



**AVAILABILITY.  
RELIABILITY.  
EASE.**

**Ashtead  
group**

Annual Report & Accounts 2018



# **DELIVERING FOR OUR CUSTOMERS**

At Ashtead we understand that our customers rely on us to provide the right equipment, on time, and with ease – no matter what.

From multinational businesses to individual do-it-yourselfers – our experts are dedicated to delivering the best service. From everyday things that matter, to mission-critical events where experience counts – we are there to supply what is needed.

We continue to build market share because we are in the right locations, providing better equipment and delivering a higher quality of service than our competitors. Our ethos is to always ensure:

**AVAILABILITY.**

**PAGE 10**

**RELIABILITY.**

**PAGE 24**

**EASE.**

**PAGE 36**

REVENUE (£M)	£3,706m
2018	3,706
2017	3,187
2016	2,546
2015	2,039
2014	1,635

UNDERLYING PROFIT BEFORE TAXATION (£M)	£927m
2018	927
2017	793
2016	645
2015	490
2014	362

UNDERLYING EPS (P)	127.5p
2018	127.5
2017	104.3
2016	85.1
2015	62.6
2014	46.6

PROFIT BEFORE TAXATION (£M)	£862m
2018	862
2017	765
2016	617
2015	474
2014	357

**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. Deliver the very best levels of customer service throughout our networks to enable that growth every day.

⊕ Read more in our Strategic review on [page 12](#).

⊕ 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 137](#).

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#### 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 and the UK, and a growing presence in Canada. We rent a full range of construction and industrial equipment across a wide variety of applications to a diverse customer base.

## SUNBELT US

The second largest equipment rental company in the US with 658 stores.



**84%**

Sunbelt US represents 84% of Group revenue

## SUNBELT CANADA

Market share of 3% in Canada with 54 stores.



**3%**

Sunbelt Canada represents 3% of Group revenue

## A-PLANT

The largest equipment rental company in the UK with 187 stores.



**13%**

A-plant represents 13% of Group revenue

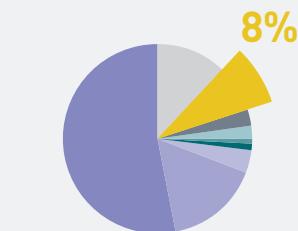
## Sunbelt US

Revenue	Return on investment <sup>1</sup>
<b>\$4,153m</b>	<b>24%</b>
Operating profit	Employees
<b>\$1,293m</b>	<b>11,722</b>
Stores <sup>2</sup>	Fleet size
<b>658</b>	<b>\$7,552m</b>

1 Excluding goodwill and intangible assets.

2 Includes 19 Sunbelt at Lowes stores.

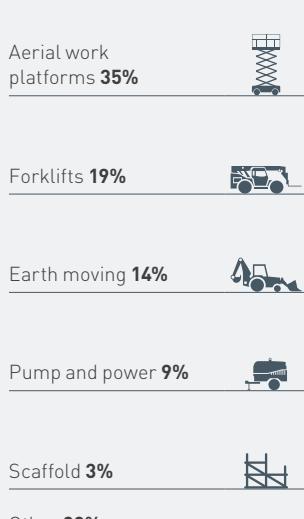
## MARKET SHARE



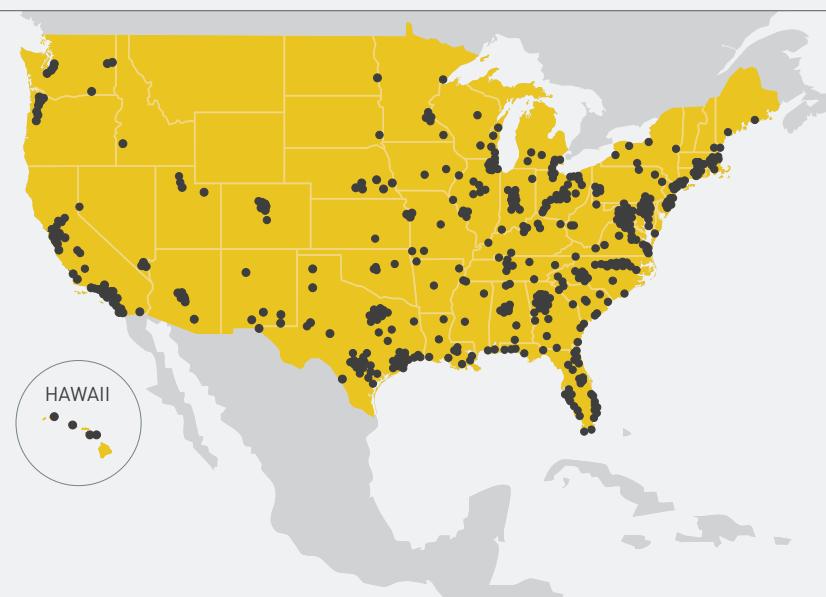
- United Rentals 12%
- Sunbelt 8%
- Herc Rentals 3%
- Home Depot 2%
- Ahern 1%
- BlueLine Rentals 1%
- Top 7-10 4%
- Top 11-100 c.16%
- Others c.53%

Source: Management estimate based on IHS Markit market estimates.

## FLEET COMPOSITION



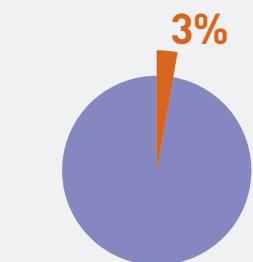
Source: Management information.



**Sunbelt Canada**

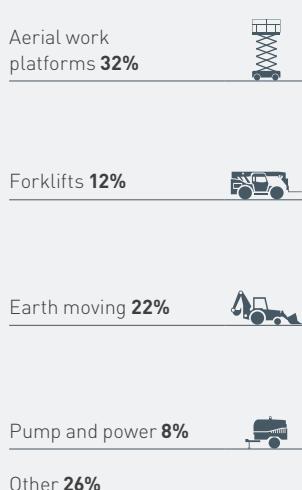
<b>Revenue</b>	<b>Return on investment<sup>1</sup></b>
<b>C\$223m</b>	<b>11%</b>
<b>Operating profit</b>	<b>Employees</b>
<b>C\$28m</b>	<b>688</b>
<b>Stores</b>	<b>Fleet size</b>
<b>54</b>	<b>C\$394m</b>

<sup>1</sup> Excluding goodwill and intangible assets.

**MARKET SHARE**

- Sunbelt
- Others

Source: Management estimate based on IHS Markit market estimates.

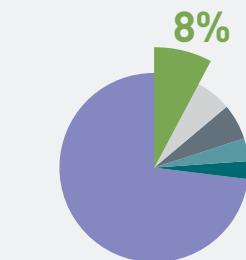
**FLEET COMPOSITION**

Source: Management information.

**A-Plant**

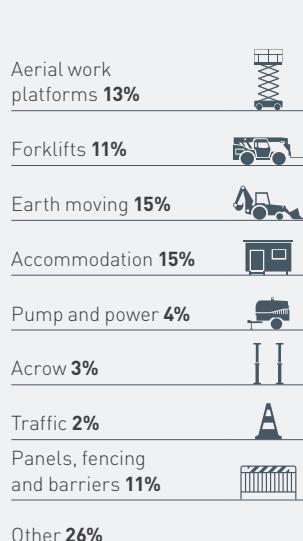
<b>Revenue</b>	<b>Return on investment<sup>1</sup></b>
<b>£472m</b>	<b>11%</b>
<b>Operating profit</b>	<b>Employees</b>
<b>£70m</b>	<b>3,571</b>
<b>Stores</b>	<b>Fleet size</b>
<b>187</b>	<b>£862m</b>

<sup>1</sup> Excluding goodwill and intangible assets.

**MARKET SHARE**

- A-Plant
- HSS
- Speedy
- VP
- GAP
- Others

Source: Management estimate based on IHS Markit market estimates.

**FLEET COMPOSITION**

Source: Management information.



# Chairman's statement

I am delighted to report that Ashtead again had an outstanding year with strong growth in the US and Canada, and ongoing good growth in the UK.

Sunbelt and A-Plant continue to achieve excellent results in terms of revenue, margins and profit. We significantly enhanced our strategic position in Canada with the acquisition of CRS. Our markets remain strong and we continue to see structural growth in North America. We are building a robust platform to support that growth, with expansion in locations and an ever-widening diversity of fleet available.

Full year revenue was £3,706m compared to £3,187m the previous year. Underlying pre-tax profit rose 21% year-on-year at constant exchange rates to £927m. Top line growth continues to be the driver of our profitability and total rental revenue increased by 21% at constant exchange

rates with Sunbelt US growth at 20%, 175% at Sunbelt Canada and 11% at A-Plant.

Our strategy remains the same as we continue to invest responsibly in our fleet, new greenfield sites and bolt-on acquisitions. We made 17 acquisitions last year, the largest being CRS in Canada which doubled our presence in what has become a fast-growing market for us. Group RoI for the year was 18% and despite continued significant investment in the fleet and acquisitions, we ended the year with leverage of 1.6 times EBITDA, towards the lower end of our 1.5 to 2 times target leverage range.

We took advantage of good debt markets in summer 2017 and refinanced our senior debt facility, extending its maturity to July 2022. We also issued \$600m 4.125% senior secured notes maturing in August 2025 and \$600m 4.375% senior secured notes maturing in August 2027. These actions ensure the Group's debt package continues to be well structured and flexible, enabling us to optimise the opportunities presented by end market conditions.

We expect continued good earnings growth and significant free cash flow generation. Therefore, as part of our declared capital

allocation programme, we commenced a share buyback programme of at least £500m and up to £1bn in the period to June 2019, to provide additional returns for shareholders. At the date of this report, we had spent £200m under this programme. We will continue to review our best options and the interests of our shareholders in this regard on a regular basis.

In January, in response to the growth of the Group and succession planning, Brendan Horgan was promoted to the position of chief operating officer for the Group, in addition to his role as chief executive of Sunbelt. Brendan is responsible for the day-to-day running of Sunbelt and also supports Geoff Drabble in the operational and strategic development of the wider Group and will succeed Geoff as Group chief executive. Also, in April we welcomed Michael Pratt to the Board as our new finance director. Michael joined the Group in 2003 and since 2012 has served as our deputy finance director and treasurer. He takes over from Suzanne Wood who retired from the Board at the end of March and to whom I extend a great vote of thanks for her dedication and excellent service in the role over a period of exceptional growth for the Group. As announced previously, Sat Dhaiwal

**Chris Cole**  
Chairman



retires from the Board and as chief executive of A-Plant at the end of July. Sat joined A-Plant in 1993 and has led it and been a director since 2002. I would like to thank him for his significant contribution to A-Plant and the Group and wish him well in retirement.

In December I informed the Board of my intention to step down as chairman at the Annual General Meeting ('AGM') in September. It has been both a privilege and a pleasure to serve as your chairman during a sustained period of unprecedented growth for the Group. The Group is well advanced in its search for a new chairman and an announcement will be made in due course. I will leave the Group in good hands with an excellent management team, a clear strategy and exciting prospects for the future.

I hope from this report it is clear the massive role our employees play in our success and the Board is enormously grateful for their efforts. The testimonials from our customers included in our report demonstrate our market-leading reputation for customer service. Our employees work incredibly hard to ensure our customers experience availability, reliability and ease (the theme of this year's report and our operational mantra) in all their dealings with us.

Our dividend policy remains a progressive one and we aim to always make dividends sustainable wherever we are in our business cycle. In line with that objective and our excellent performance, the Board is recommending a final dividend of 27.5p per share making 33.0p for the year compared to 27.5p in 2017, an increase of 20%. Assuming the final dividend is approved at the AGM, it will be paid on 14 September 2018 to shareholders on the register on 17 August 2018.

The excellent growth rates across our markets are testament to the success of our strategy and complemented by a strong balance sheet. Our consistent strong performance, together with the continued successful execution of our 2021 plan, ensures the Board continues to look to the medium term with confidence.



**CHRIS COLE**  
Chairman  
18 June 2018

## HIGHLIGHTS OF THE YEAR

**+21%**

REVENUE UP 20%; RENTAL REVENUE UP 21%<sup>1</sup>

**£392m**

£392M SPENT ON BOLT-ON ACQUISITIONS [2017: £437M] AND 62 GREENFIELD LOCATIONS OPENED

**47%**

GROUP EBITDA MARGINS OF 47% (2017: 47%)

**£1.2bn**

£1.2BN INVESTED IN THE BUSINESS [2017: £1.1BN]

**£927m**

GROUP UNDERLYING PRE-TAX PROFIT OF £927M [2017: £793M], UP 21% AT CONSTANT EXCHANGE RATES

**£386m**

£386M OF FREE CASH FLOW GENERATION [2017: £319M]

**+26%**

UNDERLYING EARNINGS PER SHARE UP 26%<sup>1</sup> TO 127.5P (2017: 104.3P)

**1.6x**

NET DEBT TO EBITDA LEVERAGE<sup>1</sup> OF 1.6 TIMES (2017: 1.7 TIMES)

**£969m**

POST-TAX PROFIT OF £969M (2017: £501M)

**27.5p**

PROPOSED FINAL DIVIDEND OF 27.5P, MAKING 33.0P FOR THE FULL YEAR, UP 20% (2017: 27.5P)

<sup>1</sup> At constant exchange rates.

Underlying profit and earnings per share are stated before exceptional items and amortisation of intangibles. The definition of exceptional items is set out in Note 2 to the financial statements.

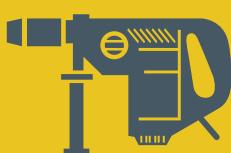
# DELIVERING CONSISTENT GROWTH

# How we made it happen in 2017/18

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.

**1,200,000**

small tools rented



**220 million+**

miles travelled for delivery and service



**2,700,000**

rental contracts written

**680,000+**

rental assets



**9,000,000+**

kW of power delivered



# 6,000+

events supported

# 1,100+

applications for apprenticeships

# 28 billion+

BTU/hr in the heating fleet

# 1,100,000+

metres of barriers assembled



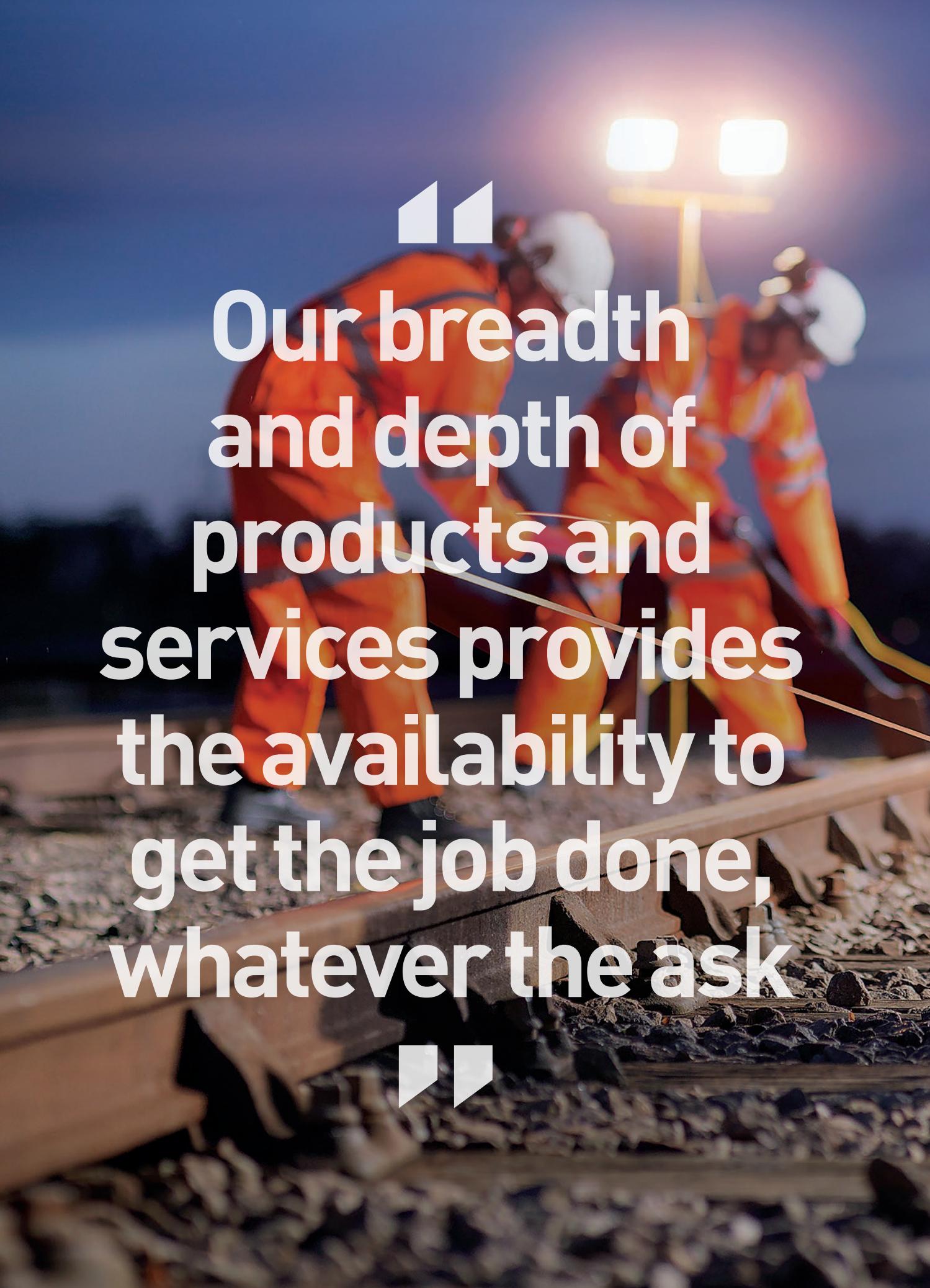
# 1,615

truckloads of equipment to support the recovery efforts for hurricanes Harvey and Irma

# 650,000

customers





**Our breadth  
and depth of  
products and  
services provides  
the availability to  
get the job done,  
whatever the task**



# **24/7**

SERVICE

WE PROVIDE VANCOUVER FILM STUDIOS  
A 24/7 CUSTOMER AND TECHNICAL SERVICE,  
SO THAT THE HECTIC FILMING SCHEDULE  
STAYS ON TRACK

**“In TV, especially on this show, our schedule changes at a moment’s notice and I can always communicate those changes to my sales rep who will then change lifts at the last minute to make the shot happen.”**

**David Halliday**  
Vancouver Film Studios Inc.



# AVAILABILITY.

## Getting the right camera angle in downtown Vancouver

We've been working on set for The Flash TV series for the last two seasons, both of which ran for around 10 months. We provide aerial lifts, forklifts, utility vehicles and other general tool equipment, often facilitating a shoot in the heart of downtown Vancouver. For this job, our boom lifts are painted matte black so that they don't stick out in the shot. We now order our boom lifts black straight from the manufacturer, and our branch manager has personally painted the majority of our lifts that were other colours to accommodate our film and TV customers. The boom lifts are often driven up onto levelling blocks for positioning and we have installed cribbing switches on our entire fleet of 60 feet and above aerial lifts, which is quite a feat. The filming schedule can be round the clock and often at night, so we provide 24/7 customer and technical service. The shooting schedule changes frequently and rapidly, and we're always there to accommodate last-minute changes and send a field technician whenever required.

## 36 machines delivered to 36 locations in 36 hours

One of the largest superstore operators in the US had an urgent need for cleaning equipment across its network of stores in the Midwest and on the West Coast. These superstores carry more than 225,000 different items spanning from food and home goods, to electronics and fuel, and each location averages 150,000 square feet in size. Our customer called us needing 36 machines, predominantly walk behind floor scrubbers, delivered to 36 locations within 36 hours. So we sprung into action. We pulled equipment from eight different cities in seven different states: Washington, Oregon, California, Nevada, Arizona, Colorado and Texas. Then our trucks hit the road, to deliver each piece of equipment to every store that needed it, on time, no matter how far away. Our customer was able to experience fully our operational focus of availability, reliability and ease. They expected us to be able to deliver and we did.

## Building an 80,000+m<sup>2</sup> floor in just eight days

Our Live Trakway business is now the largest trackway stockholder in the world. We installed a colossal platform when the German Evangelical Church staged a major outdoor convention to celebrate the 500th anniversary of the church's reformation. This weekend in May 2017 saw a global congregation converge on the banks of the river Elbe near Wittenberg, where the event required flooring for access, utilities, operations, backstage area and emergency services camps – altogether more than 20 different operational zones. Working on the event with local contractors, we installed 7,315 aluminium panels (approx. 53,000m<sup>2</sup>) all connected with sunken bolts and internal cross-plating to provide a zero-risk trip hazard platform. The largest continuous area was for the huge backstage section where we installed 4,252 panels (approx. 31,000m<sup>2</sup>) of temporary floor, equating to over four football fields. We were able to create a completely flat floor using the panels' recessed bolting and unique side connectors. With seven lorries and crews, one project manager and two site supervisors, we completed the mammoth installation in just eight days.

# Strategic review

## We again broke records this financial year at Ashtead.

Our markets remain strong and we continue to expand the operating platform which allows us to grow. 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 stress-free. We consistently deliver availability, reliability and ease for our customers and this is the backbone of our success.

We were helped by favourable economic conditions in all our markets, but the majority of our growth is still generated by structural changes. Customers now assume we can help them with rental equipment, whatever and wherever that might be. For example, when Hurricane Maria hit Puerto Rico in September 2017, even though we had no presence in Puerto Rico, many just assumed we would be able to help. In fact, we were able to help more effectively and faster than any

other rental company, and we were quickly on the ground helping to clean up the destruction and bring much needed power back to the island.

Hurricanes added an estimated \$100m in rental revenue this year, but we believe what is most important about their impact is how it demonstrates the effectiveness of our model and the platform we have in place to be able to deliver on a grand scale. For example, we are now seen as a significant provider of a much broader range of equipment. In the past we would have supplied forklift trucks, chainsaws and other general tools to a hurricane clean-up operation. Now half of the equipment we supply is generators, dryers and dehumidifiers. The market is changing and we are changing with it. You can read more about how we help in times of disaster on page 58.

Our platform is multi-faceted. Not only is it our physical locations and rental fleet but our distribution capability, our people and the technology which facilitates our business and enables customers to transact with us. Increasingly what we put through the platform in terms of product is less and less relevant.

Whatever customers need, we have 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. Our reputation for excellent customer service and reliability means we are increasingly the company customers turn to in a time of greatest need.

Our excellent results demonstrate further the continued effectiveness of our strategy which remains broadly the same and is focused on organic growth (same-store supplemented by greenfields) and bolt-on acquisitions. This past year we have started to deliver greater traction and growth in Canada and we see a lot of opportunities there. This is particularly the case as the Sunbelt name and green fleet become more widely recognised, and

**“It all comes back to availability, reliability and ease.”**

**Geoff Drabble**  
Chief executive



**Michael Pratt**  
Finance director



## CREATING A WELL-BALANCED BUSINESS

customers get used to renting rather than buying, and renting more different types of equipment, as has been the case in the US. Our acquisition of CRS in Ontario added a significant presence in Eastern Canada to the network we already have around Vancouver. Following this acquisition we are now reporting the results for Sunbelt US and Canada separately.

Group rental revenue was up 18% (21% on a constant currency basis). Sunbelt US rental revenue grew by 20% as we continued to benefit from generally strong markets, and of course, to a lesser degree, the hurricanes mentioned above. This compares to overall US rental market growth of around 4%. Organic growth increased to 15% over the year, with bolt-on growth at 5%. All elements of our 2021 strategy continue to deliver as we gain market share.

In Canada we achieved rental revenue growth of 175% mainly due to the acquisition of CRS. However, growth in both Western Canada, our legacy business, and pro-forma growth in Ontario was also very strong, at 20% and 25% respectively. In late January, Sunbelt held a massive conference in Washington DC where we brought together 2,500 colleagues from both the US and Canada. The scale and quality of the newly combined Canadian team, whose meeting kicked off the whole event, has reinforced our confidence in the potential for Canada and we will continue to invest accordingly. You can read more about Sunbelt Canada on page 16 and about our Sunbelt internal conference on page 56.

A-Plant's rental revenue increased by 11% compared to last year. Margins were slightly lower but still represented a good performance in a competitive market. A-Plant made a number of acquisitions and continues to see good year-on-year growth, but the outlook in the UK is likely to be a slower pace of growth than we have been enjoying of late.

Overall, our end markets remain good and we continue to execute effectively on our 2021 plans. This means we continue to expect a number of years of double-digit compound growth and strong cash generation. We expect to open another c.60 new locations next year and are excited by the opportunities that lie ahead.

## CAPITALISING ON MARKET OPPORTUNITIES

PAGE 14

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

## CREATING SUSTAINABLE VALUE

PAGE 18

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

## IMPLEMENTING OUR STRATEGY

PAGE 26

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

## MANAGING OUR RISKS

PAGE 38

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

## MEASURING OUR PERFORMANCE

PAGE 42

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

## BEING A RESPONSIBLE BUSINESS

PAGE 48

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.

# Our markets

## Making the most of growing markets

The US continues to be our biggest market but is now seeing competition from Canada for the title of our fastest growing one.

We continue to see growth in the UK as well. 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 currently smaller than our UK business but we do not expect that to remain the case for long. We have significantly expanded our presence in Canada 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 certain types 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 good one in the UK, mean we continue to perform very well.

### 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. For any one of these markets, there is also a very 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.

### THE US

#### Economic strength

Our core US markets remain very strong. Construction markets continue to be strong and, with growing employment, the benefits of lower energy prices and increased disposable income, people are generally spending 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 struggled in the past, continues to rebound. Tax reform has added to this trend and we expect economic growth to continue in the US.

The markets we serve are strong, as both structural and cyclical trends remain 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 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 12% and 3% respectively. Home Depot, Ahern and BlueLine have shares of 2% or less. Most of the remainder of the market is made up of small local independent tool shops.

### THE MARKETS WE SERVE



#### CONSTRUCTION

- ▶ Airports
- ▶ Highways and bridges
- ▶ Office buildings
- ▶ Data centres
- ▶ Schools and universities
- ▶ Shopping centres
- ▶ Residential
- ▶ Remodel



#### ENTERTAINMENT AND SPECIAL EVENTS

- ▶ National events
- ▶ Concerts
- ▶ Sporting events
- ▶ Movies/TV production
- ▶ Theme parks
- ▶ Festivals
- ▶ Farmers' markets
- ▶ Local 5K runs



#### FACILITIES MAINTENANCE AND MUNICIPALITIES

- ▶ Office complexes
- ▶ Parks and recreation departments
- ▶ Schools and universities
- ▶ Shopping centres
- ▶ Condo complexes
- ▶ Pavement/kerb repairs
- ▶ Golf course maintenance
- ▶ Government
- ▶ Hospitals

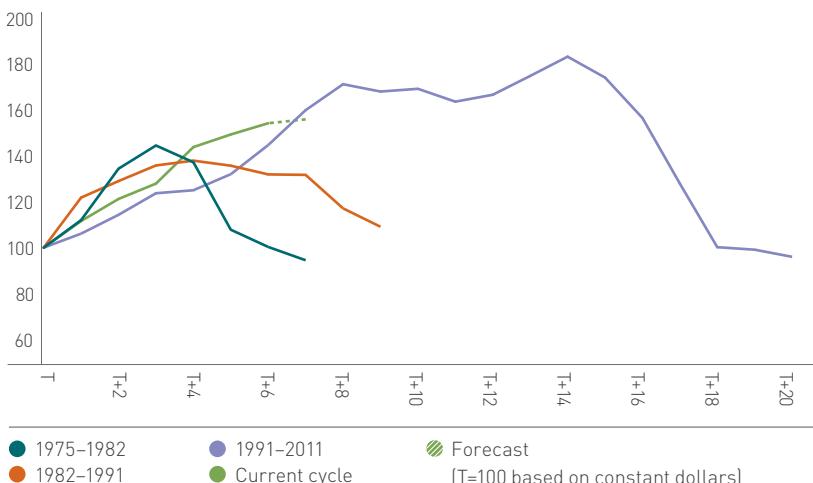


#### EMERGENCY RESPONSE

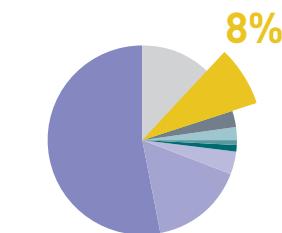
- ▶ Fire
- ▶ Hurricanes
- ▶ Flooding
- ▶ Tornadoes
- ▶ Winter storms
- ▶ Residential emergencies

**01 US MARKET OUTLOOK (RENTAL REVENUE FORECASTS)**

Source: IHS Markit [April 2018].

**02 CONSTRUCTION ACTIVITY BY CYCLE**

Source: Dodge Data &amp; Analytics [April 2018].

**03 US MARKET SHARE**

Source: Management estimate based on IHS Markit market estimates.

**04 US MARKET SHARE DEVELOPMENT**

**Target**  
**15%**

Target	15%
2018	8%
2013	5%
2007	4%
2002	2%

Source: Management estimates.

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 enjoyed by the larger players is likely to grow by a further 30 to 40% in the medium term.

This market share analysis is based on the traditional definition of the rental market focused on construction. A significant market for us is that of property maintenance, repair and operation. 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 double our market share and market demand allows for this. The speed with which we increase our market share is a function of how quickly we can get new locations up and running and generating profit. 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 26).

The combination of our business model, which you can read more about on page 18, the 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.

# Our markets continued

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

Rental penetration continues to be a positive trend for the industry in the US as our customers have become accustomed to the flexibility of an outsourced model. Between 2010 and 2018, 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 50 to 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.

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 in 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. If however 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 a more 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

## A NEW AND EXCITING MARKET FOR SUNBELT – CANADA

We first entered the Canadian market with the purchase of GWG Rentals in 2014. This immediately gave us six locations in Western Canada. Since then we continued to make small acquisitions which increased our footprint around the Vancouver area in British Columbia and also in Alberta and Saskatchewan. Last year we bought CRS, which has a substantial base in Ontario including Toronto, now the fourth biggest city in North America, thereby giving us a strong foothold in Eastern Canada and doubling the scale of the Canadian business. CRS had a strong infrastructure already in place, so its integration with the rest of Sunbelt Canada has gone very well and very fast. We have acquired some very talented individuals and their loyal customer base, and are already reaping the benefits.

In less than four years we have built our network from six to 54 stores through a combination of acquisitions and new greenfield sites, creating a strong foundation from which to grow. GWG had 60 staff for the whole of Canada and we now have almost 700 people in the business. We have gone from a business with total revenue of C\$10m to a business with annual revenues of approximately C\$265m in that same period. We have taken share from the competition and improved our existing customer base with an ever-expanding line of products on offer. We now have over 27,000 customers.

When Sunbelt first arrived in Canada there was no branded rental equipment in the market. Increasingly customers are getting used to seeing the green Sunbelt kit and are experiencing the benefits of working with us. In the past, those operators who had a full range of equipment tended to be the independents. Bigger companies didn't have the broad product offering that Sunbelt provides. We are also increasingly closer to our customers geographically than historically would have been the case. This is helping us build our reputation for availability, reliability and ease.

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 Vancouver film and TV industry, and AWP make up 43% of the fleet. In and around Ontario, CRS was a traditional general rental business. Our fleet mix is therefore more evenly balanced across general rental equipment with AWP taking up only 23% of the total fleet mix. 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.

In several areas, we plan to follow the clustered model which has proved so successful in the US and which will help us increase the specialty business element of what we can provide for customers. With the advanced technology we now 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.

**54**

In less than four years  
we have built our  
network from  
six to 54 stores

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 – the theme of this report. 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 26.)

### CANADA

#### A fast-growing market

Canada is 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 less than 3% and 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 4-5% annually through 2021. We anticipate growing more rapidly as we take market share and broaden our offering.

We focused first on the southwest corner of Canada where we acquired a small business in 2014, GWG Rentals, with a strong management team, and 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 acquisition of CRS in 2017 and are expanding in Edmonton, Calgary and Winnipeg. Growth rates in Western Canada and in Ontario were 20% and 25% respectively this year and in three years we have gone from six stores to 54. The rental market has, to date, been construction focused, but we are already developing new markets such as the film industry in Vancouver. Customers who traditionally rented mainly aerial work platforms are now renting smaller equipment also. As we expand in other provinces we expect to generate more business from Canada's resources industry.

Customers are increasingly seeing the benefits of working with us to fulfil the full range of their rental needs. Our initial goal is to achieve market share of 5% and for Canada to make up between 15-20% of the North American business.

For more information on Canada, see our feature on page 16.

### THE UK

#### Economic resilience

The UK market is good but not great and, although we expect it to continue to grow, this will be at a more moderate pace, for the foreseeable future. A contributory factor is the 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 also taking market share. Chart 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

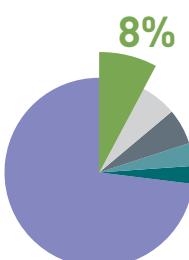
We continue to be the largest equipment rental company in the UK. There are a greater number of major players in the UK market and, as the largest, we only have an 8% market share. Chart 06 shows our key competitors and their share of the market. We believe we continue to be well-positioned in the market with our strong customer service, young relative fleet age 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 very successful in growing both our market share and returns.

