Ashtead group

10 December 2019

Unaudited results for the half-year and second quarter ended 31 October 2019

	Second quarter			First half		
	2019[1]	2018	Growth[2]	2019[1]	2018	Growth[2]
	£m	£m	%	£m	£m	%
Underlying results[3, 4]						
Rental revenue	1,282	1,113	10%	2,447	2,074	13%
EBITDA	700	595	9%	1,327	1,099	11%
Profit before taxation	371	348	4%	690	633	6%
Earnings per share	60.5p	54.0p	9%	111.8p	98.8p	11%
Statutory results						
Revenue	1,403	1,203	12%	2,681	2,250	14%
Operating profit	413	374	5%	771	679	8%
Profit before taxation	356	336	3%	660	610	6%
Earnings per share	57.9p	52.1p	9%	107.0p	95.1p	10%

Half-year highlights

- Revenue up 14%[2]; rental revenue up 13%[2]
- Operating profit of £771m (2018: £679m)
- Pre-tax profit[3] of £690m (2018: £633m); £705m excluding the impact of IFRS 16
- Earnings per share[3] up 11%[2] to 111.8p (2018: 98.8p)
- £1,010m of capital invested in the business (2018: £1,063m)
- £231m spent on bolt-on acquisitions (2018: £362m)
- Net debt to EBITDA leverage[2] of 1.9 times (2018: 1.8 times)
- Interim dividend increased by 10% to 7.15p per share (2018: 6.5p per share)

[1] The results for the first half and Q2 2019 are not comparable directly to the prior year due to the adoption of IFRS 16, Leases. Further details are provided in note 2 to the interim financial statements where we set out the impact of IFRS 16 on the results and present the income statement on a comparable basis to the prior year.
[2] Calculated at constant exchange rates applying current period exchange rates and excluding the impact of IFRS 16.
[3] Underlying results are stated before intangible amortisation.
[4] Throughout this announcement we refer to a number of alternative performance measures which are defined in the Glossary on page 39.

Ashtead's chief executive, Brendan Horgan, commented:

"The Group continues to trade well with strong rental revenue growth. Rental revenue increased 13% in the half year and underlying earnings per share increased 11%, excluding the impact of IFRS 16, both at constant exchange rates.

Our North American end markets remain strong and we continue to execute well on our strategy of organic growth supplemented by targeted bolt-on acquisitions. In contrast, the UK market remains challenging and we are therefore refocusing A-Plant on leveraging its platform to deliver long-term sustainable results, while generating strong cash flow.

We invested £1bn in capital and a further £231m on bolt-on acquisitions in the period, which added 50 locations across the Group. This investment reflects the structural growth opportunity that we continue to see in the business as we broaden our product offering, geographic reach and end markets, thus increasing market share and diversifying our business.

We remain focused on responsible growth. Our increasing scale and strong margins are delivering good earnings growth and significant free cash flow generation. This provides significant operational and financial flexibility, enabling us to invest in the long-term structural growth opportunity and enhance returns to shareholders, while maintaining leverage within our target range of 1.5 to 2.0 times net debt to EBITDA excluding IFRS 16. We spent £250m under our share buyback programme in the period, in line with our expectation to spend a minimum of £500m on share buybacks in 2019/20.

Our business continues to perform well in supportive North American end markets, while we have taken decisive strategic action to refocus our UK business in the challenging market conditions. Thus, except for the UK and a currency headwind, we expect results to be in line with our expectations and the Board continues to look to the medium term with confidence."

Contacts:

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Brendan Horgan and Michael Pratt will hold a meeting for equity analysts to discuss the results and outlook at 9am on Tuesday, 10 December 2019 at The London Stock Exchange, 10 Paternoster Square, London, EC4M 7LS. The meeting will be webcast live via the Company's website at www.ashtead-group.com and a replay will be available via the website shortly after the meeting concludes. A copy of this announcement and the slide presentation used for the meeting are available for download on the Company's website. The usual conference call for bondholders will begin at 4.30pm (11.30am EST).

Analysts and bondholders have already been invited to participate in the analyst meeting and conference call for bondholders but any eligible person not having received details should contact the Company's PR advisers, Maitland/AMO (Audrey Da Costa) at +44 (0)20 7379 5151.

Forward looking statements

This announcement 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.

First half trading results

	Revenue		EBITDA		Profit[1]	
	2019	2018	2019	2018	2019	2018
Sunbelt US in $m	2,887.5	2,500.2	1,502.0	1,278.1	947.0	847.1
Sunbelt Canada in C$m	200.3	167.4	85.0	66.6	40.4	36.3
Sunbelt US in £m	2,304.8	1,902.2	1,198.9	972.4	755.9	644.5
A-Plant	255.9	250.5	85.8	95.2	30.0	44.2
Sunbelt Canada in £m	120.6	97.7	51.2	38.8	24.3	21.2
Group central costs	-	-	(8.8)	(7.6)	(9.2)	(7.7)
	2,681.3	2,250.4	1,327.1	1,098.8	801.0	702.2
Net financing costs					(111.1)	(68.8)
Profit before amortisation and tax					**689.9**	**633.4**
Amortisation					(29.7)	(23.4)
Profit before taxation					660.2	610.0
Taxation charge					(166.3)	(148.5)
Profit attributable to equity holders of the Company					493.9	461.5
Margins as reported						
Sunbelt US			*52.0%*	*51.1%*	*32.8%*	*33.9%*
A-Plant			*33.5%*	*38.0%*	*11.7%*	*17.7%*
Sunbelt Canada			*42.4%*	*39.8%*	*20.2%*	*21.7%*
Group			*49.5%*	*48.8%*	*29.9%*	*31.2%*

[1] Segment result presented is operating profit before amortisation.

The Group adopted IFRS 16, Leases ('IFRS 16') on 1 May 2019. The Group elected to apply IFRS 16 using the modified retrospective approach with no restatement of comparative figures. As a result, the results for the half year are not comparable directly to the prior year with the adoption of IFRS 16 resulting in higher EBITDA and operating profit but lower profit before amortisation and tax than under the previous accounting standard. As a result, our comments below are on both the reported figures and those excluding the impact of IFRS 16 to aid comparability. Margins excluding the impact of IFRS 16 are summarised below. Further details on the adoption and impact of IFRS 16 are provided in note 2 to the interim financial statements.

Margins excluding the impact of IFRS 16	*2019*	*2018*	*2019*	*2018*
Sunbelt US	*50.2%*	*51.1%*	*32.5%*	*33.9%*
A-Plant	*31.8%*	*38.0%*	*11.6%*	*17.7%*
Sunbelt Canada	*39.9%*	*39.8%*	*19.9%*	*21.7%*
Group	*47.6%*	*48.8%*	*29.6%*	*31.2%*

Group revenue increased 19% to £2,681m in the first half (2018: £2,250m) with strong growth in the US and Canadian markets. This revenue growth, combined with a continued focus on drop-through, generated underlying profit before tax of £690m (2018: £633m) or £705m excluding the impact of IFRS 16. This performance reflects good profit growth in the US, a more moderate improvement in Canada as we invest in the business and a drag from weakness in the UK.

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 and Sunbelt Canada delivered 15% and 21% rental only revenue growth respectively, while A-Plant's rental only revenue decreased 2%, reflecting the more competitive landscape within a more uncertain UK market. The growth in Sunbelt Canada continues to reflect the impact of recent acquisitions.

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

		$m
2018 rental only revenue		1,869
Organic (same-store and greenfields)	10%	181
Bolt-ons since 1 May 2018	5%	96
2019 rental only revenue	15%	2,146
Ancillary revenue	13%	521
2019 rental revenue	15%	2,667
Sales revenue	29%	220
2019 total revenue	15%	2,887

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 44 new stores in the US in the first half, over half of which were specialty locations.

Rental only revenue growth was 15% in strong end markets, driven by increased fleet on rent. This is a good performance after the last two years which were impacted favourably by significant hurricane activity, whereas the 2019 hurricane season was much quieter. Sunbelt US's total revenue, including new and used equipment, merchandise and consumable sales, increased 15% to $2,887m (2018: $2,500m).

A-Plant generated rental only revenue of £187m, down 2% on the prior year (2018: £191m). This resulted from a 3% reduction in fleet on rent partially offset by a better yield, mainly due to product mix. The rate environment in the UK market remains competitive. A-Plant's total revenue increased 2% to £256m (2018: £251m) reflecting higher used equipment sales as A-Plant defleeted, selling under-utilised and low returning assets.

