



POWERING THE PLATFORM



**Ashtead
group**

Annual Report & Accounts 2019

POWERING THE PLATFORM

Whatever customers need, at Ashtead we have the platform – the scale to buy it, the depots to store it, the distribution capability to deliver it and the technology to facilitate an easy and efficient rental experience. The growth of our footprint, the ever-increasing diversity of the equipment we rent and our excellent customer service all make doing business with us easy and hassle-free. We call this powering the platform.

THE CHANGING FACE OF OUR CUSTOMERS

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ALWAYS EXPANDING OUR FLEET



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CUSTOMER-CENTRIC SERVICES

MAINTAINING A POSITIVE CULTURE

→ Page 42



Our objective is to deliver sustainable value and above-average performance across the economic cycle – extending our industry-leading position and delivering superior total returns for shareholders. We deliver the very best levels of customer service throughout our networks to enable that growth every day.

Read more in our Strategic review page 10

Throughout the Annual Report we refer to a number of alternative performance measures, including measures such as underlying results, free cash flow and constant currency growth. These are defined in the Glossary of terms on page 138.

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HIGHLIGHTS

REVENUE (£M)

£4,500m

2019	4,500
2018	3,706
2017	3,187
2016	2,546
2015	2,039

UNDERLYING PROFIT BEFORE TAXATION (£M)

£1,110m

2019	1,110
2018	927
2017	793
2016	645
2015	490

UNDERLYING EPS (P)

174.2p

2019	174.2
2018	127.5
2017	104.3
2016	85.1
2015	62.6

PROFIT BEFORE TAXATION (£M)

£1,059m

2019	1,059
2018	862
2017	765
2016	617
2015	474

Forward looking statements

This report contains forward looking statements. These have been made by the directors in good faith using information available up to the date on which they approved this report. The directors can give no assurance that these expectations will prove to be correct. Due to the inherent uncertainties, including both business and economic risk factors underlying such forward looking statements, actual results may differ materially from those expressed or implied by these forward looking statements. Except as required by law or regulation, the directors undertake no obligation to update any forward looking statements whether as a result of new information, future events or otherwise.

OUR GROUP AT A GLANCE

Ashtead is an international equipment rental company with national networks in the US, Canada and the UK. We rent a full range of construction, industrial and general equipment across a wide variety of applications to a diverse customer base.

SUNBELT US

Share of Group revenue

85%

The second largest equipment rental company in the US with 773 stores.



SUNBELT CANADA

Share of Group revenue

4%

Market share of 4% in Canada with 67 stores.



A-PLANT

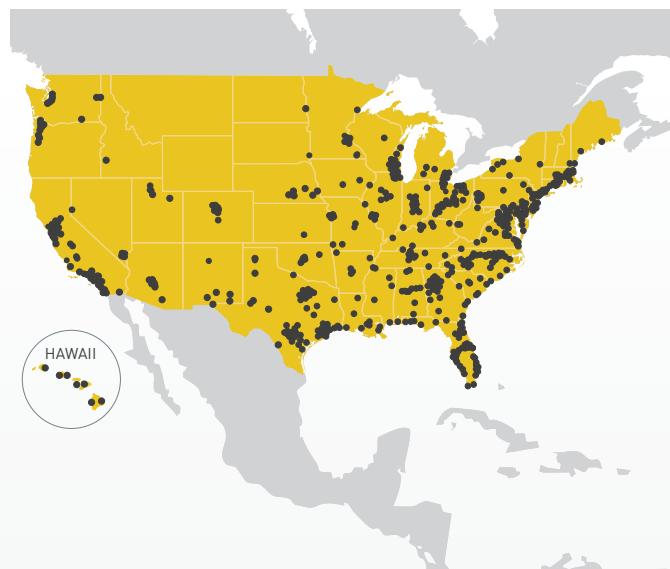
Share of Group revenue

11%

The largest equipment rental company in the UK with 196 stores.



Sunbelt US



HIGHLIGHTS

Revenue

\$4,989m

Operating profit

\$1,545m

Fleet size

\$9,125m

Return on investment¹

24%

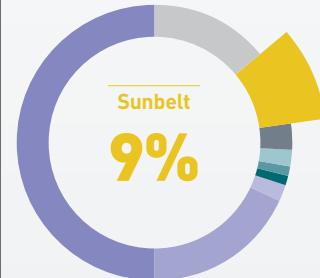
Stores²

773

Employees

13,015

MARKET SHARE



United Rentals	14%
Sunbelt	9%
Herc Rentals	3%
Home Depot	2%
Ahern	1%
H&E	1%
Top 7-10	2%
Top 11-100	c. 18%
Others	c. 50%

Source: Management estimate based on IHS Markit market estimates.

FLEET COMPOSITION

Aerial work platforms **34%**



Forklifts **20%**



Earth moving **13%**



Pump and power **9%**



Scaffold **3%**



Other **21%**

Source: Management information.

¹ Excluding goodwill and intangible assets.

² Includes 19 Sunbelt at Lowes stores.

Sunbelt Canada



HIGHLIGHTS

Revenue

C\$344m

Operating profit

C\$55m

Fleet size

C\$660m

Return on investment¹

12%

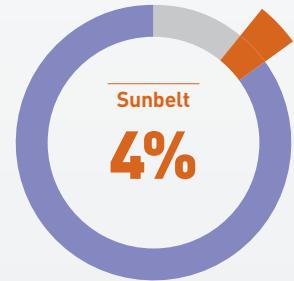
Stores

67

Employees

984

MARKET SHARE



Source: Management estimate based on IHS Markit market estimates.

FLEET COMPOSITION

Aerial work platforms	42%	
Forklifts	12%	
Earth moving	18%	
Pump and power	8%	
Other	20%	

¹ Excluding goodwill and intangible assets.

Source: Management information.

A-Plant



HIGHLIGHTS

Revenue

£475m

Operating profit

£62m

Fleet size

£907m

Return on investment¹

9%

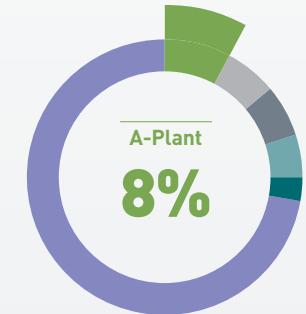
Stores

196

Employees

3,789

MARKET SHARE



Source: Management estimate based on IHS Markit market estimates.

FLEET COMPOSITION

Aerial work platforms	12%	
Forklifts	10%	
Earth moving	15%	
Accommodation	15%	
Pump and power	4%	
Acrow	3%	
Traffic	2%	
Panels, fencing and barriers	12%	
Other	27%	

¹ Excluding goodwill and intangible assets.

Source: Management information.

BUSINESS AS USUAL



I was delighted to succeed Chris Cole as chair of Ashtead. Chris stood down in September 2018 having served as a director of the Company since 2002 and as chair since 2007. Throughout his tenure Chris provided strong leadership to the Board and wise counsel to the executive team. On behalf of the Board I would like to thank Chris for his significant contribution to the success of the business over many years. I have joined the Group at a time of strong sustained growth and I am pleased to report that in this financial year we have delivered record results as we continue to deliver on our strategy. We have had another outstanding year in the US and Canada whilst the UK has been more challenging. Since joining the business I have had an opportunity to visit a number of our sites and meet with many of my new colleagues. I have seen huge passion and commitment from our people and I believe this is a testimony to the consistent and rigorous execution of our strategy.

In May 2019, Geoff Drabble, our long-standing chief executive, stepped down from this role and also from the Board. Geoff has presided over a period of unprecedented growth in the business and has been instrumental in creating a strong foundation and culture on which we can continue to build. On behalf of the Board and everyone at Ashtead I would like to thank Geoff for his significant contribution to the business over many years and we wish him well in his retirement. Brendan Horgan, who was appointed as Geoff's successor, has been chief executive of Sunbelt since 2011 and, in addition, chief operating officer of the Group for the last year. Brendan brings extensive experience

PAUL WALKER
Chair,
Ashtead Group plc

in the equipment rental business as well as strong leadership of a scaled business. I am very much looking forward to working with Brendan in his new role.

The US and Canadian markets remain strong and we continue to take advantage of the structural changes for renting equipment. Although the UK market is more subdued, we continue to perform well. Group revenue for the year was £4,500m compared to £3,706m the previous year and underlying pre-tax profit rose 17% at constant exchange rates to £1,110m. Top-line growth remains the driver of our profitability and total rental revenue increased 18% at constant exchange rates, with Sunbelt US growth at 19%, 55% at Sunbelt Canada and 3% at A-Plant.

We have continued to invest responsibly in our fleet, new greenfield sites and bolt-on acquisitions. During the year we made 24 acquisitions, which has helped both broaden our coverage in the United States and Canadian markets, as well as enhancing our product range in our specialty division. Our strong underlying business performance continues to be supported by a strong balance sheet. Net debt increased in the period as we continue to invest in fleet and bolt-on acquisitions and to support our share buyback programme. During the year we completed £675m of our original buyback programme and we expect to spend no less than £500m in buybacks in 2019/20. Our investment in the business and our share buyback programme has been achieved whilst maintaining our leverage ratio in the middle of our target range at 1.8 times EBITDA.



The US and Canadian markets remain strong and we continue to take advantage of the structural changes for renting equipment.

The debt markets have remained strong and in July we issued \$600m of 5.25% bonds due in 2026; and in December we extended our senior credit facility to December 2023, while increasing it to \$4.1bn and reducing the effective interest rate. As a result, our debt facilities are committed for an average of six years at a weighted average interest cost of less than 5%. Our debt has a smooth, extended profile through to 2027 with no large individual refinancing needs.

We have a progressive dividend policy and our objective is to ensure that dividends are sustainable wherever we are in our business cycle. In line with that objective and our continued strong financial performance, the Board is recommending a final dividend of 33.5p per share making 40.0p for the year compared to 33.0p in 2018, an increase of 21%. Assuming the final dividend is approved at the AGM, it will be paid on 13 September 2019 to shareholders on the register on 16 August 2019.

In the last year the Board has continued to consider and strengthen our governance to ensure that we are aligned with the new Corporate Governance Code 2018 and in particular around stakeholder and workforce engagement.

During the year there have been a number of changes to the Board. In September Wayne Edmunds stepped down from the Board and in January Ian Sutcliffe, who was coming to the end of his nine-year term, retired. The Board thanks both Ian and Wayne for their contribution to the growth and development of Ashtead. Angus Cockburn was appointed a non-executive director and chair of the audit committee in October and in January became the senior independent director following the retirement of Ian Sutcliffe. In May we announced the appointment of Lindsley Ruth as a non-executive director as we continue to evolve the Board for the next stage of the Group's development. Angus and Lindsley both bring significant expertise and experience that the Board and the business will benefit from.

I have met many talented staff since joining the Group and I look forward to meeting many more in the coming year. I want to extend my thanks and that of the Board to all our colleagues for their hard work and support which has delivered such a strong performance. You will read more in this report about what we consider to be the four key elements powering our platform to future growth, our customers, our fleet, our services and our culture, and how those have evolved.

We continue to see clear momentum in the business and a supportive market backdrop which has helped produce another set of great results. As your new chair, I look to the future with confidence knowing that we have a strong sense of purpose, a clear and focused strategy and great talent to continue to deliver strong growth and shareholder returns.

PAUL WALKER
Chair
17 June 2019

HIGHLIGHTS OF THE YEAR

19%

REVENUE UP 19%; RENTAL REVENUE UP 18%¹

47%

GROUP EBITDA MARGINS OF 47% [2018: 47%]

£1,110m

GROUP UNDERLYING PRE-TAX PROFIT OF £1,110M [2018: £927M], UP 17% AT CONSTANT EXCHANGE RATES

+33%

UNDERLYING EARNINGS PER SHARE UP 33%¹
TO 174.2P [2018: 127.5P]

£797m

POST-TAX PROFIT OF £797M [2018: £969M]

£622m

£622M SPENT ON BOLT-ON ACQUISITIONS [2018: £392M]
AND 74 GREENFIELD LOCATIONS OPENED

£1.6bn

£1.6BN INVESTED IN THE BUSINESS [2018: £1.2BN]

£368m

£368M OF FREE CASH FLOW GENERATION [2018: £386M]

1.8x

NET DEBT TO EBITDA LEVERAGE¹ OF 1.8 TIMES
[2018: 1.6 TIMES]

40.0p

PROPOSED FINAL DIVIDEND OF 33.5P, MAKING 40.0P
FOR THE FULL YEAR, UP 21% [2018: 33.0P]

¹ At constant exchange rates.

HOW WE MADE IT HAPPEN IN 2018/19

Our equipment can be used to lift, power, generate, light, move, dig, compact, drill, support, access, scrub, pump, direct, heat and ventilate – whatever is required.

250m+

MILES TRAVELED FOR
DELIVERY AND SERVICE



40bn+

BTU/HR OF HEATING DELIVERED

20m+

KW OF POWER
DELIVERED



1,500,000

SMALL TOOLS RENTED



710,000

CUSTOMERS

770,000+

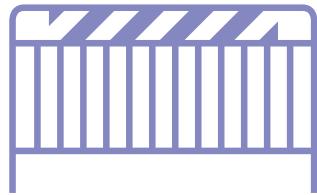
RENTAL ASSETS





1,000+

APPLICATIONS FOR APPRENTICESHIPS



1,100,000+

METRES OF BARRIERS ASSEMBLED



2,975,000

RENTAL CONTRACTS WRITTEN

12,000+

EVENTS SUPPORTED



THE CHANGING FACE OF OUR CUSTOMERS





From movie making to stabilising aircraft hangars: we've got it covered

We now count film and TV studios amongst our customers, helping them consistently get the right camera angle whether that's in downtown Los Angeles or Vancouver. With filming schedules often round the clock, we provide 24-hour customer and technical service to keep the cameras rolling. Our boom lifts now come in matt black so they always blend into the background.

From maintenance to movie making: we've got it covered

Structural shoring when things get shaky

In October, Hurricane Michael caused a failing aircraft hangar to collapse on several planes. Our newest specialty business, the result of two recent acquisitions, Shoring Solutions, quickly dispatched a team to prop up and stabilise the whole structure, rotating 24-hour shifts to prevent expensive damage to the planes and completing the task within 72 hours of receiving the initial call.

POWERING OUR PLATFORM FOR LONG-TERM GROWTH

BRENDAN HORGAN

Chief executive

**MICHAEL PRATT**

Finance director



We had another excellent year. The main driver of our growth remains organic investment but we supplemented this with 24 bolt-on acquisitions. We added 146 new locations in the year as we continue to broaden our product offering and geographic reach. The combination of this fleet investment and enhanced footprint forms a great platform for further growth as we progress with our 2021 plan.

We continue to deliver well, in markets that are generally supportive and performing as we expected from both a cyclical and structural perspective. As always, we continue to grow watchfully and responsibly. Sunbelt benefitted from generally strong end markets and, to a lesser degree, the impact of clean-up efforts following hurricanes Florence and Michael.

Our overall strategy remains unchanged, but we have been able to take advantage of increased market opportunities from recent industry consolidation and strong customer demand, which has contributed to our rate of growth. This represents an acceleration of our 2021 plan and demonstrates the flexibility we have in our plans to react to market conditions, whatever they may be. Our expansion is both geographic and product based, adding a nice mix of general equipment and specialty locations through our greenfield and bolt-on programme.

Our addressable market continues to grow, as square footage under roof and MRO (maintenance, repair and operations) opportunities increase. This is particularly useful when construction slows down for non-economic reasons, due to inclement weather, for example. We work on the basis that when construction work ends, maintenance work begins.

We made big strides this year on expanding our specialty offering as we continue to broaden our markets. There is clearly strong cyclical demand for General Tool fleet but our specialty businesses now represent 23% of our total and have seen 19% annual growth over the last three years. In the US we added locations with product solutions specific to Power & HVAC, Pumping, Flooring, Trench Shoring, Climate Control, Ground Protection and Industrial Tools – all to service our ever-broader customer base and end markets. In Canada we added Power Generation and Flooring businesses, beginning the integration of specialty into the broader business platform.

Even as we grow and enjoy the benefits of strong construction markets, we continue to diversify the business, and expect this broadening of our specialty offering to continue. Our overall 2021 plan remains in place but we have accelerated some greenfields in response to the opportunities that inevitably present themselves when there is significant market consolidation.

Group rental revenue was up 21% (18% on a constant currency basis) and we maintained margins despite opening 74 greenfields and completing 24 acquisitions in the period. The previous financial year was a particularly active hurricane season with three significant events and a huge rental revenue contribution, therefore making direct comparison difficult. There have been two hurricanes this financial year, which again unfortunately caused major devastation. Partly due to the timing of the events and partly due to the geographies affected, these resulted in \$30–35m of rental revenue versus \$100m last year.

Underlying pre-tax profit was £1,110m, up 17% at constant exchange rates. Sunbelt US rental only revenue grew by 20% as we continued to benefit from generally strong markets. This compares to overall US rental market growth of around 7%. Organic growth (same-store and greenfield) was 15%, while bolt-ons added a further 5%. We are well on track to deliver all elements of our 2021 strategy a year earlier than planned.



We made big strides this year on expanding our specialty offering as we continue to broaden our markets.

We continued our expansion in Canada by leveraging our recently built scale, in a market where we still have comparatively low share. Throughout the year, we invested in the business with existing location fleet growth, greenfields and bolt-ons, with the aim of broadening our fleet mix and geographic service capabilities, all leading to strong pro forma rental only revenue growth of 18%. The scale of our operations in Canada was transformed by the acquisition of CRS last year and, to a lesser extent, Voisin's this year. In absolute terms, Canada contributed C\$344m in revenue and C\$55m in operating profit in the year. In a period of rapid growth, the key is to strike a balance between growth and profitability, and in Canada we achieved this. As is the case with US end markets, we continue to see positive indicators in Canada.

A-Plant's rental only revenue grew 4% over the year. The market in the UK remains relatively flat with a competitive rate environment. However, the strength of our business in the UK means A-Plant performed better than many of its peers. We watch the market closely and are focused on customer service and operational improvement to maintain our competitive advantage.

We continue to see good end markets with significant backlogs in terms of demand for our services and we anticipate low-teen revenue growth for the coming year. We watch key indicators closely and see no evidence of a slowdown coming any time soon. So we expect our growth to continue at current rates and next year plan on opening a further c. 80 new locations.

146

LOCATIONS ADDED
IN THE YEAR

In the Strategic report



CAPITALISING ON MARKET OPPORTUNITIES

We are building market share through same-store growth, new greenfield investments, selected bolt-on acquisitions and the expansion of our product offering.

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CREATING SUSTAINABLE VALUE

Our equipment rental business model, and the management of that over the economic cycle, enable us to create long-term sustainable value.

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IMPLEMENTING OUR STRATEGY

We focus on building market share, maintaining flexibility in our operations and finances, and being the best we can be every day.

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MANAGING OUR RISKS

Our main risks relate to economic conditions, competition, financing, cyber security, health and safety, people, the environment and laws and regulations.

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MEASURING OUR PERFORMANCE

We had another year of strong financial performance, improved operational efficiency and excellent service metrics.

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BEING A RESPONSIBLE BUSINESS

We report on responsible business through the Group Risk Committee. We focus on health and safety, our people, the environment, community investment and ensuring the highest ethical standards across the Group.

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MAKING THE MOST OF GROWING MARKETS

The US continues to be our biggest market and we are seeing significant growth in our still relatively new Canadian market. We continue to perform well in the UK but this is a much more subdued environment than North America. The US rental market is five times bigger than the UK and we continue to capitalise on the structural changes in that market, as customers adapt to renting equipment rather than owning it. Our Canadian business is still smaller than our UK business but is growing rapidly. We have expanded our presence in Canada significantly and are excited by the opportunities we see there. We expect the Canadian market to develop similarly to the US, as customers get more used to renting a wider variety of equipment and more familiar with the Availability, Reliability and Ease we deliver. Our aim is to continue to grow the business wherever we are in the economic cycle. Strong markets in the US and Canada, and a stable one in the UK, mean we continue to perform very well.

 **Our markets continue to broaden.**

The breadth of our markets

Our markets continue to broaden, in terms of geography, range of equipment rented and the applications for which our equipment is used. The graphic below shows the growing diversity of end markets that are using our equipment more and more. In many cases, this is the same equipment just used for a different purpose. A significant proportion of our fleet was developed originally for the construction industry but is now used in applications varying from film and TV production to putting up Christmas decorations. We are reaching these broadening markets as a result of our scale, advancement of our market cluster strategy and specialty business evolution – all positioned to give great service to our customers through our corporate mantra, Availability, Reliability and Ease. For any one of these markets, there is also a wide range of equipment used. For example, on large festival sites such as Lollapalooza in Chicago or Glastonbury in the UK, we may have 400-500 pieces of equipment of all different types and sizes. Equipment that previously would not have been rented is now part of the rental mix. This is particularly the case with the ongoing structural change most noticeable in the US and Canada.

Construction continues to be busy but we are seeing lots of growth in general equipment and specialty businesses in areas such as special events and maintenance. A big change in recent years has been

BROADENING THE MARKETS WE REACH



EMERGENCY RESPONSE

- > Fire
- > Hurricanes
- > Flooding
- > Tornadoes
- > Winter storms
- > Residential emergencies



FACILITIES MAINTENANCE AND MUNICIPALITIES

- > Office complexes
- > Parks and recreation departments
- > Schools and universities
- > Shopping centres
- > Apartment complexes
- > Pavement/kerb repairs
- > Golf Course maintenance
- > Government
- > Hospitals



ENTERTAINMENT AND SPECIAL EVENTS

- > National events
- > Concerts
- > Sporting events
- > Film/TV production
- > Theme parks
- > Festivals
- > Farmers' markets
- > Local 5K runs
- > Cycle races



CONSTRUCTION

- > Airports
- > Highways and bridges
- > Office buildings
- > Data centres
- > Schools and universities
- > Shopping centres
- > Residential
- > Remodelling

the increase in rentals taking place in ordinary square footage under roof applications every day, throughout our business and we expect this trend to continue.

We are also seeing changes in the length of time that customers hold onto equipment. Large projects are longer and rental is now core to these rather than being more 'top up' in nature, as it used to be. We are also seeing customers holding on to equipment longer to move to the next job or project. Demand is high, as are backlogs, and we are seeing customers extend rentals as a result.

The US Economic strength

Our core US markets remain strong. Industry forecasts remain good, our end markets are busy and are signalling no change in course on the horizon. Naturally a range of market indicators can show a range of expectations. However, no one market indicator or forecast tells the full story, or should be overreacted to, but what we are seeing today is a broad set of data, internal and external, pointing to ongoing strong end markets.

Construction markets continue to be strong and, with growing employment, the benefits of lower energy prices and increased disposable income, people continue to spend more money which is positive for our broader, non-construction markets like event work and residential remodelling. Oil and gas, which remains only a very small part of our business, but which has struggled in the past, has rebounded from the lows of three to four years ago. Tax reform has added to positive trends with corporate tax cuts only now beginning to translate into actual projects. These include more data centres and distribution warehouses nearing starts, and office expansion and renovation, all of which need our services. We expect economic growth to continue in the US.

The markets we serve remain strong, as both structural and cyclical trends continue to be favourable. Chart 02 shows the last three construction cycles. These have followed one of two patterns. From 1975 to 1982 and from 1982 to 1991 the initial recovery was very aggressive but the overall cycle was relatively short. We believe we still have at least two to three years of growth left in the cycle and whilst the pace of growth may moderate, we should have multiple years of structural and cyclical opportunity ahead.

Market share in the US

We continue to grow our market share in the US and even though we are the second largest equipment rental company, there remains plenty of room to grow as chart 03 shows. Our major large competitors are United Rentals and Herc Rentals with 14% and 3% respectively. Home Depot, Ahern and H&E have shares of 2% or less. Most of the remainder of the market is made up of small local independent tool shops.

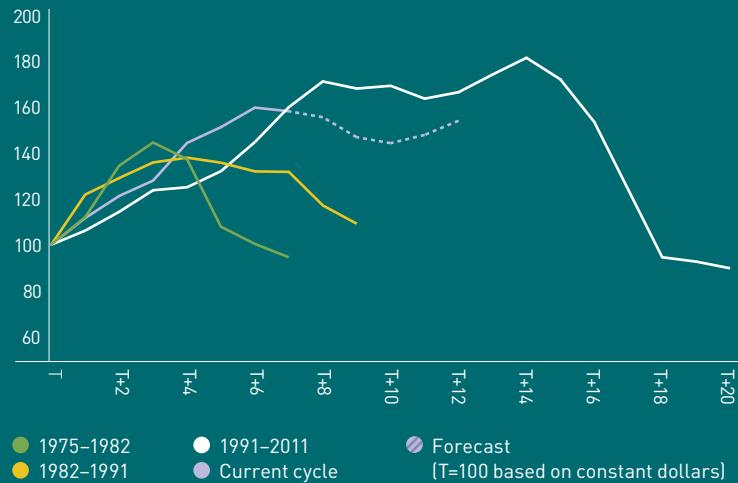
Much of our market share gain comes from these small independents when we set up new stores or acquire them. Ours is a capital-intensive industry where size matters. Scale brings cost benefits and sophistication in areas like IT and other services, and this leads ultimately to further consolidation. The proportion of the market enjoyed by the larger players continues to increase and we have clearly been a major beneficiary of this trend. Whilst there will always be a place for strong local players, the market share enjoyed by the larger players is likely to grow by a further 30 to 40% in the medium term.

01 US MARKET OUTLOOK (RENTAL REVENUE FORECASTS)



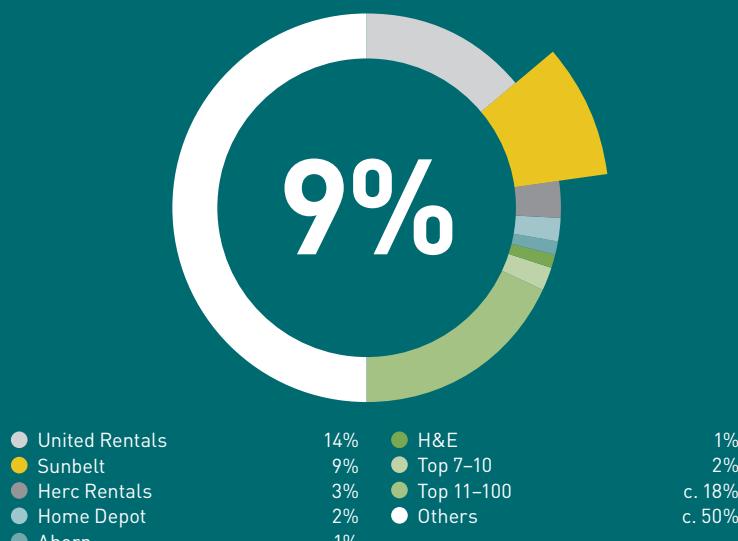
Source: IHS Markit (May 2019).

02 CONSTRUCTION ACTIVITY BY CYCLE



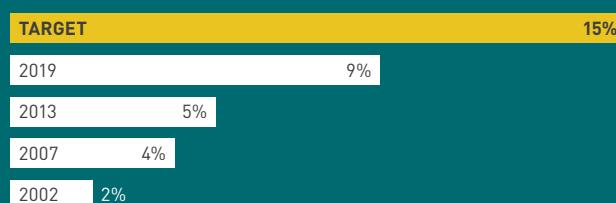
Source: Dodge Data & Analytics (June 2019).

03 US MARKET SHARE



Source: Management estimate based on IHS Markit market estimates.

04 US MARKET SHARE DEVELOPMENT



Source: Management estimates.

OUR MARKETS CONTINUED

This market share analysis is based on the traditional definition of the rental market focused on construction. A significant market for us is property maintenance, repair and operation characterised by square footage under roof. In the US there is 87bn square feet under roof and we believe this represents a potential rental market of \$7-10bn, with minimal rental penetration at the moment. It is not a new market for Sunbelt but one with increasing opportunity as we demonstrate the benefits of rental through Availability, Reliability and Ease. One consequence of this is that we believe the size of the rental market is understated and hence our, and everyone else's, market share is overstated. This only serves to increase the opportunities for growth.

We are confident that as the market grows, our share will also increase. We have a good track record of success having doubled our market share since 2010. We continue to set ambitious targets for continuing to increase our market share, with an initial goal of 15%. The speed with which we increase our market share is in part a function of how quickly we can get new locations up and running. However, as noted above, our market share growth also comes from continuing to broaden both our end markets and the range of equipment we have available to rent in each location (more on this in our strategy section on page 22).

The combination of our business model, which you can read more about on page 16, the continuing strong economy and the long-term trend to rental, provides the perfect environment for us to achieve our goals. In addition, our market share gains accelerate as we make the most of our scale advantages. In the longer term, we believe that US market share in the order of 20% is an attainable goal.

As we increase our market share and grow our specialty businesses, they become a greater proportion of the mix across the cycle. The acquisitions we make are often to expand into a new specialty area or to develop an existing one and then we supplement them with greenfield openings.

The trend to rental

The trend of rental penetration in the US continues to be positive for the industry as our customers have become accustomed to the flexibility of an outsourced model. Between 2010 and 2019, increased rental penetration effectively grew our end market by 20 to 25%. We see this trend continuing, which will provide similar levels of market growth over the coming years. Rental still only makes up around 55% of the US market compared to around 75% in the UK. However, this is a broad average with penetration levels ranging from single to low double-digit percentages for, say, floor scrubbers to 90%+ for large aerial equipment.

We like specialty products because they are at the low end of this range, which provides greater scope for growth. We see the potential market penetration for rental equipment to be well over 60% in the US. The short-term drivers of this evolution are the significant cost inflation in recent years associated with the replacement of equipment, technical changes to equipment requirements that make rental more attractive and health, safety and environmental issues which make rental more economical and just easier. In addition, our customers are ever more used to renting equipment rather than owning it themselves.

87bn

SQUARE FEET UNDER ROOF IN THE US

The diversity of our fleet helps us take advantage of the increasing trend to rental and we continue to expand the range of products we rent. Our customers often assume we will be able to fulfil their equipment needs with a rental product for an ever-widening range of applications. If your fleet consists of equipment which is already predominantly rented, like telehandlers and large booms, you are not necessarily benefitting from increased rental penetration as it is probably as high as it is likely to get. However, if you have a broader mix of fleet, then there is significant further upside to come from increased rental penetration.

The combination of increased environmental regulations on engines leading to higher replacement costs, more stringent health and safety requirements and technological advancements also make renting an increasingly attractive proposition. For example, environmental regulations have driven further rental penetration through the reduction in fleet size by those customers who previously may have chosen to own some if not all of their larger equipment needs.

Customers and smaller competitors with older fleets are faced with heavier replacement spend causing them to either replace less and rent or reduce their fleet size. Furthermore, the difficulties of getting to grips with new technology and maintenance requirements have also caused more operators to decide to rent. Maintaining optimally-serviced and therefore safe equipment can be a big outlay for a smaller operator. Therefore we continue to invest in keeping our fleet in the best condition it can be to take advantage of the increased demand for rental.

Our own development and use of technology is also driving rental penetration. Our highly sophisticated proprietary customer management, inventory and delivery tracking systems enable us to make our customers' rental experience one of Availability, Reliability and Ease. Our customers are increasingly willing to rent different types of equipment from us, more often. (More on this in the section on strategy on page 22.)

“The proportion of the market enjoyed by the larger players continues to increase.”

Canada

A fast-growing market

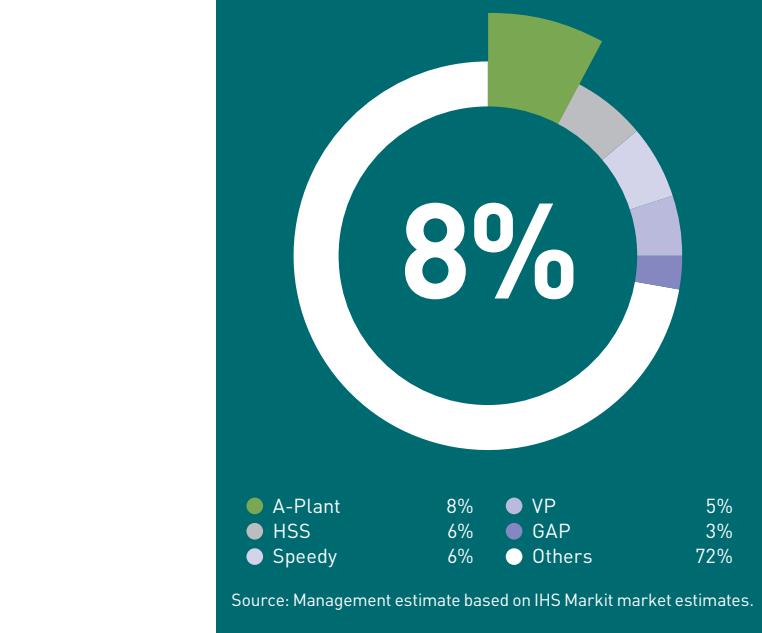
Canada is still a relatively new and fast-growing market for us. The existing rental market is just over a tenth of the size of the US. But in the same way that the US has experienced structural growth as more and more types of equipment are rented for different applications, we expect similar trends in Canada in the longer term. Our share of the Canadian rental market is around 4%. There is plenty of scope to develop this in the same way as in the US and we are growing rapidly. IHS Markit predicts Canadian rental revenue to grow between 4 and 6% annually through 2021. We anticipate growing more rapidly as we take market share and broaden our offering.

Our entry to the Canadian market was focused first on the southwest corner of Canada where we acquired a small business in 2014, GWG Rentals, with a strong management team. Using this as a base, we then opened a series of greenfields and made a number of small bolt-on acquisitions to expand the business. We now also have a significant presence in Ontario through the acquisitions of CRS in 2017 and Voisin's in 2018 and are expanding in Edmonton, Calgary and Winnipeg. We are creating a strong platform from which to grow.

Sunbelt Canada has had pro forma rental only revenue growth of 18% this year and in five years we have gone from six stores to 67. The rental market has, to date, been construction focused, but we continue to develop new markets such as the film industry in Vancouver. In addition, we have added our power and flooring solutions specialty businesses this year. Customers who traditionally rented mainly aerial work platforms are now renting smaller equipment as well. Customers are increasingly seeing the benefits of working with us to fulfil the full range of their rental needs. Prior to our arrival there was no branded equipment in the market. Our cluster approach (more on this in our section on strategy on page 26) also means we are able to be closer to our customers than has previously been the case.

Across the country there are variances in the mix of fleet we have on rent. In Western Canada we see more customer demand for aerial work platforms ('AWP') especially through our work servicing the film and TV industry. In the resource-rich areas of Canada there is more demand for extraction equipment and this is reflected in the fleet mix available. We see great opportunities for expanding our specialty and AWP businesses, especially in Ontario. As we expand in other provinces we expect to generate more business from Canada's resources industry.

Our initial goal is to achieve market share of 5% and for Canada to make up between 15-20% of the North American business.



The UK

Economic resilience

The UK market is more challenging and although we expect it to continue to grow, this will be at a more moderate pace for the foreseeable future. A contributory factor has been the continuing uncertainty around Brexit. Structural growth opportunities are more difficult to come by because of an already high level of rental penetration. Nonetheless, A-Plant continues to grow, making bolt-on acquisitions and taking market share. A-Plant also performs better and is more resilient than many of its peers. Table 05 shows the outlook for UK construction. Given the good overall construction market, we will continue to invest responsibly in the UK market as we seek to increase market share and enhance returns.

Market share

We continue to be the largest equipment rental company in the UK. There are a greater number of major players in the UK market and, as the largest, we only have an 8% market share.

Chart 06 shows our key competitors and their share of the market. We believe we continue to be well-positioned in the market with our strong customer service, broad-based fleet and strong balance sheet. We continue to broaden our customer base and have focused our investment on specialty sectors within the market. This has proven successful in growing our market share.

05 UK CONSTRUCTION INDUSTRY FORECASTS

	2017 actual	2018 forecast	2019 forecast	2020 projection	2021 projection	% of total
£m constant 2016 prices						
Residential	55,880	57,759 +3.4%	56,968 -1.4%	57,746 +1.4%	58,324 +1.0%	35%
Private commercial	48,651	47,895 -1.6%	46,158 -3.6%	45,255 -2.0%	44,876 -0.8%	27%
Public and infrastructure	57,965	57,926 -0.1%	59,739 +3.1%	62,115 +4.0%	64,662 +4.1%	39%
Total	162,496	163,580 +0.7%	162,865 -0.4%	165,116 +1.4%	167,862 +1.7%	100%

Source: Construction Products Association (Spring 2019).

CREATING SUSTAINABLE VALUE

We create value through the short-term rental of equipment that is used for a wide variety of applications to a diverse customer base. Our rental fleet ranges from small hand-held tools to the largest construction equipment and is available through a network of stores in the US, Canada and the UK.

WHAT WE DO

We have a platform which enables our customers to rent what they want, when they want and where they want with ease.

Purchase

We buy a broad range of equipment from leading manufacturers.

Rent

We rent it on a short-term basis to a broad range of customers.

Sell

We sell the old equipment in the second-hand market.

HOW WE DO IT

MANAGING THE CYCLE

Planning ahead

Careful balance sheet management

Differentiating the fleet

- › Broad fleet mix
- › Highly responsive (no job too small)
- › Scale to meet size and range of requirement

[→ Page 18](#)

Ensuring operational excellence

- › Optimal fleet age
- › Nationwide networks in US and UK and a growing one in Canada
- › Long-term partnerships with leading equipment manufacturers
- › Focused, service-driven approach
- › Strong customer relationships
- › Industry-leading application of technology

[→ Page 18](#)

Enabling our customers to rent what they want, when they want and where they want with ease

AVAILABILITY

Range of products and services

- › General tools
- › Air compressors and accessories
- › Compaction and earth moving
- › Climate control services
- › Power and HVAC
- › Pump solutions
- › Remediation and restoration

Adapting our fleet and cost position	Taking advantage of opportunities
Investing in our people	Maximising our return on investment
<ul style="list-style-type: none"> › Highly skilled team › Devolved structure › Maintaining significant staff continuity › Strong focus on recruitment, training and incentivisation <p>→ Page 19</p>	<ul style="list-style-type: none"> › Effective management and monitoring of fleet investment › Optimisation of utilisation rates and returns › Flexibility in local pricing structures › Focus on higher-return equipment › Appropriate incentive plans consistent with improved returns <p>→ Page 19</p>
RELIABILITY	EASE
Network <ul style="list-style-type: none"> › Logistics › Bricks and mortar › Customers › Our people › Clusters 	Technology to simplify <ul style="list-style-type: none"> › CommandCenter › Accelerate › MSP › VDOS

VALUE CREATION



Rental solutions

The provision of cost-effective rental solutions to a diverse customer base.

[→ Page 18](#)



Long-term relationships

Developing long-term relationships with customers and suppliers.

[→ Page 18](#)



Enhancing communities

Enhancing the communities in which we operate, through employment, opportunity and community involvement.

[→ Page 54](#)



Sustainable returns

Generating sustainable returns for shareholders throughout the cycle.

[→ Page 18](#)

WHAT WE DO IS SIMPLE. HOW WE DO IT IS NOT.

On-site hire depot and contractors' village for long-term maintenance and construction projects.

Providing temporary climate control solutions for retail premises, office buildings and construction sites.

Renting generators, access equipment, lighting, barriers and temporary trakway to an outdoor music festival.



Designing bespoke lifting solutions for complex problems, including lifting the façade onto multi-storey buildings.



At its most basic, our model is simple – we purchase an asset, we rent it to customers through our platform and generate a revenue stream each year we own it (on average, seven years) and then we sell it in the second-hand market and receive a proportion of the original purchase price in disposal proceeds. Assuming we purchase an asset for \$100, generate revenue of \$55 each year (equivalent to 55% dollar utilisation) and receive 35% of the original purchase price as disposal proceeds, we generate a return of \$420 on an initial outlay of \$100 over an average seven-year useful life. We incur costs in providing this service, principally employee, maintenance, property and transportation costs and fleet depreciation. However, this simple overview encompasses a significant number of moving parts, activities and expertise that powers the platform to ensure Availability, Reliability and Ease. Our ability to excel in these areas enables us to generate strong margins and deliver long-term, sustainable shareholder value, whilst managing the risks inherent in our business (refer to pages 32 to 35).

Managing the cycle

We describe ourselves as being a late cycle business in that our biggest end market, non-residential construction, is usually one of the last parts of the economy to be affected by a change in economic conditions. This means that we have a good degree of visibility on when we are likely to be affected, as the signs will have been visible in other parts of the economy for some time. We are therefore able to plan accordingly and react in a timely manner when necessary. Key to the execution of our model is the planning we undertake to capitalise on the opportunities presented by the cycle. The opportunities are for both organic growth, through winning market share from less well-positioned competitors, and positioning ourselves to be able to fund acquisitive growth if suitable opportunities arise. See content on our strategy on page 22.

Differentiating our fleet and service

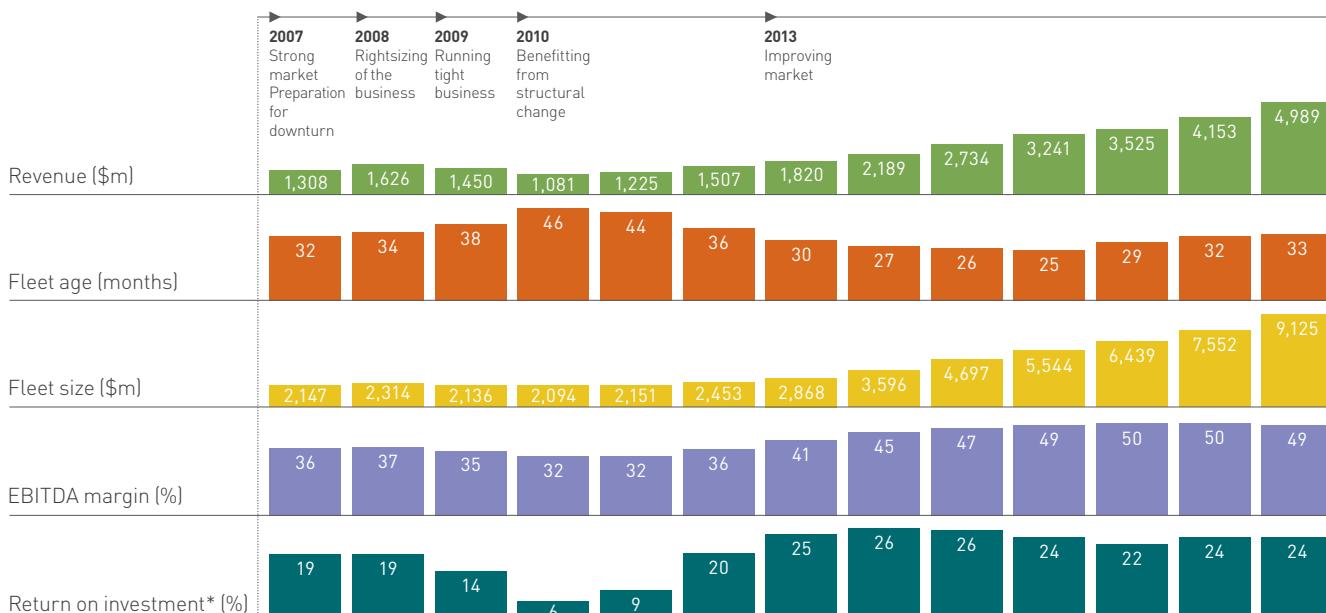
The differentiation in our fleet and service means that we provide equipment to many different sectors. Construction continues to be our largest market but now represents around 45% in the US

as we have deliberately reduced our reliance in this area. We continue to develop our specialty areas such as Power & HVAC, Pump Solutions, Climate Control, Scaffolding, Oil & Gas, Flooring Solutions and Industrial Services which represented 23% of our US business. Residential construction is a small proportion of our business (5%) as it is not a heavy user of equipment. In the UK specialty represents 59% of our business.

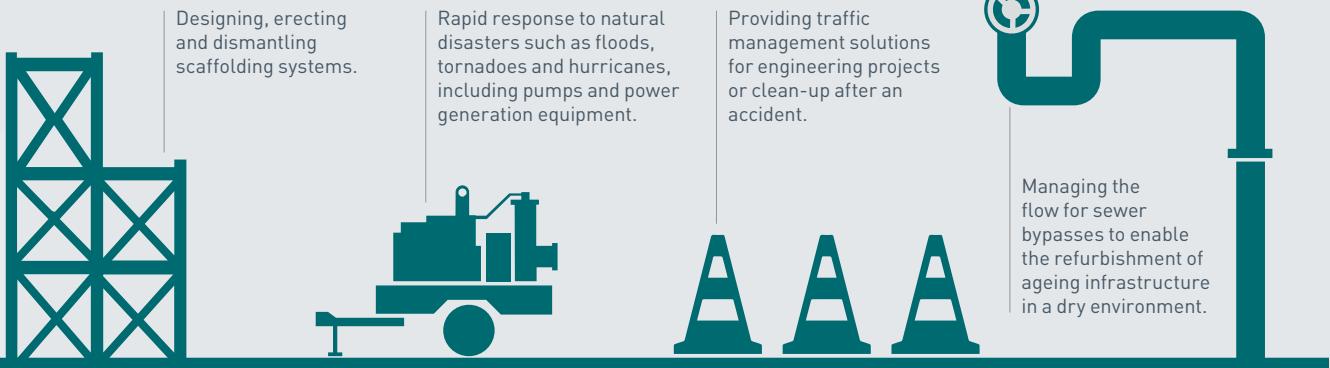
Our customers range in size and scale from multinational businesses, through strong local contractors to individual do-it-yourselfers. Our diversified customer base includes construction, industrial and homeowner customers, service, repair and facility management businesses, as well as government entities and specialist contractors. Our core market is the small to mid-sized local contractor. The nature of the business is such that it consists of a high number of low-value transactions. In the year to April 2019, Sunbelt US dealt with over 620,000 customers, who generated average revenue of \$7,400.

The individual components of our fleet are similar to our peers. However, it is the breadth and depth of our fleet that

07 MANAGING THE CYCLE – SUNBELT US



* Excluding goodwill and intangible assets.



differentiates us from them and provides the potential for higher returns. The size, age and mix of our rental fleet is driven by the needs of our customers, market conditions and overall demand. The equipment we provide to each customer is diverse and we are often involved in supplying various types of equipment over an extended period at each distinct stage of a project's development. Our equipment is also used in a wide range of other applications including industrial, events, repair and maintenance and facilities management.

How we operate

Our operating model is key to the way we deliver operational excellence:

- In the US we achieve scale through a 'clustered market' approach of grouping large and small general tool and specialty rental locations in each of our developed markets. This approach allows us to provide a comprehensive product offering and convenient service to our customers wherever their job sites may be within these markets. When combined with our purchasing power, this creates a virtuous circle of scale. You can find out more on our cluster strategy on page 26.
- In Canada, we have first focused on expanding our presence in the Western and Eastern provinces, also achieving scale through a clustered market approach similar to the US. The businesses we acquired have strong positions in construction equipment, aerial work platforms and general tools. We are expanding the range of products available to customers in all areas, including building up our specialty service offering.
- In the UK, our strategy is focused on having sufficient stores to allow us to offer a full range of general tool and specialty equipment on a nationwide basis. We have migrated our network towards fewer, larger locations which are able to address all the needs of our customers in their respective markets. This difference in approach from the US reflects the nature of the customer base (more national accounts) and the smaller geography of the UK.
- Across our rental fleet, we seek generally to carry equipment from one or two suppliers in each product range and to limit the number of model types of each product. We believe that having a standardised fleet results in lower costs. This is because we obtain greater discounts by purchasing in bulk and reduce maintenance costs through more focused and, therefore, reduced training requirements for our staff. We are also able to share spare parts between stores which helps minimise the risk of over-stocking. Furthermore, we can easily transfer fleet between locations which helps us achieve strong levels of physical utilisation, one of our key performance indicators ('KPIs').
- We purchase equipment from well-known manufacturers with strong reputations for product quality and reliability and maintain close relationships with them to ensure certainty of supply and good after-purchase service and support. We work with suppliers to provide early visibility of our equipment needs which enables them to plan their production schedules and ensures we receive the fleet when we need it. However, we believe we have sufficient alternative sources of supply for the equipment we purchase in each product category.
- We also aim to offer a full service solution for our customers in all scenarios. Our specialty product range includes equipment types such as pumps, power generation, heating, cooling, scaffolding, traffic management, temporary flooring, trench shoring and lifting services, which involve providing service expertise as well as equipment.
- We invest heavily in technology, including the mobile applications required to deliver efficient service as well as high returns. Customers can track the equipment they have on rent, place new orders, request pickup or service or extend their contract while on the go. Our sales reps have access to the same information, along with details of the location of our fleet and all other information required to serve the customer. Technology enables our business and provides power to the platform and a significant advantage over our competitors.
- Our large and experienced sales force is encouraged to build and reinforce customer relationships and to concentrate on generating strong, whole-life returns from our rental fleet. Our sales force works closely with our customers to ensure we meet their needs. Through the application of technology, it is equipped with real-time access to fleet availability and pricing information enabling it to respond rapidly to the needs of a customer while optimising returns.
- We guarantee our service standards and promise our customers we will make it happen. We believe that our focus on customer service and the guarantees we offer help distinguish our businesses from competitors and assist us in delivering superior financial returns. Our responsiveness to customer needs is critical in a business where around 70% of orders are placed for delivery within 24 hours. We have worked with a lot of our customers for many years. Our customer retention is high due to the scale and quality of our fleet, our speed of response and our customer service.
- Our local management teams are experienced and incentivised to produce strong financial returns and high quality standards. We believe that the autonomy given to management teams to take decisions locally ensures that, despite our size, we retain the feel of a small, local business for our employees.

Investing in our people

Our people enable us to provide the exceptional customer service that keeps our customers coming back. Our exceptional staff and focus on service give us a huge competitive advantage in what we do. On page 48 we discuss the importance of our staff and corporate culture in more detail. We aim to recruit good people and then invest in them throughout their careers.

An aerial photograph of a city at night, showing a dense urban area with numerous lit windows in the buildings. A river or body of water is visible in the upper left, with a bridge spanning it. The overall atmosphere is dark and blue-toned.

**ALWAYS
EXPANDING
OUR FLEET**



Diversity of fleet powers our growth

The applications for our fleet have increased exponentially over recent years. While once we were mainly about construction, our fleet now includes the complete range of equipment to assist with climate control, flooring and pumping solutions, shoring, event management and power generation from the smallest to the largest scale. We continuously find innovative new uses for long-standing fleet stalwarts like the scissor lift and aerial work platforms, for example.

An increasing range of specialty equipment

Powering a town in time of peak demand

Three times a year a New England town experiences a significant influx of visitors and the local utility company has trouble keeping up with demand for power. We were able to bring 4 megawatts of power directly into the substation during peak times, preventing the power grid being overloaded or even complete power outages. This keeps the cost of network expansion low but accommodates fluctuating demand.