### 05 UK CONSTRUCTION INDUSTRY FORECASTS

	2016 actual	2017 forecast	2018 forecast	2019 projection	2020 projection	% of total
£m constant 2015 prices						
Residential	49,625	54,065 +8.9%	55,674 +3.0%	56,788 +2.0%	57,579 +1.4%	<b>35%</b>
Private commercial	44,635	46,350 +3.8%	44,391 -4.2%	44,488 +0.2%	45,038 +1.2%	<b>28%</b>
Public and infrastructure	54,432	55,866 +2.6%	56,372 +0.9%	59,374 +5.3%	61,126 +3.0%	<b>37%</b>
Total	148,692	156,281 +5.1%	156,437 +0.1%	160,650 +2.7%	163,743 +1.9%	<b>100%</b>

Source: Construction Products Association [Spring 2018].

### 06 UK MARKET SHARE



● A-Plant	8%
● HSS	6%
● Speedy	6%
● VP	4%
● GAP	3%
● Others	73%

Source: Management estimates based on IHS Markit market estimates.

# Our business model

## 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 buy a broad range of equipment from leading manufacturers, we rent it on a short-term basis to a broad range of customers and then sell the old equipment in the second-hand market.

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

**AVAILABILITY.** Page 10

**RELIABILITY.** Page 24

**EASE.** Page 36

### 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 20

#### 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 21

**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

⊕ Page 10

## VALUE CREATION

### Adapting our fleet and cost position

### Taking advantage of opportunities



#### RENTAL SOLUTIONS

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

Page 20



#### LONG-TERM RELATIONSHIPS

Developing long-term relationships with customers and suppliers.

Page 21



#### ENHANCING COMMUNITIES

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

Page 57



#### SUSTAINABLE RETURNS

Generating sustainable returns for shareholders through the cycle.

Page 20

### INVESTING IN OUR PEOPLE

- > Highly skilled team
- > Devolved structure
- > Maintaining significant staff continuity
- > Strong focus on recruitment, training and incentivisation

Page 21

### MAXIMISING OUR RETURN ON INVESTMENT

- > 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

Page 21

### RELIABILITY

- Network
- > Logistics
- > Bricks and mortar
- > Customers
- > Our people
- > Clusters

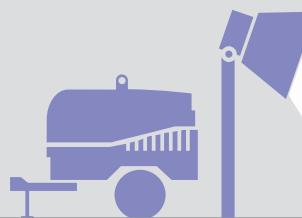
Page 24

### EASE

- Technology to simplify
- > CommandCenter
- > Accelerate
- > MSP
- > VDOS

Page 36

# Our business model continued



## 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.

Designing bespoke lifting solutions for complex problems, including lifting the façade onto multistorey buildings.

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

At its most basic, our model is simple – we purchase an asset, we rent it to customers 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, property and transportation costs and fleet depreciation. However, this simple overview encompasses a significant number of moving parts, activities and expertise that provides 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 38 to 40).

## MANAGING THE CYCLE

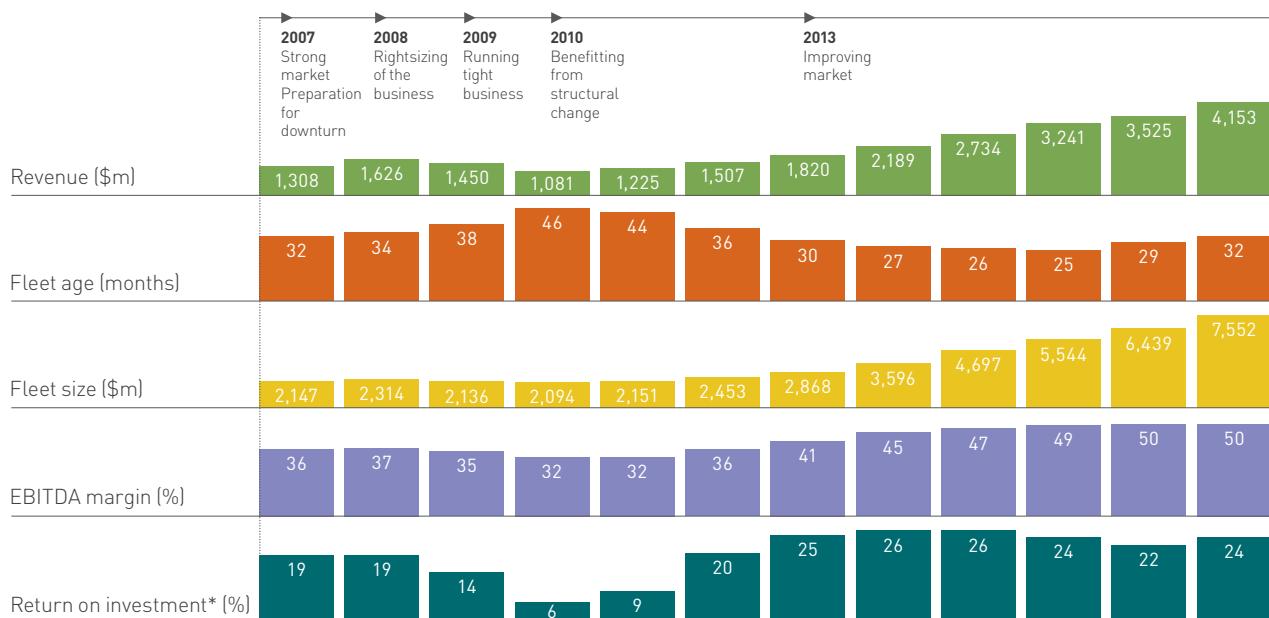
We describe ourselves as being a late cycle business in that our biggest end market, non-residential construction, is usually one of the last parts of the economy to be affected by a change in economic conditions. This means that we have a good degree of visibility on when we are likely to be affected, 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 26.

## 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 Pump & Power, Climate Control, Scaffolding, Oil & Gas, Flooring Solutions and Industrial Services which represented 22% of our US business. Residential construction is a small proportion of our business (5%) as it is not a heavy user of equipment.

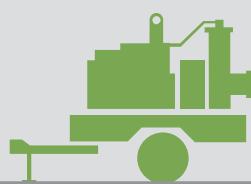
Our customers range in size and scale from multinational businesses, through strong local contractors to individual do-it-yourselfers. Our diversified customer base includes construction, industrial and homeowner customers, service, repair and facility management businesses, as well as

## 07 MANAGING THE CYCLE – SUNBELT US





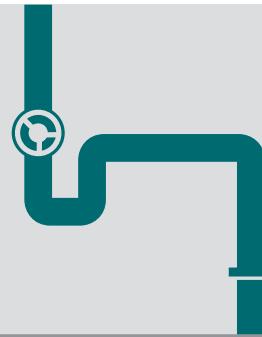
Designing, erecting and dismantling scaffolding systems.



Rapid response to natural disasters such as floods, tornadoes and hurricanes, including pumps and power generation equipment.



Providing traffic management solutions for engineering projects or clean-up after an accident.



Managing the flow for sewer bypasses to enable the refurbishment of ageing infrastructure in a dry environment.

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 2018, Sunbelt US dealt with over 590,000 customers, who generated average revenue of \$6,700.

The individual components of our fleet are similar to our peers. However, it is the breadth and depth of our fleet that 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 specialist 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 29.
- 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 specialist 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 leading 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 vendors 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 and lifting services, which involve providing service expertise as well as equipment.

- 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.

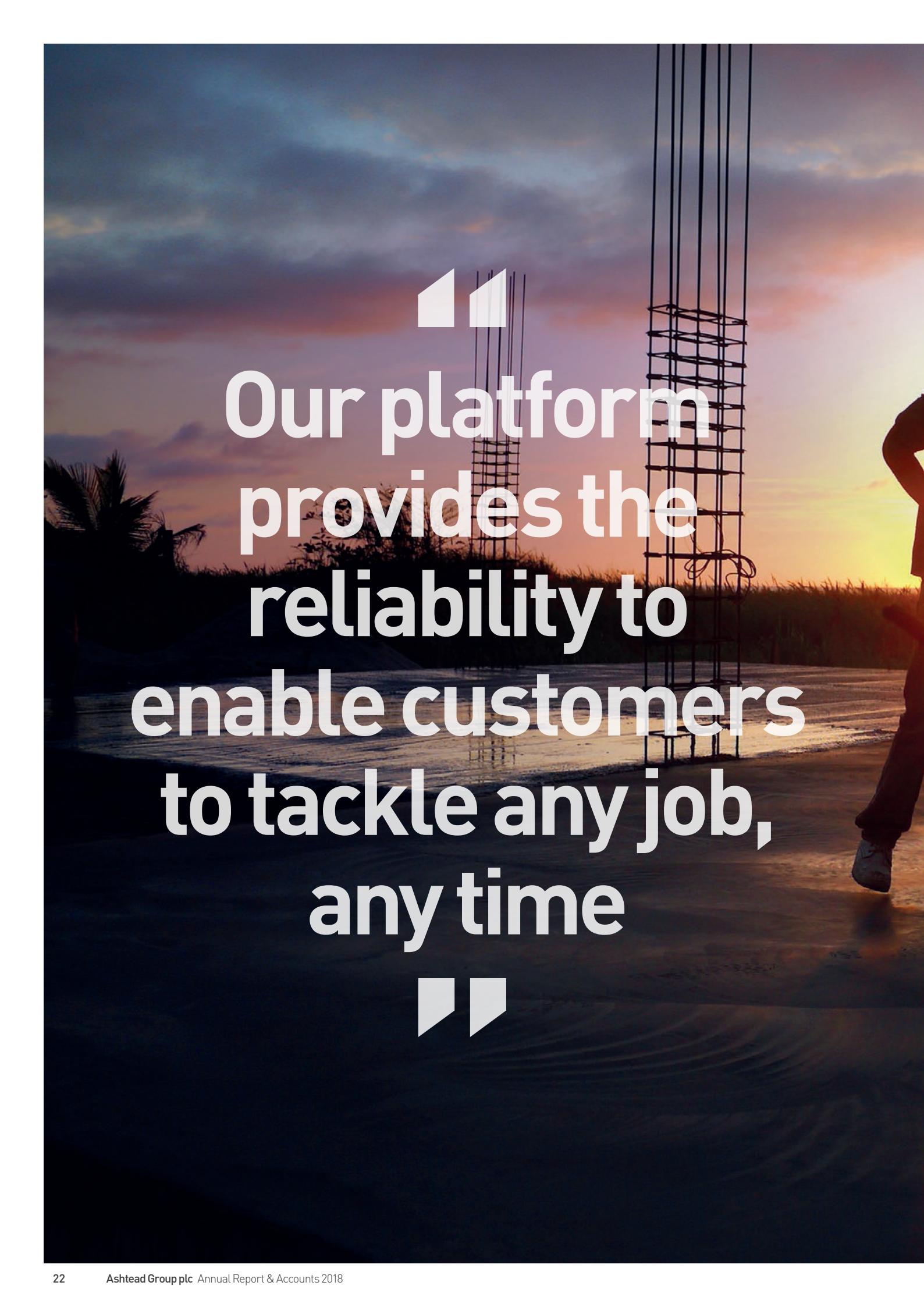
- We guarantee our service standards and promise our customers we will make it happen. We believe that our focus on customer service and the guarantees we offer help distinguish our businesses from competitors and assist us in delivering superior financial returns. Our responsiveness to customer needs 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.

- 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.

### 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 52 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.

A photograph of a construction site at sunset. In the foreground, there's a metal lattice structure, possibly part of a bridge or tower. The sky is filled with warm orange and yellow hues from the setting sun. A person's legs and feet are visible on the right side, walking away from the camera towards the horizon.

**“Our platform provides the reliability to enable customers to tackle any job, any time”**





**“Due to the historic nature of the cathedral, the installation of the hoists was extremely challenging. GB Access managed to achieve this without any interference to the building and they were safely installed.”**

**Tony Long**  
Head Stonemason at Canterbury Cathedral

# RELIABILITY.

## Enabling a five-year restoration project at Canterbury Cathedral

Canterbury Cathedral in southern England dates back to 597AD and forms part of a World Heritage Site. As part of a major £25 million restoration project, the leaking roof above the nave is being replaced and a new welcome centre created. The works also include restoration of the main entrance to the Cathedral from the city – the Christ Church Gate. To allow the works to take place, a huge scaffolding construction has been erected inside the Cathedral. Scaffolders have built a 53-metre long safety deck as a platform both for the Cathedral's conservation team to work from and to catch any dislodged stone and plaster. The Cathedral required a passenger and goods hoist and a goods only hoist for the duration of the five-year project. We provided a steel foundation plate to allow the installation of the hoists without interference to the structure and delivery was made at 6am when no other work would be taking place. The hoists needed to be manually pushed through a low arch in the cathedral and were tied to the scaffolding. They allow the safe transportation of building materials and operatives, with the ability to stop at a number of levels.

## Clearing up after a silo fire at Port Arthur, Texas

Once the Port Arthur Fire Department (PAFD) had extinguished a blaze in a pellets silo at the port and confined it to the inside, we were brought in to assist the remediation and restoration company with removal of the product from the silo. We devised strategies to safely remove the PAFD's equipment from the site, without causing any damage to it, and design a system for the continuing spray of water to prevent damage to the silo while the ashes cooled. To protect the PAFD fire hoses we placed protective decking using railroad ties to create a bridge over them. Our pumps were then first placed next to a small inlet and suction lines were routed to enable water to be sourced from the ship channel. When we realised passing ships would impact the flow of water, we quickly moved the suction lines to a dredged section of the channel to avoid further disturbance. Our toughest challenge was adjusting the flow of the pumps to meet temperature requirements. Getting that right, being able to provide service and equipment for multiple applications, and our impact on safety across the site, enabled the PAFD to return manpower and equipment back to the firehouse where they were needed.

## Powering a US naval ship in dry dock

The USNS McLean was scheduled to be in dry dock for 75 days and the company charged with doing its maintenance and repair work needed a highly engineered solution for shore power. This needed to meet the requirements of the restoration company, the shipyard and also comply with the stringent power supply schedule set out by the US government. We devised a plan to use three 2,000 kW diesel generators in parallel connected to three 2,500 kVA transformers, stepping the voltage up to 4.16 KV. Two were for daily use and the third was available as standby in case of equipment failure and to service other machines as needed. Additionally, we added three big switches to the transformer to protect the cables and add extra protection to the system. We also ran 500 feet of 15 KV temporary substation cable from the switches to two 3,750 kVA step-down transformers that were placed on the ship. We followed a well-defined procedure in setting up and testing this heavyweight temporary power system, providing a solution that was fully operational within 24 hours.



# Our strategy

We will always be a cyclical business but increasingly the level of structural change in our markets, particularly in the US and now also in Canada, combined with our proven strategy, makes us better able to capitalise on a good economic environment 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 2018, 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 to long term is to achieve 15% market share in the US, take a 5% share in Canada and grow it by 50% in the UK. 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 38 to 40.

## OUR STRATEGIC PRIORITIES



### BUILD A BROAD PLATFORM FOR GROWTH

Strategic priorities	Key initiatives	Update	Relevant KPIs and risks
<ul style="list-style-type: none"><li>➢ Build a broad platform for growth:<ul style="list-style-type: none"><li>- target 15% US market share</li><li>- take 5% Canadian market share</li><li>- increase UK market share by 50%</li></ul></li></ul>	<ul style="list-style-type: none"><li>➢ Same-store fleet growth</li><li>➢ Greenfield expansion</li><li>➢ Bolt-on M&amp;A</li><li>➢ Develop specialty products</li><li>➢ Develop diversified clusters in key areas</li><li>➢ Increased focus on renting out non-traditional rental equipment</li></ul>	<ul style="list-style-type: none"><li>➢ 8% US market share</li><li>➢ 3% Canadian market share</li><li>➢ 8% UK market share</li><li>➢ 17% increase in US rental fleet at cost</li><li>➢ 19% increase in US fleet on rent</li><li>➢ 42 greenfield openings in the US</li><li>➢ \$259m spent on US acquisitions</li><li>➢ C\$220m spent on the Canadian CRS acquisition</li><li>➢ £25m spent on UK acquisitions</li></ul>	<p><b>KPIs</b></p> <ul style="list-style-type: none"><li>➢ Fleet on rent</li></ul> <p><b>Risks</b></p> <ul style="list-style-type: none"><li>➢ Competition</li><li>➢ People</li></ul>



### OPERATIONAL EXCELLENCE

Strategic priorities	Key initiatives	Update	Relevant KPIs and risks
<ul style="list-style-type: none"><li>➢ Operational excellence:<ul style="list-style-type: none"><li>- improve operational capability and effectiveness</li><li>- continued focus on service</li></ul></li></ul>	<ul style="list-style-type: none"><li>➢ Operational improvement:<ul style="list-style-type: none"><li>- delivery cost recovery</li><li>- fleet efficiency</li></ul></li><li>➢ Increased use of technology to drive optimal service and revenue growth</li><li>➢ ARE initiative: Availability, Reliability, Ease</li><li>➢ Focus on culture</li></ul>	<ul style="list-style-type: none"><li>➢ Continued focus on improvement programmes designed to deliver improved dollar utilisation and EBITDA margins</li></ul>	<p><b>KPIs</b></p> <ul style="list-style-type: none"><li>➢ Dollar utilisation</li><li>➢ Underlying EBITDA margins</li><li>➢ RoI</li><li>➢ Fleet on rent</li><li>➢ Staff turnover</li><li>➢ Safety</li></ul> <p><b>Risks</b></p> <ul style="list-style-type: none"><li>➢ Business continuity</li><li>➢ People</li><li>➢ Health and safety</li><li>➢ Environmental</li><li>➢ Laws and regulations</li></ul>



## MAINTAIN FINANCIAL AND OPERATIONAL FLEXIBILITY

### Strategic priorities

- > Maintain financial and operational flexibility:
  - RoI above 15% for the Group
  - maintain leverage in the range 1.5 to 2 times net debt to EBITDA
  - ensure financial firepower at bottom of cycle for next 'step-change'

### Key initiatives

- > Driving improved dollar utilisation
- > Maintain drop through rates
- > Increasing US store maturity
- > Maintaining financial discipline
- > Optimise fleet profile and age during the cyclical upturn

### Update

- > Strong RoI at 18% (2017: 17%)
- > Sunbelt US dollar utilisation of 55% (2017: 53%)
- > Sunbelt Canada dollar utilisation of 60% (2017: 40%)
- > A-Plant dollar utilisation of 48% (2017: 51%)
- > Fall through of 50% and 36% in Sunbelt US and A-Plant
- > Sunbelt US EBITDA margin of 50% (2017: 50%), Sunbelt Canada EBITDA margin of 30% (2017: 40%)
- > A-Plant EBITDA margin of 35% (2017: 37%)
- > Leverage of 1.6x EBITDA
- > Fleet age remains appropriate at this stage of the cycle:
  - Sunbelt US 32 months (2017: 29 months)
  - Sunbelt Canada 28 months (2017: 20 months)
  - A-Plant 32 months (2017: 29 months)

### Relevant KPIs and risks

- KPIs**
- > RoI
  - > Dollar utilisation
  - > Underlying EBITDA margins
  - > Leverage
  - > Net debt
- Risks**
- > Economic conditions
  - > Competition
  - > Financing

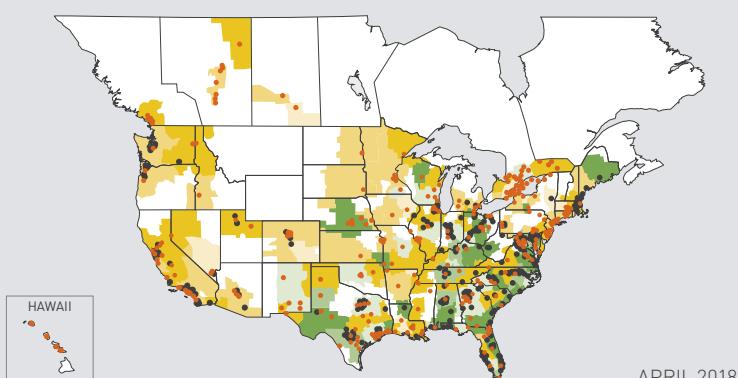
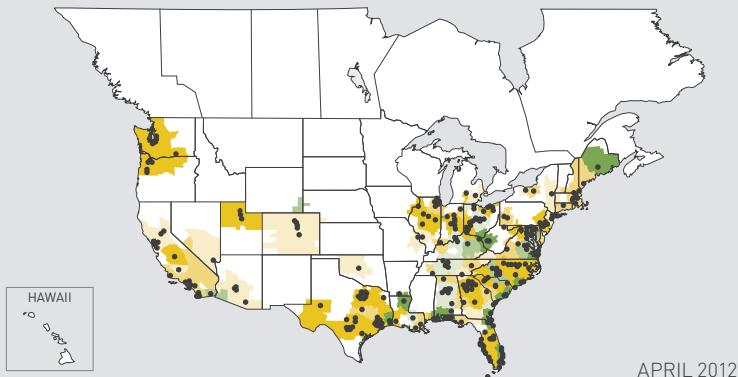
### BUILDING A BROAD PLATFORM FOR GROWTH

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. 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 300 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.

# 300+

Over 300 new locations added in the US over the last six years

### 08 MARKET SHARE AND GROWTH STRATEGY



#### Growth

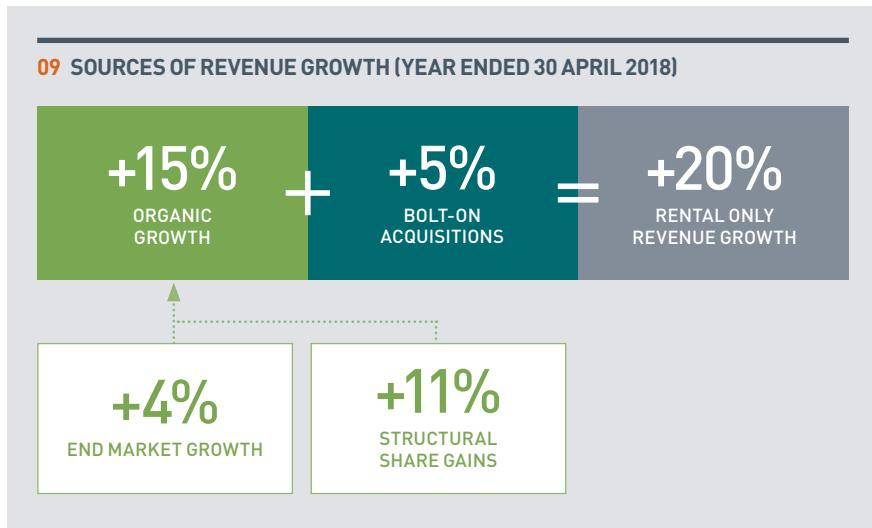
- Stores – April 2012
- Store growth – May 2012 to April 2018

#### Market share (%)



IHS Markit/ARA: State of the Equipment Rental Industry, April 2018 Outlook & Management estimates.

# Our strategy continued



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 54 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 acquisitions and new greenfield sites.

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 of 4% and part structural growth of 11%. So even if the market stops growing, our stores don't because that structural part of the growth is independent of the market. This is why we are consistently able to out-perform 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 just over three years, we have gone from being unknown to now being a recognised and trusted partner.

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, total revenue growth becomes 20%, of which three quarters is structural and not driven by market growth. Our strategy capitalises on both structural and cyclical factors to drive our revenue growth.

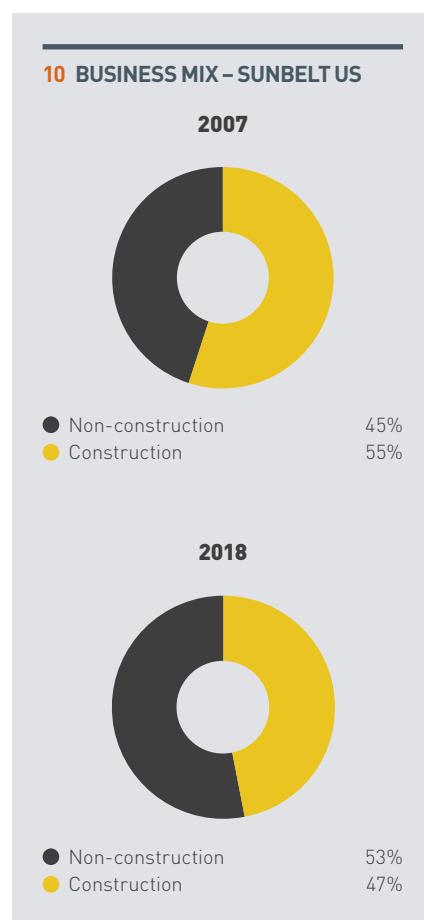
Structural growth is people choosing to rent more equipment (increased rental penetration) and the big getting bigger (increased market share). We are able to keep growing because we prioritise investment in the fleet and have the financial security to be able to do that. Our customers want good quality 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 22% in 2018. This year 26 of our 42 greenfield openings in the US were specialty stores and we added three through acquisition. We aim to build specialty businesses generating \$1bn 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.



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

## 12 OPPORTUNITY OF MATURING CLUSTERS FOR SUNBELT US

Profile	Non-construction	EBITA % <sup>1</sup>	RoI <sup>2</sup>
Mature	>60%	41%	29%
Mid-term	c. 40%	35%	22%
Early	c. 20%	32%	19%

Top 100 markets

1 EBITA margins calculated excluding central overheads.

2 RoI calculated with reference to profit centre contribution, excluding central overheads. Average investment excludes goodwill and intangible assets.

## 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	5 markets 113 stores	5 markets 58 stores	5 markets 28 stores	12 markets 30 stores
Non-clustered	20 markets 192 stores	20 markets 116 stores	42 markets 80 stores	41 markets 41 stores
No presence	0	0	3	57

our cluster analysis. We have found that these 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 will also be a key element of our expansion strategy in Canada.

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 group 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.

## 11 RENTAL PENETRATION: THE PRODUCT RANGE



## Our strategy continued

### 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 48.

In Sunbelt US, we have three main categories of customers whose service 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 CRM 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 deliveries 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 reference to make efficiency gains, add depth to our growth strategy and provide more accurate strategic forecasts. We have similar tools in the UK and are rolling them out in the recently acquired CRS business in Canada.

**“TECHNOLOGY IS PLAYING AN INCREASINGLY LARGE PART IN DELIVERING AVAILABILITY, RELIABILITY AND EASE TO CUSTOMERS.”**

## 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. This is because 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 do so. This also means that we are now at a very different stage in our evolution relative to the current economic cycle to where we were in the last cycle. We have more stores overall and they are larger 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. As our fleet replacement expenditure is still moderate, we remain in a phase of the cycle where we anticipate both good earnings growth and significant cash generation. 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 are in a highly cash generative phase as we continue to grow the business in a cyclical upturn. 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 which provides the Group with significant flexibility and security. Policy changes in the US, including the new corporate tax regime are lengthening our current cycle and therefore we do not need to be towards the lower end of our leverage range at this stage. 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 2010, 2011 and 2012 spend which were low spend years at the bottom of the last cycle. Our lower replacement capital expenditure and our strong cash generation are set to continue next year. 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 60 new locations in North America by way of greenfield and bolt-ons 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.

# Key performance indicators

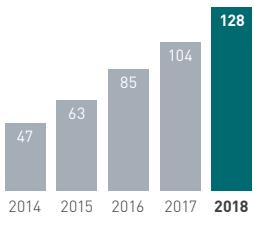
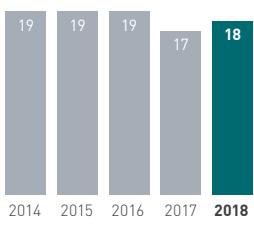
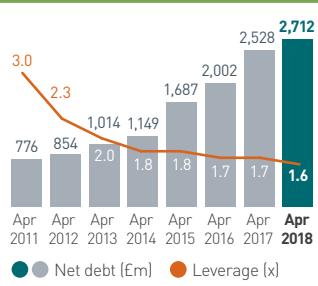
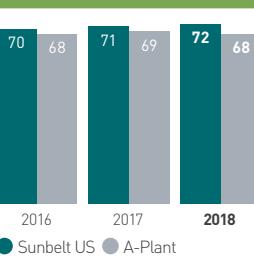
## Measuring our performance

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 26. Several of these KPIs (underlying EPS, return on investment and leverage) influence the remuneration of our executive team (see page 76).

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

\* Linked to remuneration

UNDERLYING EPS (P)*				
Calculation	Target	2018 performance	Strategic priority	
Underlying Group profit after taxation divided by the weighted average number of shares in issue (excluding shares held by the Company and the ESOT).	As a cyclical business, underlying EPS varies substantially through the cycle.	Underlying EPS improved to 128p per share in 2017/18. 		
RETURN ON INVESTMENT ('ROI') (%)*				
Calculation	Target	2018 performance	Strategic priority	
Underlying operating profit divided by the sum of net tangible and intangible fixed assets, plus net working capital but excluding net debt and deferred tax.	Averaged across the economic cycle we look to deliver ROI well ahead of our cost of capital, as discussed in our Strategic review.	Our ROI was 18% for the year ended 30 April 2018. This has been affected, in the short term, by new store openings and bolt-on acquisitions and our young fleet age. 		
NET DEBT AND LEVERAGE AT CONSTANT EXCHANGE RATES*				
Calculation	Target	2018 performance	Strategic priority	
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).	We seek to maintain a conservative balance sheet structure with a target for net debt to underlying EBITDA of 1.5 to 2 times.	Net debt at 30 April 2018 was £2,712m and leverage was 1.6 times. 		
PHYSICAL UTILISATION (%)				
Calculation	Target	2018 performance <sup>1</sup>	Strategic priority	
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 2018).	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.	Sunbelt US utilisation was 72% (2016/17: 71%), while A-Plant utilisation was 68% (2016/17: 69%). 		

<b>FLEET ON RENT (\$M/£M)</b>				
<b>Calculation</b> Fleet on rent is measured as the daily average of the original cost of our itemised equipment on rent.	<b>Target</b> To achieve growth rates in Sunbelt and A-Plant in excess of the growth in our markets and that of our competitors.	<b>2018 performance<sup>1</sup></b> In Sunbelt US, fleet on rent grew 19% in 2017/18, whilst in A-Plant it grew 16%. The US market grew 4% and the UK market by 1%.	 2016: Sunbelt US 3,510, A-Plant 381 2017: Sunbelt US 4,153, A-Plant 461 2018: Sunbelt US 4,939, A-Plant 536	<b>Strategic priority</b> 
<b>DOLLAR UTILISATION (%)</b>	<b>Target</b> Improve dollar utilisation to drive improving returns in the business.	<b>2018 performance</b> Dollar utilisation increased to 55% in Sunbelt US, as the drag effect of yield, greenfield openings and acquisitions and the increased cost of fleet moderates. In Sunbelt Canada, it increased to 60% following the acquisition of CRS. In A-Plant it decreased to 48%, principally due to pricing pressure.	 2016: Sunbelt US 56, Sunbelt Canada 42, A-Plant 52 2017: Sunbelt US 53, Sunbelt Canada 40, A-Plant 51 2018: Sunbelt US 55, Sunbelt Canada 60, A-Plant 48	<b>Strategic priority</b> 
<b>UNDERLYING EBITDA MARGINS (%)</b>	<b>Target</b> Underlying EBITDA as a percentage of total revenue.	<b>2018 performance</b> Margins remained constant in 2017/18 at 50% in Sunbelt US, and were 30% and 35% in Sunbelt Canada and A-Plant respectively.	 2016: Sunbelt US 48, Sunbelt Canada 37, A-Plant 38 2017: Sunbelt US 50, Sunbelt Canada 40, A-Plant 37 2018: Sunbelt US 50, Sunbelt Canada 30, A-Plant 35	<b>Strategic priority</b>  
<b>STAFF TURNOVER (%)</b>	<b>Target</b> Our aim is to keep employee turnover below historical levels to enable us to build on the skill base we have established.	<b>2018 performance<sup>1</sup></b> Turnover levels have remained relatively constant for Sunbelt US and continued to decline for A-Plant. Our well-trained, knowledgeable staff remain targets for our competitors.	 2016: Sunbelt US 20, A-Plant 30 2017: Sunbelt US 18, A-Plant 29 2018: Sunbelt US 20, A-Plant 25	<b>Strategic priority</b>  
<b>SAFETY</b>	<b>Target</b> Continued reduction in accident rates.	<b>2018 performance</b> The RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) reportable rate increased to 0.33 in Sunbelt US, to 0.08 in Sunbelt Canada and to 0.22 in A-Plant. More detail is included in our Responsible business report on page 48.	 2016: Sunbelt US 0.26, Sunbelt Canada 0.53, A-Plant 0.42 2017: Sunbelt US 0.32, Sunbelt Canada 0, A-Plant 0.20 2018: Sunbelt US 0.33, Sunbelt Canada 0.08, A-Plant 0.22	<b>Strategic priority</b> 

<sup>1</sup> No data is available for Sunbelt Canada on a comparable basis due to the acquisition of CRS Construction Rental Supply in August 2017.