Sunbelt Canada's rental only revenue increased 21%, including the benefit of recent acquisitions. On an organic basis, rental only revenue increased 11%. Sunbelt Canada's total revenue was C$200m (2018: C$167m).

We continue to focus on operational efficiency as we look to maintain or improve margins. However, while US growth continues to outpace the market, the relatively lower rate of growth compared with recent years has put some pressure on drop-through, both in some of our mature stores and from the drag effect of greenfield openings and acquired stores. In Sunbelt US, excluding the impact of IFRS 16, 48% of revenue growth dropped through to EBITDA. This contributed to a reported EBITDA margin of 52% (2018: 51%) and a 12% increase in operating profit to $947m (2018: $847m) at a margin of 33% (2018: 34%). Excluding the impact of IFRS 16, the EBITDA and operating profit margins were 50% and 33% respectively for the current period.

The UK market remains competitive and after a period of sustained growth for the business, the focus is now on operational efficiency and improving returns. The EBITDA margin of 34% (2018: 38%) reflects the drag effect of the increased fleet disposals, the challenging rate environment and investment in the infrastructure of the business. Excluding the impact of the de-fleet exercise and the adoption of IFRS 16, A-Plant generated an EBITDA margin of 35% (2018: 39%). Operating profit of £30m (2018: £44m) at a margin of 12% (2018: 18%) also reflected these impacts.

Sunbelt Canada is in a growth phase as it invests to expand its network and develop the business. Significant growth has been achieved while delivering a 42% EBITDA margin (2018: 40%) and generating an operating profit of C$40m (2018: C$36m) at a margin of 20% (2018: 22%). Excluding the impact of IFRS 16, the EBITDA and operating profit margins were 40% and 20%, respectively.

Reflecting the performance of the divisions, Group underlying operating profit increased to £801m (2018: £702m), up 9% at constant exchange rates. Net financing costs increased to £111m (2018: £69m) reflecting the impact of the adoption of IFRS 16, which resulted in an incremental interest charge of £21m in the first half, and higher average debt levels. As a result, Group profit before amortisation of intangibles and taxation was £690m (2018: £633m). After a tax charge of 25% (2018: 24%) of the underlying pre-tax profit, underlying earnings per share increased 8% at constant currency to 111.8p (2018: 98.8p). Excluding the impact of IFRS 16, Group profit before amortisation of intangibles and taxation was £705m and underlying earnings per share increased 11% at constant currency. The underlying cash tax charge was 12%.

Statutory profit before tax was £660m (2018: £610m). This is after amortisation of £30m (2018: £23m). Included within the total tax charge is a tax credit of £7m (2018: £5m) which relates to the amortisation of intangibles. As a result, basic earnings per share were 107.0p (2018: 95.1p).

Capital expenditure and acquisitions

Capital expenditure for the first half was £1,010m gross and £866m net of disposal proceeds (2018: £1,063m gross and £963m net). Reflecting this investment, the Group's rental fleet at 31 October 2019 at cost was £9.0bn. Our average fleet age is now 33 months (2018: 31 months). Looking forward to the full year, we anticipate total capital expenditure to be towards the lower end of our range of £1.4bn to £1.6bn.

We invested £231m (2018: £362m), including acquired debt, in 11 bolt-on acquisitions during the period as we continue to expand our footprint and look to diversify our specialty markets.

Since the period end we have completed three further acquisitions, the most notable of which was William F. White ('WFW') in Canada for £136m (C$234m) with contingent consideration of up to £8m (C$14m), payable over the next year, depending on EBITDA meeting or exceeding certain thresholds. Including acquired debt, the total cash consideration was £151m (C$260m). WFW is Canada's largest provider of production equipment, services and studio facilities to the film and television industry.

Return on Investment

Sunbelt US's pre-tax return on investment (excluding goodwill and intangible assets) in the 12 months to 31 October 2019 was 23% (2018: 24%). In the UK, return on investment (excluding goodwill and intangible assets) was 7% (2018: 10%). This decline reflects the competitive nature of the UK market and the rate environment and the weaker performance of the business. In Canada, return on investment (excluding goodwill and intangible assets) was 11% (2018: 12%). We have made a significant investment in Canada and, as we develop the potential of the market, we expect returns to increase. For the Group as a whole, return on investment (including goodwill and intangible assets) was 17% (2018: 18%). For comparability, return on investment excludes the impact of IFRS 16.

Cash flow and net debt

As expected, debt increased during the first half as we continued to invest in the fleet and made a number of bolt-on acquisitions but also due to the adoption of IFRS 16, which added £883m to debt as at 1 May 2019. During the period, we spent £249m on share buybacks.

As a result, net debt at 31 October 2019 was £5,237m (2018: £3,612m), resulting in a net debt to EBITDA ratio of 2.2 times on a pro forma basis. The Group's target range for net debt to EBITDA is 1.9 to 2.4 times following the adoption of IFRS 16. Excluding the effect of IFRS 16, net debt at 31 October 2019 was £4,242m, while the ratio of net debt to EBITDA was 1.9 times (2018: 1.8 times) on a constant currency basis.

At 31 October 2019, availability under the senior secured debt facility was $1,001m, with an additional $2,930m of suppressed availability – substantially above the $410m level at which the Group's entire debt package is covenant free.

In November, the Group took advantage of good debt markets and refinanced its debt facilities by issuing $600m 4.0% senior secured notes maturing in May 2028 and $600m 4.25% senior secured notes maturing in November 2029. The net proceeds of the issue were used to repurchase the Group's $500m 5.625% senior secured notes which would have matured in 2024, pay related fees and expenses and repay an element of the amount outstanding under the ABL facility. These actions ensure the Group's debt package continues to be well structured and flexible, enabling us to optimise the opportunity presented by end market conditions. The Group's debt facilities are now committed for an average of six years at a weighted average cost of 4%.

Dividend

In line with its policy of providing a progressive dividend, having regard to both underlying profit and cash generation and to sustainability through the economic cycle, the Board has increased the interim dividend to 7.15p per share (2018: 6.5p per share). This will be paid on 5 February 2020 to shareholders on the register on 17 January 2020.

Capital allocation

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. In this regard, we assess continuously our medium term plans which take account of investment in the business, growth prospects, cash generation, net debt and leverage. Therefore the amount allocated to buybacks is simply driven by that which is available after organic growth, bolt-on M&A and dividends, whilst allowing us to operate within our 1.9 to 2.4 times target range for net debt to EBITDA (1.5 to 2.0 times pre IFRS 16).

Current trading and outlook

Our business continues to perform well in supportive North American end markets, while we have taken decisive strategic action to refocus our UK business in the challenging market conditions. Thus, except for the UK and a currency headwind, we expect results to be in line with our expectations and the Board continues to look to the medium term with confidence.

Directors' responsibility statement

We confirm that to the best of our knowledge:

a) the condensed consolidated interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting'; and

b) the interim management report includes a fair review of the information required by Disclosure and Transparency Rule 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year) and Disclosure and Transparency Rules 4.2.8R (disclosure of related parties' transactions and changes therein).

By order of the Board

Eric Watkins
Company secretary

9 December 2019

CONSOLIDATED INCOME STATEMENT FOR THE THREE MONTHS ENDED 31 OCTOBER 2019

	2019			2018		
	Before amortisation	Amortisation	Total	Before amortisation	Amortisation	Total
	£m	£m	£m	£m	£m	£m
Second quarter - unaudited						
Revenue						
Rental revenue	1,282.4	-	1,282.4	1,113.5	-	1,113.5
Sale of new equipment, merchandise and consumables	49.4	-	49.4	41.2	-	41.2
Sale of used rental equipment	71.3	-	71.3	48.3	-	48.3
	1,403.1	-	1,403.1	1,203.0	-	1,203.0
Operating costs						
Staff costs	(305.5)	-	(305.5)	(257.3)	-	(257.3)
Used rental equipment sold	(60.3)	-	(60.3)	(40.2)	-	(40.2)
Other operating costs	(336.8)	-	(336.8)	(310.4)	-	(310.4)
	(702.6)	-	(702.6)	(607.9)	-	(607.9)
EBITDA*	700.5	-	700.5	595.1	-	595.1
Depreciation	(272.1)	-	(272.1)	(209.3)	-	(209.3)
Amortisation of intangibles	-	(15.4)	(15.4)	-	(12.2)	(12.2)
Operating profit	428.4	(15.4)	413.0	385.8	(12.2)	373.6
Investment income	-	-	-	0.1	-	0.1
Interest expense	(57.5)	-	(57.5)	(38.1)	-	(38.1)
Profit on ordinary activities before taxation	370.9	(15.4)	355.5	347.8	(12.2)	335.6
Taxation	(93.5)	3.7	(89.8)	(86.7)	2.7	(84.0)
Profit attributable to equity holders of the Company	277.4	(11.7)	265.7	261.1	(9.5)	251.6
Basic earnings per share	60.5p	(2.6p)	57.9p	54.0p	(1.9p)	52.1p
Diluted earnings per share	60.2p	(2.5p)	57.7p	53.8p	(1.9p)	51.9p

* EBITDA is presented here as an alternative performance measure as it is commonly used by investors and lenders.