OUR STRATEGY

Our business will always be cyclical, but the continuing level of structural change in our markets, particularly in the US and Canada, combined with our proven strategy, makes us better able to capitalise on good economic environments and be more resilient to economic downturn.

Our strategy to optimise the opportunities presented by structural change is growth through same-store investment, greenfields and bolt-ons. From 2011 to 2019, we achieved 20% compound annual growth in the US, of which two-thirds was from structural change. Our markets remain full of potential and we do not see that changing in the short term. If the situation does change we will be well prepared. We are always conservative in our approach to maintaining a stable and secure balance sheet throughout the cycle and this enables us to maintain the flexibility we require to manage changes to the business and its environment, as and when they occur. Our focus remains on responsible, sustainable growth.

Our goal in the medium term is to achieve 15% market share in the US, take a 5% share in Canada and grow the UK market share. We continue to believe these are realistic goals given the way the rental market is evolving and the way we do business. Consistent implementation of our strategy across the economic cycle will ensure we are in a strong position at all times to take advantage of the opportunities presented. In the near term, our Project 2021 plan is to grow to 900 locations in North America and be a \$5bn+ revenue business by 2021 and we are on track to deliver that ahead of schedule. The risks that we face in implementing this strategy are discussed on pages 32 to 35.

Our strategic priorities

Build a broad platform for growth



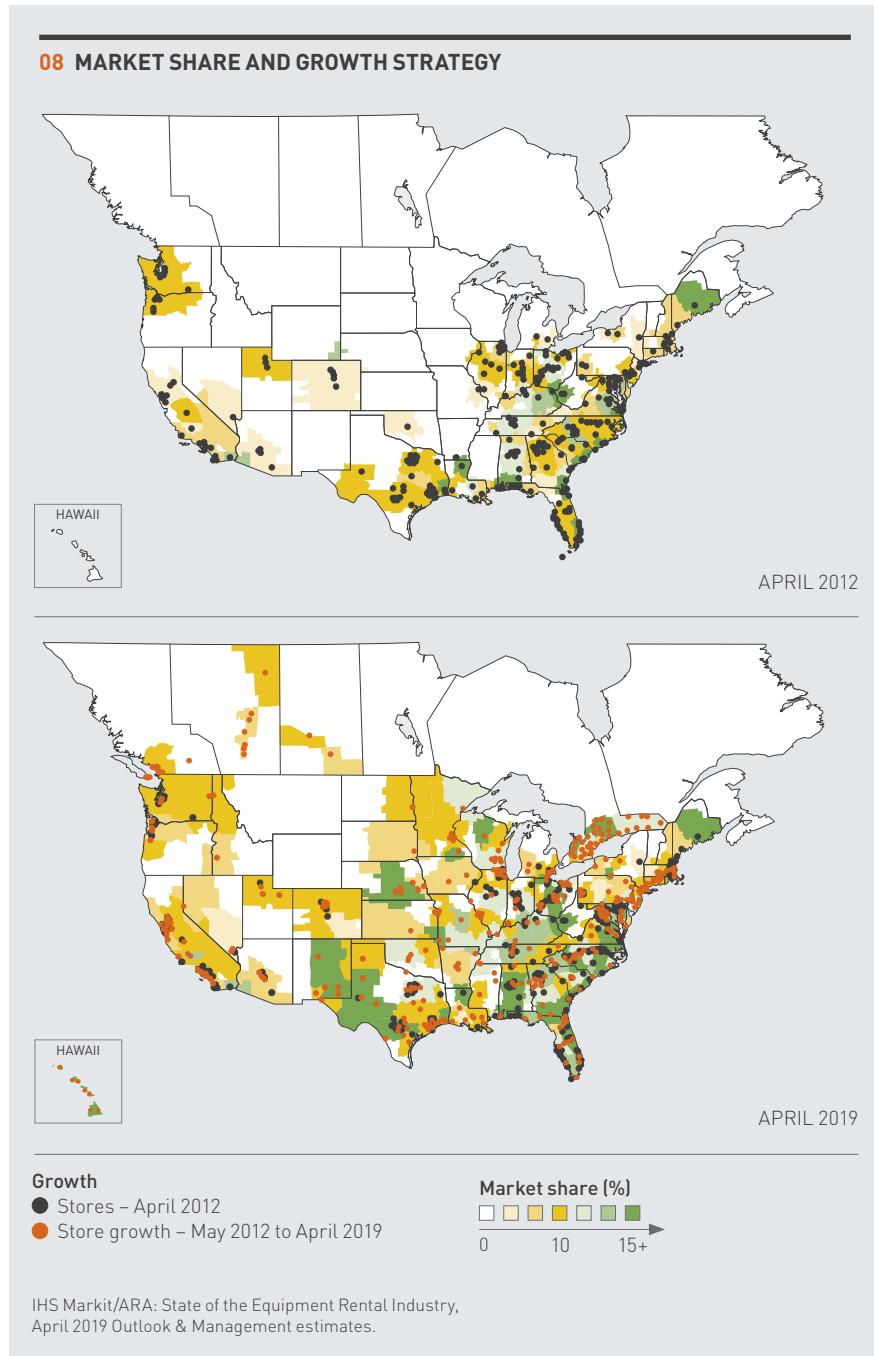
Operational excellence



Maintain financial and operational flexibility



Targets	Key initiatives	Update	Relevant KPIs and risks
<p>Build a broad platform for growth:</p> <ul style="list-style-type: none"> ➢ target 15% US market share ➢ take 5% Canadian market share ➢ increase UK market share 	<ul style="list-style-type: none"> ➢ Same-store fleet growth ➢ Greenfield expansion ➢ Bolt-on M&A ➢ Develop specialty products ➢ Develop diversified clusters in key areas ➢ Increased focus on non-traditional rental equipment 	<ul style="list-style-type: none"> ➢ 9% US market share ➢ 4% Canadian market share ➢ 8% UK market share ➢ 20% increase in US rental fleet at cost ➢ 20% increase in US fleet on rent ➢ 70 greenfield openings in the US ➢ \$684m spent on US acquisitions ➢ C\$128m spent on Canadian acquisitions ➢ £15m spent on UK acquisitions 	KPIs <ul style="list-style-type: none"> ➢ Fleet on rent Risks <ul style="list-style-type: none"> ➢ Competition ➢ People
<p>Operational excellence:</p> <ul style="list-style-type: none"> ➢ improve operational capability and effectiveness ➢ continued focus on service 	<ul style="list-style-type: none"> ➢ Operational improvement: <ul style="list-style-type: none"> – delivery cost recovery – fleet efficiency ➢ Increased use of technology to drive optimal service and revenue growth ➢ ARE initiative: Availability, Reliability, Ease ➢ Focus on culture 	<ul style="list-style-type: none"> ➢ Continued focus on improvement programmes designed to deliver improved dollar utilisation and EBITDA margins 	KPIs <ul style="list-style-type: none"> ➢ Dollar utilisation ➢ Underlying EBITDA margins ➢ RoI ➢ Fleet on rent ➢ Staff turnover ➢ Safety Risks <ul style="list-style-type: none"> ➢ Business continuity ➢ People ➢ Health and safety ➢ Environmental ➢ Laws and regulations
<p>Maintain financial and operational flexibility:</p> <ul style="list-style-type: none"> ➢ RoI above 15% for the Group (excluding IFRS 16) ➢ maintain leverage in the range 1.5 to 2 times net debt to EBITDA (excluding IFRS 16) ➢ ensure financial firepower at the bottom of cycle for next 'step-change' 	<ul style="list-style-type: none"> ➢ Driving improved dollar utilisation ➢ Maintain drop-through rates ➢ Increasing US store maturity ➢ Maintaining financial discipline ➢ Optimise fleet profile and age during the cyclical upturn 	<ul style="list-style-type: none"> ➢ Strong RoI at 18% (2018: 18%) ➢ Sunbelt US dollar utilisation of 55% (2018: 55%) ➢ Sunbelt Canada dollar utilisation of 49% (2018: 60%) ➢ A-Plant dollar utilisation of 47% (2018: 48%) ➢ Fall through of 49% and 52% in Sunbelt US and A-Plant ➢ Sunbelt US EBITDA margin of 49% (2018: 50%), Sunbelt Canada EBITDA margin of 36% (2018: 30%) ➢ A-Plant EBITDA margin of 35% (2018: 35%) ➢ Leverage of 1.8x EBITDA <p>Fleet age remains appropriate at this stage of the cycle:</p> <ul style="list-style-type: none"> ➢ Sunbelt US 33 months (2018: 32 months) ➢ Sunbelt Canada 30 months (2018: 28 months) ➢ A-Plant 38 months (2018: 32 months) 	KPIs <ul style="list-style-type: none"> ➢ RoI ➢ Dollar utilisation ➢ Underlying EBITDA margins ➢ Leverage ➢ Net debt Risks <ul style="list-style-type: none"> ➢ Economic conditions ➢ Competition ➢ Financing

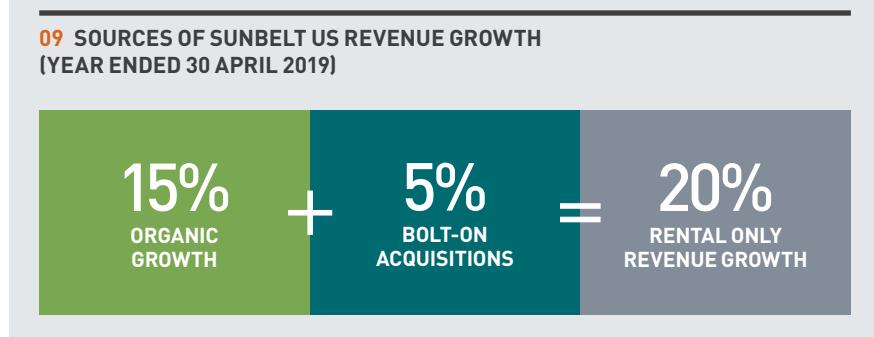


Building a broad platform for growth

The first of our strategic priorities is to build a broad platform for same-store growth supplemented by small bolt-on acquisitions and new greenfield sites. Our platform is not only our physical stores but our people and delivery fleet. You can see from the maps how we have made an enormous impact on the US market since 2012 and how much potential there still is to grow. We have added over 450 new locations in the US since we embarked on our strategy for growth in 2012. Anything in green on the map is where we already have over 10% market share. Areas in dark green are where we have over 15%. It is only a matter of time before we achieve similar results across a broader geography because we now have the scale, competitive advantage and balance sheet strength to reach our targets. We believe there is significant opportunity for expansion in both existing and new geographies, with the ability to reach our initial target of 875 locations in the US earlier than planned and then go further.

We also see similar opportunities to build a broad platform as we expand in the Canadian market. When we entered the market in 2014 we had six locations in Western Canada. We now have 67 locations with a growing presence in Eastern Canada and we plan to expand in the interior provinces. We will achieve this through a combination of new greenfield sites and acquisitions.

There is a drag on margins when we open new stores but they improve quickly as they deliver more revenue and later broaden the fleet and customer mix. The same happens with acquisitions because we buy businesses that we can improve, either operationally or through additional investment, or both. However, our focus remains on same-store growth which generates the best returns. This same-store growth is supplemented with greenfields, either building out clusters or entering new markets. This investment drove organic growth of 15% which is part cyclical market growth and part structural growth. So even if the market stops growing, our stores can continue to grow because that structural part of the growth is independent of the market. This is why we are consistently able to outperform both our competitors and the market. The strength of our brand and reputation means that new greenfield sites become profitable very quickly. We are pleased to report that this is also the case in Canada where in five years, we have gone from being unknown to now being a recognised and trusted partner.



10 BUSINESS MIX – SUNBELT US

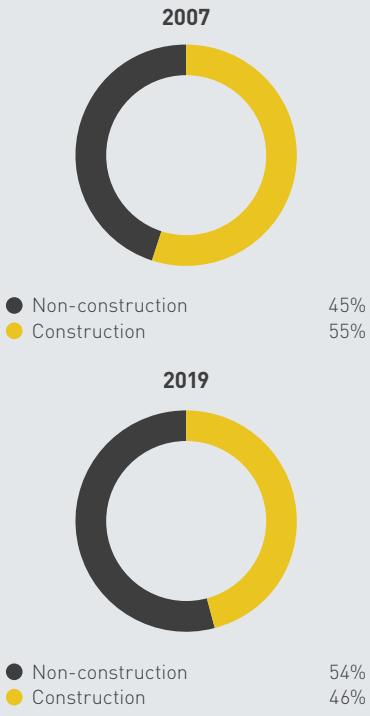


Chart 09 shows the revenue growth and mix from organic growth and bolt-on acquisitions. When we add the 5% growth from our bolt-on acquisitions, rental revenue growth becomes 20%, of which around three quarters is structural and not driven by market growth. Our strategy capitalises on both structural and cyclical factors to drive our revenue growth.

Structural growth is people choosing to rent more equipment (increased rental penetration) and the big getting bigger (increased market share). We are able to keep growing because we prioritise investment in the fleet and have the financial security to be able to do that. Our customers want good quality fleet, readily available to meet their needs. Investing in a broad range of fleet and backing that up with great service means our customers remain loyal and do not need to look elsewhere. Prioritising higher return on investment ('RoI') products further helps our growth.

We are always on the lookout for the best opportunities and the flexibility in our model enables us to act quickly when we need to, whether that be opening a new greenfield site or making an acquisition. We are also flexible in the mix of greenfields and bolt-on acquisitions depending on the opportunities we see. Further diversifying the business is also a priority and opportunities that allow us to diversify and expand our specialty businesses are particularly key to our strategy of building a broader base for growth.

Our specialty businesses are a strategic priority and have grown from 16% of our business in 2011 to 23% in 2019. This year 48 of our 70 greenfield openings in the US were specialty stores and we added

40 specialty stores through acquisition. We aim to build specialty businesses generating \$2bn of revenue in time. We have always said we wanted to reduce our dependence on the construction industry. The increase in our specialty businesses is one way in which we have increased the ratio of our non-construction business, as can be seen in chart 10.

Specialty markets are typically characterised by low rental penetration and a predominance of small local players. We continue to see further opportunity as we consolidate and improve the service offering leading to market growth from increased rental penetration as our customers become accustomed to the quality of our offering.

As mentioned elsewhere, we are building our rental penetration through expansion of the types of equipment we rent. As well as our specialty businesses, we are increasingly focused on developing the rental penetration of the smaller end of our product range. Chart 11 shows how the largest equipment in our fleet has high levels of rental penetration while the smaller, but often still costly to own, equipment has not traditionally been a large part of the rental mix.

One of the ways that we are encouraging customers to think about hiring smaller tools is by making it as easy and cost-effective to hire them as it is to hire larger equipment. For example, ToolFlex is a subscription-type service that allows customers to hire and exchange a set number of tools and equipment as often as they want for a flat fee per month. This fee is cheaper than if the items were to be hired individually and the programme is proving very popular with smaller customers.

11 RENTAL PENETRATION: THE PRODUCT RANGE



12 OPPORTUNITY OF MATURING CLUSTERS FOR SUNBELT US

Market profile	Non-construction	Operating profit % ¹	RoI ²
Mature	>60%	39%	29%
Mid-term	c. 40%	37%	26%
Early	c. 20%	37%	24%

Top 100 markets, excluding FY19 openings.

1 EBITA margin calculated excluding central overheads.

2 RoI calculated with reference to profit centre contribution, excluding central overheads.

Average investment excludes goodwill and intangible assets.

needs vary depending on their size. Our smallest customers have rental revenue spend with us of less than \$20,000 a year but represent 96% of our customers by number. These smaller customers tend to require higher levels of service but can incur a higher transactional cost. Our medium-sized customers often need equipment for longer periods of time and can command a discounted service. Our largest customers are our national accounts who have large-scale and often very sophisticated requirements. We have gained significant market share in all types of customer due, in part, to the strength of the relationships we build.

Our focus on operational excellence across the board drives our financial performance. Improving operational efficiency is an ongoing focus and we constantly strive to maintain high levels of fleet on rent, improve the organisation of our stores, analyse how we load our delivery trucks, optimise our delivery and pick-up routes and how we spend time at the customer location, for example. As with any multi-location business, all locations are good at some of this, some locations are good at all of it – our goal is for all locations to be good at all of it.

Technology is playing an increasingly large part in delivering Availability, Reliability and Ease to customers, as we develop proprietary applications to improve the rental process. Sunbelt's complete digital eco-system begins with our online CommandCenter, including a mobile app, where customers can see and manage everything to do with their account. They can track what equipment they have on rent, order new items from the entire range, see what they've rented recently, request service or a pickup, extend their contract, see store locations, log their favourite equipment, etc.. Our sales reps have access to all of this information, as well as a very powerful customer relationship management tool, Accelerate, which enables them to find out where available equipment is located, customer contacts, preferences and potential needs, and all other information relevant to serving the customer. Finally, our Vehicle Delivery Optimisation System ('VDOS') is used by dispatchers to manage pickup and delivery of equipment at job sites, and schedule drivers who are able to access it on their mobile phones. There are vast amounts of data behind these applications which we utilise to make efficiency gains, add depth to our growth strategy and provide more accurate strategic forecasts. We have similar tools in the UK and in Canada.

13 OPPORTUNITY TO BUILD OUT FURTHER CLUSTERS, SUNBELT US

Rental markets	Top 25	26–50	51–100	101–210
Rental market %	57%	19%	15%	9%
Cluster definition	>15	>10	>4	>1
Clustered	8 markets	7 markets	9 markets	16 markets

Source: Management information.

Our cluster approach is also an important aspect of building a broad platform for growth. Our greenfield sites are chosen carefully to enhance our existing business. We focus on building clusters of stores because, as can be seen in chart 12 as our clusters mature, they access a broader range of markets unrelated to construction leading to better margins and RoI.

A top 25 market cluster in the US has more than 15 stores, a top 26–50 market cluster more than ten stores and a top 51–100 market more than four stores. We also include the smaller 101–210 markets within our cluster analysis. We have found that these smaller markets, while performing less well than others overall, often prove more resilient when times are less good. Our definition of a cluster in these markets is two or more stores. Creating clusters is also a key element of our expansion strategy in Canada which also helps us increase the specialty business element of what we can provide for customers. With the advanced technology we have in place, we are able to analyse local market data very accurately. This allows us to find similarities between certain US and Canadian centres, and model our growth plan accordingly. The more customers get to know and trust us, the faster our growth becomes.

We focus on ensuring our clusters meet the multiple needs of local customers even if that means some stores may appear superficially to perform less well than others. The interaction of the stores in a cluster is what gives us real competitive advantage. We find that having one large anchor location is highly desirable and we like to mix up the large equipment

locations with smaller general tool stores. The addition of specialty stores serves to really differentiate us from competitors in the area. Average revenue per store is not a relevant measure with which to evaluate the success of individual clusters or even the business as a whole. The value is in the mix.

Operational excellence

The second of our strategic priorities is constantly improving our operational capability and effectiveness, doing what we do to the very best of our ability. Customer service is a crucial element of this and we continue to build market share because we are in the right locations and providing better equipment with a higher quality of service than our competitors. Our reputation for good service is now such that when we open a new location, that store moves quickly up the revenue curve because we are already well known for what we do and how we do it. Our mantra is that our customers' rental experience should be one of Availability, Reliability and Ease. Getting these aspects right helps drive growth.

We want our customers to be delighted by our service and our culture empowers staff to do the right thing and get things done. The Ashtead culture is one of empowered entrepreneurship where staff pay just as much attention to our smaller customers as to our larger ones. Maintaining low staff turnover and high staff safety levels are crucial to our strategy for operational excellence and you can read more about these in our Responsible business report on page 44.

In Sunbelt US, we have three main categories of customers whose service



INTERSTATE ACQUISITION

We acquired the Interstate business in August 2018. The addition of this business, with a notable presence in the large New York City and Philadelphia markets accelerates our clustering in those regions with all the cross-selling and margin enhancement benefits this brings.

Our bolt-on strategy always focuses on revenue synergies and the Interstate deal is a good example of this. We acquired a business with a good market presence, in areas where Sunbelt has been historically under-represented. However, their product offering was purely aerial. We now have an opportunity to cross-sell our broader product offering into the Interstate customer base and we have a better aerial service for our existing customers.

By introducing a broader customer base and product range, and leveraging our platform overall, we increased time utilisation from 60 to 73% in the first ten weeks post acquisition, all while improving utilisation in the incumbent Sunbelt locations in the same markets. Bolt-ons and greenfields will always have some drag on average rental rates, but as rates inevitably follow time utilisation, we see these improve over time as the benefits of our platform take effect.

Financial and operational flexibility

Maintaining financial and operational flexibility enables us to flex our business and operational models through the economic cycle. As we have said elsewhere, this enables us to react quickly to both negative changes in the market and opportunities of which we want to take advantage. The more growth we experience and plan for, the more financial and operational flexibility we need. A key element of our strategy is ensuring we have the financial strength to enable growth when appropriate and make our returns sustainable. Having a strong balance sheet is fundamental to our success at all stages in the cycle.

A core element of our financial stability comes from our strategy of ensuring that, averaged across the economic cycle, we always deliver RoI well ahead of our cost of capital. RoI through the cycle is the key measure for any rental company and the best medium-term indicator of the strength of the business. We do this in a variety of ways at different stages of the cycle, all focused on the effective management of invested capital and financial discipline.

The maturity of our stores has a big impact on RoI. As stores mature and get bigger and broaden their fleet range there is natural margin and returns progression. Stores that were greenfield sites only two years ago are now already adding same-store growth. We are always focused on moving new and young stores up the maturity curve as there is scope for higher returns as they progress. This also means that we are now at a very different stage in our evolution in the current economic cycle relative to where we were in the last cycle. We have more stores overall and they are larger and more mature than at the peak of the last cycle, so we are much better placed to weather the next downturn when it comes, as we know it will.

We have continued, over recent years, to be consistent in our commitment to both low leverage and a young fleet age and we benefit from the options this strategy has provided. Traditionally, rental companies have only generated cash in a downturn when they reduce capital expenditure and age their fleet. In the upturn, they consume cash as they replace their fleets and then seek to grow. We have changed this dynamic through this cycle with our scale and strong margins. We are in a phase where we continue to grow the business in a cyclical upturn and are highly cash generative. As a consequence,

our leverage would trend naturally towards the lower end of our target range of 1.5 to 2.0 times net debt to EBITDA (excluding IFRS 16) which provides the Group with significant flexibility and security. This gives us even more flexibility to invest in growth, which is what we are doing. We get significant competitive advantage from our younger fleet and our purchasing power. Our strong balance sheet allows us to capitalise on this advantage in both North America and the UK.

From this position of strength in the up-cycle, we can ensure we have sufficient financial resources at the bottom of the cycle to prepare for the next 'step-change' in the market and capitalise on growth opportunities in the early stages of the next recovery.

In terms of fleet investment, we are replacing fleet bought at the bottom of the last cycle and the early part of recovery when spend was lower. As a result, our replacement capital expenditure is lower than it would be in steady state and will increase towards £1bn in the coming years. While we will flex short-term spend to reflect market conditions, we are committed to our long-term structural growth. So once again we will be opening around 80 greenfield locations in North America next year and expect to continue to do so in the medium term. We anticipate market-leading growth across the business but with the added benefit of significant cash generation.

In 2008 and 2009 our financial and operational flexibility enabled us to adjust our fleet spend more quickly and aggressively than the rest of the market as we entered a downturn in the cycle. Our model is very flexible and has proven itself to be adjustable very quickly, when market conditions require. We are very conscious that we have to know both when to spend and when not to.

MEASURING OUR PERFORMANCE

At Group level, we measure the performance of the business using a number of key performance indicators ('KPIs').

These help to ensure that we are delivering against our strategic priorities as set out on page 22. Several of these KPIs (underlying EPS, return on investment and leverage) influence the remuneration of our executive team (see page 74).

Certain KPIs are more appropriately measured for each of our operating businesses, whereas other KPIs are best measured for the Group as a whole.

Link to strategic priority



Build a broad platform for growth



Operational excellence



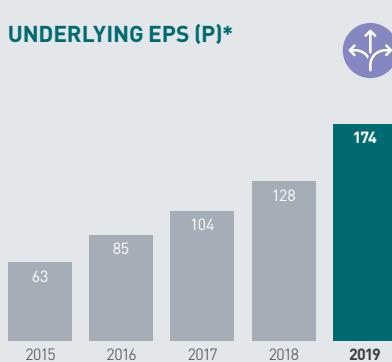
Maintain financial and operational flexibility

→ Metrics relating to environmental matters are set out within our Responsible business report on page 56.

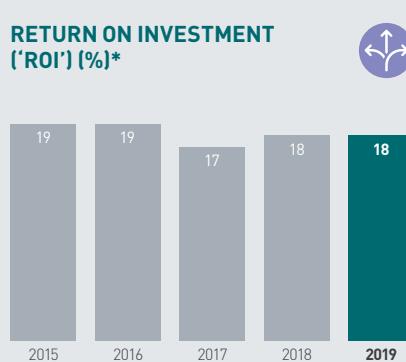
* Linked to remuneration

1 No data is available for Sunbelt Canada on a comparable basis due to the acquisition of CRS in August 2017.

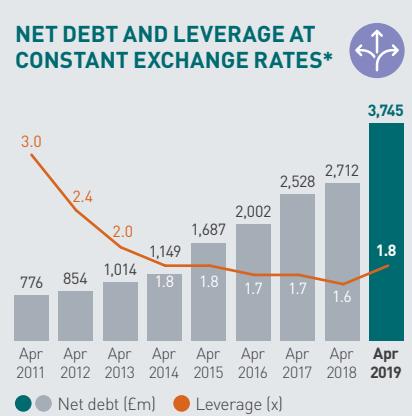
UNDERLYING EPS (P)*



RETURN ON INVESTMENT ('ROI') (%)*



NET DEBT AND LEVERAGE AT CONSTANT EXCHANGE RATES*



Calculation

Underlying Group profit after taxation divided by the weighted average number of shares in issue (excluding shares held by the Company and the ESOT).

Target

As a cyclical business, underlying EPS varies substantially through the cycle.

2019 performance

Underlying EPS improved to 174.2p per share in 2018/19.

Calculation

Underlying operating profit divided by the sum of net tangible and intangible fixed assets, plus net working capital but excluding net debt and tax.

Target

Averaged across the economic cycle we look to deliver RoI well ahead of our cost of capital, as discussed in our strategic review.

2019 performance

Our RoI was 18% for the year ended 30 April 2019.

Calculation

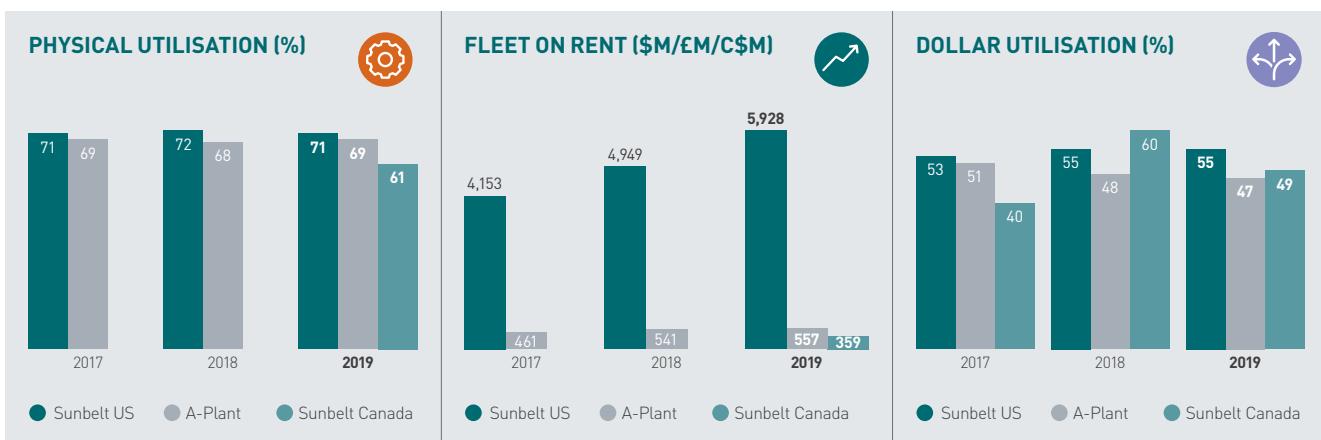
Net debt is total debt less cash balances, as reported, and leverage is net debt divided by underlying EBITDA, calculated at constant exchange rates (balance sheet rate).

Target

We seek to maintain a conservative balance sheet structure with a target for net debt to underlying EBITDA of 1.5 to 2 times (excluding IFRS 16).

2019 performance

Net debt at 30 April 2019 was £3,745m and leverage was 1.8 times.

**Calculation**

Physical utilisation is measured as the daily average of the amount of itemised fleet at cost on rent as a percentage of the total fleet at cost and for Sunbelt US is measured only for equipment whose cost is over \$7,500 (which comprised 88% of its itemised fleet at 30 April 2019).

Target

It is important to sustain annual average physical utilisation at between 60% and 70% through the cycle. If utilisation falls below 60%, yield will tend to suffer, whilst above 70% we may not have enough fleet in certain stores to meet our customers' needs.

2019 performance¹

Sunbelt US utilisation was 71% (2017/18: 72%), while A-Plant utilisation was 69% (2017/18: 68%) and Sunbelt Canada was 61%.

Calculation

Fleet on rent is measured as the daily average of the original cost of our itemised equipment on rent.

Target

To achieve growth rates in Sunbelt and A-Plant in excess of the growth in our markets and that of our competitors.

2019 performance¹

In Sunbelt US, fleet on rent grew 20% in 2018/19, whilst in A-Plant it grew 3%. The US market grew 7% and the UK market by 2%.

Calculation

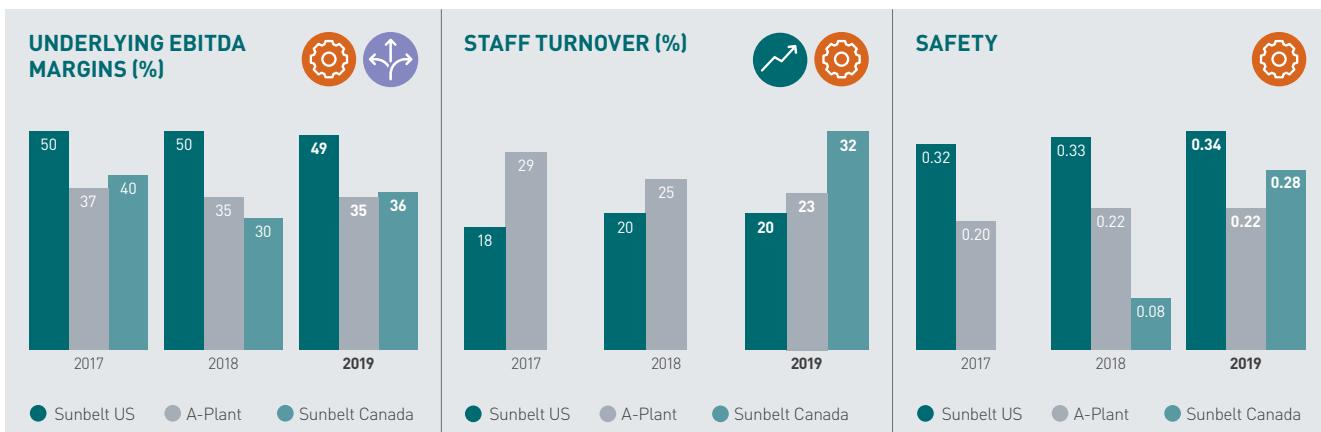
Dollar utilisation is rental revenue divided by average fleet at original (or 'first') cost measured over a 12-month period.

Target

Improve dollar utilisation to drive improving returns in the business.

2019 performance

Dollar utilisation was 55% in Sunbelt US, in line with what it was a year ago. In Sunbelt Canada, it was 49%, reflecting the mix of business with a full year of CRS and the impact of lower dollar utilisation Voisin's business. In A-Plant it decreased to 47%, principally due to pricing pressure.

**Calculation**

Underlying EBITDA as a percentage of total revenue.

Target

To improve or maintain margins and achieve peak EBITDA margins of 45-50% in Sunbelt US during this cycle, 40-45% in due course in Sunbelt Canada and 35-40% in A-Plant.

2019 performance

EBITDA margins in 2018/19 were 49% in Sunbelt US, 35% in A-Plant and 36% in Sunbelt Canada.

Calculation

Staff turnover is calculated as the number of leavers in a year (excluding redundancies) divided by the average headcount during the year.

Target

Our aim is to keep employee turnover below historical levels to enable us to build on the skill base we have established.

2019 performance¹

Total turnover levels have remained relatively constant for Sunbelt US and A-Plant. Our well-trained, knowledgeable staff remain targets for our competitors. Voluntary employee turnover is lower and discussed on page 48.

Calculation

The RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) reportable rate is the number of major injuries or over seven-day injuries per 100,000 hours worked.

Target

Continued reduction in accident rates.

2019 performance

The RIDDOR reportable rates of 0.34 in Sunbelt US and 0.22 in A-Plant were similar to the prior year. For Sunbelt Canada, the RIDDOR reportable rate was 0.28.

More detail is included in our Responsible business report on page 45.

Making it work for everyone

We don't just provide equipment, but also the team to go with it. Often we will have staff working alongside our customer 24/7, ensuring all maintenance and any additional equipment needs are dealt with promptly. Our engineers and technical staff are on hand to make the job run smoothly and if needed, we'll staff an entire depot on-site, cutting transport cost, as well as unnecessary delivery-related carbon emissions.

Using the latest technology to make things easy and efficient



Enhancing our services offer through online platforms

Our online CommandCenter, also available as an app, allows customers to organise projects and track equipment rented, at any time of the day or night, changing orders if required, quickly and efficiently. In-app weekly reporting, monthly cost comparisons, easy look-up of outstanding invoices, delivery instructions and payment, ensure total accuracy and efficiency. Customers save time, money and frustration with an easy-to-use, all-encompassing, interactive interface.

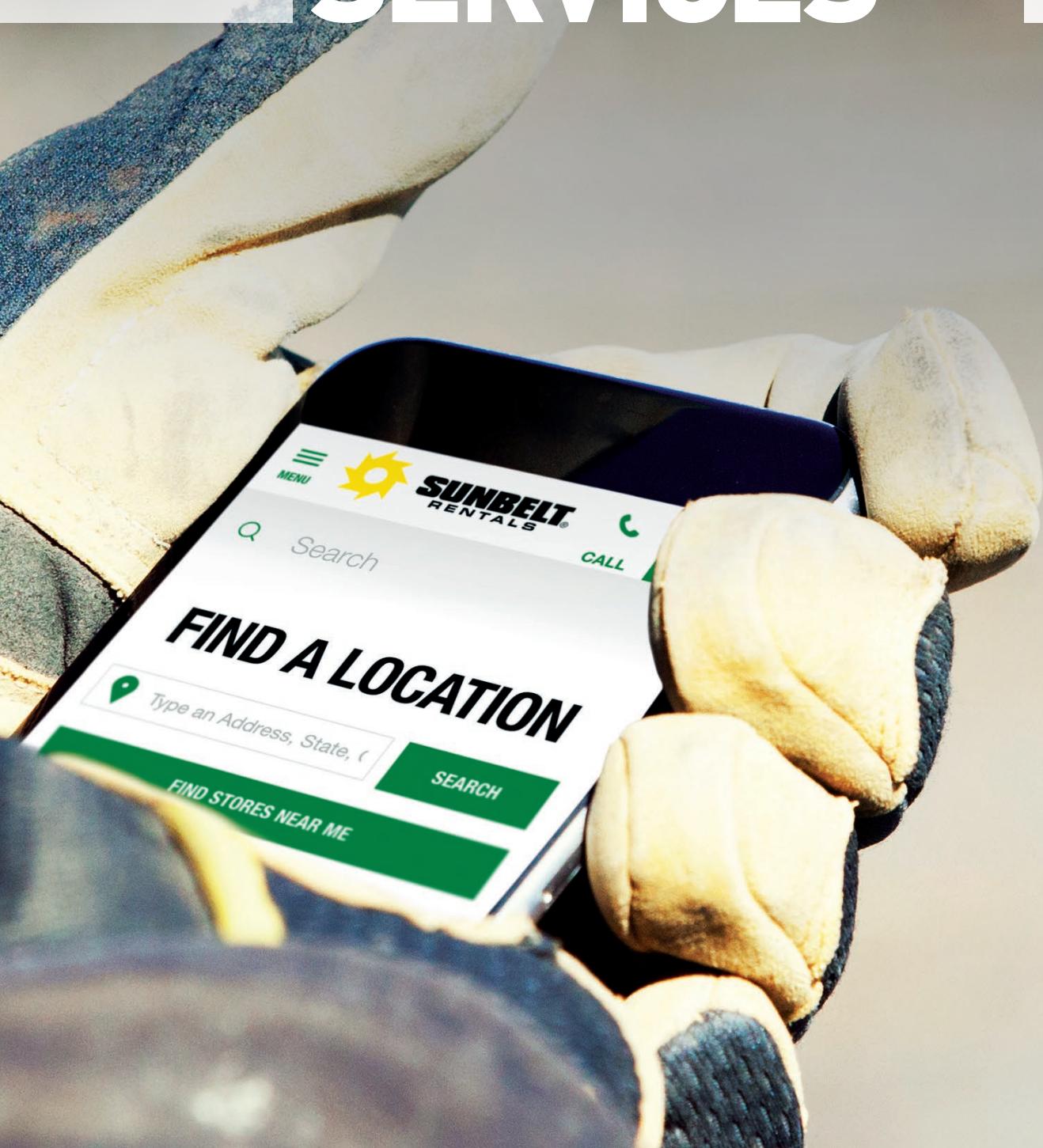
CUSTOMER-CENTRIC SERVICES

STRATEGIC REPORT

DIRECTORS' REPORT

FINANCIAL STATEMENTS

ADDITIONAL INFORMATION



MANAGING OUR RISK

The Group recognises the importance of identifying and managing financial and non-financial risks faced by the business. In response to this, it has developed a rigorous risk management framework designed to identify and assess the likelihood and consequences of risks and to manage the actions necessary to mitigate their impact.

Our risk identification processes seek to identify risks from both a top-down strategic perspective and a bottom-up business perspective. The Board has overall responsibility for risk management, setting of risk appetite and implementation of the risk management policy. This is designed to enable our employees to take advantage of attractive opportunities, yet to do so within the risk appetite set by the Board.

The Group Risk Register is the core of the Group's risk management process. It contains an overall assessment of the risks faced by the Group together with the controls established to reduce those risks to an acceptable level and is maintained by the Group Risk Committee. The Group Risk Register is based on detailed risk registers maintained by Sunbelt

and A-Plant, which are reviewed and monitored through local risk committees. The operation and effectiveness of the local risk committees, which meet at least quarterly, continues to be enhanced. The Group Risk Committee meets as required, but at least twice a year, with the objective of encouraging best risk management practice across the Group and a culture of regulatory compliance and ethical behaviour. The Group Risk Committee reports annually through the Audit Committee to the Board. As part of this process, it reviews the results of the local risk committee assessments. It produces an annual report and updated Group Risk Register which is reviewed by the Audit Committee to assess whether the appropriate risks have been identified and to ensure adequate assurance is

obtained over those risks and then it is presented formally to the Board for discussion, approval and, if appropriate, re-rating of risks. Our risk appetite is reflected in our rating of risks and ensures the appropriate focus is placed on the correct risks. The Board takes a view of the prospects of the business through the cycle and, given the inherent cyclical nature in the business, tends to operate with a low risk appetite. Further detail on our risk management framework and priorities during the year is provided on pages 44 and 45.

RISK MANAGEMENT FRAMEWORK



PRINCIPAL RISKS

Set out below are the principal business risks that could impact the Group's business model, future performance, solvency or liquidity and information on how we mitigate them. We have reassessed our principal risks during the year and have identified 'cyber security' as a principal risk in place of 'business continuity'. This reflects the fact that cyber security risk and disaster recovery are the main factors influencing business continuity. Furthermore, our risk profile evolves as we move through the economic cycle and commentary on how risks have changed is included below.

Change in risk in 2018/19

	Increased risk
	Constant risk
	Decreased risk
	New risk

ECONOMIC CONDITIONS		
Potential impact In the longer term, there is a link between demand for our services and levels of economic activity. The construction industry, which affects our business, is cyclical and typically lags the general economic cycle by between 12 and 24 months. The impact of Brexit on the UK economy is considered part of this risk.		Mitigation <ul style="list-style-type: none"> ➤ Prudent management through the different phases of the cycle. ➤ Flexibility in the business model. ➤ Capital structure and debt facilities arranged in recognition of the cyclical nature of our market and able to withstand market shocks.
		Change Our performance is benefitting from the economic cycle and we expect to see further upside as economic growth continues. However, our longer-term planning is focused on the next downturn to ensure we have the financial firepower at the bottom of the cycle to achieve the next 'step-change' in business performance. As we move further into this cycle, the risk of an economic downturn increases.
Strategic priority		
COMPETITION		
Potential impact The already competitive market could become even more competitive and we could suffer increased competition from large national competitors or small companies operating at a local level resulting in reduced market share and lower revenue.		Mitigation <ul style="list-style-type: none"> ➤ Create commercial advantage by providing the highest level of service, consistently and at a price which offers value. ➤ Differentiation of service. ➤ Enhance the barriers to entry to newcomers provided by our platform: industry-leading IT, experienced personnel and a broad network and equipment fleet. ➤ Regularly estimate and monitor our market share and track the performance of our competitors.
		Change Our competitive position continues to improve. We are growing faster than our larger competitors and the market, and continue to take market share from our smaller, less well financed competitors. We have a 9% market share in the US, a 4% market share in Canada and 8% in the UK.
Strategic priority		
FINANCING		
Potential impact Debt facilities are only ever committed for a finite period of time and we need to plan to renew our facilities before they mature and guard against default. Our loan agreements also contain conditions (known as covenants) with which we must comply.		Mitigation <ul style="list-style-type: none"> ➤ Maintain conservative [1.5 to 2 times excluding the impact of IFRS 16], net debt to EBITDA leverage which helps minimise our refinancing risk. ➤ Maintain long debt maturities. ➤ Use of an asset-based senior facility means none of our debt contains quarterly financial covenants when availability under the facility exceeds \$410m.
		Change At 30 April 2019, our facilities were committed for an average of six years, leverage was at 1.8 times and availability under the senior debt facility was \$1,622m.
Strategic priority		
CYBER SECURITY		
Potential impact A cyber-attack or serious uncured failure in our systems could result in us being unable to deliver service to our customers and/or the loss of data. In particular, we are heavily dependent on technology for the smooth running of our business given the large number of both units of equipment we rent and our customers. As a result, we could suffer reputational loss, revenue loss and financial penalties. This is the most significant factor in our business continuity planning.		Mitigation <ul style="list-style-type: none"> ➤ Stringent policies surrounding security, user access, change control and the ability to download and install software. ➤ Testing of cyber security including system penetration testing and internal phishing training exercises undertaken. ➤ Use of antivirus and malware software, firewalls, email scanning and internet monitoring as an integral part of our security plan. ➤ Use of firewalls and encryption to protect systems and any connections to third parties. ➤ Use of multi-factor authentication. ➤ Continued focus on development of IT strategy taking advantage of cloud technology available. ➤ Separate near-live back-up data centres which are designed to be able to provide the necessary services in the event of a failure at a primary site.
		Change Risk separately identified in current year having previously been considered as part of business continuity risk. We continue to enhance our response to cyber-security threats. Our business continuity plans were reviewed and updated during the year and our disaster recovery plans are tested regularly.
Strategic priority		

→ HEALTH AND SAFETY		
Potential impact We need to comply with laws and regulations governing occupational health and safety matters. Furthermore, accidents could happen which might result in injury to an individual, claims against the Group and damage to our reputation.	Mitigation <ul style="list-style-type: none">➤ Maintain appropriate health and safety policies and procedures regarding the need to comply with laws and regulations and to reasonably guard our employees against the risk of injury.➤ Induction and training programmes reinforce health and safety policies.➤ Programmes to support our customers exercising their responsibility to their own workforces when using our equipment.➤ Maintain appropriate insurance coverage. Further details are provided on page 38.	Change In terms of reportable incidents, the RIDDOR reportable rate was 0.34 (2018: 0.33) in Sunbelt US, 0.28 (2018: 0.08) in Sunbelt Canada and 0.22 (2018: 0.22) in A-Plant. Strategic priority 
→ PEOPLE		
Potential impact Retaining and attracting good people is key to delivering superior performance and customer service. Excessive staff turnover is likely to impact on our ability to maintain the appropriate quality of service to our customers and would ultimately impact our financial performance adversely. At a leadership level, succession planning is required to ensure the Group can continue to inspire the right culture, leadership and behaviours and meet its strategic objectives.	Mitigation <ul style="list-style-type: none">➤ Provide well-structured and competitive reward and benefit packages that ensure our ability to attract and retain the employees we need.➤ Ensure that our staff have the right working environment and equipment to enable them to do the best job possible and maximise their satisfaction at work.➤ Invest in training and career development opportunities for our people to support them in their careers.➤ Ensure succession plans are in place and reviewed regularly which meet the ongoing needs of the Group.	Change Our compensation and incentive programmes have continued to evolve to reflect market conditions and the economic environment. Staff turnover has remained relatively constant with the prior year as our well-trained, knowledgeable staff have become targets for our competitors. Increased focus on recruitment and induction training programmes as our highest level of turnover is within the first two years of employment. We continue to invest in training and career development with over 250 courses offered across both businesses. Strategic priority 
→ ENVIRONMENTAL		
Potential impact We need to comply with environmental laws. These laws regulate such issues as wastewater, stormwater, solid and hazardous wastes and materials, and air quality. Breaches potentially create hazards to our employees, damage to our reputation and expose the Group to, amongst other things, the cost of investigating and remediating contamination and also fines and penalties for non-compliance.	Mitigation <ul style="list-style-type: none">➤ Policies and procedures in place at all our stores regarding the need to adhere to local laws and regulations.➤ Procurement policies reflect the need for the latest available emissions management and fuel efficiency tools in our fleet.➤ Monitoring and reporting of carbon emissions.	Change We continue to seek to reduce the environmental impact of our business and invest in technology to reduce the environmental impact on our customers' businesses. In 2018/19 our carbon emission intensity ratio reduced to 67 (2018: 72) in Sunbelt US and 56 (2018: 67) in Sunbelt Canada. A-Plant's carbon emission intensity ratio was 75 (2018: 74). Further detail is provided on pages 55 and 56. Strategic priority 
→ LAWS AND REGULATIONS		
Potential impact Failure to comply with the frequently changing regulatory environment could result in reputational damage or financial penalty.	Mitigation <ul style="list-style-type: none">➤ Maintaining a legal function to oversee management of these risks and to achieve compliance with relevant legislation.➤ Group-wide ethics policy and whistle-blowing arrangements.➤ Evolving policies and practices to take account of changes in legal obligations.➤ Training and induction programmes ensure our staff receive appropriate training and briefing on the relevant policies.	Change We monitor regulatory and legislative changes to ensure our policies and practices reflect them and we comply with relevant legislation. Our whistle-blowing arrangements are well established and the Company Secretary reports matters arising to the Audit Committee during the course of the year. Further details as to the Group's whistle-blowing arrangements are provided on page 71. During the year over 2,300 people in Sunbelt US, 125 people in Canada and 525 people in A-Plant underwent induction training and additional training programmes were undertaken in safety. Strategic priority 

Assessment of prospects and viability

The prospects of the Group are inherently linked to the environment in which we operate. While our principal market is construction which is cyclical in nature, it represents less than 50% of our business. The balance is non-construction related activity, including, *inter alia*, industrial, events, maintenance and repair and facilities management which, by their nature, are typically less cyclical.

Our markets in the US and Canada are undergoing structural change. Customers are increasingly choosing to rent equipment rather than own it and the fragmented market is consolidating. The Group is well positioned to take advantage of these structural changes. The UK market is more mature and competitive than the US and Canada but A-Plant is the largest rental company in that market and, with the Group's strong financial position, is well positioned to optimise market conditions.

The Board discusses regularly the factors affecting the Group's prospects and the risks it faces in optimising the opportunity presented in its markets. The principal risks, which the Board concluded could affect the business are set out on the preceding pages.

While the Board has no reason to believe the Group will not be viable over a longer period, the period over which the Board considers it possible to form a reasonable expectation as to the Group's longer-term viability, is the three-year period to 30 April 2022. This aligns with the duration of the business plan prepared annually and reviewed by the Board. Furthermore, our committed borrowing facilities do not mature before the end of this period. We believe this provides a reasonable degree of confidence over this longer-term outlook.

The Group prepares an annual budget and three-year business plan. This plan considers the Group's cash flows and is used to review its funding arrangements and available liquidity based on expected market conditions, capital expenditure plans, used equipment values and other factors that might affect liquidity. It also considers the ability of the Group to raise finance and deploy capital.

The nature of the Group's business is such that its cash flows are countercyclical. In times of improving markets, the Group invests in its rental fleet, both to replace existing fleet and grow the overall size of the fleet, which results in improving earnings but negative cash flow from operations in times of rapid growth. However, as the cycle matures and the rate of growth slows, the Group is able to fund rental fleet growth from cash flow, so generating free cash flow from operations.

In more benign or declining markets, the Group invests less in its rental fleet and, as a result, generates significant cash flow from operations. Recognising the impact of the economic cycle on the business and its financing requirements, we undertake scenario planning based on the timing, severity and duration of any downturn and subsequent recovery. This scenario planning considers the impact of the cycle on revenue, margins, cash flows, overall debt levels and leverage. Based on this analysis, and the Board's regular monitoring and review of risk management and internal control systems, we do not believe there are any reasonably foreseeable events that could not be mitigated through the Group's ability to flex its capital expenditure plans, which would result in the Group not being able to meet its liabilities as they fall due. The nature of the business' other principal risks is such that, while they could affect the Group's ability to achieve its objectives, they are unlikely to prevent the Group from meeting its liabilities as they fall due.

Based on the foregoing, the Board has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to April 2022.

