Ashtead Technology

Ashtead Technology Holdings plc
Annual Report and Accounts 2021


37
Years of operation
200+
Employees
9
Regional hubs
17,000+
Rental assets
Ashtead
Technology

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

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.

Survey and robotics

Specialists in technologically advanced equipment solutions from leading manufacturers worldwide.

Mechanical solutions

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

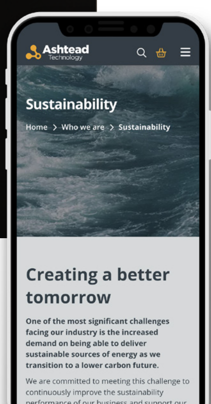
Asset integrity

Technology solutions to optimise the performance, safety and reliability of offshore infrastructure.

▶ Read more **on page 02**

* Ashtead Technology means Ashtead Technology Holdings plc ('the Company') and all of its subsidiaries (also referred to as 'Group').

Inside this Report



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 **integrated** subsea technology company

What we do

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

Survey & robotics

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

- Survey sensors
- Geophysical
- Hydrographic
- Metocean
- Subsea inspection
- Remote visual inspection
- Environmental

Mechanical solutions

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

- Cutting
- Coating removal
- Dredging
- Diver mechanical tools
- ROV tooling
- ROV/hydraulic solutions
- Fabrication

Asset integrity

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

- Subsea infrastructure inspection
- Hull inspection
- Riser cleaning & inspection
- Deflection monitoring
- Mooring inspection
- Subsea sensor packages

Our history

1985
Ashtead Technology established

2008
Acquired by Phoenix Equity Partners from Ashtead Group Plc

2010-2016
Non-core disposal and geographical expansion

2016
Acquired by Buckthorn Partners & APICORP

2017
Acquired TES Survey Equipment Services

Where we operate

Serving the international offshore energy sector, Ashtead Technology employs more than 200 people and services its customers from nine facilities strategically located in key energy hubs in the UK, USA, Canada, UAE and Asia Pacific.

- Regional hubs
- International partners

Financial highlights

Revenue

£55.8m

2021	£55.8m
2020*	£42.4m
2019*	£47.8m

Revenue from renewables

33%

2021	33%
2020*	29%
2019*	18%

Adjusted EBITDA**

£22.4m

2021	£22.4m
2020*	£17.0m
2019*	£21.9m

Adjusted EBITA***

£13.7m

2021	£13.7m
2020*	£6.3m
2019*	£12.1m

Our values

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

Agility
Delivering today and adapting for tomorrow.

Collaboration
Working together to achieve more.

Excellence
Upholding the highest standards in all we do.

Jan 2018
Acquired Forum Subsea Rentals

Nov 2018
Acquired Welaptega

Apr 2019
Acquired Aqua Tech Solutions

Sep 2019
Acquired Underwater Cutting Solutions

Nov 2021
IPO on AIM to accelerate growth

Our core markets

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

Our commitment to service excellence and the provision of leading edge technology ensures we deliver robust performance, safely and reliably to our customers.

Oil and gas

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 67%

£37.3m

(2020: £30.3m)*

Renewables

The offshore renewables energy sector has experienced unprecedented growth as the offshore energy industry works together to achieve net zero ambitions and deliver the energy transition. 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 33%

£18.5m

(2020: £12.1m)*

* Pre IPO.

** Adjusted EBITDA is defined as operating profit adjusted to add back depreciation, amortisation, foreign exchange movements and non-trading items as described in Note 27 to the accounts.

*** Adjusted EBITA is defined as operating profit adjusted to add back amortisation, foreign exchange movements and non-trading items as described in Note 27 to the accounts.

> Investment Case

Delivering sustainable and profitable growth

Ashtead Technology has built a strong track record, supporting a global, blue-chip customer base in the offshore energy market. In recent years, we have been working with existing and new customers as they focus on energy transition, both in offshore wind and in the decommissioning of offshore oil and gas infrastructure.

Trusted partner

A market leader in subsea technology and rental solutions with a **37-year** track record and a long-standing, blue-chip customer base operating across the offshore energy markets.

Assets and expertise

Broad, well-maintained equipment rental fleet consisting of more than **17,000** assets that are highly fungible across the oil and gas and offshore wind markets, supported by an expanding service offering.

International scale

Global platform with operations from nine service centres in key international energy hubs in the **Americas, Europe, Middle East,** and **Asia Pacific.**

Resilient growth markets

Ideally positioned to capitalise on structural high growth in the offshore wind market with a strong, complementary underpin from inspection, maintenance and repair and decommissioning activities in oil and gas.

Increasing propensity to rent

Well-placed to benefit from an increasing propensity to rent by our customer base as a result of an increased focus on their returns, free cash flow generation and capex allocation.

Value accretive M&A

We operate in a highly fragmented market and have a successful track record of executing value-enhancing M&A.

Strong cash generation & returns

Robust and resilient financial model with strong organic growth prospects, generating a high ROIC from our well-maintained equipment rental fleet.

Chairman's Statement

Delivering today and adapting for tomorrow

I am delighted to introduce Ashtead Technology's maiden full-year results following the Company's Initial Public Offering (IPO) on AIM in November 2021.

As a newly listed company, this is the start of an exciting new chapter for Ashtead Technology, which will enable us to accelerate our growth plans and support our customers more widely in the delivery of the energy transition.

Financial results

Total revenue for the year to 31 December 2021 increased by 32% to £55.8m reflecting an improving market backdrop both in the offshore renewables and oil and gas sectors. Our oil and gas business provides a strong underpin and grew 23% in the year and we were particularly pleased to see the continued rapid growth of our offshore renewables business which grew over 50% year on year. Adjusted EBITA of £13.7m compares to £6.3m in 2020. Profit before tax of £2.5m, after IPO and other adjusting costs of £4.4m, compares to a loss before tax of £0.7m on 2020 delivering Adjusted earnings per share of 13.2p in 2021. This performance reflects a strong finish to the year and was ahead of our expectations at the time of the IPO.

With the Board's support, management's focus is on long-term value creation through continued organic growth and an increased focus on M&A opportunities as we set out on our journey to fulfil the strategy as detailed in our IPO investment case. We will continue to do this while maintaining capital discipline. With net debt at £22.7m (2020: £36.2m), leverage at 31 December 2021 was 1.0x with the business having a stated leverage target of 1-2x in the medium term. The Board recognises the merits of establishing a small, progressive dividend flow and will consider this from 2022 onwards subject to the Company having sufficient distributable profits.

Employees

The Group would not have delivered this performance in 2021 without the continued dedication of its employees. On behalf of the Board, I would like to thank all of the Group's employees for their continued contribution to its success. Particular thanks go to our offshore team who with continued quarantine requirements have had to deal with challenging logistical issues and extended periods away from their families.

Environment, Social and Governance

The Board recognises the importance of our role in environmental, social and governance matters ("ESG") and the part we play to help deliver a lower carbon future.

As a market leader in subsea technology rental and solutions, built over a 37-year history, Ashtead Technology's offering sits firmly at the heart of the energy transition providing critical late life and decommissioning support to the oil and gas industry and supporting the extensive growth in offshore wind globally.

The Group is committed to trading responsibly and creating sustainable value for all stakeholders and is focused on five key priorities aligned with the United Nations Sustainable Development Goals.

Board and governance

I would like to thank my fellow Board members, and in particular Allan Pirie (CEO) and Ingrid Stewart (CFO), for their contribution to the successful IPO. The Board welcomed independent Non-Executive Directors Tony Durrant and Thomas Thomsen to the Board shortly before the IPO, who bring significant industry experience and expertise to the Board. Having been involved with the business for six years, Joe Connolly continues to serve as a Non-Executive Director in his capacity for Buckthorn Partners who remain a substantial shareholder.

Summary and outlook

The Group displayed strong financial resilience during the COVID-19 pandemic and, whilst challenges remain with restrictions in the movement of personnel and quarantines in certain countries, the business has continued to demonstrate this resilience through 2021.

As I write, the world has been rocked by Russia's invasion of Ukraine and our thoughts are with those who are personally impacted by the tragic events that are unfolding.

The impact on the energy markets, both renewables and oil and gas, is significant and as the focus on energy security increases the outlook for the business remains positive. Recent months have seen a high level of tendering across both renewables and oil and gas projects and Ashtead Technology remains well-positioned for long-term growth in demand for its services as the industry delivers the infrastructure required to address the changing energy landscape.

Bill Shannon
Non-Executive Chairman

4 June 2022

Financial highlights

Revenue

£55.8m

(2020: £42.4m)*

Adjusted EBITA**

£13.7m

(2020: £6.3m)*

Profit Before Tax

£2.5m

(2020: loss £0.7m)*

Leverage***

1.0x

(2020: 2.1x)*

Adjusted EPS****

13.2p

* Pre IPO.

** Adjusted EBITA is defined as operating profit adjusted to add back amortisation, foreign exchange movements and non-trading items as described in Note 27 to the accounts.

*** Leverage is defined as Adjusted EBITDA divided by net debt.

**** Adjusted EPS is defined as Adjusted Profit After Tax divided by the weighted average number of Ordinary Shares. Adjusted Profit After Tax is defined as profit after tax adjusted to add back amortisation, foreign exchange movements and non-trading items as described in Note 27 to the accounts.

A resilient business with an exciting future

2021 was a milestone year for Ashtead Technology as we successfully listed the business on AIM in November, providing a strong, long-term platform for future growth.

The Group performed well throughout the year and ahead of the expectations set out at IPO.

Overview

We delivered a resilient financial performance in 2021, reduced our leverage, while also continuing to invest in our high-quality equipment rental fleet. This was achieved despite the challenging operating backdrop, resulting from the COVID-19 restrictions and is testament to the resilience of our business, the tremendous efforts and commitment of our people, and our growing presence in the offshore renewables market.

A solid performance

As a market leader in subsea equipment rental and solutions for the global offshore energy sector, we benefitted from improving market conditions across both wind, and oil and gas, end markets.

Group revenue for the year to 31 December 2021 grew by 32% to £55.8m (2020: £42.4m), with Adjusted EBITA of £13.7m (2020: £6.3m) up 118% against the prior year, resulting in a margin of 25% and showing a recovery towards pre-COVID levels. Adjusted earnings per share was 13.2p.

Strategic and operational review

Through our three service lines – Survey & Robotics, Mechanical Solutions and Asset Integrity – we support the installation, IMR (inspection, maintenance & repair), and decommissioning of offshore energy infrastructure through the provision of subsea equipment rental and solutions. Our target is to achieve low double-digit organic revenue growth by executing on our proven strategy of:

- Continuing to support the energy transition and capitalise on the significant expected increase in expenditure in the global offshore wind market
- Maintaining Ashtead Technology's position as the leading independent subsea equipment rental business, growing and strengthening our business in subsea technology rental and solutions, whilst continuing to capitalise on customers' increasing propensity to rent
- Continuing to broaden the range of complementary equipment and services and leveraging the Group's global footprint through the further internationalisation of Ashtead Technology's products and services.

During the year, we continued to deliver against these objectives. Revenue from offshore renewables continued to increase, rising to 33% of Group revenue (2020: 29%). The Group is targeting revenue from the offshore renewables market of at least 50% in the medium term.

We also continued to cement our market leading position, investing £7.9m in capital expenditure which includes investment in new subsea equipment and technology to further expand our extensive equipment rental fleet, the largest independent fleet in the industry. There was further evidence of customers' increasing propensity to rent evidenced through increased outsourced asset management interest, and we expect this trend to continue.

We remained focused on operational excellence, ensuring the reliability and availability of equipment, the delivery of integrated solutions and service agility, employee training and development, digitisation of internal processes and utilising our significant domain expertise and product knowledge, increasing operational benefits through continuous improvement to better serve our customers.

The Group plans to complement its organic growth through a clear and focused M&A strategy, building on its strong track record of value-enhancing M&A. We are focused on strengthening geographic, equipment and service capability to better support the Group's customers globally, and continue to review opportunities to acquire businesses which complement our current offering. The acquisition pipeline contains a number of opportunities across each of the Group's service lines.

Sustainability

In 2021, we made good progress in our sustainability journey through focusing on five priorities that are aligned with the principals of the UN Global Compact – employee health, safety & wellbeing, labour practices & human rights, energy transition, ecological impact and business ethics.

Throughout the year, we took action to reduce our environmental impact, support the communities where we live and operate, improve and respect diversity and inclusion in the Group, reinforce our health and safety culture, and reaffirm our commitments to respecting human rights and to corporate governance. Whilst we are pleased with what we have achieved so far, we recognise that more needs to be done to support our ambitions and create value for all our stakeholders. Led by a sustainability working group, we have developed an enhanced sustainability strategy for 2022 and beyond to ensure sustainability issues are firmly integrated into our day-to-day operations and to help guide our efforts and improve our performance.

Market

In an ever-evolving energy industry, one of the most significant challenges we face is the increased demand society places on being able to deliver sources of energy in a sustainable, affordable and responsible way. The expansion of offshore wind as a means of energy production, alongside the decommissioning of existing oil and gas infrastructure, is critical to a successful energy transition process.

Throughout 2021 we saw market forecasts for offshore renewable energy spend increase, with analysts forecasting strong growth for wind energy, evidenced in our own business by a step change in our offshore renewables pipeline. The backdrop for the industry continues to strengthen with 25GW capacity awarded in the ScotWind 1 auction in the UK, and several new lease awards in the US alone. This has been further propelled by the UK Government's Energy Strategy to accelerate the offshore wind industry and increase the pace of deployment to deliver 50GW by 2030 as countries look to secure domestic energy sources in light of rising global energy prices, provoked by surging demand after the pandemic as well as Russia's invasion of Ukraine.

Oil and gas will also continue to be important constituents in meeting energy demand as the industry continues its transition to cleaner energy production and the need to focus on energy security. Significant expenditure will be required to maintain oil and gas production from existing fields, as well as investment in new oil and gas developments and associated infrastructure.

The fungibility of Ashtead Technology's equipment and solutions across the offshore wind and oil and gas markets makes for a compelling and robust proposition, enabling the Group to capture growth across both these adjacent markets.

Our people

Our people are central to the success of our business, and I would like to extend my thanks to all our employees for their contributions in the delivery of the Group's solid operational performance during another year in which we operated amid a global pandemic.

Our employee headcount increased from 172 to 204 during the year and we continued to encourage personal development through training and progression. Our senior leadership team was enhanced with the appointment of Ingrid Stewart as CFO and we expanded our business development, marketing and QHSE teams globally to meet the growing needs of our enlarged business, including the recruitment of Caroline Merson as Marketing & Communications Director.

Current trading and outlook

We remain well placed to support the changing requirements of the global offshore energy sector as the transition to more renewable sources of energy continues apace and our large fleet of rental equipment allows us to support the increased investment required to ensure energy security.

While we are mindful of uncertainty arising from the current geopolitical environment, inflationary pressures have been mitigated by tightening market conditions and increasing pricing. We remain confident of making further progress in 2022, with a clear organic growth strategy and pipeline of acquisition opportunities.

The Group has continued to perform strongly in the first four months of 2022, supported by good ongoing customer demand across both offshore wind and oil and gas end markets. Activity levels experienced are higher than the same period in the prior year, with utilisation rates remaining strong supporting increased pricing. Given the performance to date, the Board expects outturn for the year to be modestly ahead of its previous expectations.