All revenue and profit is generated from continuing operations.

Details of principal risks and uncertainties are given in the Review of Second Quarter, Balance Sheet and Cash Flow accompanying these condensed consolidated interim financial statements.

CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 31 OCTOBER 2019

	2019			2018		
	Before amortisation £m	Amortisation £m	Total £m	Before amortisation £m	Amortisation £m	Total £m
First half - unaudited						
Revenue						
Rental revenue	2,446.9	-	2,446.9	2,074.5	-	2,074.5
Sale of new equipment, merchandise and consumables	96.0	-	96.0	79.7	-	79.7
Sale of used rental equipment	138.4	-	138.4	96.2	-	96.2
	2,681.3	-	2,681.3	2,250.4	-	2,250.4
Operating costs						
Staff costs	(590.9)	-	(590.9)	(488.8)	-	(488.8)
Used rental equipment sold	(118.9)	-	(118.9)	(79.6)	-	(79.6)
Other operating costs	(644.4)	-	(644.4)	(583.2)	-	(583.2)
	(1,354.2)	-	(1,354.2)	(1,151.6)	-	(1,151.6)
EBITDA*	1,327.1	-	1,327.1	1,098.8	-	1,098.8
Depreciation	(526.1)	-	(526.1)	(396.6)	-	(396.6)
Amortisation of intangibles	-	(29.7)	(29.7)	-	(23.4)	(23.4)
Operating profit	801.0	(29.7)	771.3	702.2	(23.4)	678.8
Investment income	-	-	-	0.1	-	0.1
Interest expense	(111.1)	-	(111.1)	(68.9)	-	(68.9)
Profit on ordinary activities before taxation	689.9	(29.7)	660.2	633.4	(23.4)	610.0
Taxation	(173.5)	7.2	(166.3)	(153.9)	5.4	(148.5)
Profit attributable to equity holders of the Company	516.4	(22.5)	493.9	479.5	(18.0)	461.5
Basic earnings per share	111.8p	(4.8p)	107.0p	98.8p	(3.7p)	95.1p
Diluted earnings per share	111.4p	(4.8p)	106.6p	98.4p	(3.7p)	94.7p

* EBITDA is presented here as an alternative performance measure as it is commonly used by investors and lenders.

All revenue and profit is generated from continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited			
	Three months to 31 October		Six months to 31 October	
	2019 £m	2018 £m	2019 £m	2018 £m
Profit attributable to equity holders of the Company for the period	265.7	251.6	493.9	461.5
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation differences	(146.4)	57.2	9.9	160.1
Total comprehensive income for the period	119.3	308.8	503.8	621.6

CONSOLIDATED BALANCE SHEET AT 31 OCTOBER 2019

	Unaudited 31 October 2019	Unaudited 31 October 2018	Audited 30 April 2019
	£m	£m	£m
Current assets			
Inventories	88.7	65.0	83.5
Trade and other receivables	978.8	907.2	843.6
Current tax asset	4.2	28.5	25.3
Cash and cash equivalents	19.4	23.3	12.8
	1,091.1	1,024.0	965.2
Non-current assets			
Property, plant and equipment			
- rental equipment	5,891.0	5,433.5	5,413.3
- other assets	658.5	536.4	573.7
	6,549.5	5,969.9	5,987.0
Right-of-use asset	991.2	-	-
Goodwill	1,224.6	1,074.4	1,144.7
Other intangible assets	291.9	242.5	260.6
Net defined benefit pension plan asset	-	4.4	-
	9,057.2	7,291.2	7,392.3
Total assets	10,148.3	8,315.2	8,357.5
Current liabilities			
Trade and other payables	748.7	799.5	632.4
Current tax liability	6.1	15.3	16.4
Lease liabilities	100.1	-	-
Short-term borrowings	-	2.5	2.3
Provisions	42.9	36.0	42.5
	897.8	853.3	693.6
Non-current liabilities			
Lease liabilities	899.2	-	-
Long-term borrowings	4,256.8	3,632.5	3,755.4
Provisions	36.9	30.3	46.0
Deferred tax liabilities	1,161.6	1,001.5	1,061.1
Net defined benefit pension plan liability	1.1	-	0.9
	6,355.6	4,664.3	4,863.4
Total liabilities	7,253.4	5,517.6	5,557.0
Equity			
Share capital	49.9	49.9	49.9
Share premium account	3.6	3.6	3.6
Capital redemption reserve	6.3	6.3	6.3
Own shares held by the Company	(872.8)	(370.6)	(622.6)
Own shares held by the ESOT	(27.7)	(24.6)	(24.6)
Cumulative foreign exchange translation differences	244.6	285.9	234.7
Retained reserves	3,491.0	2,847.1	3,153.2
Equity attributable to equity holders of the Company	2,894.9	2,797.6	2,800.5
Total liabilities and equity	10,148.3	8,315.2	8,357.5

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 OCTOBER 2019

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Own shares held by the Company £m	Own shares held through the ESOT £m	Cumulative foreign exchange translation differences £m	Retained reserves £m	Total £m
Unaudited								
At 1 May 2018	49.9	3.6	6.3	(161.0)	(20.0)	125.8	2,522.3	2,526.9
Profit for the period	-	-	-	-	-	-	461.5	461.5
Other comprehensive income:								
Foreign currency translation differences	-	-	-	-	-	160.1	-	160.1
Total comprehensive income for the period	-	-	-	-	-	160.1	461.5	621.6
Dividends paid	-	-	-	-	-	-	(133.3)	(133.3)
Own shares purchased by the ESOT	-	-	-	-	(14.2)	-	-	(14.2)
Own shares purchased by the Company	-	-	-	(209.6)	-	-	-	(209.6)
Share-based payments	-	-	-	-	9.6	-	(5.8)	3.8
Tax on share-based payments	-	-	-	-	-	-	2.4	2.4
At 31 October 2018	49.9	3.6	6.3	(370.6)	(24.6)	285.9	2,847.1	2,797.6
Profit for the period	-	-	-	-	-	-	335.4	335.4
Other comprehensive income:								
Foreign currency translation differences	-	-	-	-	-	(51.2)	-	(51.2)
Remeasurement of the defined benefit pension plan	-	-	-	-	-	-	(3.7)	(3.7)
Tax on defined benefit pension plan	-	-	-	-	-	-	0.7	0.7
Total comprehensive income for the period	-	-	-	-	-	(51.2)	332.4	281.2
Dividends paid	-	-	-	-	-	-	(30.9)	(30.9)
Own shares purchase by the ESOT	-	-	-	-	-	-	-	-
Own shares purchased by the Company	-	-	-	(252.0)	-	-	-	(252.0)
Share-based payments	-	-	-	-	-	-	3.8	3.8
Tax on share-based payments	-	-	-	-	-	-	0.8	0.8
At 30 April 2019	49.9	3.6	6.3	(622.6)	(24.6)	234.7	3,153.2	2,800.5
Effect of initial application of IFRS 16	-	-	-	-	-	-	8.1	8.1
At 1 May 2019 (restated)	49.9	3.6	6.3	(622.6)	(24.6)	234.7	3,161.3	2,808.6
Profit for the period	-	-	-	-	-	-	493.9	493.9
Other comprehensive income:								
Foreign currency translation differences	-	-	-	-	-	9.9	-	9.9
Total comprehensive income for the period	-	-	-	-	-	9.9	493.9	503.8
Dividends paid	-	-	-	-	-	-	(154.4)	(154.4)
Own shares purchased by the ESOT	-	-	-	-	(17.5)	-	-	(17.5)
Own shares purchased by the Company	-	-	-	(250.2)	-	-	-	(250.2)
Share-based payments	-	-	-	-	14.4	-	(10.0)	4.4
Tax on share-based payments	-	-	-	-	-	-	0.2	0.2
At 31 October 2019	49.9	3.6	6.3	(872.8)	(27.7)	244.6	3,491.0	2,894.9

CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 31 OCTOBER 2019

		Unaudited		
		2019		2018
		£m		£m
Cash flows from operating activities				
Cash generated from operations before exceptional items and changes in rental equipment		1,228.3		966.8
Payments for rental property, plant and equipment		(815.4)		(869.5)
Proceeds from disposal of rental property, plant and equipment		107.0		93.0
Cash generated from operations		519.9		190.3
Financing costs paid (net)		(108.2)		(60.4)
Tax paid (net)		(65.2)		(22.7)
Net cash generated from operating activities		346.5		107.2
Cash flows from investing activities				
Acquisition of businesses		(245.8)		(334.8)
Payments for non-rental property, plant and equipment		(122.1)		(89.2)
Proceeds from disposal of non-rental property, plant and equipment		3.7		4.1
Net cash used in investing activities		(364.2)		(419.9)
Cash flows from financing activities				
Drawdown of loans		687.4		1,320.8
Redemption of loans		(211.6)		(646.7)
Repayment of principal under lease liabilities		(30.2)		(0.7)
Dividends paid		(154.4)		(133.3)
Purchase of own shares by the ESOT		(17.5)		(14.2)
Purchase of own shares by the Company		(249.4)		(209.6)
Net cash generated from financing activities		24.3		316.3
Increase in cash and cash equivalents		6.6		3.6
Opening cash and cash equivalents		12.8		19.1
Effect of exchange rate difference		-		0.6
Closing cash and cash equivalents		19.4		23.3

Reconciliation of net cash flows to net debt

Increase in cash and cash equivalents in the period		(6.6)		(3.6)
Increase in debt through cash flow		445.6		673.4
Change in net debt from cash flows		439.0		669.8
Debt acquired		-		26.9
Exchange differences		29.6		200.4
Non-cash movements:				
- deferred costs of debt raising		2.9		2.1
- new lease liabilities		137.5		0.5
Increase in net debt in the period		609.0		899.7
Net debt at 1 May (as previously stated)	3,744.9		2,712.0	
Effect of initial application of IFRS 16	882.8		-	
Net debt at 1 May (restated)		4,627.7		2,712.0
Net debt at 31 October		5,236.7		3,611.7

NOTES TO THE CONDENSED CONSOLIDATED INTERIM 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 condensed consolidated interim financial statements as at, and for the six months ended, 31 October 2019 comprise the Company and its subsidiaries ('the Group').

The condensed consolidated interim financial statements for the six months ended 31 October 2019 were approved by the directors on 9 December 2019.

The condensed consolidated interim financial statements do not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The statutory accounts for the year ended 30 April 2019 were approved by the directors on 17 June 2019 and have been mailed to shareholders and filed with the Registrar of Companies. The auditor's report on those accounts was unqualified, did not include a reference to any matter by way of emphasis and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006.

The condensed consolidated interim financial statements for the six months ended 31 October 2019 are unaudited but have been reviewed by the Group's auditors. Their report is on page 38.

2. Basis of preparation

The condensed consolidated interim financial statements for the six months ended 31 October 2019 have been prepared in accordance with relevant International Financial Reporting Standards ('IFRS') as adopted by the European Union, including IAS 34, and the accounting policies set out in the Group's Annual Report and Accounts for the year ended 30 April 2019, except for the adoption of IFRS 16, Leases ('IFRS 16'), further details of which are set out below.

The directors have adopted various alternative performance measures to provide additional useful information on the underlying trends, performance and position of the Group. The alternative performance measures are not defined by IFRS and therefore may not be directly comparable with other companies' alternative performance measures, but are defined within the Glossary of Terms on page 39.

The condensed consolidated interim financial statements have been prepared on the going concern basis. The Group's internal budgets and forecasts of future performance, available financing facilities and facility headroom (see note 13), provide a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future and consequently the going concern basis continues to be appropriate in preparing the condensed consolidated interim financial statements.

The exchange rates used in respect of the US dollar ($) and Canadian dollar (C$) are:

	US dollar		Canadian dollar	
	2019	2018	2019	2018
Average for the three months ended 31 October	1.24	1.30	1.64	1.69
Average for the six months ended 31 October	1.25	1.31	1.66	1.71
At 30 April	1.30	1.38	1.75	1.77
At 31 October	1.29	1.28	1.70	1.68

2. Basis of preparation (continued)

IFRS 16, Leases

IFRS 16 has been applicable for the Group from 1 May 2019 and provides a new model for lease accounting under which lessees 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.

Under IFRS 16 the Group recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated income statement, whereas under IAS 17, Leases ('IAS 17') operating leases previously gave rise to a straight-line expense included within other operating expenses. In addition, right-of-use assets will be tested for impairment in accordance with IAS 36, Impairment of Assets. This replaces the previous requirement to recognise a provision for onerous lease contracts.

Under IFRS 16 the Group separates the total amount of cash paid for leases that are on balance sheet into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement. Under IAS 17 operating lease payments were presented as operating cash outflows.

Details of the Group's accounting policies under IFRS 16 are set out below, together with a description of the impact of adopting IFRS 16. Significant judgements applied in the adoption of IFRS 16 included determining the lease term for those leases with termination or extension options and determining an incremental borrowing rate where the rate in the lease could not be determined readily.

Accounting policy under IFRS 16

The Group assesses whether a contract is a lease, or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is measured initially at the present value of future lease payments at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. Lease payments included in the measurement of the Group's lease liability comprise:

- fixed lease payments, less any lease incentives received; and
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date.

The lease liability is presented as a separate line in the consolidated balance sheet.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

2. Basis of preparation (continued)

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term changes, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use asset comprises the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset with depreciation commencing at the commencement date of the lease.

Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line “other operating costs” in the income statement.

For short-term leases (lease terms of 12 months or less) and leases of low-value assets (such as photocopiers, vending machines, etc.), the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within other operating costs in the consolidated income statement.

Approach to transition

The Group has elected to apply IFRS 16 using the modified retrospective approach, with the right-of-use asset equal to the lease liability on transition subject to required transitional adjustments. As such, the cumulative effect of adopting IFRS 16 of £8m has been recognised as an adjustment to opening retained earnings on 1 May 2019 with no restatement of comparatives.

The Group’s weighted average incremental borrowing rate applied to lease liabilities as at 1 May 2019 was 4.5%.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2. Basis of preparation (continued)

Practical expedients adopted on transition

As part of the Group's adoption of IFRS 16 and application of the modified retrospective approach to transition, the Group elected to use the following practical expedients:

- a single discount rate has been applied to portfolios of leases with reasonably similar characteristics;
- right-of-use assets have been adjusted by the carrying amount of onerous lease provisions at 30 April 2019 instead of performing impairment reviews under IAS 36;
- hindsight has been used in determining the lease term and as such the Group has assumed that all available lease extension options are taken unless there are plans to exit a location based on our historical experience; and
- leases where the remaining lease term on transition was less than 12 months have been excluded from the lease liability on transition.