OUR FINANCIAL PERFORMANCE

	Revenue		EBITDA		Operating profit	
	2019	2018	2019	2018	2019	2018
Sunbelt US in \$m	4,988.9	4,153.1	2,453.5	2,062.9	1,545.0	1,293.4
Sunbelt Canada in C\$m	344.0	223.4	124.1	68.1	54.8	28.4
Sunbelt US in £m	3,824.3	3,103.7	1,880.9	1,541.7	1,184.3	966.6
A-Plant	475.1	471.7	168.4	167.3	62.3	70.2
Sunbelt Canada in £m	200.2	130.6	72.2	39.9	31.9	16.6
Group central costs	–	–	(14.9)	(15.8)	(14.9)	(15.9)
	4,499.6	3,706.0	2,106.6	1,733.1	1,263.6	1,037.5
Net financing costs					(153.4)	(110.2)
Profit before amortisation, exceptional items and tax					1,110.2	927.3
Amortisation					(50.7)	(43.5)
Exceptional items					–	(21.7)
Profit before taxation					1,059.5	862.1
Taxation					(262.6)	106.7
Profit attributable to equity holders of the Company					797.9	968.8

Margins

Sunbelt US	49.2%	49.7%	31.0%	31.1%
A-Plant	35.5%	35.5%	13.1%	14.9%
Sunbelt Canada	36.1%	30.5%	15.9%	12.7%
Group	46.8%	46.8%	28.1%	28.0%

Trading results¹

Group revenue for the year increased 21% to £4,500m (2018: £3,706m) with strong growth in the US and Canadian markets. This revenue growth, combined with our focus on drop-through, generated underlying profit before tax of £1,110m (2018: £927m).

The Group's strategy remains unchanged with growth being driven by strong organic growth (same-store and greenfield) supplemented by bolt-on acquisitions. Sunbelt US, A-Plant and Sunbelt Canada delivered 20%, 4% and 66% rental only revenue growth respectively. The significant growth in Sunbelt Canada reflects the impact of acquisitions, most notably the acquisition of CRS in August 2017.

Sunbelt US's revenue growth continues to benefit from cyclical and structural trends and can be explained as follows:

Sunbelt US's revenue growth demonstrates the successful execution of our long-term structural growth strategy. We continue to capitalise on the opportunity presented by our markets through a combination of organic growth (same-store growth and greenfields) and bolt-ons as we expand our geographic footprint and our specialty businesses. We added 123 new stores in the US in the year, the majority of which were specialty locations.

Rental only revenue growth was 20% in strong end markets. This growth was driven by increased fleet on rent year-over-year with yield flat. While revenue was impacted by our involvement in the clean-up efforts following hurricanes Florence and Michael, it was much less than last year with estimated

incremental rental revenue of \$30-35m (2018: c. \$100m). Average physical utilisation for the year was 71% (2018: 72%). Sunbelt US's total revenue, including new and used equipment, merchandise and consumable sales, increased 20% to \$4,989m (2018: \$4,153m).

A-Plant generated rental only revenue of £357m, up 4% on the prior year (2018: £344m). This was driven by increased fleet on rent with a 1% improvement in yield, mainly due to product mix. The rate environment in the UK market remains competitive. A-Plant's total revenue increased 1% to £475m (2018: £472m).

In Canada, the acquisitions of CRS and Voisin's are distortive to year-over-year comparisons as they have tripled the size of the Sunbelt Canada business. On a pro forma basis, Canadian rental only revenue increased 18%. Sunbelt Canada's total revenue was C\$344m (2018: C\$223m).

	\$m
2018 rental only revenue	3,091
Organic (same-stores and greenfields)	15%
Bolt-ons since 1 May 2016	5%
2019 rental only revenue	20%
Ancillary revenue	17%
2019 rental revenue	19%
Sales revenue	32%
2019 total revenue	20%
	4,989

¹ Throughout the Financial review, we use a number of alternative financial performance measures ('APMs') which the directors have adopted in order to provide additional useful information on the underlying trends, performance and position of the Group. Further details are provided in the Glossary of terms on page 138.

We continue to focus on operational efficiency as we look to maintain or improve margins. In Sunbelt US, 49% of revenue growth dropped through to EBITDA. The strength of our mature stores' incremental margin is reflected in the fact that this was achieved despite the drag effect of 186 greenfield openings and acquired stores in the last two years. This resulted in an EBITDA margin of 49% (2018: 50%) and contributed to a 19% increase in operating profit to \$1,545m (2018: \$1,293m) at a margin of 31% (2018: 31%).

The UK market remains competitive and after a period of sustained growth for the business, the focus is now on operational efficiency and improving returns. Drop-through of 52% contributed to an EBITDA margin of 35% (2018: 35%) while operating profit of £62m (2018: £70m) at a margin of 13% (2018: 15%) reflected the higher depreciation charge of a larger average fleet.

Sunbelt Canada is in a growth phase as it invests to expand its network and develop the business. Significant growth has been achieved while delivering a 36% EBITDA margin and generating an operating profit of C\$55m (2018: C\$28m) at a margin of 16% (2018: 13%). We continue to expect the Canadian business to generate EBITDA and operating profit margins of around 40% and 20% respectively in the near term.

Reflecting the strong performance of the divisions, Group underlying operating profit increased to £1,264m (2018: £1,037m), up 19% at constant exchange rates. Net financing costs increased to £153m (2018: £110m) reflecting a higher average interest rate and higher average debt levels. As a result, Group profit before amortisation of intangibles, exceptional items and taxation was £1,110m (2018: £927m).

Statutory profit before tax was £1,059m (2018: £862m). This is after amortisation of £51m (2018: £43m) and, in the prior year, an exceptional charge of £22m.

Taxation

Tax charge for the year

The underlying tax charge for the year was £275m (2018: £295m), representing an effective rate of 25% (2018: 32%) of underlying pre-tax profit of £1,110m (2018: £927m). The reduction in the Group's underlying tax charge from 32% to 25% reflects the reduction in the US federal rate of tax from 35% to 21% with effect from 1 January 2018, following the enactment of the Tax Cuts and Jobs Act of 2017. The cash tax charge was 5%. We anticipate the cash tax charge to increase to c. 10% in 2019/20.

The exceptional tax credit of £12m (2018: £401m) relates to a tax credit of £12m (2018: £13m) in relation to the amortisation of intangibles. In addition, the prior year includes a £7m tax credit in relation to exceptional net financing costs and a £381m credit as a result of the change in the US federal tax rate.

Tax strategy and governance

The Group believes it has a corporate responsibility to act with integrity in all tax matters. It is the Group's policy to comply with all relevant tax laws, regulations and obligations including claiming available tax incentives and exemptions in the countries in which it operates. The Group's appetite for tax risk is considered to be cautious and this policy has remained unchanged for a number of years. This approach to taxation is reviewed and approved by the Board on a periodic basis.

Whilst the Board retains ultimate responsibility for the tax affairs of the Group, we have a dedicated internal tax function which takes day-to-day responsibility for the Group's tax affairs. In addition, we seek regular professional advice to ensure that we remain in compliance with changes in tax legislation, disclosure requirements and best practice.

Tax risks are monitored on an ongoing basis and tax matters are reported to the Audit Committee as part of our routine reporting on a quarterly basis.

The Group is committed in having a transparent and constructive working relationship with the tax authorities including using tax clearances to obtain agreement in advance from tax authorities prior to undertaking transactions.

Legislative changes

We continue to monitor developments in the OECD's work on Base Erosion and Profit Shifting ('BEPS') to ensure continued compliance in an ever changing environment. While we do not expect our tax arrangements to be materially impacted by any legislative changes arising from the BEPS recommendations, we continue to follow the developments closely.

Following its state aid investigation, the European Commission announced its decision in April 2019 that the Group Financing Exemption in the UK controlled foreign company ('CFC') legislation does constitute state aid in some circumstances. In common with other UK-based international companies, the Group may be affected by the outcome of this investigation and is therefore monitoring developments. If the decision reached by the European Commission is not successfully appealed, we have estimated the Group's maximum potential liability to be £34m as at 30 April 2019. Based on the current status of the investigation, we have concluded that no provision is required in relation to this amount.

Earnings per share

Underlying earnings per share increased 37% to 174.2p (2018: 127.5p) while basic earnings per share decreased to 166.1p (2018: 195.3p) due to the impact of the exceptional tax credit in the prior year. Details of these calculations are included in Note 9 to the financial statements.

Return on Investment

Sunbelt US's pre-tax return on investment (excluding goodwill and intangible assets) in the 12 months to 30 April 2019 was 24% (2018: 24%). In the UK, return on investment (excluding goodwill and intangible assets) was 9% (2018: 11%). This decline reflects the competitive nature of the UK market and the rate environment. In Canada, return on investment (excluding goodwill and intangible assets) was 12% (2018: 11%). We have made a significant investment in Canada and, as we develop the potential of the market, we expect returns to increase. For the Group as a whole, return on investment (including goodwill and intangible assets) was 18% (2018: 18%).

01 CAPITAL EXPENDITURE

	Replacement	Growth	2019 Total	2018 Total
Sunbelt US in \$m	480.3	1,127.1	1,607.4	1,267.8
Sunbelt Canada in C\$M	56.2	99.5	155.7	76.2
Sunbelt US in £m	368.5	864.6	1,233.1	920.4
A-Plant	61.2	33.7	94.9	136.9
Sunbelt Canada in £m	32.0	56.8	88.8	43.1
Total rental equipment	461.7	955.1	1,416.8	1,100.4
Delivery vehicles, property improvements and IT equipment			170.4	138.3
Total additions			1,587.2	1,238.7

02 FLEET AND UTILISATION

	Rental fleet at original cost			LTM rental revenue	LTM dollar utilisation	LTM physical utilisation
	30 April 2019	30 April 2018	LTM average			
Sunbelt US in \$m	9,125	7,552	8,479	4,637	55%	71%
Sunbelt Canada in C\$M	660	394	589	288	49%	61%
Sunbelt US in £m	6,999	5,482	6,500	3,555	55%	71%
A-Plant	907	862	893	416	47%	69%
Sunbelt Canada in £m	376	223	343	167	49%	61%
	8,282	6,567	7,736	4,138		

Balance sheet**Fixed assets**

Capital expenditure in the year totalled \$1,587m (2018: £1,239m) with £1,417m invested in the rental fleet (2018: £1,100m). Expenditure on rental equipment was 89% of total capital expenditure with the balance relating to the delivery vehicle fleet, property improvements and IT equipment. Capital expenditure by division is shown above in table 01.

In a strong US rental market, \$1,127m of rental equipment capital expenditure was spent on growth while \$480m was invested in replacement of existing fleet. The growth proportion is estimated on the basis of the assumption that replacement capital expenditure in any period is equal to the original cost of equipment sold.

The average age of the Group's serialised rental equipment, which constitutes the substantial majority of our fleet, at 30 April 2019 was 34 months (2018: 32 months) on a net book value basis. Sunbelt US's fleet had an average age of 33 months (2018: 32 months), A-Plant's fleet had an average age of 38 months (2018: 32 months) and Sunbelt Canada's fleet had an average age of 30 months (2018: 28 months).

Capital expenditure is ahead of depreciation as we continue to grow the fleet. Replacement expenditure continues to be relatively low but increasing, as we

replace assets bought when the fleet was smaller but growing. However, we continue to expect strong growth capital expenditure generating double-digit fleet growth. Our operating model, and short delivery lead times, allow us to flex our capital spend quickly. Accordingly, reflecting our desire to be watchful of broader economic trends, we have a range for 2019/20 capital expenditure of £1.4bn to £1.6bn.

The original cost of the Group's rental fleet and dollar and physical utilisation for the year ended 30 April 2019 are shown above in table 02.

Dollar utilisation was 55% at Sunbelt US (2018: 55%), 47% at A-Plant (2018: 48%) and 49% at Sunbelt Canada (2018: 60%). The Sunbelt US dollar utilisation is in line with where it was a year ago. The lower A-Plant dollar utilisation reflects the drag effect of yield while Sunbelt Canada reflects the mix of the business with a full year of CRS and the impact of the lower dollar utilisation Voisin's business. Physical utilisation at Sunbelt US was 71% (2018: 72%), 69% at A-Plant (2018: 68%) and 61% at Sunbelt Canada.

Trade receivables

Receivable days at 30 April 2019 were 51 days (2018: 50 days). The bad debt charge for the last 12 months ended 30 April 2019 as a percentage of total turnover was 0.6% (2018: 0.6%).

Trade receivables at 30 April 2019 of £756m (2018: £556m) are stated net of allowances for bad debts and credit notes of £53m (2018: £43m) with the allowance representing 7.1% (2018: 7.2%) of gross receivables.

Trade and other payables

Group payable days were 55 days in 2019 (2018: 57 days) with capital expenditure related payables, which have longer payment terms, totalling £196m (2018: £269m). Payment periods for purchases other than rental equipment vary between seven and 60 days and for rental equipment between 30 and 120 days.

Provisions

Provisions of £88m (2018: £60m) relate to the provision for insured risk, provisions for vacant property as well as acquisition related contingent consideration. The Group's business exposes it to the risk of claims for personal injury, death or property damage resulting from the use of the equipment it rents and from injuries caused in motor vehicle accidents in which its vehicles are involved. The Group carries insurance covering a wide range of potential claims at levels it believes are sufficient to cover existing and future claims.

03 CASH FLOW

	Year to 30 April	
	2019 £m	2018 £m
EBITDA before exceptional items	2,106.6	1,733.1
Cash inflow from operations before exceptional items and changes in rental equipment	2,042.5	1,681.2
Cash conversion ratio*	97.0%	97.0%
Replacement rental capital expenditure	(472.9)	(375.8)
Payments for non-rental capital expenditure	(168.7)	(141.2)
Rental equipment disposal proceeds	181.6	151.8
Other property, plant and equipment disposal proceeds	10.2	8.9
Tax (net)	(51.0)	(97.6)
Financing costs	(142.9)	(110.0)
Cash inflow before growth capex and payment of exceptional costs	1,398.8	1,117.3
Growth rental capital expenditure	(1,030.6)	(705.9)
Exceptional costs	–	(25.2)
Free cash flow	368.2	386.2
Business acquisitions	(591.3)	(359.0)
Total cash (absorbed)/generated	(223.1)	27.2
Dividends	(164.2)	(140.5)
Purchase of own shares by the Company	(460.4)	(158.2)
Purchase of own shares by the ESOT	(14.2)	(10.2)
Increase in net debt due to cash flow	(861.9)	(281.7)

* Cash inflow from operations before exceptional items and changes in rental equipment as a percentage of EBITDA before exceptional items.

Our US liability insurance programmes provide that we can recover our liability related to each and every valid claim in excess of an agreed excess amount of \$1.5m in relation to general liability, workers' compensation and motor vehicle claims. In the UK our self-insured excess per claim is much lower than in the US and is typically £50,000 per claim. Our liability insurance coverage is limited to a maximum of £175m.

Pensions

The Group operates a number of pension plans for the benefit of employees, for which the overall charge included in the financial statements was £16m (2018: £13m). Amongst these, the Group has one defined benefit pension plan which covers approximately 70 remaining active employees in the UK and which was closed to new members in 2001. All our other pension plans are defined contribution plans.

The Group's defined benefit pension plan, measured in accordance with the accounting standard IAS 19, Employee Benefits, was £1m in deficit at 30 April 2019 (2018: £4m in surplus). The investment return on plan assets was £2m better than the expected return which was offset by an actuarial loss of £7m, predominantly arising due to a lower discount rate and

higher inflation assumption applied. Overall, there was a net actuarial loss of £6m which was recognised in the statement of comprehensive income for the year.

The next triennial review of the plan's funding position by the trustees and the actuary is due as at 30 April 2019. The April 2016 valuation, which was completed in December 2016, showed a surplus of £6m.

Contingent liabilities

The Group is subject to periodic legal claims in the ordinary course of its business, none of which is expected to have a material impact on the Group's financial position.

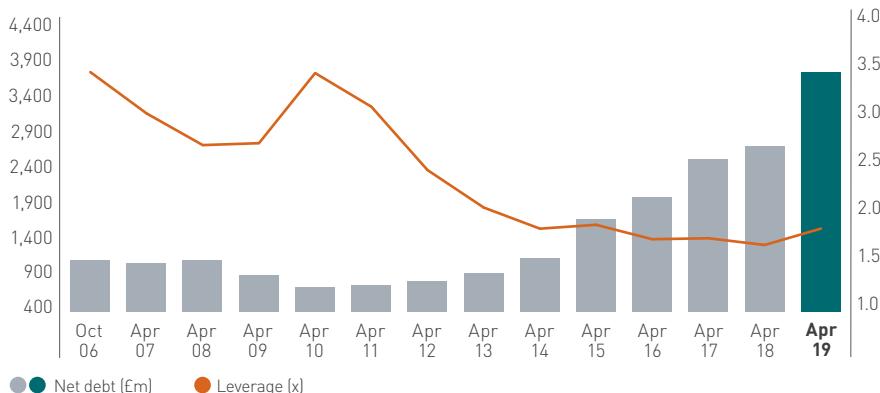
As discussed earlier, if the findings of the European Commission's investigations into the Group Financing Exemption in the UK controlled foreign company legislation are upheld, we have estimated the Group's potential liability to be £34m. Based on the current status of the investigation, we have concluded that no provision is required in relation to this amount.

Cash flow

Cash inflow from operations before payment of exceptional costs and the net investment in the rental fleet increased by 21% to £2,043m. The cash conversion ratio for the year was 97% (2018: 97%).

Total payments for capital expenditure (rental equipment and other PPE) during the year were £1,672m (2018: £1,223m). Disposal proceeds received totalled £192m (2018: £161m), giving net payments for capital expenditure of £1,480m in the year (2018: £1,062m). Financing costs paid totalled £143m (2018: £110m) while tax payments were £51m (2018: £98m). Financing costs paid typically differ from the charge in the income statement due to the timing of interest payments in the year and non-cash interest charges. The exceptional costs incurred in the prior year represent the amounts paid to settle the interest and call premium due on the \$900m senior secured notes which were satisfied and discharged in August 2017.

Accordingly, the Group generated £1,399m (2018: £1,117m) of net cash before discretionary investments made to enlarge the size and hence earning capacity of its rental fleet and on acquisitions. After growth capital expenditure and payment of exceptional costs, there was a free cash inflow of £368m (2018: £386m) and, after acquisition expenditure of £591m (2018: £359m), a net cash outflow of £223m (2018: inflow of £27m), before returns to shareholders.

04 NET DEBT AND LEVERAGE

dividend as detailed above. Ashtead Group plc, the parent company of the Group, is a non-trading investment holding company which derives its distributable reserves from dividends paid by subsidiary companies which are planned on a regular basis to maintain a suitable level of distributable reserves by the parent company.

Net debt

Chart 04 shows how, measured at constant April 2019 exchange rates for comparability, our net debt and leverage has changed over the cycle. From a prior cycle peak in 2008, we reduced our debt significantly, paying-off around one-third of it as we lowered our capital expenditure, taking advantage of our young average fleet age, and generated significant cash flow. Since 2010, we have stepped up our capital expenditure as rental markets improved. As a result, net debt has increased in absolute terms over the period principally due to acquisitions, dividends and share buybacks with free cash flow being broadly sufficient to fund substantially all the increased capital expenditure. Since 2013 we have been operating within our net debt to EBITDA leverage target range of 1.5 to 2 times. Furthermore, our overall balance sheet strength continues to improve with the second-hand value of our fleet exceeding our total debt by £1.7bn.

In greater detail, closing net debt at 30 April 2019 is shown in table 05.

The Group has arranged its financing such that, at 30 April 2019, 93% of its debt was denominated in US (and Canadian) dollars so that there is a natural partial offset between its dollar-denominated net assets and earnings and its dollar-denominated debt and interest expense.

Net debt at 30 April 2019 was £3,745m with the increase since 30 April 2018 reflecting the net cash outflow set out above and the impact of weaker sterling (£126m). The Group's EBITDA for the year ended 30 April 2019 was £2,107m and the ratio of net debt to EBITDA was 1.8 times at 30 April 2019 (2018: 1.6 times) on a constant currency basis and on a reported basis.

Our debt package is well structured for our business across the economic cycle. We retain substantial headroom on facilities which are committed for the long term, with an average of six years remaining at 30 April 2019. The weighted average interest cost of these facilities (including non-cash amortisation of deferred debt raising costs) is less than 5%.

05 NET DEBT

	2019 £m	2018 £m
First priority senior secured bank debt	2,010.7	1,508.5
Finance lease obligations	5.0	5.3
5.625% second priority senior secured notes, due 2024	379.3	358.4
4.125% second priority senior secured notes, due 2025	454.7	429.5
5.250% second priority senior secured notes, due 2026	453.6	–
4.375% second priority senior secured notes, due 2027	454.4	429.4
 Cash and cash equivalents	 3,757.7	 2,731.1
Total net debt	3,744.9	2,712.0

Capital structure and allocation

The Group's capital structure is kept under regular review. Our operations are financed by a combination of debt and equity. We seek to minimise the cost of capital while recognising the constraints of the debt and equity markets. At 30 April 2019 our average cost of capital was approximately 10%.

The Group remains disciplined in its approach to allocation of capital with the overriding objective being to enhance shareholder value. Our capital allocation framework remains unchanged and priorities:

- organic fleet growth;
- same-stores;
- greenfields;
- bolt-on acquisitions; and
- a progressive dividend with consideration to both profitability and cash generation that is sustainable through the cycle.

Additionally, we consider further returns to shareholders. In this regard, we assess continuously our medium-term plans which take account of investment in the business, growth prospects, cash generation, net debt and leverage.

Therefore the amount allocated to buybacks is simply driven by that which is available after organic growth, bolt-on M&A and dividends, whilst allowing us to operate within our 1.5 to 2.0 times (amended to 1.9 to 2.4 times post IFRS 16) target range for net debt to EBITDA.

In line with these priorities, we have spent £675m under the share buyback programme announced in December 2017, which is now concluded, and expect to spend at least £500m in 2019/20. During the year we spent £460m on share buybacks (2018: £158m). Capital returns to shareholders will be kept under regular review reflecting the factors set out above.

Dividends

In accordance with our progressive dividend policy, with consideration to both profitability and cash generation at a level that is sustainable across the cycle, the Board is recommending a final dividend of 33.5p per share (2018: 27.5p) making 40.0p for the year (2018: 33.0p), an increase of 21%. If approved at the forthcoming annual general meeting, the final dividend will be paid on 13 September 2019 to shareholders on the register on 16 August 2019.

In determining the level of dividend in any year, the Board considers a number of factors that influence the proposed

06 MINIMUM CONTRACTED DEBT COMMITMENTS

	Payments due by year ending 30 April						
	2020 £m	2021 £m	2022 £m	2023 £m	2024 £m	Thereafter £m	Total £m
Bank and other debt	–	–	–	–	2,010.7	–	2,010.7
Finance leases	2.3	1.5	0.9	0.3	–	–	5.0
5.625% senior secured notes	–	–	–	–	–	383.5	383.5
4.125% senior secured notes	–	–	–	–	–	460.3	460.3
5.250% senior secured notes	–	–	–	–	–	460.3	460.3
4.375% senior secured notes	–	–	–	–	–	460.3	460.3
Deferred costs of raising finance	2.3	1.5	0.9	0.3	2,010.7	1,764.4	3,780.1
Cash at bank and in hand	(12.8)	–	–	–	–	(22.4)	(22.4)
Net debt	(10.5)	1.5	0.9	0.3	2,010.7	1,742.0	3,744.9
Operating leases ¹	95.8	83.6	73.2	62.4	46.6	133.6	495.2
Total	85.3	85.1	74.1	62.7	2,057.3	1,875.6	4,240.1

¹ Represents the minimum payments to which we were committed under operating leases.

The senior secured bank debt and the senior secured notes are secured by way of, respectively, first and second priority fixed and floating charges over substantially all the Group's property, plant and equipment, inventory and trade receivables.

IFRS 16, Leases, is applicable to the Group from 1 May 2019. On transition, this will increase our reported debt by in the region of £900m and on a pro forma basis, the ratio of net debt to EBITDA as at 30 April 2019 would have been 2.1 times compared with the 1.8 times above. Accordingly, as a result of the application of IFRS 16, we expect our reported leverage to be 0.3 – 0.4 times higher than previously reported and so we have adjusted our target leverage range to 1.9 – 2.4 times to reflect this change. In the near term, we will continue to report leverage both pre and post the impact of IFRS 16. Further details are provided in Note 2 to the financial statements.

Debt facilities

The Group's principal debt facilities are discussed below.

First priority senior secured credit facility
At 30 April 2019, \$4.1bn was committed by our senior lenders under the asset-based senior secured revolving credit facility ('ABL facility') until December 2023 while the amount utilised was \$2,683m (including letters of credit totalling \$50m). The ABL facility is secured by a first priority interest in substantially all of the Group's assets. Pricing for the revolving credit facility is based on leverage and average availability according to a grid which varies from LIBOR plus 125bp to

LIBOR plus 175bp. At 30 April 2019 the Group's borrowing rate was LIBOR plus 150bp.

The only financial performance covenant under the asset-based first priority senior secured credit facility is a fixed charge ratio (comprising LTM EBITDA before exceptional items less LTM net capital expenditure paid in cash over the sum of scheduled debt repayments plus cash interest, cash tax payments and dividends paid in the last 12 months) which must be equal to or greater than 1.0 times.

This covenant does not, however, apply when availability (the difference between the borrowing base and facility utilisation) exceeds \$410m. At 30 April 2019 availability under the bank facility was \$1,622m (\$1,115m at 30 April 2018), with an additional \$2,385m of suppressed availability meaning that the covenant was not measured at 30 April 2019 and is unlikely to be measured in forthcoming quarters.

Second priority senior secured notes

At 30 April 2019 the Group, through its wholly owned subsidiary Ashtead Capital, Inc., had four series of second priority senior secured notes outstanding with nominal values of \$500m, \$600m, \$600m and \$600m. The \$500m of notes carry an interest rate of 5.625% and are due on 1 October 2024. The \$600m notes are 4.125% notes due on 15 August 2025, 5.250% notes due on 1 August 2026 and 4.375% notes due on 15 August 2027. The notes are secured by second priority interests over substantially the same assets as the ABL facility and are also guaranteed by Ashtead Group plc.

Under the terms of the 5.625%, 4.125%, 5.250% and 4.375% notes the Group is, subject to important exceptions, restricted in its ability to incur additional debt, pay dividends, make investments, sell assets, enter into sale and leaseback transactions and merge or consolidate with another company. Financial performance covenants under the 5.625%, 4.125%, 5.250% and 4.375% senior secured notes issued are only measured at the time new debt is raised.

Minimum contracted debt commitments

Table 06 above summarises the maturity of the Group's debt and also shows the minimum annual commitments under off balance sheet operating leases at 30 April 2019 by year of expiry.

Operating leases relate to the Group's properties.

Except for the off balance sheet operating leases described above, £38m (\$50m) of standby letters of credit issued at 30 April 2019 under the first priority senior debt facility relating to the Group's insurance programmes and £4m of performance bonds granted by Sunbelt, we have no material commitments that we could be obliged to pay in the future which are not included in the Group's consolidated balance sheet.

Current trading and outlook

Our business continues to perform well in supportive end markets. Looking forward, we anticipate a similar level of capital expenditure in 2019/20, consistent with our strategic plan. So, with our business performing well and a strong balance sheet to support our plans, the Board continues to look to the medium term with confidence.

Creating a place where people love to work

Our staff take great pride in providing the very best service to our customers. We focus on building a diverse and committed workforce, and our staff retention tops the industry. We are a national business in all three of our countries, but what customers get is local expertise and focus, with national infrastructure and capacity to back it up. Being a core part of our communities, contributing and giving back, is key.

Our people ignite the platform



Enabling our culture to grow

As we expand, we grow our own particular and powerful mix of staff. This includes: the experts who have been around for decades; the highly-talented entrepreneurs who join through acquisition, like what they find and choose to stay; and the young recruits who infuse the business with new ideas to bring our tried and tested strategies to the next level.



MAINTAINING A POSITIVE CULTURE



STRATEGIC REPORT

DIRECTORS' REPORT

FINANCIAL STATEMENTS

ADDITIONAL INFORMATION

BEING A RESPONSIBLE BUSINESS IS KEY TO OUR SUCCESS

We take great pride in being a responsible business at Ashtead. We are often a crucial part of local communities and being able to operate responsibly within those, as well as giving back to them, is an important part of who we are.

RESPONSIBLE BUSINESS

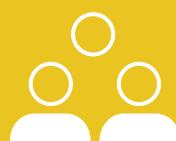
- > Implementation
- > Monitoring
- > Training
- > Customers and staff

HEALTH AND SAFETY



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OUR PEOPLE



→ Page 48

- > Recruitment and retention
- > Career development and training
- > Rewards and benefits
- > Diversity and equal opportunities

- > Community engagement
- > Community investment
- > Helping out in emergencies

COMMUNITIES



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THE ENVIRONMENT



→ Page 55

- > Resource efficiency
- > Control of hazardous substances
- > Mandatory GHG emissions reporting

Our operational mantra of delivering Availability, Reliability and Ease is backed up by taking responsibility in everything we do. Being a responsible business helps deliver the trust that makes our business function – trust that the equipment we provide will arrive on time, trust that it will do what we say it will, trust that it will be well maintained to make sure it works and trust that it is compliant with all health and safety requirements.

Prioritising responsibility in a broader context means we seek, through our sustainable business model, to improve the lives of our customers, employees, investors and the communities where we

live and work. Being active, engaged members of the communities where we operate is enormously important to our staff. Our customers trust us to provide better service than our competitors. Our employees trust us to help keep them safe and reward them well for their efforts. Investors trust us to deliver good returns throughout the economic cycle.

Above are the responsible business elements that we judge to be the most material to our business and which we discuss in detail here. We assess why each matters, how we have performed and our objectives.

Ensuring Ashtead remains a responsible business

The obligation for ensuring Ashtead prioritises being a responsible business rests with the Group's Board of directors. The Board is assisted in this function by the Group Risk Committee which is chaired by Michael Pratt, our finance director. Other members of the Committee are:

- the head of Sunbelt's central operations, the Sunbelt board member to whom the risk, environmental, health and safety teams report and one of the operational senior vice presidents;

- the head of A-Plant's risk, environmental, health and safety team and A-Plant's head of performance standards; and
- UK and US counsel.

The Group Risk Committee provides the Audit Committee, and through them the Board, with a comprehensive annual report on its activities including new legislative requirements, details of areas identified in the year as requiring improvement, and the status of actions being taken to make those improvements. It also facilitates the coordination of the environmental, health, safety and risk management activities of Sunbelt and A-Plant so that best practice and new initiatives in one business can be shared with, and adopted by, the other.

Our commitment to the highest ethical standards means that the Group Risk Committee also works to ensure these continue to be communicated and upheld throughout the business. During the year we updated the Group's modern slavery and human trafficking policy, business ethics and conduct policy and ethical sourcing policy. These are communicated directly to employees through dedicated communication and training programmes. Whistle-blowing arrangements, in place in the US, Canada and the UK, allow employees, in confidence, to raise concerns about any alleged improprieties they may encounter.

The Group Risk Committee priorities this year included:

- assessment of the Group Risk Register, including identification and prioritisation of business risks;
- health and safety, together with continuous improvement through training and awareness;
- driver safety, training and compliance;
- recruitment, development and retention plans;
- monitoring of compliance with General Data Protection Regulation ('GDPR') requirements;
- performance standards audits; and
- maintaining ISO certifications.

HEALTH AND SAFETY



Why it matters

Health and safety is of paramount importance to our business as we need to provide equipment that is safe to use and minimise any risks to our people and our customers. A strong reputation for excellent health and safety is a significant competitive advantage for us. In addition, an ever-changing regulatory focus on safety and more stringent requirements for all operators, continues to assist our growth. It is easier and cheaper to outsource responsibility for equipment safety to us than for customers to worry about it themselves. This has been an important factor in the shift to rental that has underpinned our growth in the US and reinforces our position in the UK. Similarly, it is a key differentiator in the Canadian market as we increase our presence there.

Our extensive health and safety programmes monitor, develop and maintain safe working practices while reminding our employees of the need to be safe at all times and look after their own health. Our continued improvement is accomplished through a combination of proactive safety and leadership training, enhanced safety programmes and timely incident response and investigation. We also help our customers ensure the safety of their own employees including providing safety training as required. In addition, we make a considerable annual investment in ensuring our rental equipment meets or exceeds the latest safety standards, as well as providing health and safety advice and materials along with each rental.

How we monitor performance

We monitor health and safety by the number of reported incidents that occur during our work. We track and analyse all incidents to enable us to identify recurrent issues and implement preventative improvements. The importance of health and safety is reflected in the fact that the number of reportable accidents is one of our group-wide KPIs (see page 29).

At Sunbelt we continue to develop and improve our incident management system which enables us to manage incidents while allowing us to investigate, analyse root causes and track corrective/preventative actions. This year Sunbelt US had 1,520 reported incidents relative to an average workforce of 12,148 (2018: 1,434 incidents relative to an average workforce of 11,380), Sunbelt Canada had 170 incidents relative to an average workforce of 880 (2018: 111 incidents relative to an average workforce of 584) and A-Plant had 261 incidents relative to an average workforce of 3,711 (2018: 298 incidents relative to an average workforce of 3,643). For the purposes of our internal tracking, the term incident does not necessarily mean that an employee was hurt or injured. Rather it represents an event that we want to track and report for monitoring and learning purposes under our health and safety management policies. We continue to focus on timelier reporting of every incident or first aid event that occurs.

What is evident from these incidents is that less tenured employees are much more likely to suffer an injury or be involved in an accident at work than well tenured employees. Accordingly, this is a key area of focus as we look to improve our recruitment and onboarding processes and subsequent mentoring of new employees to enhance the safety environment and improve our retention levels amongst our less tenured employees.

Reportable accidents continue to be defined differently in the US, Canada and the UK. Under the different definitions which generally result in more accidents in the US being reportable than in the UK, Sunbelt US had 230 OSHA (Occupational Safety and Health Administration) recordable accidents (2018: 187 accidents) which, relative to total employee hours worked, gave a Total Incident Rate of 1.31 (2018: 1.20). Sunbelt Canada had 35 OSHA recordable accidents (2018: 15 accidents) which, relative to total employee hours worked, gave a Total Incident Rate of 3.30 (2018: 2.48). In the UK, A-Plant had 17 RIDDOR (Reporting of Injuries,

Diseases and Dangerous Occurrences Regulations) (2018: 17), reportable incidents which, relative to total employee hours worked, gave a RIDOR reportable rate of 0.22 (2018: 0.22). In order to compare accident rates between the US and UK, Sunbelt also applied the RIDOR definition to its accident population which gave a figure this year of 119 RIDOR reportable accidents in the US and a RIDOR reportable rate of 0.34 and six RIDOR reportable accidents in Canada and a RIDOR reportable rate of 0.28. We remain committed to continuing to reduce these rates as much as possible.

Safety initiatives

Historically, Sunbelt's safety efforts have focused on reducing or eliminating all incidents, regardless of the potential severity. The thought was that this approach would be the most beneficial in preventing more serious or catastrophic incidents. We recognise that the causes of less severe incidents are often different from the causes of serious or catastrophic events; therefore, we are focusing on events that have the potential to be serious or catastrophic so that we can eliminate or control our exposure to high-risk situations.

Less serious events are not always predictive of more serious incidents. By evaluating high-risk situations and eliminating the noise will allow us to focus on the highest risks and implement more effective controls (using a hierarchy that starts with eliminating the exposure and realises that personal protective equipment is the last line of defence between our people and a hazard.)

A cross-functional team was created to develop our standards, tools and processes that will allow us to evaluate our operations and identify the tasks that have the greatest potential to lead to serious injury or event. All part of our mission to prevent serious or catastrophic events.



EMPLOYEE SPOTLIGHT:

Twin drivers – Charlie and Ed Smith

Charlie and Ed Smith are twin brothers, both of whom started their driving career at Sunbelt over 20 years ago. Charlie and Ed have had exemplary careers and a bit of fun along the way – notably confusing customers and co-workers. Most recently, these twin brothers achieved the significant milestone of driving one million miles (two million collectively) without a single incident or DOT violation. Driving has been a long-time passion for these brothers and one which they bring to work – always pushing and challenging each other to see who can load a truck better or most efficiently in order to get the job done.

Ed attributes his one million mile achievement to his family as they are the driving force that keeps him safe. "Going home to my family, that's the goal," says Ed. For Charlie, it's the pride of doing the job the best he can. "The key to driving is paying attention to your surroundings. Other drivers aren't looking for you, so you have to look out for them."

Driver and vehicle safety

Our North American transportation fleet continues to operate as one of the safest fleets in the equipment rental industry. Our commercial vehicle training programme is an ongoing initiative across the US and Canada, which ensures that all our drivers are trained in vehicle safety and compliance. We continue to be among the leaders of our industry in continuously supporting the training and education of employees in commercial vehicle compliance and safety, including core training on hours of service, truck inspections, technology enhancements, load securement and hazardous materials.

Our motor vehicle incident rate continues to decline. Our Driver Behaviour Management System ('DBMS') takes data from our onboard telematics units and communicates it directly to our motor vehicle compliance team with results shared to field operations daily. This helps us control any on-the-road unsafe behaviours and activities.

While designed to improve driving behaviour, we also benefit through cost savings due to lower fuel usage, engine and vehicle maintenance and accidents.

In addition to DBMS, employees participate in online driver risk assessments that identify safe and unsafe behaviours through interactive driving modules. By identifying the risk profiles of our drivers, we will be able to develop specific adaptive learning programmes for them. Through the use of electronic driver logs, our drivers receive real-time feedback on their hours of service and our fleet safety compliance team is able to retrieve driver data immediately. In addition to the electronic hours of service logs, we have also transitioned to an electronic pre-trip inspection that is conducted on the driver's phone. We are also implementing the DBMS and electronic drivers' logs in Canada.

In the UK, we train over 550 drivers each year. Our driver training courses are aimed at delivery drivers and cover areas such as loading and unloading of vehicles, working at height, site safety and manual handling. All general drivers at A-Plant, including delivery drivers and fitters, are required to undertake the A-Plant Driver Induction Course, which is delivered in the form of workshops and covers transport procedures, legislation, hazard perception and practical driver assessments.

Other safety initiatives

We recognise that everyone must take responsibility for their own safety and the safety of others. Every Sunbelt employee is asked to take a safety assessment in order to become a 3-star Safety Champion. This assessment focuses on accountability for themselves, their team and their communities. By identifying the commitment to their own safety, being comfortable stopping work and identifying risks for a co-worker and finally, becoming confident enough to approach a stranger and stop their work will result in them becoming a 3-star Safety Champion.

Sunbelt has core safety processes across its stores in North America.

- The Near Miss programme provides insights into our exposures across our businesses.
- The Pre-Task Planning (Take 10 programme) programme requires everyone to take at least 10 seconds to think through the job they are about to do using a pre-task planning checklist. Examples of tasks/jobs where this is applied are loading/unloading, wash bay work, checking equipment in, and technicians repairing or conducting routine maintenance on the equipment.
- The Safety Committee Engagement programme ensures all Sunbelt's stores participate in having safety meetings and engage in topics such as near miss reporting, being more observant in looking for exposures, corrective action closure, etc.
- Incident Prevention: Through the leadership of our store managers, safety coordinators and all our associates, we are making progress toward preventing incidents from happening.

- Regional safety managers are present in our business, daily engaging with team members. Their role includes truck inspections, facility assessments, training and listening to feedback from our people during our Wellness Visits.

In addition, Sunbelt's senior leadership team's weekly safety meetings provide focus towards developing solutions that can be replicated across the Group. Sunbelt and A-Plant hold an annual safety week, designed to increase awareness of the importance of safety across the business. The senior leadership and middle management support for safety is extremely high across the business. Our focus is at a local level where the work gets done to ensure we move from good to great.

Sunbelt is a Safety Week partner. We strive to strengthen our industry's safety culture and performance by sharing best practices, tools and resources. Safety Week is sponsored by members of the Construction Industry Safety Initiative ('CISI') and the Incident & Injury Free Executive Forum. We are focused on the impact our safe choices have on our team members, their families and the communities in which they live and work. We are united in our commitment to continuously improve our safety culture and send each employee home safe each day. The 2019 theme is Safe by Choice, where we held mass safety meetings across the organisation, with the goal to encourage and inspire everyone to be leaders in safety.

For several years, A-Plant has used the 'Setting the Safety Standard' brand to promote safety within the rental industry, to our customers and staff. In addition, A-Plant runs the Work Safe Home Safe campaign to ensure staff also take responsibility for their own safety and all A-Plant managers undertake the five-day IOSH (Institution of Occupational Safety and Health) Managing Safely course. A focus this year has been on mental health and a campaign, 'don't walk by, it's OK to challenge, it's OK to be challenged', was launched to develop further the safety culture across the business by encouraging our employees to challenge others on safety matters.

A-Plant also monitors near miss incidents in addition to actual incidents and uses this information to adapt our processes to reduce the risk of such events becoming incidents. Where incidents do occur, our procedures ensure we learn and improve our processes.

Health programmes

It is crucial that our workforce is a healthy one and we work hard to look after our people and help them look after themselves. When our staff are on top form, they provide the best service to our customers. Virgin Health Miles is a programme we use to reward our US staff for healthy behaviour, which incentivises them to track their health and invest in it to reap the programme rewards that we are providing. Staff get savings on their healthcare costs if they do exercise, for example. Some 29% of US staff are currently enrolled in the scheme and 39% of those are earning health miles. Members have earned \$134,000 in rewards and report that the programme makes Sunbelt a better place to work.

Working on safety with our customers and suppliers

Being a responsible business means sharing and promoting our safety culture with our customers and suppliers whenever possible. For example, Sunbelt and A-Plant have dedicated aerial work platform, forklift and earth moving operator trainers who train customers and we offer customised training programmes to fill their needs. In the US, we work with customers' safety teams to develop customised training courses, sometimes for a specific jobsite, the passing of which becomes a requirement for the customer operator. We now offer dedicated full-time safety trainers for our customers in 50 markets across North America.



We continue to expand our customer training offerings for the following:

Operator training:

- Aerial work platforms, boom lifts and scissor lifts
- Forklifts, warehouse and telehandler rough terrain
- Earth moving equipment, loaders, excavators, backhoes

Train the trainer:

- Aerial work platforms
- Forklifts
- Earth moving equipment
- Fall protection

Scaffolding:

- User hazard awareness
- Competent person
- Suspended platforms hazard user awareness
- Suspended platforms competent person
- Customised courses available

For Canada, additional classes include:

- Working at height safely
- Propane handling
- Lock out tag out
- Working safely in confined spaces

In the UK, A-Plant regularly participates in training days for major customers, demonstrating safe use of equipment and running training seminars. This is in addition to the routine safety briefings that accompany equipment rental. We offer one of the rental industry's widest ranges of equipment for water suppression, on-tool dust extraction and personal protective equipment.



Why they matter

We endeavour to hire the best people, train them well and look after them so that they provide the best possible service for our customers. Our aim is to keep employee turnover as low as possible to enable us to build on the skill base we have established. This is core to the success of the business and our competitive position and therefore staff turnover is one of our KPIs (see page 29).

In general, the rental industry suffers from high staff turnover, particularly within certain job categories such as mechanics and delivery truck drivers, with turnover being particularly high within the first two years of employment. We increasingly find our staff targeted by competitors which, whilst a compliment, means we have to work harder to retain them.

In Sunbelt, our voluntary staff turnover is 15% (total staff turnover is 20%) with two-thirds of this turnover arising from people with less than two years' experience. Although staff turnover is slightly higher in A-Plant, the overall picture is similar. Voluntary staff turnover is 19% (total staff turnover is 23%) and around 60% arises from people with less than two years' experience.

Our employees are driven, conscientious and loyal and we work hard to maintain that through market-leading training and development and superior reward and benefits. Both Sunbelt and A-Plant have extensive programmes in place to ensure high standards of recruitment, training and the appraisal, review and reward of our employees. A key area of focus for improvement is the onboarding and mentoring of new recruits. As can be seen from staff turnover levels and safety statistics, employees are unlikely to leave us and much less likely to suffer an injury or accident at work if they have been with us for two years or more.

In addition, we endeavour consistently throughout the year to maintain and develop arrangements aimed at involving employees in the Group's affairs and hearing their views. Regular meetings are held at stores to discuss performance and enable employees to input into improvements as well as providing feedback on their own levels of satisfaction.

Increasingly, as we grow, we add to our employees through acquisition. When we acquire companies, we also acquire their knowledgeable and dedicated staff who have often built up a successful business. To maintain that success, we adopt a circumspect approach when it comes to integrating new staff into the Group. Employees' contracts and conditions are analysed, and if there are differences with Group terms, we phase-in any convergence over a period of time. We want new employees to be engaged with the new environment in which they find themselves, so we hold a presentation day for staff where senior management presents an overview of the Group, our plans for the acquired company and how they fit into our strategy for the future. We then further demonstrate our commitment to our new employees by investing in the business they helped build. Furthermore, integrating these new employees into our health and safety programmes contributes to enhanced health and safety within the rental industry.

Sunbelt's Workday system

Sunbelt's online human capital management system, Workday, enables us to offer a single source for recruiting, on-boarding, payroll, time tracking, benefits, and employee self-service. Last year we launched Workday for Sunbelt Canada as well as introducing a Talent/Performance Management module, additional integration (including one with Sunbelt's Learning Management System that enables employees and managers to view transcripts in Workday) and advanced compensation functionality.

Through Workday, employees benefit by having a one-stop source where they can update their personal information, view their paystubs, update benefits information, and apply for jobs internally.

Likewise, supervisors have an invaluable tool to help manage their direct reports better. Every employee can view Sunbelt's comprehensive organisational reporting structure across all divisions to gain a better understanding of the company as a whole and better equip themselves to serve our customers. As we continue to grow, Workday is allowing us to be more efficient in how we engage with our employees, as well as work and communicate with them throughout the entire employee lifecycle experience.

Recruitment

With Sunbelt's rapid growth, recruiting new employees is of the utmost importance. Our recruitment efforts are not only focused on finding the right employees and communicating the benefits of working for Sunbelt, but bringing awareness and excitement about the opportunities we provide. Our focus is on improving and standardising our recruitment and onboarding processes to reduce the level of turnover in the first two years. To aid these efforts we have a number of programmes/initiatives including:

- Manager In Training ('MIT')
- This programme identifies top talent out of college and the military and places them through an accelerated training programme.

- Partnerships with various trade schools across the US to provide a paid Co-Op programme for students approaching graduation
- Participants work through the following stages: orientation, yard, equipment knowledge, rental counter, small tool repair, service department, scissor lifts, dispatch, road technician, book lifts, driving, diagnostics, forklifts, and rough terrain forklifts, with a final assessment.

A-Plant has a careers website which allows prospective employees to apply online and management of the whole recruitment process internally, from posting of vacancies through interviews and offer/unsuccessful letters. Users are able to sign up for job alerts in specific regions or divisions and internal reporting is both detailed and tailored. We are planning to move towards a more cost-effective and professional direct sourcing model which leverages the A-Plant and divisional brands, and promotes the opportunities that exist across our business.



EMPLOYEE SPOTLIGHT:

Debbie Swales

Debbie Swales is the contact centre manager for the A-Plant Accommodation division. She joined through acquisition seven years ago and now manages 18 accounts at the centre compared to one account when she joined. She says customers benefit from only having one point of contact for the whole accommodation hiring process, as her 15-strong team coordinates with other depots to meet all customers' requirements. They also process off-hires, liaise with project managers, process breakdowns, deal with damage and loss, and ensure compliance checks for rehire contracts. "It's great to see how much the contact centre and our team have grown in a relatively short space of time. From day one I've been impressed with all the personal touches at A-Plant and how everyone makes time for you. It also struck me how many employees have been with A-Plant for 25, 30, 35 years...even more."



EMPLOYEE SPOTLIGHT:

Santos Cazares

Santos is responsible for training service managers and others on technical and procedural processes. He spends most of his day on the road travelling from branch to branch coaching employees, helping them understand processes and influencing what support is available. The 21-year veteran of Sunbelt has shown that experience and determination pay off. Beginning as a service manager, he leveraged his skill set and, through hard work and determination, helped build one of the top-performing service centres in the company. He has been the go-to for many special projects within his region and has been called on to troubleshoot complex equipment projects.



If you're willing to put in the work, your work will be noticed and you'll be rewarded.

A-Plant apprenticeship programme

A-Plant's apprenticeship programme continues to win awards for being one of the most successful and highly valued schemes in the equipment rental industry. We took on 77 trainees last year and we plan to raise the number of apprentices recruited, as well as setting up an apprenticeships academy. Our apprentice programmes take between one and three years to complete and usually include outside training and a formal NVQ qualification, in addition to on-the-job training. We have six apprentice streams – plant maintenance, customer service, driver, electro technical, mechanical engineering and civil engineering at our specialist division, Leada Acrow. We are pleased that our efforts to increase diversity mean that 14% of our apprentices are female, which compares very favourably with the 7% female apprentices average for the construction industry. Our apprentice scheme also has an impressive 78% completion rate compared to the industry rate of c. 70%.

Military recruitment

Sunbelt has a long history of being a Top 50 military-friendly employer, but we are no longer satisfied to be one in a pack. By launching a series of high-profile campaigns supporting our veterans, while still upholding our tradition of attending military job fairs, we intend to be a true leader in veteran employment. These campaigns include acknowledging veterans in our current workforce, as well as expanding our work with the Gary Sinise Foundation and participating in media events, such as 'Military Makeover'. With these combined efforts, Sunbelt is determined to be the employer of choice for military veterans.

In the UK, we work in partnership with British Forces Resettlement Services ('BFRS') – a social enterprise created to help the armed forces community with their transition into civilian life. BFRS works with service leavers to provide them with the skills and opportunities they need to successfully resettle after leaving the armed forces.

Career development and training

Training and development continues throughout the careers of our employees and we have many programmes in place to ensure they achieve their ambitions, reach their potential and remain safe, as outlined above. Employees' welfare and job satisfaction is enormously important and we invest significant money and time in facilitating career development and evolving training to reflect the changing needs of our workforce.

Sunbelt has a number of career development and training initiatives including:

- an Executive Leadership Development programme;
- a leadership curriculum for all store managers;
- a technician-in-training programme for field service leadership to identify the most critical areas for training: electrical, hydraulics, preventive maintenance, diagnostics, and equipment-specific based on the fleet composition of any particular store;
- a paid technician Co-Op programme for trade school students approaching graduation;
- employee surveys;
- a Learning Management System (LMS) that delivers, tracks and manages all our training online;
- the Jumpstart Sales programme;
- the Jumpstart Manager In Training programme; and
- an intern programme both in stores and at the support office.

Following the success of the Jumpstart Sales programme, the Manager in Training ('MIT') programme was created to help drive fulfilment of key management roles within Sunbelt. MIT candidates are recruited from college/university, most often from a job or career fair. Once the best candidates are identified, they begin the six to 12-month programme. The first six months are comprised of a curriculum focused on how to run a branch from an operations, sales and financial perspective. Trainees use this time as on-the-job training where they assist the branch manager in all aspects of running the business. The end goal is for each MIT graduate to be placed as a manager or assistant manager at a branch; however, skillset and interests also allow graduates to be placed in other roles such as sales, operations, safety or project management.



EMPLOYEE SPOTLIGHT:

Sam Gribbin

Sam was recruited as a customer service apprentice at Opti-cal, which offers specialist survey equipment, but was soon identified as a star apprentice. He is now a hire controller and the main point of contact for customers, providing technical advice and instruction, having quickly picked up the necessary product knowledge. Sam goes above and beyond on a daily basis and this is one of the reasons he was awarded 'Apprentice of the Year – Specialist Light' at A-Plant's Apprentice Awards in November 2018. Sam has the ability and enthusiasm to go far, and is both a role model for others, and a shining example of what our apprentice programme enables.



