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.

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

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.

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

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

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

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:

	2021 £000	Unaudited 2020 £000
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.

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

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

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

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**

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

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.

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	–	–

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

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.

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

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)**

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

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.

Ashtead Technology Holdings plc
Annual Report and Accounts 2021

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

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

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

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.

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

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

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

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

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

Corporate broker
Numis Securities Ltd
45 Gresham Street
London EC2V 7BF

Registrar
Computershare Limited
The Pavilions
Bridgwater Road
Bristol BS13 8AE

Registered Office
1 Gateshead Close
Sunderland Road
Sandy
Bedfordshire SG19 1RS

Registered number: 13424040

Website
www.ashtead-technology.com

Design and Production
www.carrkamasa.co.uk
ckd

RECYCLED
Paper made from recycled material
FSC® C022913
FSC www.fsc.org