I am proud of all we have accomplished in our short period so far as a publicly listed company and look forward to an exciting future.

Allan Pirie
Chief Executive Officer

4 June 2022

> Market Review

Energy transition, security and affordability drivers supporting market growth

Overview

The Group serves the offshore energy market including offshore wind and IMR and decommissioning services in the oil and gas sector.

Energy market sentiment is positive with an increased focus on energy security given current geopolitical tensions. Whilst there has been a recent recovery in demand for oil and gas, the expansion of offshore wind as a means of energy production, alongside the decommissioning of existing oil and gas infrastructure, remains absolutely critical to a successful energy transition and this is further accelerated as climate objectives align with the desire to build regional independence in energy value chains.

The fungibility of Ashtead Technology's equipment and solutions across the offshore wind and oil and gas markets makes for a compelling and robust proposition, enabling the Group to capture growth across both markets.

Rystad Energy forecasts the Group's total addressable market to grow at an aggregate CAGR of 12% from 2021 to 2025 to in excess of $2.1bn. Within this, offshore wind is expected to grow by a CAGR of 19%, decommissioning by 20%, and oil and gas IMR by 6%.

Offshore wind

Europe is the most mature offshore wind region in the world with 50% of global installed capacity as of 2021. Europe is expected to continue to lead the way and dominate expenditure over the next decade with expenditure expected to be $54.3bn by 2030 (10% CAGR).

The offshore wind market is expected to internationalise rapidly from 2021 to 2030, notably in Asia[1] and North America where the forecast CAGR in offshore wind spend is 14% and 29%, respectively, with expenditure in Asia reaching $30bn by 2030[1] and $9.3bn in North America. A material increase in spending is also expected in South America, Australia and the Middle East from what is currently a low base.

As a result of the increased expenditure, the number of operational wind farms is set to increase from 313 in March 2022 to 472 in 2025 (51% increase).

Globally, there are currently 50 wind farms under construction, a further 79 approved and 30 in the application stage, all of which are expected to be operational by 2025. An additional 51 wind farms are at concept phase targeting operation by 2025. Rystad Energy forecasts continued growth from 2025 to 2030 with a total of 799 operational wind farms by 2030.

The increase in the number of wind farms is expected to lead to the global installed capacity growing by 24% per annum through to 2030, from 27 gigawatts of power ("GW") in 2020 to 71 GW by 2025 and 193 GW in 2030.

As a result of the above, Ashtead Technology's addressable market in offshore wind is expected to grow at a rate of 19% per annum from $378m in 2021 to $748m by 2025, with such growth driven primarily by installation and commissioning activity. In the longer term, operations and maintenance services for the offshore wind market are expected to develop strongly as the offshore windfarm installed base increases and ages.

1 Excluding China.

Oil and gas

Whilst the global focus on energy transition remains critical, offshore oil and gas production has increased in recent months driven by energy security and affordability concerns. With an increased share of oil and gas production coming from offshore deepwater fields, investment in the subsea segment is expected to be one of the main drivers of growth in offshore oil and gas spending.

Significant ongoing investment is required to arrest production decline from existing producing fields and continual IMR of infrastructure is required to maintain and extend the producing life of such fields.

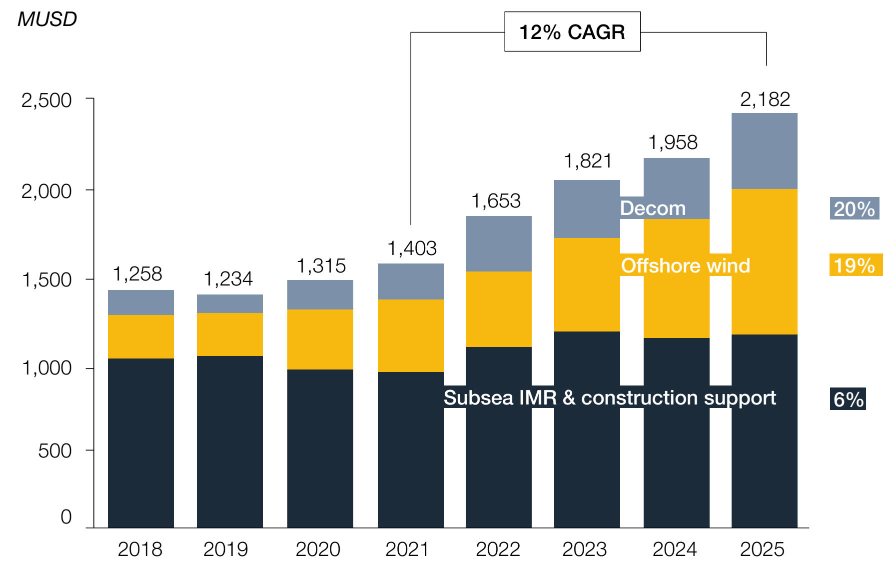
Expenditure on existing fields is expected to remain high and comprise the majority of life-cycle spend in the industry, driven in part by the energy transition as existing field operators seek to maximise the efficiency of their existing oil fields. This will be required to support forecast demand for oil and gas, particularly given the need for regional energy security.

Rystad Energy forecasts estimate Ashtead Technology's addressable market within subsea IMR and construction support will grow at 6% from 2021 to 2025.

During the same period, Rystad Energy forecasts decommissioning spend (and Ashtead Technology's addressable market) to grow at 20%, reaching $395m by 2025.

The Directors believe that the Group's decommissioning services provides a hedge in the event of lower oil prices as it may lead to an acceleration of decommissioning activity. North America, Europe and Asia (exc. China) remain the largest decommissioning markets for Ashtead Technology.

Total addressable market by cost group

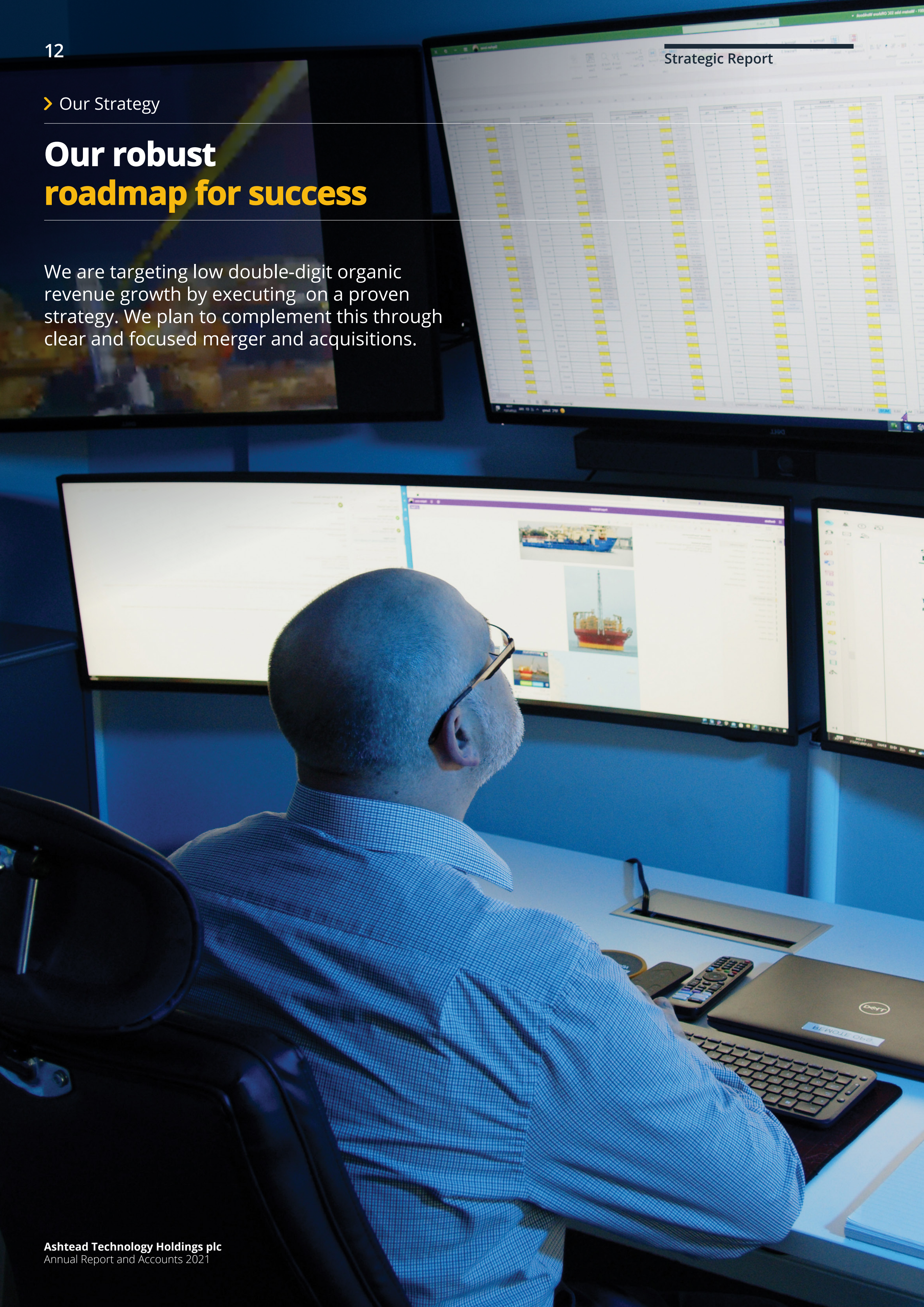


Source: Rystad Energy research and analysis

Our Strategy

Our robust roadmap for success

We are targeting low double-digit organic revenue growth by executing on a proven strategy. We plan to complement this through clear and focused merger and acquisitions.



Supporting the energy transition

- We are positioned to continue to capitalise on the significant increase in expenditure in the global offshore wind market – a long-term growth market globally.
- We plan to support oil and gas operators as they seek to maximise the efficiency of existing production, extending field life and reducing the need for new oil and gas projects and associated infrastructure.
- We are also positioned to benefit from the growing oil and gas decommissioning market as end customers look to decommission existing infrastructure and transition to alternative energy forms.
- Opportunities to utilise our skills and expertise to support the energy transition in areas such as offshore carbon capture and storage are being progressed.

Maintaining Ashtead Technology's position as a leading independent subsea equipment rental business

- We are focused on growing and strengthening our core business in subsea technology rental and solutions and enhancing our competitive position through:
    - Continued operational excellence, ensuring the reliability and availability of equipment, employee training and development, digitisation of internal processes and by focusing on the delivery of integrated solutions and service agility; and
    - Leveraging our significant domain expertise and product knowledge to serve customers better and increase our market share.
- The broader industry trend for customers to increasingly focus on returns, free cash flow and reducing capital expenditure is expected to continue to increase customers' propensity to rent equipment from and outsource asset management services to the Group.

Leverage Ashtead Technology's global footprint and broaden our range of complementary equipment and services

- We will continue to leverage our international footprint and strengthen our presence and capability in our existing markets through the further internationalisation of all our products and services. This will allow us to both further strengthen existing customer relationships and broaden our customer base.
- We will also 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;
    - Working with customers to solve their complex product needs via in-house development and engineering of mechanical technology; and
    - Continuing investment to broaden our equipment rental fleet and service offering, particularly in data management, analysis and reporting capabilities and by offering integrated services alongside existing IMR products focusing on subsea integrity and reliability.

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

- Opportunities exist to accelerate our growth through M&A.
- We will do this whilst maintaining strong financial discipline and controls.
- Our key focus areas are:
    - Consolidating a highly fragmented market in order to strengthen geographic, product range and service capability.
    - Acquiring adjacent businesses that complement our current product and services offering to better support our customers' operations.

Listening to our 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 is 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:

Sometimes the Directors have to take decisions that adversely affect one or more of our stakeholder Groups. In these cases, the Directors endeavour to treat those impacted fairly.

Customers

Why we engage

Listening to customers helps us satisfy their changing needs and supports them in 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 and maintain 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 Board receives dashboards with key performance metrics on a quarterly basis at a minimum. Information obtained from the key performance metrics informs the Board 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.

Employees

Why we engage

The Group recognises that its employees are its key resource and 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. In addition to its 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.

Suppliers

Why we engage

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

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.

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 key suppliers is maintained by members of the senior management team, with regular feedback provided to the Board.

Shareholders

Why we engage

We are seeking to attract shareholders who are aligned with our long-term objectives. Access to long-term capital supports our strategy to grow through both organic investment and M&A. We engage to help investors develop their understanding of the business model, strategic objectives and culture of our business. Through open and transparent engagement with the investor community, we aim to provide it with the information it requires to make informed judgements about the Group.

How we engage

We communicate with our shareholders through our trading updates, Investor Relations website and meetings.

Details of our AGM are included in a separate Notice of the Annual General Meeting which will be communicated to shareholders separately and we intend to undertake investor presentations following our Annual Report announcement. We also seek to take on board investor, broker and analyst feedback.

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 appraised of the status of licences and members of the Board are available to participate in meetings with government bodies as appropriate.

Community and the environment

Why we engage

The Group is an international business with operations supported from nine 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.

Principal decisions made in the year:

- IPO on AIM in November 2021
- Investment in marketing and communications to improve employee engagement
- Invested in new facilities in Aberdeenshire, UK and Halifax, Canada
- Refinancing of external debt
- 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.

We will report on the engagement benchmarks with stakeholders next year.

Creating a better tomorrow with our sustainability strategy

Our sustainability approach

As a critical supplier to the offshore energy industry, we are committed to supporting the industry through the energy transition, whilst continuously improving the sustainability performance of our own business.

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

These five priorities, selected based on their relevance and importance to our business, 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

SDG: 7

A sustainable energy future

Offshore renewable energy has become an important part of our business evidenced by its growing proportion of our Group revenue. We utilise our skilled people and their wealth of subsea operations domain knowledge together with our equipment and facilities to develop and deliver best in class, cost effective offshore wind farm installation and operations solutions.

2021 achievements:

- 33% (2020: 29%) of Group revenue generated from renewable energy projects
- Appointed a dedicated Renewables Market Manager to increase market share
- New engineering solutions designed to support windfarm installation and operations

Ecological impact

SDG: 12 14

Protecting our planet

We play a key role in assisting our customers to inspect, maintain and repair subsea infrastructure in order to reduce and proactively avoid pollution.

As a proactive participant in the energy transition, Ashtead Technology works with industry partners and the supply chain to support the development of new technology and methodologies to improve offshore operational efficiency, whilst reducing cost and safety risk in an environmentally responsible manner.

2021 achievements:

- Eleven remote operations projects delivered across seven countries
- Roll out of environmental awareness training and commencement of ISO 14001 certification
- Commenced measurement of waste collection to ensure it is being managed and disposed of responsibly
- Relocated two service centres benefiting from increased energy efficiency infrastructure

Business ethics

SDG: 16

Our ethical conduct

We aim to achieve the highest standards of governance, ethics and integrity throughout our operations. This is underpinned by our values, beliefs and principles and our commitment to always 'doing the right thing'.

Our commitment to operate responsibly, ethically and to respect local laws and regulations is absolute. Implications of relevant laws are communicated to employees through policies and training including annual mandatory anti-bribery and corruption, sanctions and export controls training.