Financial impact

The application of IFRS 16 to leases previously classified as operating leases under IAS 17 resulted in the recognition of right-of-use assets and lease liabilities. The table below sets out the adjustments recognised at the date of initial application of IFRS 16 in relation to the opening balance sheet:

	As previously reported at 30 April 2019	Impact of IFRS 16	As restated at 1 May 2019
	£m	£m	£m
Current assets			
Trade and other receivables	843.6	(8.0)	835.6
Other current assets	121.6	-	121.6
	965.2	(8.0)	957.2
Non-current assets			
Property, plant and equipment	5,987.0	(4.8)	5,982.2
Right-of-use asset	-	894.3	894.3
Other non-current assets	1,405.3	-	1,405.3
	7,392.3	889.5	8,281.8
Current liabilities			
Trade and other payables	632.4	(10.6)	621.8
Lease liabilities	-	89.0	89.0
Short-term borrowings	2.3	(2.3)	-
Provisions	42.5	(0.5)	42.0
Other current liabilities	16.4	-	16.4
	693.6	75.6	769.2
Non-current liabilities			
Lease liabilities	-	798.8	798.8
Long-term borrowings	3,755.4	(2.7)	3,752.7
Provisions	46.0	(0.9)	45.1
Deferred tax liabilities	1,061.1	2.6	1,063.7
Other non-current liabilities	0.9	-	0.9
	4,863.4	797.8	5,661.2
Net assets	2,800.5	8.1	2,808.6

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2. Basis of preparation (continued)

The table below presents a reconciliation of the minimum operating lease commitments disclosed at 30 April 2019 to the lease liabilities recognised at 1 May 2019 under IFRS 16:

	£m
Minimum operating lease commitments disclosed under IAS 17 at 30 April 2019	495.2
Commitments under reasonably certain extension options	761.8
Short-term and low value lease commitments	(5.4)
Effect of discounting	(368.8)
Finance lease liabilities recognised under IAS 17 at 30 April 2019	5.0
Lease liabilities recognised at 1 May 2019 under IFRS 16	887.8

In terms of the income statement impact, the application of IFRS 16 resulted in a decrease in other operating expenses and an increase in depreciation and interest expense compared to IAS 17. The impact on the consolidated income statement is detailed below where pro forma adjustments have been made to eliminate the depreciation and interest which arise under IFRS 16 and to include the operating lease costs within EBITDA which would have been recorded under IAS 17.

	2019			2018
	Pre IFRS 16	IFRS 16 impact	As reported	Total
	£m	£m	£m	£m
Revenue				
Rental revenue	2,446.9	-	2,446.9	2,074.5
Sale of new equipment, merchandise and consumables	96.0	-	96.0	79.7
Sale of used rental equipment	138.4	-	138.4	96.2
	2,681.3	-	2,681.3	2,250.4
Operating costs				
Staff costs	(590.9)	-	(590.9)	(488.8)
Used rental equipment sold	(118.9)	-	(118.9)	(79.6)
Other operating costs	(694.1)	49.7	(644.4)	(583.2)
	(1,403.9)	49.7	(1,354.2)	(1,151.6)
EBITDA	1,277.4	49.7	1,327.1	1,098.8
Depreciation	(482.8)	(43.3)	(526.1)	(396.6)
Amortisation of intangibles	(29.7)	-	(29.7)	(23.4)
Operating profit	764.9	6.4	771.3	678.8
Investment income	-	-	-	0.1
Interest expense	(89.9)	(21.2)	(111.1)	(68.9)
Profit on ordinary activities before taxation	675.0	(14.8)	660.2	610.0
Taxation	(170.0)	3.7	(166.3)	(148.5)
Profit attributable to equity holders of the Company	505.0	(11.1)	493.9	461.5

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. Segmental analysis

Three months to 31 October 2019

	Sunbelt US	A-Plant	Sunbelt Canada	Corporate items	Group
	£m	£m	£m	£m	£m
Revenue					
Rental revenue	1,118.9	108.4	55.1	-	1,282.4
Sale of new equipment, merchandise and consumables	35.3	8.7	5.4	-	49.4
Sale of used rental equipment	60.2	7.4	3.7	-	71.3
	1,214.4	124.5	64.2	-	1,403.1
Operating profit before amortisation	403.2	14.6	14.8	(4.2)	428.4
Amortisation					(15.4)
Net financing costs					(57.5)
Profit before taxation					355.5
Taxation					(89.8)
Profit attributable to equity shareholders					265.7

Three months to 31 October 2018

	Sunbelt US	A-Plant	Sunbelt Canada	Corporate items	Group
	£m	£m	£m	£m	£m
Revenue					
Rental revenue	956.7	111.1	45.7	-	1,113.5
Sale of new equipment, merchandise and consumables	28.1	7.6	5.5	-	41.2
Sale of used rental equipment	40.0	6.2	2.1	-	48.3
	1,024.8	124.9	53.3	-	1,203.0
Operating profit before amortisation	354.6	22.0	12.9	(3.7)	385.8
Amortisation					(12.2)
Net financing costs					(38.0)
Profit before taxation					335.6
Taxation					(84.0)
Profit attributable to equity shareholders					251.6

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. Segmental analysis (continued)

Six months to 31 October 2019

	Sunbelt US	A-Plant	Sunbelt Canada	Corporate items	Group
	£m	£m	£m	£m	£m
Revenue					
Rental revenue	2,128.7	217.8	100.4	-	2,446.9
Sale of new equipment, merchandise and consumables	67.4	17.1	11.5	-	96.0
Sale of used rental equipment	108.7	21.0	8.7	-	138.4
	2,304.8	255.9	120.6	-	2,681.3
Operating profit before amortisation	755.9	30.0	24.3	(9.2)	801.0
Amortisation					(29.7)
Net financing costs					(111.1)
Profit before taxation					660.2
Taxation					(166.3)
Profit attributable to equity shareholders					493.9

Six months to 31 October 2018

	Sunbelt US	A-Plant	Sunbelt Canada	Corporate items	Group
	£m	£m	£m	£m	£m
Revenue					
Rental revenue	1,771.6	221.3	81.6	-	2,074.5
Sale of new equipment, merchandise and consumables	51.3	17.3	11.1	-	79.7
Sale of used rental equipment	79.3	11.9	5.0	-	96.2
	1,902.2	250.5	97.7	-	2,250.4
Operating profit before amortisation	644.5	44.2	21.2	(7.7)	702.2
Amortisation					(23.4)
Net financing costs					(68.8)
Profit before taxation					610.0
Taxation					(148.5)
Profit attributable to equity shareholders					461.5

	Sunbelt US	A-Plant	Sunbelt Canada	Corporate items	Group
	£m	£m	£m	£m	£m
At 31 October 2019					
Segment assets	8,649.9	889.9	577.1	7.8	10,124.7
Cash					19.4
Taxation assets					4.2
Total assets					10,148.3
At 30 April 2019					
Segment assets	6,991.8	851.6	475.7	0.3	8,319.4
Cash					12.8
Taxation assets					25.3
Total assets					8,357.5

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

4. Operating costs and other income

	2019			2018		
	Before amortisation	Amortisation	Total	Before amortisation	Amortisation	Total
	£m	£m	£m	£m	£m	£m
Three months to 31 October						
Staff costs:						
Salaries	280.4	-	280.4	236.5	-	236.5
Social security costs	19.9	-	19.9	16.7	-	16.7
Other pension costs	5.2	-	5.2	4.1	-	4.1
	305.5	-	305.5	257.3	-	257.3
Used rental equipment sold	60.3	-	60.3	40.2	-	40.2
Other operating costs:						
Vehicle costs	84.4	-	84.4	73.8	-	73.8
Spares, consumables & external repairs	71.7	-	71.7	58.0	-	58.0
Facility costs	12.2	-	12.2	30.7	-	30.7
Other external charges	168.5	-	168.5	147.9	-	147.9
	336.8	-	336.8	310.4	-	310.4
Depreciation and amortisation:						
Depreciation	272.1	-	272.1	209.3	-	209.3
Amortisation of intangibles	-	15.4	15.4	-	12.2	12.2
	272.1	15.4	287.5	209.3	12.2	221.5
	974.7	15.4	990.1	817.2	12.2	829.4

	2019			2018		
	Before amortisation	Amortisation	Total	Before amortisation	Amortisation	Total
	£m	£m	£m	£m	£m	£m
Six months to 31 October						
Staff costs:						
Salaries	540.7	-	540.7	448.0	-	448.0
Social security costs	39.9	-	39.9	32.8	-	32.8
Other pension costs	10.3	-	10.3	8.0	-	8.0
	590.9	-	590.9	488.8	-	488.8
Used rental equipment sold	118.9	-	118.9	79.6	-	79.6
Other operating costs:						
Vehicle costs	159.9	-	159.9	136.3	-	136.3
Spares, consumables & external repairs	137.0	-	137.0	108.5	-	108.5
Facility costs	24.3	-	24.3	59.6	-	59.6
Other external charges	323.2	-	323.2	278.8	-	278.8
	644.4	-	644.4	583.2	-	583.2
Depreciation and amortisation:						
Depreciation	526.1	-	526.1	396.6	-	396.6
Amortisation of intangibles	-	29.7	29.7	-	23.4	23.4
	526.1	29.7	555.8	396.6	23.4	420.0
	1,880.3	29.7	1,910.0	1,548.2	23.4	1,571.6

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

5. Amortisation

Amortisation relates to the periodic write-off of intangible assets. The Group believes this item should be disclosed separately within the consolidated income statement to assist in the understanding of the Group's financial performance. Underlying profit and earnings per share are stated before amortisation of intangibles.