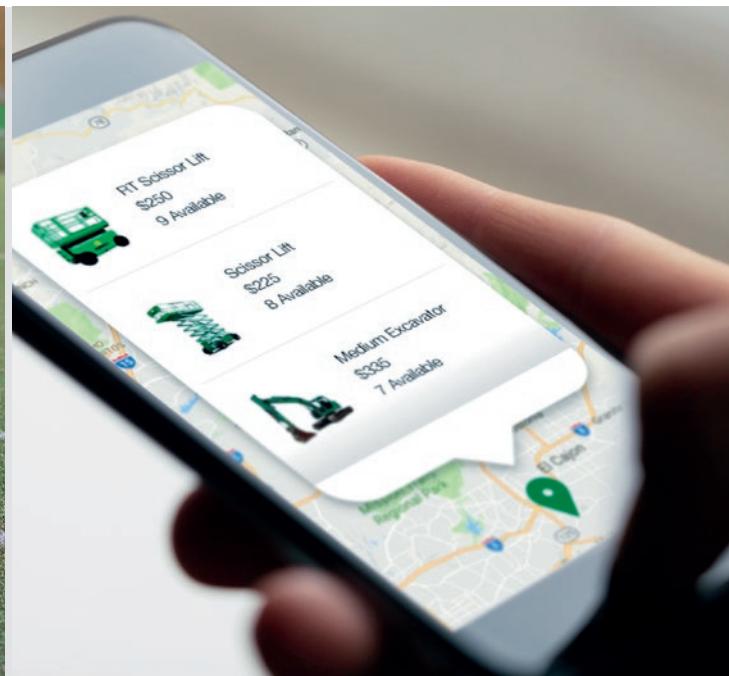
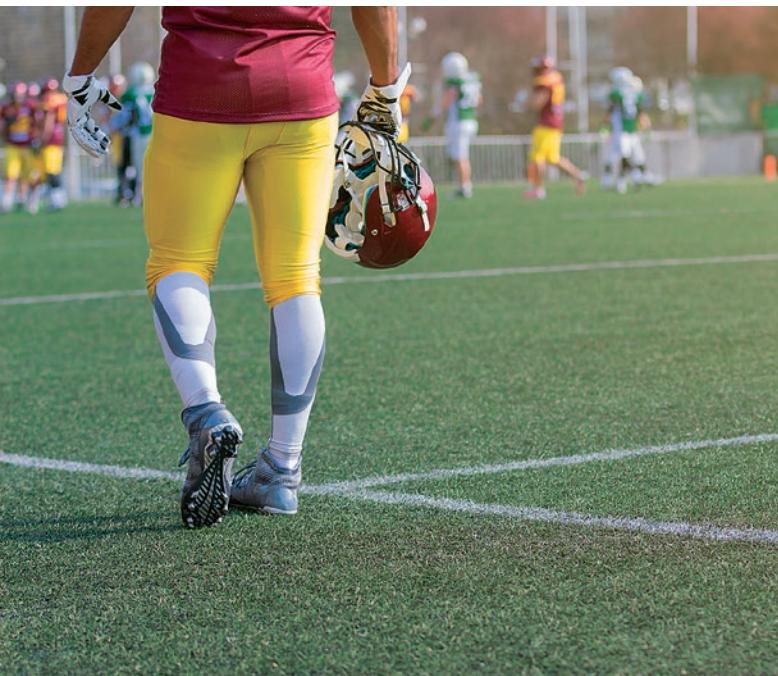
**Our technology  
facilitates the  
ease of doing  
business and saves  
our customers  
time and money**





**“To be able to trust them and know that it’s being handled, whether it’s on the west coast or the east coast, is ideal for me. It helps me sleep at night.”**

**Steven Boyer**  
Solomon Group



# EASE.

## Fulfilling all the equipment needs of a major national sports championship

When customers are able to rely on one supplier for all their equipment needs, life gets a lot easier. Increasingly we work on major live events that require lots of different equipment in various locations. Our staff are on hand to deliver, set up and make sure everything goes according to plan. The National Collegiate Athletic Association National Championship needed heat, power, lifting equipment, ground protection and scaffolding as well as other kit, and we were able to supply everything they needed. We were also there to power and equip the prestigious half-time show being produced by Solomon Group. We provided two generators for stage power, with one as backup, but still having enough capacity to power the entire half-time show broadcast live to the entire country. Our heating equipment made sure the audience was kept warm in the cold Atlanta conditions. We supplied equipment across three locations, the Football Stadium, Tailgate Plaza and Centennial Park where the main festival was held. In total we supplied nearly \$300,000 worth of equipment, rented to six different companies involved in this huge event.

## Integrating with Power Design's own online systems to enable national equipment tracking

Power Design, a national electrical contractor, is a longtime customer. They rent everything from earth moving equipment, plate compactors, large generators, manlifts and forklifts, to a lot of specialty equipment such as cable pullers. They might have 50-100 pieces of equipment on rent at any one time, on any one site. That's where our CommandCenter web portal, which is fully integrated with Power Design's own online system, proves so invaluable. Power Design uses CommandCenter to rent and return equipment, request service, put notes in the system for superintendents on-site, in fact, for pretty much everything. They can filter by jobsite to get their accounts payables sorted. They can have 600 job numbers going simultaneously, and CommandCenter keeps everything organised. Anything they need is just one click away. Power Design can see equipment on rent in daily and weekly reports. They get alerts when their contracts are up, giving them the option to keep renting equipment or return it. The client saves money because nothing is ever sitting idle and everything is being utilised. Power Design has total visibility on their account.

## Ensuring efficient management of both rented and owned equipment for IMCOR

IMCOR is one of Arizona's largest mechanical subcontractors and has been our customer for over 13 years. IMCOR uses a wide variety of equipment from excavators to forklifts, to small tools like cutoff saws and jumping jack tampers. In addition to the equipment and tools IMCOR rents from us, they also have their own equipment on site. So it's imperative that we can track all the IMCOR owned and Sunbelt rented assets to ensure efficiencies on the jobsite. Using our online CommandCenter, the equipment rented can be routinely tracked. Custom rental reports can easily be run, to add to the client's owned asset report and thereby allow effortless assessment of the total scope of the job. Weekly reporting, monthly cost comparisons and easy look-up of outstanding invoices ensure total accuracy. IMCOR has benefitted from Sunbelt's growth in the western US states over the past few years and is now able to access more equipment from more locations as well as more specialty kit. All of this can be easily managed and tracked online.

# Principal risks and uncertainties

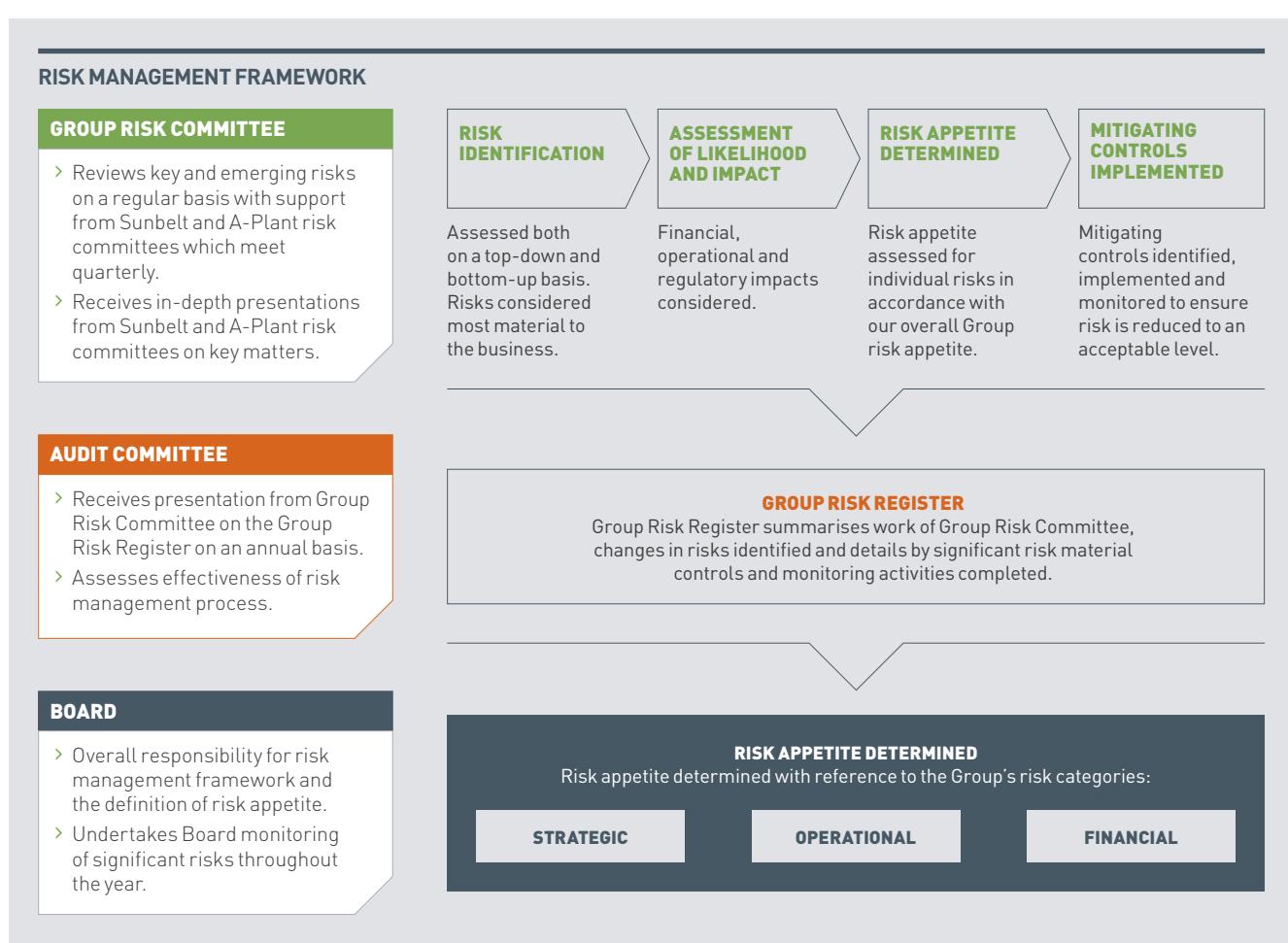
## Managing our risk

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, 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 48 and 49.



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. Whilst there have been no changes in the principal risks identified during the year, 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 2017/18: Increased risk Constant risk Decreased risk

ECONOMIC CONDITIONS →			
<b>Potential impact</b> 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 as part of this risk.	<b>Mitigation</b> <ul style="list-style-type: none"> <li>➢ Prudent management through the different phases of the cycle.</li> <li>➢ Flexibility in the business model.</li> <li>➢ Capital structure and debt facilities arranged in recognition of the cyclical nature of our market and able to withstand market shocks.</li> </ul>	<b>Change</b> 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.	<b>Strategic priority</b>  
COMPETITION →			
<b>Potential impact</b> 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.	<b>Mitigation</b> <ul style="list-style-type: none"> <li>➢ Create commercial advantage by providing the highest level of service, consistently and at a price which offers value.</li> <li>➢ Differentiation of service.</li> <li>➢ Excel in the areas that provide barriers to entry to newcomers: industry-leading IT, experienced personnel and a broad network and equipment fleet.</li> <li>➢ Regularly estimate and monitor our market share and track the performance of our competitors.</li> </ul>	<b>Change</b> 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 an 8% market share in the US, a 3% market share in Canada and 8% in the UK.	<b>Strategic priority</b>  
FINANCING →			
<b>Potential impact</b> 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.	<b>Mitigation</b> <ul style="list-style-type: none"> <li>➢ Maintain conservative (1.5 to 2 times) net debt to EBITDA leverage which helps minimise our refinancing risk.</li> <li>➢ Maintain long debt maturities.</li> <li>➢ Use of an asset-based senior facility means none of our debt contains quarterly financial covenants when availability under the facility exceeds \$310m.</li> </ul>	<b>Change</b> At 30 April 2018, our facilities were committed for an average of six years, leverage was at 1.6 times and availability under the senior debt facility was \$1,115m.	<b>Strategic priority</b> 
BUSINESS CONTINUITY →			
<b>Potential impact</b> 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. A cyber-security incident could lead to a loss of commercially sensitive data, a loss of data integrity within our systems or loss of financial assets through fraud. A cyber-attack or serious uncured failure in our systems could result in us being unable to deliver service to our customers. As a result, we could suffer reputational loss, financial loss and penalties.	<b>Mitigation</b> <ul style="list-style-type: none"> <li>➢ Robust and well-protected data centres with multiple data links to protect against the risk of failure.</li> <li>➢ Detailed business recovery plans which are tested periodically.</li> <li>➢ 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 the primary site.</li> <li>➢ Use of antivirus and malware software, firewalls, email scanning and internet monitoring as an integral part of our security plan.</li> <li>➢ Continued focus on development of IT strategy taking advantage of cloud technology available.</li> </ul>	<b>Change</b> Our business continuity plans were reviewed and updated during the year and our disaster recovery plans are tested regularly.	<b>Strategic priority</b> 

# Principal risks and uncertainties continued

PEOPLE			→
<p><b>Potential impact</b> 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.</p>	<p><b>Mitigation</b></p> <ul style="list-style-type: none"> <li>➢ Provide well-structured and competitive reward and benefit packages that ensure our ability to attract and retain the employees we need.</li> <li>➢ 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.</li> <li>➢ Invest in training and career development opportunities for our people to support them in their careers.</li> <li>➢ Ensure succession plans are in place and reviewed regularly which meet the ongoing needs of the Group.</li> </ul>	<p><b>Change</b> Our compensation and incentive programmes have continued to evolve to reflect market conditions and the economic environment.  Staff turnover was at a similar level to the prior year as our well-trained, knowledgeable staff have become targets for our competitors.  We continue to invest in training and career development with over 250 courses offered across both businesses.</p>	<b>Strategic priority</b>  
HEALTH AND SAFETY			→
<p><b>Potential impact</b> 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.</p>	<p><b>Mitigation</b></p> <ul style="list-style-type: none"> <li>➢ 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.</li> <li>➢ Induction and training programmes reinforce health and safety policies.</li> <li>➢ Programmes to support our customers exercising their responsibility to their own workforces when using our equipment.</li> <li>➢ Maintain appropriate insurance coverage. Further details are provided on page 44.</li> </ul>	<p><b>Change</b> In terms of reportable incidents, the RIDDOR reportable rate was 0.33 (2017: 0.32) in Sunbelt US, 0.08 (2017: nil) in Sunbelt Canada and 0.22 (2017: 0.20) in A-Plant.</p>	<b>Strategic priority</b> 
ENVIRONMENTAL			→
<p><b>Potential impact</b> We need to comply with the numerous laws governing environmental protection matters. 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.</p>	<p><b>Mitigation</b></p> <ul style="list-style-type: none"> <li>➢ Policies and procedures in place at all our stores regarding the need to adhere to local laws and regulations.</li> <li>➢ Procurement policies reflect the need for the latest available emissions management and fuel efficiency tools in our fleet.</li> <li>➢ Monitoring and reporting of carbon emissions.</li> </ul>	<p><b>Change</b> 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 2017/18 we reduced our carbon emission intensity ratio to 72 (2017: 79) in Sunbelt US and 74 (2017: 80) in A-Plant. Following the acquisition of CRS, Sunbelt Canada's carbon emission intensity ratio was 67. Further detail is provided on pages 59 and 60.</p>	<b>Strategic priority</b> 
LAWS AND REGULATIONS			→
<p><b>Potential impact</b> Failure to comply with the frequently changing regulatory environment could result in reputational damage or financial penalty.</p>	<p><b>Mitigation</b></p> <ul style="list-style-type: none"> <li>➢ Maintaining a legal function to oversee management of these risks and to achieve compliance with relevant legislation.</li> <li>➢ Group-wide ethics policy and whistle-blowing arrangements.</li> <li>➢ Evolving policies and practices to take account of changes in legal obligations.</li> <li>➢ Training and induction programmes ensure our staff receive appropriate training and briefing on the relevant policies.</li> </ul>	<p><b>Change</b> 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 74.  During the year over 2,700 people in Sunbelt US, 300 people in Canada and 750 people in A-Plant underwent induction training and additional training programmes were undertaken in safety.</p>	<b>Strategic priority</b> 

## 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 2021. 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 cyclical nature of the business, 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 and overall debt levels. 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.

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 2021.

# Financial review

## Our financial performance

	Revenue		EBITDA		Operating profit	
	2018	2017	2018	2017	2018	2017
Sunbelt US in \$m	<b>4,153.1</b>	3,525.4	<b>2,062.9</b>	1,745.5	<b>1,293.4</b>	1,081.1
Sunbelt Canada in C\$M	<b>223.4</b>	76.7	<b>68.1</b>	30.5	<b>28.4</b>	9.7
Sunbelt US in £m	<b>3,103.7</b>	2,723.6	<b>1,541.7</b>	1,348.5	<b>966.6</b>	835.2
A-Plant	<b>471.7</b>	418.2	<b>167.3</b>	152.8	<b>70.2</b>	71.6
Sunbelt Canada in £m	<b>130.6</b>	45.0	<b>39.9</b>	17.9	<b>16.6</b>	5.7
Group central costs	<b>-</b>	-	<b>(15.8)</b>	(14.8)	<b>(15.9)</b>	(14.9)
	<b>3,706.0</b>	3,186.8	<b>1,733.1</b>	1,504.4	<b>1,037.5</b>	897.6
Net financing costs					<b>(110.2)</b>	(104.2)
<b>Profit before amortisation, exceptional items and tax</b>					<b>927.3</b>	793.4
Amortisation					<b>(43.5)</b>	(28.3)
Exceptional items					<b>(21.7)</b>	-
Profit before taxation					<b>862.1</b>	765.1
Taxation					<b>106.7</b>	(264.1)
Profit attributable to equity holders of the Company					<b>968.8</b>	501.0
<b>Margins</b>						
Sunbelt US	<b>49.7%</b>	49.5%	<b>31.1%</b>	30.7%		
A-Plant	<b>35.5%</b>	36.5%	<b>14.9%</b>	17.1%		
Sunbelt Canada	<b>30.5%</b>	39.7%	<b>12.7%</b>	12.7%		
Group	<b>46.8%</b>	47.2%	<b>28.0%</b>	28.2%		

### TRADING RESULTS<sup>1</sup>

Group revenue for the year increased 16% to £3,706m (2017: £3,187m) with strong growth in each of our markets.

This revenue growth, combined with our focus on drop-through, generated underlying profit before tax of £927m (2017: £793m).

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%, 13% and 152% rental only revenue growth respectively. The significant growth in Sunbelt Canada reflects 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 below.

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 62 new stores in the US in the year, around half of which were specialty locations.

Rental only revenue growth was 20% in strong end markets. This growth was driven by increased fleet on rent, with yield flat year-over-year. Sunbelt US has made a significant contribution to the clean-up efforts following hurricanes Harvey, Irma and Maria. While it is difficult to assess the overall revenue impact of these

efforts, we estimate that these events resulted in incremental total rental revenue in the year of c. \$100m. Average physical utilisation for the year was 72% (2017: 71%). Sunbelt US's total revenue, including new and used equipment, merchandise and consumable sales, increased 18% to \$4,153m (2017: \$3,525m).

A-Plant generated rental only revenue of £344m, up 13% on the prior year (2017: £304m). This was driven by increased fleet on rent, partially offset by yield. The adverse yield reflects a combination of product mix and rate pressure in the competitive UK market. A-Plant's total revenue increased 13% to £472m (2017: £418m).

The acquisition of CRS in August 2017 more than doubled the size of the Sunbelt Canada business. The underlying business performed strongly with rental revenue growth of 20% and, with the addition of CRS, Sunbelt Canada generated revenue of C\$223m (2017: C\$77m) in the year.

	\$m
2017 rental only revenue	2,582
Organic (same-stores and greenfields)	+15% 386
Bolt-ons since 1 May 2016	+5% 123
2018 rental only revenue	+20% 3,091
Ancillary revenue	+22% 796
2018 rental revenue	+20% 3,887
Sales revenue	-9% 266
2018 total revenue	+18% 4,153

<sup>1</sup> 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 137.

We continue to focus on operational efficiency and improving margins. In Sunbelt US, 50% 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 greenfield openings and acquisitions. This resulted in an EBITDA margin of 50% (2017: 50%) and contributed to a 20% increase in operating profit to \$1,293m (2017: \$1,081m).

A-Plant's drop-through of 36% reflects its greater proportion specialty of businesses and ongoing integration of recent acquisitions. This contributed to an EBITDA margin of 35% (2017: 37%) and an operating profit of £70m (2017: £72m), representing a good performance in a competitive market.

Reflecting the strong performance of the divisions, Group underlying operating profit increased 16% to £1,037m (2017: £898m). Net financing costs increased to £110m (2017: £104m) reflecting higher average debt levels. As a result, Group profit before amortisation of intangibles, exceptional items and taxation was £927m (2017: £793m).

Exceptional net financing costs of £22m (including cash costs of £25m) related to the redemption of our \$900m 6.5% senior secured notes in August 2017. After the net exceptional charge of £22m (2017: £nil) and amortisation of £43m (2017: £28m), statutory profit before tax was £862m (2017: £765m).

## TAXATION

### Tax charge for the year

The underlying tax charge for the year was £295m (2017: £273m), representing an effective rate of 32% (2017: 34%) of underlying pre-tax profit of £927m (2017: £793m). The reduction in the Group's underlying tax charge from 34% to 32%

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 10%. This reflects the lower federal tax rate in the US from 1 January 2018 and full expensing of capital expenditure from 27 September 2017.

The exceptional tax credit of £401m consists principally of a credit of £402m arising from the remeasurement of the Group's US deferred tax liabilities at the newly-enacted US federal tax rate of 21% rather than the historical rate of 35%. After the effect of exceptional items and amortisation, the reported tax credit was £107m (2017: charge of £264m).

### 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.

In October 2017, the European Commission opened a state aid investigation into the Group Financing Exemption in the UK controlled foreign company legislation. 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 preliminary findings of the European Commission's investigations into the UK legislation are upheld, we have estimated the Group's maximum potential liability to be £28m as at 30 April 2018. 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 22% to 127.5p (2017: 104.3p) and basic earnings per share increased to 195.3p (2017: 100.5p). 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 2018 was 24% (2017: 22%). In the UK, return on investment (excluding goodwill and intangible assets) was 11% (2017: 13%). In Canada, return on investment (excluding goodwill and intangible assets) was 11% (2017: 6%). For the Group as a whole, return on investment (including goodwill and intangible assets) was 18% (2017: 17%).

### CURRENT TRADING AND OUTLOOK

All our divisions continue to perform well in supportive end markets. Thus, with a strong balance sheet to support our plans, the Board continues to look to the medium term with confidence.

# Financial review continued

## 01 CAPITAL EXPENDITURE

	2018	2017		
	Replacement	Growth	Total	Total
Sunbelt US in \$m	<b>346.6</b>	<b>921.2</b>	<b>1,267.8</b>	1,039.1
Sunbelt Canada in C\$m	<b>21.2</b>	<b>55.0</b>	<b>76.2</b>	33.5
Sunbelt US in £m	<b>251.6</b>	<b>668.8</b>	<b>920.4</b>	803.2
A-Plant	<b>76.6</b>	<b>60.3</b>	<b>136.9</b>	164.1
Sunbelt Canada in £m	<b>12.0</b>	<b>31.1</b>	<b>43.1</b>	15.9
Total rental equipment	<b>340.2</b>	<b>760.2</b>	<b>1,100.4</b>	983.2
Delivery vehicles, property improvements and IT equipment			<b>138.3</b>	102.4
Total additions			<b>1,238.7</b>	1,085.6

## 02 FLEET SIZE AND UTILISATION

	Rental fleet at original cost			LTM rental revenue	LTM dollar utilisation	LTM physical utilisation
	30 April 2018	30 April 2017	LTM average			
Sunbelt US in \$m	<b>7,552</b>	6,439	7,061	3,887	55%	72%
Sunbelt Canada in C\$m	<b>394</b>	167	310	185	60%	n/a
Sunbelt US in £m	<b>5,482</b>	4,977	5,277	2,905	55%	72%
A-Plant	<b>862</b>	774	846	405	48%	68%
Sunbelt Canada in £m	<b>223</b>	95	182	108	60%	n/a
	<b>6,567</b>	5,846	6,305	3,418		

### BALANCE SHEET

#### Fixed assets

Capital expenditure in the year totalled £1,239m (2017: £1,086m) with £1,100m invested in the rental fleet (2017: £983m). 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, \$921m of rental equipment capital expenditure was spent on growth while, with a lower replacement need, only \$347m 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 2018 was 32 months (2017: 29 months) on a net book value basis. Sunbelt US's fleet had an average age of 32 months (2017: 29 months), A-Plant's fleet had an average age of 32 months (2017: 29 months) and Sunbelt Canada's fleet had an average age of 28 months (2017: 20 months).

Dollar utilisation was 55% at Sunbelt US (2017: 54%), 48% at A-Plant (2017: 51%) and 60% at Sunbelt Canada (2017: 40%). The Sunbelt US dollar utilisation is ahead of where it was a year ago as the drag effect of yield and the increased cost of fleet moderates. The lower A-Plant dollar utilisation reflects the adverse yield effect while Sunbelt Canada has benefitted from the acquisition of CRS. Physical utilisation at Sunbelt US was 72% (2017: 71%) and 68% at A-Plant (2017: 69%).

#### Trade receivables

Receivable days at 30 April 2018 were 50 days (2017: 50 days). The bad debt charge for the last 12 months ended 30 April 2018 as a percentage of total turnover was 0.6% (2017: 0.8%). Trade receivables at 30 April 2018 of £556m (2017: £506m) are stated net of allowances for bad debts and credit notes of £43m (2017: £38m) with the allowance representing 7.2% (2017: 7.1%) of gross receivables.

#### Trade and other payables

Group payable days were 57 days in 2018 (2017: 69 days) with capital expenditure related payables, which have longer payment terms, totalling £269m (2017: £237m). 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 £60m (2017: £48m) 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.

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 \$1m in relation to general liability claims and \$1.5m for 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 £13m (2017: £13m). Amongst these, the Group has one defined benefit pension plan which covers

### 03 CASH FLOW

	Year to 30 April	
	2018 £m	2017 £m
<b>EBITDA before exceptional items</b>	<b>1,733.1</b>	1,504.4
<b>Cash inflow from operations before exceptional items and changes in rental equipment</b>	<b>1,681.2</b>	1,444.2
Cash conversion ratio <sup>1</sup>	<b>97.0%</b>	96.0%
Replacement rental capital expenditure	(375.8)	(413.9)
Payments for non-rental capital expenditure	(141.2)	(112.8)
Rental equipment disposal proceeds	151.8	153.4
Other property, plant and equipment disposal proceeds	8.9	7.4
Tax (net)	(97.6)	(49.5)
Financing costs	(110.0)	(101.5)
<b>Cash inflow before growth capex and payment of exceptional costs</b>	<b>1,117.3</b>	927.3
Growth rental capital expenditure	(705.9)	(607.9)
Exceptional costs	(25.2)	-
<b>Free cash flow</b>	<b>386.2</b>	319.4
Business acquisitions	(359.0)	(421.1)
<b>Total cash generated/(absorbed)</b>	<b>27.2</b>	(101.7)
Dividends	(140.5)	(116.1)
Purchase of own shares by the Company	(158.2)	(48.0)
Purchase of own shares by the ESOT	(10.2)	(7.2)
<b>Increase in net debt due to cash flow</b>	<b>(281.7)</b>	(273.0)

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

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 £4m in surplus at 30 April 2018 (2017: £4m in deficit). The investment return on plan assets was £3m better than the expected return and there was an actuarial gain of £6m, predominantly arising due to a higher discount rate and lower inflation assumption applied. Overall, there was a net actuarial gain of £9m 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.

#### CASH FLOW

Cash inflow from operations before payment of exceptional costs and the net investment in the rental fleet increased by 16% to £1,681m. The cash conversion ratio for the year was 97% (2017: 96%).

Total payments for capital expenditure (rental equipment, other PPE and purchased intangibles) during the year were £1,223m (2017: £1,135m). Disposal proceeds received totalled £161m (2017: £161m), giving net payments for capital expenditure of £1,062m in the year (2017: £974m). Financing costs paid totalled £110m (2017: £102m) while tax payments were £98m (2017: £49m).

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. In addition, the exceptional costs incurred 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 £1,117m (2017: £927m) 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 £386m (2017: £319m) and, after acquisition expenditure of £359m (2017: £421m), a net cash inflow of £27m (2017: outflow of £102m).

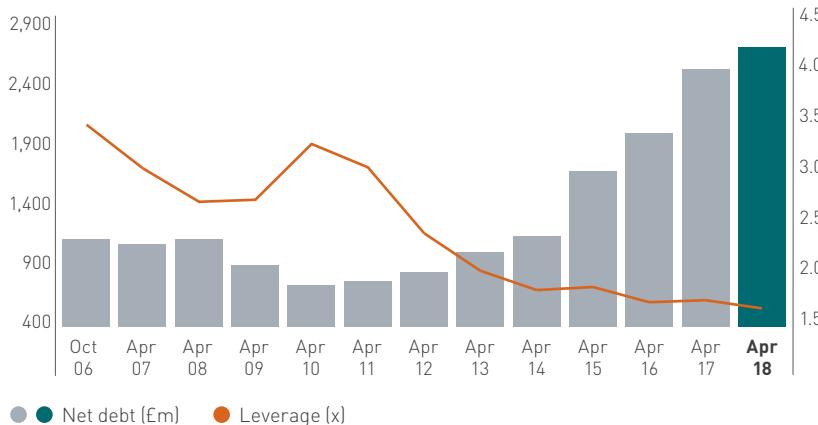
#### CAPITAL STRUCTURE AND ALLOCATION

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 2018 our average cost of capital was approximately 10%.

The Group targets leverage of 1.5 to 2 times net debt to EBITDA over the economic cycle. This range of leverage is appropriate for the business given our strong EBITDA margins, young fleet age and strong asset base. We believe that these levels of leverage are prudent and provide the Group with a high degree of flexibility and security.

# Financial review continued

## 04 NET DEBT AND LEVERAGE



In determining the level of dividend in any year, the Board considers a number of factors that influence the proposed dividend. 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 2018 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 and dividends 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 £1.6bn.

## 05 NET DEBT

	2018 £m	2017 £m
First priority senior secured bank debt	<b>1,508.5</b>	1,449.2
Finance lease obligations	<b>5.3</b>	4.4
6.5% second priority senior secured notes, due 2022	<b>—</b>	699.4
5.625% second priority senior secured notes, due 2024	<b>358.4</b>	381.0
4.125% second priority senior secured notes, due 2025	<b>429.5</b>	—
4.375% second priority senior secured notes, due 2027	<b>429.4</b>	—
 Cash and cash equivalents	 <b>2,731.1</b>	 2,534.0
Total net debt	<b>2,712.0</b>	2,527.7

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 prioritises:

- 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, balancing capital efficiency and security with financial flexibility in a cyclical business and an assessment of whether it would be accretive to shareholder value. 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.

As announced in December, we have therefore commenced a share buyback programme, of at least £500m and up to £1bn over an 18-month period, for which we will seek continued shareholder approval at the next annual general meeting. During the year we spent £161m on share buybacks (2017: £48m). 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 27.5p per share (2017: 22.75p) making 33.0p for the year (2017: 27.5p), an increase of 20%. If approved at the forthcoming annual general meeting, the final dividend will be paid on 14 September 2018 to shareholders on the register on 17 August 2018.

In greater detail, closing net debt at 30 April 2018 is shown in table 05.

The Group has arranged its financing such that, at 30 April 2018, 92% 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 2018 was £2,712m with the increase since 30 April 2017 reflecting principally the net cash outflow of £282m (2017: £273m) and exchange rate fluctuations. The Group's EBITDA for the year ended 30 April 2018 was £1,733m and the ratio of net debt to EBITDA was therefore 1.6 times at 30 April 2018 (2017: 1.7 times) on a constant currency basis and 1.6 times (2017: 1.7 times) 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 2018. The weighted average interest cost of these facilities (including non-cash amortisation of deferred debt raising costs) is approximately 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.

#### **Debt facilities**

The Group's principal debt facilities are discussed below.

#### **First priority senior secured credit facility**

At 30 April 2018, \$3.1bn was committed by our senior lenders under the asset-based senior secured revolving credit facility ('ABL facility') until July 2022 while the amount utilised was \$2,140m (including letters of credit totalling \$45m). 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 average availability according to a grid which varies from LIBOR plus 125bp to LIBOR plus 175bp. At 30 April 2018 the Group's borrowing rate was LIBOR plus 175bp.

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 \$310m. At 30 April 2018 availability under the bank facility was \$1,115m (\$1,305m at 30 April 2017), with an additional \$2,329m of suppressed availability meaning that the covenant was not measured at 30 April 2018 and is unlikely to be measured in forthcoming quarters.

As a matter of good practice, we calculate the covenant ratio each quarter. At 30 April 2018, the fixed charge ratio met the covenant requirement. Accordingly, the accounts are prepared on a going concern basis.

#### **5.625% second priority senior secured notes due 2024 having a nominal value of \$500m, 4.125% second priority senior secured notes due 2025 having a nominal value of \$600m and 4.375% second priority senior secured notes due 2027 having a nominal value of \$600m**

At 30 April 2018 the Group, through its wholly owned subsidiary Ashtead Capital, Inc., had outstanding three series of second priority senior secured notes, one with a nominal value of \$500m and two with nominal values of \$600m. The \$500m of notes carry an interest rate of 5.625% and are due on 1 October 2024, while the \$600m series of notes carry interest at rates of 4.125% and 4.375% and are due on 15 August 2025 and 15 August 2027 respectively. 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% 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 notes issued are only measured at the time new debt is raised.

#### **Minimum contracted debt commitments**

Table 06 below summarises the maturity of the Group's debt and also shows the minimum annual commitments under off balance sheet operating leases at 30 April 2018 by year of expiry.

Operating leases relate to the Group's properties.

