.

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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

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Statutory Auditor
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Bankers**HSBC Bank plc**

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Aberdeen AB15 4XU

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London EC2N 1DW

Corporate broker**Numis Securities Ltd**

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DEFINITIONS

Adjusted EBITA	Operating profit adjusted to add back amortisation, foreign exchange movements and non-trading items as described in Note 28 to the accounts
Adjusted EBITA Margin	Adjusted EBITA divided by revenue
Adjusted EBITDA	Operating profit adjusted to add back depreciation, amortisation, foreign exchange movements and non-trading items as described in Note 28 to the accounts
Adjusted EPS	Adjusted Profit after Tax divided by the weighted average number of Ordinary Shares
Adjusted Profit After Tax	Profit after tax adjusted to add back amortisation, foreign exchange movements and non-trading items, including the tax impact thereof, as described in Note 28 to the accounts
Adjusted Profit Before Tax	Adjusted EBITA less finance cost (net)
Ashtead Technology	Ashtead Technology Holdings plc (the "Company") and all of its subsidiaries (also referred to as "Group")
CAGR	Compound annual growth rate
Invested Capital	Average net debt plus average equity
Leverage	Adjusted EBITDA divided by net debt
RCF	Revolving Credit Facility
ROIC	Adjusted EBITA divided by Invested Capital



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