	Three months to 31 October		Six months to 31 October	
	2019	2018	2019	2018
	£m	£m	£m	£m
Amortisation of intangibles	15.4	12.2	29.7	23.4
Taxation	(3.7)	(2.7)	(7.2)	(5.4)
	11.7	9.5	22.5	18.0

6. Net financing costs

	Three months to 31 October		Six months to 31 October	
	2019	2018	2019	2018
	£m	£m	£m	£m
Investment income:				
Net interest on the net defined benefit pension plan asset	-	(0.1)	-	(0.1)
Interest expense:				
Bank interest payable	22.1	15.5	42.1	29.9
Interest payable on second priority senior secured notes	22.4	21.2	44.2	36.4
Interest payable on lease liabilities	11.3	0.1	21.5	0.2
Non-cash unwind of discount on provisions	0.2	0.2	0.4	0.4
Amortisation of deferred debt raising costs	1.5	1.1	2.9	2.0
	57.5	38.1	111.1	68.9

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

7. Taxation

The tax charge for the period has been computed using a tax rate of 25% in the US (2018: 25%), 19% in the UK (2018: 19%) and 27% in Canada (2018: 27%). The blended rate for the Group as a whole is 25% (2018: 24%).

The tax charge of £174m (2018: £154m) on the underlying profit before taxation of £690m (2018: £633m) can be explained as follows:

	Six months to 31 October	
	2019	2018
	£m	£m
Current tax		
- current tax on income for the period	84.1	27.4
- adjustments to prior year	(2.1)	(4.0)
	82.0	23.4
Deferred tax		
- origination and reversal of temporary differences	89.8	128.2
- adjustments to prior year	1.7	2.3
	91.5	130.5
Tax on underlying activities	173.5	153.9
Comprising:		
- UK	12.3	11.1
- US	157.5	138.8
- Canada	3.7	4.0
	173.5	153.9

In addition, the tax credit of £7m (2018: £5m) on amortisation of £30m (2018: £23m) consists of a current tax credit of £4m (2018: £nil) relating to the US, a deferred tax credit of £1m (2018: £1m) relating to the UK, £1m (2018: £3m) relating to the US and £1m (2018: £1m) relating to Canada.

8. Earnings per share

Basic and diluted earnings per share for the three and six months ended 31 October 2019 have been calculated based on the profit for the relevant period and the weighted average number of ordinary shares in issue during that period (excluding shares held by the Company and the ESOT over which dividends have been waived). Diluted earnings per share is computed using the result for the relevant period and the diluted number of shares (ignoring any potential issue of ordinary shares which would be anti-dilutive). These are calculated as follows:

	Three months to 31 October		Six months to 31 October	
	2019	2018	2019	2018
Profit for the financial period (£m)	265.7	251.6	493.9	461.5
Weighted average number of shares (m) - basic	458.8	483.2	461.8	485.5
- diluted	460.4	484.9	463.5	487.4
Basic earnings per share	57.9p	52.1p	107.0p	95.1p
Diluted earnings per share	57.7p	51.9p	106.6p	94.7p

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

8. Earnings per share (continued)

Underlying earnings per share (defined in any period as the earnings before amortisation of intangibles for that period divided by the weighted average number of shares in issue in that period) may be reconciled to the basic earnings per share as follows:

	Three months to 31 October		Six months to 31 October	
	2019	2018	2019	2018
Basic earnings per share	57.9p	52.1p	107.0p	95.1p
Amortisation of intangibles	3.4p	2.5p	6.4p	4.8p
Tax on amortisation	(0.8p)	(0.6p)	(1.6p)	(1.1p)
Underlying earnings per share	60.5p	54.0p	111.8p	98.8p

9. Dividends

During the period, a final dividend in respect of the year ended 30 April 2019 of 33.5p (2018: 27.5p) per share was paid to shareholders costing £154m (2018: £133m). In addition, the directors are proposing an interim dividend in respect of the year ending 30 April 2020 of 7.15p (2019: 6.5p) per share to be paid on 5 February 2020 to shareholders who are on the register of members on 17 January 2020.

10. Property, plant and equipment

	2019		2018	
Net book value	Rental equipment £m	Total £m	Rental equipment £m	Total £m
At 1 May (as previously stated)	5,413.3	5,987.0	4,430.5	4,882.0
Effect of initial application of IFRS 16	-	(4.8)	-	-
At 1 May (restated)	5,413.3	5,982.2	4,430.5	4,882.0
Exchange differences	51.9	57.0	293.1	321.1
Reclassifications	(1.2)	-	(1.0)	-
Additions	891.8	1,010.4	971.1	1,063.1
Acquisitions	73.9	99.2	171.6	185.3
Disposals	(112.8)	(117.1)	(81.0)	(85.0)
Depreciation	(425.9)	(482.2)	(350.8)	(396.6)
At 31 October	5,891.0	6,549.5	5,433.5	5,969.9

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

11. Right-of-use assets

Net book value	Property leases £m	Other leases £m	Total £m
At 1 May 2019 (as previously stated)	-	-	-
Effect of initial application of IFRS 16	889.5	4.8	894.3
At 1 May 2019 (restated)	889.5	4.8	894.3
Exchange differences	8.3	-	8.3
Additions	111.0	0.8	111.8
Remeasurement	22.2	-	22.2
Disposals	(1.0)	(0.5)	(1.5)
Depreciation	(43.3)	(0.6)	(43.9)
At 31 October 2019	986.7	4.5	991.2

On transition, the right-of-use asset has been adjusted for the impact of onerous lease provisions (£1m) and lease prepayments (£8m).

12. Lease liability

	31 October 2019 £m	30 April 2019 £m
Current	100.1	-
Non-current	899.2	-
	999.3	-

13. Borrowings

	31 October 2019 £m	30 April 2019 £m
Current		
Finance lease obligations	-	2.3
Non-current		
First priority senior secured bank debt	2,500.3	2,010.7
Finance lease obligations	-	2.7
5.625% second priority senior secured notes, due 2024	382.5	379.3
4.125% second priority senior secured notes, due 2025	458.5	454.7
5.250% second priority senior secured notes, due 2026	457.4	453.6
4.375% second priority senior secured notes, due 2027	458.1	454.4
	4,256.8	3,755.4

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.

The $500m 5.625% senior secured notes mature in October 2024, the $600m 4.125% senior secured notes mature in August 2025, the $600m 5.25% senior secured notes mature in August 2026 and the $600m 4.375% senior secured notes mature in August 2027. Our debt facilities therefore remain committed for the long term, with an average maturity of five years. The weighted average interest cost of these facilities (including non-cash amortisation of deferred

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

13. Borrowings (continued)

debt raising costs) is 4%. The terms of the senior secured notes are such that financial performance covenants are only measured at the time new debt is raised. The $500m 5.625% senior secured notes were refinanced in November 2019 and further details are provided in note 18.

There is one financial performance covenant under the first priority senior credit facility. That is the 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 twelve months) which, must be equal to, or greater than, 1.0. This covenant does not apply when availability exceeds $410m. The covenant ratio is calculated each quarter. At 31 October 2019, the fixed charge ratio exceeded the covenant requirement.

At 31 October 2019, availability under the senior secured bank facility was $1,001m ($1,622m at 30 April 2019), with an additional $2,930m of suppressed availability, meaning that the covenant did not apply at 31 October 2019 and is unlikely to apply in forthcoming quarters.

Fair value of financial instruments

At 31 October 2019, the Group had no derivative financial instruments.

With the exception of the Group's second priority senior secured notes detailed in the table below, the carrying value of non-derivative financial assets and liabilities is considered to equate materially to their fair value.

	At 31 October 2019		At 30 April 2019	
	Book value £m	Fair value £m	Book value £m	Fair value £m
5.625% senior secured notes	386.4	398.0	383.5	397.5
4.125% senior secured notes	463.7	473.6	460.3	455.1
5.250% senior secured notes	463.7	494.4	460.3	476.9
4.375% senior secured notes	463.7	475.3	460.3	451.6
	1,777.5	1,841.3	1,764.4	1,781.1
Deferred costs of raising finance	(21.0)	-	(22.4)	-
	1,756.5	1,841.3	1,742.0	1,781.1

The fair value of the second priority senior secured notes has been calculated using quoted market prices at 31 October 2019.