Except for the off balance sheet operating leases described below, £33m (\$45m) of standby letters of credit issued at 30 April 2018 under the first priority senior debt facility relating to the Group's insurance programmes and £2m of performance bonds granted by Sunbelt, we have no material commitments that we could be obligated to pay in the future which are not included in the Group's consolidated balance sheet.

## **06 MINIMUM CONTRACTED DEBT COMMITMENTS**

	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	–	–	–	–	–	435.5	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
Deferred costs of raising finance	–	–	–	–	[7.2]	[16.7]	[23.9]
Cash at bank and in hand	(19.1)	–	–	–	–	–	(19.1)
Net debt	(16.4)	1.3	0.9	0.4	1,508.5	1,217.3	2,712.0
Operating leases <sup>1</sup>	76.0	65.6	55.8	47.7	38.4	114.1	397.6
Total	59.6	66.9	56.7	48.1	1,546.9	1,331.4	3,109.6

<sup>1</sup> Represents the minimum payments to which we were committed under operating leases.

# Responsible business report

## Responsibility is the backbone of our business

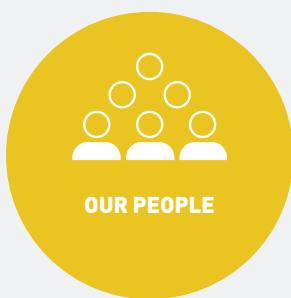
Being a responsible business is a critical component of how we work at Ashtead. Our operational mantra of delivering availability, reliability and ease is backed up by taking responsibility in everything we do.



### HEALTH AND SAFETY

- › Implementation
- › Monitoring
- › Training
- › Customers and staff

⊕ Pages 49–51



### OUR PEOPLE

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

⊕ Pages 52–56



### COMMUNITIES

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

⊕ Pages 57–58



### THE ENVIRONMENT

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

⊕ Pages 59–60

Prioritising responsibility day to day delivers 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. And then, delivering all of that every time a customer makes a new order or a new customer hears we are worth trying out.

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 and the Sunbelt board member to whom the risk, environmental, health and safety teams report;
- 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. Our group-wide ethics and entertainment policies 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;
- recruitment, development and retention plans;
- continued focus on driver training and compliance;
- adoption of General Data Protection Regulation ('GDPR') requirements;
- monitoring of health and safety statistics together with health and safety training;
- 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 the risks our people and our customers may encounter. 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 will be 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 32).

At Sunbelt our online Incident Prevention Model helps us track incidents occurring in the workplace and put in place new procedures to mitigate against those.

This year Sunbelt US had 1,434 reported incidents relative to an average workforce of 11,380 (2017: 1,327 incidents relative to an average workforce of 10,065), Sunbelt Canada had 111 incidents relative to an average workforce of 584 (2017: 36 incidents relative to an average workforce of 222) and A-Plant had 298 incidents relative to an average workforce of 3,643 (2017: 290 incidents relative to an average workforce of 3,294). 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.

Reportable accidents continue to be defined differently in the US, Canada and UK. Under the different definitions which generally result in more accidents in the US being reportable than in the UK, Sunbelt US had 187 OSHA (Occupational Safety and Health Administration) recordable accidents (2017: 161 accidents) which, relative to total employee hours worked, gave a Total Incident Rate of 1.20 (2017: 1.18). Sunbelt Canada had 15 OSHA recordable accidents (2017: 4 accidents) which, relative to total employee hours worked, gave a Total Incident Rate of 2.48 (2017: 1.65). In the UK, A-Plant had 17 RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) (2017: 14), reportable incidents which, relative to total employee hours worked, gave a RIDDOR reportable rate of 0.22 (2017: 0.20). In order to compare accident rates between the US and UK, Sunbelt also applied the RIDDOR definition to its accident population which gave a figure this year of 102 RIDDOR reportable accidents in the US and a RIDDOR reportable rate of 0.33 and one RIDDOR reportable accident in Canada and a RIDDOR reportable rate of 0.08. We remain committed to continuing to reduce these rates as much as possible.

# Responsible business report continued

## EMPLOYEE SPOTLIGHT: DIEGO ARCILA PALACIO

Diego joined Sunbelt in 2005 at the age of 18. He started as a cargo technician then held various sales roles including equipment rental specialist, outside sales representative and profit centre manager. He is now district sales manager for the South Florida district. He has many responsibilities, overseeing outside sales reps and equipment rental specialists, managing the district's key accounts, visiting major projects and upcoming projects with his team, working through bids and training his team on how to use technology to drive success. What he likes most about his job is that he's never doing the same thing. "The fact that Sunbelt empowers us to really go out there and earn our customers' business is really powerful. The company is always going to back me up, and the customer can see it. Sunbelt has been great to me and my family. Looking back on my career and seeing all that our team has accomplished, I get a huge sense of pride in that I've been able to help my team. We promote from within, which is huge. I see guys like myself move through the ranks just like me."



shared to field operations daily. Our overall goal is to recognise and address unsafe behaviours, such as speeding and harsh braking before they result in an incident. Since the DBMS was instigated we have seen a 96% decrease in on-the-road unsafe behaviours and activities. While designed to improve driving behaviour, we anticipate further 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.

Last year Sunbelt began transitioning from a paper version of drivers' logbooks to an electronic version. By switching over to the electronic drivers' log, 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 are transitioning to an electronic pre-trip inspection that will be conducted on the driver's phone. The DBMS and electronic drivers' logs are also being implemented in Canada in 2018/19.

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

At Sunbelt we conduct Safety Coordinator Bootcamps for each Safety Coordinator in the company. These training sessions ensure that each store has a representative trained in many of the best practices we measure and use.

Sunbelt has core safety processes across its stores in North America and these have recently been introduced to our newly acquired stores in Eastern Canada.

- The Near Miss Program has begun to mature and is providing more insights into our exposures across our businesses.
- Pre-Task Planning (Take 10 Program): This programme has also started to mature where we ask 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.
- Safety Committee Engagement: This programme is beginning to bear fruit as all of Sunbelt's stores now 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. This represents a change in mind-set which will take some time and continues to be our focus.

In addition, Sunbelt's senior leadership team weekly safety meetings provide more focus towards developing solutions that can be replicated across the Company.

Sunbelt and A-Plant hold an annual safety week, designed to increase awareness of the importance of safety across the business. Through a combination of presentations and workshops, key safety messages are shared with all employees. Health and safety was also an important part of our Power of Sunbelt conference that included 2,500 employees as well as suppliers and customers. You can read more about this conference on page 56.

Last year employees in the US and Canada participated in a cultural assessment to measure a specific set of factors that are predictive of performance, which gives the executive team an impartial profile of the organisation's culture and safety climate. Results indicate Sunbelt has the makings of having a world-class safety culture. The senior leadership and middle management support for safety is extremely high compared to all industries. Our focus will be at a local level where the work gets done to ensure we move from good to great.

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.

## WORK HOME SAFE

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 30% of US staff are

currently enrolled in the scheme and 37% of those are earning health miles. Members have earned \$115,000 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 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

#### 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, Ontario, British Columbia and Alberta
- Propane
- Lock out tag out
- Confined space

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.



## EMPLOYEE SPOTLIGHT: HAYDEN PANTER

Hayden joined A-Plant when GB Access was acquired in 2015. He loves his varied role looking after the external workforce, installing and managing large construction hoists. He's currently helping to demolish a huge 100-metre-high gas holder near Heathrow Airport. Two hoists are installed alongside the gas holder to enable equipment to be lifted to the top for the demolition phase. These are gradually dismantled as the gas holder itself is taken down. Once the gas holder is removed, there will be construction on the site, potentially leading to more opportunities for future work. "Being part of the wider group has brought a lot of investment, not just in equipment, but in our people, which is particularly important given our remote workforce. We've also been able to restructure our operations, being part of a bigger organisation, which has enabled us to grow and provide better levels of service. People are also learning about the often high-profile work we do such as the Shard and the Forth Rail Bridge."

# Responsible business report continued



## OUR PEOPLE

### 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 32).

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 year of employment. We increasingly find our staff targeted by competitors which, whilst a compliment, means we have to work harder to retain them.

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. 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 are adding 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. If the business has a strong brand, we keep the brand, particularly in the UK. 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.

### 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 Rentals 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. To aid in our recruitment and retention 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.
- The MIT programme is based out of our top performing stores and provides focused, hands-on training allowing the MIT graduate to easily perform their duties while on a direct path to management, with incentives for staying with Sunbelt after the programme has ended.

## EMPLOYEE SPOTLIGHT: TIFFANIE MENDEZ

Tiffanie first joined Sunbelt in 2012, left in 2013, and returned in 2015 as an outside sales rep for Pump & Power Services. In 2016 she became a regional sales manager for Pump & Power, and later a regional sales director in 2017. She has many responsibilities, overseeing sales reps in her region, managing the strategic customer representatives, customer profiling, creating partnership agreements, working through bids, and more. But the function of her job she's most passionate about is providing quality development and training for the region's sales staff, helping them understand professional selling and how to use technology to accelerate their success. "Maybe it's the mom in me, maybe I nurture to a fault, but I like the coaching aspect of my job and being able to see these really good account managers realise their potential. I enjoy helping them harness and use talents they didn't even know they had. It's all about making sure the sales reps feel empowered and the customer experience is as seamless as possible. I love Sunbelt. The leadership here is very different. The whole company is made up of humble, hardworking folks. The only way our sales teams can deliver on our core tenets is if we, the leadership, train and empower them to do that."

### **Partnership with Lone Star Community College to identify and hire top technicians**

- One of Lone Star Community College's focus areas is diesel and industrial training.
- With locations in several major metro areas, the partnership provides a broad range of candidates able to relocate in the surrounding areas.

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.

### **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 81 trainees last year and this year we will be recruiting 106 new apprentices. 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 88% completion rate compared to the industry rate of circa 70%.

### **Military recruitment**

At a more senior level, we recruit active military service members and veterans, appreciating that their experience gives candidates a sense of discipline, dedication, responsibility and a determination to do the job right the first time. These valuable skills are transferable to many of our employment positions. Sunbelt features a former



### **EMPLOYEE SPOTLIGHT: TYLER LLOYD**

Tyler Lloyd, aged 20, is a plant maintenance apprentice currently in the third year of his A-Plant apprenticeship. He works in our Newcastle service centre, attending college on a block release basis and has been described by depot manager, Tony Holland, as the absolute "model apprentice". As well as working for A-Plant, Tyler is a talented and dedicated natural bodybuilder. In fact, although he has only been bodybuilding for just four years, he was declared a British Champion in October 2017. He trains every day at 5.30am before work without fail. Tyler has a similar dedication to completing his apprenticeship at A-Plant and he has quickly earned an enviable reputation as a very mature, methodical, professional young man who is a credit to the company.

military employee as a spotlight on its Military Recruiting page on its website each month. This practice is designed to educate our own employees, but also to drive interest among retired military personnel in a career at Sunbelt. Sunbelt is a Top 50 military employer.

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:

- leadership and coaching training for front-line managers in our two-day Lead, Coach, Win training, reaching around 100 front-line managers;
- two-day Play to Win sales training for all sales reps;
- a leadership curriculum for all store managers;
- 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; and
- a Learning Management System (LMS) that delivers, tracks and manages all our training online.

# Responsible business report continued

Last year, A-Plant held over 5,833 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.

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.

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, as mentioned above, to promote good health amongst our employees. A-Plant also runs a holiday sell-back scheme as an additional benefit. This allows employees to 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.

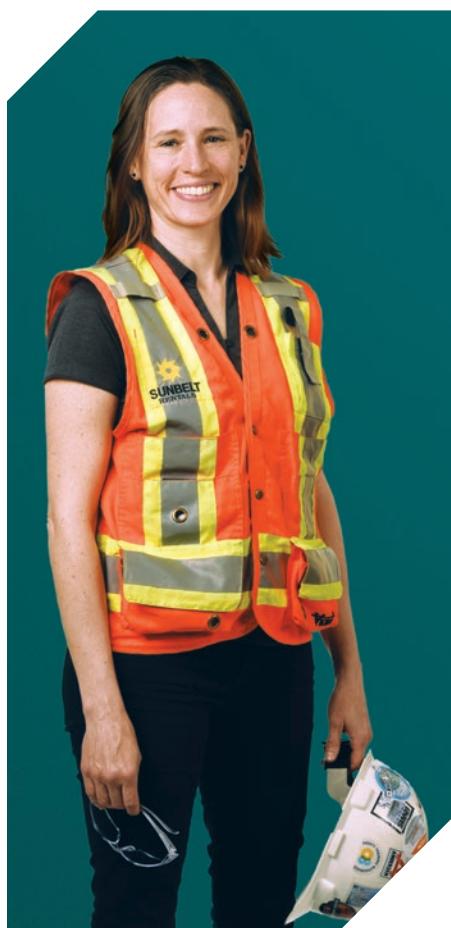
## Diversity and equal opportunities

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.

While our industry has traditionally had many more men than women, we do have women at all levels in both the US and UK including on the Board, on the senior management teams and as store managers, sales executives and apprentices. While we prioritise recruiting



## VETERAN SPOTLIGHT: MELISSA SPANGLER

Melissa is a former member of the Virginia Air National Guard and currently an outside sales representative in Seattle. Safety has always been an important cornerstone of Melissa's career. Her duties with the Air National Guard included managing safety programmes and continuing education of new safety requirements. When she was deployed to Thumrait Air Base in Oman, she supervised and assisted as an engineering technician in a multi-million-dollar taxiway construction project. Joining the team at Sunbelt was a natural transition for Melissa after serving in the military. She was eager to use her construction industry knowledge on the job at Sunbelt. "The opportunities within Sunbelt Rentals are endless, especially given the current growth path."

the best people for every role, we are working to make it easier for more women to join the organisation, particularly as we expand.

#### WORKFORCE BY GENDER

Number of employees	Male	Female	Female %
Board directors	7	2	22%
Senior management	22	1	4%
All staff	14,557	1,444	9%

#### 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' (A-Plant's e-learning portal) 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. All relevant Sunbelt employees completed the course during 2016/17 and the training module has been redeveloped for 2018/19. The training is undertaken biennially in Sunbelt.



#### THREE PEAKS CHALLENGE

A group of 30 hardy A-Plant colleagues completed the gruelling Yorkshire Three Peaks Challenge in September last year, taking on the peaks of Pen-y-ghent, Whernside and Ingleborough in under 12 hours. These peaks form part of the Pennine range and encircle the head of the valley of the river Ribble in the Yorkshire Dales National Park. The route is 24-miles long and includes 5,200ft (1,585m) of ascent. The team were raising funds for their nominated charities – Macmillan Cancer Support, Cystic Fibrosis Trust and Parkinson's UK.

In addition, our whistle-blowing procedures enable employees to raise any concerns they may have regarding anti-corruption and bribery, 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 whistle-blowing procedures which protect our employees as they go about their work and, in the UK, the Modern Slavery and Trafficking policy. 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.

#### EMPLOYEE SPOTLIGHT: GARETH MACDONALD

Gareth joined A-Plant when Mather & Stuart was acquired in 2016. He says the change from being a small privately-owned power solutions company to being part of a PLC was pretty dramatic. The financial backing of the Group has been transformational in terms of his day-to-day work. He's now heading a sales team having previously been one of a team of two. He's involved in all sorts of work that can change from one minute to the next, but he can now fulfil every order that comes in. For example, one project required powering an entire railway sidings that would have been impossible before. But now his team can deliver on that. "Working with the other divisions is incredibly good fun. Some of the projects we get involved in are quite flabbergasting really! The technology available is fantastic. We have online portals where people can log in and find out what a specific generator is doing on a specific site, for example. That's amazing for our customers."



# Responsible business report continued

## THE POWER OF SUNBELT

Our national event with over 2,500 staff members, suppliers and customers

At the end of January 2018 we held a massive internal conference in Washington DC which brought together over 2,500 attendees from across North America. The event included 170 suppliers, 149 of our staff from Canada, 612 staff from our specialty businesses and many of our customers. We had an incredible mix of staff at the conference ranging from those who have been with the Company for decades (10%), staff from newly acquired companies (11%), people who have been in their current role for less than two years (39%) and new employees (23%). Gary Sinise of the Gary Sinise Foundation that we regularly support, also came to visit and met many of our veterans.

The event was held over three days and included a variety of all-staff talks, training sessions, breakout sessions and a huge equipment exhibit for both staff and customers to learn more about all the different equipment and design solutions we have on offer. Whenever staff were not involved in a talk, study or breakout session, they were encouraged to get to grips with the equipment on offer, even getting initial training on it while at the exhibition. Many of our newer staff members, including those from newly acquired companies, were able to learn about and try out equipment they had never encountered before.

Exhibits included all of our specialty businesses as well as a special area where we showcased our emergency response capabilities. We had scaffolding exhibits, a special area where staff and customers could learn about aerial work platform regulations and product changes, and a mock-up of a building to showcase all the opportunities we have in facility maintenance once construction ends.

The event kicked off with an overview of the Canadian market to introduce our Canadian

team and demonstrate the potential of this exciting new market for Sunbelt. We had many educational sessions for staff including how to make the best use of the technology and data analysis tools we now have on offer, on leadership through coaching, on how to win, grow and defend our positions in competitive markets, how to use financial statements to fully understand and drive the business, how to lead when it comes to safety and how to improve customers' overall experience with our products, services and people. Promoting our comprehensive commitment to safety was a big part of the event, with breakout meetings and regular check-ins to remind attendees of its importance. Our safety exhibit was the first that attendees experienced as they entered the exhibition hall.

The conference highlighted the extremely powerful mix of staff we now have in our business: our experts who've been around for decades, entrepreneurs who join through acquisition and then decide to stay, and young recruits who infuse the business with new ideas to bring our tried and tested strategies to the next level. You can meet representatives from those three groups of staff below.



### THE LONG TIME EXPERT

#### JENNIFER HAINES

National Industrial Services Support Team Manager

Jennifer's been with Sunbelt for 16 years, having started out in the credit department and been able to move around the Group. She's witnessed incredible growth throughout that time and remains excited about the continued possibilities for the business as a whole and for her colleagues. She ran the Future of Sunbelt booth at the event, showing exactly how Sunbelt is moving forward in the rental industry with call-ahead ordering and online job management becoming the norm to get the job done faster. "We've come so far in 16 years but we still have the hard-core value of the customer being number one and making it happen for them. We're truly a one-stop shop. We offer everything across the board from general tool to heavy industrial."



### THE ENTREPRENEUR

#### CHRIS VAN MOOK

Senior Vice President, Sunbelt Canada

Chris joined Sunbelt Canada when it acquired his company, GWG Rentals, in 2014 and he decided to stay. He's seen enormous growth in the business since then with stores increasing from an original six to 54 this year. He likes how Sunbelt's operating platform aligns with the entrepreneurial spirit of just getting stuff done for customers, while also bringing the advantages of tried and tested best practice. He particularly likes the fact that the corporate office is seen as the support office, with business being done on the ground in each individual store. He loves the challenge of building a business and controlled, smart growth: "It's not just dots on the map but services, people, new markets, like the film industry in which we've really expanded."



### THE NEW RECRUIT

#### SAMANTHA WRIGHT

Outside Sales Representative, South Florida

Samantha joined Sunbelt in 2017 and attended the event as a sales representative, servicing jobsites in her territory of West Broward, South Florida. She loved seeing all the equipment available at the Power of Sunbelt exhibit and learning how advancing technology can transform the customer experience. For example, she attended training on how best to encourage customers to adopt CommandCenter, our online customer management portal. "The hands-on portion of the event really helped me learn, in depth, about the equipment we offer, especially the sophisticated bigger equipment like aerial/man lifts. The sensors on those are very advanced and can really help prevent injuries. Now I know exactly what we have that can help my customers day-to-day."



## 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 also 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, including sponsoring a local softball team in Dallas and various charity golf tournaments across the US. 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 we continue to support CRASH, the construction and property industry's charity for homeless people. As a Patron of the charity, A-Plant has been instrumental in delivering improved accommodation to homeless people through professional expertise, building materials and financial donations.

As part of our commitment to the Prince's Trust, Ashtead made a donation of £15,000 last year which helped young people gain access to jobs in construction, civil engineering and other sectors associated with the built environment. Ashtead forms part of the Prince's Trust Built Environment Leadership Group and donations from this group helped 800 young people move into the sector in 2017.

## GARY SINISE FOUNDATION

The Gary Sinise Foundation 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. In addition to donating a portion of rental revenue from uniquely-branded equipment to the Foundation, Sunbelt also implemented a fundraising campaign, which was backed by a company match. These combined efforts resulted in a 2017 donation of \$850,000 that directly supported the R.I.S.E. programme and allowed the Foundation to help even more deserving heroes. Through continued efforts to aid this extraordinary organisation, Sunbelt carries on its tradition of giving back to those in need.

# \$850,000

raised for the R.I.S.E. programme, helping wounded heroes and their families



**"WE ORGANISED THE MOVEMENT OF OUR EQUIPMENT ACROSS THE COUNTRY ON 1,615 TRUCKLOADS TO SUPPORT THE RECOVERY EFFORTS."**

## DISASTER RELIEF FOR CUSTOMERS, EMPLOYEES AND COMMUNITIES

2017 was a heavy year for hurricanes in the US with Harvey, Maria and Irma devastating vast swathes of the US mainland, islands and Puerto Rico. When Hurricane Harvey hit, 1,037 of our employees were impacted and 97 employees' homes had damage. Our first priority was to ensure they were safe. As soon as the first warnings of the storms were administered and within three hours of the storm names being released, we rallied our Emergency Response Team ('ERT') and implemented contingency plan agreements. First responders mapped out and set up staging areas, and coordinated support and recovery plans for the communities preparing for landfall. Before the storms hit, our team purchased fuel reserves to power equipment, organised third-party freight deliveries, and secured water and nourishment for the ERT and all employees. The ERT included 175 disaster specialists for Hurricane Harvey, and over 55 for Hurricane Irma, all of whom moved equipment and people to support first responders. In addition, they called on other employees and their families to make sure they were safe and sheltered. If families were in the path of the hurricane, the ERT found hotels to keep them from harm.

Before hurricanes make landfall, we work closely with customers to ensure seamless coordination of equipment deliveries to their impacted locations. The equipment supplied to key accounts and first responders included generators, pumps, refrigerants, desiccant dehumidifiers, light towers, forklifts, skidloaders, backhoes, chainsaws, chippers and more.

After each storm hits, the ERT and impacted store teams assess the damage including employees, their families and homes, as well as rental locations, yards and equipment. We communicate with customers who have equipment on rent and complete an evaluation of contractors with rental assets and owned equipment. The scale of damage and loss is calculated. Critical infrastructure is brought back online to ensure life support networks including hospitals and assisted living communities, and infrastructure such as roads, bridges, sewers and power and water distribution are operational again. Once these integral elements of infrastructure have been restored, our recovery focus shifts to industry and commercial businesses.

To repair and rebuild, equipment is supplied to first responders for removing waste and flood waters to open roads. This equipment includes skidsteers, grapples, tile strippers, chainsaws, chippers, dewatering pumps, generators, and light towers. Once the roads are cleared, access is gained to begin drying out residential and commercial buildings using fans and dehumidifiers, and the equipment is strategically situated to beat mould. After this, our team walks through job sites with our customers to gain specifications on what equipment is needed for more complex applications. Insurance claim contractors and adjusters then assess the state of damage. Once Federal Relief is granted, the rebuilding process begins for infrastructure, residential and commercial business in private and public sectors.

Every time a natural disaster strikes, we need to be sure we have enough gear to exceed all expectations. We are proud to have met 100% of our contingency plan commitments for Hurricanes Harvey and Irma. We organised the movement of our equipment across the country on 1,615 truckloads to support the recovery efforts.



## 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. Last year we reduced kWh and CO<sub>2</sub> per person by 1% compared with the previous year, as well as reducing water consumption with the introduction of new water recycling units. We also maintained recycling of waste rates above 94% and carried out EHS compliance follow-up visits for any profit centre scoring less than 75% in the EHS section of our performance standards audit.

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 over-arching 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, including:

- increased inventory of Tier 4 engines in our fleet and training of key staff on their impact and maintenance;
- national (non-exclusive) agreements for emergency response and waste disposal in the US;
- providing lists of required and recommended equipment to new store openings for spill prevention and clean-up supplies;
- use of telematics to monitor vehicle idling and driving efficiency with wind deflectors on remediation response trailers in the US;
- optimisation of delivery routes via our efficiency programme;
- use of tyre pressure monitors to ensure optimal fuel efficiency;
- fuel efficient tyres and tyre inflation systems to reduce rolling resistance in the US;
- increased fuel efficiency in delivery and service fleet, including through improved design;
- in the US providing environmental education reminders to field and service personnel through TechConnect newsletter delivered to their homes; and
- use of environmentally and ozone-friendly refrigerants in our cooling equipment.

# Responsible business report continued

## Greenhouse gas emissions

As we are a growing business with aggressive expansion plans, our absolute 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 (tCO<sub>2</sub>e/YEAR\*)

	2018	2017
Scope 1	<b>234,053</b>	214,078
Scope 2	<b>34,261</b>	37,048
Total	<b>268,314</b>	251,126

\* tCO<sub>2</sub>e/year defined as tonnes of CO<sub>2</sub> 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 2017, 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 2018, approximately 15% 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 (tCO<sub>2</sub>e/£m).

	2018	2017
Revenue intensity ratio	<b>72.4</b>	78.8

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 81.1 last year to 72.4 this year.

## Greener equipment

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 4 engine requirements in the US, where we can, we purchase other more environmentally efficient equipment for a wide range of different applications. 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, bio-fuel powered equipment.



### GEOFF DRABBLE

Chief executive  
18 June 2018



### MICHAEL PRATT

Finance director  
18 June 2018

# DIRECTORS' REPORT

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Ashtead is committed to maintaining high standards of corporate governance. The Board recognises that good governance is essential in assisting the business to manage its risk, deliver its strategy, generate shareholder value and safeguard shareholders' long-term interests.

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# Our Board of directors



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**1. CHRIS COLE, 72** ○△**NON-EXECUTIVE CHAIRMAN**

Chris Cole has been a director since January 2002 and was appointed as non-executive chairman in March 2007. Chris is chairman of the Nomination Committee and a member of the Finance and Administration Committee. He is non-executive chairman of WSP Global Inc., a company formed from the merger of GENIVAR Inc. and WSP Group plc. Prior to the merger he was chief executive of WSP Group plc. He is also the non-executive chairman of Tracsis plc, Redcentric plc and Applus+.

**EXECUTIVE DIRECTORS****2. GEOFF DRABBLE, 58** ○△**CHIEF EXECUTIVE**

Geoff Drabble was appointed chief executive in January 2007, having served as chief executive designate from October 2006 and as a non-executive director since April 2005. Geoff was previously an executive director of The Laird Group plc where he was responsible for its Building Products division. Prior to joining The Laird Group, he held a number of senior management positions at Black & Decker. He is a non-executive director of Howden Joinery Group Plc. Geoff is chairman of the Finance and Administration Committee and a member of the Nomination Committee.

**3. MICHAEL PRATT, 54** △**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.

**4. BRENDAN HORGAN, 44** ○△**CHIEF OPERATING OFFICER AND CHIEF EXECUTIVE, SUNBELT**

Brendan Horgan was appointed as chief executive of Sunbelt and a director in January 2011. He became Group chief operating officer in January 2018. Brendan joined Sunbelt in 1996 and has held a number of senior management positions including chief sales officer and chief operating officer. Brendan is a US citizen and lives in Charlotte, North Carolina.

**5. SAT DHAIWAL, 49** ○△**CHIEF EXECUTIVE, A-PLANT**

Sat Dhaiwal has been chief executive of A-Plant and a director since March 2002. Sat was managing director of A-Plant East, one of A-Plant's four operational regions, from May 1998 to March 2002. Before that he was an A-Plant trading director from 1995 and, prior to 1995, managed one of A-Plant's stores.

**NON-EXECUTIVE DIRECTORS****6. WAYNE EDMUNDS, 62** ◇□○**INDEPENDENT NON-EXECUTIVE DIRECTOR**

Wayne Edmunds was appointed as a non-executive director and member of the Audit Committee in February 2014 and became chairman of the Audit Committee and a member of the Remuneration and Nomination Committees with effect from 1 July 2014. Wayne is a non-executive director of BBA Aviation plc. He is also non-executive chairman of Dialight plc and a non-executive director of MSCI, Inc.. He was formerly chief executive officer of Invensys plc. Wayne is a US citizen and lives in New Jersey.

**7. TANYA FRATTO, 57** ○△**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. She is a non-executive director of Smiths Group plc, Advanced Drainage Systems Inc., Mondi Limited and Mondi plc. Tanya was formerly president and chief executive officer of Diamond Innovations. She is a US citizen and lives in Alabama.

**8. LUCINDA RICHES, 56** ◇□○**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 chairman of the Remuneration Committee and member of the Audit Committee in September 2016. Lucinda is a non-executive director of CRH plc, Diverse Income Trust plc and ICG Enterprise Trust plc. She is also a non-executive director of The British Standards Institution and UK Financial Investments Limited. Lucinda was formerly global head of Equity Capital Markets and a member of the board of UBS Investment Bank.

**9. IAN SUTCLIFFE, 58** ◇□○**INDEPENDENT NON-EXECUTIVE DIRECTOR**

Ian Sutcliffe was appointed as a non-executive director and member of the Audit, Nomination and Remuneration Committees in September 2010 and became the senior independent non-executive director with effect from 1 July 2014. Ian is the chief executive of Countryside Properties plc. He was formerly chief executive officer of Keepmoat and managing director, UK Property, at Segro plc. Prior to joining Segro he held senior executive positions with Taylor Wimpey plc and Royal Dutch Shell plc.

**KEY**

- ◇ Audit Committee
- Remuneration Committee
- Nomination Committee
- △ Finance and Administration Committee

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

⊕ Pages 76–93

# Corporate governance report



CHRIS COLE CHAIRMAN

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. 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 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 assisting the business to deliver its strategy, generate shareholder value and safeguard shareholders' long-term interests.

As chairman, it is my role to ensure that the governance regime remains appropriately robust and that the Board operates effectively. I am pleased to introduce the Corporate governance report for 2017/18. 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, geographical experience relevant to our business and gender. I believe the Board is appropriately balanced in terms of diversity with a good mix of specialist skills and market expertise.

Board composition has been a key area of focus during the year as we have devoted significant time and effort to succession planning and renewal of the Board. As part of this planning, Brendan Horgan was appointed as Group chief operating officer in January 2018 to work alongside Geoff Drabble on the operational and strategic development of the Group in addition to his responsibility of running Sunbelt and will succeed Geoff as Group chief executive. In addition, Michael Pratt was appointed to the Board as finance director in April 2018, succeeding Suzanne Wood.

In 2018/19, two further changes to the Board will occur with Sat Dhaiwal retiring from the Company on 31 July 2018 and as I step down as your chairman at the AGM in September. The Group is well advanced in its search for a new chairman and an announcement will be made in due course.

### COMPOSITION

Members	Board member	Meetings since attended
Chris Cole (Chair)	Jan 2002	6/6
Sat Dhaiwal	Mar 2002	5/6
Geoff Drabble	Apr 2005	6/6
Wayne Edmunds	Jul 2014	6/6
Brendan Horgan	Jan 2011	6/6
Michael Pratt	Apr 2018	1/1 <sup>1</sup>
Lucinda Riches	Jun 2016	6/6
Ian Sutcliffe	Sep 2010	6/6
Suzanne Wood	Jul 2012	5/5 <sup>2</sup>

<sup>1</sup> Michael Pratt was appointed to the Board as finance director in April 2018.

<sup>2</sup> Suzanne Wood stepped down as finance director in March 2018 but attended all Board meetings held prior to this date.