2021 achievements:

- 100% completion rate for annual anti-bribery and corruption e-learning training
- 100% completion rate of third party anti-bribery and corruption diligence
- Whistleblowing policy was refreshed and communicated to encourage employees to speak up about unethical conduct

Energy security, affordability and sustainability are key global topics, as greater consideration is given to how our actions and decisions now will ensure continued energy supply whilst minimising the impact on our planet.

Allan Pirie
Chief Executive Officer

Employee health, safety and wellbeing

SDG: 3

Our people

Ashtead Technology takes the health and safety of its employees seriously. We recognise that creating, maintaining and promoting a safe, secure and healthy work environment is fundamental to our business and we are committed to continual improvement in all areas of our activities.

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. We offer career development and continuous learning, an open and honest working culture and we expect sector-leading health, safety, environmental and quality performance from our people.

2021 achievements:

- Mandatory safety e-training for all employees
- Bolstered HSE team globally to strengthen the HSE culture across our operations
- Consolidated ISO 9001 Group certification
- Health and safety priorities and progress consistently affirmed in townhalls throughout the year
- Total recordable incident rating of zero in 2021

Labour practices and human rights

SDG: 5

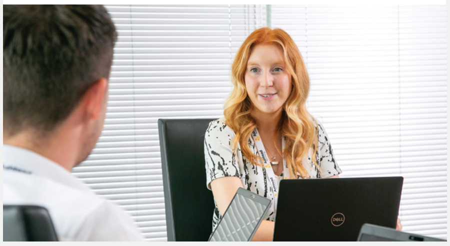
Respecting human rights

We are committed to being an equal opportunities employer and the Group embraces a positive and inclusive working environment characterised by equality and diversity.

Our policies and procedures are designed to ensure that all of our employees are treated honestly, equally and fairly both during the recruitment process and on an ongoing basis. We are also committed to working with suppliers and partners whose human rights standards are consistent with our own.

2021 achievements:

- 14 different nationalities across our business from 214 employees
- Supported Board gender diversity with the appointment of a female CFO
- Availability of various learning and development tools designed to promote inclusive and equal learning opportunities amongst our employees



Creating a better tomorrow

Our industry supports significant opportunities as government priorities move to energy security whilst maintaining focus on the transition to a lower carbon future.

Energy security is a critical social and governance issue which is a key global ESG agenda topic. Recent world events have highlighted the need to focus on domestic resources and reduce the reliance on energy imports.

As an international business, with a large fleet of critical equipment that is fungible across both renewables and oil and gas end markets, Ashtead Technology is well positioned to support the requirement for affordable, sustainable and secure energy.

Strategic goals for 2022

- Support our industry in the delivery of energy security
- Increase our offshore renewable energy activities
- Review our global policies and ways of working to ensure they continue to be aligned with the UN Global Compact standards and commitments
- Obtain global certification to Environmental Management Standard ISO 14001
- Continue to create a work environment which encourages incident reporting and whistle-blowing
- Continued mandatory annual anti-bribery and corruption e-learning training for all employees

Materiality assessment

We will be conducting a formal materiality assessment in 2022 which will be the foundation of our ESG strategy going forward. This assessment will be designed to ensure we continue to prioritise the issues that have the biggest impact on our business, communities and the environment, and those that matter most to our stakeholders.

> Chief Financial Officer's Report

Strong progress and growth in our performance

It has been an exciting year for Ashtead Technology as we returned to growth following the downturn in 2020 caused by COVID-19 restrictions.

Our IPO in November 2021 is testament to the quality of our business and the resilience shown through the latest downturn, and was the culmination of a lot of hard work from many people in the organisation. I would like to express my sincere thanks to those involved in helping us reach this milestone in our Group's history.

Revenue

Group revenue grew year-on-year by 32% from £42.4m to £55.8m driven by an increase in demand from both the offshore renewables and offshore oil and gas markets.

Renewables revenues accounted for 33% of Group revenue in 2021 (2020: 29%) representing over 50% growth from this market, whilst revenues from oil and gas also grew by 23%.

Gross profit

Gross profit increased to £40.5m (a gross margin of 73%) from £31.4m in 2020 (a gross margin of 74%) with the margin reduction due to a higher proportion of revenue in the year coming from equipment sales versus rental. In our rental business, we saw cost utilisation increase from 37% in 2020 to 43% in 2021.

Administration costs

Administration expenses of £33.9m in 2021 compared to £29.8m in 2020 with the increase (£4.1m) coming from personnel costs (£3.1m) and legal and professional fees (£2.6m) predominantly as a result of the IPO. Personnel cost increases were the result of post-COVID salary increases following salary reductions in 2020 as well as an increase in personnel from 172 at December 2020 to 204 at December 2021. This was offset by a decrease in depreciation of £2m. Whilst the Group maintains a blue-chip customer base, the Group also increased its provision for doubtful debts by £0.7m.

Profitability

Adjusted EBITA of £13.7m compares to £6.3m in 2020 and was ahead of our expectations at the time of the IPO process following a strong finish to the year. This represents an EBITA margin of 24.6% compared to 14.8% in the prior year. As a result, ROIC (Return on Invested Capital) increased to 17% (2020: 7%), a return to historical levels.

Where we have provided adjusted figures, they are after the add-back of various one-off items which, in relation to 2021 predominantly related to professional and other fees arising from the admission to AIM.

Profit Before Tax of £2.5m, after IPO and other adjusting costs of £4.4m, compares to a loss before tax of £0.7m in 2020.

Net finance expense

Net finance costs were £4m in 2021, reflecting our pre-IPO debt structure. As part of the IPO process the Company raised £15m of primary capital that was utilised to repay existing debt facilities, including high interest loan notes held under the previous private equity ownership structure. The business also refinanced its external debt facilities and achieved more favourable pricing. The 2021 costs are not representative of ongoing expectations.

Taxation

The total tax charge was £1.1m (2020: £0.3m), giving rise to an effective tax rate of 29.5%. In future years we expect the Group's effective tax rate to be closer 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 than those in the UK.

EPS and dividend

Adjusted EPS is 13.2 pence with statutory EPS at 3.6 pence. The adjusted figures exclude the impact of one-off costs as set out in Note 27 of the accounts as well as foreign exchange profit/loss and amortisation.

The Group paid dividends totalling £1,296,000 in 2021 which related to the pre-IPO group restructure. As noted at the time of the IPO, the Group has elected not to pay a further dividend in relation to the 2021 results. In terms of capital allocation, the Group's current focus is on organic fleet growth, complemented by bolt-on M&A. It is the Directors' intention to implement a progressive dividend policy in the near future, subject to the discretion of the Board and to the Company having distributable reserves.

Cash flow and net debt

Free cash flow in the year was impacted by one-off costs as a result of the admission to AIM as well as an increase in working capital caused by the uplift in trading and a general slowdown of debtor payments at the year end.

The Group increased investment in capital expenditure in the year to £7.9m, investing predominantly in rental equipment as the market continued to improve. Overall, net debt reduced from £36.2m to £22.7m from 31 December 2020 to 31 December 2021 due predominantly to the raising of £15m of primary capital. As a result of the primary capital raise, borrowings reduced during the year with drawn RCF of £25.0m at 31 December 2021 versus external bank loans of £43.0m at 31 December 2020. Leverage at 31 December 2021 was 1x.

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.

During 2021 the Group has continued to generate positive cash flow from operating activities with a cash and cash equivalents balance of £4.9m (2020: £11m).The Group has access to a multi currency RCF and additional accordion facility. The RCF and accordion facility have total commitments of £40m and £10m respectively, both of which expire in November 2024, with an option to extend subject to credit approval. As at 31 December 2021 the RCF had an undrawn balance of £15m and the £10m accordion facility was undrawn.

The Facility Agreement is subject to a leverage covenant of 2.5x 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.

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.

Ingrid Stewart
Chief Financial Officer
4 June 2022

In establishing Adjusted EBITDA, Adjusted EBITA and Adjusted EPS, the Group has added back various costs, deemed to be one-off in nature, which in 2021 predominantly relate to Admission costs and restructuring of the group entity structure in preparation for Admission.

Free cash flow £000	2021	2020
Adjusted EBITDA	**22,437**	17,037
Adjusted items	**(4,385)**	(1,688)
Gain on sale of fixed assets	**(995)**	(1,156)
Foreign exchange	**(215)**	(312)
Other	**(28)**	5
Cash generated before working capital movements	**16,814**	13,886
Working capital movement	**(5,105)**	4,743
Operating cash flow	**11,709**	18,629
Tax	**(858)**	(763)
Disposal of fixed assets	**1,453**	1,620
Capex	**(7,889)**	(5,073)
Leasing payments	**(1,012)**	(721)
Free cash flow	**3,403**	13,692

Results reconciliation £000	Adjusted	IPO costs	Restructuring costs	Other	Reported
Revenue	55,805	–	–	–	55,805
Gross profit	40,338	–	–	(205)	40,543
Administrative expenses	(29,210)	3,332	1,314	74	(33,930)
Other operating income	865	–	–	(130)	995
Operating profit	11,993	3,332	1,314	(261)	7,608
Finance cost	(2,902)	–	–	1,117	(4,019)
Profit before tax	9,091	3,332	1,314	856	3,589
Profit after tax	8,031	3,332	1,314	856	2,529
Foreign exchange	215				
Amortisation	1,516				
Tax impact of adjustments	(377)				
Adjusted profit after tax for EPS calculation	9,385				
EBITDA / EBITA / Adjusted Profit Before Tax					
Operating profit	11,993	3,332	1,314	(261)	7,608
Foreign exchange	215	–	–	–	215
Amortisation	1,516	–	–	–	1,516
EBITDA	22,437	3,332	1,314	(261)	18,052
Depreciation	(8,713)	–	–	–	(8,713)
EBITA	13,724	3,332	1,314	(261)	9,339
Finance cost	(2,902)				
Adjusted Profit Before Tax	10,822				

Measuring our performance

The Group uses a range of financial and non-financial KPIs to measure strategic performance. The business has performed well through 2021, demonstrating a strong recovery from 2020 as market conditions continued to improve throughout 2021.

Operational highlights:

- Listing on AIM in November 2021
- Zero recordable health and safety incidents, keeping our employees safe
- Growth in activity levels as a result of lifting of COVID-19 restrictions, increasing our ability to deliver cross border projects
- Encouraging market dynamics coupled with increasing evidence of customer propensity to rent positive for the future
- Continued investment in personnel and equipment. Employee numbers increased from 174 at December 2020 to 204 at December 2021
- £7.9m capital expenditure in year
- Secured £40m RCF facility from HSBC and Clydesdale Bank, reducing leverage to 1x and providing headroom for growth through M&A
- Increased focus on energy transition with 33% of revenues coming from offshore wind activity

Revenue (£m)

£55.8m

2021 £55.8m
2020* £42.4m

Description
Growth of 31.6% as market rebounds from COVID-19, with particularly strong growth in Europe fuelled partly by increasing offshore renewables activities

Adjusted EBITA** (£m)

£13.7m

2021 £13.7m
2020* £6.3m

Description
Underlying EBITA excludes exceptional costs, including FX losses. 118% growth in underlying EBITA driven by top line revenue, due to increased activity levels

Revenue by market (%)

Oil and gas

67%
(2020: 71%)

Renewables

33%
(2020: 29%)

Description
Growth in real terms across both oil and gas and renewables markets, with renewables accounting for 33% of global revenues

Leverage** (x)

1.0x

2021 1.0x
2020* 2.1x

Description
Leverage reduced to 1x through primary capital raising of £15m as part of the IPO and cash generation throughout the year

* Pre IPO.

** Alternative Profit Measures used for KPIs due to significance of adjusting items. See page 19 for calculation for Adjusted EBITDA, Adjusted EBITA and Adjusted Profit BeforeTax.

*** Return on Invested Capital is defined as Adjusted EBITDA divided by Invested Capital. Invested Capital is defined as average net debt plus average equity.

**** Adjusted EBITA margin is defined as Adjusted EBITA divided by revenue.

Adjusted EBITA Margin**** (%)

24.6%

2021	24.6%
2020*	14.8%

Description
24.6% EBITA margin reflecting a return towards pre-COVID margin levels

Adjusted Profit Before Tax** (£m)

£10.8m

2021	£10.8m
2020*	£2.4m

Description
Significant increase in underlying profit before tax resulting from higher activity levels compared with the prior year

Adjusted Earnings Per Share** (p)

13.2p

2021	13.2p

Description
No adjusted earnings per share is disclosed for 2020 as the existing capital structure has only been in place since admission to AIM in November 2021

Return on Invested Capital*** (%)

17%

2021	17%
2020*	7%

Description
ROIC increase to mid-teens demonstrates recovery to pre-COVID levels

Cost Utilisation (%)

43%

2021	43%
2020*	37%

Description
Utilisation improvements during the year as market activity recovered post COVID-19. Cost utilisation is calculated as the cost of rental equipment on hire divided by the total cost of rental equipment owned

Total Recordable Incident Rate

0

2021	0
2020*	0

Description
No recordable incidents in the year, keeping employees safe at work

Rental fleet utilisation improved during the year as market activity recovered post COVID-19.

Ingrid Stewart
Chief Financial Officer

Reviewing and assessing the **principal risks** facing the Group

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.

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.

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, BD Director, Regional General Managers and QHSE Manager, 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. 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.

Our principal risks are:

- Economic
- Supply chain
- Personnel
- Information Technology and operational systems, cyber risks and security
- Customer risk
- Health, safety & environmental
- COVID-19 pandemic
- Compliance and ethics

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.

Risk Management *continued*

Economic

Description

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.

Mitigation

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.

Developments in 2021

Increased investment in the offshore renewables sector globally, particularly across Europe, Asia and US, is driving market expansion.

Increased exposure to offshore renewables with 33% of revenues generated from offshore wind.

Proactive marketing of renewables capability has resulted in an increase in enquiries and backlog in this sector.

Increased investment in renewables sector globally, particularly across Europe, Asia and US.

Risk trend

Decreased

Supply chain

Description

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 that could impact the Group's financial performance and KPIs.

Mitigation

Regular dialogue with key suppliers with ability to secure equipment if lead times extend beyond normal parameters.

Preferential supply agreements signed with various suppliers.

Alternative suppliers sourced for key items where available.

Increased stock holding of critical spares.

Supply chain issues increasing customers' propensity to rent rather than purchase capital equipment.

Developments in 2021

Supply issues impacted by COVID-19 evident across supply chain, likely to be further exacerbated during 2022 by the Russia / Ukraine conflict.

Risk trend

Increased

Personnel

Description

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.

Furthermore, the Group's workforce requirements fluctuate due to seasonality of projects with higher demand for labour during summer months when offshore activity levels are highest.

Mitigation

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.

Developments in 2021

COVID-19 related reduced working, salary reductions and overtime restrictions reversed to pre-COVID-19 conditions.

Pay review undertaken as part of annual budgeting exercise.

Pay increases implemented for the first time since pre-COVID addressing improvement in market conditions.

Risk trend

Increased

Information Technology and operational systems, cyber risks and security

Description
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.

Mitigation
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.

The Group has an IT disaster recovery plan in place which is regularly reviewed and tested.

Developments in 2021
The Group has continued to invest in its IT systems through 2021 including an ERP enhancement project.

The transition of all IT systems to a cloud based environment is well progressed with target end date during 2022.

Risk trend
Increased

Customer risk

Description
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.