VETERAN SPOTLIGHT:

Ciara McFarland

Ciara is an administrator at Sunbelt and a member of the training department where we help create the training for all employees. She is also on active duty with the Army National Guard. This is a part-time position with the military where she supports state emergencies such as hurricanes, tornadoes, floods or other natural disasters. Ciara is the supply sergeant responsible for providing all the equipment and materials needed to get projects done. She orders the materials the Army needs, the food they are going to eat, the clothing they might need. It's her job to make sure everything is ready to complete the mission. Ciara was inspired to join the military when she was 17.



I was actually in high school Army, and enjoyed learning how it works and the culture of the military. I realised, as I got older, I wanted to be a part of it and joined the North Carolina Army National Guard.

Last year, A-Plant held over 6,100 employee training days through a wide range of courses. In order to identify training needs when recruiting, A-Plant has developed a series of competence forms and adopted the OSAT (On Site Assessment and Training) programme. Each employee has their skills mapped against the qualification framework through assessment and any skill-gaps are filled through training. Through this process we can be sure of developing the skills and qualifying the experience of our workforce. To evaluate the effectiveness of our training, we issue all delegates with feedback forms and these are evaluated and actioned as required. We have also conducted our first all-employee survey 'Your Voice – make a difference', the results of which will be available shortly.

As well as classroom based training, all employees in the UK have access to an online learning zone called The Green Café (A-Plant's e-learning portal) and we plan to launch a new version of this based on an advanced learning management system to raise our capability to train, offer courses, manage mandatory training, and increase our external training revenue.

A-Plant's Undergraduate Placement Programme offers university students the opportunity to spend a year in our business under the mentorship of one of our directors. Students gain an excellent insight into managing a business area at a strategic level and work on a project supporting a real business need, with a direct link to our products and customers.

Reward and benefits

We believe in treating our staff well and rewarding them for the effort they put in on our behalf. We use a combination of competitive fixed pay and attractive incentive programmes to reward and motivate staff and these drive our profits and return on investment. All eligible A-Plant employees are paid the Living Wage (as recommended by The Living Wage Foundation) and A-Plant is an accredited Living Wage Employer. Sunbelt has adopted a Leading Wage to ensure all employees are paid an hourly rate in excess of the state and federal recommended rates. The Leading Wage programme was adopted initially in the US and rolled out to Canada this year.

At Sunbelt we provide a comprehensive package of benefits ensuring they represent affordable and smart choices for employees.



JUMPSTART SALES PROGRAMME

Jumpstart Sales is a 36-week programme through which targeted sales trainees learn all aspects of the business through education, job shadowing, mentoring, and one-to-one coaching by team members at any store. Participants engage with one another through online communities in the learning management system, responding weekly to assigned courses, readings and discussion topics. So far we have had two cohorts graduate with 100% retention in sales-focused roles. The third cohort began its experience in October 2018 and the fourth in February 2019. Through the four cohorts, trainees have been placed in all territories across North America.

Each benefit offering has been designed to work with another, providing a financial safety net that serves those employees in need, as well as providing us all with a proper sense of security. Last year we continued to offer robust and comprehensive medical coverage without a rate increase, despite the growing costs of healthcare. By continuing to promote wellness, we intend to maintain a fair and balanced health plan that is considered one of the best in our industry. The Sunbelt Rentals, Inc., 401(k) Retirement Savings Plan also continues to lead the way in employee participation, with an astounding 94% enrolment rate. In the UK, 96% of employees participate in the Group's pension arrangements. Our employees are excited to be here, and we want to help them prepare for their future, whatever it holds.

Our sales force is incentivised through our commission plans which are based on sales, both volume and price achieved, and a broad measure of return on investment determined by reference to equipment type and discount level. We flex our incentive plans to reflect the stage of the cycle in which we operate, which we believe is an important element in retaining the confidence of our workforce through the economic cycle.

In addition to their core benefits, including pension and life assurance arrangements, we have an employee assistance helpline which offers free confidential support and advice to those in need. We also have other benefits such as Virgin Health Miles to promote good health amongst our employees. A-Plant has introduced a flexible holiday arrangement enabling employees to purchase additional holiday entitlement or sell unused or unwanted holiday days back to the company, giving them the opportunity to exchange some of their holiday entitlement for additional pay and allow the employee more flexibility and choice in how they use their contractual benefits.

Diversity and equal opportunities

Providing equal opportunities for all our staff and employment diversity are priorities for Ashtead. Our recruitment comes predominantly from the areas immediately around our facilities thereby providing opportunities for local people. We make every reasonable effort to give disabled applicants and existing employees who become disabled, opportunities for work, training and career development in keeping with their aptitudes and abilities. We do not discriminate against any individual on the basis of a protected status, such as sex, colour, race, religion, native origin or age.

In the US we are required by law to monitor ethnicity in our workforce every year and we maintain a diverse workforce.

We also gather ethnicity data as part of the recruitment process in the UK and through an Equality and Inclusion Survey to monitor our diversity. Increasingly, many local authority and public sector tenders request this kind of information. We are committed to providing opportunities for people from all ethnic groups and in both geographies we have good representation from ethnic minorities across the organisation. A-Plant began a company-wide focus on Equality, Diversity and Inclusion, in order to make sure its workforce represents society as best as it can and is representative of the communities in which it works.

We aim to attract a broad and diverse mix of candidates and employees to our businesses at all levels. Nevertheless,



EMPLOYEE SPOTLIGHT:

Eddie Nguyen

Eddie works as an outside sales representative for Sunbelt and has been with the business since 2015. He started out in the industry at Value Rentals where he was a small engine mechanic, a driver and yard technician, then doing inside sales and eventually outside sales in 2002. Eddie came to the US with his brother as a refugee from Vietnam in 1984 when he was just 15. Sponsored by an American couple, he graduated college in 1988. Wanting to give back to the country that had given him a home, he joined the US Navy working as an electrician and completing two tours of the Persian Gulf. Eddie values how family-oriented Sunbelt is and the quality of leadership which makes him confident to go out, sell and do his job.



My travel and experiences make me so appreciative of what I have. I live in a country where the opportunities are endless. The more I put in, the more I get out. I have an amazing career.

our workforce reflects the nature of our business, the industry we operate in, and the markets we serve. A significant proportion of our workforce are mechanics, drivers and, in the UK, traffic management operatives, and these roles are predominantly held by men. However, we also have areas of our business which attract more women, such as professional functions, sales and customer service. As a result our industry has traditionally had many more men than women; however, we do have women at all levels within the business including on the Board, within the senior management teams and as store managers, sales executives and apprentices. While we prioritise recruiting the best people for every role, we are working to make it easier for more women to join the organisation, particularly as we grow.

WORKFORCE BY GENDER

Number of employees	Male	Female	Female %
Board directors	5	2	29%
Senior management	25	4	14%
All staff	16,099	1,708	10%

Ashtead pays men and women the same for the same role with the actual remuneration being based on their skills, experience and performance. As a result of our mix of employees and the roles they undertake, the average pay of men and women differs across the business. Summarised below is the amount by which average pay of men exceeds women:

	Pay gap
Sunbelt US	3%
A-Plant	5%
Sunbelt Canada	12%



INSPIRING YOUNG WOMEN TO CONSIDER CONSTRUCTION AS A CAREER

A-Plant is heavily involved in supplying equipment for the A14 Cambridge to Huntingdon Improvement Scheme – currently the UK's biggest road construction project. On the A14 site we have an on-site hire facility offering A-Plant equipment across multiple divisions. As part of overall efforts to encourage more girls into construction, we participated in a Women in Engineering event as part of International Women in Engineering Day. A total of 260 girls from 25 schools and colleges in the East Anglian region interacted with supply chain partners involved in the A14 project to celebrate the achievements of women in engineering and to encourage young women to enter the industry.

Anti-corruption and bribery

Anti-corruption and bribery policies are maintained and reviewed on a regular basis with relevant guidance incorporated into the Sunbelt and A-Plant Employee Handbooks and available on the Sunbelt and A-Plant intranet pages.

To ensure compliance, all senior employees at A-Plant undertake an e-learning module on The Green Café to ensure they understand their obligations and responsibilities with regard to competing fairly and the UK Bribery Act 2010. The module must be completed every 12 months, and only a 100% score on the module is acceptable. Employees must repeat the module until they achieve 100%.

Similar anti-bribery training is required by senior Sunbelt employees to ensure compliance with the UK Bribery Act and the US Foreign Corrupt Practices Act as part of an e-learning ethics training course. The training is undertaken biennially in Sunbelt and was undertaken during 2018/19. Last year was also our 'Ethics Year' with a special course created for staff. We have had a 100% completion rate for the course by all customer-facing roles in the field and our support office.

In addition, our whistle-blowing procedures enable employees to raise any concerns they may have regarding anti-corruption and bribery or any other part of the business, with details provided to the Board on a regular basis.

Human rights

At Ashtead we believe in the rights of individuals and take our responsibilities seriously to all our employees and those who may be affected by our activities. We have policies in place, such as Modern slavery and human trafficking, Business ethics and conduct and Ethical sourcing and whistle-blowing procedures, all of which protect our employees as they go about their work. These policies form part of our way of doing business and are embedded in our operations. Thus, while we do not manage human rights matters separately, we continue to assess potential risks and do not believe they raise particular issues for the business.

COMMUNITIES



Why they matter

Playing a big role in our local communities is crucial to our work in the US and the UK, and increasingly in Canada. As we expand our market share, particularly in the US and Canada, we have ever more impact and influence over the communities where we hire staff and make an economic contribution. Our responsibility to those communities increases likewise. In addition, our staff feel great pride in providing a service for the community.

Our business is about helping people and getting things done. It is about finding solutions, especially when there has been an emergency or a disaster like a major flood or a hurricane. Contributing to the communities where we operate is an important differentiating factor for Ashtead staff, as well as being attractive to new recruits.

Community initiatives

In the locations where we work, we have multiple community-based programmes which often tie in well with what we do and how we do it. Raising our profile in the community in this way is completely consistent with our desire to do more in terms of the quality of life of our staff and their families.

Our stores regularly support and participate in local charity events and community service. For example, we provide support to many community sporting events. We also continue to work closely with our designated charitable partner, the American Red Cross and its affiliates such as the Second Harvest Food Bank for which we have a food drive every November. We allow employees to make payroll deductions to contribute to the American Red Cross or the Sunbelt Employee Relief Fund.

In the UK, A-Plant has chosen The Prince's Trust as its primary charity partner and will be looking to raise funds and engage in volunteer work. The Prince's Trust supports 11-30 year olds who are unemployed, struggling at school and at risk of exclusion, in or leaving care, facing issues such as homelessness or mental health problems, or who have been in trouble with the law. In addition we have also committed to working with Teach First which recruits and trains teachers, placing them in schools in low-income communities. Not only are we providing valuable funding to Teach First, the charity's teachers and pupils in partner schools also have the chance to work with A-Plant volunteers across our business.



GARY SINISE FOUNDATION

We are now in our fourth year of supporting the Gary Sinise Foundation which honours military veterans and their families through the implementation of unique programmes designed to entertain, educate, inspire, strengthen and build communities. One of the Foundation's core programmes is R.I.S.E. (Restoring Independence, Supporting Empowerment), which builds specially-adapted custom smart homes for severely wounded heroes and their families so they may gain more independence in their daily lives. Sunbelt's commitment to community and veteran support led to a partnership with the Foundation and R.I.S.E.. Through this partnership, Sunbelt supplies tools and equipment to the contractors on each of the home builds, at no charge. Last year we contributed \$1 million to the Foundation. This year we plan to expand further our fundraising and community outreach efforts through new tactics and initiatives. The ultimate goal is to bring heightened awareness to the Foundation's work and raise funds to help positively impact the lives of even more veterans.

THE ENVIRONMENT



Why it matters

As we expand our territory and service offering, we necessarily have more of an impact on the environments around our stores. We make every effort to ensure that our impact is a positive one and to limit any negative impact we may have in the course of our work. This helps us save on costs, on any potential damage to our reputation and also helps build that level of trust our customers require. It also helps our staff feel good about where they work and helps to build good relationships with the communities around our stores.

At Sunbelt, the Safety, Health and Environmental department works to improve organisational awareness and focus on our environmental initiatives with regional safety managers who are also responsible for bringing awareness and compliance to environmental initiatives. Regional safety managers are fully trained and capable of identifying risks associated with safety and environmental issues.

We conduct environmental reviews for all our newly acquired stores and plans are then developed to bring them up to Sunbelt's tough standards. Our environmental team provides input into the process for building new sites that often results in stores that exceed local environmental requirements.

In the UK, we maintained our ISO 50001 energy management certification, our significant impacts for which include electricity, natural gas for heating and diesel for our transport fleet. Our commitment to improving energy performance is intended to reduce our impact on the environment and could deliver significant cost savings.



GO GREEN OC

Go Green OC (Ocean City) launched a month-long pilot programme to measure composting practices at a resort restaurant dedicated to initiating zero waste goals. Restaurant waste in Ocean City is being transported to a nearby farm for composting. We have donated earthmoving equipment to help move the soil and to enable the organic matter to fully decompose. This is a new programme for an area that uses waste incinerators currently. The goal is to remove 50% of the rubbish from the waste stream. The compost will not be sent off to the waste incinerator, which will reduce the amount of weight being put into the waste stream. It is also less expensive to move compost locally to a farm, than to send it three hours north to be burned.



AMERICAN RED CROSS

Sunbelt and the American Red Cross share a passion for assisting with relief efforts in times of need. On top of financial donations to the Red Cross, Sunbelt often sends equipment to affected areas from locations across the US, to aid in relief efforts and to help communities rebuild.

We continue to make fleet efficiency gains in the UK. The Fleet Operator Recognition Scheme ('FORS') is an accreditation scheme that aims to improve vehicle fleet activity throughout the UK and beyond. The overarching scheme encompasses all aspects of safety, fuel efficiency, economical operations and vehicle emissions. All A-Plant locations, except for recently acquired ones, are FORS accredited with 162 locations accredited to Gold level. We expect all locations to be accredited to ensure we meet all legislative requirements, as well as helping to increase environmental and operational efficiencies.

We seek to minimise our environmental impact in everything we do. One way of measuring how well we are doing is through our carbon footprint and the monitoring of waste and other environmental KPIs. Two elements of our business which have a significant impact on the environment are our rental fleet and delivery fleet. Our significant investment in the rental fleet in recent years has resulted in one of the largest Tier IV engine fleets in the US with older, pre-Tier IV fleet being disposed, while our cooling equipment uses environment and ozone-friendly refrigerants.

Driving over 250 million miles a year delivering and servicing equipment and serving customers means that any steps we take to reduce the environmental impact of our vehicle fleet is important. These steps include the use of:

- telematics to monitor vehicle idling and driving efficiency;
- speed limiting devices on all three-axle vehicles in the US, resulting in fuel savings and increased safety;

- technology to optimise delivery routes;
- tyre pressure monitors to optimise fuel efficiency;
- fuel efficient tyres and tyre inflation systems to reduce rolling resistance in the US;
- improved design to increase fuel efficiency of the delivery and service fleet; and
- in the US providing environmental education reminders to field and service personnel through TechConnect newsletter delivered to their homes.

We continue to invest in 'greener' equipment whenever we can and where it makes economic sense, sometimes also driven by customer demand. In addition to the Tier IV engine requirements in the US, where we can, we purchase other more environmentally efficient equipment for a wide range of different applications. Customers can also opt to use less toxic biodegradable hydraulic oil for use in equipment operated in sensitive areas, for example. We also have industry-leading availability of natural gas generators and hybrid light towers. In the UK, A-Plant also continues to invest in eco-friendly equipment as our customers demand eco-friendly equipment such as power and hydraulic oil-free platforms, and bio-fuel powered equipment.

Environmental assessments and impact management are an important aspect of our business every day. We make extensive use of environmental information databases to ensure we comply with any requirements and have the appropriate permits to conduct business. When we open new locations or acquire businesses we undertake thorough environmental assessments to ensure they meet our environmental standards and do not pose an unacceptable risk to the business.

An important part of minimising our environmental impact is continuing education. We provide environmental education reminders to field and service personnel on a regular basis in the US; this is through TechConnect, a newsletter delivered to their homes.

Greenhouse gas emissions

As we are a growing business with aggressive expansion plans, our absolute greenhouse gas ('GHG') emissions will necessarily increase. However, we continue to evaluate how best we can limit that increase and mitigate the impact.

Our Scope 1 (fuel combustion and operation of facilities) and 2 (purchased electricity) GHG emissions are reported below. We have opted not to report Scope 3 emissions due to the difficulty in gathering accurate and reliable information. The majority of these arise through our customers' use of our equipment on their sites and projects.

GHG EMISSION BY GHG PROTOCOL SCOPE (tCO₂e/YEAR*)

	2019	2018
Scope 1	265,319	234,053
Scope 2	38,415	34,261
Total	303,734	268,314

* tCO₂e/year defined as tonnes of CO₂ equivalent per year.

In order to calculate the GHG emissions, we have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), together with emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2018, as well as the US Environmental Protection Agency.

In the UK, we collect data from all Scope 1 and 2 vendors and hence, there is no estimation involved. In the US, due to the size of our operation, we collect data from the significant vendors and then use this to estimate emissions attributable to the balance. At April 2019, approximately 9% of the Sunbelt emissions balance was estimated.

We are also required to give an intensity ratio as appropriate for our business. Our level of GHG emissions vary with our activity levels and we have concluded that the most appropriate intensity ratio for Ashtead is revenue intensity. Our intensity metric is therefore an indication of emissions per £1m of revenue (tCO₂e/£m).

	2019	2018
Revenue intensity ratio	67.5	72.4

The majority of our revenue is in US dollars and so the reported ratio is affected by the exchange rate. On a constant currency basis (using this year's average exchange rate) our intensity ratio has reduced from 70.9 last year to 67.5 this year.

Non-financial information statement

In December 2016, the UK Government published new regulations implementing the European Union Directive on disclosure of non-financial and diversity information (the 'Non-Financial Reporting Directive'), amending the Companies Act 2006 requirements for the Strategic Report and the Disclosure and Transparency Rules.

The information required by the Non-Financial Reporting Directive is included as follows:

	Location
Environmental matters (including the impact of the company's business on the environment)	Page 55
The Company's employees	Page 48
Social matters	Page 54
Respect for human rights	Page 53
Anti-corruption and anti-bribery matters	Page 53

In addition, pages 10 to 35 contains information on the Group's business model, principal risks, including those relating to the matters identified above, and key performance indicators.

BRENDAN HORGAN
Chief executive
17 June 2019

MICHAEL PRATT
Finance director
17 June 2019

DIRECTORS' REPORT

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- 60** Corporate governance
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STRATEGIC REPORT

DIRECTORS' REPORT

FINANCIAL STATEMENTS

ADDITIONAL INFORMATION

BOARD OF DIRECTORS



1. Paul Walker, 62 Non-executive chair

Paul Walker was appointed as a non-executive director in July 2018 and non-executive chair in September 2018. Paul is chair of the Nomination Committee and a member of the Finance and Administration Committee. Through his previous roles, Paul brings international leadership experience to the Board, together with knowledge of operating in a rapid growth environment.

Paul is non-executive chair of Halma plc and a non-executive director of Experian plc and Sophos Group plc. It has been announced that Paul will stand down from Experian in July 2019. Paul was previously chief executive of the Sage Group plc and has served on the boards of Diageo plc and MyTravel Group plc.

Paul is a British citizen and lives in Newcastle.

○△



3. Michael Pratt, 55 Finance director

Michael Pratt was appointed as finance director in April 2018. Michael had been deputy group finance director and group treasurer since 2012 having joined the Group in 2003 from PricewaterhouseCoopers. Michael is chair of the Group Risk Committee and a member of the Finance and Administration Committee.

Michael is a British citizen and lives in London.

△◊

2. Brendan Horgan, 45 Chief executive

○△

Brendan Horgan was appointed as chief executive in May 2019, having served as the chief operating officer of the Group since January 2018 and as the chief executive of Sunbelt and a director since January 2011. Brendan joined Sunbelt in 1996 and has held a number of senior management positions including chief sales officer and chief operating officer. Brendan is chair of the Finance and Administration Committee and a member of the Nomination Committee.

Brendan is a US citizen and lives in Charlotte, North Carolina.



4. Angus Cockburn, 56 Senior independent non-executive director

◊□○

Angus Cockburn was appointed as a non-executive director, chair of the Audit Committee and member of the Remuneration and Nomination Committees in October 2018. He was appointed as senior independent non-executive director in January 2019. Angus brings knowledge of the rental market and specialty businesses, along with a good understanding of the associated strategic and financial issues of operating an international business with a substantial North American presence.

Angus is chief financial officer of Serco Group plc where he was appointed in October 2014. He was formerly chief financial officer and interim chief executive at Aggreko plc, senior independent director of GKN plc and a non-executive director of Howden Joinery Group PLC.

Angus is a British citizen and lives in Edinburgh.



**5. Tanya Fratto, 58****Independent non-executive director**

Tanya Fratto was appointed as a non-executive director and a member of the Remuneration and Nomination Committees in July 2016. Tanya has a wide experience in product innovation, sales and marketing and engineering in a range of sectors and has extensive knowledge of operating in the US.

Tanya is a non-executive director of Smiths Group plc, Advanced Drainage Systems Inc. and Mondi Limited and Mondi plc. She was formerly president and chief executive officer of Diamond Innovations and, before that, enjoyed a successful 20-year career with General Electric where she ran a number of businesses.

Tanya is a US citizen and lives in Alabama.

**7. Lindsley Ruth, 48****Independent non-executive director**

Lindsley Ruth was appointed as a non-executive director and a member of the Audit, Remuneration and Nomination Committees in May 2019. Lindsley brings extensive knowledge of our end markets to the Board, particularly North America.

Lindsley is chief executive officer of Electrocomponents plc where he was appointed in April 2015. He was formerly executive vice president of the Future Electronics Group of companies and has also held senior positions with TTI Inc. and Solelectron Corporation.

Lindsley is a US citizen and lives in London.

**6. Lucinda Riches, 57****Independent non-executive director**

Lucinda Riches was appointed as a non-executive director and a member of the Remuneration and Nomination Committees in June 2016 and chair of the Remuneration Committee and member of the Audit Committee in September 2016. Lucinda brings extensive international financial markets experience to the Board, having previously been global head of Equity Capital Markets and a member of the board of UBS Investment Bank.

Lucinda is a non-executive director of CRH plc and Greencoat UK Wind plc and senior independent director of ICG Enterprise Trust plc and The British Standards Institution.

Lucinda is a British citizen and lives in London.

**KEY**

- ◊ Audit Committee
- Remuneration Committee
- Nomination Committee
- △ Finance and Administration Committee
- ▷ Group Risk Committee

Details of the directors' contracts, emoluments and share interests can be found in the Remuneration report.

→ Pages 74–91

CORPORATE GOVERNANCE

The Board meets regularly during the year and is responsible for setting the Group's strategy and ensuring the necessary resources and capabilities are in place to deliver the strategic aims and objectives.



Dear Shareholder

This year has seen continued development and growth for Ashtead. In accordance with the Group's succession planning, there have been a number of changes at Board level, including my appointment as chair in September 2018. The Group's strategy, however, remains unchanged and we continue to deliver on our promises and execute our strategy of organic growth, supplemented by bolt-on acquisitions. As we grow it is crucial that our governance structures keep pace so that we can ensure growth is both responsible and sustainable. We need to manage our risks efficiently and ensure

PAUL WALKER
Chair

transparency across the business. I am confident that your Board is well placed to do that and we remain committed to maintaining the very highest standards of corporate governance. We recognise that good governance is essential in promoting the success of the business for the benefit of its members as a whole.

As chair, it is my role to ensure that the governance regime remains appropriately robust and that the Board operates effectively. I am, therefore, pleased to introduce the Corporate governance report for 2018/19. This report details the matters addressed by the Board and its committees during the year.

Board composition and diversity

Each member of our Board must be able to demonstrate the skills, experience and knowledge required to contribute to the effectiveness of the Board. It is also important that we address issues of diversity in terms of skills, gender, ethnicity and experience relevant to our business.

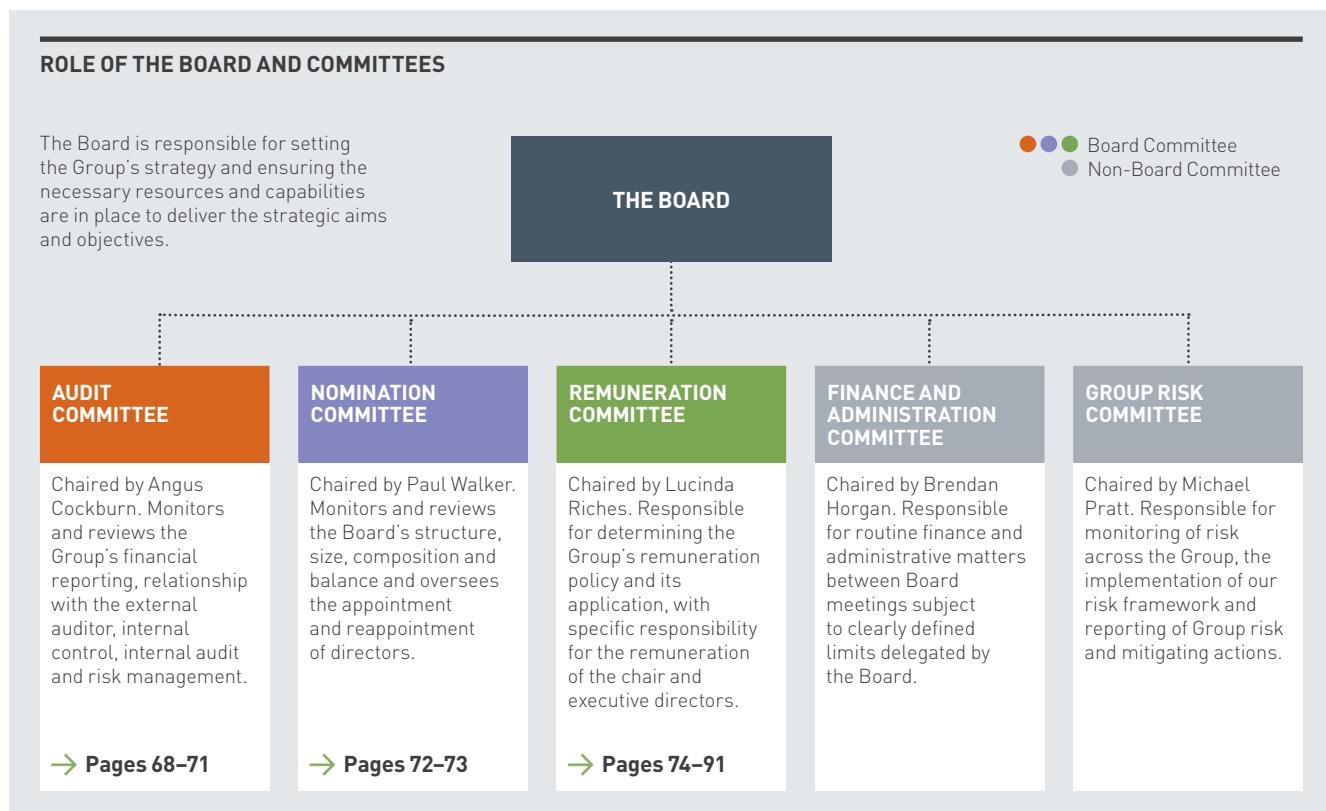
Board composition has been an ongoing area of focus during the year as we have devoted significant time and effort to succession planning and renewal of the Board. As a result of this planning, Brendan Horgan succeeded Geoff Drabble as Group chief executive on 1 May 2019. We have welcomed two other non-executive directors to the Board in Angus Cockburn and Lindsley Ruth, in addition to my appointment as chair. I believe the Board is appropriately balanced in terms of diversity with a good mix of specialist skills and market expertise.

COMPOSITION

Members	Board member since	Date of cessation	Meetings attended
Paul Walker (Chair)	July 2018	-	5/5
Angus Cockburn	October 2018	-	3/4
Chris Cole	January 2002	September 2018	2/2
Sat Dhaiwal	March 2002	July 2018	0/1
Geoff Drabble	April 2005	May 2019	6/6
Wayne Edmunds	February 2014	September 2018	1/2
Tanya Fratto	July 2016	-	6/6
Brendan Horgan	January 2011	-	6/6
Michael Pratt	April 2018	-	6/6
Lucinda Riches	June 2016	-	6/6
Lindsley Ruth	May 2019	-	n/a
Ian Sutcliffe	September 2010	January 2019	4/4

Notes:

- Chris Cole, Geoff Drabble and Ian Sutcliffe stepped down from the Board but attended all board meetings prior to their departure.
- Sat Dhaiwal and Wayne Edmunds stepped down from the Board in July 2018 and September 2018 respectively, but were unable to attend their final board meeting due to prior commitments.
- Paul Walker and Angus Cockburn joined the Board during the year. On appointment it was known that Angus could not attend the October board meeting.
- Lindsley Ruth joined the Board in May 2019.



However, we continue to review the composition of the Board to ensure it remains appropriate to support the ongoing development of the Group.

Areas of Board focus

During the past year the Board has paid particular attention to the following important areas:

- the efficacy of our strategy and the degree to which it remains appropriate in light of market developments, acquisitions opportunities and longer-term objectives;
- the effectiveness of our capital structure and capital allocation priorities;
- evaluating our operating model and structure to ensure they remain fit for purpose as Ashtead grows and markets change;
- assessing the effectiveness of our health and safety practices and monitoring across the Group, and identifying areas for improvement;

- ensuring our key management resource remains motivated and appropriately rewarded; and
- succession planning and ongoing senior recruitment.

Compliance

We endeavour to monitor and comply with ongoing changes in corporate governance and evolving best practice in this area. I am pleased to report that the Company has complied in full throughout the year with the 2016 UK Corporate Governance Code ('the Code'), issued by the Financial Reporting Council ('FRC') and available to view at www.frc.org.uk except that the performance of the chair has not been evaluated by the non-executive directors during the year. I was appointed in September 2018 and my performance will be evaluated within 12 months of my appointment. Details as to how the Company has applied the principles of the Code are set out throughout this Corporate Governance report.

In addition, I can confirm this report provides a fair, balanced and understandable view of the Group's position and prospects.

PAUL WALKER

Chair

MATTERS RESERVED TO THE BOARD

The schedule of matters reserved to the Board for decision includes:

- treasury policy;
- acquisitions and disposals;
- appointment and removal of directors or the company secretary;
- appointment and removal of the auditor;
- approval of the annual accounts and the quarterly financial reports to shareholders;
- approval of the annual budget;
- approval of the issue of shares and debentures;
- the setting of dividend policy; and
- the buyback of shares.

Leadership

The Company is led by an effective Board which is responsible collectively for the long-term success of the Company.

Role of the Board and committees

The Board is responsible for setting the Group's strategy and ensuring the necessary resources and capabilities are in place to deliver its strategic aims and objectives. It determines the Group's key policies and reviews management and financial performance. The Group's governance framework is designed to facilitate a combination of effective, entrepreneurial and prudent management, both to safeguard stakeholders' interests and to sustain the success of Ashtead over the longer term. This is achieved through a control framework which enables risk to be assessed and managed effectively. The Board sets the Group's core values and standards and ensures that these, together with the Group's obligations to its stakeholders, are understood throughout the Group.

Board meetings

The principal activities of the Board are conducted at regular scheduled meetings of the Board and its committees. The Board normally meets six times a year, with at least two of these meetings being held in the US. Additional ad hoc meetings and calls are arranged outside the scheduled meetings to take decisions as required.

The chair and chief executive maintain regular contact with the other directors to discuss matters relating to the Group and the Board receives regular reports and briefings to ensure the directors are suitably briefed to fulfil their roles.

The non-executive directors (including the chair) meet as and when required in the absence of the executive directors to discuss and appraise the performance of the Board as a whole and the performance of the executive directors. In accordance with the Code, the non-executive directors, led by the senior independent director, also meet at least annually in the absence of the chair to discuss and appraise his performance.

There is a schedule of matters reserved to the Board for decision. Other matters are delegated to Board committees.

Delegated authority

Board committees

The Board has standing Audit, Nomination and Remuneration Committees. The membership, roles and activities of the Audit and Nomination Committees are detailed on pages 68 to 73 and the Remuneration Committee in the report on pages 74 to 91.

Each committee reports to, and has its terms of reference agreed by, the Board. The terms of reference of these committees are available on our website and will be available for inspection at the AGM.

Finance and Administration Committee

The Finance and Administration Committee comprises Paul Walker, Brendan Horgan (chair) and Michael Pratt. The Board of directors has delegated authority to this committee to deal with routine financial and administrative matters between Board meetings. The Committee meets as necessary to perform its role and has a quorum requirement of two members with certain matters requiring the participation of the chair, including, for example, the approval of material announcements to the London Stock Exchange.

Summary of the Board's work during the year

The activities of the Board during the year are summarised in the table below. At each board meeting, the Board received:

- a report from the chief executive providing an update on strategic, operational, business development and health and safety matters, supported by reports from the chief executives of Sunbelt and A-Plant;
- a report from the finance director on the financial performance and position of the Group, including treasury matters; and
- an update from the sub-committees of the Board on matters discussed at their meetings.

The principal matters considered by the Board at each meeting during the year were:

Board meeting	Activities and discussion
June 2018	<ul style="list-style-type: none"> - Review of M&A opportunities - Discussion of the Group's proposed bond issue - Review of the work of the Group Risk Committee - Approval of the Group risk register - Adopted the recommendations of the Remuneration Committee - Review of the Group's proposed dividend - Reviewed draft final results announcement and Annual Report & Accounts, including considering advice from the Audit Committee - Approved a sub-committee of the Board to deal with matters relating to the Group's Annual Report & Accounts 2018 - Approval of the Group's AGM resolutions - Approval of the Finance and Administration Committee terms of reference
September 2018	<ul style="list-style-type: none"> - Review of the draft first quarter results announcement - Review of strategy relating to greenfield and M&A growth opportunities

Board meeting	Activities and discussion
October 2018	<ul style="list-style-type: none"> - Received presentations from Sunbelt and A-Plant regarding business performance and reviewed the Group's strategy, including a review of M&A opportunities - Presentation received on safety - Discussion of Group insurance arrangements - Discussion of future board composition and review and approval of chief executive succession announcement - Discussion of board evaluation
December 2018	<ul style="list-style-type: none"> - Approval of the Group's ongoing share buyback programme - Review of the draft half-year results announcement and recommendation with regard to the rate of the interim dividend - Approved the Group's refinancing of its senior credit facility - Review of M&A opportunities
February 2019	<ul style="list-style-type: none"> - Review of the draft third quarter results announcement - Approved the Group's updated modern slavery and human trafficking policy, ethical sourcing policy and business ethics and conduct policy, together with its statement on modern slavery - Discussion of future board meetings - Review of M&A opportunities
April 2019	<ul style="list-style-type: none"> - Approved the 2019/20 budget and three-year plan - Approved the recommendations from the Nomination Committee - Approved the recommendations from the Remuneration Committee - Review of M&A opportunities

BOARD COMPOSITION AND ROLES

Chair	Paul Walker	Responsible for leadership of the Board, agreeing Board agendas and ensuring its effectiveness by requiring the provision of timely, accurate and clear information on all aspects of the Group's business, to enable the Board to take sound decisions and promote the success of the business.
Chief executive	Brendan Horgan	Responsible for developing the strategy for the business, in conjunction with the Board, ensuring it is implemented, and the operational management of the business.
Finance director	Michael Pratt	Supports the chief executive in developing and implementing the strategy and is responsible for the reporting of the financial and operational performance of the business.
Senior independent director	Angus Cockburn	Available to shareholders, if they have reason for concern that contact through the normal channels of chair or chief executive has failed to resolve.
Independent non executive directors	Tanya Fratto Lucinda Riches Lindsley Ruth	Provide a constructive contribution to the Board by providing objective challenge and critique for executive management and insights drawn from their broad experience.

Non-executive directors

In the recruitment of non-executive directors, it is the Company's practice to utilise the services of an external search consultancy. Before appointment, non-executive directors are required to assure the Board that they can give the time commitment necessary to fulfil properly their duties, both in terms of availability to attend meetings and discuss matters on the telephone and meeting preparation time. The non-executives' letters of appointment will be available for inspection at the AGM. The approval of the chair is required before a non-executive can take on other non-executive director roles.

Effectiveness

Composition of the Board

The Company's Board comprises the chair, the chief executive, the finance director, the senior independent non-executive director and three other independent non-executive directors. Short biographies of the directors are given on pages 58 and 59.

The directors are of the view that the Board and its committees consist of directors with the appropriate balance of skills, experience, independence and knowledge of the Group to discharge their duties and responsibilities effectively.

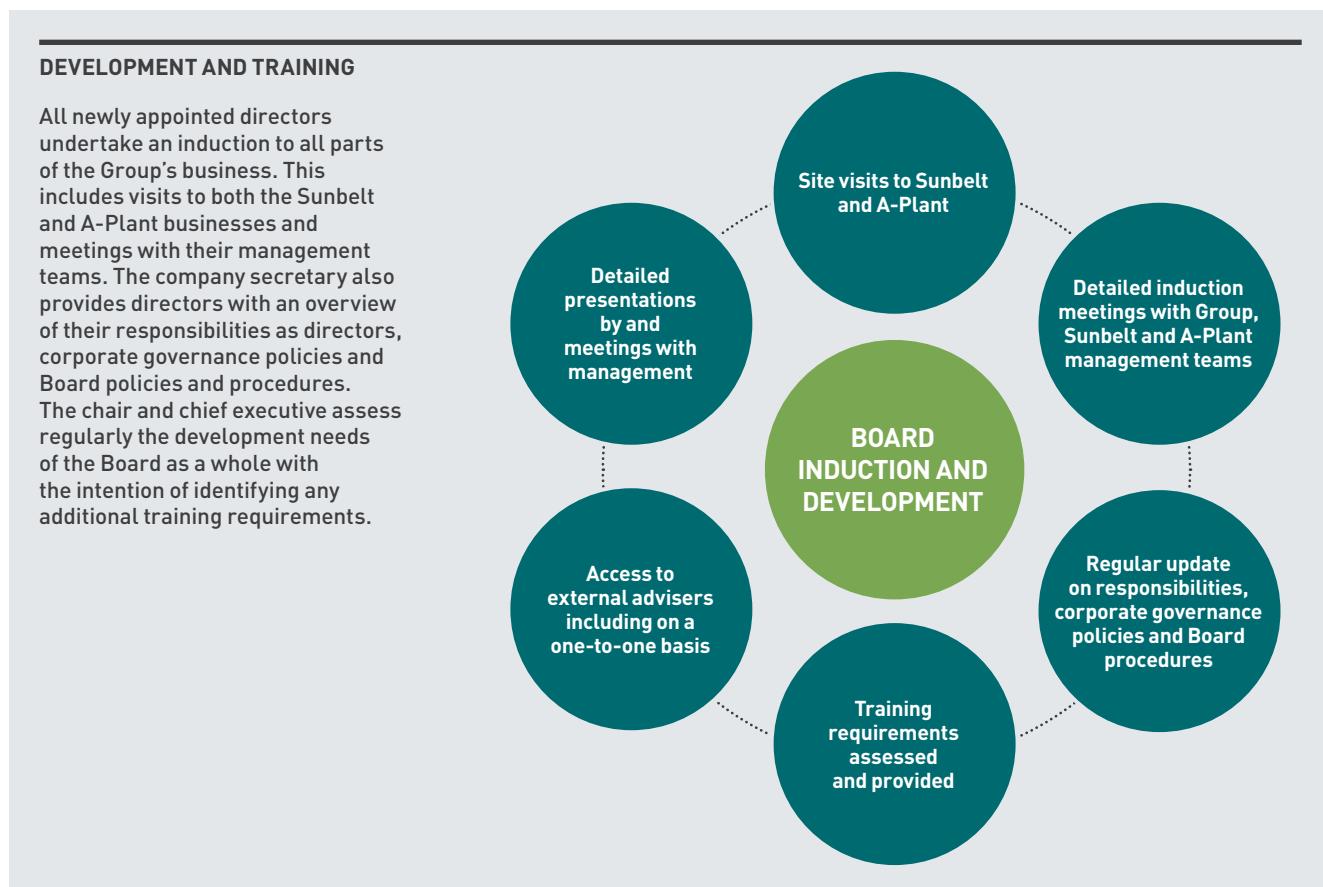
Appointments to the Board

The Nomination Committee is responsible for reviewing the structure, size and composition of the Board and making recommendations to the Board on any changes required. Appointments are made on merit, based on objective criteria, including skills and experience and recognising the benefits of diversity on the Board, including gender. Further details are given in the Nomination Committee report on page 72.

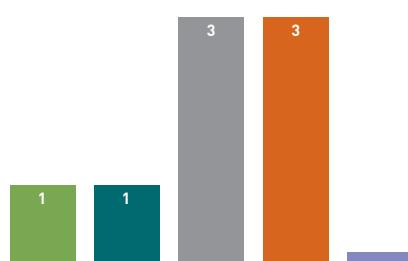
Commitment

As part of the appointment process, prospective directors are required to confirm that they will be able to devote sufficient time to the Company to discharge their responsibilities effectively. Furthermore, all directors are required to inform the Company of changes in their commitments to ensure that they continue to be able to devote sufficient time to the Company.

Non-executive directors are appointed for specified terms not exceeding three years and are subject to annual re-election and the provisions of the Companies Act 2006 relating to the removal of a director.



TENURE OF NON-EXECUTIVE DIRECTORS (YEARS)



- Paul Walker
- Angus Cockburn
- Tanya Fratto
- Lucinda Riches
- Lindsley Ruth (appointed May 2019)

Information and support

The directors have access to the company secretary and are able to seek independent advice at the Company's expense.

Regular reports and briefings are provided to the Board, by the executive directors and the company secretary, to ensure the directors are suitably briefed to fulfil their roles.

Additionally, detailed management accounts are sent monthly to all Board members and, in advance of all Board meetings, an agenda and appropriate documentation in respect of each item to be discussed is circulated.

Board evaluation

The performance of the chair, chief executive, the Board and its committees is evaluated formally annually against, amongst other things, their respective role profiles and terms of reference. The executive directors are evaluated additionally against the agreed budget for the generation of revenue, profit and value to shareholders.

In accordance with the Code, it is the Board's intention to have its and its committees' performance evaluated by an external third party every three years.

The last external evaluation of the Board was completed in 2017 by Dr Tracy Long of Boardroom Review Limited, a company which has no connection with Ashtead. Accordingly, an evaluation of the Board will be completed by an external third party during 2019/20.

The 2017 review comprised a series of in-depth interviews with all Board members and a number of the senior management team, together with observation of the Board's conduct in meetings and a review of the documentation circulated in advance of the Board and committee meetings.

The report of the external reviewer, which included conclusions and recommendations, was presented to a meeting of the Board in April 2017. The overall conclusion was that the Board operated in an efficient and effective manner. In addition, certain areas of focus were identified to enhance further the effectiveness of the Board in the future with the key matters summarised in the table opposite together with the progress made against those actions.

BOARD EVALUATION

Action agreed from 2017 evaluation	Progress achieved
To continue to focus on succession planning and talent management within the Group, ensuring the right mix of skills and experience are maintained to support the Group's ongoing development.	<p>Succession planning is constantly on the Board agenda to ensure the Group's needs are met.</p> <p>The success of the Group's long-term succession planning has been illustrated in the year through the appointment of Brendan Horgan as chief executive.</p> <p>The Board has also received presentations on senior leadership development across the Group.</p>
To continue to ensure the Board remains close to the business as it grows, confirming the right risk oversight and control is maintained.	<p>The Board receives regular updates on the business through monthly financial information and in more detail at each Board meeting through reports from the Sunbelt and A-Plant chief executives. On a bi-annual basis, the Board also receives in-depth business presentations from business leaders including, inter alia, a review of the Group's strategic progress, market conditions, competitive environment, health and safety and technological developments.</p> <p>In relation to risk, the Board receives updates on the Group's key risks on an ongoing basis and the Group Risk Committee reports formally the results of its work to the Audit Committee once a year, including a summary of the oversight performed by the Board. Furthermore, the Board formally reviews and approves the Group risk register on an annual basis.</p>

In a year of change for the Board, this year's Board evaluation was conducted by way of directors' questionnaires. The results were collated by the company secretary and presented to the chair. The conclusion of the evaluation was that the performance of the Board and its committees in the past year has been satisfactory.

In the coming year the non-executive directors (including the chair) will meet in the absence of the executive directors to appraise the performance of the Board as a whole, including its committees and the executive. In accordance with the Code, the non-executive directors, led by the senior independent director, will meet in the absence of the chair to appraise his performance.

Election of directors

Angus Cockburn and Lindsley Ruth will offer themselves for election at this year's AGM. All other directors will retire at this year's AGM and will offer themselves for re-election in accordance with the Code.

Accountability

Financial and business reporting

The Board is committed to providing stakeholders with a fair, balanced and understandable assessment of the Group's position and prospects. This is achieved through the Strategic report, which includes an explanation of the Group's business model, and other information included within this Annual Report. The responsibilities of the directors in respect of the preparation of this Annual Report are set out on page 94 and the auditor's report on page 96 includes a statement by Deloitte about their reporting responsibilities. As set out on page 93, the directors are of the opinion that the Group is a going concern.

Risk management and internal control

The Board is responsible for the Group's risk management framework and internal control systems. It has established a process for identifying, evaluating and managing the principal risks faced by the Group. This robust process has been in place for the full financial year, is ongoing and is consistent with the FRC's 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting' published in 2014. Under its terms of reference the Group Risk Committee meets semi-annually or more frequently if required.

As described more fully on pages 32 to 34, the Group reviews and assesses the risks it faces in its business, changes in principal risks facing the Group and how these risks are managed, with consideration given to the Board's assessment of risk appetite. These reviews are conducted throughout the year in conjunction with the management teams of each of the Group's businesses and are documented in an annual risk assessment, including the updated risk register. The reviews consider whether any matters have arisen since the last report was prepared which might indicate omissions or inadequacies in that assessment. It also considers whether, as a result of changes in either the internal or external environment, any new significant risks have arisen. The Group Risk Committee reviewed the draft report for 2019, which was then presented to, discussed and endorsed by the Audit Committee on 10 May 2019 and the Group Board on 13 June 2019.

The Board monitors the risk management framework and internal control systems on an ongoing basis and reviews their effectiveness formally each year. As detailed further on page 71, as part of the Board's monitoring, through the Audit Committee, it received reports from the operational audit teams as to the existence and operation of controls, how those controls have been monitored throughout the year and considered the internal control improvement recommendations made by the Group's internal auditors and its external auditor and management's implementation plans. These include the recommendations made by an independent major accounting firm which was engaged in early 2019 to perform detailed internal audits at the Group's major support centres in accordance with our normal periodic review. The control system includes written policies and control procedures, clearly drawn lines of accountability and delegation of authority, and comprehensive reporting and analysis against budgets and latest forecasts.

In a group of the size, complexity and geographical diversity of Ashtead, minor breakdowns in established control procedures can occur. There are supporting policies and procedures for investigation and management of control breakdowns at any of the Group's stores or elsewhere. The Audit Committee also meets regularly with the external auditor to discuss their work.

The Board considers that the Group's internal control systems are designed appropriately to manage, rather than eliminate, the risk of failure to achieve its business objectives. Any such control system, however, can only provide reasonable and not absolute assurance against material misstatement or loss.

Audit Committee and Auditor

The Board has delegated responsibility for oversight of corporate reporting and risk management and internal control and for maintaining an appropriate relationship with the Group's auditor to the Audit Committee. The Audit Committee report on pages 68 to 71 contains full details of the role and activities of the Audit Committee.

Remuneration

The Board has delegated responsibility for developing remuneration policy and fixing the remuneration packages of individual directors to the Remuneration Committee. The Remuneration Committee report on pages 74 to 91 contains full details of the role and activities of the Remuneration Committee.

Relations with shareholders and other key stakeholders

Dialogue with shareholders

We engage actively with analysts and investors and are open and transparent in our communications. This enables us to understand what analysts and investors think about our strategy and performance as we drive the business forward.

The Board is updated regularly on the views of shareholders through briefings and reports from those who have had interaction with shareholders including the directors and the Company's brokers. Regular dialogue is maintained with analysts and investors through telephone calls, meetings, presentations, conferences and ad hoc events.

During the year, senior management conducted over 480 meetings and calls and attended five conferences, with investors in the UK, US and Europe. This included regular interaction with private investors who often contact the Group with questions.

The chair and the senior independent non-executive director are available to meet institutional shareholders to discuss any issues or concerns in relation to the Group's governance and strategy.

The Group's results and other news releases are published via the London Stock Exchange's Regulatory News Service. In addition, these news releases are published in the Investor Relations section of the Group's website at www.ashtead-group.com. Shareholders and other interested parties can subscribe to receive these news updates by email through registering online on the website. In addition, all results and capital markets presentations are webcast live (and for playback) on the website for shareholders, analysts, employees and other interested stakeholders who are unable to attend in person.

Constructive use of the Annual General Meeting

We value meeting with our private shareholders at the Company's AGM. The 2019 AGM will be held in London on Tuesday, 10 September 2019. Shareholders will receive an update on first quarter trading during the meeting and be invited to ask questions and meet the directors after the formal proceedings have been completed.

All resolutions at the AGM will be put to a vote on a poll, rather than being decided on a show of hands. The Board believes that this results in a more accurate reflection of the views of shareholders and ensures that their votes are recognised whether or not they are able to attend the meeting. On a poll, each shareholder has one vote for every share held. The results of the voting on the resolutions will be announced to the London Stock Exchange and published on our website as soon as possible after the conclusion of the meeting. Notice of the AGM will be sent to shareholders at least 20 working days before the meeting.

INVESTOR ENGAGEMENT

Month	Event
June 2018	<ul style="list-style-type: none"> - Annual results announcement - Bondholder results call - Investor roadshow (UK and US) following the annual results announcement
September 2018	<ul style="list-style-type: none"> - First quarter results announcement - Bondholder results call - AGM - Conference calls and meetings with investors following first quarter results announcement
October 2018	<ul style="list-style-type: none"> - Investor roadshow (France)
November 2018	<ul style="list-style-type: none"> - Investor roadshow (Germany)
December 2018	<ul style="list-style-type: none"> - Half-year results announcement - Bondholder results call - Investor roadshow (UK) following half-year results announcement
January 2019	<ul style="list-style-type: none"> - Investor roadshow (UK and US) following half-year results announcement
March 2019	<ul style="list-style-type: none"> - Third quarter results announcement - Bondholder results call - Investor roadshow (US) following third quarter results announcement - Conference calls and meetings with investors following third quarter results announcement - Broker conferences in UK and US

ENGAGEMENT WITH OTHER KEY STAKEHOLDERS

In addition to our shareholders, we have a range of other key stakeholders which the Board considers when taking important decisions. Engaging with these stakeholders is therefore critical to the Group and a key priority of the Board and achieved through a variety of means, some of which are highlighted below.