14. Share capital

Ordinary shares of 10p each:

	31 October 2019 Number	30 April 2019 Number	31 October 2019 £m	30 April 2019 £m
Issued and fully paid	499,225,712	499,225,712	49.9	49.9

During the period, the Company purchased 11.5m ordinary shares at a total cost of £250m under the Group's share buyback programme, which are held in treasury. At 31 October 2019, 41.7m (April 2019: 30.3m) shares were held by the Company and a further 1.5m (April 2019: 1.6m) shares were held by the Company's Employee Share Ownership Trust.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

15. Notes to the cash flow statement

a) Cash flow from operating activities

	Six months to 31 October 2019 £m	2018 £m
Operating profit before exceptional items and amortisation	801.0	702.2
Depreciation	526.1	396.6
EBITDA before exceptional items	1,327.1	1,098.8
Profit on disposal of rental equipment	(19.5)	(16.6)
Profit on disposal of other property, plant and equipment	(0.4)	(0.4)
Increase in inventories	(7.5)	(5.1)
Increase in trade and other receivables	(86.8)	(159.6)
Increase in trade and other payables	10.9	45.9
Exchange differences	0.1	-
Other non-cash movements	4.4	3.8
Cash generated from operations before exceptional items and changes in rental equipment	1,228.3	966.8

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 translated to pounds sterling at rates of exchange ruling at the balance sheet date.

				Non-cash movements			
	1 May 2019 £m	Adoption of IFRS 16 £m	Cash flow £m	Exchange movement £m	New lease liabilities £m	Other movements £m	31 October 2019 £m
Short-term borrowings	2.3	(2.3)	-	-	-	-	-
Long-term borrowings	3,755.4	(2.7)	475.8	25.4	-	2.9	4,256.8
Lease liabilities	-	887.8	(30.2)	4.2	137.5	-	999.3
Total liabilities from financing activities	3,757.7	882.8	445.6	29.6	137.5	2.9	5,256.1
Cash and cash equivalents	(12.8)	-	(6.6)	-	-	-	(19.4)
Net debt	3,744.9	882.8	439.0	29.6	137.5	2.9	5,236.7

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

15. Notes to the cash flow statement (continued)

b) Analysis of net debt (continued)

	1 May 2018	Cash flow	Non-cash movements: Exchange movement	Non-cash movements: Debt acquired	Non-cash movements: Other movements	31 October 2018
	£m	£m	£m	£m	£m	£m
Short-term borrowings	2.7	(8.7)	-	7.9	0.6	2.5
Long-term borrowings	2,728.4	682.1	201.0	19.0	2.0	3,632.5
Total liabilities from financing activities	2,731.1	673.4	201.0	26.9	2.6	3,635.0
Cash and cash equivalents	(19.1)	(3.6)	(0.6)	-	-	(23.3)
Net debt	2,712.0	669.8	200.4	26.9	2.6	3,611.7

Details of the Group's cash and debt are given in note 13 and the Review of Second Quarter, Balance Sheet and Cash Flow accompanying these condensed consolidated interim financial statements.

c) Acquisitions

	Six months to 31 October 2019	Six months to 31 October 2018
	£m	£m
Cash consideration paid:		
- acquisitions in the period	228.5	332.9
- contingent consideration	17.3	1.9
	245.8	334.8

During the period, 11 businesses were acquired with cash paid of £229m (2018: £333m), after taking account of net cash acquired of £2m. Further details are provided in note 16.

Contingent consideration of £17m (2018: £2m) was paid relating to prior year acquisitions.

16. Acquisitions

During the period, the following acquisitions were completed:

i) On 9 May 2019, Sunbelt US acquired the business and assets of Westside Rental and Sales, LLC ('Westside'). Westside is a general equipment business in Tennessee.

ii) On 17 May 2019, Sunbelt US acquired the business and assets of the Harlingen Texas branch of Harris County Rentals, LLC, trading as Texas State Rentals ('HCR'). HCR is a general equipment business in Texas.

iii) On 29 May 2019, Sunbelt US acquired the business and assets of the Tampa branch of Contractors Building Supply Co., LLC ('CBS'). CBS is a general equipment business in Florida.

iv) On 20 June 2019, Sunbelt US acquired the business and assets of Six and Mango, LLP ('SME'). SME is a general equipment business in Texas.

16. Acquisitions (continued)

v) On 28 June 2019, A-Plant acquired the entire share capital of Ellerbeck Industries Limited, trading as Inlec UK Limited ('Inlec') and Evercal Limited ('Evercal'). Inlec and Evercal are industrial test and measurement businesses.

vi) On 19 July 2019, Sunbelt US acquired the business and assets of King Equipment, LLC ('King') for a cash consideration of £152m ($191m), including properties for £21m, with contingent consideration of up to £2m ($3m) payable over the next year depending on revenue meeting or exceeding certain thresholds. King is a general equipment business in California.

vii) On 28 August 2019, Sunbelt US acquired the business and assets of Redi-Rents, Inc. ('Redi-Rents'). Redi-Rents is a general equipment business in California.

viii) On 5 September 2019, Sunbelt US acquired the business and assets of Midwest Scaffold Services, LLC ('MSS'). MSS is a scaffold business in the US midwest.

ix) On 1 October 2019, Sunbelt Canada acquired the entire share capital of Rental Experts, Inc. and the business and assets of River City Aerial Lifts, Inc. (together 'Rental Experts/River City'). Rental Experts/River City is a general equipment business in Manitoba.

x) On 2 October 2019, Sunbelt US acquired the business and assets of Allwest Underground, Inc. ('Allwest'). Allwest is a trench shoring business in Washington and Oregon.

xi) On 15 October 2019, Sunbelt US acquired the business and assets of Beavercreek Rentals, Inc. ('Beavercreek'). Beavercreek is a general equipment business in Ohio.

The following table sets out the fair value of the identifiable assets and liabilities acquired by the Group. The fair values have been determined provisionally at the balance sheet date.

	Fair value to Group £m
Net assets acquired	
Trade and other receivables	13.1
Inventory	(2.6)
Property, plant and equipment	
- rental equipment	73.9
- other assets	25.3
Creditors	(1.6)
Current tax	0.2
Deferred tax	(2.5)
Intangible assets (non-compete agreements, brand names and customer relationships)	58.8
	164.6
Consideration:	
- cash paid and due to be paid (net of cash acquired)	230.8
- contingent consideration payable in cash	5.8
	236.6
Goodwill	72.0

16. Acquisitions (continued)

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 elimination of duplicate costs, improving utilisation of the acquired rental fleet, using the Group's financial strength to invest in the acquired business and drive improved returns through a semi-fixed cost base and the application of the Group's proprietary software to optimise revenue opportunities. £68m of the goodwill is expected to be deductible for income tax purposes.

The gross value and the fair value of trade receivables at acquisition was £13m.

Due to the operational integration of acquired businesses with Sunbelt US, Sunbelt Canada and A-Plant post acquisition, in particular due to 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.

The revenue and operating profit of these acquisitions from 1 May 2019 to their date of acquisition was not material.

17. 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.

Following its state aid investigation, the European Commission announced its decision in April 2019 that the Group Financing Exemption in the UK controlled foreign company ('CFC') legislation does constitute state aid in some circumstances. In common with other UK-based international companies, the Group may be affected by the outcome of this investigation and is therefore monitoring developments. If the decision reached by the European Commission is not successfully appealed, we have estimated the Group's maximum potential liability to be £35m as at 31 October 2019. Based on the current status of the investigation, we have concluded that no provision is required in relation to this amount.

18. Events after the balance sheet date

Since the balance sheet date, the Group has completed three acquisitions as follows:

i) On 14 November 2019, Sunbelt US acquired the business and assets of the New Braunfels Texas branch of Harris County Rentals, LLC, trading as Texas State Rentals ('HCR'). HCR is a general equipment business in Texas.

ii) On 26 November 2019, Sunbelt US acquired the business and assets of Kitsap Rentals, Inc. ('Advanced Rentals'). Advanced Rentals is a general equipment business in Washington.

iii) On 2 December 2019, Sunbelt Canada acquired the entire share capital of William F. White International, Inc. ('WFW') for a cash consideration of £136m (C$234m) with contingent consideration of up to £8m (C$14m), payable over the next year, depending on EBITDA meeting or exceeding certain thresholds. Including acquired debt, the total cash consideration was £151m (C$260m). WFW is a film and television equipment rental business operating across Canada.