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. Certain customers of Ashtead Technology are known to be experiencing cash flow issues as a result of losses experienced on projects. In addition, an increase in market activity is resulting in higher working capital requirements resulting in some customers retaining cash and slowing debtor payments.

Mitigation
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.

The Group sets processes and procedures based on industry benchmarks in order to minimise risk of providing poor quality products and services.

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.

Developments in 2021
The Group has continued to seek to expand its customer base through 2021 and through its increased focus on offshore renewables has broadened customer relationships.

Where necessary the Group exercises a range of options to mitigate against credit risk including non-supply and debt collection measures.

Risk trend
Increased

Health, safety & environmental

Description
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.

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.

Mitigation
The Group monitors QHSE statistics on an ongoing basis and maintained a TRIR (Total Recordable Incident Rate) of zero throughout 2021.

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.

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.

Developments in 2021
TRIR maintained at zero throughout the year.

Appointment of a Group QHSE Manager in January 2021.

Consolidation of management information systems driving increased consistency across the Group.

Consolidation of IS0 9001 certification across the Group.

Risk trend
Decreased

COVID-19 pandemic

Description

The global response to the COVID-19 pandemic resulted in, amongst other things, border closures, severe travel restrictions, as well as quarantine, self-isolation and other emergency measures imposed by various governments across the world.

The Group relies on staffing projects with employees with the appropriate technical expertise and knowhow. As a result of government responses and travel restrictions, the Group's ability to send key workers and contract resources cross border to its own international facilities, or to project locations, has been significantly reduced.

Mitigation

Guidelines in place to minimise risk of spreading COVID-19 in the workplace.

Ongoing monitoring of vaccination status of all employees.

Support and advice available for any employees regarding COVID-19 vaccination.

Increased use of local labour and remote operations technologies where possible to minimise international travel.

Developments in 2021

Movement of personnel is easing in many parts of our business but restrictions remain across certain localities.

Constant monitoring of restrictions and planning around personnel movements.

Significant acceleration and adoption of remote technology options by our customers, reducing requirement to travel.

Risk trend

Decreased

Compliance and ethics

Description

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.

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.

Mitigation

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 policies as well as anti-bribery and corruption. 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.

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.

Developments in 2021

Compliance and ethics policies and procedures were reviewed and, where required, enhanced, as part of the IPO process during 2021.

Specific risk relating to upgraded sanctions on Russia is being managed with no known direct exposure.

Risk trend

No change

Geopolitical tensions

Description

Russia's invasion of Ukraine has created energy market uncertainty as the world's leaders impose strict sanctions and turn their agendas to energy security. The impact on the energy markets could be significant and oil prices are likely to be impacted which could create either more or less activity in the oil and gas market.

If oil and gas activity increases, this may result in a short-term 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.

Sanctions on Russia could create some liquidity issues in some areas of the oil and gas industry which could filter through the supply chain impacting on customers' ability to pay their debts.

The war in Ukraine is also likely to further exacerbate supply issues due to increased requirement for military equipment which uses the same components as subsea equipment.

Mitigation

Ashtead Technology is well placed to support the energy security crisis if this pivots to either offshore renewables or offshore oil and gas activity.

Market trends are being monitored on a constant basis and the Group is ready to react to any positive or negative movement as a result of the war.

Capital expenditure orders were placed in 2021 for 2022 to alleviate supply chain issues.

Close relationships maintained with key suppliers to ensure consistency of supply.

Customers being closely monitored in terms of cash payments.

Increased scrutiny being placed on export controls to manage additional sanctions risk from Russia.

Risk trend

Increased

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, Market Review, Stakeholder Engagement, Corporate Sustainability, Key Performance Indicators and Risk Management (covering the principal risks and uncertainties of the Group) was approved and signed on its behalf by Allan Pirie, Chief Executive Officer.

Allan Pirie
Chief Executive Officer

4 June 2022

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 27 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.

Committee membership key

A Audit Committee
R Remuneration Committee
N Nomination Committee

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 26 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 / M&A experience
- Strong technical acumen on financial matters
- Wide, in depth knowledge of business management

Experience
Ingrid has 24 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 / M&A experience
- Strong knowledge of the business and its history

Experience
Joe has over 21 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 22 years of experience in the wind sector. Thomas has recently been appointed 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 34 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.

Chairman's Introduction

Committed to effective corporate governance

I am pleased to present my first Corporate Governance Statement as Chairman of the Board of Directors of Ashtead Technology Holdings plc and its first since admission to AIM.

The Board is committed to effective corporate governance that will deliver long-term value and meet stakeholder expectations around leadership and oversight. As Chairman of the Board, I am responsible for corporate governance within the Group.

The Board acknowledges the importance of high standards of corporate governance. 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.

Since our admission to AIM in November 2021, the Board has 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.

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: 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 has a desirable range of different skills, experiences and backgrounds, further details of which can be found in the Board biographies on pages 28 to 29.

This section of the Annual Report outlines how we have applied the principles of the QCA Code since the IPO in November 2021. 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 pages 14 to 15.

Stakeholder engagement

The Executive Directors spent considerable time engaging with stakeholders and the Group's new shareholders in the course of the IPO, to help us get to know their objectives and also to ensure they understand the business. A full review of stakeholder engagement can be found at pages 14 to 15.

Bill Shannon
Non-Executive Chairman

4 June 2022

Delivering long-term growth

This section sets 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 business model

The Board has a clear strategy for delivering long-term shareholder value as set out in pages 12 to 13 of this report.

Strategic, long-term growth will be achieved through:

- Continuing to support the energy transition
- 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
- Leverage Ashtead Technology's global footprint
- Augmenting organic growth through a clear and focused merger and acquisition strategy

Meeting shareholder needs and expectations

The Group is committed to engaging with its shareholders to ensure their needs and expectations are understood and its strategy and business model are clearly articulated.

The Executive Directors undertook a comprehensive programme of investor meetings prior to Admission. Since Admission, the majority of communication has been through trading updates and the Executive Directors intend to give formal presentations to investors and analysts following announcement of the Group's full year results.

The Executive Directors have met with both existing and potential investors since the IPO and have welcomed investors' requests to meet with them. 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. 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 Board recognises that the Group's long-term success relies on its ongoing positive relationships with all stakeholders, not just its shareholders and employees. The Board's approach to stakeholder engagement is presented in pages 14 to 15.

The Board and all senior managers have regard to the Group's stakeholders and social responsibilities in its decision making.

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 26 of this report. The Audit Committee has responsibility for reviewing the effectiveness of the Group's internal controls as set out in pages 33 to 35 and reports directly to the Board on these matters.

Ashtead Technology Holdings plc has an internal Risk Management Committee which meets quarterly, to ensure 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 by management.

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 independent Non-Executive Directors, Bill Shannon, Tony Durrant and Thomas Thomsen, and one Non-Executive Director, Joe Connolly. Joe Connolly is not considered independent due to his relationship with Buckthorn Partners.

Board meetings are open and constructive, with every Director participating fully. The Board aims to meet at least six times per year. Since admission to AIM, in November 2021, the Board has met on six scheduled occasions. All meetings have been attended by all Directors.

The Board is satisfied that the current Board 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.

The Board believes that three Non-Executive Directors are independent.

Board skills, capabilities and experience

All the Directors have appropriate skills and experience for the roles they perform, including as members of the Board Committees.

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. More information can be found on each of the Directors in pages 28 to 29, or on the Group's website.

The Nomination Committee is responsible for reviewing the composition of the Board, including evaluating the skills, knowledge and experience of Board members. The Committee will seek to take into account any Board imbalances for future nominations.

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.

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

Evaluation of Board performance

The Nomination Committee is responsible for reviewing the performance of the Board.

Given the short time period since the Board's formation, no formal evaluation has been undertaken, however the Chair confirms that the performance of each of the Non-Executive Directors continues to be effective and they have demonstrated commitment to their roles. The Committee considers that they each provide distinct and valuable input to the overall operation of the Board.

The Committee intends to undertake a formal evaluation of the Board and its Committees during the course of the next calendar year in accordance with the recommendations of the Code. Part of the evaluation will be to assess the training activities and requirements of the Directors.

Promoting a corporate culture based on ethical values and behaviours

Our values 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 activities are centred upon an open and respectful dialogue with employees, customers and other key stakeholders. Therefore, the importance of sound ethical values and behaviours is crucial to the ability of the Group to successfully achieve its corporate objectives.

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
- Whistleblowing 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 will take 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 is scheduled to meet a minimum of six times per year. The Board has met monthly since the IPO in November 2021. 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 communicates (or will communicate) with its shareholders through:

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

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).

Monitoring the quality of internal controls

Membership

Our Audit Committee was formed in November 2021 and comprises three independent Directors, Bill Shannon, Thomas Thomsen and myself, Tony Durrant, as Chair of the Committee. The Committee, along with executive management, participated fully in the financial due diligence work carried out during the IPO process. Since then we have met formally as the Audit Committee once, attended by all three members, and have had a number of discussions with our external auditors, BDO LLP. This has included a private meeting with the external auditors prior to our approval of the 2021 Annual Report.

It is intended that the Audit Committee will meet at least three times per year.

Our role

The role of the Committee is to assist the Board in fulfilling its oversight responsibilities by reviewing and monitoring:

- The integrity of the financial and narrative statements and other financial information provided to shareholders;
- The Company's system of internal controls and risk management;
- The internal and external audit process and auditors; and
- The processes for compliance with laws, regulations and ethical codes of practice.

Financial reporting

The primary role of the Audit 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 2021 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 2021 Annual Report.

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

Provision for bad debts

Description	Audit Committee action
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.	Management's doubtful debt calculations were reviewed and challenged by the Board. Additional focus has been placed on debtor recoverability in the Board meetings following the year end so that the Board could obtain as much comfort as possible on the status of payments and adequacy of the provision. The Audit Committee is satisfied that the provision for doubtful debts is reasonable as at 31 December 2021.

Impairment of goodwill

Description	Audit Committee action
The Group has a significant value of goodwill on the balance sheet. 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 2021.

Carrying value and useful lives of property, plant and equipment

Description	Audit Committee action
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 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 Audit Committee is satisfied with the useful lives of property, plant and equipment and its carrying value at 31 December 2021.

Foreign jurisdictions and general compliance with laws and regulations

Description

The Group has nine 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.

Audit Committee action

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.

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.

The Audit Committee is satisfied that appropriate procedures are in place.

Listing event and Group rationalisation

Description

The Group undertook a restructuring prior to the IPO which subsequently required complex and judgemental accounting which increases the risk of material misstatement.

As part of the listing process the Group converted to UK adopted international accounting standards (IFRS).

Audit Committee action

The Audit Committee has reviewed the assumptions made by and challenged management in respect of the reorganisation as well as the IPO accounting and is satisfied that these were appropriately accounted for under IFRS.

The Audit Committee has satisfied itself that accounting for the Group reorganisation using a predecessor accounting policy (as outlined in Note 1.3 to the accounts) is appropriate. It was also noted that management sought advice from a global and reputable third party accountancy firm to support them on the accounting for the transaction.

Fair, balanced and understandable

At the request of the Board, the Committee has reviewed the content of the 2021 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. When forming its opinion, the Committee reflected on discussions held since its formation, discussions with management, and reports received from the external auditors, and considered the following:

- 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;
- The Group's financial control environment and attitude to risk;
- The remuneration and proposed reappointment of our external auditors;
- The independence, objectivity and effectiveness of the external auditors;
- The plans for any announcements in relation to the 2021 Group accounts, including presentations from management;
- Key internal policies including anti-bribery and corruption and related compliance policies and whistleblowing arrangements.

Following the Committee's review, the Directors confirm that, in their opinion, the 2021 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.

Risk management and internal control

The Committee's responsibilities include assisting the Board in its oversight of risk management within the Group. The Audit Committee will review the Group's approach to risk management and report to the Board, which will take the final view.

The Group has internal controls and risk management systems in place in relation to its financial reporting processes and preparation of consolidated accounts. These systems include policies and procedures to ensure that adequate accounting records are maintained and that transactions are recorded accurately and fairly to permit the preparation of financial statements in accordance with IFRS. The internal control systems include the following key elements:

- 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;
- 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.

The Group does not currently have an internal audit function given the size of the business. The Audit Committee intends to work with management to establish an appropriate internal audit framework going forward.

Risk management framework

The risk management framework and risks identified are presented on pages 22 to 26. The Audit 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 these risks.

External audit

The Committee is satisfied that BDO LLP maintains its independence, and other than acting as Joint Reporting Accountant as part of the IPO process during 2021, BDO has not received any 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 2021. 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 2021 is the first year for which Mark McCluskey will sign the auditor's report as senior statutory auditor.

On behalf of the Audit Committee

Tony Durrant
Chair of the Audit Committee

4 June 2022

> Nomination Committee Report

Championing our talent strategy

The Nomination Committee comprises myself, Bill Shannon, as its Chair as well as Tony Durrant, Thomas Thomsen, Joe Connolly and Allan Pirie. Tony Durrant and Thomas Thomsen were both considered independent on appointment.

The role of the Committee is to:

- Ensure that there is a formal, rigorous and transparent procedure for appointments to the Board
- Lead the process for appointments and make recommendations to the Board
- Assist the Board in ensuring its composition is regularly reviewed and refreshed, taking into account the length of service of the Board as a whole, so that it is effective and able to operate in the best interests of shareholders
- Ensure plans are in place for orderly succession to positions on the Board and as regards the senior management, including the Company Secretary
- Oversee the development of a diverse pipeline for succession
- Work and liaise with other Board Committees, as appropriate (including the Remuneration Committee in respect of any remuneration package to be offered to any new appointee of the Board) and ensure that the interaction between Committees and between the Committee and the Board is reviewed regularly

As the Nomination Committee was only formed in November 2021, there were no meetings during the reporting period. The Committee will henceforth meet at least once per year.

In accordance with the provisions of the Code, all our Directors will retire at each AGM and, if decided appropriate by the Board, may be proposed for reappointment. In reaching its decision the Board acts on the advice of the Nomination Committee.

Given the short period that the Board has been in operation, no formal evaluation has yet been undertaken however the Chair confirms that the performance of each of the Non-Executive Directors continues to be effective and to demonstrate commitment to their role. The Committee considers that they each provide distinct and valuable input to the overall operation of the Board.

The Committee intends to undertake a formal evaluation of the Board and its Committees during the course of the next calendar year in accordance with the recommendations of the Code. Part of this evaluation will be to assess the training activities and needs of the Directors.

I look forward to reporting to you next year on the Committee's progress in these areas and its other activities.

Bill Shannon
Chair of the Nomination Committee

4 June 2022

Ensuring key personnel deliver the Company's objectives

This report is for the year ended 31 December 2021 and sets out the governance and detailed remuneration for the Executive and Non-Executive Directors of the Company under the requirements of AIM Rule 19.

Ashtead Technology is committed to high standards of corporate governance. The Remuneration Committee was constituted in November 2021 and comprises Tony Durrant and Thomas Thomsen, both independent non-executive directors, and the Chair of the Board, Bill Shannon. All members have relevant commercial and operating experience. The CEO and CFO attend certain meetings by invitation and no individual takes part in any decision in relation to his or her own remuneration.

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 Company's approach to remuneration is that the overall package should be sufficiently attractive to recruit, motivate and retain individuals of a high calibre with significant technical and strategic expertise.