### Areas of Board focus

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

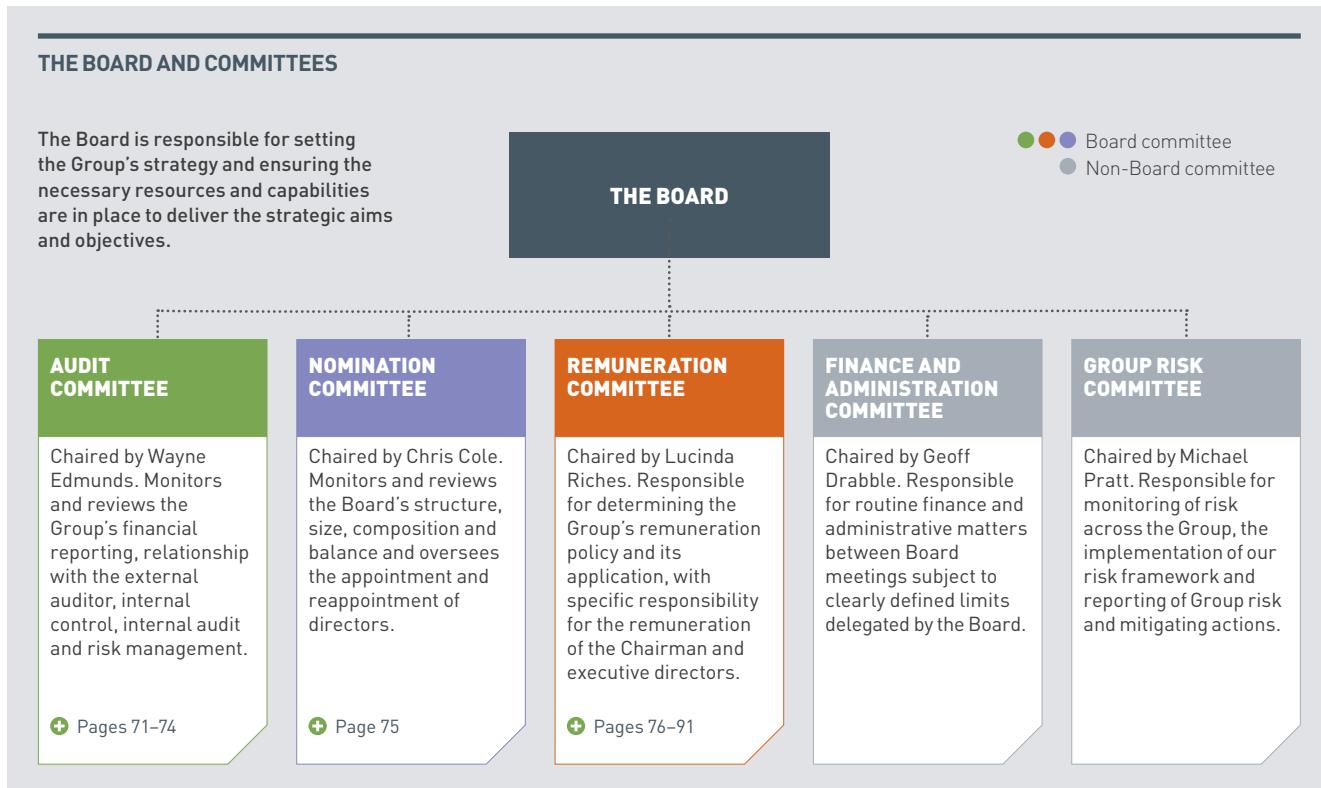
- the efficacy of our strategy and the degree to which it remains appropriate in light of market developments, acquisitions opportunities and longer-term objectives;
- the effectiveness of our capital structure and capital allocation priorities;
- evaluating our robust operating model and structure to 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](http://www.frc.org.uk), and I can confirm this report provides a fair, balanced and understandable view of the Group's position and prospects.

CHRIS COLE

Chairman



## LEADERSHIP

The Company is led by an effective Board which is collectively responsible 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 shareholders' 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 one 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 chairman 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 chairman) 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 non-executive director, also meet at least annually in the absence of the chairman 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.

## 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 annual budget;
- approval of the issue of shares and debentures;
- the setting of dividend policy; and
- the buyback of shares.

# Corporate governance report continued

## 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 71 to 75 and the Remuneration Committee in the report on pages 76 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 Chris Cole, Geoff Drabble (chairman) 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 chairman, including, for example, the approval of material announcements to the London Stock Exchange.

## Summary of the Board's work during the year

During the year, the Board considered all matters reserved to the Board for decision. At each board meeting, the Board received:

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

In addition, the Board focused in particular on the following matters shown below during the course of the year.

### 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 chairman 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 chairman, the chief executive, the chief operating officer and executive head of Sunbelt, the finance director, the executive head of A-Plant, the senior independent non-executive director and three other independent non-executive directors. Short biographies of the directors are given on page 63.

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

## ACTIVITIES AND DISCUSSIONS AT BOARD MEETINGS

Board meeting	Activities and discussion	
June 2017	<ul style="list-style-type: none"><li>- Review and approval of the Group's refinancing</li><li>- Review of the work of the Group's Risk Committee</li><li>- Review and approval of the Group's risk register</li><li>- Review of the recommendations of the Remuneration Committee</li><li>- Review and approval of the Group's dividend</li></ul>	<ul style="list-style-type: none"><li>- Reviewed draft final results announcement and Annual Report &amp; Accounts, including considering advice from the Audit Committee</li><li>- Approved a sub-committee of the Board to deal with matters relating to the Group's Annual Report &amp; Accounts 2017</li><li>- Approval of the Group's AGM resolutions</li><li>- Review of M&amp;A opportunities, including CRS Contractors Rental Supply Limited Partnership</li></ul>
September 2017	<ul style="list-style-type: none"><li>- Review of the draft first quarter results announcement</li><li>- Review of strategy relating to greenfield and M&amp;A growth opportunities</li></ul>	
October 2017	<ul style="list-style-type: none"><li>- Received presentations from Sunbelt and A-Plant regarding business performance and reviewed the Group's strategy, including a review of M&amp;A opportunities</li></ul>	<ul style="list-style-type: none"><li>- Discussion of the Group's succession plan ensuring consideration of the Board's composition and diversity to best support the ongoing development of the Group</li></ul>
December 2017	<ul style="list-style-type: none"><li>- Review and approval of the Group's share buyback programme of £500m and up to £1bn over the next 18 months</li><li>- Review of the draft interim results announcement and recommendation with regard to the rate of the interim dividend</li></ul>	<ul style="list-style-type: none"><li>- Discussion of the Group's succession plan</li><li>- Review of M&amp;A opportunities</li></ul>
March 2018	<ul style="list-style-type: none"><li>- Review of the draft third quarter results announcement</li><li>- Review of M&amp;A opportunities</li></ul>	
April 2018	<ul style="list-style-type: none"><li>- Review and approval of the 2018/19 budget and three year plan</li></ul>	<ul style="list-style-type: none"><li>- Review of M&amp;A opportunities</li></ul>

## BOARD COMPOSITION AND ROLES

Chairman	Chris Cole	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	Geoff Drabble	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.
Chief operating officer	Brendan Horgan	Responsible for the day-to-day running of Sunbelt and supports the chief executive in the operational and strategic development of the wider Group.
Chief executive, A-Plant	Sat Dhaiwal	Responsible for the day-to-day running of A-Plant.
Independent non-executive directors	Wayne Edmunds Tanya Fratto Lucinda Riches	Provide a constructive contribution to the Board by providing objective challenge and critique for executive management and insights drawn from their broad experience.
Senior independent director	Ian Sutcliffe	Available to shareholders, if they have reason for concern that contact through the normal channels of chairman or chief executive has failed to resolve.

recognising the benefits of diversity on the Board, including gender. Further details are given in the Nomination Committee report on page 75.

### 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)



- Chris Cole
- Wayne Edmunds
- Tanya Fratto
- Lucinda Riches
- Ian Sutcliffe



## BOARD ACTIVITY

### Acquisition of CRS Contractors Rental Supply Limited Partnership

The Board regularly reviews potential acquisition opportunities within each of our markets and monitors the status of acquisition targets which have been identified. During the year, the Board began considering the opportunity to acquire CRS Contractors Rental Supply Limited Partnership ('CRS') which would mean doubling the size of our Canadian business and would secure entry into Ontario.

Specifically, the Board considered the strategic rationale for the acquisition and whether it was more appropriate to enter the Ontario market by way of bolt-on acquisition or greenfield investment. Further discussions were held regarding the market opportunity, acquisition opportunities and risks, how the business would be incorporated into the Sunbelt business and funding required for the acquisition.

Between Board meetings, the chief executive and senior management kept the Board informed of developments.

In July 2017, the Board approved the recommendation that the Group should acquire CRS, with the acquisition completed on 1 August 2017.

# Corporate governance report continued

## 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 chairman, 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 evaluation conducted 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.

The 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 further enhance the effectiveness of the Board in the future

with the key matters summarised in the table on page 69 together with the progress made against those actions.

In the current year, the non-executive directors (including the chairman) have met in the absence of the executive directors to discuss and appraise the performance of the Board as a whole, including its sub-committees, and the performance of the executive directors. In accordance with the Code, the non-executive directors, led by the senior independent non-executive director, also meet at least annually in the absence of the chairman to discuss and appraise his performance.

## Election of directors

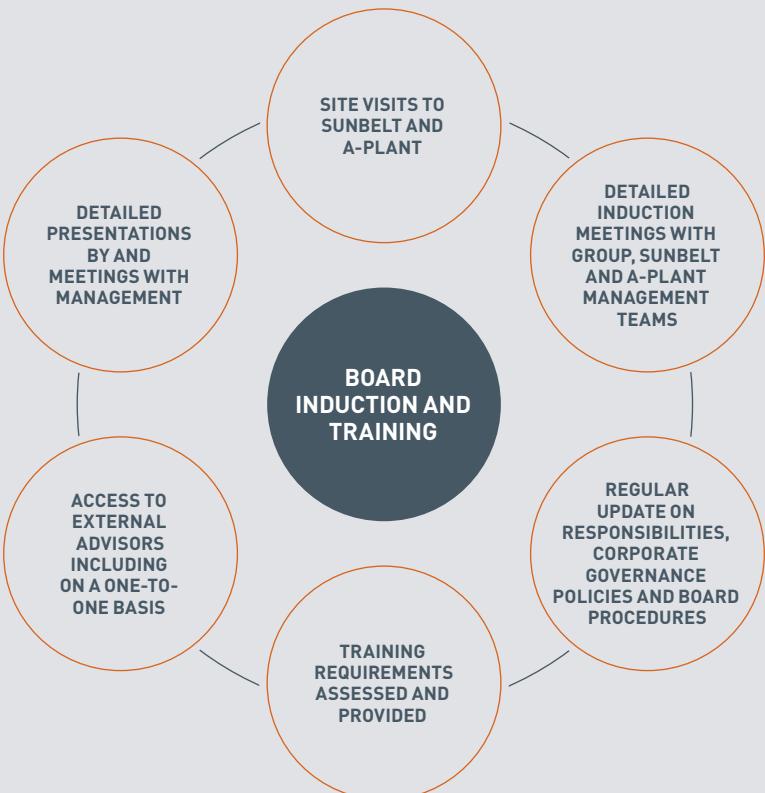
Michael Pratt will offer himself for election at this year's AGM. All other directors will retire at this year's AGM and will offer themselves for re-election in accordance with the Code save that Sat Dhaiwal who will retire from the Board on 31 July 2018 and Chris Cole who will step down at the AGM.

## DEVELOPMENT AND TRAINING

All newly appointed directors undertake an induction to all parts of the Group's business. This includes visits to both the Sunbelt and A-Plant businesses and meetings with their management teams.

The company secretary also provides directors with an overview of their responsibilities as directors, corporate governance policies and Board policies and procedures.

The chairman and chief executive assess regularly the development needs of the Board as a whole with the intention of identifying any additional training requirements.



## 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.	<ul style="list-style-type: none"> <li>- Succession planning is constantly on the Board agenda to ensure the Group's needs are met.</li> <li>- The success of the Group's long-term succession planning has been illustrated in the year through the appointment of Brendan Horgan as chief operating officer, Michael Pratt replacing Suzanne Wood as finance director and Richard Thomas replacing Sat Dhaiwal as A-Plant chief executive.</li> </ul>
To continue to ensure the Board remains close to the business as it grows, confirming the right risk oversight and control is maintained.	<ul style="list-style-type: none"> <li>- 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.</li> <li>- 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.</li> </ul>

## 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 38 to 40, 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 2018, which was then presented to, discussed and endorsed by the Audit Committee on 8 May 2018 and the Group Board on 13 June 2018.

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 74, 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 2017 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 71 to 74 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 76 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.

# Corporate governance report continued

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 meetings, presentations, conferences and ad hoc events. During the year, senior management conducted over 420 meetings and calls and attended four conferences, with investors in the UK, US and the rest of Europe. In April 2018, the Company held a capital markets presentation and site visit in New York which was well attended by both analysts and investors.

The chairman 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](http://www.ashtead-group.com). Shareholders and other interested parties can subscribe to receive these news updates by e-mail 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 2018 AGM will be held in London on Tuesday, 11 September 2018. 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.

Resolutions at the 2018 AGM will be voted on by a show of hands. Following each vote, the results will be announced to the meeting and then announced to the London Stock Exchange and published on the Company's corporate website as soon as practicable after the meeting. Notice of the AGM will be sent to shareholders at least 20 working days before the meeting.

## INVESTOR ENGAGEMENT

Month	Event
June 2017	<ul style="list-style-type: none"><li>- Preliminary results announcement</li><li>- Bondholder results call</li><li>- Investor roadshow (UK and US) following the preliminary results announcement</li></ul>
September 2017	<ul style="list-style-type: none"><li>- First quarter results announcement</li><li>- Bondholder results call</li><li>- AGM</li><li>- Investor roadshow (UK and US) following first quarter results announcement</li></ul>
October 2017	<ul style="list-style-type: none"><li>- Investor roadshow (Germany)</li></ul>
December 2017	<ul style="list-style-type: none"><li>- Interim results announcement</li><li>- Bondholder results call</li><li>- Investor roadshow (UK) following interim results announcement</li></ul>
January 2018	<ul style="list-style-type: none"><li>- Investor roadshow (UK and US) following interim results announcement</li><li>- Conference calls and meetings with investors following interim results announcement</li></ul>
March 2018	<ul style="list-style-type: none"><li>- Third quarter results announcement</li><li>- Bondholder results call</li><li>- Conference calls and meetings with investors following third quarter results announcement</li><li>- Broker conferences in UK and US</li></ul>
April 2018	<ul style="list-style-type: none"><li>- Capital markets presentation and site visit in New York</li></ul>

## 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 critical to the Group and therefore 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 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
- 'Power of Sunbelt'/A-Plant employee events

Further details are provided within the Responsible business report on page 52.

### STRATEGIC PARTNERS & 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 57.

# Corporate governance report

## Audit Committee report



**WAYNE EDMUNDS** CHAIRMAN OF THE AUDIT COMMITTEE

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 WAYNE EDMUNDIS, AUDIT COMMITTEE CHAIRMAN

I am pleased to introduce the report of the Audit Committee for 2017/18. The Committee assists the Board in discharging its responsibility for oversight and monitoring of financial reporting, risk management and internal control. As chairman 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.

**WAYNE EDMUNDIS**  
Chairman of the Audit Committee

### COMPOSITION

Members	Committee member since	Meetings attended
Wayne Edmunds [Chair]	Jul 2014	5/5
Lucinda Riches	Jun 2016	5/5
Ian Sutcliffe	Sep 2010	5/5

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 chairman of the Audit Committee, Wayne Edmunds has recent and relevant financial experience, having held a number of senior international finance roles. Details of the experience of each member of the Audit Committee is provided on page 63.

Eric Watkins is secretary to the Committee. Chris Cole, Geoff Drabble, Michael Pratt, and the Group's director of financial reporting generally attend meetings by invitation. In addition, the Group's external audit partner attends the Committee meetings.

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

# Corporate governance report continued

## Audit Committee report continued

### 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 and reports formally at three of these meetings.

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.

### 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 auditors. The key areas reviewed in the current year are set out below.

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

- following the acquisition of Pride Equipment Corporation in March 2017, we reassessed our approach to the valuation of assets and liability acquired, including intangible assets, to ensure

### KEY AREAS REVIEWED

Key area	Response	Audit Committee conclusion
<b>Carrying value of rental fleet</b> The carrying value of the Group's rental fleet of £4,430m [2017: £4,093m] makes up 66% [2017: 67%] 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.
<b>Going concern and refinancing</b> 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 to redeem 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.
<b>Goodwill impairment review</b> 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 2018 is £883m [2017: £798m].	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 in light of changes 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.

that our approach remains in line with market practice. The Committee also assessed the accounting judgements applied to each of the Group's acquisitions;

- the impact on the Group's segmental reporting and whether it remained appropriate to report the Group's North American businesses as a single operating segment following the acquisition of CRS in August 2017. The Committee concluded that whilst Sunbelt Canada remains significantly less than 10% of the Group, separate disclosure provides greater clarity as to the operating performance in each territory and aligns with other reporting by the Group;
- the impact and disclosure of the US Tax Cuts and Jobs Act of 2017 which was enacted in December 2017 and, amongst other things, reduced the US federal tax rate from 35% to 21%. The Committee concluded that the impact was appropriately disclosed as exceptional so as to highlight the one-off impact in the year of the change in tax rate;

- the impact of the upcoming accounting standard changes of IFRS 9, Financial Instruments, IFRS 15, Revenue from Contracts with Customers and IFRS 16, Leases. In relation to IFRS 9 and IFRS 15, the Committee concluded that whilst some additional disclosures are required, there is no impact from the adoption of these standards. IFRS 16 will be effective for the financial year beginning 1 May 2019 and will have a material impact on the Group's assets and liabilities as leases are capitalised, as well as an increase in EBITDA offset by a decrease in depreciation and an increase in financial charges. Further details are set out in the financial statements;
- the guidance issued by the European Securities and Markets Authority and the Financial Reporting Council ('FRC') with respect to alternative performance measures to ensure our disclosures were in line with the new guidance. Additional disclosure has been included within our quarter end announcements and this Annual Report;

- the impact of the EU Non-Financial Reporting Directive to ensure that new reporting requirements were appropriately reflected in the Group's 2018 Annual Report; and
- the matters raised in and management's proposed response to a letter received from the FRC in March 2018 in relation to a review undertaken of the Group's 2016/17 annual report. The matters raised by the FRC related to critical judgements and estimates and the accounting for the Group's insurance arrangements. The Group's correspondence with the FRC was closed satisfactorily with agreement on enhanced disclosure.

## EXTERNAL AUDIT

### External audit effectiveness

The Committee conducted an assessment of the effectiveness of the audit of the 2018 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.

Overall, the feedback received was positive supported by an appropriate focus on principal risk with the audit work completed in a rigorous and sceptical manner whilst ensuring good staff continuity. As such, the Committee is satisfied that the audit process and strategy for the audit of the 2018 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 2018, taken as a whole, are fair, balanced and understandable 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 private 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 2018 are representative of the Group and its performance during the year and that the Annual Report & Accounts 2018 present a fair, balanced and understandable overview.

# Corporate governance report continued

## Audit Committee report continued

### **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. As the lead audit partner, Ed Hanson, will have held the position for five years at the completion of the 2018 audit, a new lead audit partner has been selected and will be appointed for the 2019 audit. During the current year, the Audit Committee has overseen the selection of the replacement lead audit partner well in advance of the year end, enabling him to shadow Ed Hanson during this year's audit.

The Committee considers the re-appointment of the external auditor each year and is recommending to the Board that a proposal be put to shareholders at the 2018 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. During 2016/17 we considered whether to conduct a tender for the audit in 2017 to fit in with the timing of the rotation of the current audit partner. 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 advisor 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 refinancing 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 41.

### **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 515 audits were completed, which is consistent with our goal for each of our 900 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.

# Corporate governance report

## Nomination Committee

**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.**

**CHRIS COLE** CHAIRMAN OF THE NOMINATION COMMITTEE



### 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.

Neither the chairman 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

During the year, the focus of the Nomination Committee was on the search for a new chairman to succeed me, the appointment of Brendan Horgan as chief

operating officer, the appointment of Michael Pratt as finance director and on succession planning for non-executives and senior individuals within the business.

In December, I informed the Board of my intention to step down from the Board in 2018. Ian Sutcliffe, the senior independent director, has led the search for my successor and engaged Korn Ferry to conduct the search on behalf of the Board. The Group is well advanced in its search for a new chairman and an announcement will be made in due course. In January, Brendan Horgan was promoted to the position of chief operating officer for the Group in addition to his role as chief executive of Sunbelt. Brendan is responsible for the day-to-day running of Sunbelt and will support Geoff Drabble in the operational and strategic development of the wider Group. It is planned that Brendan will succeed Geoff as Group chief executive. In April, Michael Pratt was promoted to the position of finance director. Michael joined the Group in 2003 and has served as deputy Group finance director and treasurer since 2012.

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 2018 AGM except for Chris Cole who will step down at the AGM and Sat Dhaiwal who retires on 31 July 2018. 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.

#### COMPOSITION

Members	Committee member since	Meetings attended
Chris Cole (Chair)	Jan 2002	3/3
Geoff Drabble	Apr 2005	3/3
Wayne Edmunds	Jul 2014	3/3
Tanya Fratto	Jul 2016	3/3
Lucinda Riches	Jun 2016	3/3
Ian Sutcliffe	Sep 2010	3/3

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.**

### 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 our approach to diversity and equal opportunities across the Group. At Board level, two out of nine of our Board roles at 30 April 2018 were 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 advisors to facilitate the search based on the criteria determined by the Committee for the role.

# Remuneration report



LUCINDA RICHES CHAIR OF THE REMUNERATION COMMITTEE

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 2018 following another record year for the Group.

### The Living Wage

With effect from 1 May 2017, A-Plant became an accredited Living Wage Employer and all eligible A-Plant employees have been paid the Living Wage (as recommended by The Living Wage Foundation). As a result, 649 A-Plant employees received an average increase of 9% in base pay.

While there is no equivalent in North America, Sunbelt employees are paid an hourly rate in excess of the state and federal recommended wage ('Leading Wage'). The initial roll out of the Leading Wage scheme, which is part of an ongoing

programme, targeted drivers, mechanics and equipment rental specialists, resulting in 1,601 Sunbelt employees receiving an average increase of 9% in hourly pay.

In relation to the Group's other employees, an average inflationary salary increase of around 3% has been applied.

### Board changes

As part of the Group's long-term succession planning, Brendan Horgan was appointed as Group chief operating officer on 1 January 2018, which is a new role for the Group. Brendan is responsible for the day-to-day running of Sunbelt and will support Geoff Drabble in the operational and strategic development of the wider Group. It is planned that Brendan will succeed Geoff as Group chief executive. Following this significant promotion Brendan's salary was set at \$1m. Brendan's potential PSP award remains unchanged at 200% of base salary while his potential award under the DBP has increased to 200% of base salary. The Committee believes that this remuneration package is commensurate with the material increase in his role and responsibilities.

Michael Pratt was promoted to Group finance director on 1 April 2018. Following this significant promotion and the associated material increase in his role and responsibilities, the Committee set Michael's base salary at £450,000 per annum. Michael's base salary and benefits are broadly similar to the previous finance director's package.

In line with the proposed FRC Code, in determining the remuneration packages for Brendan and Michael, the Committee

considered companies in the FTSE 50-100, which are the Committee's external comparators. For Brendan, base salary of \$1m and total compensation based on fair market value of \$2.65m (total compensation based on fair market value consists of salary, target bonus and the target value of LTIPs) compares with median benchmarks of \$960,000 and \$2.59m respectively. For Michael, base salary of £450,000 and total compensation based on fair market value of £1.01m compares with median benchmarks of £482,000 and £1.42m.

The Committee wishes them both every success in their new roles.

### Leavers

Suzanne Wood retired from the Board to return to the United States ceasing to be a director with effect from 31 March 2018. The Committee determined to treat her as a good leaver for the purpose of the remuneration policy. See page 87 for details.

### Chair's fees

As advised in last year's report the Committee reviewed the chair's fees in October 2017. The chair's fees had not been reviewed since the Group became established in the FTSE 100. Following the Committee's advice, the Board determined to raise the chair's fees to £350,000 per annum in two tranches of £75,000 with the first tranche being from January 2018 and the second tranche from January 2019. The proposed fees reflect the actual workload and time commitment for the Company as an established member of the FTSE 100. The fee has been set in accordance with the remuneration policy. As shareholders are aware, the Group is

## COMPOSITION

Members	Committee member since	Meetings attended
Wayne Edmunds	Jul 2014	6/6
Tanya Fratto	Jul 2016	6/6
Lucinda Riches (Chair)	Jun 2016	6/6
Ian Sutcliffe	Sep 2010	6/6

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

Executive	Measure	Threshold	Target	Maximum	Actual at budgeted exchange rates	Bonus entitlement earned (% of salary)
Geoff Drabble	Group pre-tax profit	£820m	£850m	£900m	£988m	200%
Michael Pratt	Group pre-tax profit	£820m	£850m	£900m	£988m	150%
Brendan Horgan <sup>1</sup>	Sunbelt operating profit	\$1,105m	\$1,142m	\$1,200m	\$1,316m	
	Group pre-tax profit	£820m	£850m	£900m	£988m	167%
Sat Dhaiwal	A-Plant operating profit	£76m	£78m	£82m	£70m	nil%
Suzanne Wood	Group pre-tax profit	£820m	£850m	£900m	£988m	150%

Note

1 Due to Brendan Horgan's promotion to chief operating officer with effect from 1 January 2018, his DBP performance conditions have been pro-rated so that for part of the bonus year performance is measured on Sunbelt operating profit and for the balance on Group pre-tax profit.

## 02 2015 PSP 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	91%	100%
EPS growth	25%	6% CAGR	12% CAGR	27%	100%
Rol	25%	10%	15%	18%	100%
Leverage	10%	<2.5 times		1.6	100%

undertaking a search for a new chair and the Committee will revisit the chair's fees when an appointment is made.

### Deferred Bonus Plan

Profit is the metric used for the DBP. Table 01 above sets out the profit targets and their achievement for this year.

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:\$1.25.

For the purpose of the DBP, the Company has and will continue to measure performance on a constant currency basis 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 £927m, at budgeted exchange rates this equated to £988m 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, Michael Pratt, Brendan Horgan and Suzanne Wood. 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.

A-Plant did not achieve its performance targets for the year and consequently no bonus payment will be made to Sat Dhaiwal.

### 2015 Performance Share Plan award vesting

The sustained long-term performance of the Company is reflected in the full vesting of the 2015 PSP award. The award will vest on the completion of the three-year vesting period in July 2018. Table 02 above 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.

### 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 the implementation of the Group's remuneration policy in the current year are set out below:

- the remuneration packages for Brendan Horgan and Michael Pratt were determined following their promotions to Group chief operating officer and Group finance director respectively;
- the Group chief executive will receive a salary increase of 3% (general employee rise of 3%); and
- the determination that Suzanne Wood would be treated as a good leaver under the remuneration policy following her retirement from the Company.

At this year's AGM there will be a single resolution regarding the implementation of the remuneration policy, details of which are more fully set out in the Notice of Meeting.

I believe the decisions made by the Committee both 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 this year's Remuneration report.

**LUCINDA RICHES**

Chair of the Remuneration Committee

# Remuneration report continued

## 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.

An ordinary resolution concerning the Directors' remuneration report (excluding the remuneration policy) will be put to shareholders at the AGM on 11 September 2018.

## REMUNERATION POLICY

### Summary of the Group's remuneration policy

BASE SALARY			
<b>Link to strategy</b> 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.	<b>Operation</b> 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.	<b>Maximum potential value</b> 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.	<b>Performance conditions and assessment</b> N/A
BENEFITS			
<b>Link to strategy</b> To provide competitive employment benefits.	<b>Operation</b> 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.	<b>Maximum potential value</b> The maximum will be set at the cost of providing the listed benefits.	<b>Performance conditions and assessment</b> N/A
PENSION			
<b>Link to strategy</b> To provide a competitive retirement benefit.	<b>Operation</b> The Company makes pension contributions (or pays a salary supplement in lieu of pension contributions) of between 5% and 40% of an executive's base salary.	<b>Maximum potential value</b> The maximum contribution is 40% of salary. For new directors, the maximum contribution will not exceed the median level in the FTSE 100.	<b>Performance conditions and assessment</b> N/A

## DEFERRED BONUS PLAN ('DBP')

<b>Link to strategy</b> 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.	<b>Operation</b> 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.  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.  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.  Dividend equivalents may be provided on deferred share equivalents.	<b>Maximum potential value</b> The maximum annual bonus opportunity under the DBP is 225% of base salary.  Target performance earns 50% of the maximum bonus opportunity.	<b>Performance conditions and assessment</b> The current DBP performance conditions are: <ul style="list-style-type: none"><li>- Group underlying pre-tax profit for the Group chief executive, chief operating officer and finance director.</li><li>- Sunbelt underlying operating profit for the Sunbelt chief executive.</li><li>- A-Plant underlying operating profit for the A-Plant chief executive.</li></ul> 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.  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.
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## PERFORMANCE SHARE PLAN ('PSP')

<b>Link to strategy</b> 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.	<b>Operation</b> 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.	<b>Maximum potential value</b> 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 2018/19 the award for Michael Pratt will be 150% and for Geoff Drabble and Brendan Horgan, 200% of base salary.  No award will be made for Sat Dhaiwal given his retirement in July 2018.	<b>Performance conditions and assessment</b> 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: <ul style="list-style-type: none"><li><b>Total shareholder return</b> – median to upper quartile performance against an appropriate comparator group</li><li><b>Earnings per share</b> – compound growth of 6-12% per annum</li><li><b>Return on investment</b> – 10-15%</li><li><b>Leverage</b> – less than, or equal to, 2 times</li></ul>
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# Remuneration report continued

SHAREHOLDING POLICY			
<b>Link to strategy</b> Ensures a long-term locked-in alignment between the executive directors and shareholders.	<b>Operation</b> 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.	<b>Maximum potential value</b> Minimum shareholding requirement: <ul style="list-style-type: none"> <li>– Chief executive, 300% of salary</li> <li>– Other executive directors, 200% of salary</li> </ul>	<b>Performance conditions and assessment</b> N/A

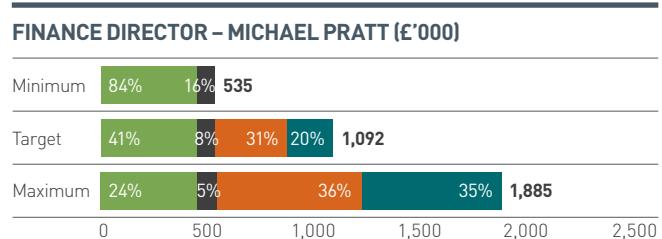
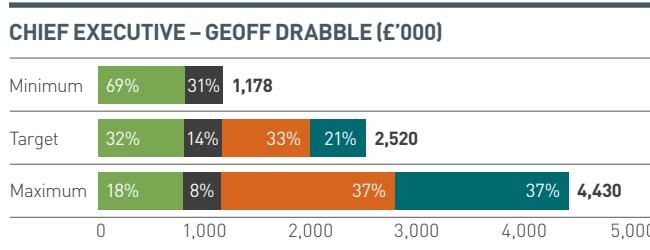
Notes to the policy table:

1. In relation to the DBP, individual awards to directors are dependent on the most relevant measure of profit for the role which they perform, and thus over which they have the most direct influence. Profit is a key component of earnings per share, one of the Company's key performance indicators and is considered the primary measure which aligns with shareholders' interests.
2. 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 highly cyclical and with high capital requirements.
3. 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.

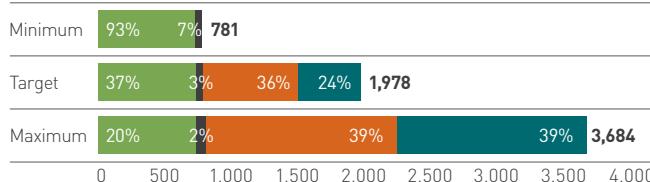
## Total remuneration opportunity

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 and the base salary at 1 May 2018 and the sterling/dollar exchange rate at 30 April 2018.



## CHIEF OPERATING OFFICER – BRENDAN HORGAN (£'000)



● Salary   ● Pension and benefits   ● DBP   ● PSP

### Note

No potential future reward opportunity graph has been provided for Sat Dhaiwal due to his retirement from the Company in July 2018.

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.

##### 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.

# Remuneration report continued

## DEFERRED BONUS PLAN

### 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.

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.

### 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.

### 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.

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 Company

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 Company. 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 chairman 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

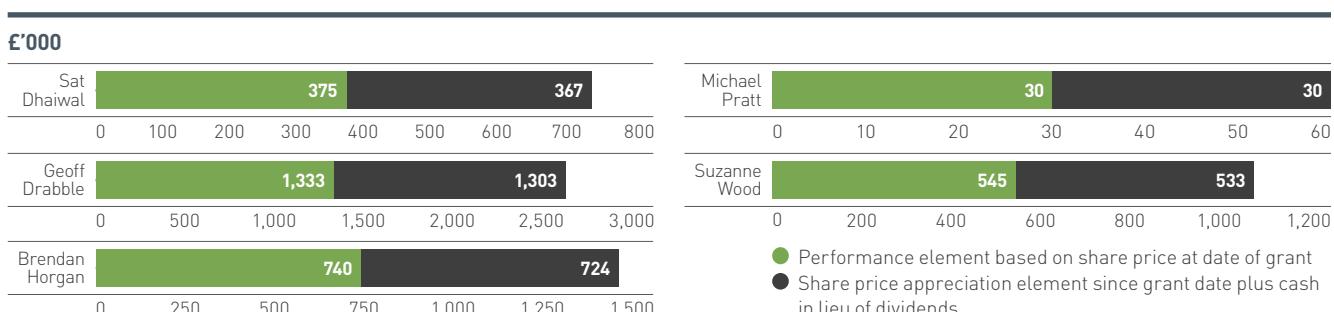
The single figure for the total remuneration received by each executive director for the year ended 30 April 2018 and the prior year is shown in the table below:

	Salary		Benefits <sup>[i]</sup>		Pension <sup>[ii]</sup>		DBP <sup>[iii]</sup>		PSP <sup>[iv]</sup>		Total
	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000
Sat Dhaiwal	283	275	17	17	57	55	—	570	742	465	1,099
Geoff Drabble	789	766	41	40	316	306	1,052	2,486	2,636	1,863	4,834
Brendan Horgan	590	513	41	18	13	12	673	1,188	1,464	781	2,781
Michael Pratt <sup>[v]</sup>	38	—	1	—	6	—	38	—	60	—	143
<b>Former director:</b>											
Suzanne Wood <sup>[vi]</sup>	440	482	112	86	17	16	721	1,134	1,078	767	2,368
	<b>2,140</b>	<b>2,036</b>	<b>212</b>	<b>161</b>	<b>409</b>	<b>389</b>	<b>2,484</b>	<b>5,378</b>	<b>5,980</b>	<b>3,876</b>	<b>11,225</b>
											11,840

Notes

- (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 Sat Dhaiwal, Geoff Drabble and Michael Pratt represent cash payments in lieu of pension contributions at 20%, 40% and 15% 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 2017/18 performance as explained on page 84, which is 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 2015 award will vest in full on 6 July 2018 and has been valued at an average market value of 2,011p for the three months ended 30 April 2018, plus 67.5p per share in lieu of dividends paid during the vesting period. The PSP value for 2017 has been adjusted to reflect the actual market value on the date of vesting of 1,622p.
- (v) Michael Pratt was appointed as a director on 1 April 2018 and his salary, benefits and pension shown in the table above 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 figure represents a time-apportioned amount of the 2015 PSP award that vests in July 2018.
- (vi) Suzanne Wood stood down as the Group's finance director with effect from 31 March 2018 but remains as an employee until 30 June 2018. As a good leaver, Suzanne remains a participant in the PSP in respect of previous awards, pro-rated for time served. In relation to the DBP, Suzanne's entitlement will be 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 the 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:



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.