CUSTOMERS

- Ongoing engagement with customers to ensure we meet customer needs
- For major customers, dedicated account managers are in place to manage the customer relationship
- Mechanisms in place for customer feedback on all aspects of our service

EMPLOYEES

- Regular engagement through ‘toolbox’ talks
- Employee engagement survey
- Presentation days with senior leadership providing an overview of the Group
- Manager in Training programme
- Sunbelt/A-Plant employee events

Further details are provided within the Responsible business report on page 48.

STRATEGIC PARTNERS AND SUPPLIERS

- Ongoing engagement and communication with key strategic partners and suppliers to manage supply chain requirements with early visibility provided of our equipment needs to enable them to plan production schedules

COMMUNITIES

- Community engagement programmes at a local level to support the communities in which we operate
- Store participation in local charity events and community service
- Assisting communities following emergency or disaster events

Further details are provided within the Responsible business report on page 54.

AUDIT COMMITTEE REPORT

The Audit Committee meets regularly during the year and plays a key role in ensuring appropriate challenge and governance associated with financial reporting, risk management and control and assurance processes.



Introduction by Angus Cockburn, Audit Committee chair

I am pleased to introduce my first report as chair of the Audit Committee. Since my appointment in October, I have spent a significant amount of time with the Group and divisional finance teams to gain an understanding of the Group's financial control environment and have met with the internal and external auditors to obtain their perspective on that control environment.

The Committee assists the Board in discharging its responsibility for oversight and monitoring of financial reporting, risk management and internal control.

ANGUS COCKBURN

Chair of the
Audit Committee

As chair of the Committee, it is my responsibility to ensure that the Committee fulfils its responsibilities in a rigorous and effective manner. The Committee's agenda is designed, in conjunction with the Board's, to ensure that all significant areas of risk are covered and to enable it to provide timely input to Board deliberations.

I am satisfied that the Committee was provided with good quality and timely material to allow proper consideration to be given to the topics under review. I am also satisfied that the meetings were scheduled to allow sufficient time to ensure all matters were considered fully.

One of the Code's principles is that the Board should present a fair, balanced and understandable assessment of the Company's position and prospects through its financial reporting. We have always sought to ensure our financial and other external reporting is fair, balanced and understandable. The Committee has kept this principle at the forefront of its thought process as it reviewed all the Company's financial reports in advance of publication and is satisfied that they provide a fair, balanced and understandable assessment of the Company's position and prospects.

ANGUS COCKBURN

Chair of the Audit Committee

COMPOSITION

Members	Member since	Date of cessation	Meetings attended
Angus Cockburn (Chair)	October 2018	–	2/2
Wayne Edmunds	July 2014	September 2018	2/3
Lucinda Riches	June 2016	–	5/5
Lindsley Ruth	May 2019	–	n/a
Ian Sutcliffe	September 2010	January 2019	4/4

Notes:

- Wayne Edmunds stepped down from the Board in September 2018 but was unable to attend the final Audit Committee meeting due to a prior commitment.
- Lucinda Riches acted as interim chair of the Audit Committee prior to Angus Cockburn's appointment to the Board and as Audit Committee chair in October 2018. Angus attended all Audit Committee meetings subsequent to his appointment.
- Ian Sutcliffe stepped down from the Board in January 2019 but attended all Audit Committee meetings prior to that date.
- Lindsley Ruth was appointed to the Audit Committee in May 2019.

The members of the Audit Committee, each of whom is independent, have been chosen to provide the wide range of financial and commercial experience needed to undertake its duties and each member of the Audit Committee brings an appropriate mix of senior financial and commercial experience, combined with a thorough understanding of the Group's business. As chair of the Audit Committee, Angus Cockburn has recent and relevant financial experience, having held a number of senior international finance roles, including his current executive role as chief financial officer of Serco Group plc. Details of the experience of each member of the Audit Committee is provided on pages 58 and 59.

Eric Watkins is secretary to the Committee. Paul Walker, Brendan Horgan, Michael Pratt and the Group's Director of Group Finance attend meetings by invitation. In addition, the Group's external audit partner attends the Committee's meetings.

The Audit Committee's terms of reference are available on the Group's website and will be available for inspection at the AGM.

Role of the Audit Committee

The Audit Committee assists the Board in its oversight and monitoring of financial reporting, risk management and internal controls.

The principal responsibilities of the Committee are to:

- monitor the integrity of the quarterly and annual results, including a review of the significant financial reporting judgements contained therein;
- establish and oversee the Company's relationship with the external auditor, including the external audit process, their audit and non-audit fees and independence and make recommendations to the Board on the appointment of the external auditor;
- review and assess the effectiveness of the Company's internal financial controls and internal control and risk management systems;
- oversee the nature, scope and effectiveness of the internal audit work undertaken; and
- monitor the Company's policies and procedures for handling allegations from whistle-blowers.

The Committee reports to the Board on its activities and minutes of meetings are available to the Board.

Main activities of the Audit Committee during the year

The Committee met on five occasions during the year. Meetings are scheduled to coincide with our financial reporting cycle, with four regular meetings scheduled prior to our quarterly, half-year and annual results announcements and the fifth meeting scheduled outside this timetable to enable a formal annual review of the Group's risk register and the work undertaken by the Board throughout the year in reviewing these risks. The Group audit partner from Deloitte (or his designate) attends all meetings of the Committee.

A similar process is undertaken at each reporting date whereby the Committee receives a paper from management which comments on the principal balances in the financial statements and discusses any significant judgements and matters of a financial reporting nature arising since the last meeting. In addition, we receive reports from Deloitte at three of the meetings. The first, in December, contains the results of Deloitte's review of our half-year results. The half-year review forms part of Deloitte's planning for the annual audit and their full audit plan and proposed audit fee is presented to the February/March meeting of the Committee. Deloitte's final report of the year is at the June committee meeting when we review the draft annual report. Deloitte's report contains the findings from their audit work, including comments on the draft annual report.

In addition, the Committee also considered the following matters during the course of the year:

- the application of the new accounting standards IFRS 9 'Financial instruments' ('IFRS 9') and IFRS 15 'Revenue from Contracts with Customers' ('IFRS 15').

IFRS 9 relates to the classification, measurement and recognition of financial assets and liabilities, impairment of financial assets and hedge accounting. The Committee was satisfied that there are no changes which arise in the measurement of the Group's financial assets or liabilities as a result of our adoption of IFRS 9, and no changes to the Group's level of provisioning as a result of our adoption of IFRS 9.

IFRS 15 relates to revenue recognition and provides a five-step model of accounting for revenue recognition which includes identifying the contract, identifying performance obligations, determining the transaction price, allocating the transaction price to different performance obligations and the timing of recognition of revenue in connection with different performance obligations. The Committee was satisfied that the adoption of IFRS 15 had no impact on the recognition of revenue for the Group.

Further details are set out in Note 2 to the financial statements;

Integrity of financial reporting

We reviewed the integrity of the quarterly and annual financial statements of the Company. This included the review and discussion of papers prepared by management and took account of the views of the external auditor. The key areas reviewed in the current year are set out below.

KEY AREA	RESPONSE	AUDIT COMMITTEE CONCLUSION
Carrying value of rental fleet The carrying value of the Group's rental fleet of £5,413m (2018: £4,430m) makes up 65% (2018: 66%) of the Group's gross assets. Both the useful lives and residual values assigned requires the exercise of judgement by management.	Management undertakes an annual review of the appropriateness of the useful lives and residual values assigned to property, plant and equipment and assesses whether they continue to be appropriate and whether there are any indications of impairment. Among other things this review considers the level of gains on disposal and age of assets at the date of disposal along with the level of second-hand values, while taking into account cyclical considerations.	The Committee is satisfied that the judgements taken are appropriate and consistent with prior years.
Going concern and financing activities The Group requires ongoing access to its financing arrangements to enable it to benefit from growth opportunities. During the year, the Group undertook refinancing activities to renew and extend the Group's asset-backed facility and issue second priority secured notes.	Management reviewed the appropriateness of the going concern assumption in preparing the financial statements. The Committee reviewed a paper prepared by management which considered the Group's internal budgets and forecasts of future performance, available financing facilities and facility headroom. In addition, we reviewed the scenario planning considered in assessing the Group's viability over the medium term. Taking account of reasonably possible changes in trading performance, used equipment values and other factors that might affect availability, the Group expects to maintain significant headroom under its borrowing facilities for the forthcoming year.	The Committee is satisfied that the going concern basis of preparation continues to be appropriate in preparing the financial statements.
Goodwill impairment review The Group's strategy includes growth through bolt-on M&A activity as a result of which goodwill arises. The carrying value of goodwill at 30 April 2019 is £1,145m (2018: £883m).	The Group undertakes a formal goodwill impairment review as at 30 April each year. This is based on the latest approved budget and three-year plan for Sunbelt US, A-Plant and Sunbelt Canada. The Group classifies certain specialty businesses as separate cash-generating units ('CGUs'), due to them generating separately identifiable cash flows.	We are satisfied that the revised CGUs are appropriate to the Group and that there is no impairment of the carrying value of goodwill in the CGUs of Sunbelt US, A-Plant or Sunbelt Canada. Further details are provided in Note 14 to the financial statements.

- the adoption of IFRS 16 'Leases' ('IFRS 16'), which is effective from 1 May 2019, will result in the recognition of a right-of-use asset and a lease liability reflecting future lease payments on the balance sheet for all lease contracts other than short-term leases and leases of low-value assets. In the income statement, a depreciation charge on the right-of-use asset and an interest expense will be recognised on the lease liability, replacing the previously recognised operating lease charge.

The Committee received regular updates on the transition project throughout the year.

In assessing the impact of IFRS 16, the Committee considered management's key judgements in adoption, including:

- transition approach: the Group has elected to apply IFRS 16 using the modified retrospective approach, with the lease liability equal to the right-of-use asset on transition;

- recognition exemption options: short-term and low-value assets will be excluded from the lease liability as permitted by IFRS 16;
- lease term: most of the Group's leases relate to properties and our lease terms typically include options, at our sole discretion, to extend or terminate the lease. The Committee has considered management's assessment of the likelihood for the Group to exercise these renewal or termination options in valuing the Group's lease liability and concluded that recognition of the maximum lease term best reflects the Group's assessment of the options available to it; and
- discount rate: considered the methodology applied in determining the discount rate applicable to calculating the lease liability, with use of an incremental borrowing rate approach.

IFRS 16 will have a material impact on the Group's assets and liabilities as leases are capitalised and operating lease charges are replaced with depreciation and interest, with the right-of-use asset and initial lease liability estimated to be in the region of £900m.

Further details are set out in Note 2 to the financial statements;

- reviewed the Group's key controls across each of its key business cycles to assess the Group's overall assurance framework; and
- reviewed the Group's tax strategy and received an update on tax compliance matters.

External audit

External audit effectiveness

The Committee conducted an assessment of the effectiveness of the audit of the 2019 financial statements, based on its own experience and drawing on input from senior corporate management and senior finance management at Sunbelt and A-Plant. The review was based on questionnaires completed by the members of the Committee and senior management, including senior management at Sunbelt and A-Plant. The questionnaires focused on the quality and experience of the team assigned to the audit, the robustness of the audit process, the quality of delivery and communication and governance and independence of the audit firm. This review also considers the role of management in the audit process and therefore enables the Audit Committee to form a view of management's role in ensuring the effectiveness of the external audit.

The questionnaires used enable the Audit Committee to gain a thorough insight into the audit process with sufficient detail to establish an informed view of the audit process across the business and as such form a view as to the effectiveness of the external audit. Areas for focus included ensuring the management of a smooth transition for the lead audit partner.

The feedback received was positive and recognised an appropriate focus on the principal risks with the audit work completed in a rigorous and sceptical manner whilst ensuring good staff continuity. At its meeting in June, the Committee discussed the results from the questionnaires and the audit process more generally. As a result of these considerations, the Committee is satisfied that the audit process and strategy for the audit of the 2019 financial statements was effective.

FAIR, BALANCED AND UNDERSTANDABLE

As part of its responsibilities, the Board has requested that the Audit Committee assess whether, in its opinion, the Annual Report & Accounts 2019, taken as a whole, are a fair, balanced and understandable presentation of the Group's position and prospects.

In making its assessment, the Audit Committee considered a number of factors, including:

- whether the narrative reporting on the performance of the business is consistent with the financial statements presented;
- whether the information presented is complete with no information omitted that should have been included to enable a user to understand the business, its performance and its prospects;
- considering the KPIs utilised by the Group, including alternative performance measures, to ensure that these best reflect its strategic priorities and fairly present business performance;
- assessing areas of judgement which were considered by the Audit Committee during the year and whether these are highlighted appropriately within the Annual Report;
- the outcome of meetings held during the year with Deloitte as external auditor and PricewaterhouseCoopers as internal auditor to discuss qualitative accounting judgements and overall controls. The meetings cover suitability, consistency of application in year and across periods and accounting practices of industry peers; and
- assessing whether the report is clear and understandable, with appropriate narrative given to present the whole story.

Following its review, the Committee concluded that the Annual Report & Accounts 2019 are representative of the Group and its performance during the year and that the Annual Report & Accounts 2019 present a fair, balanced and understandable overview.

Reappointment of external auditor

Deloitte was appointed external auditor in 2004. The external auditor is required to rotate the audit partner responsible for the Group audit every five years. Ed Hanson had held the position for five years at the completion of the 2018 audit. The Audit Committee oversaw the selection of the replacement lead audit partner, Will Smith, during 2017/18, enabling him to shadow Ed Hanson during last year's audit. This facilitated a smooth transition with Will Smith the lead audit partner for the 2019 audit.

The Committee considers the reappointment of the external auditor each year and is recommending to the Board that a proposal be put to shareholders at the 2019 AGM for the reappointment of Deloitte. There are no contractual restrictions on the Company's choice of external auditor and in making its recommendation the Committee took into account, amongst other matters, the tenure, objectivity and independence of Deloitte, as noted above, and its continuing effectiveness and cost.

The Company has complied with the provisions of the Competition and Market Authority's Order on audit tendering and rotation for the financial year under review. Under the transitional arrangements, the Group is not required to rotate its auditor until after the April 2023 year end. We considered formally whether to conduct a tender for the audit in 2017 to fit in with the timing of the rotation of Deloitte's lead audit partner for the 2019 audit. We concluded that Deloitte continued to undertake an effective audit and we would not tender for the 2019 audit. We continue to be satisfied that this remains appropriate and expect to tender the audit in 2022/23 for the 2024 audit.

Non-audit services and external auditor independence

The Audit Committee monitors the nature and extent of non-audit services on a regular basis to ensure the provision of non-audit services is within the Group's policy and does not impair the auditor's objectivity or independence. Whilst the use of the Group's auditor for non-audit services is not prohibited, the Group typically elects to use an alternative adviser but accepts that certain work of a non-audit nature is best undertaken by the external auditor.

We were again satisfied that non-audit services were in line with our policy and did not detract from the objectivity and independence of the external auditor.

The non-audit fees paid to the Company's auditor, Deloitte LLP, for the year relate to their review of the Company's interim results and completion of work associated with the Group's refinancings typically undertaken by the auditor. Details of the fees payable to the external auditor are given in Note 4 to the financial statements.

Financial control and risk management

The Company's objective is to maintain a strong control environment which minimises the financial risk faced by the business. It is the Committee's responsibility to review and assess the effectiveness of the Company's internal financial controls and internal control and risk management factors.

In relation to internal financial control, the Group's control and monitoring procedures include:

- the maintenance and production of accurate and timely financial management information, including a monthly profit and loss account and selected balance sheet data for each store;
- the control of key financial risks through clearly laid down authority levels and proper segregation of accounting duties at the Group's accounting support centres;
- the preparation of a monthly financial report to the Board;
- the preparation of an annual budget and periodic update forecasts which are reviewed by the executive directors and then by the Board;
- a programme of rental equipment inventories and full inventory counts conducted at each store by equipment type and independently checked on a sample basis by our operational auditors and external auditor;
- detailed internal audits at the Group's major accounting centres undertaken periodically by internal audit specialists from a major international accounting firm;
- comprehensive audits at each store generally carried out at least every two years by internal operational audit. A summary of this work is provided semi-annually to the Audit Committee; and
- whistle-blowing procedures by which staff may, in confidence, raise concerns about possible improprieties or breaches of company policy or procedure.

The Committee receives regular reports from internal operational audit, outsourced internal audit and the Group Risk Committee. The Group's risk management processes are an area of focus as they adapt to reflect changes to our risk profile as a result of our significant growth, both organic and through bolt-on acquisitions.

Viability statement

The Committee discussed management's approach to the viability statement and reviewed the work undertaken by management and reviewed a paper summarising their conclusions and proposed statement. The statement was agreed at the June meeting and is included on page 35.

Internal audit

The internal operational audit teams in the two businesses undertake operational audits across the store network using a risk-based methodology. Each year we agree the scope of work and the coverage in the audit plan at the start of the year and receive formal reports on the results of the work at the half year and full year. During the year 542 audits were completed, which is consistent with our goal for each of our 1,000 stores to receive an audit visit at least once every two years. The audits are scored and action plans agreed with store management to remedy identified weaknesses. This continual process of reinforcement is key to the store level control environment.

In addition, we engage a major international accounting firm to perform detailed internal audits at the Group's major support centres periodically.

Whistle-blowing

There are policies and procedures in place whereby staff may, in confidence, report concerns about possible improprieties or breaches of Group policy or procedure in addition to reporting any concerns regarding bribery or corruption. These suspicions are investigated and the results of the investigation are, where possible, reported to the whistle-blower. The Committee receives a report from the company secretary on control issues arising from whistle-blowing as well as from other sources, in addition to reviewing the nature of calls received to the whistle-blower and actions taken to address any matters arising.

NOMINATION COMMITTEE REPORT

The Nomination Committee meets as and when required to consider the structure, size and composition of the Board of directors. The Committee's primary focus during the year remained succession planning.



Role of the Nomination Committee

The principal duties of the Committee are making recommendations to the Board on:

- the Board's structure, size, composition and balance; and
- the appointment, reappointment, retirement or continuation of any director.

PAUL WALKER

Chair of
the Nomination
Committee

Neither the chair of the Board nor the Group chief executive serving on the Nomination Committee is permitted to participate in the appointment of their respective successors.

Main activities of the Nomination Committee during the year

It has been a year of change for the Board at Ashtead and the Committee's primary objective has been the seamless implementation of the Group's succession planning.

The Committee concentrated on the search for a new chair, the appointment of a new Group chief executive and the search for and recruitment of two non-executive directors.

I joined the Board in July 2018 and became chair of the Group in September 2018, succeeding Chris Cole who had served as a non-executive director since 2002 and as chair since March 2007.

Wayne Edmunds stepped down from the Board in September 2018. After an extensive search and having been interviewed by each member of the Committee, Angus Cockburn was appointed as a non-executive director, chair of the Audit Committee and a member of the Remuneration and Nomination Committees in October 2018.

COMPOSITION

Members	Member since	Date of cessation	Meetings attended
Paul Walker (Chair)	July 2018	-	1/1
Chris Cole	January 2002	September 2018	1/1
Geoff Drabble	April 2005	May 2019	2/2
Brendan Horgan	May 2019	-	n/a
Angus Cockburn	October 2018	-	1/1
Wayne Edmunds	July 2014	September 2018	1/1
Tanya Fratto	July 2016	-	2/2
Lucinda Riches	July 2016	-	2/2
Lindsley Ruth	May 2019	-	n/a
Ian Sutcliffe	September 2010	January 2019	1/1

Notes:

- Chris Cole stepped down from the Board in September 2018 but attended the Nomination Committee meeting prior to his departure.
- Paul Walker was appointed to the Nomination Committee in July 2018 and chair in September 2018. He chaired the Nomination Committee meeting subsequent to that date.
- Wayne Edmunds, Ian Sutcliffe and Geoff Drabble stepped down from the Board in September 2018, January 2019 and May 2019 respectively, but attended all Nomination Committee meetings prior to their departure.
- Angus Cockburn was appointed to the Nomination Committee in October 2018 and attended the subsequent meeting. Brendan Horgan and Lindsley Ruth were appointed to the Nomination Committee in May 2019.

Eric Watkins is secretary to the Committee.

The Nomination Committee's terms of reference are available on the Group's website and will be available for inspection at the AGM.

Angus has extensive knowledge of the rental market and specialty businesses, along with a good understanding of the associated strategic and financial issues of operating an international business with a substantial North American presence. Angus is chief financial officer of Serco Group plc.

In January 2019, Ian Sutcliffe retired after almost nine years' service as a non-executive director and Angus was appointed Senior Independent Director.

In November 2018 we announced that Brendan Horgan would succeed Geoff Drabble as Group chief executive on 1 May 2019 following Geoff's retirement from the Board after 12 years of outstanding service. Brendan joined the Group in 1996 and has held a number of senior management positions. Brendan has served as Sunbelt's chief executive since January 2011 and as chief operating officer of the Group since January 2018.

In May 2019 after a further extensive search, and having been interviewed by each member of the Committee, Lindsley Ruth was appointed as a non-executive director and a member of the Audit, Remuneration and Nomination Committees.

Lindsley has extensive knowledge of our end markets, particularly North America. Lindsley is currently chief executive officer of Electrocomponents plc.

I believe that the Committee has achieved its objectives in assisting the Board with its implementation of the Group's long-term succession plans in a seamless and timely manner.

Other matters addressed by the Nomination Committee during the year included:

Reappointment of directors

The Committee unanimously recommends the election/re-election of each of the directors at the 2019 AGM. In making this recommendation, we evaluated each director in terms of their performance, commitment to the role, and capacity to discharge their responsibilities effectively, given their other external time commitments and responsibilities.

Board composition and diversity

Our objective is to have a broad range of skills, background and experience within the Board as we believe that this ensures the Board is best placed to serve the Company. While we will continue to ensure that we appoint the best people for the relevant roles, we recognise the benefits of diversity in ensuring a mix of views and providing a broad perspective.

The Group's gender diversity statistics are set out within our Responsible business report including details of its approach to diversity and equal opportunities across the Group. At Board level, two out of seven of our Board roles are held by women but we note that diversity extends beyond the measurable statistics of gender and ethnicity. As such, while we do not set any particular targets, we continue to take diversity in its wider context into account when considering any particular appointment.

Board appointment process

When considering the recruitment of a new director, the Committee considers the required balance of skills, knowledge, experience and diversity to ensure that any new appointment adds to the overall Board composition. The Committee will utilise the services of independent external advisers to facilitate the search based on the criteria determined by the Committee for the role.



PAUL WALKER

Chair

REMUNERATION REPORT

The Remuneration Committee ensures that executive remuneration aligns appropriately with the business strategy and that the remuneration policy remains appropriate.



Dear Shareholder Introduction

I am pleased to present the Remuneration report for 2019 following another record year for the Group.

Executive directors

As part of the Group's long-term succession planning, Brendan Horgan was appointed as Group chief executive on 1 May 2019, succeeding Geoff Drabble. Notwithstanding Brendan's promotion to chief executive, the Committee determined that, in line with the average salary increase given to the general workforce, Brendan's base salary would increase by 3%. The Committee wishes Brendan every success in his new role.

LUCINDA RICHES
Chair of the
Remuneration
Committee

For Michael Pratt, the Committee determined that his base salary would increase by 5%, reflecting the salary increase given to the general workforce and his progression in the role since his appointment in April 2018.

Leavers

Following 17 years as chief executive of A-Plant, Sat Dhaiwal retired from the Board on 31 July 2018. The Committee determined to treat him as a good leaver for purposes of the Performance Share Plan ('PSP'), in accordance with the normal treatment of a retirement by agreement. In addition, the Group entered into a 12-month consultancy service agreement with Sat for total fees of £100,000 in order to provide ongoing support to the Group during the transition to a new A-Plant chief executive and in light of the anticipated change in Group chief executive.

Geoff Drabble stepped down from the Board as Group chief executive on 1 May 2019 after 12 years in role and will retire from the Company on 30 November 2019. The Committee also decided to treat Geoff as a good leaver for purposes of the PSP, in accordance with the normal treatment for a retirement by agreement. Geoff will receive no bonus in respect of his remaining period of employment and no further PSP award will be made.

See page 86 for further details on payments to former directors.

COMPOSITION

Members	Member since	Date of cessation	Meetings attended
Lucinda Riches (Chair)	July 2016	-	3/3
Angus Cockburn	October 2018	-	1/2
Wayne Edmunds	July 2014	September 2018	1/1
Tanya Fratto	July 2016	-	3/3
Lindsley Ruth	May 2019	-	n/a
Ian Sutcliffe	September 2010	January 2019	2/2

Notes:

- Wayne Edmunds and Ian Sutcliffe stepped down from the Board in September 2018 and January 2019 respectively, but attended all Remuneration Committee meetings prior to their departure.
- Angus Cockburn was appointed to the Remuneration Committee in October 2018. On appointment, it was known that he could not attend the October meeting.
- Lindsley Ruth was appointed to the Remuneration Committee in May 2019.

Eric Watkins is secretary to the Committee.

The Remuneration Committee's terms of reference are available on the Group's website and will be available for inspection at the AGM.

01 DEFERRED BONUS PLAN

	Group pre-tax profit
Forfeiture	£750m
Entry	£885m
Threshold	£915m
Target	£950m
Maximum	£1,000m
Actual – reported	£1,110m
Actual – budget exchange rates	£1,038m

02 2016 PERFORMANCE SHARE PLAN AWARD VESTING

Measure	Weighting of award to measure	Threshold level of vesting (25%)	Maximum level of vesting (100%)	Actual	% of element of award vesting
TSR	40%	Median	Upper quartile	153%	100%
EPS growth	25%	6% CAGR	12% CAGR	27%	100%
Rol	25%	10%	15%	18%	100%
Leverage	10%	<2.5 times		1.8	100%

Appointment of Group chair

In September 2019, Paul Walker was appointed Group chair with a fee of £350,000, consistent with the amount proposed for the Group's chair following a review of the chair's fees in October 2017. No increase in fees will be made in the forthcoming year.

Deferred Bonus Plan

Geoff Drabble, Brendan Horgan and Michael Pratt participate in the Group's Deferred Bonus Plan ('DBP') where performance is measured by reference to Group underlying pre-tax profit. The bonus targets for 2018/19 and the performance relative to them is set out in table 01 above.

When the Company sets its budgets and consequently its bonus targets prior to the commencement of the financial year it does so at the prevailing exchange rate at that time and assumes that rate remains constant throughout the financial year. The budgeted exchange rate for the financial year was £1:\$1.40.

For the purpose of the DBP, the Company has and will continue to measure performance using the budgeted exchange rates. This ensures that the executives do not enjoy any benefit or suffer any detriment from fluctuations in the exchange rate. Whilst reported Group pre-tax profit was £1,110m, at budgeted exchange rates this equated to £1,038m and it is the latter figure upon which the executives' bonuses have been calculated.

The Remuneration Committee sets challenging targets for the DBP. The Committee was able to determine maximum bonuses for Geoff Drabble, Brendan Horgan and Michael Pratt. The Committee feels that this is an appropriate level of reward for the performance of the Company and the hard work put in by its executive directors.

2016 Performance Share Plan award vesting

The sustained long-term performance of the Company is reflected in the full vesting of the 2016 PSP award. The award will vest on the completion of the three-year vesting period in July 2019. Table 02 sets out the performance conditions and targets, weightings, actual performance and associated level of vesting.

The remuneration outcomes for the year reflect the strong performance, which continues to be delivered by the Company and its high-performing executive team.

New remuneration policy and consultation

Background

The current remuneration policy was approved formally by shareholders at the 2016 AGM and has enjoyed strong support from shareholders as evidenced by 90% and 91% of votes cast in favour of the implementation of the policy at our AGMs in 2017 and 2018 respectively.

It is the Committee's view that the current policy continues to support the Company's strategy and culture and therefore there is no requirement to change it materially and as such, the proposed changes are to bring the new policy up to date in relation to market developments and the new UK Corporate Governance Code.

As part of the Committee's review of the remuneration policy, the Committee assessed the current policy against the following criteria:

- the Company's strategy and KPIs over the next three to five years;
- the ability of the policy to attract, retain and motivate executive directors who are critical in executing the business strategy and driving the continued creation of shareholder value;
- ensuring remuneration is competitive against companies of a similar size and complexity;

- ensuring a policy that reflects practice in the Company's listing environment whilst being cognisant of the Group's main area of operations being in the US;
- ensuring a clear linkage between remuneration outcomes and the overall corporate performance; and
- incorporating in an appropriate manner for the Company, UK corporate governance best practice and the new UK Corporate Governance Code.

In addition, the Committee has consulted with its major shareholders in forming its proposals in relation to the new remuneration policy.

Context of remuneration review

Ashtead continues to deliver exceptionally strong growth and associated returns to investors. The success of the Group in delivering revenue and returns, particularly in the US market, has been central to this growth and returns to investors.

The key strategic objectives of the Group are:

- build a platform for growth:
 - target 15% US market share;
 - take 5% Canadian market share;
 - increase UK market share;

- maintain financial and operational flexibility:
 - RoE above 15% for the Group (excluding the impact of IFRS 16);
 - maintain leverage in the range 1.5 to 2 times net debt to EBITDA (1.9 to 2.4 times post IFRS 16);
 - ensuring financial firepower at the bottom of the cycle for the next 'step-change';
- operational excellence:
 - improve operational capability and effectiveness;
 - continued focus on service.

The Committee's aim is to ensure that the remuneration of the Company's management provides appropriate incentives and remains aligned with these strategic objectives.

Summary of the Group's remuneration policy

The proposed changes to the current policy are set out in the following table:

ELEMENT	CURRENT POLICY	PROPOSED CHANGE	RATIONALE
Pension	Current policy for executive directors is up to 40% of salary. For new directors the maximum contribution will not exceed the median level in the FTSE 100.	The maximum contribution is 15% of salary. New directors' pension contribution will be aligned with the average UK employee contribution.	The Committee recognises the Code requirement and the desire of shareholders to see the alignment of pension contributions with that of the average employee. The Committee does not feel it necessary to reduce the pension contributions of the current executive directors. They are as follows: <ul style="list-style-type: none"> - the new chief executive receives a co-match under Sunbelt's 401K defined contribution plan and 409A deferred compensation plan of c. 1.8% of salary; and - the finance director receives a cash payment of 15% of salary in lieu.
BENEFITS			
Post-cessation shareholding requirement	No current formal policy.	Introduction of a post-cessation of employment shareholding requirement of 100% of the minimum shareholding requirement for 24 months following cessation.	This change is fully in line with the UK Corporate Governance Code changes and the updated Investment Association guidelines. The proposed change will strengthen alignment between the long-term interests of executive directors and shareholders.

Impact of the new UK Corporate Governance Code

The following table sets out the key requirements of the new code and how the proposed policy satisfies them:

KEY REMUNERATION ELEMENT OF THE CODE	COMPANY POSITION
Five-year period between the date of grant and realisation for equity incentives	The PSP meets this requirement.
Phased release of equity awards	The PSP ensures the phased release of equity awards through annual rolling grants.
Discretion to override formulaic outcomes	The remuneration policy contains the ability to override formulaic outcomes for the DBP and PSP.
Post-termination holding requirement	This is included in the new policy and is fully in line with the Investment Association guidelines.
Pension alignment	It is the Committee's intention to bring new executive directors in at a pension contribution equivalent to the average UK employee contribution. The Committee does not intend to change the provision for existing executive directors.
Extended malus and clawback	The current malus and clawback provisions already exceed the suggested best practice included in the new code.

Operation of the current policy for 2019/20

The Committee does not propose to change materially how the current policy is implemented in 2019 from its implementation in 2018. Accordingly, with effect from 1 May 2019 the Committee made the following salary increases:

- Brendan Horgan's salary to \$1,030,000 from \$1,000,000 (3% increase), consistent with the increase in salary for the general workforce and not reflecting any increase on becoming chief executive; and
- Michael Pratt's salary to £472,500 from £450,000 (5% increase), reflecting the increase in salary for the general workforce and his progression in the role since appointment.

No changes in the level of award under the DBP or PSP are proposed.

Future years

The Committee will continue to focus its remuneration policy implementation on:

- supporting the Group's strategy over the next stage of its development;
- attracting, retaining and motivating the executive directors who are critical to executing the business strategy and driving the continued creation of shareholder value;

- ensuring the remuneration is competitive against companies of similar size and complexity; and
- reflecting practice in the Group's listing environment while being cognisant of its relatively diverse shareholder base and its main area of operation being North America.

The Committee will continue to have regard to pay and employment conditions across the Group, especially when determining salary increases.

Conclusion

The key decisions relating to Group remuneration in the current year are set out below:

- agreement of the proposed remuneration policy;
- the determination that Geoff Drabble and Sat Dhaiwal would be treated as good leavers under the PSP following their retirement from the Board;
- the terms of the consultancy agreement of Sat Dhaiwal; and
- the Group chief executive salary increase of 3% (general employee rise of 3%) and Group finance director salary increase of 5%.

The 2019 policy has been included on the agenda for the 2019 AGM. The proposed policy is set out in full on pages 78 to 80 of this report.

I believe the proposed policy and the decisions made by the Committee reflect and build on the constructive shareholder dialogue which I intend to continue going forwards. I hope you will agree and will therefore be able to vote in favour of the 2019 policy and this year's Remuneration report.

LUCINDA RICHES

Chair of the Remuneration Committee

Introduction

This report has been prepared in accordance with the Listing Rules of the Financial Conduct Authority, the relevant sections of the Companies Act 2006 and The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 ('the Regulations'). It explains how the Board has applied the Principles of Good Governance relating to directors' remuneration, as set out in the UK Corporate Governance Code. The Regulations require the auditor to report to the Company's members on elements of the Directors' remuneration report and to state whether, in their opinion, that part of the report has been properly prepared in accordance with the Companies Act 2006. The audited information is included on pages 83 to 88.

As set out in the Committee chair's letter on pages 74 to 77, the Committee undertook a review of the Group's remuneration arrangements during the year. The proposed changes to the Group's existing policy, approved in 2016, are set out in that letter. The proposed 2019 policy set out below includes these changes.

Two ordinary resolutions concerning the directors' Remuneration report will be put to shareholders at the AGM on 10 September 2019. The first resolution is in respect of the implementation of the 2016 policy for the year ended 30 April 2019. The second resolution seeks shareholders' approval for the 2019 policy to apply for the next three years.

The aim of the Company's remuneration policy set out below is to reward executives for delivering a sustainable increase in shareholder value over a long period of time. Accordingly, we seek to:

- set the total remuneration package at a level that is competitive in the markets in which we operate;
- align executives' interests with those of shareholders;
- link a significant element of total remuneration to the achievement of stretching performance targets over the long term;
- provide a total remuneration package that is balanced between fixed remuneration and variable, performance-based remuneration; and
- enable recruitment and retention of high calibre executives without paying more than necessary to fill the role.

Remuneration policy

Summary of the Group's remuneration policy

BASE SALARY

Link to strategy

The purpose of the base salary is to attract and retain directors of the high calibre needed to deliver the long-term success of the Group without paying more than is necessary to fill the role.

Operation

Ordinarily, base salary is set annually and is payable on a monthly basis.

An executive director's base salary is determined by the Committee. In deciding appropriate levels, the Committee considers the experience and performance of individuals and relationships across the Board and seeks to be competitive using information drawn from both internal and external sources and taking account of pay and conditions elsewhere in the Company.

The comparator group currently used to inform decisions on base salary is principally the FTSE 50 to 100 as these organisations reflect the size and index positioning of the Company. The Committee intends to review the comparator group each year, to ensure this remains appropriate, and any changes would be disclosed to shareholders in setting out the operation of the policy for the subsequent year.

Individuals who are recruited or promoted to the Board may, on occasion, have their salaries set below the policy level until they become established in their role. In such cases subsequent increases in salary may be higher until the target positioning is achieved.

Maximum potential value

The policy for salary is around the median level for comparable positions in relation to the comparator groups.

Increases will normally be in line with both the market and typical increases for other employees across the Group.

Details of the executive directors' salaries, and any increases awarded will be set out in the statement of implementation of remuneration policy for the following financial year.

Performance conditions and assessment

N/A

BENEFITS			
Link to strategy To provide competitive employment benefits.	Operation The executive directors' benefits will generally include medical insurance, life cover, car allowance and travel and accommodation allowances. The type and level of benefits provided is reviewed periodically to ensure they remain market competitive.	Maximum potential value The maximum will be set at the cost of providing the listed benefits.	Performance conditions and assessment N/A
PENSION			
Link to strategy To provide a competitive retirement benefit.	Operation The Company makes pension contributions (or pays a salary supplement in lieu of pension contributions) of up to 15% of an executive's base salary.	Maximum potential value The maximum contribution is 15% of salary. For new directors, the contribution will be aligned with the average UK employee contribution.	Performance conditions and assessment N/A
DEFERRED BONUS PLAN ('DBP')			
Link to strategy The purpose of the DBP is to incentivise executives to deliver stretching annual financial performance while aligning short-term and long-term reward through compulsory deferral of a proportion into share equivalents. This promotes the alignment of executive and shareholder interests.	<p>Operation The DBP runs for consecutive three-year periods with a significant proportion of any earned bonus being compulsorily deferred into share equivalents. Based on achievement of annual performance targets, participants receive two-thirds of the combined total of their earned bonus for the current year and the value of any share equivalent awards brought forward from the previous year at the then share price. The other one-third is compulsorily deferred into a new award of share equivalents evaluated at the then share price.</p> <p>Deferred share equivalents are subject to 50% forfeiture for each subsequent year of the plan period where performance falls below the forfeiture threshold set by the Committee.</p> <p>At the expiration of each three-year period, participants will, subject to attainment of the performance conditions for that year, receive in cash their bonus for that year plus any brought forward deferral at its then value.</p> <p>Dividend equivalents may be provided on deferred share equivalents.</p>	<p>Maximum potential value The maximum annual bonus opportunity under the DBP is 225% of base salary. Target performance earns 50% of the maximum bonus opportunity.</p>	<p>Performance conditions and assessment The current DBP performance condition is Group underlying pre-tax profit. Stretching financial targets are set by the Committee at the start of each financial year. The Company operates in a rapidly changing sector and therefore the Committee may change the balance of the measures, or use different measures for subsequent financial years, as appropriate. The Committee has the discretion to adjust targets or weightings for any exceptional events that may occur during the year.</p> <p>The Remuneration Committee is of the opinion that given the commercial sensitivity arising in relation to the detailed financial targets used for the DBP, disclosing precise targets for the bonus plan in advance would not be in shareholder interests. Actual targets, performance achieved and awards made will be published at the end of the performance periods so shareholders can assess fully the basis for any pay-outs under the plan.</p>

PERFORMANCE SHARE PLAN ('PSP')			
Link to strategy	Operation	Maximum potential value	Performance conditions and assessment
The purpose of the PSP is to attract, retain and incentivise executives to optimise business performance through the economic cycle and hence, build a stronger underlying business with sustainable long-term shareholder value creation. This is an inherently cyclical business with high capital requirements. The performance conditions have been chosen to ensure that there is an appropriate dynamic tension between growing earnings, delivering strong RoI, whilst maintaining leverage discipline.	PSP awards are granted annually and vesting is dependent on the achievement of performance conditions. Performance is measured over a three-year period. The operation of the PSP is reviewed annually to ensure that grant levels, performance criteria and other features remain appropriate to the Company's current circumstances. Dividend equivalents may be provided on vested shares. Vested shares (net of taxes) are required to be held for a period of at least two years post vesting.	The maximum annual award which can be made under the PSP scheme has a market value at the grant date of 250% of base salary. At target performance 32.5% of the award vests. In 2019/20 the award for Brendan Horgan will be 200% of base salary and 150% for Michael Pratt.	Awards are subject to continued employment and achievement of a range of balanced and holistic performance conditions that are maintained across the cycle. The current performance criteria are total shareholder return (40%), earnings per share (25%), return on investment (25%) and leverage (10%). Awards vest on a pro-rata basis as follows: Total shareholder return – median to upper quartile performance against an appropriate comparator group Earnings per share – compound growth of 6–12% per annum Return on investment – 10–15% (excluding IFRS 16) Leverage – less than, or equal to, 2 times (2.4 times post IFRS 16)
SHAREHOLDING POLICY			
Link to strategy	Operation	Maximum potential value	
Ensures a long-term locked-in alignment between the executive directors and shareholders.	The Committee requires the executive directors to build and maintain a material shareholding in the Company over a reasonable time frame, which would normally be five years. The Committee has discretion to increase the shareholding requirement.	Minimum shareholding requirement: – Chief executive: 300% of salary – Other executive directors: 200% of salary	
POST-CESSATION SHAREHOLDING REQUIREMENT			
Link to strategy	Operation	Maximum potential value	
Strengthens the alignment between the long-term interests of executive directors and shareholders.	The Committee requires the executive directors to maintain the minimum shareholding requirement for two years post cessation.	Minimum shareholding requirement: – Chief executive: 300% of salary – Other executive directors: 200% of salary	

Notes to the policy table:

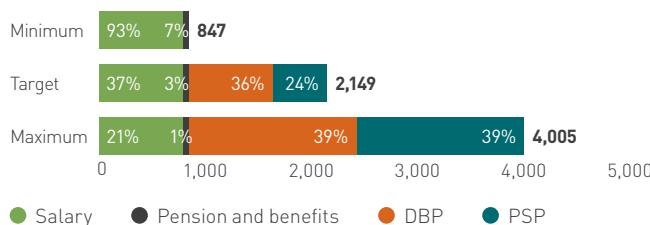
1. In relation to the PSP:
 - a. Total shareholder return measures the relative return from Ashtead against an appropriate comparator group, providing alignment with shareholders' interests.
 - b. Earnings per share is also a key measure ensuring sustainable profit generation over the longer term and is a measure which is aligned with shareholders' interests.
 - c. Return on investment is a key internal measure to ensure the effective use of capital in the business which is cyclical and with high capital requirements.
 - d. The use of leverage alongside the other performance measures ensures there is an appropriate dynamic tension and balance, maintaining leverage discipline in a capital-intensive business. For awards up to and including 2016, the leverage target was 2.5 times. For 2017 and subsequent awards, it is 2 times (2.4 times post IFRS 16), averaged across the three-year periods.
2. In relation to both the DBP and the PSP, malus and clawback provisions exist which enable the Committee to reduce or eliminate the number of shares, notional shares or unvested shares held or reduce the amount of any money payable or potentially payable and/or to require the transfer to the Company of all or some of the shares acquired or to pay to the Company an amount equal to all or part of any benefit or value derived from, or attributable to, the plans in case of material misstatement of accounts or action or conduct of an award holder or award holders which in the reasonable opinion of the Board, amounts to fraud or gross misconduct.

Total remuneration opportunity

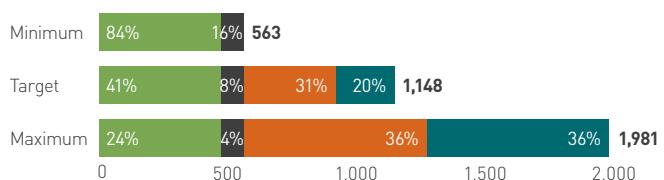
Our remuneration arrangements are designed so that a significant proportion of pay is dependent on the delivery of short and long-term objectives designed to create shareholder value.

The graphs below illustrate the potential future reward opportunity for each of the executive directors, based on the remuneration policy set out on page 78 to 80 and the base salary at 1 May 2019 and the sterling/dollar exchange rate at 30 April 2019.

CHIEF EXECUTIVE – BRENDAN HORGAN (£'000)



FINANCE DIRECTOR – MICHAEL PRATT (£'000)



In illustrating potential reward opportunities, the following assumptions have been made:

	Base and pension	DBP	PSP
Minimum	Base salary, benefits and pension or cash in lieu of pension	No DBP payment payable	No vesting
Target	As above	On target DBP payment (50% of maximum)	32.5% vesting
Maximum	As above	Maximum DBP payment	Full vesting

In all scenarios, the impact of share price movements on the value of PSPs and mandatory bonus deferrals into the DBP have been excluded.

Service contracts

The Company's policy is that executive directors have rolling contracts which are terminable by either party giving the other 12 months' notice, which are available for inspection at the Company's registered office. The service contracts for each of the executive directors all contain non-compete provisions appropriate to their roles.

Policy on payment for loss of office

Upon the termination of employment of any executive director, any compensation will be determined in accordance with the relevant provisions of the director's employment contract and the rules of any incentive scheme which are summarised below.

BASE SALARY AND BENEFITS

Approach

In the event of termination by the Company, there will be no compensation for loss of office due to misconduct or normal resignation.

In other circumstances, executive directors may be entitled to receive compensation for loss of office which will be a maximum of 12 months' salary.

Such payments will be equivalent to the monthly salary and benefits that the executive would have received if still in employment with the Company. Executive directors will be expected to mitigate their loss within a 12-month period of their departure from the Company.

Application of Committee discretion

The Committee has discretion to make a lump sum payment in lieu.

PENSION

Approach

Pension contributions or payments in lieu of pension contribution will be made during the notice period. No additional payments will be made in respect of pension contributions for loss of office.

Application of Committee discretion

The Committee has discretion to make a lump sum payment in lieu.

DEFERRED BONUS PLAN

Approach

The treatment of the Deferred Bonus Plan is governed by the rules of the plan.

Cessation of employment

If a participant ceases to be employed by a Group company for any reason an award that has not vested shall lapse unless the Committee in its absolute discretion determines otherwise for 'good leaver' reasons (including, but not limited to, injury, disability, ill health, retirement, redundancy or transfer of the business).

If the Committee determines that deferred awards held in a participant's plan account shall not lapse on cessation of employment, all deferred awards held in the participant's plan account shall vest immediately and the Committee shall determine:

- (a) whether the measurement date for that plan year is brought forward to the date of cessation or remains at the end of the plan year; and
- (b) whether a reduction is applied to the payment to take account of the proportion of the plan year elapsed and the contribution to the Group.

If the Committee determines that the measurement date is the date of cessation, the Committee shall pro-rate the performance conditions to the date of cessation.

Change of control

On a change of control, all deferred awards held in a participant's plan account shall vest immediately and the Committee shall determine:

- (a) that the measurement date is the date of the change of control; and
- (b) whether a reduction is applied to the payment to take account of the proportion of the plan year elapsed and the participant's contribution to the Group.

The Committee shall pro-rate the performance conditions to the measurement date.

In the event of an internal reorganisation, the Committee may determine that awards are replaced by equivalent awards.

Application of Committee discretion

The Committee has the discretion to determine that an executive director is a good leaver.

The Committee retains discretion to set the measurement date for the purposes of determining performance measurement and whether to pro-rate the contribution for that plan year.

It should be noted that it is the Committee's policy only to apply such discretions if the circumstances at the time are, in its opinion, sufficiently exceptional, and to provide a full explanation to shareholders where discretion is exercised.

The Committee retains discretion to pro-rate the contribution for that plan year.

It is the Committee's policy in normal circumstances to pro-rate to time; however, in exceptional circumstances where the nature of the transaction produces exceptional value for shareholders and provided the performance targets are met, the Committee will consider whether pro-rating is equitable.

PERFORMANCE SHARE PLAN

Approach

The treatment of awards is governed by the rules of the plan.

Cessation of employment

If a participant ceases to be employed by a Group company for any reason an award that has not vested shall lapse unless the Committee in its absolute discretion determines otherwise for 'good leaver' reasons (including, but not limited to, injury, disability, ill health, retirement, redundancy or transfer of the business).

Where the participant is a good leaver, and at the discretion of the Committee, awards may continue until the normal time of vesting and with the performance target and any other conditions considered at the time of vesting. If the participant's awards vest, the proportion of the awards which shall vest will be determined by the Committee in its absolute discretion taking into account such factors as the Committee may consider relevant including, but not limited to, the time the award has been held by the participant and having regard to the performance target and any further condition imposed under the rules of the plan.

Alternatively, the Committee may decide that the award may vest on the date of cessation taking into account such factors as the Committee may consider relevant including, but not limited to, the time the award has been held by the participant and having regard to the performance target and any further condition imposed under the rules of the plan.

Change of control

The proportion of the awards which shall vest will be determined by the Committee in its absolute discretion taking into account such factors as the Committee may consider relevant including, but not limited to, the time the award has been held by the participant and having regard to the performance target and any further condition imposed under the rules of the plan.

Application of Committee discretion

The Committee has the discretion to determine that an executive director is a good leaver.

The Committee retains discretion to set the vesting date.

It should be noted that it is the Committee's policy only to apply such discretions if the circumstances at the time are, in its opinion, sufficiently exceptional, and to provide a full explanation to shareholders where discretion is exercised.

It is the Committee's policy to measure the level of satisfaction of performance targets on a change of control. It is the Committee's policy in normal circumstances to pro-rate to time; however, in exceptional circumstances where the nature of the transaction produces exceptional value for shareholders and provided the performance targets are met the Committee will consider whether pro-rating is equitable.

There is no agreement between the Company and its directors or employees, providing for compensation for loss of office or employment that occurs as a result of a takeover bid. The Committee reserves the right to make payments where such payments are made in good faith in discharge of a legal obligation (or by way of damages for breach of such an obligation); or by way of settlement or compromise of any claim arising in connection with the termination of an executive director's office or employment.

When determining any loss of office payment for a departing individual the Committee will always seek to minimise the cost to the Company whilst seeking to address the circumstances at the time.

Consideration of conditions elsewhere in the Group

The constituent parts of the senior management team's remuneration package mirror those of the executives. The performance conditions attaching to PSP awards are common throughout the Company.

When considering executive compensation, the Committee is advised of, and takes into account, changes to the remuneration of employees elsewhere within the Group. The Committee does not consider it appropriate to consult with employees when determining executive remuneration.

Remuneration policy for non-executive directors

The remuneration of the non-executive directors is determined by the Board within limits set out in the Articles of Association. None of the non-executive directors has a service contract with the Company and their appointment is therefore terminable by the Board at any time. When recruiting a non-executive director, the remuneration arrangements offered will be in line with the policy table below:

APPROACH TO FEES	BASIS OF FEES
Fees are set at a level to attract and retain high calibre non-executive directors.	Each non-executive director is paid a basic fee for undertaking non-executive director and board responsibilities.
Fees are reviewed on a regular basis to ensure they reflect the time commitment required and practice in companies of a similar size and complexity.	Additional fees are paid to the chair and the chairs of the Audit and Remuneration Committees and the senior independent director.