Prior to the IPO, Executive Director packages were similar to those expected within a private equity owned business, including a management incentive plan ("MIP") whereby various shares owned by the executive management were subject to a ratchet mechanism on exit. The cost of purchase of the shares under the MIP was covered by a payment from the Group.

With effect from admission to AIM, new remuneration arrangements were introduced for the Executive Directors which reflect market standard. Guidance was sought from external consultants prior to the IPO.

Executive Directors receive an amount of fixed pay made up of a base salary, a benefits package and pension contribution.

Short term performance for senior executives is incentivised using an annual bonus scheme based on the achievement of profitability targets. Long-term performance is incentivised by way of a long-term incentive plan ("LTIP") based on the achievement of performance goals aligned to the Company's business strategy and measured over a three-year period. These various schemes provide the Board with tools to help it to continue to strengthen the alignment of employee and shareholder interests

Basic salary

Executive Directors' salaries were agreed at the time of the listing and are next scheduled for review in January 2023, any movement will be determined by the Remuneration Committee.

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).

Annual bonus payments

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 EBITDA is achieved and is maximised at 110% of budget EBITDA. This is aligned with all participants in the bonus scheme.

The maximum bonus potential for the Executive Directors is 100% of base salary.

No formal annual bonus scheme was in place during FY20 and FY21 as a result of the COVID-19 pandemic. However, both Executive Directors received a payment to cover the cost of purchase of shares under the MIP.

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Share-based incentives

On IPO the Group adopted the Ashtead Technology long term incentive Plan ("LTIP") which 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.

As was stated in the Admissions Document, certain LTIP option awards were to be made at IPO with the intention to grant additional LTIP option awards annually thereafter, with vesting being dependent on the achievement of agreed financial targets. The LTIP options are at nil cost. The IPO awards are in the process of being issued (see below).

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.

Pension arrangements

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.

Executive Directors' 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.

Remuneration Committee Report *continued*

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 fees were agreed prior to IPO and will be reviewed periodically. 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.

Directors' interests in shares

The Executive Directors held shares in the Group via the previous MIP which was converted to ordinary shares on IPO. The interests of the Directors as of 31 December 2021 in the shares of the Company were:

Director	Number	% of issued shares
Allan Pirie[1]	2,166,600	2.7%
Ingrid Stewart	300,786	0.4%
Bill Shannon	49,382	0.1%
Thomas Thomsen	Nil	Nil
Joe Connolly[2]	124,969	0.2%
Tony Durrant	Nil	Nil

(1) a portion of these interests are held indirectly via an interest in BP INV2 Newco Ltd (the legal owner of the Ordinary Shares).
(2) the interests are held indirectly via an interest in BP INV2 Newco Ltd and directly via an interest in BP INV2B Bidco Ltd (the legal owners of the Ordinary Shares).

LTIP awards

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). It is intended that these awards will be made immediately following the announcement of the 2021 annual results. This award equates to 406,389 shares for the Chief Executive Officer and 246,914 for the Chief Financial Officer. The awards will vest in three equal tranches following the date of grant in proportion to the attainment of an Adjusted EPS (translated from EBITDA as set out in the Admissions Document) as agreed with the Board (see table to right).

Director	Fees £'000	Committee Chair fees £'000	Total £'000
Bill Shannon	110	–	110
Thomas Thomsen	45	–	45
Joe Connolly	45	–	45
Tony Durrant	45	15	60

Total Directors' remuneration for 2021

Director	Salaries and fees £'000	Additional payment £'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

The highest paid Director in 2021 was Ingrid Stewart.

(1) additional payment for Allan Pirie paid to fund purchase of MIP shares.
(2) additional payment for Ingrid Stewart agreed to fund initial purchase of MIP shares.
(3) 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.

LTIP Targets

	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

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.

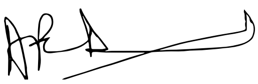
Directors remuneration for the year commencing 1 January 2022

The Executive Directors salaries were reviewed prior to admission to AIM in November 2021. The salaries for the CEO and CFO effective 1 January 2022 are £330,000 and £200,000 respectively.

Other

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

By order of the Board



Tony Durrant
Chairman of the Remuneration Committee

4 June 2022

Leading
with experience

The Directors present their Annual Report and audited financial statements for the Group and the Company for the year ended 31 December 2021. The comparative results are for the year ended 31 December 2020.

The Company was formed 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 a share for share exchange agreement. These consolidated financial statements of the Group are therefore the first set of audited financial statements for the Group.

The comparative figures for the year ended 31 December 2020 are those of BP INV2 Pledgeco Limited and Ashtead US Pledgeco combined. Prior to 17 November 2021 BP INV2 Pledgeco Limited and Ashtead US Pledgeco Inc and their respective subsidiaries did not form a legal group, however they were under common management and control throughout the period. The comparative results for the year ended 31 December 2020 have therefore been presented on a consistent basis as if the Group was in existence during this period.

As the Group was not in existence in its current form during the year ended 31 December 2020, a statutory audit within the meaning of section 434 of the Companies Act 2006 was not performed and hence no audit opinion was issued. However, as part of the process of admission to AIM, an accountant's report, undertaken by BDO LLP and Deloitte LLP, in accordance with Standards for Investment Reporting 2000 ("SIR 2000") issued by the Auditing Practices Board in the United Kingdom, was issued on the historical information included in the Admissions Document.

Strategic Report

The Strategic Report is a requirement of the Companies Act 2006 and can be found on pages 02 to 27. Ashtead Technology has chosen, in accordance section 414C(11) of the Companies Act 2006, to include the following matters of strategic importance that would otherwise be disclosed in the Directors' Report in other sections of this Annual Report. This information should be read in conjunction with this Directors' Report.

Subject matter	Page
Business review and principal activities of the Group	01 to 13
Information on the principal risks and uncertainties	22 to 26
Key performance indicators	20 to 21
Stakeholder engagement	14 to 15
Risk management	22 to 26
Financial Instruments	79 to 81
Environment, Social and Governance (ESG)	16 to 17

Future development and prospects

Ashtead Technology has been operating in the offshore energy market for 37 years and is well positioned to take advantage of the rapidly growing offshore renewables market whilst continuing to support the strategically important oil and gas market. As we write this Directors' Report, there is an increased importance globally on energy security and affordability which will encourage increased investment in the offshore energy sector within which the Group plays a critical part.

Ashtead Technology's commitment to service excellence and the provision of leading edge technology, as well as its position in a large addressable market, puts it in a strong position as it looks to the future. Through continued investment in the business, Ashtead Technology will increasingly meet the needs of our 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 50 to 54 and pages 85 to 86 respectively.

The Group paid a dividend of £1.3m as part of the pre-IPO restructuring.

Given the shortness of the period from IPO, no further dividend is proposed for 2021. It is the Directors' intention to implement a progressive dividend policy in the near future, subject to the discretion of the Board and to the Company having distributable reserves.

Going concern

Full consideration of the going concern assessment is included in note 1.6 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 2023. 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 appointed 23 November 2021)
- Allan Pirie (CEO appointed 4 November 2021)
- Ingrid Stewart (CFO appointed 4 November 2021)
- Joe Connolly (Non-Executive Director appointed 4 November 2021)
- Tony Durrant (Independent Non-Executive Director appointed 23 November 2021)
- Thomas Thomsen (Independent Non-Executive Director appointed 23 November 2021)
- Paul Blackburn (appointed 27 May 2021, resigned 4 November 2021)
- Maureen Caveley (appointed 27 May 2021, resigned 4 November 2021)

Biographical details of the current Directors are included in pages 28 to 29.

The Directors who held office during the year had the following interests in the Ordinary Shares of the Company as at 31 December 2021.

Name of Director	Number of shares
Bill Shannon	49,382
Allan Pirie	2,166,600
Ingrid Stewart	300,786
Joe Connolly	124,969
Tony Durrant	Nil
Thomas Thomsen	Nil

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.

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 14 to 15.

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 14 to 15.

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.

Share capital and voting

Details of the Company's share capital are shown on page 78 of the 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 May 2022 the Company has been advised, in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority of the following notifiable interests in 3% of more of its voting rights.

The figures below being as at 30 April 2022.

Buckthorn Partners ("Buckthorn") held 35.04% and Arab Petroleum Investments Corporation ("APICORP") held 20.69% of the issued Ordinary Share capital of the Company as at 31 December 2021 and as at the date of this report. Both Buckthorn Partners and APICORP have Relationship Agreements with the Company under which both shareholders undertook to comply with the independence provisions as required under the AIM Rules for Companies as published by the London Stock Exchange. Under these agreements, both Buckthorn and APICORP undertook to:

- Not take any action that would have the effect of preventing, precluding or inhibiting:
- The Company or any other member of the Group from operating or carrying on its business independently of the shareholder and any of its associates; or
  - The Company or any other member of the Group from making decisions for the benefit of the Company's shareholders as a whole; or
  - Numis Securities Limited (or the Company's nominated advisor from time to time) from complying with its obligations under the Nomad Rules; or
  - The Company from complying with its obligations under the Placing Agreement or the Nomad and Broker Agreement;
- Conduct any transactions, agreements and arrangements with the Company or any other member of the Group (including the implementation, enforcement or any amendment thereof) on an arm's length basis and on normal commercial terms and where applicable in accordance with the related party rules set out in Rule 13 of the AIM Rules;

Buckthorn Partners	27,886,857	35.04%
Arab Petroleum Investments Corporation	16,463,039	20.69%
Fidelity Management & Research	5,971,000	7.50%
Chelverton Asset Management	3,703,700	4.65%
Jupiter Asset Management	3,204,865	4.03%
Schroder Investment Management	3,190,660	4.01%
Lothian Pension Fund	2,460.000	3.09%

- Not take any action that would have the effect of preventing the Company or any other member of the Group (if applicable) from complying with its obligations under the AIM Rules;
- Not take any action that would have the effect of preventing the Company or any other member of the Group (if applicable) from complying with applicable laws and regulations, including its obligations under the DTRs, the Market Abuse Regulation, the requirements of the London Stock Exchange, the FSMA or the Financial Services Act;
- Not take any action that would have the effect of preventing the Company, any other member of the Group or the Board from managing their affairs in accordance with the principles of good governance set out in the QCA Code or any other corporate governance regime adopted by the Board from time to time;
- Not exercise any voting or other rights and powers as a shareholder of the Company to procure or propose, or vote in favour of, any resolution for any amendment to the Articles which:
  - Would prevent the Company from carrying on its business independently of the shareholder and any of its associates; or
  - Would prevent the election of Independent Directors; or
  - Is intended or appears to be intended to circumvent the proper application of, or is inconsistent with, undermines or breaches any provisions of this Agreement, the AIM Rules, the DTRs or the Market Abuse Regulation; and
  - Not act in any way which they know (or should reasonably know) would prejudice either the Company's status as a Company admitted to AIM or its suitability for continued admission on AIM or result in the Company being subject to regulatory censure or other adverse regulatory action.

The Group has complied with the above independence provisions and, insofar as it is aware, Buckthorn and APICORP have complied with the independence provisions.

If the shareholding of either Buckthorn or APICORP (and/or either of their associates) reduces to below 10% of the Company's share capital (of 10% of the aggregate voting rights in the Company), the rights and obligations of Buckthorn and/or APICORP shall terminate. Buckthorn and/or APICORP may terminate the Relationship Agreement if the Company ceases to be admitted to listing. The Ordinary Shares owned by each of Buckthorn and APICORP rank pari passu with the other Ordinary Shares in all respects.

Lock up arrangements

Buckthorn, APICORP, Allan Pirie, Ingrid Stewart, Brett Lestrange, David Mair, Richard Hehir, Steven Thrasher, Ross MacLeod and Peter Simpson entered into lock up deeds on 23 November 2021, pursuant to which they agreed that, subject to certain customary exceptions during the period of 365 days (in respect of Allan Pirie and Ingrid Stewart) and 180 days (in respect of the other shareholders), they will not, without prior written consent dispose, or agree to dispose, of any shares.

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 (2020: 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

Details of business to be conducted at this year's AGM are contained in the Notice of the Annual General Meeting which will be communicated to shareholders separately. It is the opinion of the Directors that the passing of these resolutions is in the best interest of the shareholders.

Corporate governance

The Group's statement on corporate governance can be found in the Corporate governance section of this Annual Report on pages 31 to 32, which is incorporated by reference and forms part of this Directors' Report. It can also be found on the Company's website.

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 re-appointment will be proposed at the AGM.

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

Allan Pirie
Chief Executive Officer

4 June 2022

Directors' Responsibilities Statement

Upholding the highest standards of corporate governance

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.

> 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 2021 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 2021 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;
- testing the arithmetic accuracy of the cashflow forecast model, ensuring the logic of any calculations are performing as designed;
- analysing the current and forecast performance of the Group including working capital requirements, by assessing 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 the financing options that are available to the Group;
- recalculating current loan covenants in order to assess compliance over the going concern period;
- using various external data sources to identify indicators of potential risk at the entity and industry level; and
- assessing the going concern disclosures are appropriate and in conformity with the 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 twelve 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.

Other Matter

The corresponding figures presented for the year ended 31 December 2020 are unaudited.

Overview

Coverage[1]	95% of Group profit before tax 97% of Group revenue 99% of Group total assets	
Key audit matters		2021
	Revenue recognition – Revenue from rental of equipment	✓
	Carrying value of rental fleet	✓
	List event and group structure rationalisation	✓
Materiality	Group financial statements as a whole £558,000 based on 1% of Revenue	

1 These are areas which have been subject to a full scope audit by the group engagement team.

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' 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 specified procedures on balances arising on consolidation. The non-significant components were subject to desktop review and specific audit 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 rental equipment Refer Accounting policies Note 2.8 (page 59) and Note 4 of the consolidated financial statements (page 64).	Revenue from rental of equipment is recognised over time as the contract progresses based on a daily rate. 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. Revenue recognition is an area of focus for our audit in considering possible areas of management bias and fraud.	We assessed the design implementation and tested the operating effectiveness of key controls management have implemented to reduce the risk of inappropriate revenue recognition. We tested 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. We further tested application controls which limits the number of days that can be billed to the number of days the equipment is listed as on rent in the system. We tested the on-hiring and off-hiring of rental equipment, which drives the number of days assets are shown as on rent, by tracing system logs of changes in asset status to despatch notes and receiving documents. We tested accrued income by tracing a sample of year end 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. 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.

Key audit matter		How the scope of our audit addressed the key audit matter
Revenue recognition – Revenue from rental equipment continued Refer Accounting policies Note 2.8 (page 59) and Note 4 of the consolidated financial statements (page 64).	Given the significance of this balance in the context of the financial statements and the risks identified, we believed 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 recoded in the correct period, and that top-side manual adjustments were supported.
Carrying value of rental fleet Refer, Accounting policies Note 2.2 and 2.5 (pages 57 and 58 respectively) and Note 10 of the consolidated financial statements (page 69).	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. 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. The carrying value of the asset fleet is a key area of focus for our audit due to the large fleet, frequent intercompany sales and judgement required in assessing impairment indicators.	We assessed the design and implementation of key controls management have implemented throughout the process. We tested 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 application controls which ensure intercompany asset sales are recorded at net book value and the useful life of the asset is not altered. 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 and tracing to documentation confirming assets are on hire. We obtained managements discounted cash flow supporting their value in use calculation and tested the assumptions inherent in the model by • 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 valuations experts to assist us to assess 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 the judgements made by management in accounting for the carrying value of its rental fleet is appropriate.