# Remuneration report continued

## Directors' pension benefits (audited information)

The Company makes a payment of 20% of Sat Dhaiwal's base salary and 15% of Michael Pratt's base salary in lieu of providing them with any pension arrangements.

The Company makes a payment 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 and Suzanne Wood are members of the Sunbelt 401K defined contribution pension plan and the 409A deferred compensation plan. They are 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 effected either by a company payment into the 401K plan or an enhanced deferral into the 409A plan and was \$18,000 for Brendan Horgan and \$24,700 for Suzanne Wood in 2017/18.

At 30 April 2018, the total amount available to Brendan Horgan but deferred under the Sunbelt deferred compensation plan was \$618,101 or £448,680. This includes an allocated investment gain of \$66,405 or £48,204 (2017: £45,315). As at 31 March 2018, the amount available to Suzanne Wood under the same plan was \$540,859 or £392,610. This includes an allocated investment gain of \$49,790 or £36,143 (2017: £51,679).

## The Deferred Bonus Plan (audited information)

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

	Group pre-tax profit <sup>(i)</sup>	Sunbelt operating profit <sup>(i)</sup>	A-Plant operating profit <sup>(i)</sup>
Forfeiture <sup>(ii)</sup>	n/a	n/a	n/a
Threshold	£820m	\$1,105m	£76m
Target	£850m	\$1,142m	£78m
Maximum	£900m	\$1,200m	£82m
<b>Actual – reported</b>	<b>£927m</b>	<b>\$1,316m</b>	<b>£70m</b>
<b>Actual – budget exchange rates</b>	<b>£988m</b>	<b>n/a</b>	<b>n/a</b>

Notes

(i) Underlying profit.

(ii) As 2017/18 was the first year in a three year deferred bonus plan period, there was no element of deferral brought forward. As such, the forfeiture clause did not apply in the current year.

The performance targets for Geoff Drabble, Michael Pratt and Suzanne Wood for the year to 30 April 2018 related directly to the underlying pre-tax profit of Ashtead Group. The targets for Brendan Horgan related to the underlying operating profit of Sunbelt for the eight months ended 31 December 2017 and to the underlying pre-tax profit of the Group for the four months ended 30 April 2018. The target for Sat Dhaiwal related to the underlying operating profit of A-Plant.

For the year to 30 April 2018, the underlying pre-tax profit for Ashtead Group was £988m at budget exchange rates and underlying operating profit for Sunbelt and A-Plant was \$1,316m and £70m respectively. As a result, Geoff Drabble, Brendan Horgan, Michael Pratt and Suzanne Wood earned 100% of their maximum bonus entitlements. These are equivalent to 200% of base salary for Geoff Drabble, 167% of base salary for Brendan Horgan<sup>(ii)</sup> and 150% of base salary for Michael Pratt<sup>(ii)</sup> and Suzanne Wood. As A-Plant did not achieve its profit target, no award was made to Sat Dhaiwal.

	Number of share equivalent awards <sup>(ii)</sup>		
	Brought forward	Granted	Carried forward
Geoff Drabble	–	25,874	25,874
Brendan Horgan	–	16,076	16,076
Michael Pratt	–	7,867	7,867

Note

(ii) For Brendan Horgan and Michael Pratt, the award levels shown as a proportion of base salary reflect their salary levels applicable throughout the year ended 30 April 2018 (i.e. based on the actual salary paid during the year). For Brendan Horgan, this also reflects the change in award level applicable from 150% to 200% subsequent to his promotion to Group chief operating officer on 1 January 2018.

As 2017/18 was the first year of the current three-year DBP, no share equivalent awards were brought forward.

### 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%)	
19/6/14	2014/15	25% of this element of the 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 June 2017
6/7/15	2015/16	As above*	As above	As above	As above	Will vest 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	<b>2016 award</b> TSR performance is in the upper quartile, EPS growth of 22%, RoI of 18% and leverage of 1.6 times
19/6/17	2017/18	As above	As above	As above	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	<b>2017 award</b> TSR performance is in the upper quartile, EPS growth of 22%, RoI of 18% and leverage of 1.6 times

\* In respect of the 2015/16 award the TSR comparator is FTSE 350 companies ranked 75th to 125th by market capitalisation for awards up to 150% of base salary. The comparator group for the element of that award above 150% of base salary is FTSE 350 companies ranked 50th to 100th by market capitalisation.

# Remuneration report continued

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

The 2014 PSP award vested in full on 19 June 2017 with EPS for 2016/17 of 31% exceeding the upper target of 12% and the Company's TSR performance ranked it sixth within the FTSE 350 ranked 75th to 125th by market capitalisation (excluding investment trusts). RoI was 17% and leverage 1.7 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. For 2015/16, TSR performance was measured relative to companies in the FTSE 350 ranked 75th to 125th 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. Thereafter, the comparator group is comprised of companies in the FTSE 350 ranked 50th to 100th (excluding investment trusts). The Company's TSR performance relative to the FTSE 250 (excluding investment trusts) and FTSE 100 (excluding investment trusts) is shown on page 89.

## **Single total figure of remuneration (audited information)**

### **Non-executive directors**

	Fees		Benefits <sup>(i)</sup>		Total	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	
Chris Cole	<b>225</b>	200	—	—	<b>225</b>	200
Wayne Edmunds	<b>65</b>	60	<b>37</b>	39	<b>102</b>	99
Tanya Fratto	<b>53</b>	42	<b>45</b>	32	<b>98</b>	74
Lucinda Riches	<b>65</b>	52	—	—	<b>65</b>	52
Ian Sutcliffe	<b>65</b>	60	—	—	<b>65</b>	60
<b>Former directors:</b>						
Michael Burrow	—	21	—	—	—	21
Bruce Edwards	—	18	—	21	—	39
	<b>473</b>	453	<b>82</b>	92	<b>555</b>	545

### Note

(i) Wayne Edmunds, Tanya Fratto and Bruce Edwards are resident in the US and the Company meets 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 2017 and 30 April 2018 (audited information)**

### **Performance Share Plan**

The awards made on 19 June 2017 are subject to the rules of the PSP and the achievement of stretching performance conditions, which are set out on page 79, over a three-year period to 30 April 2020. The awards are summarised below:

	Number	Face value of award <sup>(ii)</sup> £'000	Face value of award as % of base salary	% of award vesting for target performance
Sat Dhaiwal	26,195	425	150%	32.5%
Geoff Drabble	97,287	1,578	200%	32.5%
Brendan Horgan	66,108	1,072	200%	32.5%
Michael Pratt <sup>(iii)</sup>	23,736	385	125%	32.5%
Suzanne Wood	46,591	756	150%	32.5%

### Notes

(i) PSP awards were allocated on 19 June 2017 using the closing mid-market share price (1,622p) of Ashtead Group plc on that day.

(ii) Michael Pratt's awards were granted before he became an executive director but are included in this table to provide shareholders with full information.

### **Payments to past directors (audited information)**

Suzanne Wood stated her intention to give the Group 12 months' notice of her intention to step down from the Board with effect from 30 June 2018. In order to enable an effective transition of the responsibilities of the Group finance director, the Group agreed that Suzanne would step down from the Board with effect from 31 March 2018 and that her employment would end on 30 June 2018. Suzanne will continue 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 will not be eligible for a bonus in respect of 2018/19. For April 2018, these amounts totalled £51,026.

As a good leaver, Suzanne will receive her 2015 PSP award in full and her outstanding 2016 and 2017 PSP awards will be pro-rated to 30 June 2018 in accordance with the PSP rules and will be subject to normal vesting conditions. 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 has determined that the holding period will apply for two years from the date of cessation of her employment.

No payments were made to past directors of the Company in respect of their services as a director of the Company other than the payments to Suzanne Wood 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 2017 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 2018 <sup>[i]</sup>	Shares held outright at 30 April 2018 as a % of salary <sup>[ii]</sup>	Outstanding unvested plan interests subject to performance measures <sup>[iii]</sup>	Total of all share interests and outstanding plan interests at 30 April 2018
Sat Dhaiwal	150,000	1,065%	100,499	250,499
Geoff Drabble	392,219	970%	367,565	759,784
Brendan Horgan	318,874	883%	230,129	549,003
Michael Pratt	235,000	1,050%	91,824	326,824
Suzanne Wood <sup>[iv]</sup>	63,805	275%	164,418	228,223

Notes

(i) Interests in shares held at 30 April 2018 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 2018, the sterling/dollar exchange rate at 30 April 2018, and the directors' salaries at 1 May 2018, have been used.

(iii) All outstanding plan interests take the form of rights to receive shares.

(iv) At date of resignation as a director (31 March 2018), As noted above, Suzanne Wood's PSP awards for 2016 and 2017 will be pro-rated to 30 June 2018. After this pro-ration, Suzanne's total of all share interests and outstanding plan interests is 180,404.

# Remuneration report continued

## Performance Share Plan awards

Awards made under the PSP, and those which remain outstanding at 30 April 2018, are shown in the table below:

	Date of grant	Held at 30 April 2017 <sup>(i)</sup>	Exercised during the year	Granted during the year	Held at 30 April 2018
Sat Dhaiwal	19.06.14	27,794	(27,794)	–	–
	06.07.15	35,680	–	–	35,680
	04.07.16	38,624	–	–	38,624 <sup>(ii)</sup>
	19.06.17	–	–	26,195	26,195 <sup>(ii)</sup>
Geoff Drabble	19.06.14	111,314	(111,314)	–	–
	06.07.15	126,832	–	–	126,832
	04.07.16	143,446	–	–	143,446
	19.06.17	–	–	97,287	97,287
Brendan Horgan	19.06.14	46,683	(46,683)	–	–
	06.07.15	70,437	–	–	70,437
	04.07.16	93,584	–	–	93,584
	19.06.17	–	–	66,108	66,108
Michael Pratt <sup>(iii)</sup>	06.07.15	33,093	–	–	33,093
	04.07.16	34,995	–	–	34,995
	19.06.17	–	–	23,736	23,736
<b>Former director:</b>					
Suzanne Wood	19.06.14	45,834	(45,834)	–	–
	06.07.15	51,867	–	–	51,867 <sup>(ii)</sup>
	04.07.16	65,960	–	–	65,960 <sup>(ii)</sup>
	19.06.17	–	–	46,591	46,591 <sup>(ii)</sup>

### Notes

(i) Held at 30 April 2017 or date of appointment if later.

(ii) Suzanne Wood stood down as a director on 31 March 2018. The Remuneration Committee has concluded that Suzanne's outstanding PSP awards will be pro-rated in accordance with the PSP rules.

(iii) Michael Pratt's awards were granted before he became an executive director but are included in this table to provide shareholders with full information.

The performance conditions attaching to the PSP awards are detailed on pages 85 and 86. The market price of the awards granted during the year was 1,622p on the date of grant.

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

As at 30 April 2018, the non-executive directors' interests in ordinary shares of the Company were:

	Number
Chris Cole	70,082
Wayne Edmunds	14,260
Tanya Fratto	–
Lucinda Riches	5,000
Ian Sutcliffe	24,500

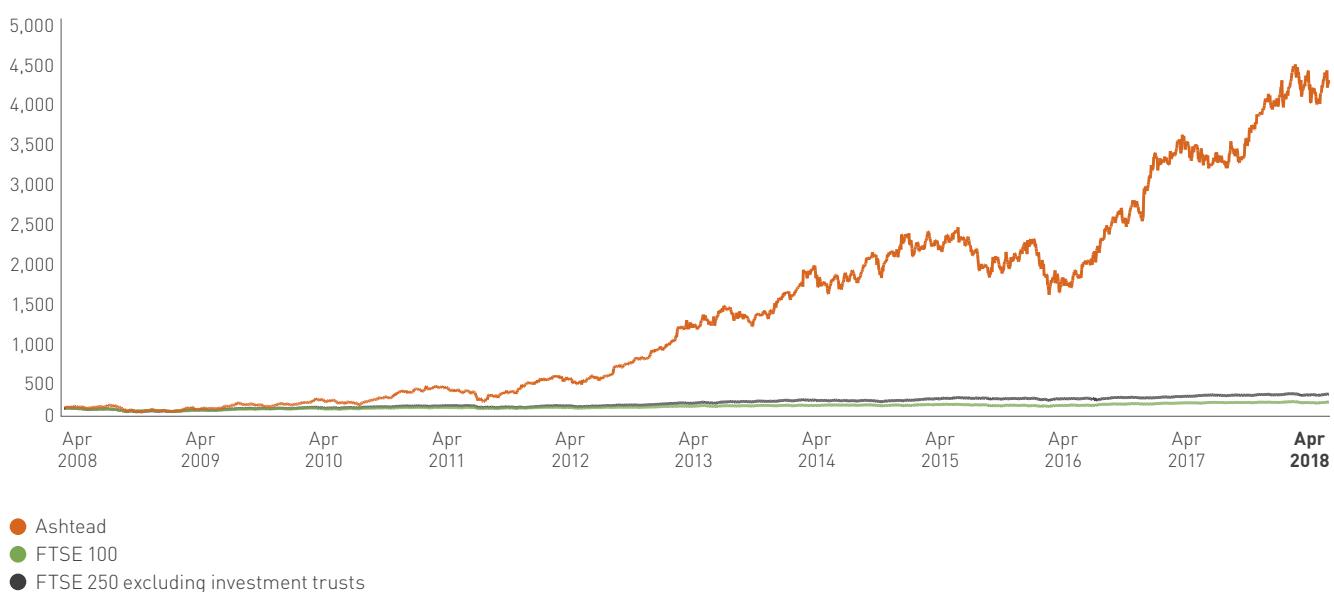
The market price of the Company's shares at the end of the financial year was 2,033p and the highest and lowest closing prices during the financial year were 2,152p and 1,542p respectively.

### Performance graph and table

Over the last ten years the Company has generated an 18-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 2018, 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 increased as a result of the strong performance of the business:

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total remuneration (£'000)	<b>4,834</b>	5,461	3,321	4,165	7,272	6,510	4,613	2,166	1,037	826
Underlying profit before tax (£m)	<b>927</b>	793	645	490	362	245	131	31	5	87
Proportion of maximum annual bonus potential awarded	<b>100%</b>	100%	98%	100%	100%	100%	100%	100%	75%	25%
Proportion of PSP vesting	<b>100%</b>	100%	97.5%	100%	100%	100%	100%	50%	0%	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 2017 and 30 April 2018 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%	2%	(58)%
Group percentage change	4%	0%	(7)%

# Remuneration report continued

## 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 to the financial statements).

	2017/18 £m	2016/17 £m	Change %
Underlying profit before tax	927	793	17%
Dividend declared	161	137	18%
Aggregate staff costs	863	737	17%

## 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.

Suzanne Wood was appointed as a non-executive director of RELX Group, comprising RELX Group plc and RELX NV, in September 2017 and received a fee of £49,625 for her role to 31 March 2018.

## Remuneration for the year commencing 1 May 2018

### Basic salary

Salary with effect from 1 May 2018:

Sat Dhaiwal	£283,250 <sup>(i)</sup>
Geoff Drabble	£813,000
Brendan Horgan	\$1,000,000 <sup>(ii)</sup>
Michael Pratt	£450,000 <sup>(ii)</sup>

### Notes

(i) Sat Dhaiwal will retire from the Company on 31 July 2018.

(ii) Brendan Horgan's and Michael Pratt's salaries were increased at the time of their promotion to Group chief operating officer and Group finance director respectively and as such no further increase has been applied from 1 May 2018.

### 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

Geoff Drabble, Michael Pratt and Brendan Horgan participate in the DBP. The maximum annual bonus opportunities as a percentage of salary are 200% for Geoff Drabble and 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 2018/19 PSP awards as detailed on page 79.

### Performance Share Plan

A 2018 PSP award will be made as follows:

	Value of 2018 award £'000
Geoff Drabble	1,626
Brendan Horgan	1,452
Michael Pratt	675

### Note

No 2018 PSP award will be made to Sat Dhaiwal due to his retirement from the Company in July 2018.

These awards are based on the directors' salaries as at 1 May 2018 and, where appropriate, the sterling/dollar exchange rate at 30 April 2018.

### **Non-executive fees**

Fees for non-executive directors with effect from 1 May 2018 are:

Chris Cole	£275,000
Wayne Edmunds	£75,000
Tanya Fratto	£60,000
Lucinda Riches	£75,000
Ian Sutcliffe	£75,000

### **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, Geoff Drabble, 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 chairman, Chris Cole. Eric Watkins acts as secretary to the Committee. Under Lucinda Riches' direction, the company secretary and Geoff Drabble 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 £61,000. PwC also provided specific tax 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 2014 PSP awards;
- grant of 2017 PSP awards and setting the performance targets attaching thereto;
- review of executive base salaries;
- approval of the Remuneration report for the year ended 30 April 2017;
- determining the remuneration packages of Brendan Horgan and Michael Pratt;
- advising the Board on the fees for Chris Cole; and
- agreeing the remuneration terms on departure for Suzanne Wood.

### **Shareholder voting**

An ordinary resolution concerning the Remuneration report will be put to shareholders at the forthcoming AGM.

Ashtead is committed to ongoing shareholder dialogue and considers carefully voting outcomes. The Committee gained a full understanding of the views of shareholders and the main shareholder representative bodies through an extensive consultation process around the approval of the 2016 remuneration policy. The feedback on the policy has been and will continue to be taken into account in its implementation. The strong shareholder support for the implementation of the policy at the 2017 AGM means that the Committee is not intending to make any material changes to its implementation in 2018/19.

The following table sets out the voting results in respect of our previous report in 2017:

	For	Against
2016/17 directors' annual report on remuneration	90%	10%

7,817,627 votes were withheld (c. 2% of share capital) out of total votes cast of 362,889,996 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  
18 June 2018

# Other statutory disclosures

Pages 62 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 – 26
Audit Committee report	Page 71
Board and committee membership	Page 63
Corporate governance report	Page 64
Directors' biographies	Page 63
Directors' responsibility statement	Page 94
Financial risk management	Financial statements – 24
Future developments	Page 43
Greenhouse gas emissions	Page 60
Nomination Committee report	Page 75
Other statutory disclosures	Page 92
Our people	Page 52
Pension schemes	Financial statements – 23
Post balance sheet events	Financial statements – 29
Results and dividends	Page 42
Share capital	Financial statements – 20
Social responsibility	Page 48

## 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 2017 AGM, the Company was authorised to make market purchases of up to 74.8m ordinary shares. The Company acquired 7.9m shares under this authority during the year. This authority will expire on the earlier of the next annual general meeting of the Company or 12 March 2019.

A special resolution will be proposed at this year's AGM to authorise the Company to make market purchases of up to 73m 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 15 June 2018 (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 Remuneration report on pages 76 to 91. Details of all shares subject to option are given in the notes to the financial statements on page 122.

### 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 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 he 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 his 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) he gives the Company written notice of his resignation; (ii) he gives the Company written notice in which he offers 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) he has missed directors' meetings (whether or not an alternate director appointed by him 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 him or he makes any arrangement or composition with his creditors generally; (viii) he is prohibited from being a director under the legislation; or (ix) he ceases to be a director under the legislation or he is 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 62 and 63. The policies related to their appointment and replacement are detailed on pages 66 and 67. 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 he ought to have taken to make himself 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 2018 was 57 days (30 April 2017: 69 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 £1,803,350 in total (2017: £785,535). 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 consolidated 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, 11 September 2018 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 62 to 94 was approved by the Board on 18 June 2018 and has been signed by the Company secretary on its behalf.

**ERIC WATKINS**

Company secretary  
18 June 2018

# 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; and
- 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  
18 June 2018

# FINANCIAL STATEMENTS

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# Independent auditor's report to the members of Ashtead Group plc

## OPINION

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 30 April 2018 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 ('IFRS') 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 of Ashtead Group plc ('the Company') and its subsidiaries ('the Group') 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 statements;
- the statement of accounting policies; 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 parent 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 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

<b>Key audit matters</b>	The key audit matters that we identified in the current year were: <ul style="list-style-type: none"><li>- carrying value of rental fleet;</li><li>- acquisition accounting; and</li><li>- revenue recognition.</li></ul>
<b>Materiality</b>	The materiality that we used for the Group financial statements was £37m (2017: £31m), which was determined on the basis of profit before tax.
<b>Scoping</b>	Consistent with previous years, our audit scope comprised three (2017: three) locations: the Group head office and A-Plant in the UK, and Sunbelt in the US.

## CONCLUSIONS RELATING TO GOING CONCERN, PRINCIPAL RISKS AND VIABILITY STATEMENT

### Going concern

We have reviewed the directors' statement on page 93 in the Directors' report 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 confirm that we have nothing material to report, add or draw attention to in respect of these matters.

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.

### 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:

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

- the disclosures on pages 38 to 40 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation on page 38 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 41 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.

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance to 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 the direction of 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** As set out in Note 13, the Group holds £6.6bn (2017: £5.8bn) of rental fleet at cost (£4.4bn net book value (2017: £4.1bn net book value)). These assets represent 66% (2017: 67%) of the Group's gross assets.

There is a risk that a required impairment to a category of the Group's rental fleet is not identified, properly quantified or recorded or that the carrying value of these assets is misstated.

The Group's accounting policy as disclosed in Note 2 sets out that the assets are stated 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. The directors apply judgement in determining the appropriate carrying value of the assets.

As described in the Audit Committee report (page 72), 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.

### How the scope of our audit responded to the key audit matter

We tested the design, implementation and operating effectiveness of the key controls over the impairment review process at Sunbelt, which accounts for £3.9bn of the net book value of the rental fleet. We also evaluated the design and implementation of key controls at A-Plant.

We considered management's analysis of impairment indicators, understood and challenged the key judgements and the impact that each of these have in determining whether an impairment exists.

In particular, we focused our testing on returns on investment by asset class, fleet utilisation and profit 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.

### Key observations

Based on our detailed audit work performed, we are satisfied that the carrying value of the rental fleet is not materially misstated.

# Independent auditor's report to the members of Ashtead Group plc continued

## Acquisition accounting

<b>Key audit matter description</b>	<p>As set out within Note 26, the Group made 17 acquisitions during the year. Total consideration for these acquisitions was £368m, which includes the acquisition of Contractors Rental Supply Limited Partnership ('CRS') on 1 August 2017 for £145m.</p> <p>As stated in the Group's accounting policy in Note 2, intangible assets acquired as part of a business combination are capitalised at fair value as at the date of acquisition.</p> <p>Accounting for business combinations requires the use of significant management judgement regarding the fair valuation of the asset and liabilities acquired in accordance with IFRS 3, 'Business Combinations'. Specifically, the identification and valuation of acquired intangible assets involves a number of judgements including the discount rate, royalty rates, contributory asset charges and growth rate assumptions.</p>
<b>How the scope of our audit responded to the key audit matter</b>	<p>We have evaluated management's determination of the fair value of net assets acquired, focusing on the valuation of intangible assets recognised at the acquisition date for the CRS acquisition.</p> <p>We evaluated the design and implementation of controls over accounting for acquisitions.</p> <p>Specifically, we have challenged management's methodology and assumptions underlying the valuation of acquired intangible assets by:</p> <ul style="list-style-type: none"><li>- challenging the underlying assumptions and methodology applied in determining the fair value adjustments and calculation of the intangible assets. We have involved Deloitte valuation specialists, specifically challenging the growth, discount and royalty rates applied and assessing the contributory asset charges for reasonableness;</li><li>- reviewing the acquisition sale and purchase agreement and assessing appropriate accounting treatment and associated disclosure;</li><li>- agreeing the cash and contingent consideration paid or payable to underlying supporting documentation;</li><li>- assessing whether the acquired balance sheet and fair value adjustments are accounted for correctly as required by IFRS 3, including the recognition of rental fleet acquired at fair value;</li><li>- recalculating goodwill recognised on acquisition; and</li><li>- given the relative size of CRS, we have considered whether the acquisition should be separately disclosed in the notes to the financial statements.</li></ul>
<b>Key observations</b>	<p>We have evaluated the appropriateness of the related disclosures in Note 26 of the financial statements.</p> <p>Based on our detailed audit work performed, we consider management's key judgements and assumptions used in the valuation of net assets, specifically the valuation of acquired intangible assets at the acquisition date, to fall within an acceptable range.</p> <p>Management has determined the acquired assets and liabilities of CRS are immaterial to the Group, that the nature of the CRS business is similar to the existing business and other acquired businesses in the year and as such should be aggregated with the other acquisitions. We have challenged management on whether the Canadian acquisition ought to be disclosed separately by virtue of its size and that it led to the creation of a new CGU. We were satisfied with management's position that no separate disclosure was necessary on the basis mentioned above.</p>

## Revenue recognition

<b>Key audit matter description</b>	<p>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.</p> <p>Given the high-volume, 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 or through manipulation of the accrued revenue (unbilled rental revenue) and deferred revenue judgements.</p>
<b>How the scope of our audit responded to the key audit matter</b>	<p>We evaluated the design and implementation of controls over the revenue cycle throughout the Group and have further tested the operating effectiveness of controls over revenue at Sunbelt.</p> <p>We have focused our substantive testing on the accrued revenue (unbilled rental revenue) and deferred revenue calculations. In doing so, we have reviewed management's methodology, traced the information in the reports back to invoices, payments and credit notes as a substantive sample, performed analytical procedures over movements in the period and assessed the historical accuracy of management's estimations using a 'look-back' approach.</p> <p>We have also used data analytics tools to identify and profile all manual top-side adjustments impacting the revenue balance.</p>
<b>Key observations</b>	<p>Based on our procedures performed, we did not identify any material exceptions or evidence of management bias or manipulation of the revenue account and the amounts recorded are in line with the Group's accounting policies.</p>

## 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:

	<b>Group financial statements</b>	<b>Company financial statements</b>
<b>Materiality</b>	£37m (2017: £31m)	£21.9m (2017: £16.2m)
<b>Basis for determining materiality</b>	In determining our materiality, we have used a three year average profit before tax. We have then applied a benchmark of 5% to the three year average profit before tax to arrive at materiality. This approach is consistent with the approach adopted in the prior year.	3% of net assets which is consistent with the basis in the prior year.
<b>Rationale for the benchmark applied</b>	The benchmark of three year average of profit before tax reflects the cyclical nature of the industry in which the Group operates.	As the Company is a holding company, the net assets were considered the most appropriate benchmark.

We agreed with the Audit Committee that we would report to the Audit Committee all audit differences in excess of £1.8m (2017: £1.0m) for the Group and £1.1m (2017: £0.8m) for the Company, 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 component teams in the UK and US, and the Group audit team in London.

The Group comprises four (2017: three) principal locations: the Head Office in the UK; A-Plant in the UK; Sunbelt in the 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 in the US, consistent with the prior year approach.

The three locations where we performed full audit procedures represent 96% (2017: 99%) of the Group's revenue, 100% (2017: 100%) of the Group's profit before tax and 98% (2017: 97%) 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 £9.3m to £33.0m.

The US component team also performed a review of the financial information of the operations in Canada.

Members of the Group audit team (including the lead audit partner) have made site visits to component audit teams during the financial year and after the year end to provide sufficient and appropriate oversight of work performed. At the Group level we also tested the consolidation process.

# Independent auditor's report to the members of Ashtead Group plc continued

## 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.

We have nothing to report in respect of these matters.

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.

## 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## USE OF OUR REPORT

This report is made solely to the 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.

## 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 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 ending April 2004 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 15 years, covering the years ending April 2004 to 2018.

### 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).

**EDWARD HANSON  
(SENIOR STATUTORY AUDITOR)**

for and on behalf of Deloitte LLP  
Statutory Auditor  
London, UK  
18 June 2018

# Consolidated financial statements

## CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 APRIL 2018

Notes	2018			2017		
	Before exceptional items and amortisation £m	Exceptional items and amortisation £m	Total £m	Before amortisation £m	Amortisation £m	
<b>Revenue</b>						
Rental revenue	<b>3,418.2</b>	–	<b>3,418.2</b>	2,901.2	–	2,901.2
Sale of new equipment, merchandise and consumables	<b>139.2</b>	–	<b>139.2</b>	123.5	–	123.5
Sale of used rental equipment	<b>148.6</b>	–	<b>148.6</b>	162.1	–	162.1
	<b>3,706.0</b>	–	<b>3,706.0</b>	3,186.8	–	3,186.8
<b>Operating costs</b>						
Staff costs	4 <b>(863.4)</b>	–	<b>(863.4)</b>	(736.6)	–	(736.6)
Used rental equipment sold	4 <b>(128.2)</b>	–	<b>(128.2)</b>	(126.5)	–	(126.5)
Other operating costs	4 <b>(981.3)</b>	–	<b>(981.3)</b>	(819.3)	–	(819.3)
	<b>(1,972.9)</b>	–	<b>(1,972.9)</b>	(1,682.4)	–	(1,682.4)
<b>EBITDA*</b>						
Depreciation	4 <b>1,733.1</b>	–	<b>1,733.1</b>	1,504.4	–	1,504.4
Amortisation of intangibles	4, 5 – <b>(695.6)</b>	–	<b>(695.6)</b>	(606.8)	–	(606.8)
<b>Operating profit</b>						
Investment income	6 – –	–	–	0.1	–	0.1
Interest expense	6 <b>(110.2)</b>	<b>(21.7)</b>	<b>(131.9)</b>	(104.3)	–	(104.3)
<b>Profit on ordinary activities before taxation</b>						
Taxation	7, 19 <b>927.3</b>	<b>(65.2)</b>	<b>862.1</b>	793.4	<b>(28.3)</b>	765.1
	<b>(294.8)</b>	<b>401.5</b>	<b>106.7</b>	(273.2)	9.1	(264.1)
<b>Profit attributable to equity holders of the Company</b>						
	<b>632.5</b>	<b>336.3</b>	<b>968.8</b>	520.2	<b>(19.2)</b>	501.0
Basic earnings per share	9 <b>127.5p</b>	<b>67.8p</b>	<b>195.3p</b>	104.3p	<b>(3.8p)</b>	100.5p
Diluted earnings per share	9 <b>126.9p</b>	<b>67.5p</b>	<b>194.4p</b>	103.8p	<b>(3.8p)</b>	100.0p

\* 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 2018

	Note	2018 £m	2017 £m
Profit attributable to equity holders of the Company for the financial year		<b>968.8</b>	501.0
<b>Items that will not be reclassified to profit or loss:</b>			
Remeasurement of the defined benefit pension plan	23	<b>8.7</b>	(5.7)
Tax on defined benefit pension plan		<b>(1.5)</b>	1.0
		<b>7.2</b>	(4.7)
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Foreign currency translation differences		<b>(115.2)</b>	152.6
<b>Total comprehensive income for the year</b>		<b>860.8</b>	648.9

**CONSOLIDATED BALANCE SHEET**

AT 30 APRIL 2018

	Notes	2018 £m	2017 £m
<b>Current assets</b>			
Inventories	10	<b>55.2</b>	44.2
Trade and other receivables	11	<b>669.4</b>	591.9
Current tax asset		<b>23.9</b>	6.9
Cash and cash equivalents	12	<b>19.1</b>	6.3
		<b>767.6</b>	649.3
<b>Non-current assets</b>			
Property, plant and equipment			
- rental equipment	13	<b>4,430.5</b>	4,092.8
- other assets	13	<b>451.5</b>	411.8
		<b>4,882.0</b>	4,504.6
Goodwill	14	<b>882.6</b>	797.7
Other intangible assets	14	<b>206.3</b>	174.4
Net defined benefit pension plan asset	23	<b>4.5</b>	-
		<b>5,975.4</b>	5,476.7
<b>Total assets</b>		<b>6,743.0</b>	6,126.0
<b>Current liabilities</b>			
Trade and other payables	15	<b>617.5</b>	537.0
Current tax liability		<b>13.1</b>	6.5
Short-term borrowings	16	<b>2.7</b>	2.6
Provisions	18	<b>25.8</b>	28.6
		<b>659.1</b>	574.7
<b>Non-current liabilities</b>			
Long-term borrowings	16	<b>2,728.4</b>	2,531.4
Provisions	18	<b>34.6</b>	19.1
Deferred tax liabilities	19	<b>794.0</b>	1,027.0
Net defined benefit pension plan liability	23	<b>-</b>	3.7
		<b>3,557.0</b>	3,581.2
<b>Total liabilities</b>		<b>4,216.1</b>	4,155.9
<b>Equity</b>			
Share capital	20	<b>49.9</b>	49.9
Share premium account		<b>3.6</b>	3.6
Capital redemption reserve		<b>6.3</b>	6.3
Own shares held by the Company	20	<b>(161.0)</b>	-
Own shares held through the ESOT	20	<b>(20.0)</b>	(16.7)
Cumulative foreign exchange translation differences		<b>125.8</b>	241.0
Retained reserves		<b>2,522.3</b>	1,686.0
<b>Equity attributable to equity holders of the Company</b>		<b>2,526.9</b>	1,970.1
<b>Total liabilities and equity</b>		<b>6,743.0</b>	6,126.0

These financial statements were approved by the Board on 18 June 2018.