Annual report on remuneration

Single total figure for remuneration (audited information)

Executive directors

The single figure for the total remuneration received by each executive director for the year ended 30 April 2019 and the prior year is shown in the table below:

	Salary		Benefits ^[i]		Pension ^[ii]		DBP ^[iii]		PSP ^[iv]		Total	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Geoff Drabble	813	789	45	41	325	316	1,450	1,052	2,988	2,946	5,621	5,144
Brendan Horgan	767	590	43	41	14	13	1,249	673	1,949	1,636	4,022	2,953
Michael Pratt ^[v]	450	38	20	1	68	6	561	38	306	67	1,405	150
Former directors:												
Sat Dhaiwal ^[vi]	71	283	4	17	14	57	—	—	556	829	645	1,186
Suzanne Wood ^[vii]	—	440	—	112	—	17	—	721	—	1,205	—	2,495
	2,101	2,140	112	212	421	409	3,260	2,484	5,799	6,683	11,693	11,928

(i) Benefits include the taxable benefit of company owned cars, private medical insurance and subscriptions and other taxable allowances. Other taxable allowances include car, travel and accommodation allowances.

(ii) The amounts for Geoff Drabble, Michael Pratt and Sat Dhaiwal represent cash payments in lieu of pension contributions at 40%, 15% and 20% of salary, respectively. The amounts included for Brendan Horgan and Suzanne Wood represent the co-match under Sunbelt's 401K defined contribution pension plan and 409A deferred compensation plan.

(iii) DBP includes the cash received by each director from the DBP for 2018/19 performance as explained on page 84. This includes 67% of this year's bonus for each director.

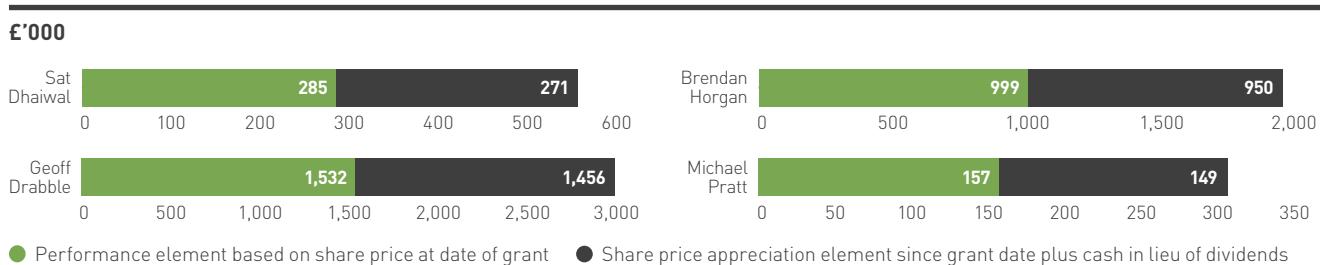
(iv) The PSP value is calculated as the number of shares vesting, valued at the market value of those shares, plus the payment in lieu of dividends paid during the vesting period. Market value is the market value on the day the awards vest (if they vest before the date the financial statements are approved) or the average market value for the last three months of the financial year (if the awards vest after the date the financial statements are approved). The 2016 award will vest in full on 4 July 2019 and has been valued at an average market value of 1,997p for the three months ended 30 April 2019, plus 85.5p per share in lieu of dividends paid during the vesting period. The PSP value for 2018 has been adjusted to reflect the actual market value on the date of vesting of 2,255p.

(v) Michael Pratt was appointed as a director on 1 April 2018 and his salary, benefits and pension shown in the table above for 2018 are for his services as a director of the Company from that date to 30 April 2018. The amount included in relation to the DBP represents 67% of his bonus for the period during which he was a director. The PSP figures represent a time-apportioned amount of the 2015 PSP award that vested in July 2018 and the 2016 PSP award that will vest in July 2019.

(vi) Sat Dhaiwal stood down as a director on 31 July 2018. As a good leaver, Sat remained a participant in the PSP in respect of previous awards, pro-rated for time served.

(vii) Suzanne Wood stood down as the Group's finance director with effect from 31 March 2018 but remained as an employee until 30 June 2018. As a good leaver, Suzanne remained a participant in the PSP in respect of previous awards, pro-rated for time served. In relation to the DBP, Suzanne's entitlement for 2017/18 was paid out in full but subject to the plan's clawback provisions. As such, the amount included above is her full bonus for 2017/18 having been employed throughout that year.

The value attributable to the PSP awards within the single total figure for remuneration reflects the appreciation of the share price since the awards were granted. This is illustrated as follows:



● Performance element based on share price at date of grant ● Share price appreciation element since grant date plus cash in lieu of dividends

The Company believes that the above charts show the strong alignment of interests between the Executive Directors and shareholders reflected in the share price appreciation over the performance period.

Directors' pension benefits (audited information)

The Company made payments of 40% of Geoff Drabble's base salary in lieu of providing him with any pension arrangements. This was agreed prior to his joining the Company in 2006 and reflected the fact that he was leaving a generous defined benefit arrangement at his previous employer.

Brendan Horgan is a member of the Sunbelt 401K defined contribution pension plan and the 409A deferred compensation plan. He is entitled to a company co-match conditional on contributing into the 401K plan or deferring into the 409A plan. The co-match is limited to amounts permitted by regulatory agencies and is affected either by a company payment into the 401K plan or an enhanced deferral into the 409A plan and was \$18,446 in 2018/19.

At 30 April 2019, the total amount available to Brendan Horgan but deferred under the Sunbelt deferred compensation plan was \$671,792 or £515,336. This includes an allocated investment gain of \$16,737 or £12,830 (2018: £48,204).

The Company makes a payment of 15% of Michael Pratt's base salary in lieu of providing him with any pension arrangements.

The Deferred Bonus Plan (audited information)

The performance targets for the DBP for the year were as follows:

	Group pre-tax profit ⁽ⁱ⁾
Forfeiture	£750m
Entry	£885m
Threshold	£915m
Target	£950m
Maximum	£1,000m
Actual – reported	£1,110m
Actual – budget exchange rates	£1,038m

Note

(i) Underlying profit.

For the year to 30 April 2019, the underlying pre-tax profit for Ashtead Group was £1,038m at budget exchange rates. As a result, Geoff Drabble, Brendan Horgan and Michael Pratt earned 100% of their maximum bonus entitlements. These are equivalent to 200% of base salary for Geoff Drabble and Brendan Horgan and 150% of base salary for Michael Pratt.

	Number of share equivalent awards				Value of released awards £'000
	Brought forward	Granted	Released	Carried forward	
Geoff Drabble	25,874	25,542	(17,249)	34,167	366
Brendan Horgan	16,076	24,100	(10,717)	29,459	227
Michael Pratt	7,867	10,603	(5,244)	13,226	111

The Performance Share Plan

The performance criteria represent a balanced and holistic approach involving four measures selected because delivery of them through the cycle is a significant challenge and the achievement of them will deliver optimum sustainable performance over the long term. The performance criteria are as follows:

Award date	Financial year	Performance criteria (measured over three years)					Status
		TSR [40%]	EPS [25%]	RoI [25%]	Leverage [10%]		
6/7/15	2015/16	25% of this element of this award will vest for median performance with full vesting at the upper quartile From 1 May of the year of grant versus the FTSE 350 companies ranked 75th to 125th by market capitalisation	25% of this element of the award will vest if EPS compound growth for the three years ending 30 April immediately prior to the vesting date is 6% per annum, rising to 100% vesting if EPS compound growth is equal to, or exceeds, 12% per annum	25% of this element of the award will vest at an RoI of 10% with 100% vesting with an RoI of 15%	100% of this element of the award will vest if the ratio of net debt to EBITDA is equal to, or is less than, 2.5 times	Vested in full in July 2018	
4/7/16	2016/17	From 1 May of the year of grant versus the FTSE 350 companies ranked 50th to 100th by market capitalisation	As above	As above	As above	2016 award Will vest in full in July 2019	
19/6/17	2017/18	As above	As above	25% of this element of the award will vest at an RoI of 10% with 100% vesting with an RoI of 15% (excluding IFRS 16)	100% of this element of the award will vest if the ratio of net debt to EBITDA is equal to, or is less than, 2 times (2.4 times post IFRS 16)	2017 award TSR performance is in the upper quartile, EPS growth of 29%, RoI of 18% and leverage of 1.8 times	
6/7/18	2018/19	As above	As above	As above	As above	2018 award TSR performance is in the upper quartile, EPS growth of 37%, RoI of 18% and leverage of 1.8 times	

For performance between the lower and upper target ranges, vesting of the award is scaled on a straight-line basis.

The 2015 PSP award vested in full on 6 July 2018 with EPS compound growth for the three years ended 30 April 2018 of 27%, exceeding the upper target of 12%, and the Company's TSR performance ranked it fourth within the FTSE 350 companies ranked 75th to 125th by market capitalisation (excluding investment trusts). RoI was 18% and leverage 1.6 times.

The 2016 PSP award will vest in full on 4 July 2019 with EPS compound growth for the three years ended 30 April 2019 of 27%, exceeding the upper target of 12%, and the Company's TSR performance ranked it first within the FTSE 350 companies ranked 50th to 100th by market capitalisation (excluding investment trusts). RoI was 18% and leverage 1.8 times.

EPS is based on the profit before exceptional items, fair value remeasurements and amortisation of acquired intangibles less the tax charge included in the accounts. TSR performance is measured relative to companies in the FTSE 350 ranked 50th to 100th by market capitalisation (excluding investment trusts) rather than a specific comparator group of companies because there are few direct comparators to the Company listed in London. The Company's TSR performance relative to the FTSE 250 (excluding investment trusts) and FTSE 100 (excluding investment trusts) is shown on page 88.

Single total figure of remuneration (audited information)

Non-executive directors

	Fees		Benefits ⁽ⁱ⁾		Total	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Angus Cockburn	47	–	–	–	47	–
Tanya Fratto	60	53	23	45	83	98
Lucinda Riches	75	65	–	–	75	65
Paul Walker	292	–	–	–	292	–
Former directors:						
Chris Cole	99	225	–	–	99	225
Wayne Edmunds	27	65	–	37	27	102
Ian Sutcliffe	51	65	–	–	51	65
	651	473	23	82	674	555

Note

(i) Tanya Fratto and Wayne Edmunds are resident in the US and the Company met the costs of their travel to London (including appropriate accommodation and subsistence expenditure) to attend meetings of the Board. These costs are presented gross of tax as taxable benefits.

The non-executive directors did not receive any remuneration from the Company in addition to the fees detailed above.

Scheme interests awarded between 1 May 2018 and 30 April 2019 (audited information)

Performance Share Plan

The awards made on 6 July 2018 are subject to the rules of the PSP and the achievement of stretching performance conditions, which are set out on page 85, over a three-year period to 30 April 2021. The awards are summarised below:

	Number	Face value of award ⁽ⁱⁱ⁾ £'000	Face value of award as % of base salary	% of award vesting for target performance
Geoff Drabble	72,106	1,626	200%	32.5%
Brendan Horgan	66,801	1,506	200%	32.5%
Michael Pratt	29,993	675	150%	32.5%

Note

(i) PSP awards were allocated on 6 July 2018 using the closing mid-market share price (2,255p) of Ashtead Group plc on that day.

Payments to past directors (audited information)

Suzanne Wood stepped down from the Board with effect from 31 March 2018 and her employment ended on 30 June 2018. Suzanne continued to receive her basic salary and certain benefits for her notice period subject to her observing the non-compete and non-solicit provisions in her service contract but was not eligible for a bonus in respect of 2018/19. For the year ended 30 April 2019, these amounts totalled £554,783 (2018: £51,026).

As a good leaver, Suzanne received her 2015 PSP award in full and her outstanding 2016 and 2017 PSP awards were pro-rated to 30 June 2018 in accordance with the PSP rules and are subject to normal vesting conditions, details of which are provided in the PSP awards table opposite. As such, Suzanne's maximum number of awards capable of vesting are 43,733 (2016) and 15,999 (2017). In respect of the 2017 award, the Committee determined that the holding period will apply for two years from the date of cessation of her employment.

Sat Dhaiwal retired from the Board on 31 July 2018. As explained above, the Group entered into a 12-month consultancy service agreement with Sat in order to provide ongoing support to the Group during the transition to a new A-Plant chief executive and in light of the anticipated change in Group chief executive. Payments of £50,000 have been made under this arrangement.

As a good leaver, Sat's outstanding 2016 and 2017 PSP awards were pro-rated to 31 July 2018 in accordance with the PSP rules and are subject to normal vesting conditions, details of which are provided in the performance share plan awards table opposite. As such, Sat's maximum number of awards capable of vesting are 26,702 (2016) and 9,737 (2017).

No payments were made to past directors of the Company other than the payments to Suzanne Wood and Sat Dhaiwal as detailed above.

Payments for loss of office (audited information)

During the year there have been no payments made to directors for loss of office.

Statement of executive directors' shareholdings and share interests (audited information)

The executive directors are subject to a minimum shareholding obligation. Under the 2018 remuneration policy, the chief executive is expected to hold shares at least equal to 300% of base salary and the remaining executive directors are expected to hold shares at least equal to 200% of base salary. As shown below, the executive directors comply with these shareholding requirements.

	Shares held outright at 30 April 2019 ⁽ⁱ⁾	Shares held outright at 30 April 2019 as a % of salary ⁽ⁱⁱ⁾	Outstanding unvested plan interests subject to performance measures ⁽ⁱⁱⁱ⁾	Total of all share interests and outstanding plan interests at 30 April 2019
Geoff Drabble	392,219	964%	312,839	705,058
Brendan Horgan	354,092	895%	226,493	580,585
Michael Pratt	252,539	1,067%	88,664	341,203

Notes

- (i) Interests in shares held at 30 April 2019 include shares held by connected persons.
- (ii) In calculating shareholding as a percentage of salary, the average share price for the three months ended 30 April 2019, the sterling/dollar exchange rate at 30 April 2019, and the directors' salaries at 1 May 2019, have been used.
- (iii) All outstanding plan interests take the form of rights to receive shares.

At the date of his retirement from the Board (31 July 2018), Sat Dhaiwal held 150,000 shares which represented 1,058% of his salary. In addition, he held 36,439 outstanding unvested plan interests subject to performance measures.

Performance Share Plan awards

Awards made under the PSP, and those which remain outstanding at 30 April 2019, are shown in the table below:

	Date of grant	Held at 30 April 2018	Lapsed during the year	Exercised during the year	Granted during the year	Held at 30 April 2019
Geoff Drabble ⁽ⁱ⁾	06.07.15	126,832	–	(126,832)	–	–
	04.07.16	143,446	–	–	–	143,446
	19.06.17	97,287	–	–	–	97,287
	06.07.18	–	–	–	72,106	72,106
Brendan Horgan	06.07.15	70,437	–	(70,437)	–	–
	04.07.16	93,584	–	–	–	93,584
	19.06.17	66,108	–	–	–	66,108
	06.07.18	–	–	–	66,801	66,801
Michael Pratt ⁽ⁱⁱ⁾	06.07.15	33,093	–	(33,093)	–	–
	04.07.16	34,995	–	–	–	34,995
	19.06.17	23,736	–	–	–	23,736
	06.07.18	–	–	–	29,933	29,933
Former directors:						
Sat Dhaiwal ⁽ⁱⁱⁱ⁾	06.07.15	35,680	–	(35,680)	–	–
	04.07.16	38,624	(11,922)	–	–	26,702 ⁽ⁱⁱⁱ⁾
	19.06.17	26,195	(16,458)	–	–	9,737 ⁽ⁱⁱⁱ⁾
Suzanne Wood ⁽ⁱⁱⁱ⁾	06.07.15	51,867	–	(51,867)	–	–
	04.07.16	65,960	(22,227)	–	–	43,733 ⁽ⁱⁱⁱ⁾
	19.06.17	46,591	(30,592)	–	–	15,999 ⁽ⁱⁱⁱ⁾

Notes

- (i) Geoff Drabble stood down as a director on 1 May 2019 and will retire from the company in November 2019. The Remuneration Committee has concluded that Geoff's outstanding PSP awards will be pro-rated in accordance with PSP rules.
- (ii) Michael Pratt's 2015, 2016 and 2017 awards were granted before he became an executive director but are included in this table to provide shareholders with full information.
- (iii) Suzanne Wood stood down as a director on 31 March 2018 and Sat Dhaiwal stood down as a director on 31 July 2018. The Remuneration Committee has concluded that their outstanding PSP awards will be pro-rated in accordance with the PSP rules.

The performance conditions attaching to the PSP awards are detailed on page 85. The market price of the awards granted during the year was 2,255p on the date of grant.

Statement of non-executive directors' shareholding (audited information)

As at 30 April 2019, the non-executive directors' interests in ordinary shares of the Company were:

	Number
Paul Walker	-
Angus Cockburn	-
Tanya Fratto	1,000
Lucinda Riches	5,000

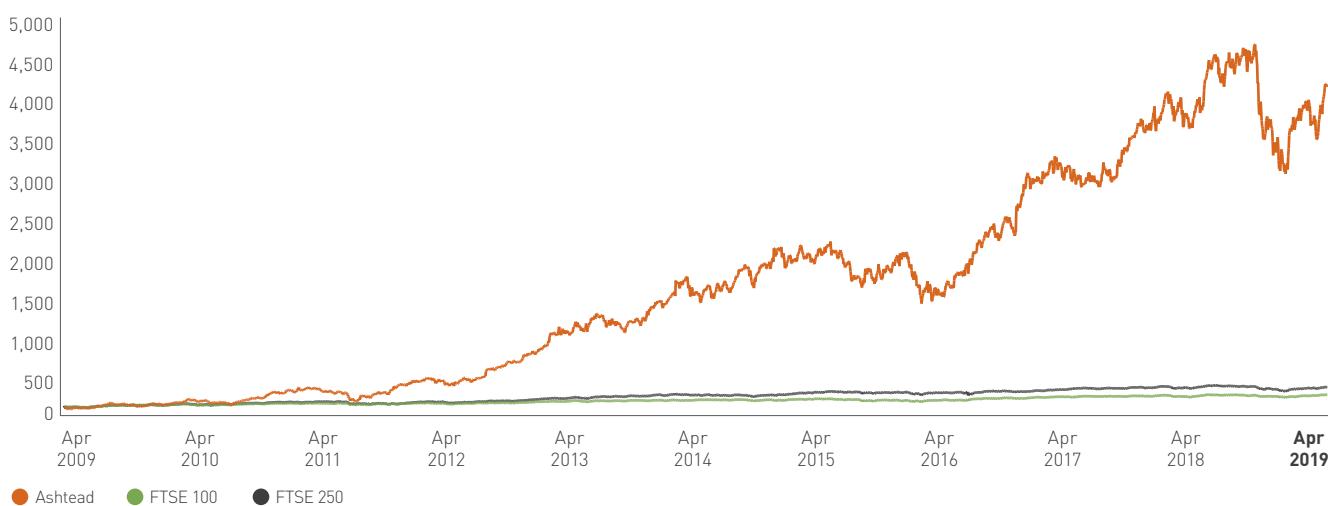
The market price of the Company's shares at the end of the financial year was 2,122p and the highest and lowest closing prices during the financial year were 2,461p and 1,572.5p respectively.

Performance graph and table

Over the last ten years the Company has generated a 41-fold total shareholder return ('TSR') which is shown below. The FTSE 100 is the Stock Exchange index the Committee considers to be the most appropriate to the size and scale of the Company's operations over that period.

The following graph compares the Company's TSR performance with the FTSE 100 Index and 250 Index (excluding investment trusts) over the ten years ended 30 April 2019, as the Company only joined the FTSE 100 in December 2013.

TOTAL SHAREHOLDER RETURN



During the same period, the total remuneration received by the Group chief executive has reflected the strong performance of the business:

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Total remuneration (£'000)	5,621	5,144	5,461	3,321	4,165	7,272	6,510	4,613	2,166	1,037
Underlying profit before tax (£m)	1,110	927	793	645	490	362	245	131	31	5
Proportion of maximum annual bonus potential awarded	100%	100%	100%	98%	100%	100%	100%	100%	100%	75%
Proportion of PSP vesting	100%	100%	100%	97.5%	100%	100%	100%	100%	50%	0%

Percentage change in remuneration of chief executive

The table below summarises the percentage change in remuneration of Geoff Drabble, the chief executive, between the years ended 30 April 2018 and 30 April 2019 and the average percentage change over the same period for the Group as a whole. Geoff Drabble participates in the Deferred Bonus Plan and his annual bonus reflects payments under this plan. Details are provided on page 84.

	Salary	Benefits	Annual bonus
Chief executive percentage change	3%	10%	38%
Group percentage change	4%	nil%	22%

Relative importance of spend on pay

The following table shows the year-on-year change in underlying profit before tax, dividends and aggregate staff costs (see Note 4 of the financial statements).

	2018/19 £m	2017/18 £m	Change %
Underlying profit before tax	1,110	927	20%
Dividend declared	187	161	16%
Aggregate staff costs	1,019	863	18%

Chief executive pay compared to pay of Group employees

Ashtead is a decentralised, store-based business employing almost 18,000 people including drivers, mechanics, yard operatives and sales personnel. We apply the same reward principles across the business. Our overall remuneration packages have to be competitive when compared with similar roles in other organisations against which we compete for talent. Thus, not only do we compete against other rental companies but also, for example, distribution businesses for drivers and mechanics. Accordingly, we consider both rental and other similar businesses when referencing our remuneration levels. For our chief executive, we are referencing a small group of chief executives of major organisations with the skillset to manage a fast-growing, multi-location and international business.

Given this business profile, all the pay ratio reference points compare our chief executive's remuneration with that of store-based employees. Year-to-year movements in the pay ratio will be driven largely by changes in our chief executive's variable pay. These movements will outweigh significantly any other changes in pay across the Group. Whatever the chief executive pay ratio, the Group is committed to continuing to invest in leading remuneration packages for all our employees.

The total pay and benefits of Group-wide and UK employees at the 25th, 50th and 75th percentile and the ratios between the chief executive and these employees using the chief executive's single total remuneration figure for 2018/19 of £5,621,000 are as follows:

	25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio
Group-wide employees			
Total pay and benefits	£39,890	£62,174	£106,556
CEO pay ratio	141:1	90:1	53:1
UK employees			
Total pay and benefits	£19,653	£25,147	£27,872
CEO pay ratio	286:1	224:1	202:1

External appointments

The Company recognises that executive directors may be invited to become non-executive directors of other companies and that these appointments can broaden their knowledge and experience to the benefit of the Company. Subject to Board approval, executive directors may take up external appointments and the Group policy is for the individual director to retain any fee.

Geoff Drabble is a non-executive director of Howden Joinery Group PLC and received an annual fee of £55,000 for his role.

Remuneration for the year commencing 1 May 2019

Basic salary

Salary with effect from 1 May 2019:

Brendan Horgan	\$1,030,000
Michael Pratt	£472,500

Benefits

Benefits will continue to be applied as per the policy and application in previous years.

Retirement benefits

Retirement benefits will continue to be applied as per the policy and application in previous years.

Deferred Bonus Plan

Brendan Horgan and Michael Pratt participate in the DBP. The maximum annual bonus opportunities as a percentage of salary are 200% for Brendan Horgan and 150% for Michael Pratt. The performance measures are set out on page 79. These performance measures should be viewed in conjunction with the wider performance targets set for the 2019/20 PSP awards as detailed on page 80.

Performance Share Plan

A 2019 PSP award will be made as follows:

	Value of 2019 award £'000
Brendan Horgan	1,580
Michael Pratt	709

These awards are based on the directors' salaries as at 1 May 2019 and, where appropriate, the sterling/dollar exchange rate at 30 April 2019.

Non-executive fees

Fees for non-executive directors with effect from 1 May 2019 are:

Paul Walker	£350,000
Angus Cockburn	£90,000
Tanya Fratto	£60,000
Lucinda Riches	£75,000
Lindsley Ruth	£60,000

Consideration by the directors of matters relating to directors' remuneration

The Company has established a Remuneration Committee ('the Committee') in accordance with the recommendations of the UK Corporate Governance Code.

None of the Committee members has any personal financial interests, other than as shareholders, in the matters to be decided. None of the members of the Committee is or has been at any time one of the Company's executive directors or an employee. None of the executive directors serves, or has served, as a member of the board of directors of any other company which has one or more of its executive directors serving on the Company's Board or Remuneration Committee.

The Group's chief executive normally attends the meetings of the Committee to advise on operational aspects of the implementation of existing policies and policy proposals, except where his own remuneration is concerned, as does the non-executive chair, Paul Walker. Eric Watkins acts as secretary to the Committee. Under Lucinda Riches' direction, the company secretary and Group chief executive have responsibility for ensuring the Committee has the information relevant to its deliberations.

In formulating its policies, the Committee has access to professional advice from outside the Company, as required, and to publicly available reports and statistics. The Committee has appointed PricewaterhouseCoopers LLP ('PwC') following a competitive tender process in 2011 to provide independent remuneration advice. PwC is a member of the Remuneration Consultants Group and adheres to its code in relation to executive remuneration consulting in the UK. The fees paid to PwC for its professional advice on remuneration during the year were £50,000. PwC also provided specific tax and internal audit services to the Company during the year. The Committee is satisfied that neither the nature nor scope of these non-remuneration services by PwC impaired its independence as advisers to the Committee.

Main responsibilities of the Remuneration Committee

The principal duties of the Committee are:

- determining and agreeing with the Board the framework and policy for the remuneration of the executive directors and senior employees;
- ensuring that executive management is provided with appropriate incentives to encourage enhanced performance in a fair and responsible manner;
- reviewing and determining the total remuneration packages for each executive director including bonuses and incentive plans;
- determining the policy for the scope of pension arrangements, service agreements, termination payments and compensation commitments for each of the executive directors; and
- ensuring compliance with all statutory and regulatory provisions.

Summary of the Committee's work during the year

The principal matters addressed during the year were:

- assessment of the achievement of the executive directors against their Deferred Bonus Plan objectives;
- setting Deferred Bonus Plan performance targets for the year;
- assessment of performance for the vesting of the 2015 PSP awards;
- grant of 2018 PSP awards and setting the performance targets attaching thereto;
- review of executive base salaries;
- agreeing the remuneration terms on departure for Geoff Drabble and Sat Dhaiwal;
- approval of the directors' Remuneration report for the year ended 30 April 2018; and
- approval of Sat Dhaiwal's consultancy agreement.

Shareholder voting

Two ordinary resolutions concerning the directors' Remuneration report will be put to shareholders at the forthcoming AGM. The first will be in respect of the implementation of the policy for 2018/19. The second resolution seeks shareholders' approval of the Company's new remuneration policy which will apply for the next three years.

Ashtead is committed to ongoing shareholder dialogue and considers carefully voting outcomes. The Committee has consulted with Ashtead's major shareholders on the proposals for the 2019 remuneration policy. The proposed policy is not materially different from the existing policy and the strong shareholder support for the implementation of the existing policy means that the Committee is not intending to make any material changes to its implementation in 2019/20.

The following table sets out the voting results in respect of our previous report in 2018:

	For	Against
2017/18 directors' annual report on remuneration	91%	9%

6,695,763 votes were withheld (c. 2% of share capital) out of total votes cast of 344,579,353 in relation to the directors' Remuneration report.

This report has been approved by the Remuneration Committee and is signed on its behalf by:



LUCINDA RICHES

Chair, Remuneration Committee
17 June 2019

OTHER STATUTORY DISCLOSURES

Pages 58 to 94 inclusive (together with the sections of the Annual Report incorporated by reference) form part of the Directors' report.

Other information, which forms part of the Directors' report, can be found in the following sections of the Annual Report:

	Location
Acquisitions	Financial statements – Note 26
Audit Committee report	Page 68
Board and committee membership	Page 58
Corporate governance report	Page 60
Directors' biographies	Page 58
Directors' responsibility statement	Page 94
Financial risk management	Financial statements – Note 24
Future developments	Page 41
Greenhouse gas emissions	Page 56
Nomination Committee report	Page 72
Other statutory disclosures	Page 92
Our people	Page 48
Pension schemes	Financial statements – Note 23
Post balance sheet events	Financial statements – Note 29
Results and dividends	Page 36
Share capital	Financial statements – Note 20
Social responsibility	Page 44

Share capital and major shareholders

Details of the Company's share capital are given in Note 20 to the financial statements.

Acquisition of own shares

At the 2018 AGM, the Company was authorised to make market purchases of up to 73m ordinary shares. The Company acquired 22m shares under this authority during the year. This authority will expire on the earlier of the next annual general meeting of the Company or 11 March 2020.

A special resolution will be proposed at this year's AGM to authorise the Company to make market purchases of up to 69m ordinary shares.

Voting rights

Subject to the Articles of Association, every member who is present in person at a general meeting shall have one vote and on a poll every member who is present in person or by proxy shall have one vote for every share of which he or she is the holder. The Trustees of the Employee Share Ownership Trust ordinarily follow the guidelines issued by the Association of British Insurers and do not exercise their right to vote at general meetings.

Under the Companies Act 2006, members are entitled to appoint a proxy, who need not be a member of the Company, to exercise all or any of their rights to attend and speak and vote on their behalf at a general meeting or any class of meeting. A member may appoint more than one proxy provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A corporate member may appoint one or more individuals to act on its behalf at a general meeting or any class of meeting as a corporate representative. The deadline for the exercise of voting rights is as stated in the notice of the relevant meeting.

Transfer of shares

Certified shares

- (i) Transfers may be in favour of more than four joint holders, but the directors can refuse to register such a transfer.
- (ii) The share transfer form must be delivered to the registered office, or any other place decided on by the directors. The transfer form must be accompanied by the share certificate relating to the shares being transferred, unless the transfer is being made by a person to whom the Company was not required to, and did not send, a certificate. The directors can also ask (acting reasonably) for any other evidence to show that the person wishing to transfer the shares is entitled to do so.

CREST shares

- (i) Registration of CREST shares can be refused in the circumstances set out in the Uncertificated Securities Regulations.
- (ii) Transfers cannot be in favour of more than four joint holders.

Significant shareholders

Based on notifications received, the holdings of 3% or more of the issued share capital of the Company as at 17 June 2019 (the latest practicable date before approval of the financial statements) are as follows:

	%
Abrams Bison Investments LLC	5%
Harris Associates LP	5%
BlackRock, Inc.	5%

Details of directors' interests in the Company's ordinary share capital and in options over that share capital are given in the directors' Remuneration report on pages 74 to 91. Details of all shares subject to option are given in the notes to the financial statements on page 123.

Change of control provisions in loan agreements

A change in control of the Company (defined, inter alia, as a person or a group of persons acting in concert gaining control of more than 30% of the Company's voting rights) leads to an immediate event of default under the Company's asset-based senior lending facility. In such circumstances, the agent for the lending group may, and if so directed by more than 50% of the lenders shall, declare the amounts outstanding under the facility immediately due and payable.

Such a change of control also leads to an obligation, within 30 days of the change in control, for the Group to make an offer to the holders of the Group's \$500m senior secured notes, due 2024, \$600m senior secured notes, due 2025, \$600m senior secured notes, due 2026 and \$600m senior secured notes, due 2027, to redeem them at 101% of their face value.

Appointment and removal of directors

Unless determined otherwise by ordinary resolution, the Company is required to have a minimum of two directors and a maximum of 15 directors (disregarding alternate directors).

The directors are not required to hold any shares in the Company by the Articles of Association.

The Board can appoint any person to be a director. Any person appointed as a director by the Board must retire from office at the first annual general meeting after appointment. A director who retires in this way is then eligible for reappointment.

The Articles state that each director must retire from office if they held office at the time of the two preceding annual general meetings and did not retire at either of them. In accordance with the UK Corporate Governance Code, all directors are subject to annual election by the shareholders.

In addition to any power to remove directors conferred by legislation, the Company can pass a special resolution to remove a director from office even though their time in office has not ended and can appoint a person to replace a director who has been removed in this way by passing an ordinary resolution.

Any director stops being a director if (i) they give the Company written notice of their resignation; (ii) they give the Company written notice in which they offer to resign and the directors decide to accept this offer; (iii) all the other directors (who must comprise at least three people) pass a resolution or sign a written notice requiring the director to resign; (iv) a registered medical practitioner who is treating that person gives a written opinion to the Company stating that that person has become physically or mentally incapable of acting as a director and may remain so for more than three months; (v) by reason of that person's mental health, a court makes an order which wholly or partly prevents that person from personally exercising any powers or rights which that person would otherwise have; (vi) they have missed directors' meetings (whether or not an alternate director appointed by them attends those meetings) for a continuous period of six months without permission from the directors and the directors pass a resolution removing the director from office; (vii) a bankruptcy order is made against them or they make any arrangement or composition with his creditors generally; (viii) they are prohibited from being a director under the legislation; or (ix) they cease to be a director under the legislation or they are removed from office under the Articles of Association.

Powers of the directors

Subject to the legislation, the Articles of Association and any authority given to the Company in a general meeting by special resolution, the business of the Company is managed by the Board of directors that can use all of the Company's powers to borrow money and to mortgage or charge all or any of the Company's undertaking, property and assets (present and future) and uncalled capital of the Company and to issue debentures and other security and to give security, either outright or as collateral security, for any debt, liability or obligation of the Company or of any third party.

Directors and directors' insurance

Details of the directors of the Company are given on pages 58 and 59. The policies related to their appointment and replacement are detailed on pages 63 and 64. Each of the directors as at the date of approval of this report confirms, as required by section 418 of the Companies Act 2006 that to the best of their knowledge and belief:

- (1) there is no relevant audit information of which the Company's auditor is unaware; and
- (2) each director has taken all the steps that they ought to have taken to make themselves aware of such information and to establish that the Company's auditor is aware of it.

The Company has maintained insurance throughout the year to cover all directors against liabilities in relation to the Company and its subsidiary undertakings.

Amendment of Articles of Association

The Articles of Association of the Company may be amended by a special resolution.

Policy on payment of suppliers

Suppliers are paid in accordance with the individual payment terms agreed with each of them. The number of Group creditor days at 30 April 2019 was 55 days (30 April 2018: 57 days) which reflects the terms agreed with individual suppliers. There were no trade creditors in the Company's balance sheet at any time during the past two years.

Political and charitable donations

Charitable donations in the year amounted to £1,357,874 in total (2018: £1,803,350). No political donations were made in either year.

Post balance sheet events

Details of post balance sheet events are included in Note 29 of the financial statements.

Going concern

After making appropriate enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operation for the foreseeable future and consequently, that it is appropriate to adopt the going concern basis in preparing the financial statements.

Auditor

Deloitte LLP has indicated its willingness to continue in office and in accordance with section 489 of the Companies Act 2006, a resolution concerning its reappointment and authorising the directors to fix its remuneration, will be proposed at the AGM.

Annual General Meeting

The AGM will be held at 2.30pm on Tuesday, 10 September 2019 at Wax Chandlers Hall, 6 Gresham Street, London EC2V 7AD. An explanation of the business to be transacted at the AGM will be circulated to shareholders and will be available on the Company's corporate website.

Approval of the Directors' report

The Directors' report set out on pages 58 to 94 was approved by the Board on 17 June 2019 and has been signed by the Company secretary on its behalf.

ERIC WATKINS

Company secretary
17 June 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for the Group in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and Article 4 of the IAS Regulation and have also elected to prepare financial statements for the Company in accordance with IFRS as adopted by the EU.

Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets and hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm to the best of our knowledge:

- the consolidated financial statements, prepared in accordance with IFRS as issued by the International Accounting Standards Board and IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the Strategic report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide information necessary for shareholders to assess the Group's performance, business model and strategy.

By order of the Board

ERIC WATKINS

Company secretary

17 June 2019

FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ASHTEAD GROUP PLC

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Ashtead Group plc ('the Company') and its subsidiaries ('the Group') give a true and fair view of the state of the Group's and of the Company's affairs as at 30 April 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union and IFRS as issued by the International Accounting Standards Board;
- the Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements which comprise:

- the Consolidated income statement;
- the Consolidated statement of comprehensive income;
- the Consolidated and Company balance sheets;
- the Consolidated and Company statements of changes in equity;
- the Consolidated and Company cash flow statement; and
- the related notes 1 to 32.

The financial reporting framework that has been applied in their preparation is applicable law and IFRS as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's ('the FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

KEY AUDIT MATTERS	<p>The key audit matters that we identified in the current year were:</p> <ul style="list-style-type: none"> – carrying value of rental fleet; and – revenue recognition – manual top-side intervention. <p>In FY2018, we considered accounting for acquired intangible assets to be a key audit matter, due to the acquisition of CRS and its significance to the Canadian business. In the current year, there are no similarly significant acquisitions and therefore we do not consider accounting for acquired intangible assets to be a key audit matter.</p>
MATERIALITY	The materiality that we used in the current year was £45m (2018: £37m), which was determined on the basis of three-year average profit before tax.
SCOPING	Consistent with previous years, we performed audit work at three (2018: three) components: the Group head office and A-Plant in the UK, and Sunbelt US.

Conclusions relating to going concern, principal risks and viability statement

GOING CONCERN

We have reviewed the directors' statement on page 93 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements.

We considered as part of our risk assessment the nature of the Group, its business model and related risks including where relevant the impact of Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the directors' assessment of the Group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the directors' plans for future actions in relation to their going concern assessment.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

PRINCIPAL RISKS AND VIABILITY STATEMENT

Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the Group's and the Company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 32 to 35 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation on page 32 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the directors' explanation on page 35 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the directors' statement relating to the prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

CARRYING VALUE OF RENTAL FLEET

Key audit matter description	<p>As set out in Note 13, the Group holds £8.3bn (2018: £6.6bn) of rental fleet at cost (£5.4bn net book value (2018: £4.4bn net book value)). These assets represent 65% (2018: 66%) of the Group's gross assets. The movement in the balance from prior year is principally due to £1.7bn of new additions and acquisitions, foreign exchange movements of £211m, offset by £902m of depreciation and disposals.</p> <p>There is a risk that an impairment required to the Group's rental fleet is not identified, properly quantified or recorded and that the carrying value of the rental fleet assets is misstated.</p> <p>The Group's accounting policy as disclosed in Note 2 sets out that the assets are recorded at cost (including transportation costs from the manufacturer to the initial rental location), less accumulated depreciation and any provisions for impairment. The Group's approach for estimating the useful lives and residual values is also explained.</p> <p>Management's assessment of carrying values is based on a long-term assessment over the economic cycle given the long-term nature of the assets. The directors apply judgement in determining the appropriate carrying value of the assets.</p> <p>As described in the Audit Committee report on page 68, management undertakes an annual review of the appropriateness of the useful lives and residual values assigned to property, plant and equipment, including the rental fleet, and assesses whether they continue to be appropriate and whether there are any indications of impairment.</p>
How the scope of our audit responded to the key audit matter	<p>We tested the design, implementation and operating effectiveness of the key controls over the impairment review process at Sunbelt US, which accounts for £4.6bn of the net book value of the rental fleet. We also evaluated the design and implementation of key controls at A-Plant.</p> <p>We considered management's analysis of impairment indicators, understood and challenged the key judgements and the impact that each of these has in determining whether an impairment exists.</p> <p>In particular, we focused our testing on returns on investment by asset class, fleet utilisation and profits recorded on asset disposals. We also assessed whether the accounting for the rental fleet and associated disclosures were in line with the Group's accounting policies.</p>
Key observations	<p>We consider that management's consideration of carrying values, including useful lives and residual values, incorporates an appropriate degree of prudence for the purposes of the impairment assessment. As a result of the detailed audit work we performed, we are satisfied that the carrying value of the rental fleet is not materially misstated.</p>

REVENUE RECOGNITION

Key audit matter description	As disclosed in the Group's accounting policy note on revenue (Note 2), rental revenue, including loss damage waiver and environmental fees, is recognised on a straight-line basis over the period of the rental contract. Because a rental contract can extend across financial reporting periods, the Group records accrued revenue (unbilled rental revenue) and deferred revenue at the beginning and end of each reporting period so that rental revenue is appropriately stated in the financial statements. Given the high-volume and low-value nature of transactions in the Group's revenue balance we identified a risk of misstatement arising from management intervention, whether due to fraud or error, through top-side journals, including manipulation of the accrued revenue (unbilled rental revenue) and deferred revenue judgements.
How the scope of our audit responded to the key audit matter	We evaluated the design and implementation of controls over the revenue cycle throughout the Group and tested the operating effectiveness of controls over revenue at Sunbelt. We carried out data analysis at Sunbelt US to perform a detailed assessment by store, looking at year-over-year changes in revenue to identify any outliers and identify instances of potential management intervention. We also used data analytic techniques to identify and profile all manual top-side adjustments impacting the revenue balance. Top-side adjustments that were identified as potentially non-recurring or unusual were subject to focused testing on a sample basis. We obtained the relevant supporting documentation in order critically to assess the accuracy and appropriateness of journal postings.
Key observations	Based on the procedures performed, we did not identify any material exceptions or evidence of management bias or manipulation of the revenue account and are satisfied that the amounts recorded are in line with the Group's accounting policies.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

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

	GROUP FINANCIAL STATEMENTS	COMPANY FINANCIAL STATEMENTS
MATERIALITY	£45m (2018: £37m)	£18.8m (2018: £21.9m)
BASIS FOR DETERMINING MATERIALITY	In determining our materiality, we took a three-year average profit before tax and applied a benchmark of 5% to arrive at materiality. This approach is consistent with the approach adopted in the prior year.	3% of the Company net assets, which is consistent with the basis used in the prior year.
RATIONALE FOR THE BENCHMARK APPLIED	Profit before tax has been used as it is the primary measure of performance used by the Group. We have used average reported profit before tax over the past three years to reflect the cyclical nature of the industry in which the Group operates.	As the Company is a holding company, we considered net assets to be the most appropriate benchmark.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £2m (2018: £1.8m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including group-wide controls, and assessing the risks of material misstatement at the Group level. Audit work to respond to the risks of material misstatement consisted of a combination of the work performed by separate component teams in the UK and US as well as the Group audit team in the UK.

The Group comprises four (2018: four) principal components: the Head Office in the UK; A-Plant in the UK; Sunbelt US; and Sunbelt Rentals of Canada. The Group audit team performed a full scope audit of the Head Office component and local component audit teams performed full-scope audits at both A-Plant and Sunbelt US, consistent with the prior year approach.

The three locations where we performed full audit procedures represent 96% (2018: 96%) of the Group's revenue, 97% (2018: 98%) of the Group's profit before tax and 98% (2018: 98%) of the Group's net assets. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work at the three locations was executed at levels of materiality applicable to each individual location, which were lower than Group materiality and ranged from £18.0m to £40.5m.

The Sunbelt US component team also performed a review of the financial information of the operations in Sunbelt Canada, which represents 4% of the Group's revenue, 3% of the Group's profit before tax and 2% of the Group's net assets.

Members of the Group audit team, including the lead audit partner, visited the component audit teams during the financial year and after the year end to oversee the work performed by the component teams. At the Group level we also tested the consolidation.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- **Fair, balanced and understandable** – the statement given by the directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit Committee reporting** – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code** – the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Identifying and assessing potential risks related to irregularities

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

- enquiring of management, internal legal counsel and the Audit Committee, including obtaining and reviewing supporting documentation, concerning the Group's policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
- discussing among the engagement team, including component audit teams, how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion we considered the potential risk of fraud in revenue recognition; and
- obtaining an understanding of the legal and regulatory frameworks in which the Group operates, focusing on those laws and regulations that have a direct effect on the financial statements or that have a fundamental effect on the operations of the Group. The key laws and regulations we considered in this context included the UK Companies Act 2006, the Listing Rules, the UK Corporate Governance Code, pensions legislation and UK and overseas tax legislation.

Audit response to risks identified

As a result of performing the above, we identified revenue recognition as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Group's performance standards function (which is responsible for assessing store compliance with operating policies), the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with taxation authorities; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion the part of the Remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic report or the Directors' report.

Matters on which we are required to report by exception

ADEQUACY OF EXPLANATIONS RECEIVED AND ACCOUNTING RECORDS

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

DIRECTORS' REMUNERATION

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Other matters

Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the Board of directors in 2004 to audit the financial statements for the year ended April 2004 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 16 years, covering the years ended April 2004 to April 2019.

Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

Use of our report

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



**WILLIAM SMITH
(SENIOR STATUTORY AUDITOR)**

for and on behalf of Deloitte LLP
Statutory Auditor
London, UK
17 June 2019

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statement

for the year ended 30 April 2019

	Notes	2019			2018		
		Before amortisation £m	Amortisation £m	Total £m	Before exceptional items and amortisation £m	Exceptional items and amortisation £m	Total £m
Revenue							
Rental revenue		4,138.0	–	4,138.0	3,418.2	–	3,418.2
Sale of new equipment, merchandise and consumables		170.5	–	170.5	139.2	–	139.2
Sale of used rental equipment		191.1	–	191.1	148.6	–	148.6
		4,499.6	–	4,499.6	3,706.0	–	3,706.0
Operating costs							
Staff costs	4	(1,019.4)	–	(1,019.4)	(863.4)	–	(863.4)
Used rental equipment sold	4	(159.7)	–	(159.7)	(128.2)	–	(128.2)
Other operating costs	4	(1,213.9)	–	(1,213.9)	(981.3)	–	(981.3)
		(2,393.0)	–	(2,393.0)	(1,972.9)	–	(1,972.9)
EBITDA*		2,106.6	–	2,106.6	1,733.1	–	1,733.1
Depreciation	4	(843.0)	–	(843.0)	(695.6)	–	(695.6)
Amortisation of intangibles	4, 5	–	(50.7)	(50.7)	–	(43.5)	(43.5)
Operating profit	3, 4	1,263.6	(50.7)	1,212.9	1,037.5	(43.5)	994.0
Investment income	6	0.1	–	0.1	–	–	–
Interest expense	6	(153.5)	–	(153.5)	(110.2)	(21.7)	(131.9)
Profit on ordinary activities before taxation		1,110.2	(50.7)	1,059.5	927.3	(65.2)	862.1
Taxation	7, 19	(274.9)	12.3	(262.6)	(294.8)	401.5	106.7
Profit attributable to equity holders of the Company		835.3	(38.4)	796.9	632.5	336.3	968.8
Basic earnings per share	9	174.2p	(8.1p)	166.1p	127.5p	67.8p	195.3p
Diluted earnings per share	9	173.4p	(8.0p)	165.4p	126.9p	67.5p	194.4p

* EBITDA is presented here as an alternative performance measure as it is commonly used by investors and lenders.

All revenue and profit for the year is generated from continuing operations.

Consolidated statement of comprehensive income

for the year ended 30 April 2019

	Notes	2019 £m	2018 £m
Profit attributable to equity holders of the Company for the financial year		796.9	968.8
Items that will not be reclassified to profit or loss:			
Remeasurement of the defined benefit pension plan	23	(3.7)	8.7
Tax on defined benefit pension plan		0.7	(1.5)
		(3.0)	7.2
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		108.9	(115.2)
Total comprehensive income for the year		902.8	860.8

Consolidated balance sheet

at 30 April 2019

	Notes	2019 £m	2018 £m
Current assets			
Inventories	10	83.5	55.2
Trade and other receivables	11	843.6	669.4
Current tax asset		25.3	23.9
Cash and cash equivalents	12	12.8	19.1
		965.2	767.6
Non-current assets			
Property, plant and equipment			
- rental equipment	13	5,413.3	4,430.5
- other assets	13	573.7	451.5
		5,987.0	4,882.0
Goodwill	14	1,144.7	882.6
Other intangible assets	14	260.6	206.3
Net defined benefit pension plan asset	23	-	4.5
		7,392.3	5,975.4
Total assets		8,357.5	6,743.0
Current liabilities			
Trade and other payables	15	632.4	617.5
Current tax liability		16.4	13.1
Short-term borrowings	16	2.3	2.7
Provisions	18	42.5	25.8
		693.6	659.1
Non-current liabilities			
Long-term borrowings	16	3,755.4	2,728.4
Provisions	18	46.0	34.6
Deferred tax liabilities	19	1,061.1	794.0
Net defined benefit pension plan liability	23	0.9	-
		4,863.4	3,557.0
Total liabilities		5,557.0	4,216.1
Equity			
Share capital	20	49.9	49.9
Share premium account		3.6	3.6
Capital redemption reserve		6.3	6.3
Own shares held by the Company	20	(622.6)	(161.0)
Own shares held through the ESOT	20	(24.6)	(20.0)
Cumulative foreign exchange translation differences		234.7	125.8
Retained reserves		3,153.2	2,522.3
Equity attributable to equity holders of the Company		2,800.5	2,526.9
Total liabilities and equity		8,357.5	6,743.0

These financial statements were approved by the Board on 17 June 2019.



BRENDAN HORGAN
Chief executive



MICHAEL PRATT
Finance director

Consolidated statement of changes in equity

for the year ended 30 April 2019

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Own shares held by the Company £m	Own shares held through the ESOT £m	Cumulative foreign exchange translation differences £m	Retained reserves £m	Total £m
At 1 May 2017	49.9	3.6	6.3	–	(16.7)	241.0	1,686.0	1,970.1
Profit for the year	–	–	–	–	–	–	968.8	968.8
Other comprehensive income:								
Foreign currency translation differences	–	–	–	–	–	(115.2)	–	(115.2)
Remeasurement of the defined benefit pension plan	–	–	–	–	–	–	8.7	8.7
Tax on defined benefit pension plan	–	–	–	–	–	–	(1.5)	(1.5)
Total comprehensive income for the year	–	–	–	–	–	(115.2)	976.0	860.8
Dividends paid	–	–	–	–	–	–	(140.5)	(140.5)
Own shares purchased by the ESOT	–	–	–	–	(10.2)	–	–	(10.2)
Own shares purchased by the Company	–	–	–	(161.0)	–	–	–	(161.0)
Share-based payments	–	–	–	–	6.9	–	0.1	7.0
Tax on share-based payments	–	–	–	–	–	–	0.7	0.7
At 30 April 2018	49.9	3.6	6.3	(161.0)	(20.0)	125.8	2,522.3	2,526.9
Profit for the year	–	–	–	–	–	–	796.9	796.9
Other comprehensive income:								
Foreign currency translation differences	–	–	–	–	–	108.9	–	108.9
Remeasurement of the defined benefit pension plan	–	–	–	–	–	–	(3.7)	(3.7)
Tax on defined benefit pension plan	–	–	–	–	–	–	0.7	0.7
Total comprehensive income for the year	–	–	–	–	–	108.9	793.9	902.8
Dividends paid	–	–	–	–	–	–	(164.2)	(164.2)
Own shares purchased by the ESOT	–	–	–	–	(14.2)	–	–	(14.2)
Own shares purchased by the Company	–	–	–	(461.6)	–	–	–	(461.6)
Share-based payments	–	–	–	–	9.6	–	(2.0)	7.6
Tax on share-based payments	–	–	–	–	–	–	3.2	3.2
At 30 April 2019	49.9	3.6	6.3	(622.6)	(24.6)	234.7	3,153.2	2,800.5

Further information is included in Note 20.