Key audit matter		How the scope of our audit addressed the key audit matter
Listing event and group structure rationalisation Refer, Accounting policies Note 1.3 (page 55).	The group undertook a restructure before the listing event. The group restructure involved insertion of a new intermediate holding company, share for share exchanges, development of an accounting policy, as IFRS 3 Business Combinations ("IFRS 3") was scoped out as the entities involved are under common control, confirmation that control was not transitory, application of predecessor merger accounting and election of statutory reliefs in the new holding company. The accounting policy developed under a common control transaction significantly differs from acquisition accounting and together with the above matters present a significant risk of material misstatement. Further, the use of predecessor merger accounting permits the presentation of comparatives as if the group had always existed, which significantly changes the information presented to the public in this, the first set financial statements for the holding company. Adequate disclosure will be required to allow the user to understand the accounting policy adopted. It is therefore considered to be a key audit matter.	We reviewed the detailed restructuring plan to assess if the steps were allowable under the Companies Act 2006 and IFRS 3 and IAS 27 Consolidated and Separate Financial Statements ("IAS 27"). We considered whether managements conclusions that IFRS 3 was not applicable, that transitory control provisions were not applicable in this scenario, and that this constituted a transaction under common control, were appropriate and further that managements' accounting policy under predecessor merger accounting principles was appropriate in the circumstances. In making our considerations we reviewed the work of managements' expert and, with the assistance of our own internal financial reporting resources, formed our conclusions based on the requirements of the accounting standards and in the context of the substance of the transaction. We reviewed the accounting entries processed and confirmed that the Directors implemented appropriate accounting for the holding company for a share for share exchange in line with IAS 27 and other appropriate guidance. We confirmed the criteria for Merger relief was met. We involved our Tax experts to assist us to assess the appropriateness of the tax treatments on the restructuring step plan. We considered the underlying accounting adjustments to determine if they were appropriately reflected in the financial statements. We evaluated the appropriateness of the disclosures made in the Group and Company financial statements. **Key observations:** The above procedures gave us sufficient comfort that the group restructure undertaken during the year is in line with accounting standards, was appropriate in light of the circumstances relating to restructure and that these have been appropriately disclosed.

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.

Our application of materiality continued

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
	2021 **£**	**2021** **£**
Materiality	558,000	230,000
Basis for determining materiality	1% of Revenue	1.5% of Total assets
Rationale for the benchmark applied	We consider this to be the user's principal consideration in assessing financial performance of the Group as the Group considers revenue to be their key performance indicator which demonstrates less volatility than other performance measures.	We consider total assets to the principal consideration in assessing the performance of the Parent as the holding company for the group.
Performance materiality	390,000	161,000
Basis for determining performance materiality*	70% of the above materiality thresholds based on our expectation of total value of known and likely misstatement, our knowledge of the Group's internal controls and management's attitude towards proposed adjustments.	70% of the above materiality thresholds based on our expectation of total value of known and likely misstatement, our knowledge of the Group's internal controls and management's attitude towards proposed adjustments.

Component materiality

We set materiality for each component of the Group based on a percentage of between 10% and 89% of Group materiality dependent on the relative size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £57,000 to £496,000. In the audit of each component, we further applied performance materiality levels of 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 £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 2021 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	In our opinion, based on the work undertaken in the course of the audit: • 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. 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.
Matters on which we are required to report by exception	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: • 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 Director's 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:

Identifying and assessing potential risks related to irregularities, including fraud

In identifying and assessing the risks of material misstatement in respect of irregularities including fraud and non-compliance with laws and regulations, we considered the following:

- The nature of the industry and sector control environment and business performance including the design of the Group's remuneration policies, key drivers for Directors, remuneration, bonus levels and performance targets;
- Enquiring of Management and the Audit Committee, including obtaining and reviewing supporting documentation, concerning the Group's policies and procedures relating to:
  - Identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - Detecting and responding to risks of fraud and whether they have knowledge of any actual, suspected, or alleged fraud;
  - The internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations; and
  - Discussing among the engagement team and involving relevant internal specialists, including tax, valuations, and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in revenue recognition and the management override of controls.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, AIM Listing Rules, QCA Code and tax legislation.

Audit response to risks

As a result of performing the above, we identified revenue recognition carrying value of rental assets and the listing event and group rationalisation to be key audit matters. The key audit matters section of our report explains these matters in more detail and also describes the specific procedures we performed in response to each key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- performing analytical procedures to identify unusual or unexpected relationships that may indicate risks of material misstatement due to fraud and carrying out testing accordingly;
- reading minutes of Board of Director meetings and of those charged with governance and reviewing correspondence with regulatory bodies, tax authorities, such as HMRC, and reviewing board minutes and other relevant documentation for indications of non-compliance with laws and regulations.
- assessing whether the accounting policies, treatments and presentation adopted in the financial statements is in accordance with applicable law and accounting standards and whether there are instances of potential bias in areas with significant degrees of judgement.
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- vouching balances and reconciling items in Management's key control account reconciliations to supporting documentation as at 31 December 2021;
- performing a stand back review of misstatements identified, to determine whether indicative of management bias.

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

4 June 2022

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 2021*

	Notes	2021 £000	Unaudited 2020 £000
Revenue	4	**55,805**	42,401
Cost of sales	5	**(15,262)**	(11,044)
Gross profit		**40,543**	31,357
Administrative expenses	5	**(33,930)**	(29,796)
Other operating income	5	**995**	1,547
Operating profit	5	**7,608**	3,108
Finance costs	7	**(4,019)**	(3,849)
Profit/(loss) before taxation		**3,589**	(741)
Taxation charge	8	**(1,060)**	(257)
Profit/(loss) for the financial year		**2,529**	(998)
Profit/(loss) attributable to:			
Owners of the Company		**2,529**	(998)
Earnings per share			
Basic	9	**3.6**	(1.4)
Diluted	9	**3.6**	(1.4)

	Notes	2021 £000	Unaudited 2020 £000
The below financial measures are non-GAAP metrics used by management and are not an IFRS disclosure:			
Adjusted EBITDA*	27	**22,437**	17,037
Adjusted EBITA**	27	**13,724**	6,284

* Adjusted EBITDA is calculated as earnings before interest, tax, depreciation, amortisation and items not considered part of underlying trading including share based payments and foreign exchange gains and losses, is a non-GAAP metric used by management and is not an IFRS disclosure. See Note 27 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 share based payments and foreign exchange gains and losses, is a non-GAAP metric used by management and is not an IFRS disclosure. See Note 27 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 2021*

	2021 £000	Unaudited 2020 £000
Profit/(loss) for the year	**2,529**	(998)
Other comprehensive income/(loss):		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	**163**	(365)
Net gain/(loss) on cash flow hedges	**351**	(108)
Other comprehensive income/(loss) for the year, net of tax	**514**	(473)
Total comprehensive income/(loss)	**3,043**	(1,471)
Total comprehensive income/(loss) attributable to:		
Equity shareholders of the Company	**3,043**	(1,471)

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

Consolidated Balance Sheet *at 31 December 2021*

	Notes	2021 £000	Unaudited 2020 £000
Non-current assets			
Property, plant and equipment	10	**20,832**	21,830
Goodwill	11	**48,651**	48,585
Intangible assets	11	**1,760**	2,459
Right-of-use assets	19	**2,923**	2,816
Deferred tax asset	8	**1,010**	747
		75,176	76,437
Current assets			
Inventories	12	**1,778**	1,245
Trade and other receivables	13	**17,224**	11,256
Cash and cash equivalents	14	**4,857**	10,958
		23,859	23,459
Total assets		**99,035**	99,896
Current liabilities			
Loans and borrowings	17	**–**	8,007
Trade and other payables	15	**9,415**	7,243
Income tax payable	8	**821**	515
Lease liabilities	19	**783**	676
Derivative financial instruments	16	**–**	38
		11,019	16,479
Non-current liabilities			
Loans and borrowings	17	**24,425**	36,122
Lease liabilities	19	**2,351**	2,376
Provisions for liabilities	20	**108**	134
		26,884	38,632
Total liabilities		**37,903**	55,111
Equity			
Share capital	23	**3,979**	3,500
Share premium	23	**14,115**	–
Merger reserve	23	**9,435**	9,429
Hedging reserve	23	**–**	(351)
Foreign currency translation reserve	23	**(1,290)**	(1,453)
Retained earnings	23	**34,893**	33,660
Total equity		**61,132**	44,785
Total equity and liabilities		**99,035**	99,896

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 2021 were authorised by the Board of Directors on 4 June 2022 and signed on its behalf by:

Allan Pirie
Chief Executive Officer

4 June 2022

Ingrid Stewart
Chief Financial Officer

4 June 2022

Consolidated Statement of Changes in Equity *for the year ended 31 December 2021*

	Share capital £000	Share premium £000	Merger reserve £000	Hedging reserve £000	Foreign currency translation reserve £000	Retained earnings £000	Total £000
At 1 January 2020	3,500	–	9,429	(243)	(1,088)	34,658	46,256
Loss for the year	–	–	–	–	–	(998)	(998)
Other comprehensive income/(loss)	–	–	–	(108)	(365)	–	(473)
Total comprehensive loss	–	–	–	(108)	(365)	(998)	(1,471)
At 31 December 2020 (Unaudited)	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**

* 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 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 2021*

	Notes	2021 £000	Unaudited 2020 £000
Cash generated from operating activities			
Profit/(loss) before taxation		**3,589**	(741)
Adjustments to reconcile profit/(loss) before taxation to net cash from operating activities			
Finance costs		**4,019**	3,849
Depreciation		**8,713**	10,753
Amortisation	11	**1,516**	1,567
Gain on sale of property, plant and equipment		**(995)**	(1,156)
Forgiveness of loan – US Paycheck Protection Program		**–**	(391)
Provision for liabilities		**(28)**	5
Cash generated before changes in working capital		**16,814**	13,886
Increase in inventories		**(524)**	(154)
(Increase)/decrease in trade and other receivables		**(6,597)**	4,788
Increase in trade and other payables		**2,016**	109
Cash inflow from operations		**11,709**	18,629
Interest paid		**(3,615)**	(2,884)
Tax paid		**(858)**	(763)
Net cash from operating activities		**7,236**	14,982
Cash flow used in investing activities			
Purchase of property, plant and equipment		**(7,889)**	(5,073)
Disposal of property, plant and equipment		**1,453**	1,620
Net cash outflow on investing activities		**(6,436)**	(3,453)
Cash flow used in financing activities			
Proceeds from IPO share issue		**15,523**	–
Transaction fees on share issue		**(929)**	–
Proceeds from share issue		**50**	–
Loans received		**25,107**	3,409
Transaction fees on loans received		**(914)**	–
Repayment of bank loans		**(44,121)**	(7,863)
Payment of lease liability		**(1,012)**	(721)
Repayment of loan notes		**(830)**	–
Net cash outflow from financing activities		**(7,126)**	(5,175)
Net (decrease)/increase in cash and cash equivalents		**(6,326)**	6,354
Cash and cash equivalents at beginning of year		**10,958**	4,855
Net foreign exchange difference		**225**	(251)
Cash and cash equivalents at end of year		**4,857**	10,958

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

Notes to the Consolidated Financial Statements *for the year ended 31 December 2021*

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 2021 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 2021 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 2021, 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.

Management has used merger accounting and taken merger relief at a Company level. Under merger accounting principles, the assets and liabilities of the subsidiaries are consolidated at book value in the Group financial statements and the consolidated reserves of the Group have been 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.

These consolidated financial statements of the Group are the first set of financial statements for the newly formed Group and the prior period has been presented as a continuation of the former combined BP INV2 Pledgeco Limited and Ashtead US Pledgeco Inc Group on a consistent basis as if the Group reorganisation had taken place at the start of the earliest period presented. The prior period comparatives are those of the former combined BP INV2 Pledgeco Limited and Ashtead US Pledgeco Inc Group since no substantive economic changes have occurred. BP INV2 Pledgeco Limited and Ashtead US Pledgeco Inc and their respective subsidiaries did not form a legal group, however, they were under common management and control throughout the period.

1.4 Prior period comparatives

The financial statements for the year ended 31 December 2020, forming the comparative figures of the financial statements for the year ended 31 December 2021, are referenced as unaudited. Prior to the restructuring the Group was not in existence in its current form, as described above. A statutory audit within the meaning of section 434 of the Companies Act 2006 was not performed and hence no audit opinion was issued in respect of the year ended 31 December 2020. However, as part of the process of Admission to listing and trading on AIM, an accountant's report, undertaken by BDO LLP and Deloitte LLP, in accordance with the Standards for Investment Reporting 2000 ("SIR 2000") issued by the Auditing Practices Board in the United Kingdom, was issued on the historical information included in the Prospectus. The accountant's report, dated 18 November 2021, included an unqualified opinion on the historical information presented.

1.5 Presentational currency

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

1. General information continued

1.6 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 2023.

During 2021 the Group has continued to generate positive cash flow from operating activities with a cash and cash equivalents balance of £4,857,000 (2020: £10,958,000). The Group has access to a multi currency RCF and additional accordion facility. The RCF and accordion facility have total commitments of £40,000,000 and £10,000,000 respectively, both of which expire in November 2024, with an option to extend subject to credit approval. As at 31 December 2021 the RCF had an undrawn balance of £15,047,000 and the £10,000,000 accordion facility was undrawn.

The Facility Agreement is subject to a leverage covenant of 2.5x 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.

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.

1.7 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.

1.8 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.

1.9 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.

1. General information continued

1.10 Standards issued but not effective

A number of new standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following new and amended standards are not expected to have a significant impact on the Group's consolidated financial statements:

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
- Reference to Conceptual Framework (Amendments to IFRS 3).
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.
- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16).
- Onerous contracts – Cost of fulfilling a contract (Amendments to IAS 37).
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).
- Definition of Accounting Estimates (Amendments to IAS 8).
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

1.11 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 judgment in applying the Group's accounting policies. The areas where significant judgments 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	– 5-7 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. Summary of significant accounting policies continued

2.3 Intangible assets and goodwill

Goodwill

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

Other intangible assets

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

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

Amortisation

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

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

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

2.4 Inventories

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

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

The carrying amounts of the Group's non-financial assets, other than inventories, deferred tax assets and contract 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. Summary of significant accounting policies continued

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.

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. Summary of significant accounting policies continued

2.11 Leases

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

As a lessee

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

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

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

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

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

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

2. Summary of significant accounting policies continued

2.12 Financial instruments continued

Financial assets and liabilities continued

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 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.

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.

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

Derivative financial instruments

The Group uses derivative financial instruments from time to time to reduce exposure to interest rate movements. The Group does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in the income statement immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the income statement depends on the nature of the hedge relationship.

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.

Hedge accounting

The Group designates certain derivatives as hedging instruments in cash flow hedges.

At the inception of the hedge relationship, the entity documents the economic relationship between the hedging instrument and the hedged item, along with its risk management objectives and clear identification of the risk in the hedged item that is being hedged by the hedging instrument. Furthermore, at the inception of the hedge the Group determines and documents causes for hedge ineffectiveness.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods in which the hedged item affects profit or loss or when the hedging relationship ends.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time is reclassified to profit or loss when the hedged item is recognised in profit or loss. When a forecast transaction is no longer expected to occur, any gain or loss that was recognised in other comprehensive income is reclassified immediately to profit or loss.