**GEOFF DRABBLE**  
Chief executive

**MICHAEL PRATT**  
Finance director

# Consolidated financial statements continued

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 APRIL 2018

	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 2016	55.3	3.6	0.9	(33.1)	(16.2)	88.4	1,381.5	1,480.4
Profit for the year	–	–	–	–	–	–	501.0	501.0
Other comprehensive income:								
Foreign currency translation differences	–	–	–	–	–	152.6	–	152.6
Remeasurement of the defined benefit pension plan	–	–	–	–	–	–	(5.7)	(5.7)
Tax on defined benefit pension plan	–	–	–	–	–	–	1.0	1.0
Total comprehensive income for the year	–	–	–	–	–	152.6	496.3	648.9
Dividends paid	–	–	–	–	–	–	(116.1)	(116.1)
Own shares purchased by the ESOT	–	–	–	–	(7.2)	–	–	(7.2)
Own shares purchased by the Company	–	–	–	(48.0)	–	–	–	(48.0)
Share-based payments	–	–	–	–	6.7	–	(1.0)	5.7
Tax on share-based payments	–	–	–	–	–	–	6.4	6.4
Cancellation of own shares	(5.4)	–	5.4	81.1	–	–	(81.1)	–
At 30 April 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
<b>At 30 April 2018</b>	<b>49.9</b>	<b>3.6</b>	<b>6.3</b>	<b>(161.0)</b>	<b>(20.0)</b>	<b>125.8</b>	<b>2,522.3</b>	<b>2,526.9</b>

Further information is included in Note 20.

**CONSOLIDATED CASH FLOW STATEMENT**

FOR THE YEAR ENDED 30 APRIL 2018

	Notes	2018 £m	2017 £m
<b>Cash flows from operating activities</b>			
Cash generated from operations before exceptional items and changes in rental equipment	25(a)	<b>1,681.2</b>	1,444.2
Payments for rental property, plant and equipment		(1,081.7)	(1,021.8)
Proceeds from disposal of rental property, plant and equipment		<b>151.8</b>	153.4
Cash generated from operations		<b>751.3</b>	575.8
Financing costs paid (net)		(110.0)	(101.5)
Exceptional financing costs paid		(25.2)	-
Tax paid (net)		(97.6)	(49.5)
<b>Net cash generated from operating activities</b>		<b>518.5</b>	424.8
<b>Cash flows from investing activities</b>			
Acquisition of businesses	25(c)	(359.0)	(421.1)
Payments for non-rental property, plant and equipment		(138.6)	(101.7)
Proceeds from disposal of non-rental property, plant and equipment		<b>8.9</b>	7.4
Payments for purchase of intangible assets		(2.6)	(11.1)
<b>Net cash used in investing activities</b>		<b>(491.3)</b>	(526.5)
<b>Cash flows from financing activities</b>			
Drawdown of loans		<b>1,580.8</b>	866.8
Redemption of loans		(1,284.6)	(599.0)
Capital element of finance lease payments		(1.4)	(2.0)
Dividends paid		(140.5)	(116.1)
Purchase of own shares by the ESOT		(10.2)	(7.2)
Purchase of own shares by the Company		(158.2)	(48.0)
<b>Net cash (used in)/generated from financing activities</b>		<b>(14.1)</b>	94.5
<b>Increase/(decrease) in cash and cash equivalents</b>			
Opening cash and cash equivalents		<b>13.1</b>	(7.2)
Effect of exchange rate difference		<b>6.3</b>	13.0
<b>Closing cash and cash equivalents</b>		<b>19.1</b>	6.3

	Note	2018 £m	2017 £m
<b>Reconciliation of net cash flows to net debt</b>			
(Increase)/decrease in cash in the period		(13.1)	7.2
Increase in debt through cash flow		<b>294.8</b>	265.8
Change in net debt from cash flows		<b>281.7</b>	273.0
Debt acquired		<b>40.7</b>	21.3
Exchange differences		(139.8)	228.4
Non-cash movements:			
- deferred costs of debt raising		(0.5)	2.2
- capital element of new finance leases		<b>2.2</b>	1.1
Increase in net debt in the period		<b>184.3</b>	526.0
Net debt at 1 May		<b>2,527.7</b>	2,001.7
Net debt at 30 April	25(b)	<b>2,712.0</b>	2,527.7

# 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. A summary of the more important accounting policies is set out below.

### 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

There are no new IFRS or IFRIC Interpretations that are effective for the first time this financial year which have a material impact on the Group.

#### New standards, amendments and interpretations issued but not effective for the financial year beginning 1 May 2017 and not early adopted

IFRS 9, Financial instruments, replaces IAS 39, Financial instruments: Recognition and Measurement, and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group has finalised its assessment of this standard and has concluded that it will not have any impact on the Group's financial instrument accounting in future periods.

IFRS 15, Revenue from Contracts with Customers, replaces IAS 18, Revenue, and IAS 11, Construction Contracts, and related interpretations. The standard is effective for annual periods

beginning on or after 1 January 2018 and earlier application is permitted. The Group has finalised its assessment of this standard and has concluded that it will not have any impact on the Group's revenue recognition policy in future periods.

IFRS 16, Leases, 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, an interest expense will be recognised on the lease liability and depreciation on the right-of-use asset. The standard replaces IAS 17, Leases, and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted in conjunction with IFRS 15. While the Group has not finalised its assessment of IFRS 16, the standard is expected to result in a significant increase in the Group's assets and liabilities, as a result of the recognition of the Group's property leases, and will result in increased depreciation and interest expense and lower operating costs.

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 (US\$) and Canadian dollar (C\$) are:

	US dollar		Canadian dollar	
	2018	2017	2018	2017
Average for year	<b>1.34</b>	1.29	<b>1.71</b>	1.70
Year end	<b>1.38</b>	1.29	<b>1.77</b>	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 represents the total amount receivable for the provision of goods and services including the sale of used rental equipment to customers net of returns and VAT/sales tax. Our revenue is a function of our rental rates and the size, utilisation and mix of our equipment rental fleet.

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 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 equipment delivery and collection is recognised when delivery or collection has occurred and is reported as rental revenue.

Revenue from the sale of rental equipment, new equipment, parts and supplies, retail merchandise and fuel is recognised at the time of delivery to, or collection by, the customer and when all 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.

### 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.

# Notes to the consolidated financial statements continued

## 2 ACCOUNTING POLICIES (CONTINUED)

### 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%
Rental equipment	4% to 33%
Office and workshop equipment	20%
Motor vehicles	7% to 25%

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.

### **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 net 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 allowances for estimated irrecoverable amounts.

##### **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 face value.

##### **Borrowings**

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct transaction costs. 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 IAS 39, Financial Instruments: Recognition and Measurement. 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 IAS 39. 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.

# Notes to the consolidated financial statements continued

## 2 ACCOUNTING POLICIES (CONTINUED)

### 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 US, the United Kingdom and Canada, respectively.

Following the acquisition of CRS Contractors Rental Supply Limited Partnership by Sunbelt Canada on 1 August 2017 (see Note 26), the Group has reassessed its reportable operating segments and concluded that it is now appropriate to disclose Sunbelt Canada separately from the Sunbelt US business. The revised operating segments provide greater clarity as to the operating performance in each territory and align with other reporting by the Group. The Group's segmental information for the year ended 30 April 2017 has been restated to reflect this change.

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 2018	Sunbelt US £m	A-Plant £m	Sunbelt Canada £m	Corporate items £m	Group £m
Revenue	<b>3,103.7</b>	<b>471.7</b>	<b>130.6</b>	–	<b>3,706.0</b>
Operating costs	(1,562.0)	(304.4)	(90.7)	(15.8)	(1,972.9)
EBITDA	<b>1,541.7</b>	<b>167.3</b>	<b>39.9</b>	(15.8)	<b>1,733.1</b>
Depreciation	(575.1)	(97.1)	(23.3)	(0.1)	(695.6)
Segment result	<b>966.6</b>	<b>70.2</b>	<b>16.6</b>	(15.9)	<b>1,037.5</b>
Amortisation					(43.5)
Net financing costs					(131.9)
Profit before taxation					<b>862.1</b>
Taxation					<b>106.7</b>
Profit attributable to equity shareholders					<b>968.8</b>
Segment assets	<b>5,507.6</b>	<b>847.3</b>	<b>344.6</b>	<b>0.5</b>	<b>6,700.0</b>
Cash					<b>19.1</b>
Taxation assets					<b>23.9</b>
Total assets					<b>6,743.0</b>
Segment liabilities	<b>545.7</b>	<b>81.1</b>	<b>29.1</b>	<b>9.8</b>	<b>665.7</b>
Corporate borrowings and accrued interest					<b>2,743.3</b>
Taxation liabilities					<b>807.1</b>
Total liabilities					<b>4,216.1</b>
Other non-cash expenditure – share-based payments	<b>3.7</b>	<b>0.9</b>	–	<b>2.4</b>	<b>7.0</b>
Capital expenditure	<b>1,210.5</b>	<b>192.5</b>	<b>247.4</b>	–	<b>1,650.4</b>

	Sunbelt US £m	A-Plant £m	Sunbelt Canada £m	Corporate items £m	Group £m
Year ended 30 April 2017 (restated)					
Revenue	2,723.6	418.2	45.0	–	3,186.8
Operating costs	(1,375.1)	(265.4)	(27.1)	(14.8)	(1,682.4)
EBITDA	1,348.5	152.8	17.9	(14.8)	1,504.4
Depreciation	(513.3)	(81.2)	(12.2)	(0.1)	(606.8)
Segment result	835.2	71.6	5.7	(14.9)	897.6
Amortisation				(28.3)	
Net financing costs				(104.2)	
Profit before taxation					765.1
Taxation				(264.1)	
Profit attributable to equity shareholders					501.0
Segment assets	5,218.5	775.3	118.6	0.4	6,112.8
Cash					6.3
Taxation assets					6.9
Total assets					6,126.0
Segment liabilities	458.0	100.8	4.4	8.6	571.8
Corporate borrowings and accrued interest					2,550.6
Taxation liabilities					1,033.5
Total liabilities					4,155.9
Other non-cash expenditure – share-based payments	3.0	0.8	–	1.9	5.7
Capital expenditure	1,245.1	266.2	23.8	–	1,535.1

### Segmental analysis by geography (restated)

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	
	2018 £m	2017 £m	2018 £m	2017 £m	2018 £m	2017 £m
United States	<b>3,103.7</b>	2,723.6	<b>4,938.0</b>	4,697.3	<b>1,210.5</b>	1,245.1
United Kingdom	<b>471.7</b>	418.2	<b>724.6</b>	671.3	<b>192.5</b>	266.2
Canada	<b>130.6</b>	45.0	<b>308.3</b>	108.1	<b>247.4</b>	23.8
	<b>3,706.0</b>	3,186.8	<b>5,970.9</b>	5,476.7	<b>1,650.4</b>	1,535.1

# Notes to the consolidated financial statements continued

## 4 OPERATING COSTS AND OTHER INCOME

	2018			2017		
	Before amortisation £m	Amortisation £m	Total £m	Before amortisation £m	Amortisation £m	Total £m
Staff costs:						
Salaries	<b>788.2</b>	–	<b>788.2</b>	671.5	–	671.5
Social security costs	<b>60.3</b>	–	<b>60.3</b>	52.5	–	52.5
Other pension costs	<b>14.9</b>	–	<b>14.9</b>	12.6	–	12.6
	<b>863.4</b>	–	<b>863.4</b>	736.6	–	736.6
Used rental equipment sold	<b>128.2</b>	–	<b>128.2</b>	126.5	–	126.5
Other operating costs:						
Vehicle costs	<b>211.3</b>	–	<b>211.3</b>	168.0	–	168.0
Spares, consumables and external repairs	<b>181.5</b>	–	<b>181.5</b>	147.7	–	147.7
Facility costs	<b>108.4</b>	–	<b>108.4</b>	94.4	–	94.4
Other external charges	<b>480.1</b>	–	<b>480.1</b>	409.2	–	409.2
	<b>981.3</b>	–	<b>981.3</b>	819.3	–	819.3
Depreciation and amortisation:						
Depreciation of owned assets	<b>694.4</b>	–	<b>694.4</b>	605.6	–	605.6
Depreciation of leased assets	<b>1.2</b>	–	<b>1.2</b>	1.2	–	1.2
Amortisation of intangibles	–	<b>43.5</b>	<b>43.5</b>	–	28.3	28.3
	<b>695.6</b>	<b>43.5</b>	<b>739.1</b>	606.8	28.3	635.1
	<b>2,668.5</b>	<b>43.5</b>	<b>2,712.0</b>	2,289.2	28.3	2,317.5

Proceeds from the disposal of non-rental property, plant and equipment amounted to £10m (2017: £7m), resulting in a profit on disposal of £1m (2017: £nil) which is included in other external charges.

The costs shown in the above table include:

	2018 £m	2017 £m
Operating lease rentals payable:		
– Plant and equipment	<b>1.9</b>	1.8
– Property	<b>78.3</b>	67.9
Cost of inventories recognised as expense	<b>264.9</b>	240.4
Bad debt expense	<b>23.1</b>	25.7

Staff costs include directors' remuneration. Directors' remuneration comprised:

	2018 £'000	2017 £'000
Salaries and short-term employee benefits	<b>5,693</b>	8,389
Post-employment benefits	<b>30</b>	28
National insurance and social security	<b>404</b>	668
Share-based payments	<b>2,555</b>	2,095
	<b>8,682</b>	11,180

Remuneration payable to the Company's auditor, Deloitte LLP, in the year is given below:

	2018 £'000	2017 £'000
Fees payable to Deloitte UK and its associates for the audit of the Group's annual accounts	<b>867</b>	757
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	<b>27</b>	48
– audit-related assurance services	<b>73</b>	72
– other assurance services	<b>60</b>	–
	<b>1,027</b>	877

Fees paid for audit-related assurance services relate to the half-year and quarterly reviews of the Group's interim financial statements. Other assurance services relate to comfort letters provided in connection with the \$600m 4.125% senior secured notes issue due in 2025 and the \$600m 4.375% senior secured notes issue due in 2027.

## 5 EXCEPTIONAL ITEMS AND AMORTISATION

	2018 £m	2017 £m
Amortisation of intangibles	<b>43.5</b>	28.3
Write-off of deferred financing costs	<b>8.1</b>	–
Release of premium	<b>(11.6)</b>	–
Early redemption fee	<b>23.7</b>	–
Call period interest	<b>1.5</b>	–
Taxation		
– tax on exceptional items and amortisation	<b>(20.0)</b>	(9.1)
– reduction in US deferred tax liability due to change in US federal tax rate	<b>(402.2)</b>	–
– reassessment of historical amounts deductible for tax	<b>20.7</b>	–
	<b>(336.3)</b>	19.2

The costs associated with the redemption of the \$900m 6.5% senior secured notes in August 2017 have been classified as exceptional items. The write-off of deferred financing costs consists 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 represents 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) arises 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) relates 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:

	2018 £m	2017 £m
Amortisation of intangibles	<b>43.5</b>	28.3
Charged in arriving at operating profit	<b>43.5</b>	28.3
Net financing costs	<b>21.7</b>	–
Charged in arriving at profit before tax	<b>65.2</b>	28.3
Taxation	<b>(401.5)</b>	(9.1)
	<b>(336.3)</b>	19.2

## 6 NET FINANCING COSTS

	2018 £m	2017 £m
<b>Investment income</b>		
Net interest on the net defined benefit pension plan asset	–	(0.1)
<b>Interest expense</b>		
Bank interest payable	<b>45.6</b>	34.1
Interest payable on second priority senior secured notes	<b>60.5</b>	66.9
Interest payable on finance leases	<b>0.3</b>	0.3
Net interest on the net defined benefit pension plan liability	<b>0.1</b>	–
Non-cash unwind of discount on provisions	<b>0.7</b>	0.9
Amortisation of deferred debt raising costs	<b>3.0</b>	2.1
Total interest expense	<b>110.2</b>	104.3
Net financing costs before exceptional items	<b>110.2</b>	104.2
Exceptional items	<b>21.7</b>	–
Net financing costs	<b>131.9</b>	104.2

# Notes to the consolidated financial statements continued

## 7 TAXATION

The tax charge on the result for the year has been computed using a tax rate of 34% in the US (2017: 39%), 19% in the UK (2017: 20%) and 27% in Canada (2017: 27%). In addition, there was a significant tax credit in the year 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 credit of 12% (2017: charge of 35%). 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.

	2018 £m	2017 £m
<b>Analysis of the tax charge</b>		
Current tax		
- current tax on income for the year	<b>73.0</b>	54.5
- adjustments to prior year	<b>(10.4)</b>	(0.1)
- reassessment of historical amounts deductible for tax	<b>24.7</b>	-
	<b>87.3</b>	54.4
Deferred tax		
- origination and reversal of temporary differences	<b>200.4</b>	206.8
- adjustments to prior year	<b>11.8</b>	2.9
- remeasurement of US deferred tax liabilities due to reduction in US federal tax rate	<b>(402.2)</b>	-
- reassessment of historical amounts deductible for tax	<b>(4.0)</b>	-
	<b>(194.0)</b>	209.7
Total taxation (credit)/charge	<b>(106.7)</b>	264.1
Comprising:		
- United Kingdom	<b>15.7</b>	14.4
- United States	<b>(122.5)</b>	248.2
- Canada	<b>0.1</b>	1.5
	<b>(106.7)</b>	264.1

The tax credit comprises a charge of £294.8m (2017: £273.2m) relating to tax on the profit before exceptional items and amortisation, together with a credit of £401.5m (2017: £9.1m) on exceptional items and amortisation.

The differences between the tax credit for the year of 12% and the standard rate of corporation tax in the UK of 19% are explained below:

	2018 £m	2017 £m
Profit on ordinary activities before tax	<b>862.1</b>	765.1
Profit on ordinary activities multiplied by the rate of corporation tax in the UK of 19% (2017: 20%)	<b>163.8</b>	153.0
Effects of:		
Use of foreign tax rates on overseas income	<b>113.9</b>	118.3
Adjustments to prior years	<b>1.4</b>	2.8
Reduction in US deferred tax liabilities due to reduction in US federal tax rate	<b>(402.2)</b>	-
Reassessment of historical amounts deductible for tax	<b>20.7</b>	-
Other	<b>(4.3)</b>	(10.0)
Total taxation (credit)/charge	<b>(106.7)</b>	264.1

## 8 DIVIDENDS

	2018 £m	2017 £m
Final dividend paid on 15 September 2017 of 22.75p (2017: 18.5p) per 10p ordinary share	<b>113.2</b>	92.4
Interim dividend paid on 7 February 2018 of 5.5p (2017: 4.75p) per 10p ordinary share	<b>27.3</b>	23.7
	<b>140.5</b>	116.1

In addition, the directors are proposing a final dividend in respect of the year ended 30 April 2018 of 27.5p (2017: 22.75p) per share which will absorb £134m of shareholders' funds, based on the 488m shares qualifying for dividend at 18 June 2018. Subject to approval by shareholders, it will be paid on 14 September 2018 to shareholders who are on the register of members on 17 August 2018.

## 9 EARNINGS PER SHARE

	2018			2017		
	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	<b>968.8</b>	<b>496.0</b>	<b>195.3</b>	501.0	498.7	100.5
Share options and share plan awards	–	2.3	(0.9)	–	2.2	[0.5]
Diluted earnings per share	<b>968.8</b>	<b>498.3</b>	<b>194.4</b>	501.0	500.9	100.0

Underlying earnings per share may be reconciled to basic earnings per share as follows:

	2018 pence	2017 pence
Basic earnings per share	<b>195.3</b>	100.5
Amortisation of intangibles	<b>8.7</b>	5.7
Exceptional items	<b>4.4</b>	–
Tax on exceptional items and amortisation	<b>(4.0)</b>	(1.9)
Exceptional tax credit (US tax reforms)	<b>(81.1)</b>	–
Exceptional tax charge (reassessment of historical amounts deductible for tax)	<b>4.2</b>	–
Underlying earnings per share	<b>127.5</b>	104.3

## 10 INVENTORIES

	2018 £m	2017 £m
Raw materials, consumables and spares	<b>18.3</b>	12.6
Goods for resale	<b>36.9</b>	31.6
	<b>55.2</b>	44.2

# Notes to the consolidated financial statements continued

## 11 TRADE AND OTHER RECEIVABLES

	2018 £m	2017 £m
Trade receivables	<b>598.9</b>	544.5
Less: allowance for bad and doubtful receivables	<b>(43.1)</b>	(38.4)
	<b>555.8</b>	506.1
Other receivables		
- Accrued revenue	<b>42.2</b>	36.2
- Other	<b>71.4</b>	49.6
	<b>669.4</b>	591.9

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 allowance for bad and doubtful receivables 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 allowance for bad and doubtful receivables.

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 2018	55.5	277.5	136.8	52.2	76.9	598.9
Carrying value at 30 April 2017	50.1	247.8	130.6	50.9	65.1	544.5

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 2018	306.4	155.0	55.2	27.5	54.8	598.9
Carrying value at 30 April 2017	269.2	151.1	55.0	27.5	41.7	544.5

### b) Movement in the allowance account for bad and doubtful receivables

	2018 £m	2017 £m
At 1 May	<b>38.4</b>	26.9
Amounts written off or recovered during the year	<b>(16.3)</b>	(17.0)
Increase in allowance recognised in income statement	<b>23.1</b>	25.7
Currency movements	<b>(2.1)</b>	2.8
At 30 April	<b>43.1</b>	38.4

## 12 CASH AND CASH EQUIVALENTS

	2018 £m	2017 £m
Cash and cash equivalents	<b>19.1</b>	6.3

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	
<b>Cost or valuation</b>						
<b>At 1 May 2016</b>	135.9	4,480.8	93.6	343.6	7.4	5,061.3
Exchange differences	12.3	503.0	9.4	37.8	–	562.5
Acquisitions	–	247.4	0.9	16.0	–	264.3
Reclassifications	1.8	(2.0)	2.4	(2.2)	–	–
Additions	22.0	983.2	20.7	58.9	0.8	1,085.6
Disposals	(1.4)	(366.0)	(4.3)	(21.3)	(0.6)	(393.6)
<b>At 30 April 2017</b>	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)
<b>At 30 April 2018</b>	<b>190.6</b>	<b>6,566.8</b>	<b>142.3</b>	<b>472.5</b>	<b>7.7</b>	<b>7,379.9</b>
<b>Depreciation</b>						
<b>At 1 May 2016</b>	53.3	1,233.9	62.7	119.7	2.9	1,472.5
Exchange differences	4.6	132.2	6.2	12.8	–	155.8
Acquisitions	–	93.8	0.6	7.8	–	102.2
Reclassifications	0.2	(0.2)	1.2	(1.2)	–	–
Charge for the period	9.9	534.8	13.4	47.7	1.0	606.8
Disposals	(1.4)	(240.9)	(3.7)	(15.4)	(0.4)	(261.8)
<b>At 30 April 2017</b>	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)
<b>At 30 April 2018</b>	<b>73.4</b>	<b>2,136.3</b>	<b>89.4</b>	<b>196.2</b>	<b>2.6</b>	<b>2,497.9</b>
<b>Net book value</b>						
<b>At 30 April 2018</b>	<b>117.2</b>	<b>4,430.5</b>	<b>52.9</b>	<b>276.3</b>	<b>5.1</b>	<b>4,882.0</b>
At 30 April 2017	104.0	4,092.8	42.3	261.4	4.1	4,504.6

£1m of rebuild costs were capitalised in the year (2017: £1m). Rental equipment includes leased assets with a net book value of £nil (2017: £0.1m).

# Notes to the consolidated financial statements continued

## 14 INTANGIBLE ASSETS INCLUDING GOODWILL

	Other intangible assets					
	Goodwill £m	Brand names £m	Customer lists £m	Contract related £m	Total £m	Total £m
<b>Cost or valuation</b>						
<b>At 1 May 2016</b>	556.7	17.3	130.2	32.4	179.9	736.6
Recognised on acquisition	175.5	0.7	96.3	3.8	100.8	276.3
Additions	–	–	0.3	10.8	11.1	11.1
Exchange differences	65.5	2.0	11.9	3.0	16.9	82.4
<b>At 30 April 2017</b>	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)
<b>At 30 April 2018</b>	<b>882.6</b>	<b>19.8</b>	<b>303.2</b>	<b>53.8</b>	<b>376.8</b>	<b>1,259.4</b>
<b>Amortisation</b>						
<b>At 1 May 2016</b>	–	15.3	56.9	23.9	96.1	96.1
Charge for the period	–	0.7	22.7	4.9	28.3	28.3
Exchange differences	–	1.9	6.1	1.9	9.9	9.9
<b>At 30 April 2017</b>	<b>–</b>	<b>17.9</b>	<b>85.7</b>	<b>30.7</b>	<b>134.3</b>	<b>134.3</b>
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)
<b>At 30 April 2018</b>	<b>–</b>	<b>18.6</b>	<b>116.1</b>	<b>35.8</b>	<b>170.5</b>	<b>170.5</b>
<b>Net book value</b>						
<b>At 30 April 2018</b>	<b>882.6</b>	<b>1.2</b>	<b>187.1</b>	<b>18.0</b>	<b>206.3</b>	<b>1,088.9</b>
At 30 April 2017	797.7	2.1	153.0	19.3	174.4	972.1

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, following the acquisition of CRS Contractors Rental Supply Limited Partnership by Sunbelt Canada and the scale of the traffic business within the UK, the Group reassessed its CGUs. As the result, the Group concluded that Sunbelt Canada and the traffic business in the UK should be classified as separate CGUs, based on them generating separately identifiable cash flows. Goodwill allocated to each of the Group's CGUs is as follows:

	2018 £m	2017 £m
<b>Sunbelt US (restated)</b>		
Pump & Power	<b>41.5</b>	36.2
Climate Control	<b>20.6</b>	21.2
Scaffolding	<b>13.2</b>	14.1
General equipment and related businesses	<b>660.0</b>	648.2
	<b>735.3</b>	719.7
<b>A-Plant (restated)</b>		
Live (temporary roadways and barriers)	<b>25.8</b>	25.7
Traffic	<b>9.8</b>	9.8
PSS (trenchless technology and fusion)	<b>5.4</b>	5.4
Lifting	<b>3.7</b>	3.7
General equipment and related businesses	<b>28.0</b>	25.2
	<b>72.7</b>	69.8
<b>Sunbelt Canada (restated)</b>		
General equipment and related businesses	<b>74.6</b>	8.2
Total goodwill	<b>882.6</b>	797.7

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 2018. 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 2018/19 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 of 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, Climate Control and Scaffolding**

Revenue for the Pump & Power, Climate Control and Scaffolding 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 benefit from improving market conditions and 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 business, improving market conditions and increased scale.

### **15 TRADE AND OTHER PAYABLES**

	2018 £m	2017 £m
Trade payables	<b>243.7</b>	222.8
Other taxes and social security	<b>48.8</b>	42.3
Accruals and deferred income	<b>325.0</b>	271.9
	<b>617.5</b>	537.0

Trade and other payables include amounts relating to the purchase of fixed assets of £269m (2017: £237m). The fair values of trade and other payables are not materially different from the carrying values presented.

# Notes to the consolidated financial statements continued

## 16 BORROWINGS

	2018 £m	2017 £m
<b>Current</b>		
Finance lease obligations	<b>2.7</b>	2.6
<b>Non-current</b>		
First priority senior secured bank debt	<b>1,508.5</b>	1,449.2
Finance lease obligations	<b>2.6</b>	1.8
6.5% second priority senior secured notes, due 2022	–	699.4
5.625% second priority senior secured notes, due 2024	<b>358.4</b>	381.0
4.125% second priority senior secured notes, due 2025	<b>429.5</b>	–
4.375% second priority senior secured notes, due 2027	<b>429.4</b>	–
	<b>2,728.4</b>	2,531.4

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 2018, \$3.1bn was committed by our senior lenders under the asset-based senior secured revolving credit facility ('ABL facility') until July 2022 while the amount utilised was \$2,140m (including letters of credit totalling \$45m). 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 average availability according to a grid which varies from LIBOR plus 125bp to LIBOR plus 175bp. At 30 April 2018 the Group's borrowing rate was LIBOR plus 175bp.

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 \$310m. At 30 April 2018 availability under the bank facility was \$1,115m (\$1,305m at 30 April 2017), with an additional \$2,329m of suppressed availability meaning that the covenant was not measured at 30 April 2018 and is unlikely to be measured in forthcoming quarters. Accordingly, the accounts are prepared on a going concern basis.

### **5.625% second priority senior secured notes due 2024 having a nominal value of \$500m, 4.125% second priority senior secured notes due 2025 having a nominal value of \$600m and 4.375% second priority senior secured notes due 2027 having a nominal value of \$600m**

At 30 April 2018 the Group, through its wholly owned subsidiary Ashtead Capital, Inc., had three series of second priority senior secured notes outstanding with nominal values of \$500m, \$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 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% 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% 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:

	2018	2017
First priority senior secured bank debt – revolving advances in dollars	<b>3.42%</b>	2.42%
Secured notes	–	6.5%
– \$900m nominal value	<b>5.625%</b>	5.625%
– \$500m nominal value	<b>4.125%</b>	–
– \$600m nominal value	<b>4.375%</b>	–
Finance leases	<b>7.0%</b>	6.3%

## 17 OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2018 £m	2017 £m	2018 £m	2017 £m
Amounts payable under finance leases:				
Less than one year	<b>3.0</b>	2.9	<b>2.7</b>	2.6
Later than one year but not more than five	<b>3.0</b>	2.0	<b>2.6</b>	1.8
	<b>6.0</b>	4.9	<b>5.3</b>	4.4
Future finance charges	<b>(0.7)</b>	(0.5)		
	<b>5.3</b>	4.4		

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 2017	25.8	3.7	18.2	47.7
Acquired businesses	–	–	17.0	17.0
Gross-up for amount recoverable from insurers	10.4	–	–	10.4
Exchange differences	(1.5)	(0.1)	(1.3)	(2.9)
Utilised	(27.1)	(1.3)	(13.9)	(42.3)
Charged in the year	29.3	–	0.5	29.8
Amortisation of discount	0.3	–	0.4	0.7
<b>At 30 April 2018</b>	<b>37.2</b>	<b>2.3</b>	<b>20.9</b>	<b>60.4</b>

	2018 £m	2017 £m
Included in current liabilities	<b>25.8</b>	28.6
Included in non-current liabilities	<b>34.6</b>	19.1
	<b>60.4</b>	47.7

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. £10.4m of this total liability is due from insurers and is included within 'other receivables'. The amount charged in the year is stated net of a £nil (2017: £2.1m) adjustment to reduce the provision held at 1 May 2017.

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 2017	–	–	–
Offset against deferred tax liability at 1 May 2017	6.7	90.0	96.7
Gross deferred tax assets at 1 May 2017	6.7	90.0	96.7
Exchange differences	–	(5.0)	(5.0)
Charged to income statement	(3.7)	(42.8)	(46.5)
Credit to equity	–	0.4	0.4
Acquisitions	–	0.1	0.1
Less offset against deferred tax liability	(3.0)	(42.7)	(45.7)
<b>At 30 April 2018</b>	<b>–</b>	<b>–</b>	<b>–</b>

# Notes to the consolidated financial statements continued

## 19 DEFERRED TAX (CONTINUED)

### Deferred tax liabilities

	Accelerated tax depreciation £m	Other temporary differences £m	Total £m
Net deferred tax liability at 1 May 2017	1,015.5	11.5	1,027.0
Deferred tax assets offset at 1 May 2017	96.7	–	96.7
Gross deferred tax liability at 1 May 2017	1,112.2	11.5	1,123.7
Exchange differences	(63.7)	(1.6)	(65.3)
(Credit)/charge to income statement	(240.8)	0.3	(240.5)
Charge to equity	–	1.5	1.5
Acquisitions	7.7	12.6	20.3
	815.4	24.3	839.7
Less offset of deferred tax assets			
– benefit of tax losses			(3.0)
– other temporary differences			(42.7)
<b>At 30 April 2018</b>			<b>794.0</b>

The Group has not recognised a deferred tax asset in respect of losses carried forward in a non-trading UK company of £5.9m (2017: £5.9m) 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

	2018 Number	2017 Number	2018 £m	2017 £m
Ordinary shares of 10p each				
Issued and fully paid:				
At 1 May	<b>499,225,712</b>	553,325,554	<b>49.9</b>	55.3
Cancellation of shares	–	[54,099,842]	–	(5.4)
<b>At 30 April</b>	<b>499,225,712</b>	499,225,712	<b>49.9</b>	49.9

During the period, the Company purchased 7.9m ordinary shares at a total cost of £161m under the share buyback programme announced in December 2017. At 30 April 2018, the Company held 7.9m (2017: nil) shares in treasury at an average cost of 2,041p. A further 1.7m (2017: 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 1,717,626 ordinary shares of the Company acquired at an average cost of 1,165p per share. The shares had a market value of £34.9m at 30 April 2018. 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 79 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 2018, there was a net charge to pre-tax profit in respect of the PSP of £7.0m (2017: £5.7m). After tax, the total charge was £5.4m (2017: £4.0m).