Consolidated cash flow statement

for the year ended 30 April 2019

	Notes	2019 £m	2018 £m
Cash flows from operating activities			
Cash generated from operations before exceptional items and changes in rental equipment	25(a)	2,042.5	1,681.2
Payments for rental property, plant and equipment		(1,503.5)	(1,081.7)
Proceeds from disposal of rental property, plant and equipment		181.6	151.8
Cash generated from operations		720.6	751.3
Financing costs paid (net)		(142.9)	(110.0)
Exceptional financing costs paid		–	(25.2)
Tax paid (net)		(51.0)	(97.6)
Net cash generated from operating activities		526.7	518.5
Cash flows from investing activities			
Acquisition of businesses	25(b)	(591.3)	(359.0)
Payments for non-rental property, plant and equipment		(168.7)	(138.6)
Proceeds from disposal of non-rental property, plant and equipment		10.2	8.9
Payments for purchase of intangible assets		–	(2.6)
Net cash used in investing activities		(749.8)	(491.3)
Cash flows from financing activities			
Drawdown of loans		1,820.3	1,580.8
Redemption of loans		(963.8)	(1,284.6)
Capital element of finance lease payments		(1.2)	(1.4)
Dividends paid		(164.2)	(140.5)
Purchase of own shares by the ESOT		(14.2)	(10.2)
Purchase of own shares by the Company		(460.4)	(158.2)
Net cash generated from/(used in) financing activities		216.5	(14.1)
(Decrease)/increase in cash and cash equivalents		(6.6)	13.1
Opening cash and cash equivalents		19.1	6.3
Effect of exchange rate difference		0.3	[0.3]
Closing cash and cash equivalents		12.8	19.1

	Note	2019 £m	2018 £m
Reconciliation of net cash flows to net debt			
Decrease/(increase) in cash in the period		6.6	(13.1)
Increase in debt through cash flow		855.3	294.8
Change in net debt from cash flows		861.9	281.7
Debt acquired		28.4	40.7
Exchange differences		126.3	(139.8)
Non-cash movements:			
– deferred costs of debt raising		15.4	[0.5]
– capital element of new finance leases		0.9	2.2
Increase in net debt in the period		1,032.9	184.3
Net debt at 1 May		2,712.0	2,527.7
Net debt at 30 April	25(c)	3,744.9	2,712.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

Ashtead Group plc ('the Company') is a company incorporated and domiciled in England and Wales and listed on the London Stock Exchange. The consolidated financial statements are presented in pounds sterling, the functional currency of the parent.

2 Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated.

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. Accordingly, the Group complies with all IFRS, including those adopted for use in the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation. The financial statements have been prepared under the historical cost convention, modified for certain items carried at fair value, as stated in the accounting policies.

The consolidated financial statements have been prepared on the going concern basis. The Group's internal budgets and forecasts of future performance, available financing facilities and facility headroom (see Note 16), provide a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future and consequently the going concern basis continues to be appropriate in preparing the consolidated financial statements.

Key judgements and estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period.

In the course of preparing the financial statements, no judgements have been made in the process of applying the Group's accounting policies, other than those involving estimations, that have had a significant effect on the amounts recognised within the financial statements. The estimates and associated assumptions which have been used are based on historical experience and other factors that are considered to be relevant. While actual results could differ from these estimates, the Group has not identified any assumptions, or other key sources of estimation uncertainty in the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Changes in accounting policies and disclosures

New and amended standards adopted by the Group

The following new standards are effective for the first time this financial year, neither of which has a material impact on the Group:

- IFRS 9, 'Financial instruments' ('IFRS 9'), relates to the classification, measurement and recognition of financial assets and liabilities, impairment of financial assets and hedge accounting.

There have been no changes to the measurement of the Group's financial assets or liabilities as a result of our adoption of IFRS 9, and no changes to the Group's level of provisioning as a result of our adoption of IFRS 9.

IFRS 9 replaced the 'incurred loss' model in IAS 39 with an 'expected credit loss' ('ECL') model. The ECL model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since the initial recognition of a financial asset. The Group has elected to apply the simplified version of the ECL model as permitted by IFRS 9 in respect of trade receivables, which involves assessing lifetime expected credit losses on all balances and as such the Group has a provision matrix that is based on its historical credit loss experience and which may be adjusted for specific forward-looking factors.

- IFRS 15, 'Revenue from Contracts with Customers' ('IFRS 15'), provides a five-step model of accounting for revenue recognition which includes identifying the contract, identifying performance obligations, determining the transaction price, allocating the transaction price to different performance obligations and the timing of recognition of revenue in connection with different performance obligations.

The Group's adoption of IFRS 15 has had no impact as our accounting policies were already in line with IFRS 15.

There are no new IFRIC Interpretations that are effective for the first time this financial year which have a material impact on the Group.

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 May 2018 and not adopted early

IFRS 16, Leases, is applicable for the Group from 1 May 2019 and provides a new model for lease accounting under which lessees will recognise a lease liability reflecting future lease payments and a right-of-use asset on the balance sheet for all lease contracts other than certain short-term leases and leases of low-value assets. In the income statement, depreciation on the right-of-use asset and an interest expense on the lease liability will be recognised.

The Group has completed its work in assessing the impact of the new standard, which requires a number of judgements in its application:

- transition approach: the Group has elected to apply IFRS 16 using the modified retrospective approach, with the right-of-use asset equal to the lease liability on transition subject to required transitional adjustments. As such, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to opening retained earnings on 1 May 2019 with no restatement of comparatives;
- recognition exemption options: short-term leases and leases of low-value assets will be excluded from the lease liability recognised, as permitted by IFRS 16;

- assessment of lease term: most of the Group's leases relate to properties. The typical structure of our property leases is an initial lease term (usually ten years) with a series of options to extend the lease at our discretion (usually two or three five-year options). The Group has concluded that recognition of the lease term, including extension options, best reflects the Group's assessment of the options available, our past experience and growth strategy. The average remaining lease term at 1 May 2019 was 12 years, compared with the minimum remaining average lease term of four years; and
- discount rate: IFRS 16 requires future lease payments to be discounted using the interest rate implicit in the lease, or where this rate cannot be readily determined, an incremental borrowing rate ('IBR'). The Group has concluded that it is not possible to determine the rate implicit in its portfolio of property leases and therefore will adopt an IBR methodology. The weighted average discount rate at 1 May 2019 was 4%.

On 1 May 2019, an additional lease liability in the region of £900m will be recognised on the balance sheet together with a corresponding right-of-use asset, adjusted for rent prepayments and accruals as at the date of transition. This compares with the undiscounted minimum lease commitment of £495m, as determined in accordance with existing accounting standards.

Based on the leases held at 1 May 2019 and our anticipated greenfield opening programme, our best estimate of the income statement impact for 2019/20 from the adoption of IFRS 16 is as follows:

- EBITDA is expected to increase by c. £100m as the operating lease expense which was previously recognised is replaced with depreciation on the right-of-use asset and interest on the lease liability;
- operating profit will increase by c. £15m due to the benefit from the elimination of the historical operating lease charge partially offset by depreciation on the right-of-use asset; and
- profit before tax is estimated to decrease by c. £30m.

The total income statement charge over the life of the leases remains unchanged, with the difference reflecting the 'front-end loaded' nature of operating lease charges under the IFRS 16 model. In addition, we expect total Group leverage to increase by 0.3x – 0.4x as a result of the adoption of IFRS 16.

There are no other IFRS or IFRIC Interpretations that are not yet effective that would be expected to have a material impact on the Group.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 30 April each year. Control is achieved when the Company has the power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee, and has the ability to use its power to affect its returns. The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is the fair value at the acquisition date of the assets transferred and the liabilities incurred by the Group and includes the fair value of any contingent consideration arrangement. Acquisition-related costs are recognised in the income statement as incurred.

Contingent consideration is measured at the acquisition date at fair value and included in provisions in the balance sheet. Changes in the fair value of contingent consideration due to events post the date of acquisition are recognised in the income statement.

Foreign currency translation

Our reporting currency is the pound sterling, the functional currency of the parent company. However, the majority of our assets, liabilities, revenue and costs are denominated in US dollars. Assets and liabilities in foreign currencies are translated into pounds sterling at rates of exchange ruling at the balance sheet date. Income statements and cash flows of overseas subsidiary undertakings are translated into pounds sterling at average rates of exchange for the year. The exchange rates used in respect of the US dollar and Canadian dollar are:

	US dollar		Canadian dollar	
	2019	2018	2019	2018
Average for year	1.30	1.34	1.72	1.71
Year end	1.30	1.38	1.75	1.77

Exchange differences arising from the retranslation of the opening net investment of overseas subsidiaries and the difference between the inclusion of their profits at average rates of exchange in the Group income statement and the closing rate used for the balance sheet are recognised directly in a separate component of equity. Other exchange differences are dealt with in the income statement.

Revenue

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties and VAT/sales tax. Our revenue is a function of our rental rates and the size, utilisation and mix of our equipment rental fleet. The Group has three main sources of revenue as detailed below:

- rental revenue, including loss damage waiver, environmental fees and revenue from rental equipment delivery and collection;
- revenue from the sale of new equipment, merchandise and consumables; and
- revenue from the sale of used rental equipment.

2 Accounting policies (continued)

Rental revenue, including loss damage waiver and environment fees, is recognised over time on a straight-line basis over the period of the rental contract. However as a rental contract can extend across financial reporting period ends, the Group records accrued revenue (unbilled rental revenue) and deferred revenue at the beginning and end of each reporting period so that rental revenue is appropriately stated in the financial statements. Revenue from rental delivery and collection is recognised when the delivery or collection has occurred and the performance obligation therefore fulfilled.

Revenue from the sale of new rental equipment, merchandise and consumables, together with revenue from the sale of used rental equipment, is recognised at the time of delivery to, or collection by, the customer and when all performance obligations under the sale contract have been fulfilled.

Revenue from the sale of rental equipment in connection with trade-in arrangements with certain manufacturers from whom the Group purchases new equipment is accounted for at the lower of transaction value or fair value based on independent appraisals. If the trade-in price of a unit of equipment exceeds the fair market value of that unit, the excess is accounted for as a reduction of the cost of the related purchase of new rental equipment.

Of the Group's rental revenue, £3,386m (2018: £2,783m) is accounted for in accordance with IAS 17, 'Leases', while revenue from other ancillary services, revenue from the sale of new equipment, merchandise and consumables and revenue from the sale of used equipment totalling £1,114m (2018: £923m) is accounted for in accordance with IFRS 15, 'Revenue from Contracts with Customers'.

Investment income and interest expense

Investment income comprises interest receivable on funds invested and net interest on net defined benefit pension plan assets.

Interest expense comprises interest payable on borrowings, amortisation of deferred debt raising costs, the unwind of the discount on the self-insurance and contingent consideration provisions and the net interest on net defined benefit pension plan liabilities.

Exceptional items

Exceptional items are those items that are material and non-recurring in nature that the Group believes should be disclosed separately to assist in the understanding of the financial performance of the Group.

Earnings per share

Earnings per share is calculated based on the profit for the financial year and the weighted average number of ordinary shares in issue during the year. For this purpose the number of ordinary shares in issue excludes shares held by the Company or by the Employee Share Ownership Trust in respect of which dividends have been waived. Diluted earnings per share is calculated using the profit for the financial year and the weighted average diluted number of shares (ignoring any potential issue of ordinary shares which would be anti-dilutive) during the year.

Underlying earnings per share comprises basic earnings per share adjusted to exclude earnings relating to exceptional items and amortisation of intangibles.

Current/non-current distinction

Current assets include assets held primarily for trading purposes, cash and cash equivalents and assets expected to be realised in, or intended for sale or consumption in, the course of the Group's operating cycle and those assets receivable within one year from the reporting date. All other assets are classified as non-current assets.

Current liabilities include liabilities held primarily for trading purposes, liabilities expected to be settled in the course of the Group's operating cycle and those liabilities due within one year from the reporting date. All other liabilities are classified as non-current liabilities.

Property, plant and equipment

Owned assets

Property, plant and equipment is stated at cost (including transportation costs from the manufacturer to the initial rental location) less accumulated depreciation and any provisions for impairment. In respect of certain assets, cost includes rebuild costs when the rebuild extends the asset's useful economic life and it is probable that incremental economic benefits will accrue to the Group. Rebuild costs include the cost of transporting the equipment to and from the rebuild supplier. Depreciation is not charged while the asset is not in use during the rebuild period.

Leased assets

Finance leases are those leases which transfer substantially all the risks and rewards of ownership to the lessee. Assets held under finance leases are capitalised within property, plant and equipment at the fair value of the leased assets at inception of the lease and depreciated in accordance with the Group's depreciation policy. Outstanding finance lease obligations are included within debt. The finance element of the agreements is charged to the income statement on a systematic basis over the term of the lease.

All other leases are operating leases, the rentals on which are charged to the income statement on a straight-line basis over the lease term.

Depreciation

Leasehold properties are depreciated on a straight-line basis over the life of each lease. Other fixed assets, including those held under finance leases, are depreciated on a straight-line basis applied to the opening cost to write down each asset to its residual value over its useful economic life. Estimates of useful life and residual value are determined with the objective of allocating most appropriately the cost of property, plant and equipment to our income statement, over the period we anticipate it will be used in our business. Residual values and estimated useful economic lives are reassessed annually, recognising the cyclical nature of the business, by making reference to recent experience of the Group. The depreciation rates in use are as follows:

	Per annum
Freehold property	2%
Motor vehicles	7% to 25%
Rental equipment	4% to 33%
Office and workshop equipment	20%

Residual values are estimated at 10-15% of cost in respect of most types of rental equipment, although the range of residual values used varies between zero and 35%.

Repairs and maintenance

Costs incurred in the repair and maintenance of rental and other equipment are charged to the income statement as incurred.

Intangible assets

Goodwill

Goodwill represents the difference between the fair value of the consideration for an acquisition and the fair value of the net identifiable assets acquired, including any intangible assets other than goodwill.

Goodwill is stated at cost less any accumulated impairment losses and is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination.

The profit or loss on the disposal of a previously acquired business includes the attributable amount of any purchased goodwill relating to that business.

Other intangible assets

Other intangible assets acquired as part of a business combination are capitalised at fair value as at the date of acquisition. Internally generated intangible assets are not capitalised. Amortisation is charged on a straight-line basis over the expected useful life of each asset. Contract related intangible assets are amortised over the life of the contract. Amortisation rates for other intangible assets are as follows:

	Per annum
Brand names	7% to 15%
Customer lists	10% to 20%
Contract related	14% to 50%

Impairment of assets

Goodwill is not amortised but is tested annually for impairment as at 30 April each year. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable and independent cash flows for the asset being tested for impairment (cash-generating unit).

The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. In assessing value in use, 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.

In respect of assets other than goodwill, 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. Impairment losses in respect of goodwill are not reversed.

Taxation

The tax charge for the period comprises both current and deferred tax. Taxation is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case the related tax is also recognised in equity.

Current tax is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method on any temporary differences between the carrying amounts for financial reporting purposes and those for taxation purposes.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill.

Deferred tax liabilities are not recognised for temporary differences arising on investments in subsidiaries where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Inventories

Inventories, which comprise equipment, fuel, merchandise and spare parts, are valued at the lower of cost and net realisable value. The cost of inventory that is not ordinarily interchangeable is valued at individual cost. The cost of other inventories is determined on a first-in, first-out basis or using a weighted average cost formula, depending on the basis most suited to the type of inventory held.

Employee benefits

Defined contribution pension plans

Obligations under the Group's defined contribution plans are recognised as an expense in the income statement as incurred.

Defined benefit pension plans

The Group's obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value and the fair value of plan assets is deducted. The discount rate used is the yield at the balance sheet date on AA-rated corporate bonds. The calculation is performed by a qualified actuary using the projected unit credit method.

Actuarial gains and losses are recognised in full in the period in which they arise through the statement of comprehensive income. The increase in the present value of plan liabilities arising from employee service during the period is charged to operating profit.

Net interest is calculated by applying a discount rate to the net defined benefit pension plan asset or liability. The net interest income or net interest expense is included in investment income or interest expense, respectively.

The defined pension surplus or deficit represents the fair value of the plan assets less the present value of the defined benefit obligation. A surplus is recognised in the balance sheet to the extent that the Group has an unconditional right to the surplus, either through a refund or reduction in future contributions. A deficit is recognised in full.

Share-based compensation

The fair value of awards made under share-based compensation plans is measured at grant date and spread over the vesting period through the income statement with a corresponding increase in equity. The fair value of share options and awards is measured using an appropriate valuation model taking into account the terms and conditions of the individual award. The amount recognised as an expense is adjusted to reflect the actual awards vesting except where any change in the awards vesting relates only to market-based criteria not being achieved.

2 Accounting policies (continued)

Insurance

Insurance costs include insurance premiums which are written off to the income statement over the period to which they relate and an estimate of the discounted liability for uninsured retained risks on unpaid claims incurred up to the balance sheet date. The estimate includes events incurred but not reported at the balance sheet date. This estimate is discounted and included in provisions in the balance sheet on a gross basis with a corresponding insurance receivable amount recognised as an asset where it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

Trade receivables

Trade receivables do not carry interest and are stated at face value as reduced by appropriate loss allowances for estimated irrecoverable amounts using an expected credit loss model. This approach requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date so as to reflect changes in credit risk since initial recognition of the trade receivable.

Cash and cash equivalents

Cash and cash equivalents comprises cash balances and call deposits with maturity of less than, or equal to, three months.

Financial liabilities and equity

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Trade payables

Trade payables are not interest bearing and are stated at fair value and subsequently measured at amortised cost using the effective interest rate mentioned.

Borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct transaction costs where these are integral to the total cost of the borrowing. Where this is not the case, direct transaction costs are recognised separately from the financial liability as a loan commitment asset. Finance charges, including amortisation of direct transaction costs, are charged to the income statement using the effective interest rate method.

Tranches of borrowings and overdrafts which mature on a regular basis are classified as current or non-current liabilities based on the maturity of the facility so long as the committed facility exceeds the drawn debt.

Net debt

Net debt consists of total borrowings less cash and cash equivalents. Borrowings exclude accrued interest. Foreign currency denominated balances are retranslated to pounds sterling at rates of exchange ruling at the balance sheet date.

Secured notes

The Group's secured notes contain early repayment options, which constitute embedded derivatives in accordance with IFRS 9, Financial Instruments. The accounting for these early repayment options depends on whether they are considered to be closely related to the host contract or not based on IFRS 9. Where they are closely related, the early repayment option is not accounted for separately and the notes are recorded within borrowings, net of direct transaction costs. The interest expense is calculated by applying the effective interest rate method.

In circumstances where the early repayment option is not considered closely related to the host contract, the repayment option has to be valued separately. At the date of issue the liability component of the notes is estimated using prevailing market interest rates for similar debt with no repayment option and is recorded within borrowings, net of direct transaction costs. The difference between the proceeds of the note issue and the fair value assigned to the liability component, representing the embedded option to prepay the notes is included within Other financial assets – derivatives. The interest expense on the liability component is calculated by applying the effective interest rate method. The embedded option to prepay is fair valued using an appropriate valuation model and fair value remeasurement gains and losses are included in investment income and interest expense respectively.

Where the Group's senior secured notes are issued at a premium or a discount, they are initially recognised at their face value plus or minus the premium or discount. The notes are subsequently measured at amortised cost using the effective interest rate method.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

Employee Share Ownership Trust

Shares in the Company acquired by the Employee Share Ownership Trust ('ESOT') in the open market for use in connection with employee share plans are presented as a deduction from shareholders' funds. When the shares vest to satisfy share-based payments, a transfer is made from own shares held through the ESOT to retained earnings.

Own shares held by the Company

The cost of own shares held by the Company is deducted from shareholders' funds. The proceeds from the reissue of own shares are added to shareholders' funds with any gains in excess of the average cost of the shares being recognised in the share premium account.

3 Segmental analysis

Segmental analysis by reportable operating segment

The Group operates one class of business: rental of equipment. Operationally, the Group is split into three business units, Sunbelt US, A-Plant and Sunbelt Canada which report separately to, and are managed by, the chief executive and align with the geographies in which they operate, being the United States, the United Kingdom and Canada, respectively. Accordingly, the Group's reportable operating segments are Sunbelt US, A-Plant and Sunbelt Canada.

The Group manages debt and taxation centrally, rather than by business unit. Accordingly, segmental results are stated before interest and taxation which are reported as central Group items. This is consistent with the way the chief executive reviews the business.

There are no sales between the business segments. Segment assets include property, plant and equipment, goodwill, intangibles, inventory and receivables. Segment liabilities comprise operating liabilities and exclude taxation balances, corporate borrowings and accrued interest. Capital expenditure represents additions to property, plant and equipment and intangible assets, including goodwill, and includes additions through the acquisition of businesses.

Year ended 30 April 2019	Sunbelt US £m	A-Plant £m	Sunbelt Canada £m	Corporate items £m	Group £m
Revenue					
Rental revenue	3,554.2	416.4	167.4	–	4,138.0
Sale of new equipment, merchandise and consumables	118.4	32.5	19.6	–	170.5
Sale of used rental equipment	151.7	26.2	13.2	–	191.1
	3,824.3	475.1	200.2	–	4,499.6
EBITDA	1,880.9	168.4	72.2	(14.9)	2,106.6
Depreciation	(696.6)	(106.1)	(40.3)	–	(843.0)
Segment result	1,184.3	62.3	31.9	(14.9)	1,263.6
Amortisation					(50.7)
Net financing costs					(153.4)
Profit before taxation					1,059.5
Taxation					(262.6)
Profit attributable to equity shareholders					796.9
Segment assets	6,991.8	851.6	475.7	0.3	8,319.4
Cash					12.8
Taxation assets					25.3
Total assets					8,357.5
Segment liabilities	592.5	68.2	31.0	12.2	703.9
Corporate borrowings and accrued interest					3,775.6
Taxation liabilities					1,077.5
Total liabilities					5,557.0
Other non-cash expenditure – share-based payments	4.7	0.7	0.1	2.1	7.6
Capital expenditure	1,881.1	181.0	141.5	–	2,203.6

3 Segmental analysis (continued)

Year ended 30 April 2018	Sunbelt US £m	A-Plant £m	Sunbelt Canada £m	Corporate items £m	Group £m
Revenue					
Rental revenue	2,904.6	405.3	108.3	–	3,418.2
Sale of new equipment, merchandise and consumables	91.9	31.4	15.9	–	139.2
Sale of used rental equipment	107.2	35.0	6.4	–	148.6
	3,103.7	471.7	130.6	–	3,706.0
EBITDA					
Depreciation	[575.1]	[97.1]	[23.3]	[0.1]	(695.6)
Segment result	966.6	70.2	16.6	(15.9)	1,037.5
Amortisation					[43.5]
Net financing costs					(131.9)
Profit before taxation					862.1
Taxation					106.7
Profit attributable to equity shareholders					968.8
Segment assets	5,507.6	847.3	344.6	0.5	6,700.0
Cash					19.1
Taxation assets					23.9
Total assets					6,743.0
Segment liabilities	545.7	81.1	29.1	9.8	665.7
Corporate borrowings and accrued interest					2,743.3
Taxation liabilities					807.1
Total liabilities					4,216.1
Other non-cash expenditure – share-based payments	3.7	0.9	–	2.4	7.0
Capital expenditure	1,210.5	192.5	247.4	–	1,650.4

Segmental analysis by geography

The Group's operations are located in the United States, the United Kingdom and Canada. The following table provides an analysis of the Group's revenue, segment assets and capital expenditure, including expenditure on acquisitions, by country of domicile. Segment assets by geography include property, plant and equipment, goodwill and intangible assets but exclude inventory and receivables.

	Revenue		Segment assets		Capital expenditure	
	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m
United States	3,824.3	3,103.7	6,234.7	4,938.0	1,881.1	1,210.5
United Kingdom	475.1	471.7	725.9	724.6	181.0	192.5
Canada	200.2	130.6	431.6	308.3	141.5	247.4
	4,499.6	3,706.0	7,392.2	5,970.9	2,203.6	1,650.4

4 Operating costs and other income

	2019			2018		
	Before amortisation £m	Amortisation £m	Total £m	Before amortisation £m	Amortisation £m	Total £m
Staff costs:						
Salaries	930.3	–	930.3	788.2	–	788.2
Social security costs	70.6	–	70.6	60.3	–	60.3
Other pension costs	18.5	–	18.5	14.9	–	14.9
	1,019.4	–	1,019.4	863.4	–	863.4
Used rental equipment sold	159.7	–	159.7	128.2	–	128.2
Other operating costs:						
Vehicle costs	267.8	–	267.8	211.3	–	211.3
Spares, consumables and external repairs	227.4	–	227.4	181.5	–	181.5
Facility costs	128.4	–	128.4	108.4	–	108.4
Other external charges	590.3	–	590.3	480.1	–	480.1
	1,213.9	–	1,213.9	981.3	–	981.3
Depreciation and amortisation:						
Depreciation of owned assets	841.8	–	841.8	694.4	–	694.4
Depreciation of leased assets	1.2	–	1.2	1.2	–	1.2
Amortisation of intangibles	–	50.7	50.7	–	43.5	43.5
	843.0	50.7	893.7	695.6	43.5	739.1
	3,236.0	50.7	3,286.7	2,668.5	43.5	2,712.0

Proceeds from the disposal of non-rental property, plant and equipment amounted to £12m (2018: £10m), resulting in a profit on disposal of £1m (2018: £1m) which is included in other external charges.

The costs shown in the above table include:

	2019 £m	2018 £m
Operating lease rentals payable:		
– Plant and equipment	1.6	1.9
– Property	93.1	78.3
Cost of inventories recognised as expense	341.1	264.9
Loss allowance on trade receivables	26.8	23.1

Staff costs include directors' remuneration. Directors' remuneration comprised:

	2019 £'000	2018 £'000
Salaries and short-term employee benefits	6,530	5,693
Post-employment benefits	14	30
National insurance and social security	549	404
Share-based payments	2,483	2,555
	9,576	8,682

Remuneration payable to the Company's auditor, Deloitte LLP, in the year is given below:

	2019 £'000	2018 £'000
Fees payable to Deloitte UK and its associates for the audit of the Group's annual accounts	893	867
Fees payable to Deloitte UK and its associates for other services to the Group:		
– the audit of the Group's UK subsidiaries pursuant to legislation	57	27
– audit-related assurance services	70	73
– other assurance services	63	60
	1,083	1,027

Fees paid for audit-related assurance services relate to the half-year review of the Group's interim financial statements. Other assurance services relate to comfort letters provided in connection with the senior secured notes issued in July 2018 and August 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

5 Exceptional items and amortisation

	2019 £m	2018 £m
Amortisation of intangibles	50.7	43.5
Write-off of deferred financing costs	–	8.1
Release of premium	–	(11.6)
Early redemption fee	–	23.7
Call period interest	–	1.5
Taxation		
– tax on exceptional items and amortisation	(12.3)	(20.0)
– reduction in US deferred tax liability due to change in US federal tax rate	–	(402.2)
– reassessment of historical amounts deductible for tax	–	20.7
	38.4	(336.3)

In the prior year, the costs associated with the redemption of the \$900m 6.5% senior secured notes in August 2017 were classified as exceptional items. The write-off of deferred financing costs consisted of the unamortised balance of the costs relating to the notes, whilst the release of premium related to the unamortised element of the premium which arose at the time of issuance of the \$400m add-on to the initial \$500m 6.5% senior secured notes. In addition, an early redemption fee of £24m (\$31m) was paid to redeem the notes prior to their scheduled maturity. The call period interest represented the interest charge on the \$900m notes for the period from the issue of the new \$1.2bn notes to the date the \$900m notes were redeemed. Of these items, total cash costs were £25m, while £3.5m [net income] were non-cash items and credited to the income statement.

The US Tax Cuts and Jobs Act of 2017 was enacted in December 2017 and, amongst other things, reduced the US federal tax rate from 35% to 21%. The exceptional tax credit of £402m (\$543m) arose from the remeasurement of the Group's US deferred tax liabilities at the new rate of 21% rather than the historical rate of 35%. The exceptional deferred tax charge of £21m (\$28m) related to the reassessment of historical amounts deductible for tax purposes in the US.

The items detailed in the table above are presented in the income statement as follows:

	2019 £m	2018 £m
Amortisation of intangibles	50.7	43.5
Charged in arriving at operating profit	50.7	43.5
Net financing costs	–	21.7
Charged in arriving at profit before taxation	50.7	65.2
Taxation	(12.3)	(401.5)
	38.4	(336.3)

6 Net financing costs

	2019 £m	2018 £m
Investment income:		
Net interest on the net defined benefit pension plan asset	(0.1)	–
Interest expense:		
Bank interest payable	68.6	45.6
Interest payable on second priority senior secured notes	79.1	60.5
Interest payable on finance leases	0.4	0.3
Net interest on the net defined benefit pension plan liability	–	0.1
Non-cash unwind of discount on provisions	0.8	0.7
Amortisation of deferred debt raising costs	4.6	3.0
Total interest expense	153.5	110.2
Net financing costs before exceptional items	153.4	110.2
Exceptional items	–	21.7
Net financing costs	153.4	131.9

7 Taxation

The tax charge on the result for the year has been computed using a tax rate of 25% in the US (2018: 34%), 19% in the UK (2018: 19%) and 27% in Canada (2018: 27%). In the prior year, there was a significant tax credit due to the remeasurement of the Group's US deferred tax liabilities at the new federal rate of 21% rather than 35%. As a result, the blended rate for the Group as a whole was a charge of 25% (2018: credit of 12%). The Group's future effective tax rate will depend on the mix of profits amongst the territories in which it operates and their respective tax rates.

	2019 £m	2018 £m
Analysis of the tax charge		
Current tax		
- current tax on income for the year	54.3	73.0
- adjustments to prior year	1.1	(10.4)
- reassessment of historical amounts deductible for tax	-	24.7
	55.4	87.3
Deferred tax		
- origination and reversal of temporary differences	205.8	200.4
- adjustments to prior year	1.4	11.8
- remeasurement of US deferred tax liabilities due to reduction in US federal tax rate	-	(402.2)
- reassessment of historical amounts deductible for tax	-	(4.0)
	207.2	(194.0)
Total taxation charge/(credit)	262.6	(106.7)
Comprising:		
- United Kingdom	15.9	15.7
- United States	244.9	(122.5)
- Canada	1.8	0.1
	262.6	(106.7)

The tax charge comprises a charge of £275m (2018: £295m) relating to tax on the profit before exceptional items and amortisation, together with a credit of £12m (2018: credit of £401m) on exceptional items and amortisation.

The differences between the tax charge for the year of 25% and the standard rate of corporation tax in the UK of 19% are explained below:

	2019 £m	2018 £m
Profit on ordinary activities before tax	1,059.5	862.1
Profit on ordinary activities multiplied by the rate of corporation tax in the UK of 19% (2018: 19%)	201.3	163.8
Effects of:		
Use of foreign tax rates on overseas income	61.5	113.9
Adjustments to prior years	2.5	1.4
Reduction in US deferred tax liabilities due to reduction in US federal tax rate	-	(402.2)
Reassessment of historical amounts deductible for tax	-	20.7
Other	(2.7)	(4.3)
Total taxation charge/(credit)	262.6	(106.7)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

8 Dividends

	2019 £m	2018 £m
Final dividend paid on 14 September 2018 of 27.5p (2018: 22.75p) per 10p ordinary share	133.3	113.2
Interim dividend paid on 6 February 2019 of 6.5p (2018: 5.5p) per 10p ordinary share	30.9	27.3
	164.2	140.5

In addition, the directors are proposing a final dividend in respect of the year ended 30 April 2019 of 33.5p (2018: 27.5p) per share which will absorb £156m of shareholders' funds, based on the 466m shares qualifying for dividend on 17 June 2019. Subject to approval by shareholders, it will be paid on 13 September 2019 to shareholders who are on the register of members on 16 August 2019.

9 Earnings per share

	2019			2018		
	Earnings £m	Weighted average no. of shares million	Per share amount pence	Earnings £m	Weighted average no. of shares million	Per share amount pence
Basic earnings per share	796.9	479.7	166.1	968.8	496.0	195.3
Share options and share plan awards	–	2.0	(0.7)	–	2.3	(0.9)
Diluted earnings per share	796.9	481.7	165.4	968.8	498.3	194.4

Underlying earnings per share may be reconciled to basic earnings per share as follows:

	2019 pence	2018 pence
Basic earnings per share	166.1	195.3
Amortisation of intangibles	10.6	8.7
Exceptional items	–	4.4
Tax on exceptional items and amortisation	(2.5)	(4.0)
Exceptional tax credit (US tax reforms)	–	(81.1)
Exceptional tax charge (reassessment of historical amounts deductible for tax)	–	4.2
Underlying earnings per share	174.2	127.5

10 Inventories

	2019 £m	2018 £m
Raw materials, consumables and spares	33.9	18.3
Goods for resale	49.6	36.9
	83.5	55.2

11 Trade and other receivables

	2019 £m	2018 £m
Trade receivables	755.6	598.9
Less: loss allowance	(53.4)	(43.1)
	702.2	555.8
Other receivables		
- Accrued revenue	53.6	42.2
- Other	87.8	71.4
	843.6	669.4

The fair values of trade and other receivables are not materially different to the carrying values presented.

a) Trade receivables: credit risk

The Group's exposure to the credit risk inherent in its trade receivables and the associated risk management techniques that the Group deploys in order to mitigate this risk are discussed in Note 24. The credit periods offered to customers vary according to the credit risk profiles of, and the invoicing conventions established in, the Group's markets. The contractual terms on invoices issued to customers vary between North America and the UK in that, invoices issued by A-Plant are payable within 30-60 days whereas, invoices issued by Sunbelt US and Sunbelt Canada are payable on receipt. Therefore, on this basis, a significant proportion of the Group's trade receivables are contractually past due. The loss allowance is calculated based on prior experience reflecting the level of uncollected receivables over the last year within each business. Accordingly, this cannot be attributed to specific receivables so the aged analysis of trade receivables, including those past due, is shown gross of the loss allowance.

On this basis, the ageing analysis of trade receivables, including those past due, is as follows:

	Trade receivables past due by:					Total £m
	Current £m	Less than 30 days £m	30 - 60 days £m	60 - 90 days £m	More than 90 days £m	
Carrying value at 30 April 2019	56.2	350.4	169.8	77.3	101.9	755.6
Carrying value at 30 April 2018	55.5	277.5	136.8	52.2	76.9	598.9

In practice, Sunbelt US and Sunbelt Canada operate on 30-day terms and consider receivables past due if they are unpaid after 30 days. On this basis, the Group's ageing of trade receivables, including those past due, is as follows:

	Trade receivables past due by:					Total £m
	Current £m	Less than 30 days £m	30 - 60 days £m	60 - 90 days £m	More than 90 days £m	
Carrying value at 30 April 2019	377.7	189.7	81.1	37.3	69.8	755.6
Carrying value at 30 April 2018	306.4	155.0	55.2	27.5	54.8	598.9

b) Movement in the loss allowance

	2019 £m	2018 £m
At 1 May	43.1	38.4
Amounts written off or recovered during the year	(18.5)	(16.3)
Increase in allowance recognised in income statement	26.8	23.1
Currency movements	2.0	(2.1)
At 30 April	53.4	43.1

12 Cash and cash equivalents

	2019 £m	2018 £m
Cash and cash equivalents	12.8	19.1

The carrying amount of cash and cash equivalents approximates to their fair value.

13 Property, plant and equipment

	Land and buildings £m	Rental equipment £m	Office and workshop equipment £m	Motor vehicles		Total £m
				Owned £m	Held under finance leases £m	
Cost or valuation						
At 1 May 2017	170.6	5,846.4	122.7	432.8	7.6	6,580.1
Exchange differences	(7.4)	(313.8)	(5.9)	(22.8)	–	(349.9)
Acquisitions	–	276.7	0.5	17.7	–	294.9
Reclassifications	[0.7]	(2.7)	2.1	1.3	–	–
Additions	30.3	1,100.4	29.8	75.1	3.1	1,238.7
Disposals	(2.2)	(340.2)	(6.9)	(31.6)	(3.0)	(383.9)
At 30 April 2018	190.6	6,566.8	142.3	472.5	7.7	7,379.9
Exchange differences	7.7	309.8	6.2	21.9	–	345.6
Acquisitions	20.3	454.3	3.9	28.4	–	506.9
Reclassifications	–	(3.6)	1.1	2.5	–	–
Additions	41.6	1,416.8	33.3	93.6	1.8	1,587.1
Disposals	(2.9)	(461.7)	(6.4)	(41.9)	(2.4)	(515.3)
At 30 April 2019	257.3	8,282.4	180.4	577.0	7.1	9,304.2
Depreciation						
At 1 May 2017	66.6	1,753.6	80.4	171.4	3.5	2,075.5
Exchange differences	(3.1)	(107.8)	(4.2)	(10.1)	–	(125.2)
Acquisitions	–	94.3	0.2	9.2	–	103.7
Reclassifications	–	(1.2)	0.8	0.4	–	–
Charge for the period	11.5	614.1	18.7	50.2	1.1	695.6
Disposals	(1.6)	(216.7)	(6.5)	(24.9)	(2.0)	(251.7)
At 30 April 2018	73.4	2,136.3	89.4	196.2	2.6	2,497.9
Exchange differences	2.7	98.9	4.0	8.9	–	114.5
Acquisitions	–	194.9	2.5	12.6	–	210.0
Reclassifications	–	(1.7)	0.5	1.2	–	–
Charge for the period	14.3	745.5	22.5	59.5	1.2	843.0
Disposals	(2.5)	(304.8)	(5.7)	(33.7)	(1.5)	(348.2)
At 30 April 2019	87.9	2,869.1	113.2	244.7	2.3	3,317.2
Net book value						
At 30 April 2019	169.4	5,413.3	67.2	332.3	4.8	5,987.0
At 30 April 2018	117.2	4,430.5	52.9	276.3	5.1	4,882.0

£11m of rebuild costs were capitalised in the year (2018: £1m). No rental equipment was leased in either year.

14 Intangible assets including goodwill

		Other intangible assets				
	Goodwill £m	Brand names £m	Customer lists £m	Contract related £m	Total £m	Total £m
Cost or valuation						
At 1 May 2017	797.7	20.0	238.7	50.0	308.7	1,106.4
Recognised on acquisition	134.6	0.9	79.5	2.9	83.3	217.9
Additions	–	–	–	2.6	2.6	2.6
Exchange differences	(49.7)	(1.1)	(15.0)	(1.7)	(17.8)	(67.5)
At 30 April 2018	882.6	19.8	303.2	53.8	376.8	1,259.4
Recognised on acquisition	221.2	0.4	88.6	9.2	98.2	319.4
Exchange differences	40.9	0.9	14.1	1.6	16.6	57.5
At 30 April 2019	1,144.7	21.1	405.9	64.6	491.6	1,636.3
Amortisation						
At 1 May 2017	–	17.9	85.7	30.7	134.3	134.3
Charge for the period	–	1.8	35.3	6.4	43.5	43.5
Exchange differences	–	(1.1)	(4.9)	(1.3)	(7.3)	(7.3)
At 30 April 2018	–	18.6	116.1	35.8	170.5	170.5
Charge for the period	–	0.9	42.8	7.0	50.7	50.7
Exchange differences	–	0.9	7.7	1.2	9.8	9.8
At 30 April 2019	–	20.4	166.6	44.0	231.0	231.0
Net book value						
At 30 April 2019	1,144.7	0.7	239.3	20.6	260.6	1,405.3
At 30 April 2018	882.6	1.2	187.1	18.0	206.3	1,088.9

Goodwill acquired in a business combination is allocated at acquisition to the cash-generating units ('CGUs') that benefit from that business combination. During the year, the Group reviewed its CGUs and concluded that Scaffolding in Sunbelt US and Traffic, PSS and Lifting in A-Plant are more appropriately treated as part of the general equipment and related businesses CGU given the growth in the business and their relative scale. Prior year comparatives have been restated accordingly. As such, goodwill allocated to each of the Group's CGUs is as follows:

	2019 £m	2018 £m
Sunbelt US		
Pump & Power	87.9	41.5
Climate Control	56.9	20.6
General equipment and related businesses	832.6	673.2
	977.4	735.3
A-Plant		
Live (temporary roadways and barriers)	25.8	25.8
General equipment and related businesses	53.1	46.9
	78.9	72.7
Sunbelt Canada		
General equipment and related businesses	88.4	74.6
Total goodwill	1,144.7	882.6

14 Intangible assets including goodwill (continued)

For the purposes of determining potential goodwill impairment, recoverable amounts are determined from value in use calculations using cash flow projections based on financial plans covering a three-year period which were adopted and approved by the Board in April 2019. The key assumptions for these financial plans are those regarding revenue growth, margins and capital expenditure required to replace the rental fleet and support the growth forecast which management estimates based on past experience, market conditions and expectations for the future development of the market. The projections consist of the 2019/20 budget, a further two years from the Group's business plan and a further seven years' cash flows. The valuation uses an annual growth rate to determine the cash flows beyond the three-year business plan period of 2%, which does not exceed the average long-term growth rates for the relevant markets, a terminal value reflective of market multiples and discount rates of 10%, 9% and 10% for the US, UK and Canadian businesses respectively.

The impairment review is potentially sensitive to changes in key assumptions used, most notably the discount rate and the annuity growth rates. A sensitivity analysis has been undertaken by changing the key assumptions used for each CGU in Sunbelt US, A-Plant and Sunbelt Canada. Based on this sensitivity analysis, no reasonably possible change in the assumptions resulted in the recoverable amount for the CGUs identified above being reduced to their carrying value.

Sunbelt US**General equipment and related businesses**

Revenue for the general equipment business is linked primarily to US non-residential construction spend, which is expected to continue to grow during the business plan period. These businesses have grown more rapidly than both non-residential construction and the broader rental market and this outperformance is expected to continue over the business plan period, although not necessarily to the same degree as over recent years. EBITDA margins are forecast to increase slightly from current levels as the businesses benefit from good market conditions and increased scale.

Pump & Power and Climate Control

Revenue for the Pump & Power and Climate Control businesses is in part linked to the level of non-residential construction and also general levels of economic activity. EBITDA margins are forecast to increase slightly from current levels as the businesses benefit from increased scale.

A-Plant

Revenue for each of the A-Plant CGUs is linked primarily to UK non-residential construction spend. This market is expected to grow during the business plan period. A-Plant has grown over the last three years more quickly than non-residential construction and we expect it to perform ahead of the market over the business plan period. The Live business is also reliant on the events market which is expected to grow at a similar rate to construction markets. EBITDA margins are forecast to increase slightly from current levels as the businesses focus on operational efficiency and the benefit from increased scale.

Sunbelt Canada

Revenue for Sunbelt Canada is linked primarily to Canadian non-residential construction spend, which is expected to continue to grow during the business plan period. Sunbelt Canada, adjusted for the impact of the CRS acquisition, has grown over the last three years more quickly than non-residential construction and we expect it to perform ahead of the market over the business plan period, although not necessarily to the same degree as over recent years. EBITDA margins are forecast to increase slightly from current levels as the business benefits from the integration of the CRS and Voisin's businesses, improving market conditions and increased scale.

15 Trade and other payables

	2019 £m	2018 £m
Trade payables	217.0	243.7
Other taxes and social security	60.0	48.8
Accruals and deferred income	355.4	325.0
	632.4	617.5

Trade and other payables include amounts relating to the purchase of fixed assets of £196m (2018: £269m). The fair values of trade and other payables are not materially different from the carrying values presented.

16 Borrowings

	2019 £m	2018 £m
Current		
Finance lease obligations	2.3	2.7
Non-current		
First priority senior secured bank debt	2,010.7	1,508.5
Finance lease obligations	2.7	2.6
5.625% second priority senior secured notes, due 2024	379.3	358.4
4.125% second priority senior secured notes, due 2025	454.7	429.5
5.250% second priority senior secured notes, due 2026	453.6	–
4.375% second priority senior secured notes, due 2027	454.4	429.4
	3,755.4	2,728.4

The senior secured bank debt and the senior secured notes are secured by way of, respectively, first and second priority fixed and floating charges over substantially all the Group's property, plant and equipment, inventory and trade receivables.

First priority senior secured credit facility

At 30 April 2019, \$4.1bn was committed by our senior lenders under the asset-based senior secured revolving credit facility ('ABL facility') until December 2023 while the amount utilised was \$2,683m (including letters of credit totalling \$50m). The ABL facility is secured by a first priority interest in substantially all of the Group's assets. Pricing for the revolving credit facility is based on leverage and average availability according to a grid which varies from LIBOR plus 125bp to LIBOR plus 175bp. At 30 April 2019 the Group's borrowing rate was LIBOR plus 150bp.

The only financial performance covenant under the asset-based first priority senior bank facility is a fixed charge ratio (comprising LTM EBITDA before exceptional items less LTM net capital expenditure paid in cash over the sum of scheduled debt repayments plus cash interest, cash tax payments and dividends paid in the last 12 months) which must be equal to or greater than 1.0 times.

This covenant does not, however, apply when availability (the difference between the borrowing base and facility utilisation) exceeds \$410m. At 30 April 2019 availability under the bank facility was \$1,622m (\$1,115m at 30 April 2018), with an additional \$2,385m of suppressed availability meaning that the covenant was not measured at 30 April 2019 and is unlikely to be measured in forthcoming quarters.

Second priority senior secured notes

At 30 April 2019 the Group, through its wholly owned subsidiary Ashtead Capital, Inc., had four series of second priority senior secured notes outstanding with nominal values of \$500m, \$600m, \$600m and \$600m. The \$500m of notes carry an interest rate of 5.625% and are due on 1 October 2024. The \$600m 4.125% notes are due on 15 August 2025, the 5.250% notes are due on 1 August 2026 and the \$600m 4.375% notes are due on 15 August 2027. The notes are secured by second priority interests over substantially the same assets as the ABL facility and are also guaranteed by Ashtead Group plc.

Under the terms of the 5.625%, 4.125%, 5.250% and 4.375% notes the Group is, subject to important exceptions, restricted in its ability to incur additional debt, pay dividends, make investments, sell assets, enter into sale and leaseback transactions and merge or consolidate with another company. Financial performance covenants under the 5.625%, 4.125%, 5.250% and 4.375% senior secured notes issue are only measured at the time new debt is raised.

The effective rates of interest at the balance sheet date were as follows:

	2019	2018
First priority senior secured bank debt	– revolving advances in dollars	3.66%
Secured notes	– \$500m nominal value	5.625%
	– \$600m nominal value	4.125%
	– \$600m nominal value	5.250%
	– \$600m nominal value	4.375%
Finance leases	7.0%	7.0%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

17 Obligations under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2019 £m	2018 £m	2019 £m	2018 £m
Amounts payable under finance leases:				
Less than one year	2.6	3.0	2.3	2.7
Later than one year but not more than five	3.2	3.0	2.7	2.6
	5.8	6.0	5.0	5.3
Future finance charges	(0.8)	(0.7)		
	5.0	5.3		

The Group's obligations under finance leases are secured by the lessor's rights over the leased assets disclosed in Note 13.

18 Provisions

	Insurance £m	Vacant property £m	Contingent consideration £m	Total £m
At 1 May 2018	37.2	2.3	20.9	60.4
Acquired businesses	–	–	17.7	17.7
Exchange differences	1.4	0.1	0.7	2.2
Utilised	(23.3)	(0.8)	(2.0)	(26.1)
Charged in the year	33.1	0.3	–	33.4
Amortisation of discount	0.3	–	0.6	0.9
At 30 April 2019	48.7	1.9	37.9	88.5
				2019 £m 2018 £m
Included in current liabilities				42.5 25.8
Included in non-current liabilities				46.0 34.6
				88.5 60.4

Insurance provisions relate to the discounted estimated gross liability in respect of claims to be incurred under the Group's insurance programmes for events occurring up to the year-end and are expected to be utilised over a period of approximately eight years. The provision is established based on advice received from independent actuaries of the estimated total cost of the insured risk based on historical claims experience. £14m (2018: £10m) of this total liability is due from insurers and is included within other receivables.

The majority of the provision for vacant property costs is expected to be utilised over a period of up to three years. The provision for contingent consideration relates to recent acquisitions and is expected to be paid out over the next three years and is reassessed at each reporting date.

19 Deferred tax Deferred tax assets

	Tax losses £m	Other temporary differences £m	Total £m
At 1 May 2018	–	–	–
Offset against deferred tax liability at 1 May 2018	3.0	42.7	45.7
Gross deferred tax assets at 1 May 2018	3.0	42.7	45.7
Exchange differences	–	2.2	2.2
Credited to income statement	21.4	19.1	40.5
Credited to equity	1.4	0.3	1.7
Acquisitions	0.5	0.4	0.9
Less offset against deferred tax liability	(26.3)	(64.7)	(91.0)
At 30 April 2019	–	–	–

Deferred tax liabilities

	Accelerated tax depreciation £m	Other temporary differences £m	Total £m
Net deferred tax liability at 1 May 2018	769.7	24.3	794.0
Deferred tax assets offset at 1 May 2018	45.7	-	45.7
Gross deferred tax liability at 1 May 2018	815.4	24.3	839.7
Exchange differences	44.2	0.6	44.8
Charged to income statement	246.6	1.1	247.7
Acquisitions	12.5	7.4	19.9
	1,118.7	33.4	1,152.1
Less offset of deferred tax assets			
- benefit of tax losses			[26.3]
- other temporary differences			[64.7]
At 30 April 2019			1,061.1

The Group has not recognised a deferred tax asset in respect of losses carried forward in a non-trading UK company of £6m (2018: £6m) as it is not considered probable this deferred tax asset will be utilised.

At the balance sheet date, no temporary differences associated with undistributed earnings of subsidiaries are considered to exist as UK tax legislation largely exempts overseas dividends received from UK tax.

20 Share capital and reserves

Ordinary shares of 10p each	2019 Number	2018 Number	2019 £m	2018 £m
Issued and fully paid	499,225,712	499,225,712	49.9	49.9

During the year, the Company purchased 22.4m ordinary shares at a total cost of £462m under the share buyback programme announced in December 2017. At 30 April 2019, the Company held 30.3m (2018: 7.9m) shares in treasury at an average cost of 2,058p. A further 1.6m (2018: 1.7m) shares were held by the Company's Employee Share Ownership Trust ('ESOT') to facilitate the provision of shares under the Group's Performance Share Plan ('PSP').

21 Share-based payments

The ESOT facilitates the provision of shares under the Group's PSP. It holds a beneficial interest in 1,622,656 ordinary shares of the Company acquired at an average cost of 1,514p per share. The shares had a market value of £34.4m at 30 April 2019. The ESOT has waived the right to receive dividends on the shares it holds. The costs of operating the ESOT are borne by the Group but are not significant.

Details of the PSP are given on pages 80 and 85. The costs of this scheme are charged to the income statement over the vesting period, based on the fair value of the award at the grant date and the likelihood of allocations vesting under the scheme. In 2019, there was a net charge to pre-tax profit in respect of the PSP of £8m (2018: £7m). After tax, the total charge was £6m (2018: £5m).