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 lease receivables 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 contract assets are segmented on the basis of historic credit loss experience, based on geographic region. Historical loss experience is applied to trade receivables and contract assets, after being adjusted for:

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

2. Summary of significant accounting policies continued

2.12 Financial instruments continued

Write-offs

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

2.13 Government grants

Grants that compensate the Group for expenses incurred are recognised in the income statement as other income on a systematic basis in the periods in which the expenses are recognised, unless the conditions for receiving the grant are met after the related expenses have been recognised. In this case, the grant is recognised at the point when there is reasonable assurance that the terms for the forgiveness of a government loan will be met. Refer to Note 5 for further disclosure related to government grants received.

2.14 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.

2.15 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).

2.16 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 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 11 for further information in respect of the key assumptions applied in determining the value in use for each group of CGUs.

Carrying value and useful lives of property, plant and equipment

The Group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period based on condition and usage of those assets. Based on management's assessment as at the end of the reporting period the useful lives of property, plant and equipment remain appropriate. The Group reviews at the end of each reporting period, the carrying amounts of its property, plant and equipment to determine whether there is any indication that these assets have suffered an impairment loss. No impairment loss was recognised during the period.

2.17 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 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

For the year ended 31 December 2020 (Unaudited)

	Europe £000	Americas £000	Asia Pacific £000	Middle East £000	Head Office £000	Total £000
Total revenue	23,609	9,990	5,125	3,677	–	42,401
Cost of Sales	(5,117)	(2,718)	(1,308)	(1,901)	–	(11,044)
Gross profit	18,492	7,272	3,817	1,776	–	31,357
Administrative expenses	(9,629)	(3,873)	(862)	(1,122)	(1,678)	(17,164)
Other operating income	231	869	298	149	–	1,547
Operating profit before depreciation, amortisation and foreign exchange (loss)/gain	9,094	4,268	3,253	803	(1,678)	15,740
Foreign exchange loss						(312)
Depreciation						(10,753)
Amortisation						(1,567)
Operating profit						3,108
Finance costs						(3,849)
Loss before taxation						(741)
Taxation charge						(257)
Loss for the financial year						(998)
Total assets	56,047	16,721	9,443	4,415	13,270	99,896
Total liabilities	5,976	2,457	710	351	45,617	55,111

3. **Segmental analysis** continued

For the year ended 31 December 2020 (Unaudited) continued

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

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

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

	As at 31 December 2021 £000	Unaudited As at 31 December 2020 £000
UK	**51,411**	49,663
USA	**11,394**	13,868
Singapore	**7,799**	8,376
UAE	**3,562**	3,783

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.

	2021 £000	Unaudited 2020 £000
Rental income (Note 19)	**43,913**	34,183
Non-rental revenue	**11,892**	8,218
Total revenue	**55,805**	42,401

(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	2021 £000	Unaudited 2020 £000
Europe	**7,579**	5,222
Americas	**3,052**	1,409
Asia Pacific	**550**	171
Middle East	**711**	1,416
Non-rental revenue	**11,892**	8,218

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

	2021 £000	Unaudited 2020 £000
Sale of equipment, transferred at a point in time	**6,147**	3,661
Provision of related services, transferred over time	**5,745**	4,557
Non-rental revenue	**11,892**	8,218

5. Operating profit

This is stated after charging/(crediting):

	2021 £000	Unaudited 2020 £000
Spares, consumables and external repairs	**2,838**	2,651
Facilities costs	**329**	332
Depreciation on property, plant and equipment (Note 10)	**7,878**	9,924
Depreciation on right-of-use assets (Note 19)	**835**	829
Amortisation of intangible assets (Note 11)	**1,516**	1,567
Staff costs (Note 6)	**13,851**	10,696
Transaction costs	**3,332**	865
Other external charges	**18,398**	13,664
Foreign exchange losses	**215**	312
Total cost of sales and administrative expenses	**49,192**	40,840
The above includes:		
Operating lease rentals	**165**	289
Impairment loss on trade receivables	**788**	401
Other operating income		
Gain on sale of property, plant and equipment	**995**	1,156
Loan forgiveness – US Paycheck Protection Program*	**–**	391
	995	1,547

* During the year ended 31 December 2020 Ashtead Technology Offshore Inc had taken a government loan of £391,000 under the US 'Paycheck Protection Program'. The loan was forgiven on meeting the required criteria of the program.

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

Total audit fees	**167**	116
Fees payable to the auditor and its associates for other services to the Group		
Tax compliance services	**–**	97
Corporate finance services**	**–**	322
Reporting accountant services***	**152**	–
Total non-audit fees	**152**	419

** These fees were capitalised in 2020 as part of the acquisition accounting and not charged through the income statement.

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

6. Staff costs

	2021 £000	Unaudited 2020 £000
Wages and salaries	**12,520**	9,597
Social security costs	**908**	736
Other pension costs (Note 22)	**423**	363
	13,851	10,696

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

	No.	No.
Operations	**122**	100
Sales and administrative	**77**	76
	199	176

Full details of the Directors' remuneration and interests are set out in the Directors' Remuneration Report on pages 37 to 38.

7. Finance costs

	2021 £000	Unaudited 2020 £000
Interest on bank loans (held at amortised cost)	**2,261**	2,919
Amortisation of deferred finance costs	**1,222**	674
Loan note interest	**71**	76
Interest expense on lease liability (Note 19)	**151**	168
Hedge reserve movement	**313**	–
Other interest and charges	**1**	12
	4,019	3,849

8. Tax

(a) Tax on profit/(loss) on ordinary activities

The tax charge is made up as follows:

	2021 £000	Unaudited 2020 £000
Current tax:		
UK corporation tax on profit/loss for the year	**1,397**	392
Adjustment in respect of previous periods	**(78)**	(23)
Foreign tax	**1**	203
Foreign tax adjustment in respect of previous periods	**–**	(21)
Exchange rate differences	**4**	(4)
Total current income tax	**1,324**	547
Deferred tax:		
Origination and reversal of temporary differences	**(227)**	(220)
Origination and reversal of temporary differences – prior periods	**292**	38
Effect of changes in tax rates	**(326)**	(99)
Exchange rate differences	**(3)**	(9)
Total deferred tax	**(264)**	(290)
Tax charge in the profit and loss account (Note 8(b))	**1,060**	257

(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% (2020: 19%). The differences are explained below:

	2021 £000	Unaudited 2020 £000
Profit/(loss) on ordinary activities before taxation	**3,589**	(741)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	**682**	(141)
Effects of:		
Expenses not deductible for tax purposes	**500**	316
Income not taxable	**(43)**	(107)
RDEC expenditure credit	**–**	(6)
Gains/rollover relief	**11**	27
Effects of overseas tax rates	**213**	85
Adjustments in respect of previous periods	**213**	(7)
Tax rate changes	**(326)**	(61)
Unrecognised temporary differences	**–**	35
Recognition of previously unrecognised tax losses	**(176)**	(118)
Current year losses for which no deferred tax asset is recognised	**–**	251
Exchange rate difference	**7**	(17)
Adjustment in relation to IFRS 16	**(21)**	–
Tax charge	**1,060**	257

8. **Tax** continued

(c) Income tax due

	2021 £000	Unaudited 2020 £000
Income tax due	**821**	515

(d) Unrecognised tax losses:

The Group has tax losses which arose in the UK, Canada and USA of £10,255,000 (2020: £15,767,000) 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:

	2021 £000	Unaudited 2020 £000
Fixed asset timing differences	**838**	258
Short-term timing differences	**76**	17
Tax losses	**242**	472
Intangible asset timing differences	**(146)**	–
Deferred tax asset	**1,010**	747
The recoverability of the deferred tax asset is as follows:		
Current	**17**	42
Non-current	**993**	705
	1,010	747

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. 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 2021	Statutory 2021	Adjusted 2020	Statutory 2020
Earnings attributable to equity shareholders of the Group:				
Profit/(loss) for the year (£000)	**9,385***	**2,529**	2,022*	(998)
Number of shares:				
Weighted average number of Ordinary Shares – Basic	**70,995,578**	**70,995,578**	69,998,000	69,998,000
Weighted average number of Ordinary Shares – Diluted	**70,995,578**	**70,995,578**	69,998,000	69,998,000
Earnings per share attributable to equity holders of the Group – continuing operations:				
Basic earnings per share (pence)	**13.2**	**3.6**	2.9	(1.4)
Diluted earnings per share (pence)	**13.2**	**3.6**	2.9	(1.4)

* Refer to Note 27 for the reconciliation of Non-IFRS Profit Metrics.

10. 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 2020	106,402	1,439	197	3,344	148	111,530
Additions	4,197	113	–	283	121	4,714
Disposals	(4,479)	(1)	–	(282)	(20)	(4,782)
Foreign exchange movements	(1,214)	(14)	–	(23)	(4)	(1,255)
At 31 December 2020 (Unaudited)	104,906	1,537	197	3,322	245	110,207
Accumulated depreciation:						
At 1 January 2020	(80,335)	(839)	(52)	(2,585)	(143)	(83,954)
Charge for the year	(9,523)	(145)	(8)	(209)	(36)	(9,921)
Disposals	4,059	1	–	183	17	4,260
Foreign exchange movements	1,206	9	–	18	5	1,238
At 31 December 2020 (Unaudited)	(84,593)	(974)	(60)	(2,593)	(157)	(88,377)
Net book value:						
At 31 December 2020 (Unaudited)	20,313	563	137	729	88	21,830

	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**

11. Goodwill and intangible assets

	Goodwill £000	Customer relationships £000	Non-compete arrangements £000	Computer software £000	Total £000
Cost:					
At 1 January 2020	48,722	4,448	208	2,647	56,025
Additions	–	–	–	156	156
Disposals	–	–	–	(1)	(1)
Foreign exchange movements	(137)	(1)	–	(1)	(139)
At 31 December 2020 (Unaudited)	48,585	4,447	208	2,801	56,041
Amortisation:					
At 1 January 2020	–	(764)	(39)	(2,626)	(3,429)
Charge for the year	–	(1,497)	(70)	(3)	(1,570)
Disposals	–	–	–	1	1
Foreign exchange movements	–	–	–	1	1
At 31 December 2020 (Unaudited)	–	(2,261)	(109)	(2,627)	(4,997)
Net book value:					
At 31 December 2020 (Unaudited)	48,585	2,186	99	174	51,044

	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 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, and Underwater Cutting Solutions 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.

There has been a reclassification of computer software from property, plant and equipment to intangible assets. The impact on 2020 is immaterial.

11. Goodwill and intangible assets continued

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.

	2021 £000	Unaudited 2020 £000
Europe	**34,916**	34,916
Americas	**6,569**	6,503
Asia Pacific	**5,336**	5,336
Middle East	**1,830**	1,830

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

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

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

	2021 £000	Unaudited 2020 £000
Europe:		
Pre-tax discount rate	**11.6%**	11.8%
Terminal value growth rate	**2%**	2%
Forecast period	**2 years**	3 years
Americas:		
Pre-tax discount rate	**11.6%**	12.3%
Terminal value growth rate	**2%**	2%
Forecast period	**2 years**	3 years
Asia Pacific:		
Pre-tax discount rate	**11.6%**	11.6%
Terminal value growth rate	**2%**	2%
Forecast period	**2 years**	3 years
Middle East:		
Pre-tax discount rate	**11.6%**	10%
Terminal value growth rate	**2%**	2%
Forecast period	**2 years**	3 years

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 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 2021 and the risks specific to the CGU. Beyond the two year Group forecast period these projections are extrapolated using a terminal value growth rate. Sensitivity analysis has been performed in respect of the key assumptions above with no impairment identified from the sensitivities performed.

> Notes to the Consolidated Financial Statements *for the year ended 31 December 2021 continued*

12. Inventories

	2021 £000	Unaudited 2020 £000
Raw materials and consumables	**1,778**	1,245

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

13. Trade and other receivables

	2021 £000	Unaudited 2020 £000
Trade receivables (Note 24(a))	**14,212**	7,723
Prepayments and accrued income	**3,012**	2,241
Amounts due from related parties (Note 25)	**–**	1,292
	17,224	11,256

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

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

14. Cash and cash equivalents

	2021 £000	Unaudited 2020 £000
Cash at bank	**4,842**	10,953
Cash in hand	**15**	5
Cash and cash equivalents	**4,857**	10,958

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:

	2021 £000	Unaudited 2020 £000
US dollar denominated balances	**1,581**	3,124
Singapore dollar denominated balances	**864**	2,612
Canadian dollar denominated balances	**150**	200
AED denominated balances	**133**	154
	2,728	6,090

All other balances are denominated in sterling.

15. Trade and other payables

	2021 £000	Unaudited 2020 £000
Trade payables	**3,349**	2,487
Accruals	**5,682**	4,701
Amounts due to related parties (Note 25)	**384**	55
	9,415	7,243

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 are due on demand.

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

16. Derivative financial instruments

The Group held three interest rate swaps which are designated to hedge a portion of the interest payments on each of the sterling and US dollar denominated facilities arising until 30 June 2021. The fair value of interest rate swaps has been valued by calculating the present value of future cash flows, estimated using forward rates from third party market price quotations.

The table below summarises the fair value of the interest rate swaps at each reporting date:

	2021 £000	Unaudited 2020 £000
Current liabilities		
Interest rate swaps used for hedging	–	(38)
Average contract fixed interest rate (%)	**0.6607%**	0.6607%
Notional principal value	–	13,661

The interest rate swaps settled on a quarterly basis. The floating rate on the interest rate swaps was three months LIBOR. The Group settled the difference between the fixed and floating interest rate on a net basis. All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. The hedged cash flows were expected to occur and to affect profit or loss over the period to maturity of the interest rate swaps.

Amount recognised in profit or loss:

The Group has recognised derivatives initially at fair value at the date a derivative contract is entered into and subsequently remeasured to their fair value at each reporting date. The amount recognised in the consolidated income statement in relation to derivatives for the year ended 31 December 2021 is £313,000.

Amount recognised in other comprehensive income:

The Group has applied hedge accounting for the interest rate swaps. The table below details the changes in fair value of derivative assets recorded in the consolidated other comprehensive income:

	Interest rate swaps £000	Total hedging reserves £000
At 1 January 2020	(243)	(243)
Changes in fair value of hedging instruments recognised in other comprehensive income	(108)	(108)
At 31 December 2020 (Unaudited)	(351)	(351)
Changes in fair value of hedging instruments recognised in other comprehensive income	351	351
At 31 December 2021	–	–

16. Derivative financial instruments continued

(a) Sterling interest rate swap

The fair value of the sterling interest rate swap at the balance sheet date was £nil (2020: liability £24,000). This swap is designated as a hedge on approximately 36% (2020: 34%) of the expected floating rate payments expected to arise in the period to 30 June 2021 on £26,841,000 (2020: £29,663,000) senior sterling bank loans. The terms of this contract is that the Group paid a fixed rate of 0.5355% and 0.525% and received three month floating LIBOR rate from HSBC (net settled quarterly) on a £9,564,000 (2020: £9,948,000) notional sum subject to a repayment schedule in line with the bank loan.