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 1,622p, nil exercise price, a dividend yield of 1.70%, volatility of 30.86%, a risk-free rate of 0.23% 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:

	2018 Number	2017 Number
Outstanding at 1 May	<b>2,310,855</b>	2,143,417
Granted	<b>682,615</b>	939,591
Exercised	<b>(650,218)</b>	(717,169)
Expired	<b>(43,083)</b>	(54,984)
Outstanding at 30 April	<b>2,300,169</b>	2,310,855
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:

	2018 £m	2017 £m
Land and buildings:		
Expiring in one year	<b>6.0</b>	5.7
Expiring between two and five years	<b>38.8</b>	37.8
Expiring in more than five years	<b>31.2</b>	27.7
	<b>76.0</b>	71.2

Total minimum commitments under existing operating leases at 30 April 2018 through to the earliest date at which the lease may be exited without penalty by year are as follows:

	£m
Financial year	
2019	76.0
2020	65.6
2021	55.8
2022	47.7
2023	38.4
Thereafter	114.1
	397.6

£2m of the total minimum operating lease commitments of £398m 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 £13m (2017: £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 2018/19 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.

# Notes to the consolidated financial statements continued

## 23 PENSIONS (CONTINUED)

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 2018. The principal financial assumptions made by the actuary were as follows:

	2018	2017
Discount rate	<b>2.7%</b>	2.6%
Inflation assumption – RPI	<b>3.1%</b>	3.3%
– CPI	<b>2.0%</b>	2.2%
Rate of increase in salaries	<b>4.1%</b>	4.3%
Rate of increase in pensions in payment	<b>3.0%</b>	3.2%

Pensioner life expectancy assumed in the 30 April 2018 update is based on the 'S2P CMI 2017' 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:

	2018	2017
Life expectancy of pensioners currently aged 65		
Male	<b>86.3</b>	86.5
Female	<b>88.3</b>	88.3
Life expectancy at age 65 for future pensioner currently aged 45		
Male	<b>87.7</b>	87.9
Female	<b>89.8</b>	89.9

The plan's assets are invested in the following asset classes:

	Fair value	
	2018	2017
	£m	£m
UK equities	<b>54.0</b>	52.1
US equities	<b>17.4</b>	15.4
European equities	<b>3.1</b>	3.0
Corporate bonds	–	5.9
Global loan fund	<b>10.2</b>	10.1
Liability driven investment funds	<b>2.6</b>	3.0
Property	<b>12.4</b>	10.0
Infrastructure	<b>3.7</b>	–
Cash	<b>0.3</b>	0.3
	<b>103.7</b>	99.8

The amounts recognised in the balance sheet are determined as follows:

	2018	2017
	£m	£m
Fair value of plan assets	<b>103.7</b>	99.8
Present value of funded defined benefit obligation	<b>(99.2)</b>	(103.5)
Net asset/(liability) recognised in the balance sheet	<b>4.5</b>	(3.7)

The components of the defined benefit cost recognised in the income statement are as follows:

	2018	2017
	£m	£m
Current service cost	<b>1.1</b>	0.8
Net interest on the net defined benefit plan	<b>0.1</b>	(0.1)
Net charge to the income statement	<b>1.2</b>	0.7

The remeasurements of the defined benefit plan recognised in the statement of comprehensive income are as follows:

	2018 £m	2017 £m
Actuarial gain/(loss) due to changes in financial assumptions	<b>5.2</b>	(17.9)
Actuarial gain due to changes in demographic assumptions	<b>0.7</b>	1.6
Actuarial (loss)/gain arising from experience adjustments	<b>(0.5)</b>	0.7
Return on plan assets excluding amounts recognised in net interest	<b>3.3</b>	9.9
Remeasurement of the defined benefit pension plan	<b>8.7</b>	(5.7)

Movements in the present value of defined benefit obligations were as follows:

	2018 £m	2017 £m
At 1 May	<b>103.5</b>	86.8
Current service cost	<b>1.1</b>	0.8
Interest cost	<b>2.7</b>	3.0
Contributions from members	<b>0.2</b>	0.2
Remeasurements		
– Actuarial [gain]/loss due to changes in financial assumptions	<b>(5.2)</b>	17.9
– Actuarial gain due to changes in demographic assumptions	<b>(0.7)</b>	(1.6)
– Actuarial loss/(gain) arising from experience adjustments	<b>0.5</b>	(0.7)
Benefits paid	<b>(2.9)</b>	(2.9)
<b>At 30 April</b>	<b>99.2</b>	103.5

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 (2017: £10m) decrease in the defined benefit obligation.
- An increase in the inflation rate of 0.5% would result in an £8m (2017: £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 £4m (2017: £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:

	2018 £m	2017 £m
At 1 May	<b>99.8</b>	89.0
Interest income	<b>2.6</b>	3.1
Remeasurement – return on plan assets excluding amounts recognised in net interest	<b>3.3</b>	9.9
Employer contributions	<b>0.7</b>	0.5
Contributions from members	<b>0.2</b>	0.2
Benefits paid	<b>(2.9)</b>	(2.9)
<b>At 30 April</b>	<b>103.7</b>	99.8

The actual return on plan assets was £5.9m (2017: £13.0m).

# Notes to the consolidated financial statements continued

## 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 45% of the drawn debt at a fixed rate as at 30 April 2018. 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 175bp. 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 2018, 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 2018, based upon the amount of variable rate debt outstanding, the Group's pre-tax profits would change by approximately £16m for each one percentage point change in interest rates applicable to the variable rate debt and, after tax effects, equity would change by approximately £11m. 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 2018, 92% 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 2018, dollar-denominated debt represented approximately 55% 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 2018 a 1% change in the US dollar-pound exchange rate would have impacted our pre-tax profits by approximately £9m and equity by approximately £27m. At 30 April 2018, 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 allowances for doubtful receivables. 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 650,000 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.

### 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 2018, availability under the \$3.1bn facility was \$1,115m (£809m).

### 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 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	–	–	–	–	–	435.5	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

Letters of credit of £33m (2017: £32m) are provided and guaranteed under the ABL facility which expires in July 2022.

#### At 30 April 2017

	Undiscounted cash flows – year to 30 April						
	2018 £m	2019 £m	2020 £m	2021 £m	2022 £m	Thereafter £m	Total £m
Bank and other debt	–	–	–	1,456.6	–	–	1,456.6
Finance leases	2.6	1.3	0.4	0.1	–	–	4.4
6.5% senior secured notes	–	–	–	–	–	708.0	708.0
5.625% senior secured notes	–	–	–	–	–	386.5	386.5
	2.6	1.3	0.4	1,456.7	–	1,094.5	2,555.5
Interest payments	102.5	102.4	102.3	75.8	67.0	65.7	515.7
	105.1	103.7	102.7	1,532.5	67.0	1,160.2	3,071.2

# Notes to the consolidated financial statements continued

## 24 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 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 2018, 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 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 2018.

	At 30 April 2018		At 30 April 2017		
	Book value £m	Fair value £m	Book value £m	Fair value £m	
Long-term borrowings					
– first priority senior secured bank debt	Level 1	<b>1,515.7</b>	<b>1,515.7</b>	1,456.6	1,456.6
– 6.5% senior secured notes	Level 1	–	–	708.0	735.4
– 5.625% senior secured notes	Level 1	<b>363.0</b>	<b>374.7</b>	386.5	414.0
– 4.125% senior secured notes	Level 1	<b>435.5</b>	<b>413.8</b>	–	–
– 4.375% senior secured notes	Level 1	<b>435.5</b>	<b>407.2</b>	–	–
		<b>2,749.7</b>	<b>2,711.4</b>	2,551.1	2,606.0
– finance lease obligations	Level 2	<b>2.6</b>	<b>3.0</b>	1.8	2.2
Total long-term borrowings		<b>2,752.3</b>	<b>2,714.4</b>	2,552.9	2,608.2
Deferred costs of raising finance		<b>(23.9)</b>	–	(21.5)	–
		<b>2,728.4</b>	<b>2,714.4</b>	2,531.4	2,608.2
Other financial instruments <sup>1</sup>					
Contingent consideration provision	Level 3	<b>20.9</b>	<b>20.9</b>	18.2	18.2
Finance lease obligations due within one year	Level 2	<b>2.7</b>	<b>3.0</b>	2.6	2.6
Cash and cash equivalents	Level 1	<b>19.1</b>	<b>19.1</b>	6.3	6.3

<sup>1</sup> 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

	2018 £m	2017 £m
Operating profit before exceptional items and amortisation	<b>1,037.5</b>	897.6
Depreciation	<b>695.6</b>	606.8
EBITDA before exceptional items	<b>1,733.1</b>	1,504.4
Profit on disposal of rental equipment	<b>(20.4)</b>	(35.6)
Profit on disposal of other property, plant and equipment	<b>(0.7)</b>	(0.1)
(Increase)/decrease in inventories	<b>(7.7)</b>	6.5
Increase in trade and other receivables	<b>(83.1)</b>	(56.9)
Increase in trade and other payables	<b>53.0</b>	20.2
Other non-cash movements	<b>7.0</b>	5.7
Cash generated from operations before exceptional items and changes in rental equipment	<b>1,681.2</b>	1,444.2

### b) 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 2017 £m	Cash flow £m	Exchange movement £m	Debt acquired £m	Other movements £m	30 April 2018 £m
Short-term borrowings	2.6	(42.1)	–	40.7	1.5	<b>2.7</b>
Long-term borrowings	2,531.4	336.9	(140.1)	–	0.2	<b>2,728.4</b>
Total liabilities from financing activities	2,534.0	294.8	(140.1)	40.7	1.7	<b>2,731.1</b>
Cash and cash equivalents	(6.3)	(13.1)	0.3	–	–	<b>(19.1)</b>
Net debt	2,527.7	281.7	(139.8)	40.7	1.7	<b>2,712.0</b>

	1 May 2016 £m	Cash flow £m	Exchange movement £m	Debt acquired £m	Other movements £m	30 April 2017 £m
Short-term borrowings	2.5	(9.0)	–	7.2	1.9	2.6
Long-term borrowings	2,012.2	274.8	228.9	14.1	1.4	2,531.4
Total liabilities from financing activities	2,014.7	265.8	228.9	21.3	3.3	2,534.0
Cash and cash equivalents	(13.0)	7.2	(0.5)	–	–	(6.3)
Net debt	2,001.7	273.0	228.4	21.3	3.3	2,527.7

Other non-cash movements relate to the amortisation of prepaid fees relating to the refinancing of debt facilities and the addition of new finance leases in the year.

### c) Acquisitions

	2018 £m	2017 £m
Cash consideration paid		
– acquisitions in the period (net of cash acquired)	<b>351.2</b>	414.0
– contingent consideration	<b>7.8</b>	7.1
	<b>359.0</b>	421.1

During the year, 17 acquisitions were made for a total cash consideration of £351m (2017: £414m), after taking account of net cash acquired of £0.5m. Further details are provided in Note 26.

Payments for contingent consideration on prior year acquisitions were also made of £8m (2017: £7m).

## 26 ACQUISITIONS

During the year, the following acquisitions were completed:

- i) On 5 May 2017, Sunbelt US acquired the business and assets of Noble Rents, Inc. ('Noble') for a cash consideration of £26m (\$34m). Noble is a general equipment rental business in California.
- ii) On 22 May 2017, Sunbelt US acquired the business and assets of RGR Equipment, LLC ('RGR') for a cash consideration of £45m (\$58m), with contingent consideration of up to £5m (\$7m), payable over the next two years, depending on revenue meeting or exceeding certain thresholds. RGR is an aerial work platform rental business in Missouri.
- iii) On 31 May 2017, A-Plant acquired the entire share capital of Plantfinder (Scotland) Limited and the business and assets of Clyde Security Containers Limited (together 'Plantfinder') for a cash consideration of £23m. Plantfinder is an aerial work platform rental business.
- iv) On 1 June 2017, Sunbelt US acquired the business and assets of MSP Equipment Rentals, Inc. ('MSP') for a cash consideration of £18m (\$23m). MSP is an aerial work platform rental business in Delaware.
- v) On 29 June 2017, Sunbelt US acquired certain business and assets of Green Acres Equipment Rental, Inc. and Texas Agri-Capital, LLC (together 'Green Acres') for a cash consideration of £4m (\$5m). Green Acres is a general equipment rental business in Texas.
- vi) On 1 August 2017, Sunbelt Canada acquired all partnership interests of CRS Contractors Rental Supply Limited Partnership and the entire share capital of CRS Contractors Rental Supply General Partner, Inc. (together 'CRS') for an aggregate cash consideration of £133m (C\$220m), with contingent consideration of up to £12m (C\$20m), payable over the next three years, depending on EBITDA meeting or exceeding certain thresholds. Including acquired debt, the total cash consideration was £174m (C\$287m). CRS is a general equipment rental business in Ontario, Canada.

# Notes to the consolidated financial statements continued

## 26 ACQUISITIONS (CONTINUED)

- vii) On 29 September 2017, A-Plant acquired the business and assets of Chanton Hire ('Chanton') for a cash consideration of £1m. Chanton is a survey equipment business.
- viii) On 2 October 2017, Sunbelt US acquired the business and assets of the aerial division of Lift, Inc. ('Lift') for a cash consideration of £7m (\$9m). Lift is an aerial work platform rental business in Pennsylvania.
- ix) On 31 October 2017, Sunbelt US acquired the business and assets of The Rental Company of Cenla, LLC ('RentalCo') for a cash consideration of £1m (\$1m). RentalCo is a general equipment rental business in Louisiana.
- x) On 1 November 2017, Sunbelt US acquired the business and assets of Maverick Pump Services, LLC and Maverick Rehab, LLC (together 'Maverick') for a cash consideration of £16m (\$22m). Maverick is a pump solutions business in Texas and Colorado.
- xi) On 14 February 2018, Sunbelt US acquired the business and assets of Nickell Equipment Rental & Sales, Inc. ('Nickell') for a cash consideration of £11m (\$15m). Nickell is a general equipment rental business in Georgia.
- xii) On 23 February 2018, Sunbelt US acquired the business and assets of Beaupre Aerial Equipment, Inc. and Beaupre Equipment Services, Inc. (together 'Beaupre') for a cash consideration of £41m (\$57m). Beaupre is an aerial work platform rental business in Minnesota.
- xiii) On 27 February 2018, Sunbelt US acquired certain business and assets of West Georgia Equipment & Party Rental, LLC ('WGE') for a cash consideration of £2m (\$3m). WGE is a general equipment rental business in Georgia.
- xiv) On 7 March 2018, Sunbelt US acquired certain business and assets of DJ's Rentals, LLC ('DJ's') for a cash consideration of £5m (\$6m). DJ's is a general equipment rental business in Tennessee.
- xv) On 7 March 2018, Sunbelt US acquired certain business and assets of New England Rent-All Equipment, Inc. ('NERA') for a cash consideration of £3m (\$4m). NERA is a general equipment rental business in Massachusetts.
- xvi) On 15 March 2018, Sunbelt US acquired the business and assets of Building Cooling Systems, Inc. ('BCS') for a cash consideration of £1m (\$1m). BCS is a climate control business in New York.
- xvii) On 22 March 2018, Sunbelt US acquired the business and assets of Above and Beyond Equipment Rentals, LLC and Above and Beyond of Fairfield County, Inc. (together 'A&B') for an initial cash consideration of £15m (\$21m), with contingent consideration of up to £0.4m (\$0.5m), payable over the next year, depending on revenue meeting or exceeding certain thresholds. A&B is an aerial work platform rental business in Connecticut.

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
<b>Net assets acquired</b>	
Trade and other receivables	32.6
Inventory	5.9
Property, plant and equipment	
- rental equipment	182.4
- other assets	8.8
Creditors	(18.1)
Debt	(40.7)
Current tax	(0.7)
Deferred tax	(20.2)
Intangible assets (non-compete agreements, brand names and customer relationships)	83.3
	<b>233.3</b>
Consideration:	
- cash paid and due to be paid (net of cash acquired)	350.9
- contingent consideration payable in cash	17.0
	<b>367.9</b>
Goodwill	134.6

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. £61m of the goodwill is expected to be deductible for income tax purposes.

The fair value of trade receivables at acquisition was £33m. The gross contractual amount for trade receivables due was £34m, net of a £1m 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 £170m of revenue.

The revenue and operating profit of these acquisitions from 1 May 2017 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.

In October 2017, the European Commission opened a state aid investigation into the Group Financing Exemption in the UK controlled foreign company legislation. 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 preliminary findings of the European Commission's investigations into the UK legislation are upheld, we have estimated the Group's maximum potential liability to be £28m as at 30 April 2018. 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 2018 the amount borrowed under these facilities was £1,516m (2017: £1,457m). Subsidiary undertakings are also able to obtain letters of credit under these facilities and, at 30 April 2018, letters of credit issued under these arrangements totalled £33m (\$45m) (2017: £32m (\$41m)). In addition, the Company has guaranteed the 5.625%, 4.125% and 4.375% second priority senior secured notes with a par value of \$500m (£363m), \$600m (£436m) and \$600m (£436m) 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 2018 totalled £33m (2017: £38m) in respect of land and buildings of which £7m is payable by subsidiary undertakings in the year ending 30 April 2019.

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 £2m (2017: £2m).

## **28 CAPITAL COMMITMENTS**

At 30 April 2018 capital commitments in respect of purchases of rental and other equipment totalled £387m (2017: £481m), all of which had been ordered. There were no other material capital commitments at the year end.

## **29 EVENTS AFTER THE BALANCE SHEET DATE**

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\$2m), payable over the next year, depending on revenue meeting or exceeding certain thresholds. Including acquired debt, the total cash consideration was £43m (C\$76m). Voisin's is a general equipment rental business in Ontario, Canada.

The initial accounting for this acquisition is incomplete. Had this acquisition taken place on 1 May 2017, its contribution to revenue and operating profit would not have been material.

# Notes to the consolidated financial statements continued

## 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:

	2018 Number	2017 Number
North America	<b>11,380</b>	10,065
United Kingdom	<b>3,657</b>	3,307
Canada	<b>584</b>	222
	<b>15,621</b>	13,594

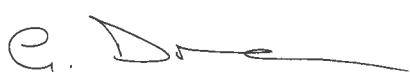
## 32 PARENT COMPANY INFORMATION

### a. Balance sheet of the Company (Company number: 01807982)

	Notes	2018 £m	2017 £m
<b>Current assets</b>			
Prepayments and accrued income		<b>0.4</b>	0.3
Amounts due from subsidiary undertakings	(f)	<b>374.2</b>	181.5
		<b>374.6</b>	181.8
<b>Non-current assets</b>			
Investments in Group companies	(g)	<b>363.7</b>	363.7
Deferred tax asset		<b>2.0</b>	1.6
		<b>365.7</b>	365.3
<b>Total assets</b>		<b>740.3</b>	547.1
<b>Current liabilities</b>			
Accruals and deferred income		<b>9.8</b>	8.6
<b>Total liabilities</b>		<b>9.8</b>	8.6
<b>Equity</b>			
Share capital	(b)	<b>49.9</b>	49.9
Share premium account	(b)	<b>3.6</b>	3.6
Capital redemption reserve	(b)	<b>6.3</b>	6.3
Own shares held by the Company	(b)	<b>(161.0)</b>	–
Own shares held through the ESOT	(b)	<b>(20.0)</b>	(16.7)
Retained reserves	(b)	<b>851.7</b>	495.4
<b>Equity attributable to equity holders of the Company</b>		<b>730.5</b>	538.5
<b>Total liabilities and equity</b>		<b>740.3</b>	547.1

The Company reported a profit for the financial year ended 30 April 2018 of £496m (2017: £377m).

These financial statements were approved by the Board on 18 June 2018.



**GEOFF DRABBLE**  
Chief executive



**MICHAEL PRATT**  
Finance director

**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 2016	55.3	3.6	0.9	(33.1)	(16.2)	316.0	326.5
Profit for the year	–	–	–	–	–	376.6	376.6
Other comprehensive income for the year	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–	376.6	376.6
Dividends paid	–	–	–	–	–	(116.1)	(116.1)
Own shares purchased by the ESOT	–	–	–	–	(7.2)	–	(7.2)
Own shares purchased by the Company	–	–	–	(48.0)	–	–	(48.0)
Share-based payments	–	–	–	–	6.7	(1.0)	5.7
Tax on share-based payments	–	–	–	–	–	1.0	1.0
Cancellation of own shares	(5.4)	–	5.4	81.1	–	(81.1)	–
At 30 April 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
<b>At 30 April 2018</b>	<b>49.9</b>	<b>3.6</b>	<b>6.3</b>	<b>(161.0)</b>	<b>(20.0)</b>	<b>851.7</b>	<b>730.5</b>

**c. Cash flow statement of the Company**

	Note	2018 £m	2017 £m
<b>Cash flows from operating activities</b>			
Cash used in operations	(i)	(185.2)	(203.5)
Financing costs paid – commitment fee		(1.9)	(1.8)
Dividends received from Ashtead Holdings PLC		496.0	376.6
<b>Net cash from operating activities</b>		<b>308.9</b>	171.3
<b>Cash flows from financing activities</b>			
Purchase of own shares by the ESOT		(10.2)	(7.2)
Purchase of own shares by the Company		(158.2)	(48.0)
Dividends paid		(140.5)	(116.1)
<b>Net cash used in financing activities</b>		<b>(308.9)</b>	(171.3)
<b>Change in cash and cash equivalents</b>		–	–

**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.

# Notes to the consolidated financial statements continued

## 32 PARENT COMPANY INFORMATION (CONTINUED)

### f. Amounts due from subsidiary undertakings

	2018 £m	2017 £m
Due within one year:		
Ashtead Holdings PLC	<b>374.2</b>	–
Ashtead Plant Hire Company Limited	–	181.5
	<b>374.2</b>	181.5

### g. Investments

	Shares in Group companies	
	2018 £m	2017 £m
At 30 April	<b>363.7</b>	363.7

Details of the Company's subsidiaries at 30 April 2018 are as follows:

Name	Address of registered office	Principal activity
<b>USA</b>		
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
<b>UK</b>		
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
ATM Traffic Solutions Limited	100 Cheapside, London, EC2V 6DT	Dormant
Construction Laser Equipment Limited	100 Cheapside, London, EC2V 6DT	Dormant
Eve Trakway Limited	100 Cheapside, London, EC2V 6DT	Dormant
Event Infrastructure & Branding Limited <sup>1</sup>	100 Cheapside, London, EC2V 6DT	Dormant
Lion Trackhire Limited	100 Cheapside, London, EC2V 6DT	Dormant
Mather & Stuart Limited <sup>1</sup>	100 Cheapside, London, EC2V 6DT	Dormant
Mather & Stuart Holdings Limited <sup>1</sup>	100 Cheapside, London, EC2V 6DT	Dormant
Mather & Stuart Generators Limited <sup>1</sup>	100 Cheapside, London, EC2V 6DT	Dormant
Opti-cal Survey Equipment Limited	100 Cheapside, London, EC2V 6DT	Dormant
Plantfinder (Scotland) Limited	12 Hope Street, Edinburgh, Scotland, EH2 4DB	Dormant
Tool and Engineering Services Limited <sup>1</sup>	100 Cheapside, London, EC2V 6DT	Dormant

Name	Address of registered office	Principal activity
<b>Canada</b>		
Sunbelt Rentals of Canada Inc.	1000-840 Howe Street, Vancouver, BC V62 2M1	Equipment rental and related services
<b>Republic of Ireland</b>		
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
Lion Trackhire Limited	10 Earlsfort Terrace, Dublin 2, D02 T380	Dormant
<b>Germany</b>		
Live Trakway GmbH	Felix-Wankel-Straße 10, 74632 Neuenstein	Equipment rental and related services

1 Companies dissolved on 1 May 2018.

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**

	2018 £m	2017 £m
Operating profit	<b>1.7</b>	1.6
Depreciation	<b>0.1</b>	0.1
EBITDA	<b>1.8</b>	1.7
Increase in prepayments and accrued income	<b>(0.1)</b>	–
(Decrease)/increase in accruals and deferred income	<b>(1.6)</b>	2.8
Decrease in intercompany payable and receivable	<b>(192.3)</b>	(213.7)
Other non-cash movement	<b>7.0</b>	5.7
Net cash outflow from operations before exceptional items	<b>(185.2)</b>	(203.5)

# Ten-year history

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>In £m</b>										
<b>Income statement</b>										
Revenue <sup>+</sup>	<b>3,706.0</b>	3,186.8	2,545.7	2,038.9	1,634.7	1,361.9	1,134.6	948.5	836.8	1,073.5
Operating costs <sup>+</sup>	<b>(1,972.9)</b>	(1,682.4)	(1,368.1)	(1,130.5)	(949.6)	(842.9)	(753.5)	(664.7)	(581.7)	(717.4)
EBITDA <sup>+</sup>	<b>1,733.1</b>	1,504.4	1,177.6	908.4	685.1	519.0	381.1	283.8	255.1	356.1
Depreciation <sup>+</sup>	<b>(695.6)</b>	(606.8)	(449.4)	(351.5)	(275.9)	(229.0)	(199.8)	(185.0)	(186.6)	(201.1)
Operating profit <sup>+</sup>	<b>1,037.5</b>	897.6	728.2	556.9	409.2	290.0	181.3	98.8	68.5	155.0
Interest <sup>+</sup>	<b>(110.2)</b>	(104.2)	(82.9)	(67.3)	(47.1)	(44.6)	(50.7)	(67.8)	(63.5)	(67.6)
Pre-tax profit <sup>+</sup>	<b>927.3</b>	793.4	645.3	489.6	362.1	245.4	130.6	31.0	5.0	87.4
Operating profit	<b>994.0</b>	869.3	699.6	541.1	403.6	284.2	178.2	97.1	66.0	68.4
Pre-tax profit	<b>862.1</b>	765.1	616.7	473.8	356.5	214.2	134.8	1.7	4.8	0.8
<b>Cash flow</b>										
Cash flow from operations before exceptional items and changes in rental fleet	<b>1,681.2</b>	1,444.2	1,070.6	841.4	645.5	501.3	364.6	279.7	265.6	373.6
Free cash flow	<b>386.2</b>	319.4	(68.0)	(87.9)	(48.5)	(34.0)	(9.4)	65.6	199.2	166.0
<b>Balance sheet</b>										
Capital expenditure	<b>1,238.7</b>	1,085.6	1,240.0	1,063.1	740.6	580.4	476.4	224.8	63.4	238.3
Book cost of rental equipment	<b>6,566.8</b>	5,846.4	4,480.8	3,638.2	2,575.8	2,186.5	1,854.1	1,621.6	1,701.3	1,798.2
Shareholders' funds	<b>2,526.9</b>	1,970.1	1,480.4	1,111.5	824.4	682.5	554.7	481.4	500.3	526.0
<b>In pence</b>										
Dividend per share	<b>33.0p</b>	27.5p	22.5p	15.25p	11.5p	7.5p	3.5p	3.0p	2.9p	2.575p
Earnings per share	<b>195.3p</b>	100.5p	81.3p	60.5p	46.1p	27.6p	17.8p	0.2p	0.4p	12.5p
Underlying earnings per share	<b>127.5p</b>	104.3p	85.1p	62.6p	46.6p	31.4p	17.3p	4.0p	0.2p	11.9p
<b>In per cent</b>										
EBITDA margin <sup>+</sup>	<b>46.8%</b>	47.2%	46.3%	44.6%	41.9%	38.1%	33.6%	29.9%	30.5%	33.2%
Operating profit margin <sup>+</sup>	<b>28.0%</b>	28.2%	28.6%	27.3%	25.0%	21.3%	16.0%	10.4%	8.2%	14.4%
Pre-tax profit margin <sup>+</sup>	<b>25.0%</b>	24.9%	25.3%	24.0%	22.2%	18.0%	11.5%	3.3%	0.6%	8.1%
Return on investment <sup>+</sup>	<b>17.6%</b>	17.3%	18.9%	19.4%	18.6%	16.2%	12.0%	7.0%	4.6%	9.7%
<b>People</b>										
Employees at year end	<b>15,996</b>	14,220	13,106	11,928	9,934	9,085	8,555	8,163	7,218	8,162
<b>Locations</b>										
Stores at year end	<b>899</b>	808	715	640	556	494	485	462	498	520

+ Before exceptional items, amortisation and fair value remeasurements.

# 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																																				
<b>Capital expenditure</b>	None	Represents additions to rental equipment and other tangible assets (excluding assets acquired through a business combination).																																				
<b>Cash conversion ratio</b>	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.																																				
		<table> <thead> <tr> <th></th> <th>Note</th> <th>2018 £m</th> <th>2017 £m</th> </tr> </thead> <tbody> <tr> <td>EBITDA before exceptional items</td> <td>25(a)</td> <td><b>1,733.1</b></td> <td>1,504.4</td> </tr> <tr> <td>Cash inflow from operations before exceptional items and changes in rental equipment</td> <td>25(a)</td> <td><b>1,681.2</b></td> <td>1,444.2</td> </tr> <tr> <td><b>Cash conversion ratio</b></td> <td></td> <td><b>97.0%</b></td> <td>96.0%</td> </tr> </tbody> </table>		Note	2018 £m	2017 £m	EBITDA before exceptional items	25(a)	<b>1,733.1</b>	1,504.4	Cash inflow from operations before exceptional items and changes in rental equipment	25(a)	<b>1,681.2</b>	1,444.2	<b>Cash conversion ratio</b>		<b>97.0%</b>	96.0%																				
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<b>Constant currency growth</b>	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, Accounting policies, to 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.																																				
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<b>Dollar utilisation</b>	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'.																																				
<b>Drop through</b>	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).																																				
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		This measure is utilised by the Group to demonstrate the incremental profitability generated by the Group as a result of growth in the year.																																				
<b>EBITDA</b>	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.																																				

# Glossary of terms continued

Term	Closest equivalent statutory measure	Definition and purpose																
<b>EBITDA margin</b>	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.																
<b>Exceptional items</b>	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.																
<b>Free cash flow</b>	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 45.																
<b>Leverage</b>	None	Leverage calculated at constant exchange rates uses the current period exchange rate and is determined as net debt divided by underlying EBITDA.																
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">2018 £m</th> <th style="text-align: center;">2017 £m</th> </tr> </thead> <tbody> <tr> <td>Net debt (at constant currency)</td> <td style="text-align: center;"><b>2,712.0</b></td> <td style="text-align: center;">2,386.9</td> </tr> <tr> <td>EBITDA (at constant currency)</td> <td style="text-align: center;"><b>1,687.6</b></td> <td style="text-align: center;">1,422.3</td> </tr> <tr> <td><b>Leverage</b></td> <td style="text-align: center;"><b>1.6</b></td> <td style="text-align: center;">1.7</td> </tr> </tbody> </table>				2018 £m	2017 £m	Net debt (at constant currency)	<b>2,712.0</b>	2,386.9	EBITDA (at constant currency)	<b>1,687.6</b>	1,422.3	<b>Leverage</b>	<b>1.6</b>	1.7				
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<b>Net debt</b>	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(b) of the financial statements.																
<b>Operating profit</b>	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.																
<b>Operating profit margin</b>	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.																
<b>Organic measures</b>	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.																
<b>Return on Investment ('Rol')</b>	None	Last 12-month ('LTM') 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 deferred tax. Rol 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 Rol is provided below:																
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<p>Rol for the businesses is calculated in the same way, but excludes goodwill and intangible assets:</p>																		
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Return on investment	24%	11%	11%															
<b>Underlying results</b>	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 amount on a given date that can be borrowed in addition to any current borrowings under the terms of our \$3.1bn asset-backed senior bank facility.

**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 2018. 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.

**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 \$3.1bn 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.

# Additional information

## FUTURE DATES

Quarter 1 results	11 September 2018
2018 Annual General Meeting	11 September 2018
Quarter 2 results	11 December 2018
Quarter 3 results	5 March 2019
Quarter 4 and year end results	18 June 2019

## ADVISERS

### Auditor

Deloitte LLP  
2 New Street Square  
London  
EC4A 3BZ

### Registrars and Transfer Office

Equiniti  
PO Box 4630  
Aspect House  
Spencer Road  
Lancing  
West Sussex  
BN99 6QQ

### Financial PR Advisers

The Maitland Consultancy  
13 King's Boulevard  
London  
N1C 4BU

## Solicitors

Travers Smith LLP
10 Snow Hill
London
EC1A 2AL
Skadden, Arps, Slate, Meagher & Flom LLP
155 N Wacker Drive
Chicago IL 60606

Parker, Poe, Adams & Bernstein LLP  
401 South Tryon Street  
Charlotte NC 28202

## Brokers

Jefferies Hoare Govett  
Vintners Place  
68 Upper Thames Street  
London  
EC4V 3BJ

Barclays Bank plc  
North Colonnade  
Canary Wharf  
London  
E14 4BB

## Registered number

01807982

## Registered Office

100 Cheapside  
London  
EC2V 6DT



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Designed and produced by  
**CONRAN DESIGN GROUP**

**Ashtead Group plc**  
100 Cheapside  
London EC2V 6DT

Phone: + 44 (0) 20 7726 9700  
Fax: + 44 (0) 20 7726 9705  
[www.ashtead-group.com](http://www.ashtead-group.com)