The fair value of awards granted during the year is estimated using a Black-Scholes option pricing model with the following assumptions: share price at grant date of 2,255p, nil exercise price, a dividend yield of 1.22%, volatility of 29.34%, a risk-free rate of 0.76% and an expected life of three years.

Expected volatility was determined by calculating the historical volatility over the previous three years. The expected life used in the model is based on the terms of the plan.

Details of the PSP awards outstanding during the year are as follows:

	2019 Number	2018 Number
Outstanding at 1 May	2,300,169	2,310,855
Granted	588,894	682,615
Exercised	(720,551)	(650,218)
Expired	[118,234]	(43,083)
Outstanding at 30 April	2,050,278	2,300,169
Exercisable at 30 April	-	-

22 Operating leases

Minimum annual commitments under existing operating leases may be analysed by date of expiry of the lease as follows:

	2019 £m	2018 £m
Land and buildings:		
Expiring in one year	8.0	6.0
Expiring between two and five years	49.4	38.8
Expiring in more than five years	38.4	31.2
	95.8	76.0

Total minimum commitments under existing operating leases at 30 April 2019 through to the earliest date at which the lease may be exited without penalty by year are as follows:

	£m
Financial year	
2020	95.8
2021	83.6
2022	73.2
2023	62.4
2024	46.6
Thereafter	133.6
	495.2

£2m of the total minimum operating lease commitments of £495m relating to vacant properties has been provided within the financial statements and included within provisions in the balance sheet.

23 Pensions**Defined contribution plans**

The Group operates pension plans for the benefit of qualifying employees. The plans for new employees throughout the Group are all defined contribution plans. Pension costs for defined contribution plans were £16m (2018: £13m).

Defined benefit plan

The Group also has a defined benefit plan for certain UK employees which was closed to new members in 2001. The plan is a funded defined benefit plan with trustee-administered assets held separately from those of the Group. The Trustees are composed of representatives of both the Company and plan members. The Trustees are required by law to act in the interest of all relevant beneficiaries and are responsible for the investment policy of the assets and the day-to-day administration of the benefits.

The plan is a final salary plan which provides members a guaranteed level of pension payable for life. The level of benefits provided by the plan depends on members' length of service and their salary in the final years leading up to retirement.

The plan's duration is an indicator of the weighted-average time until benefit payments are made. For the plan as a whole, the duration is around 20 years. The estimated amount of contributions expected to be paid by the Group to the plan during the 2019/20 financial year is £1m.

The plan exposes the Group to a number of risks, the most significant being investment risk, interest rate risk, inflation risk and life expectancy risk.

The most recent actuarial valuation was carried out as at 30 April 2016 by a qualified independent actuary and showed a funding surplus of £6m. The actuary was engaged by the Company to perform a valuation in accordance with IAS 19 (revised) as at 30 April 2019. The principal financial assumptions made by the actuary were as follows:

	2019	2018
Discount rate	2.5%	2.7%
Inflation assumption – RPI	3.3%	3.1%
– CPI	2.2%	2.0%
Rate of increase in salaries	4.3%	4.1%
Rate of increase in pensions in payment	3.2%	3.0%

Pensioner life expectancy assumed in the 30 April 2019 update is based on the 'S2P CMI 2018' projection model mortality tables adjusted so as to apply a minimum annual rate of improvement of 1.25% a year. Samples of the ages to which pensioners are assumed to live are as follows:

	2019	2018
Life expectancy of pensioners currently aged 65		
Male	86.2	86.3
Female	88.1	88.3
Life expectancy at age 65 for future pensioner currently aged 45		
Male	87.5	87.7
Female	89.6	89.8

The plan's assets are invested in the following asset classes:

	Fair value	
	2019 £m	2018 £m
UK equities	48.6	54.0
US equities	23.5	17.4
European equities	3.3	3.1
Corporate bonds	2.6	–
Global loan fund	10.0	10.2
Liability driven investment funds	2.4	2.6
Property	12.2	12.4
Infrastructure	4.0	3.7
Cash	0.5	0.3
	107.1	103.7

The amounts recognised in the balance sheet are determined as follows:

	2019 £m	2018 £m
Fair value of plan assets	107.1	103.7
Present value of funded defined benefit obligation	(108.0)	(99.2)
Net (liability)/asset recognised in the balance sheet	(0.9)	4.5

The components of the defined benefit cost recognised in the income statement are as follows:

	2019 £m	2018 £m
Current service cost	1.0	1.1
Past service cost	1.4	–
Net interest on the net defined benefit plan	(0.1)	0.1
Net charge to the income statement	2.3	1.2

The remeasurements of the defined benefit plan recognised in the statement of comprehensive income are as follows:

	2019 £m	2018 £m
Actuarial (loss)/gain due to changes in financial assumptions	(7.0)	5.2
Actuarial gain due to changes in demographic assumptions	1.1	0.7
Actuarial loss arising from experience adjustments	(0.2)	(0.5)
Return on plan assets excluding amounts recognised in net interest	2.4	3.3
Remeasurement of the defined benefit pension plan	(3.7)	8.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

23 Pensions (continued)

Movements in the present value of defined benefit obligations were as follows:

	2019 £m	2018 £m
At 1 May	99.2	103.5
Current service cost	1.0	1.1
Past service cost	1.4	-
Interest cost	2.7	2.7
Contributions from members	0.2	0.2
Remeasurements		
– Actuarial loss/(gain) due to changes in financial assumptions	7.0	(5.2)
– Actuarial gain due to changes in demographic assumptions	(1.1)	(0.7)
– Actuarial loss arising from experience adjustments	0.2	0.5
Benefits paid	(2.6)	(2.9)
At 30 April	108.0	99.2

The key assumptions used in valuing the defined benefit obligation are: discount rate, inflation and mortality. The sensitivity of the results to these assumptions is as follows:

- An increase in the discount rate of 0.5% would result in a £9m (2018: £9m) decrease in the defined benefit obligation.
- An increase in the inflation rate of 0.5% would result in an £8m (2018: £8m) increase in the defined benefit obligation. This includes the resulting change to other assumptions that are related to inflation such as pensions and salary growth.
- A one-year increase in the pensioner life expectancy at age 65 would result in a £5m (2018: £4m) increase in the defined benefit obligation.

The above sensitivity analyses have been determined based on reasonably possible changes to the significant assumptions, while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some assumptions may be correlated. The sensitivity information shown above has been prepared using the same method as adopted when adjusting the results of the latest funding valuation to the balance sheet date. This is the same approach as has been adopted in previous periods.

Movements in the fair value of plan assets were as follows:

	2019 £m	2018 £m
At 1 May	103.7	99.8
Interest income	2.8	2.6
Remeasurement – return on plan assets excluding amounts recognised in net interest	2.4	3.3
Employer contributions	0.6	0.7
Contributions from members	0.2	0.2
Benefits paid	(2.6)	(2.9)
At 30 April	107.1	103.7

The actual return on plan assets was £5m (2018: £6m).

24 Financial risk management

The Group's trading and financing activities expose it to various financial risks that, if left unmanaged, could adversely impact on current or future earnings. Although not necessarily mutually exclusive, these financial risks are categorised separately according to their different generic risk characteristics and include market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk.

It is the role of the Group treasury function to manage and monitor the Group's financial risks and internal and external funding requirements in support of the Group's corporate objectives. Treasury activities are governed by policies and procedures approved by the Board and monitored by the Finance and Administration Committee. In particular, the Board of directors or, through delegated authority, the Finance and Administration Committee, approves any derivative transactions. Derivative transactions are only undertaken for the purposes of managing interest rate risk and currency risk. The Group does not trade in financial instruments. The Group maintains treasury control systems and procedures to monitor liquidity, currency, credit and financial risks. The Group reports its financial results and pays dividends in pounds sterling.

Market risk

The Group's activities expose it primarily to interest rate and currency risk. Interest rate risk is monitored on a continuous basis and managed, where appropriate, through the use of interest rate swaps whereas, the use of forward foreign exchange contracts to manage currency risk is considered on an individual non-trading transaction basis. The Group is not exposed to commodity price risk or equity price risk as defined in IFRS 7.

Interest rate risk

Management of fixed and variable rate debt

The Group has fixed and variable rate debt in issue with 46% of the drawn debt at a fixed rate as at 30 April 2019. The Group's accounting policy requires all borrowings to be held at amortised cost. As a result, the carrying value of fixed rate debt is unaffected by changes in credit conditions in the debt markets and there is therefore no exposure to fair value interest rate risk. The Group's debt that bears interest at a variable rate comprises all outstanding borrowings under the senior secured credit facility. The interest rates currently applicable to this variable rate debt are LIBOR as applicable to the currency borrowed plus 150bp. The Group periodically utilises interest rate swap agreements to manage and mitigate its exposure to changes in interest rates. However, during the year ended and as at 30 April 2019, the Group had no such swap agreements outstanding. The Group also may at times hold cash and cash equivalents which earn interest at a variable rate.

Net variable rate debt sensitivity

At 30 April 2019, based upon the amount of variable rate debt outstanding, the Group's pre-tax profits would change by approximately £20m for each one percentage point change in interest rates applicable to the variable rate debt and, after tax effects, equity would change by approximately £14m. The amount of the Group's variable rate debt may fluctuate as a result of changes in the amount of debt outstanding under the senior secured credit facility.

Currency risk

Currency risk is limited to translation risk as there are no transactions in the ordinary course of business that take place between foreign entities. The Group's reporting currency is the pound sterling. However, the majority of our assets, liabilities, revenue and costs are denominated in US dollars. The Group has arranged its financing such that, at 30 April 2019, 93% of its debt was denominated in US (and Canadian) dollars so that there is a natural partial offset between its dollar-denominated net assets and earnings and its dollar-denominated debt and interest expense. At 30 April 2019, dollar-denominated debt represented approximately 60% of the value of dollar-denominated net assets (other than debt).

The Group's exposure to exchange rate movements on trading transactions is relatively limited. All Group companies invoice revenue in their respective local currency and generally incur expense and purchase assets in their local currency. Consequently, the Group does not routinely hedge either forecast foreign currency exposures or the impact of exchange rate movements on the translation of overseas profits into sterling. Where the Group does hedge, it maintains appropriate hedging documentation. Foreign exchange risk on significant non-trading transactions (e.g. acquisitions) is considered on an individual basis.

Resultant impacts of reasonably possible changes to foreign exchange rates

Based upon the level of US operations and the US dollar-denominated debt balance, at 30 April 2019 a 1% change in the US dollar-pound exchange rate would have impacted our pre-tax profits by approximately £11m and equity by approximately £31m. At 30 April 2019, the Group had no outstanding foreign exchange contracts.

Credit risk

The Group's principal financial assets are cash and bank balances and trade and other receivables. The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of the loss allowance. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The carrying amount of financial assets recorded in the financial statements, which are net of impairment losses, represent the Group's maximum exposure to credit risk.

The Group has a large number of unrelated customers, serving over 710,000 during the financial year, and does not have any significant credit exposure to any particular customer. Each business segment manages its own exposure to credit risk according to the economic circumstances and characteristics of the markets they serve. The Group believes that management of credit risk on a devolved basis enables it to assess and manage it more effectively. However, broad principles of credit risk management practice are observed across the Group, such as the use of credit reference agencies and the maintenance of credit control functions.

24 Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Group could experience difficulties in meeting its commitments to creditors as financial liabilities fall due for payment.

The Group generates significant free cash flow before investment (defined as cash flow from operations less replacement capital expenditure net of proceeds of asset disposals, interest paid and tax paid). This free cash flow before investment is available to the Group to invest in growth capital expenditure, acquisitions, dividend payments and other returns to shareholders or to reduce debt.

In addition to the strong free cash flow from normal trading activities, additional liquidity is available through the Group's ABL facility. At 30 April 2019, availability under the \$4.1bn facility was \$1,622m (£1,244m), which compares with the threshold of \$410m, above which the covenant does not apply.

Contractual maturity analysis

Trade receivables, the principal class of non-derivative financial asset held by the Group, are settled gross by customers.

The following table presents the Group's outstanding contractual maturity profile for its non-derivative financial liabilities, excluding trade and other payables which fall due within one year. The analysis presented is based on the undiscounted contractual maturities of the Group's financial liabilities, including any interest that will accrue, except where the Group is entitled and intends to repay a financial liability, or part of a financial liability, before its contractual maturity. The undiscounted cash flows have been calculated using foreign currency exchange rates and interest rates ruling at the balance sheet date.

At 30 April 2019

	Undiscounted cash flows – year to 30 April						
	2020 £m	2021 £m	2022 £m	2023 £m	2024 £m	Thereafter £m	Total £m
Bank and other debt	–	–	–	–	2,010.7	–	2,010.7
Finance leases	2.3	1.5	0.9	0.3	–	–	5.0
5.625% senior secured notes	–	–	–	–	–	383.5	383.5
4.125% senior secured notes	–	–	–	–	–	460.3	460.3
5.250% senior secured notes	–	–	–	–	–	460.3	460.3
4.375% senior secured notes	–	–	–	–	–	460.3	460.3
	2.3	1.5	0.9	0.3	2,010.7	1,764.4	3,780.1
Interest payments	158.8	158.7	158.6	158.5	89.5	154.2	878.3
	161.1	160.2	159.5	158.8	2,100.2	1,918.6	4,658.4

Letters of credit of £38m (2018: £33m) are provided and guaranteed under the ABL facility which expires in December 2023.

At 30 April 2018

	Undiscounted cash flows – year to 30 April						
	2019 £m	2020 £m	2021 £m	2022 £m	2023 £m	Thereafter £m	Total £m
Bank and other debt	–	–	–	–	1,515.7	–	1,515.7
Finance leases	2.7	1.3	0.9	0.4	–	–	5.3
5.625% senior secured notes	–	–	–	–	–	363.0	363.0
4.125% senior secured notes	–	–	–	–	–	435.v5	435.5
4.375% senior secured notes	–	–	–	–	–	435.5	435.5
	2.7	1.3	0.9	0.4	1,515.7	1,234.0	2,755.0
Interest payments	109.7	109.5	109.5	109.4	60.2	155.0	653.3
	112.4	110.8	110.4	109.8	1,575.9	1,389.0	3,408.3

Fair value of financial instruments

Financial assets and liabilities are measured in accordance with the fair value hierarchy and assessed as Level 1, 2 or 3 based on the following criteria:

- Level 1: fair value measurement based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: fair value measurements derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: fair value measurements derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

Fair value of derivative financial instruments

At 30 April 2019, the Group had no derivative financial instruments. The embedded prepayment options included within the \$500m 5.625% senior secured loan notes, \$600m 4.125% senior secured loan notes, \$600m 5.250% senior secured loan notes and \$600m 4.375% senior secured loan notes are either closely related to the host debt contract or immaterial and hence, are not accounted for separately. These loan notes are carried at amortised cost.

Fair value of non-derivative financial assets and liabilities

The table below provides a comparison, by category of the carrying amounts and the fair values of the Group's non-derivative financial assets and liabilities at 30 April 2019.

	At 30 April 2019		At 30 April 2018	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Long-term borrowings				
- first priority senior secured bank debt	Level 1	2,010.7	2,010.7	1,515.7
- 5.625% senior secured notes	Level 1	383.5	397.5	363.0
- 4.125% senior secured notes	Level 1	460.3	455.1	435.5
- 5.250% senior secured notes	Level 1	460.3	476.9	-
- 4.375% senior secured notes	Level 1	460.3	451.6	435.5
		3,775.1	3,791.8	2,749.7
- finance lease obligations	Level 2	2.7	3.2	2.6
Total long-term borrowings		3,777.8	3,795.0	2,752.3
Deferred costs of raising finance		(22.4)	-	(23.9)
		3,755.4	3,795.0	2,728.4
Other financial instruments ¹				
Contingent consideration provision	Level 3	37.9	37.9	20.9
Finance lease obligations due within one year	Level 2	2.3	2.6	2.7
Cash and cash equivalents	Level 1	12.8	12.8	19.1

¹ The Group's trade and other receivables and trade and other payables are not shown in the table above. The carrying amounts of both categories approximate their fair values.

Contingent consideration provisions are a Level 3 financial liability. Future anticipated payments to vendors in respect of contingent consideration are initially recorded at fair value which is the present value of the expected cash outflows of the obligations. The obligations are dependent upon the future financial performance of the businesses acquired. The fair value is estimated based on internal financial projections prepared in relation to the acquisition with the contingent consideration discounted to present value using a discount rate in line with the Group's cost of debt.

25 Notes to the cash flow statement

a) Cash flow from operating activities

	2019 £m	2018 £m
Operating profit before exceptional items and amortisation	1,263.6	1,037.5
Depreciation	843.0	695.6
EBITDA before exceptional items	2,106.6	1,733.1
Profit on disposal of rental equipment	(31.4)	(20.4)
Profit on disposal of other property, plant and equipment	(0.8)	(0.7)
Increase in inventories	(14.9)	(7.7)
Increase in trade and other receivables	(84.7)	(83.1)
Increase in trade and other payables	60.7	53.0
Exchange differences	(0.6)	-
Other non-cash movements	7.6	7.0
Cash generated from operations before exceptional items and changes in rental equipment	2,042.5	1,681.2

b) Acquisitions

	2019 £m	2018 £m
Cash consideration paid		
- acquisitions in the period (net of cash acquired)	589.4	351.2
- contingent consideration	1.9	7.8
	591.3	359.0

During the year, 24 acquisitions were made for a total cash consideration of £589m (2018: £351m), after taking account of net cash acquired of £3m. Further details are provided in Note 26.

Payments for contingent consideration on prior year acquisitions were also made of £2m (2018: £8m).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

25 Notes to the cash flow statement (continued)

c) Analysis of net debt

Net debt consists of total borrowings less cash and cash equivalents. Borrowings exclude accrued interest. Foreign currency denominated balances are retranslated to pounds sterling at rates of exchange ruling at the balance sheet date.

	1 May 2018 £m	Cash flow £m	Exchange movement £m	Debt acquired £m	Other movements £m	30 April 2019 £m
	Non-cash movements					
Short-term borrowings	2.7	(9.1)	–	7.9	0.8	2.3
Long-term borrowings	2,728.4	864.4	126.6	20.5	15.5	3,755.4
Total liabilities from financing activities	2,731.1	855.3	126.6	28.4	16.3	3,757.7
Cash and cash equivalents	(19.1)	6.6	[0.3]	–	–	(12.8)
Net debt	2,712.0	861.9	126.3	28.4	16.3	3,744.9

	1 May 2017 £m	Cash flow £m	Exchange movement £m	Debt acquired £m	Other movements £m	30 April 2018 £m
	Non-cash movements					
Short-term borrowings	2.6	[42.1]	–	40.7	1.5	2.7
Long-term borrowings	2,531.4	336.9	(140.1)	–	0.2	2,728.4
Total liabilities from financing activities	2,534.0	294.8	(140.1)	40.7	1.7	2,731.1
Cash and cash equivalents	(6.3)	(13.1)	0.3	–	–	(19.1)
Net debt	2,527.7	281.7	(139.8)	40.7	1.7	2,712.0

Other non-cash movements relate to the amortisation of prepaid fees relating to the refinancing of debt facilities, the addition of new finance leases in the year and the reclassification of deferred financing costs to other debtors for the ABL facility.

26 Acquisitions

During the year, the following acquisitions were completed:

- i) On 1 June 2018, Sunbelt Canada acquired the entire share capital of Voisin's Equipment Rental Ltd. and Universal Rental Services Limited (together 'Voisin's') for an aggregate cash consideration of £18m (C\$32m) with contingent consideration of up to £1m (C\$2.5m), payable over the next year, depending on revenue meeting or exceeding certain thresholds. Including acquired debt, the total cash consideration was £44m (C\$76m). Voisin's is a general equipment rental business in Ontario, Canada.
- ii) On 29 June 2018, A-Plant acquired the entire share capital of Astra Site Services Limited ('Astra') for a cash consideration of £6m. Including acquired debt, the total cash consideration was £7m. Astra is a hydraulic attachment rental business.
- iii) On 3 July 2018, Sunbelt Canada acquired the entire share capital of Richlock Rentals Ltd. ('Richlock') for a cash consideration of £7m (C\$13m). Richlock is a general equipment rental business in British Columbia, Canada.
- iv) On 17 July 2018, Sunbelt US acquired the business and assets of Wistar Equipment, Inc. ('Wistar') for a cash consideration of £18m (\$23m). Wistar is an industrial power rental business in New Jersey.
- v) On 20 July 2018, Sunbelt US acquired the entire share capital of Blagrave No 2 Limited, the parent company of Mabey, Inc. ('Mabey') for a cash consideration of £70m (\$93m). Mabey is a ground protection and trench shoring business on the east coast of the US.
- vi) On 8 August 2018, Sunbelt US acquired the business and assets of Berry Holdings, LLC, trading as Taylor Rental Center ('Taylor'), for a cash consideration of £1m (\$1m). Taylor is a general equipment rental business in Ohio.
- vii) On 13 August 2018, Sunbelt US acquired the business and assets of Interstate Aerials, LLC ('Interstate') for a cash consideration of £161m (\$206m). Interstate is a general equipment rental business in Philadelphia and northern New Jersey.
- viii) On 5 September 2018, Sunbelt US acquired the business and assets of Equipment 4 Rent ('E4R') for a cash consideration of £13m (\$17m), with contingent consideration of up to £0.4m (\$0.5m), payable over the next year, depending on revenue meeting or exceeding certain thresholds. E4R is a general equipment rental business in Massachusetts.
- ix) On 25 September 2018, Sunbelt US acquired the business and assets of Gauer Service & Supply Company ('Gauer') for a cash consideration of £1m (\$1m). Gauer is a general equipment rental business in Ohio.
- x) On 28 September 2018, Sunbelt US acquired the business and assets of Midwest High Reach, Inc. ('MHR') for a cash consideration of £34m (\$45m). MHR is a general equipment rental business in Illinois.
- xi) On 1 October 2018, Sunbelt Canada acquired the business and assets of 2231147 Ontario Inc., trading as Innovative Industrial Solutions ('Innovative'), for a cash consideration of £2m (C\$4m). Innovative is a flooring solutions rental business in Ontario, Canada.
- xii) On 17 October 2018, Sunbelt Canada acquired the business and assets of Patcher Energy Management Ltd. ('Patcher') for a cash consideration of £4m (C\$7m). Patcher is a temporary power rental business in Alberta, Canada.
- xiii) On 1 November 2018, A-Plant acquired the entire share capital of Precision Geomatics Limited ('Precision') for a cash consideration of £4m. Precision is a survey equipment hire business.
- xiv) On 1 November 2018, Sunbelt US acquired the business and assets of Apex Pump & Equipment LLC ('Apex') for a cash consideration of £79m (\$103m) with contingent consideration of up to £12m (\$15m), payable over the next three years, depending on EBITDA meeting or exceeding certain thresholds. Apex is a pump business in Texas.

- xv) On 1 November 2018, Sunbelt Canada acquired the business and assets of Full Impact Enterprises Ltd., trading as GWG Rentals ('GWG Rentals') for a cash consideration of £4m (C\$6m). GWG Rentals is a general equipment rental business in British Columbia, Canada.
- xvi) On 8 November 2018, Sunbelt US acquired the business and assets of Underground Safety Equipment, LLC ('USE') for a cash consideration of £25m (\$33m) with contingent consideration of up to £5m (\$6m), payable over the next two years, depending on EBITDA meeting or exceeding certain thresholds. USE is a trench shoring business operating in Colorado, Utah, Tennessee and Texas.
- xvii) On 30 November 2018, A-Plant acquired the entire share capital of Hoist It Limited ('Hoist It') for cash consideration of £4m. Including acquired debt, the total cash consideration was £5m. Hoist It is a specialist provider of lifting solutions.
- xviii) On 11 January 2019, Sunbelt US acquired the business and assets of Hull Brothers Rental, Inc. ('Hull Brothers') for a cash consideration of £10m (\$12m). Hull Brothers is a general equipment rental business in Michigan.
- xix) On 28 January 2019, Sunbelt US acquired the business and assets of Koslowski Rentals, Inc., trading as A Rental Center ('A Rental') for a cash consideration of £1m (\$1m). A Rental is a general equipment rental business in California.
- xx) On 8 February 2019, Sunbelt US acquired the business and assets of Temp Air, Inc. ('Temp Air') for a cash consideration of £92m (\$119m). Temp Air is a climate control business operating across 13 markets within the US.
- xi) On 8 February 2019, Sunbelt US acquired the business and assets of Baystate Equipment & Rental Sales Co., Inc. ('Baystate') for a cash consideration of £9m (\$11m). Baystate is a general equipment business in Massachusetts.
- xxii) On 15 February 2019, Sunbelt US acquired the business and assets of Bat's Inc., trading as Harper Car and Truck Rental of Hawaii ('Harper') for a cash consideration of £3m (\$4m). Harper will operate as a general equipment business in Hawaii.
- xxiii) On 8 March 2019, Sunbelt Canada acquired the business and assets of Winn Rentals ('Winn') for a cash consideration of £15m (C\$26m) with contingent consideration of up to £0.6m (C\$1m), payable over the next two years, depending on EBITDA meeting or exceeding certain thresholds. Winn is a general equipment business operating in British Columbia, Canada.
- xxiv) On 10 April 2019, Sunbelt US acquired the business assets of Bilcan Inc, trading as El Camino Rentals and B&C Leasing, Inc. (together 'ECR') for a cash consideration of £13m (\$17m). ECR is a general equipment business operating in California.

The following table sets out the fair value of the identifiable assets and liabilities acquired by the Group. The fair values have been determined provisionally at the balance sheet date.

	Fair value to Group £m
Net assets acquired	
Trade and other receivables	48.9
Inventory	11.4
Property, plant and equipment	
- rental equipment	259.4
- other assets	37.5
Creditors	(17.6)
Debt	(28.4)
Current tax	(0.5)
Deferred tax	(19.0)
Intangible assets (non-compete agreements, brand names and customer relationships)	98.2
	389.9
Consideration:	
- cash paid and due to be paid (net of cash acquired)	593.4
- contingent consideration payable in cash	17.7
	611.1
Goodwill	221.2

The goodwill arising can be attributed to the key management personnel and workforce of the acquired businesses and to the synergies and other benefits the Group expects to derive from the acquisitions. The synergies and other benefits include the elimination of duplicate costs, improving utilisation of the acquired rental fleet, using the Group's financial strength to invest in the acquired businesses and drive improved returns through a semi-fixed cost base and the application of the Group's proprietary software to optimise revenue opportunities. £179m of the goodwill is expected to be deductible for income tax purposes.

The fair value of trade receivables at acquisition was £49m. The gross contractual amount for trade receivables due was £51m, net of a £2m provision for debts which may not be collected.

Due to the operational integration of the acquired businesses with Sunbelt US, Sunbelt Canada and A-Plant since acquisition, in particular the merger of some stores, the movement of rental equipment between stores and investment in the rental fleet, it is not practical to report the revenue and profit of the acquired businesses post-acquisition. On an annual basis they generate approximately £245m of revenue.

The revenue and operating profit of these acquisitions from 1 May 2018 to their date of acquisition was not material.

27 Contingent liabilities

The Group is subject to periodic legal claims and other exposures in the ordinary course of its business, none of which is expected to have a material impact on the Group's financial position.

Following its state aid investigation, the European Commission announced its decision in April 2019 that the Group Financing Exemption in the UK controlled foreign company ('CFC') legislation does not constitute state aid in some circumstances. In common with other UK-based international companies, the Group may be affected by the outcome of this investigation and is therefore monitoring developments. If the decision reached by the European Commission is not successfully appealed, we have estimated the Group's maximum potential liability to be £34m as at 30 April 2019. Based on the current status of the investigation, we have concluded that no provision is required in relation to this amount.

The Company

The Company has guaranteed the borrowings of its subsidiary undertakings under the Group's senior secured credit and overdraft facilities. At 30 April 2019 the amount borrowed under these facilities was £2,011m (2018: £1,516m). Subsidiary undertakings are also able to obtain letters of credit under these facilities and, at 30 April 2019, letters of credit issued under these arrangements totalled £38m (\$50m) (2018: £33m (\$45m)). In addition, the Company has guaranteed the 5.625%, 4.125%, 5.250% and 4.375% second priority senior secured notes with a par value of \$500m (£384m), \$600m (£460m), \$600m (£460m) and \$600m (£460m) respectively, issued by Ashtead Capital, Inc..

The Company has guaranteed operating and finance lease commitments of subsidiary undertakings where the minimum lease commitment at 30 April 2019 totalled £38m (2018: £33m) in respect of land and buildings of which £8m is payable by subsidiary undertakings in the year ending 30 April 2020.

The Company has provided a guarantee to the Ashtead Group plc Retirement Benefits Plan ('the plan') that ensures the plan is at least 105% funded as calculated in accordance with Section 179 of the Pensions Act 2004. Based on the last actuarial valuation at 30 April 2016, this guarantee was the equivalent of £21m.

The Company has guaranteed the performance by subsidiaries of certain other obligations up to £4m (2018: £2m).

28 Capital commitments

At 30 April 2019 capital commitments in respect of purchases of rental and other equipment totalled £309m (2018: £387m), all of which had been ordered. There were no other material capital commitments at the year end.

29 Events after the balance sheet date

Since the balance sheet date, the Group has completed three acquisitions as follows:

- i) On 9 May 2019, Sunbelt US acquired the business and assets of Westside Rental and Sales, LLC ('Westside'). Westside is a general equipment business in Tennessee.
- ii) On 17 May 2019, Sunbelt US acquired the business and assets of the Harlingen Texas branch of Harris County Rentals, LLC, trading as Texas State Rentals ('HCR'). HCR is a general equipment business in Texas.
- iii) On 29 May 2019, Sunbelt US acquired the business and assets of the Tampa branch of Contractors Building Supply Co., LLC ('CBS'). CBS is a general equipment business in Florida.

The initial accounting for these acquisitions is incomplete. Had these acquisitions taken place on 1 May 2018, their contribution to revenue and operating profit would not have been material.

30 Related party transactions

The Group's key management comprises the Company's executive and non-executive directors. Details of their remuneration are given in Note 4 and details of their share interests and share awards are given in the directors' Remuneration report and form part of these financial statements. In relation to the Group's defined benefit pension plan, details are included in Note 23.

31 Employees

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

	2019 Number	2018 Number
United States	12,148	11,380
United Kingdom	3,771	3,657
Canada	880	584
	16,799	15,621

32 Parent company information**a) Balance sheet of the Company (Company number: 01807982)**

	Notes	2019 £m	2018 £m
Current assets			
Prepayments and accrued income		0.4	0.4
Amounts due from subsidiary undertakings	[f]	274.5	374.2
		274.9	374.6
Non-current assets			
Investments in Group companies	(g)	363.7	363.7
Deferred tax asset		1.9	2.0
		365.6	365.7
Total assets		640.5	740.3
Current liabilities			
Accruals and deferred income		12.4	9.8
Total liabilities		12.4	9.8
Equity			
Share capital	(b)	49.9	49.9
Share premium account	(b)	3.6	3.6
Capital redemption reserve	(b)	6.3	6.3
Own shares held by the Company	(b)	(622.6)	(161.0)
Own shares held through the ESOT	(b)	(24.6)	(20.0)
Retained reserves	(b)	1,215.5	851.7
Equity attributable to equity holders of the Company		628.1	730.5
Total liabilities and equity		640.5	740.3

The Company reported a profit for the financial year ended 30 April 2019 of £530m (2018: £496m).

These financial statements were approved by the Board on 17 June 2019.

BRENDAN HORGAN
Chief executive

MICHAEL PRATT
Finance director

32 Parent company information (continued)**b) Statement of changes in equity of the Company**

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Own shares held by the Company £m	Own shares held through the ESOT £m	Retained reserves £m	Total £m
At 1 May 2017	49.9	3.6	6.3	–	(16.7)	495.4	538.5
Profit for the year	–	–	–	–	–	496.0	496.0
Other comprehensive income for the year	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–	496.0	496.0
Dividends paid	–	–	–	–	–	(140.5)	(140.5)
Own shares purchased by the ESOT	–	–	–	–	(10.2)	–	(10.2)
Own shares purchased by the Company	–	–	–	(161.0)	–	–	(161.0)
Share-based payments	–	–	–	–	6.9	0.1	7.0
Tax on share-based payments	–	–	–	–	–	0.7	0.7
At 30 April 2018	49.9	3.6	6.3	(161.0)	(20.0)	851.7	730.5
Profit for the year	–	–	–	–	–	529.5	529.5
Other comprehensive income for the year	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–	529.5	529.5
Dividends paid	–	–	–	–	–	(164.2)	(164.2)
Own shares purchased by the ESOT	–	–	–	–	(14.2)	–	(14.2)
Own shares purchased by the Company	–	–	–	(461.6)	–	–	(461.6)
Share-based payments	–	–	–	–	9.6	(2.0)	7.6
Tax on share-based payments	–	–	–	–	–	0.5	0.5
At 30 April 2019	49.9	3.6	6.3	(622.6)	(24.6)	1,215.5	628.1

c) Cash flow statement of the Company

	Note	2019 £m	2018 £m
Cash flows from operating activities			
Cash used in operations	(i)	111.3	(185.2)
Financing costs paid – commitment fee		(2.0)	(1.9)
Dividends received from Ashtead Holdings PLC		529.5	496.0
Net cash from operating activities		638.8	308.9
Cash flows from financing activities			
Purchase of own shares by the ESOT		(14.2)	(10.2)
Purchase of own shares by the Company		(460.4)	(158.2)
Dividends paid		(164.2)	(140.5)
Net cash used in financing activities		(638.8)	(308.9)
Change in cash and cash equivalents		–	–

d) Accounting policies

The Company financial statements have been prepared on the basis of the accounting policies set out in Note 2 above, supplemented by the policy on investments set out below.

Investments in subsidiary undertakings are stated at cost less any necessary provision for impairment in the parent company balance sheet. Where an investment in a subsidiary is transferred to another subsidiary, any uplift in the value at which it is transferred over its carrying value is treated as a revaluation of the investment prior to the transfer and is credited to the revaluation reserve.

e) Income statement

Ashtead Group plc has not presented its own profit and loss account as permitted by section 408 of the Companies Act 2006. The profit attributable to the Company is disclosed in the footnote to the Company's balance sheet. There were no other amounts of comprehensive income in the financial year.

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

	2019 Number	2018 Number
Employees	15	14

Their aggregate remuneration comprised:

	2019 £m	2018 £m
Salaries	8.5	9.5
Social security costs	1.6	1.6
Other pension costs	0.5	0.5
	10.6	11.6

f) Amounts due from subsidiary undertakings

	2019 £m	2018 £m
Due within one year: Ashtead Holdings PLC	274.5	374.2

g) Investments

	Shares in Group companies	
	2019 £m	2018 £m
At 30 April	363.7	363.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

32 Parent company information (continued)

g) Investments (continued)

Details of the Company's subsidiaries at 30 April 2019 are as follows:

Name	Address of registered office	Principal activity
USA		
Ashtead US Holdings, Inc.	The Corporation Trust Company, 1209 Orange St., Wilmington, DE 19801	Investment holding company
Ashtead Holdings, LLC	The Corporation Trust Company, 1209 Orange St., Wilmington, DE 19801	Investment holding company
Sunbelt Rentals, Inc.	CT Corporation System, 150 Fayetteville Street, Box 1011, Raleigh, NC 28210	Equipment rental and related services
Sunbelt Rentals Industrial Services LLC	The Corporation Trust Company, 1209 Orange St., Wilmington, DE 19801	Equipment rental and related services
Sunbelt Rentals Scaffold Services, Inc.	160 Mine Lake Ct., Ste. 200, Raleigh, NC 27615-6417	Equipment rental and related services
Sunbelt Rentals Scaffold Services, LLC	CT Corporation System, 3867 Plaza Tower Dr., East Baton Rouge Parish, Baton Rouge, LA 70816	Equipment rental and related services
Pride Corporation	CT Corporation System, 111 Eighth Avenue, 13th Floor, New York, NY 10011	Equipment rental and related services
Ashtead Capital, Inc.	The Corporation Trust Company, 1209 Orange St., Wilmington, DE 19801	Finance company
UK		
Ashtead Holdings PLC	100 Cheapside, London, EC2V 6DT	Investment holding company
Ashtead Plant Hire Company Limited	100 Cheapside, London, EC2V 6DT	Equipment rental and related services
Ashtead Financing Limited	100 Cheapside, London, EC2V 6DT	Finance company
Accession Group Limited	100 Cheapside, London, EC2V 6DT	Dormant
Accession Holdings Limited	100 Cheapside, London, EC2V 6DT	Dormant
Anglia Traffic Management Group Limited	100 Cheapside, London, EC2V 6DT	Dormant
Ashtead Canada Limited	100 Cheapside, London, EC2V 6DT	Dormant
Astra Site Services Limited	12 Hope Street, Edinburgh, Scotland, EH2 4DB	Equipment rental and related services
ATM Traffic Solutions Limited	100 Cheapside, London, EC2V 6DT	Dormant
Eve Trakway Limited	100 Cheapside, London, EC2V 6DT	Dormant
Hoist It Limited	100 Cheapside, London, EC2V 6DT	Equipment rental and related services
Opti-cal Survey Equipment Limited	100 Cheapside, London, EC2V 6DT	Dormant
Plantfinder (Scotland) Limited	12 Hope Street, Edinburgh, Scotland, EH2 4DB	Dormant
Precision Geomatics Limited	100 Cheapside, London, EC2V 6DT	Equipment rental and related services
Canada		
Sunbelt Rentals of Canada Inc.	1000-840 Howe Street, Vancouver, BC V6Z 2M1	Equipment rental and related services
Republic of Ireland		
Ashtead Financing (Ireland) Unlimited Company	10 Earlsfort Terrace, Dublin 2, D02 T380	Finance company
Ashtead Plant Hire Company Ireland Limited	10 Earlsfort Terrace, Dublin 2, D02 T380	Equipment rental and related services
Germany		
Live Trakway GmbH	Felix-Wankel-Straße 10, 74632 Neuenstein	Equipment rental and related services

The issued share capital (all of which comprises ordinary shares) of subsidiaries is 100% owned by the Company or by subsidiary undertakings and all subsidiaries are consolidated.

h) Financial instruments

The book value and fair value of the Company's financial instruments are not materially different.

i) Notes to the Company cash flow statement

Cash flow from operating activities

	2019 £m	2018 £m
Operating profit	1.8	1.7
Depreciation	0.1	0.1
EBITDA	1.9	1.8
Decrease/(increase) in prepayments and accrued income	0.1	(0.1)
Increase/(decrease) in accruals and deferred income	1.2	(1.6)
Decrease/(increase) in intercompany payable and receivable	100.5	(192.3)
Other non-cash movement	7.6	7.0
Net cash outflow from operations before exceptional items	111.3	(185.2)

TEN-YEAR HISTORY

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
In £m										
Income statement										
Revenue +	4,499.6	3,706.0	3,186.8	2,545.7	2,038.9	1,634.7	1,361.9	1,134.6	948.5	836.8
Operating costs +	(2,393.0)	(1,972.9)	(1,682.4)	(1,368.1)	(1,130.5)	(949.6)	(842.9)	(753.5)	(664.7)	(581.7)
EBITDA +	2,106.6	1,733.1	1,504.4	1,177.6	908.4	685.1	519.0	381.1	283.8	255.1
Depreciation +	(843.0)	(695.6)	(606.8)	(449.4)	(351.5)	(275.9)	(229.0)	(199.8)	(185.0)	(186.6)
Operating profit +	1,263.6	1,037.5	897.6	728.2	556.9	409.2	290.0	181.3	98.8	68.5
Interest +	(153.4)	(110.2)	(104.2)	(82.9)	(67.3)	(47.1)	(44.6)	(50.7)	(67.8)	(63.5)
Pre-tax profit +	1,110.2	927.3	793.4	645.3	489.6	362.1	245.4	130.6	31.0	5.0
Operating profit	1,212.9	994.0	869.3	699.6	541.1	403.6	284.2	178.2	97.1	66.0
Pre-tax profit	1,059.5	862.1	765.1	616.7	473.8	356.5	214.2	134.8	1.7	4.8
Cash flow										
Cash flow from operations before exceptional items and changes in rental fleet	2,042.5	1,681.2	1,444.2	1,070.6	841.4	645.5	501.3	364.6	279.7	265.6
Free cash flow	368.2	386.2	319.4	(68.0)	(87.9)	(48.5)	(34.0)	(9.4)	65.6	199.2
Balance sheet										
Capital expenditure	1,587.2	1,238.7	1,085.6	1,240.0	1,063.1	740.6	580.4	476.4	224.8	63.4
Book cost of rental equipment	8,282.4	6,566.8	5,846.4	4,480.8	3,638.2	2,575.8	2,186.5	1,854.1	1,621.6	1,701.3
Shareholders' funds	2,800.5	2,526.9	1,970.1	1,480.4	1,111.5	824.4	682.5	554.7	481.4	500.3
In pence										
Dividend per share	40.0p	33.0p	27.5p	22.5p	15.25p	11.5p	7.5p	3.5p	3.0p	2.9p
Earnings per share	166.1p	195.3p	100.5p	81.3p	60.5p	46.1p	27.6p	17.8p	0.2p	0.4p
Underlying earnings per share	174.2p	127.5p	104.3p	85.1p	62.6p	46.6p	31.4p	17.3p	4.0p	0.2p
In per cent										
EBITDA margin +	46.8%	46.8%	47.2%	46.3%	44.6%	41.9%	38.1%	33.6%	29.9%	30.5%
Operating profit margin +	28.1%	28.0%	28.2%	28.6%	27.3%	25.0%	21.3%	16.0%	10.4%	8.2%
Pre-tax profit margin +	24.7%	25.0%	24.9%	25.3%	24.0%	22.2%	18.0%	11.5%	3.3%	0.6%
Return on investment +	17.8%	17.6%	17.3%	18.9%	19.4%	18.6%	16.2%	12.0%	7.0%	4.6%
People										
Employees at year end	17,803	15,996	14,220	13,106	11,928	9,934	9,085	8,555	8,163	7,218
Locations										
Stores at year end	1,036	899	808	715	640	556	494	485	462	498

+ Before exceptional items, amortisation and fair value remeasurements.

STRATEGIC REPORT

DIRECTORS' REPORT

FINANCIAL STATEMENTS

Ashtead Group plc Annual Report & Accounts 2019

GLOSSARY OF TERMS

The glossary of terms below sets out definitions of terms used throughout this Annual Report & Accounts. Included are a number of alternative performance measures ('APMs') which the directors have adopted in order to provide additional useful information on the underlying trends, performance and position of the Group. The directors use these measures, which are common across the industry, for planning and reporting purposes. These measures are also used in discussions with the investment analyst community and credit rating agencies. The APMs are not defined by IFRS and therefore may not be directly comparable with other companies' APMs and should not be considered superior to or a substitute for IFRS measures.

Term	Closest equivalent statutory measure	Definition and purpose
Capital expenditure	None	Represents additions to rental equipment and other tangible assets (excluding assets acquired through a business combination).
Cash conversion ratio	None	Represents cash flow from operations before exceptional items and changes in rental equipment as a percentage of EBITDA before exceptions. This measure is utilised to show the proportion of EBITDA converted into cash flow from operations generated by the business before investment expenditures, interest, taxation and exceptional items.
		2019 £m
EBITDA before exceptions	25(a)	2,107
Cash inflow from operations before exceptions and changes in rental equipment	25(a)	2,043
Cash conversion ratio		97%
		2018 £m
		1,733
		1,681
		97%
Constant currency growth	None	Calculated by applying the current period exchange rate to the comparative period result. The relevant foreign currency exchange rates are provided within Note 2 of the financial statements. This measure is used as a means of eliminating the effects of foreign exchange rate movements on the period-on-period changes in reported results.
		2019 £m
Rental revenue		2018 £m
As reported	4,138	3,418
Retranslation effect	–	74
At constant currency	4,138	3,492
		18%
		%
Underlying profit before tax		
As reported	1,110	927
Retranslation effect	–	22
At constant currency	1,110	949
		17%
Dollar utilisation	None	Dollar utilisation is trailing 12-month rental revenue divided by average fleet at original (or 'first') cost measured over a 12-month period. Dollar utilisation has been identified as one of the Group's key performance indicators. The components used to calculate this measure are shown within the Financial review.
Drop-through	None	Calculated as the incremental rental revenue which converts into EBITDA (excluding gains from sale of new equipment, merchandise and consumables and from sale of used equipment).
		2019
		2018
Sunbelt US (\$m)		
Rental revenue	4,637	3,887
EBITDA exc. gains	2,362	1,999
Drop-through	49%	
A-Plant (£m)		
Rental revenue	416	405
EBITDA exc. gains	160	154
Drop-through	52%	
This measure is utilised by the Group to demonstrate the incremental profitability generated by the Group as a result of growth in the year.		

Term	Closest equivalent statutory measure	Definition and purpose												
EBITDA	Profit before tax	EBITDA is not defined by IFRS but is a widely accepted profit measure being earnings before interest, tax, depreciation and amortisation. A reconciliation of EBITDA to profit before tax is shown on the income statement on page 102.												
EBITDA margin	None	EBITDA margin is calculated as EBITDA before exceptional items divided by revenue. Progression in EBITDA margin is an important indicator of the Group's performance and this has been identified as one of the Group's key performance indicators.												
Exceptional items	None	Exceptional items are those items that are material and non-recurring in nature that the Group believes should be disclosed separately to assist in the understanding of the financial performance of the Group. Excluding these items provides readers with helpful additional information on the performance of the business across periods and against peer companies. It is also consistent with how business performance is reported to the Board and the remuneration targets set by the Company. Details are provided in Note 5 of the financial statements.												
Free cash flow	Net cash inflow from operating activities	Cash generated from operating activities less non-rental net property, plant and equipment expenditure. Non-rental net property, plant and equipment expenditure comprises payments for non-rental capital expenditure less disposal proceeds received in relation to non-rental asset disposals. This measure shows the cash retained by the Group prior to discretionary expenditure on acquisitions and returns to shareholders. A reconciliation of free cash flow is shown in the Strategic report on page 39.												
Leverage	None	Leverage calculated at constant exchange rates uses the current period exchange rate and is determined as net debt divided by underlying EBITDA.												
<hr/>														
<table> <thead> <tr> <th></th> <th style="text-align: center;">2019 £m</th> <th style="text-align: center;">2018 £m</th> </tr> </thead> <tbody> <tr> <td>Net debt (at constant currency)</td> <td style="text-align: center;">3,745</td> <td style="text-align: center;">2,841</td> </tr> <tr> <td>EBITDA (at constant currency)</td> <td style="text-align: center;">2,106</td> <td style="text-align: center;">1,773</td> </tr> <tr> <td>Leverage</td> <td style="text-align: center;">1.8</td> <td style="text-align: center;">1.6</td> </tr> </tbody> </table>				2019 £m	2018 £m	Net debt (at constant currency)	3,745	2,841	EBITDA (at constant currency)	2,106	1,773	Leverage	1.8	1.6
	2019 £m	2018 £m												
Net debt (at constant currency)	3,745	2,841												
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Leverage	1.8	1.6												
<hr/>														
This measure is used to provide an indication of the strength of the Group's balance sheet and is widely used by investors and credit rating agencies. It also forms part of the remuneration targets of the Group and has been identified as one of the Group's key performance indicators.														
Net debt	None	Net debt is total borrowings (bank, bonds and finance lease liabilities) less cash balances, as reported. This measure is used to provide an indication of the Group's overall level of indebtedness and is widely used by investors and credit rating agencies. It has been identified as one of the Group's key performance indicators. An analysis of net debt is provided in Note 25(c) of the financial statements.												
Operating profit	Profit before tax	Operating profit is earnings before interest and tax. A reconciliation of operating profit to profit before tax is shown on the income statement on page 102.												
Operating profit margin	None	Operating profit margin is calculated as operating profit before exceptional items and the amortisation of intangibles divided by revenue. Progression in operating profit margin is an important indicator of the Group's performance.												
Organic measures	See definition	Organic measures are used to explain the financial and operational performance of Sunbelt US and comprise all locations, excluding locations arising from a bolt-on acquisition completed after the start of the comparative financial period.												

Term	Closest equivalent statutory measure	Definition and purpose
Return on Investment ('RoI')	None	Last 12-month underlying operating profit divided by the last 12-month average of the sum of net tangible and intangible fixed assets, plus net working capital but excluding net debt and tax. RoI is used by management to help inform capital allocation decisions within the business and has been identified as one of the Group's key performance indicators. It also forms part of the remuneration targets of the Group.
A reconciliation of Group RoI is provided below:		
		2019 2018
Underlying operating profit (£m)		1,264 1,037
Average net assets (£m)		7,117 5,905
Return on investment (%)		18% 18%
RoI for the businesses is calculated in the same way, but excludes goodwill and intangible assets:		
		Sunbelt US Sunbelt Canada A-Plant
Underlying operating profit		\$1,545m C\$55m £62m
Average net assets, excluding goodwill and intangibles		\$6,438m C\$448m £677m
Return on investment		24% 12% 9%
Underlying results	See definition	Underlying results are the results stated before exceptional items and the amortisation of acquired intangibles. Underlying results are utilised by the Group in its remuneration targets. A reconciliation is shown on the income statement on page 102.

Other terms used within this Annual Report & Accounts include:

- **Availability:** represents the headroom on a given date under the terms of our \$4.1bn asset-backed senior bank facility, taking account of current borrowings.
- **Fleet age:** net book value weighted age of serialised rental assets. Serialised rental assets constitute the substantial majority of our fleet.
- **Fleet on rent:** quantity measured at original cost of our rental fleet on rent. Fleet on rent has been identified as one of the Group's key performance indicators.
- **Physical utilisation:** physical utilisation is measured as the daily average of the amount of itemised fleet at cost on rent as a percentage of the total fleet at cost and for Sunbelt US is measured only for equipment whose cost is over \$7,500, which comprised 88% of its fleet at 30 April 2019. Physical utilisation has been identified as one of the Group's key performance indicators.
- **RIDDOR rate:** the RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) reportable rate is the number of major injuries or over seven-day injuries per 100,000 hours worked.
- **Same store:** same-stores are those locations which were open at the start of the comparative financial period.
- **Staff turnover:** staff turnover is calculated as the number of leavers in a year (excluding redundancies) divided by the average headcount during the year.
- **Suppressed availability:** represents the amount on a given date that the asset base exceeds the facility size under the terms of our \$4.1bn asset-backed senior bank facility.
- **Yield:** is the return we generate from our equipment. The change in yield is a combination of the rental rate charged, rental period and product and customer mix.

FINANCIAL CALENDAR AND ADVISERS

Future dates

Quarter 1 results	10 September 2019
2019 Annual General Meeting	10 September 2019
Quarter 2 results	10 December 2019
Quarter 3 results	3 March 2020
Quarter 4 and year-end results	16 June 2020

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