(b) US dollar interest rate swap

The fair value of the US dollar interest rate swap at the balance sheet date was £nil (2020: liability £14,000). This swap is designated as a hedge on approximately 35% (2020: 33%) of the expected floating rate payments expected to arise in the period to 30 June 2021 on $13,236,000 (2020: $15,314,000) US dollar bank loan. The terms of this contract are that the Group paid a fixed rate of 1.003% and received three month floating LIBOR rate from HSBC (net settled quarterly) on a $4,693,000 (2020: $5,087,000) notional sum subject to a repayment schedule in line with the bank loan.

Information about the Group's exposure to interest rate, credit and market risks is included in Note 24.

17. Loan and borrowings

	2021 £000	Unaudited 2020 £000
Current		
Bank loans (held at amortised cost)	**–**	8,007
	–	8,007
Non-current		
Bank loans (held at amortised cost)	**24,425**	35,001
Related party loan notes (Note 25)	**–**	1,121
	24,425	36,122

At 31 December 2021 the bank loans comprise a revolving credit facility of £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 2.5 and an interest cover covenant of 4:1. The total commitments are £40,000,000 for the RCF and an additional £10,000,000 accordion facility. As at 31 December 2021 the RCF had an undrawn balance of £15,047,000 and the £10,000,000 accordion facility was undrawn. A non-utilisation fee of 0.88% is charged on the non-utilised element of the RCF facility. The revolving credit facility is fully repayable by November 2024.

At 31 December 2020 the bank loans comprised senior bank debt of £43,841,000 and the senior A, B and revolving credit facility debt carried interest at LIBOR plus 3.5%, 4.0% and 5.0% respectively. The senior A, B and revolving credit facility were repaid in full in November 2021.

Certain companies within the Group joined in cross guarantees with respect to bank loans totalling £24,953,000 (2020: £43,841,000) 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:

	2021 £000	Unaudited 2020 £000
Within one year	**–**	8,674
Within one to two years	**–**	35,167
Within two to three years	**24,953**	–
	24,953	43,841
Deferred finance costs	**(528)**	(833)
	24,425	43,008

The related party loan notes carried interest at 7% which capitalised quarterly and was repaid in full in November 2021.

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

	2021	Unaudited 2020
Weighted average interest rates	**5.54%**	5.84%

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

18. Financing liabilities reconciliation

	1 January 2020 £000	Cash flows £000	Forgiveness of US PPP loan £000	Interest paid £000	Other non-cash changes £000	Changes in exchange rates £000	Unaudited 31 December 2020 £000
Cash at bank and in hand	4,855	6,354	–	–	–	(251)	10,958
Bank loans	(47,490)	4,454	391	–	(674)	311	(43,008)
Related party loan notes	(1,045)	–	–	–	(76)	–	(1,121)
Lease liabilities	(3,483)	721	–	168	(510)	52	(3,052)
Net debt	(47,163)	11,529	391	168	(1,260)	112	(36,223)

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 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 the amortisation of deferred finance costs, accrual of finance costs on related party loan notes and 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 2020	3,349
Additions to right-of-use assets	342
Depreciation charge for the year	(829)
Effects of movements in exchange rates	(46)
Balance at 31 December 2020 (Unaudited)	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**

Lease liabilities:	**2021 £000**	**Unaudited 2020 £000**
Current	**783**	676
Non-current	**2,351**	2,376
Total lease liabilities	**3,134**	3,052

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

19. Leases continued

Leases as lessee continued

b) Amounts recognised in the income statement

	2021 £000	Unaudited 2020 £000
Depreciation charge	**835**	829
Interest expense on lease liability	**151**	168
Expenses relating to short-term leases	**165**	289
Total amount recognised in the income statement	**1,151**	1,286

c) Amounts recognised in the cash flow statement

	2021 £000	Unaudited 2020 £000
Total cash payments for leases	**1,163**	890

Leases as a lessor

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

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

20. Provisions for liabilities

	Other £000
At 1 January 2020	112
Charge for the year	34
Paid during the year	(6)
Movement in foreign exchange	(6)
At 31 December 2020 (Unaudited)	134
Charge for the year	28
Paid during the year	(56)
Movement in foreign exchange	2
At 31 December 2021	**108**

Other

Other provisions relate 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

	2021 £000	Unaudited 2020 £000
Capital expenditure contracted for but not provided	**2,825**	297

22. Employee benefits

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 2021 was £423,000 (2020: £363,000). There was a balance outstanding of £59,000 in relation to pension liabilities at 31 December 2021 (2020: £44,000).

23. Share capital and reserves

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

Called up share capital

	31 December 2021		Unaudited 31 December 2020	
Allotted, called up and fully paid	No.	£000	No.	£000
Ordinary shares of £0.05 each	**79,580,000**	**3,979**	69,998,000	3,500
		3,979		3,500

Ordinary share capital represents the number of shares in issue at their nominal value. In the current year, the share capital of the former Group has been replaced with the newly issued listed shares following the IPO. Ordinary Shares of 9,582,000 with a nominal value of £479,000 were issued on IPO. 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. Upon the date of listing the par value of the shares was £0.05 but the initial offering price was £1.62. Share premium is stated net of direct costs of £929,000 relating to the issue of the shares.

Merger reserve

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

Hedging reserve

The hedging reserve records the portion of the gains and losses from changes in fair value on hedging instruments that are deemed to be effective.

Foreign currency translation reserve

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

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

Retained earnings

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

24. Financial instruments

Financial risk management

Risk management framework

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

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

- Credit risk
- Liquidity risk
- Market risk

a) Credit risk

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

The credit risk on liquid funds held with HSBC and Bank of Montreal 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 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

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.

	2021 £000	Unaudited 2020 £000
Current (not past due)	**4,698**	2,447
Past due 0-90 days	**8,934**	5,181
Past due 91-180 days	**1,459**	756
Past due 181-270 days	**484**	376
Past due 271-365 days	**51**	60
More than 365 days	**410**	182
	16,036	9,002

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 2020	(1,250)
Movement during the year	(29)
At 31 December 2020 (Unaudited)	(1,279)
Movement during the year	(545)
At 31 December 2021	**(1,824)**

24. Financial instruments continued

a) Credit risk continued

Cash and cash equivalents

The Group held cash and cash equivalents and other bank balances of £4,857,000 at 31 December 2021 (2020: £10,958,000). The cash and cash equivalents are held with the HSBC Bank plc and Bank of Montreal.

Derivative financial instruments

The derivatives were entered into with HSBC Bank plc.

b) Liquidity risk

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

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

The Group has access to a multicurrency RCF and accordion facility which have total commitments of £40,000,000 and £10,000,000 respectively. As at 31 December 2021 the RCF had an undrawn balance of £15,047,000 and the £10,000,000 accordion facility was undrawn.

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				
As at 31 December 2020 (Unaudited)	**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**
Non-derivative financial liabilities						
Bank loans	43,008	43,841	8,674	35,167	–	–
Related party loan notes	1,121	1,121	–	1,121	–	–
Trade and other payables	7,243	7,243	7,243	–	–	–
Lease liabilities	3,052	3,480	810	721	1,330	619
	54,424	55,685	16,727	37,009	1,330	619
Derivative financial liabilities						
Interest rate swaps	38	38	38	–	–	–
	38	38	38	–	–	–

		Contractual cash flows				
As at 31 December 2021	**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**
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**

24. Financial instruments continued

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 Company has no monetary assets and liabilities denominated in currencies that are different to the functional currency of the Company.

Interest 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 0.25% in effective interest rates would increase/(decrease) the interest charged to the income statement by £62,000 (2020: £68,000).

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 2021, the Group had gross borrowings of £24,953,000 through its RCF and a cash and cash equivalents balance of £4,857,000. Currently interest is payable on the RCF at a rate of SONIA plus 2.2%. The Group remains in compliance with its banking covenants.

25. Related parties

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

Key managerial personnel:

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

Directors' interests in the Ordinary Shares of the Group are included in the Directors' Report on page 38.

Entity with 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:

	2021 £000	Unaudited 2020 £000
Dividend expense*		
BP INV2 Newco Limited	**476**	–
BP INV2B Bidco Limited	**820**	–
Interest expense		
BP INV2B Bidco Limited	**71**	75
Compensation to key management personnel		
Emoluments	**838**	282

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

Full details of the Directors' remuneration and interests are set out in the Directors' Remuneration Report on pages 37 to 38.

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

	2021 £000	Unaudited 2020 £000
Receivables from:		
BP INV2B Bidco Limited	**–**	820
BP INV2 Holdco Limited	**–**	421
BP INV2 Newco Limited	**–**	51
	–	1,292
Payables to:		
BP INV2B Bidco Limited	**(362)**	–
BP INV2 Holdco Limited	**(20)**	(46)
BP INV2 Newco Limited	**(2)**	(9)
	(384)	(55)
Related party loan notes payable to:		
BP INV2B Bidco Limited	**–**	(1,121)

26. Group structure

A full list of subsidiary undertakings of Ashtead Technology Holdings plc as defined by IFRS as at 31 December 2021 is disclosed below.

Name of the Group company	Country of incorporation	Equity interest at 2021	Equity interest at Unaudited 2020
BP INV2 Pledgeco Limited(1)	England & Wales	**100%**	100%
Ashtead US Pledgeco Inc	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%

* 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.

27. Reconciliation of Non-IFRS Profit Metrics

Reconciliation of Adjusted EBITDA

For the year ended 31 December

	Notes	2021 £000	Unaudited 2020 £000
Adjusted EBITDA		**22,437**	17,037
Cost associated with IPO		**(3,332)**	–
Cost associated with M&A		**–**	(865)
Restructuring costs		**(1,314)**	(374)
One-off upgrade of IT system		**–**	(113)
One-off bad debts & debt collection costs		**(39)**	(319)
One-off inventory adjustment		**205**	–
One-off asset disposal		**130**	–
US PPP loan forgiveness		**–**	391
Other exceptional costs		**(35)**	(17)
Operating profit before depreciation, amortisation and foreign exchange gain/(loss)		**18,052**	15,740
Depreciation on property, plant and equipment	10	**(7,878)**	(9,924)
Depreciation on right-of-use asset	19	**(835)**	(829)
Operating profit before amortisation and foreign exchange gain/(loss)		**9,339**	4,987
Amortisation of intangible assets	11	**(1,516)**	(1,567)
Foreign exchange gain/(loss)		**(215)**	(312)
Operating profit		**7,608**	3,108

27. Reconciliation of Non-IFRS Profit Metrics continued

Reconciliation of Adjusted EBITA

For the year ended 31 December

	Notes	2021 £000	Unaudited 2020 £000
Adjusted EBITA		**13,724**	6,284
Cost associated with IPO		**(3,332)**	–
Cost associated with M&A		**–**	(865)
Restructuring costs		**(1,314)**	(374)
One-off upgrade of IT system		**–**	(113)
One-off bad debts & debt collection costs		**(39)**	(319)
One-off inventory adjustment		**205**	–
One-off asset disposal		**130**	–
US PPP loan forgiveness		**–**	391
Other exceptional costs		**(35)**	(17)
Amortisation of intangible assets	11	**(1,516)**	(1,567)
Foreign exchange gain/(loss)		**(215)**	(312)
Operating profit		**7,608**	3,108

Reconciliation of Adjusted Profit After Tax

For the year ended 31 December

	Notes	2021 £000	Unaudited 2020 £000
Adjusted Profit After Tax		**9,385**	2,022
Cost associated with IPO		**(3,332)**	–
Cost associated with M&A		**–**	(865)
Restructuring costs		**(1,314)**	(374)
One-off upgrade of IT system		**–**	(113)
One-off bad debts & debt collection costs		**(39)**	(319)
One-off inventory adjustment		**205**	–
One-off asset disposal		**130**	–
US PPP loan forgiveness		**–**	391
One-off hedge reserve movement		**(313)**	–
Loan repayment fees		**(100)**	–
Deferred finance cost write off		**(704)**	–
Other exceptional costs		**(35)**	(17)
Foreign exchange gain/(loss)		**(215)**	(312)
Amortisation of intangible assets	11	**(1,516)**	(1,567)
Tax impact of the adjustments above		**377**	156
Profit/(loss) for the financial year		**2,529**	(998)

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

Company Balance Sheet *at 31 December 2021*

	Notes	2021 £000
Non-current assets		
Investments	4	**42,313**
Deferred tax asset	5	**242**
Trade and other receivables	6	**11,376**
		53,931
Total assets		**53,931**
Equity		
Share capital	7	**3,979**
Share premium	7	**14,115**
Merger reserve	7	**38,318**
Accumulated losses	7	**(2,481)**
Total equity		**53,931**

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

The loss for the period from 27 May 2021 to 31 December 2021 dealt with in the financial statements of the Company was £2,481,000.

The financial statements were approved by the Board of Directors of Ashtead Technology Holdings plc (registered number 13424040) on 4 June 2022 and were signed on its behalf by:

Allan Pirie
Chief Executive Officer

4 June 2022

Ingrid Stewart
Chief Financial Officer

4 June 2022

Company Statement of Changes in Equity *for the period from 27 May 2021 to 31 December 2021*

	Share capital £000	Share premium £000	Merger reserve £000	Accumulated losses	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**

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

Notes to the Company Financial Statements *for the period from 27 May 2021 to 31 December 2021*

1. Basis of preparation

Ashtead Technology Holdings plc is a public limited company which is listed on AIM and is domiciled and incorporated in the United Kingdom under the Companies Act 2006 (the "Act"). The Company was incorporated on 27 May 2021 and adopted the Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") from that date.

The Company's financial statements are prepared under FRS101 and take the available exemptions from FRS101 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;
- the effects of new but not yet effective IFRSs; and
- disclosures in respect of the compensation of key management personnel.

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 s479C of the Companies Act 2006. As a result, for the year ended 31 December 2021, 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.

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.

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.

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.

Notes to the Company Financial Statements *for the period from 27 May 2021 to 31 December 2021*

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 37 to 38.

4. Investments

	£000
Cost:	
At 27 May 2021	–
Additions	42,313
At 31 December 2021	**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.

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

	2021 £000
Tax losses	**242**

6. Trade and other receivables

	2021 £000
Amounts owed by Group companies	**11,311**
Group relief	**65**
	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. Share capital and reserves

Called up share capital

	31 December 2021	
Allotted called up and fully paid	**No.**	**£000**
Ordinary Shares of £0.05 each	**79,580,000**	**3,979**
		3,979

Ordinary Share capital represents the number of shares in issue at their nominal value. Ordinary Shares of 9,582,000 with a nominal value of £479,000 were issued on IPO. 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. Upon the date of listing the par value of the shares was £0.05 but the initial offering price was £1.62. Share premium is stated net of direct costs of £929,000 relating to the issue of the shares.

Merger reserve

The merger reserve was created as a result of the share for share exchange under which Ashtead Technology Holdings plc became the parent undertaking prior to the IPO. 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.

Accumulated losses

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

Company Information

Directors
W M F C Shannon (appointed 23 November 2021)
A W Pirie (appointed 4 November 2021)
I Stewart (appointed 4 November 2021)
J A Connolly (appointed 4 November 2021)
A R C Durrant (appointed 23 November 2021)
T Hamborg-Thomsen (appointed 23 November 2021)
P Blackburn (appointed 27 May 2021, resigned 4 November 2021)
M A Caveley (appointed 27 May 2021, resigned 4 November 2021)

Company Secretary
I Stewart

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Statutory Auditor
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Clydesdale Bank plc
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Aberdeen AB15 4XU

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