The initial accounting for these acquisitions is incomplete. Had these acquisitions taken place on 1 May 2019, their contribution to revenue and operating profit would not have been material.

18. Events after the balance sheet date (continued)

In November 2019, the Group issued $600m 4.0% second priority senior secured notes maturing in May 2028 and $600m 4.25% second priority senior secured notes maturing in November 2029. The net proceeds of the issues were used to repurchase the Group's $500m 5.625% senior secured notes which would have matured in 2024, pay related fees and expenses and repay an element of the amount outstanding under the senior credit facility. Subsequent to the refinancing, the Group's debt facilities are committed for an average of six years.

The redemption of the $500m 5.625% senior secured notes gave rise to non-recurring interest charges relating to the call premium expense, duplicate interest and the write-off of deferred financing costs of approximately £16m ($21m). These items will be recognised as an exceptional interest expense in the Group's income statement in the third quarter.

Following redemption of the $500m 5.625% senior secured notes, the second priority fixed and floating charges over the Group's property, plant and equipment, inventory and trade receivables securing the senior secured notes have been released and the senior secured notes are no longer secured by these assets. The senior secured notes continue to be guaranteed by Ashtead Group plc and all its principal subsidiary undertakings.

REVIEW OF SECOND QUARTER, BALANCE SHEET AND CASH FLOW

Second quarter

	Revenue		EBITDA		Profit[1]	
	2019	2018	2019	2018	2019	2018
Sunbelt US in $m	1,506.6	1,332.7	786.0	687.5	500.4	461.3
Sunbelt Canada in C$m	105.5	90.5	47.4	38.3	24.4	22.0
Sunbelt US in £m	1,214.4	1,024.8	633.6	528.6	403.2	354.6
A-Plant	124.5	124.9	42.2	47.7	14.6	22.0
Sunbelt Canada in £m	64.2	53.3	28.8	22.5	14.8	12.9
Group central costs	-	-	(4.1)	(3.7)	(4.2)	(3.7)
	1,403.1	1,203.0	700.5	595.1	428.4	385.8
Net financing costs					(57.5)	(38.0)
Profit before amortisation and tax					**370.9**	**347.8**
Amortisation					(15.4)	(12.2)
Profit before taxation					355.5	335.6
Margins as reported						
Sunbelt US			*52.2%*	*51.6%*	*33.2%*	*34.6%*
A-Plant			*33.9%*	*38.2%*	*11.8%*	*17.7%*
Sunbelt Canada			*44.9%*	*42.3%*	*23.1%*	*24.3%*
Group			*49.9%*	*49.5%*	*30.5%*	*32.1%*

[1] Segment result presented is operating profit before amortisation.

The Group adopted IFRS 16, Leases ('IFRS 16') on 1 May 2019. The Group elected to apply IFRS 16 using the modified retrospective approach with no restatement of comparative figures. As a result, the results for the half year are not comparable directly to the prior year with the adoption of IFRS 16 resulting in higher EBITDA and operating profit but lower profit before amortisation and tax than under the previous accounting standard. As a result, our comments below are on both the reported figures and those excluding the impact of IFRS 16 to aid comparability. Margins excluding the impact of IFRS 16 are summarised below. Further details on the adoption and impact of IFRS 16 are provided in note 2 to the interim financial statements.

Margins excluding the impact of IFRS 16	*2019*	*2018*	*2019*	*2018*
Sunbelt US	*50.4%*	*51.6%*	*32.9%*	*34.6%*
A-Plant	*32.2%*	*38.2%*	*11.7%*	*17.7%*
Sunbelt Canada	*42.5%*	*42.3%*	*22.9%*	*24.3%*
Group	*48.1%*	*49.5%*	*30.3%*	*32.1%*

Group revenue increased 17% to £1,403m in the second quarter (2018: £1,203m) with a strong performance in the US and Canadian markets. This revenue growth, combined with continued focus on operational efficiency, generated underlying profit before tax of £371m (2018: £348m).

As for the half year, the Group's growth was driven by good organic growth supplemented by bolt-on acquisitions. Sunbelt US's revenue growth for the quarter can be analysed as follows:

		$m
2018 rental only revenue		996
Organic (same-store and greenfields)	8%	76
Bolt-ons since 1 August 2018	4%	44
2019 rental only revenue	12%	1,116
Ancillary revenue	10%	272
2019 rental revenue	12%	1,388
Sales revenue	34%	119
2019 total revenue	13%	1,507

Sunbelt US's organic growth of 8% is well in excess of that of the rental market as we continue to take market share. In addition, bolt-ons have contributed a further 4% growth as we execute our long-term structural growth strategy of expanding our geographic footprint and our specialty businesses. Total rental only revenue growth of 12% was driven by an increase in fleet on rent. This is a good performance after the last two years which were impacted favourably by significant hurricane activity, whereas the 2019 hurricane season was much quieter.

A-Plant generated rental only revenue of £93m (2018: £96m), down 3% compared with the comparable quarter. This reflected the competitive rate environment in the UK market in addition to a reduction in fleet on rent following A-Plant's targeted defleet programme.

Sunbelt Canada delivered revenue of C$106m (2018: C$90m) in the quarter.

Group operating profit increased 11% to £428m (2018: £386m). Net financing costs were £57m (2018: £38m), reflecting the impact of IFRS 16 and higher average debt levels. As a result, Group profit before amortisation of intangibles, exceptional items and taxation was £371m (2018: £348m). After amortisation of £15m, the statutory profit before taxation was £356m (2018: £336m).

Balance sheet

Fixed assets

Capital expenditure in the first half totalled £1,010m (2018: £1,063m) with £892m invested in the rental fleet (2018: £971m). Expenditure on rental equipment was 88% of total capital expenditure with the balance relating to the delivery vehicle fleet, property improvements and IT equipment. Capital expenditure by division was:

		2019		2018
	Replacement	Growth	Total	Total
Sunbelt US in $m	324.1	725.3	1,049.4	1,070.2
Sunbelt Canada in C$m	43.2	40.2	83.4	120.2
Sunbelt US in £m	250.5	560.6	811.1	837.5
A-Plant	31.7	-	31.7	62.0
Sunbelt Canada in £m	25.4	23.6	49.0	71.6
Total rental equipment	307.6	584.2	891.8	971.1
Delivery vehicles, property improvements & IT equipment			118.6	92.0
Total additions			1,010.4	1,063.1

In a strong US rental market, $725m of rental equipment capital expenditure was spent on growth while $324m 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 31 October 2019 was 33 months (2018: 31 months) on a net book value basis. Sunbelt US's fleet had an average age of 33 months (2018: 31 months), A-Plant's fleet had an average age of 40 months (2018: 34 months) and Sunbelt Canada's fleet had an average age of 30 months (2018: 28 months).

	Rental fleet at original cost			LTM rental revenue	LTM dollar utilisation
	31 October 2019	30 April 2019	LTM average		
Sunbelt US in $m	10,001	9,125	9,260	4,975	54%
Sunbelt Canada in C$m	709	660	672	315	47%
Sunbelt US in £m	7,728	6,999	7,272	3,906	54%
A-Plant	879	907	897	413	46%
Sunbelt Canada in £m	417	376	397	186	47%
	9,024	8,282	8,566	4,505	

Dollar utilisation was 54% at Sunbelt US (2018: 55%), 46% at A-Plant (2018: 47%) and 47% at Sunbelt Canada (2018: 55%). The lower Sunbelt Canada dollar utilisation reflects the mix of the business and the impact of the lower dollar utilisation Voisin's business.

Trade receivables

Receivable days at 31 October 2019 were 49 days (2018: 51 days). The bad debt charge for the last twelve months ended 31 October 2019 as a percentage of total turnover was 0.5% (2018: 0.7%). Trade receivables at 31 October 2019 of £828m (2018: £756m) are stated net of allowances for bad debts and credit notes of £62m (2018: £56m) with the allowance representing 7.0% (2018: 6.9%) of gross receivables.

Trade and other payables

Group payable days were 58 days in 2019 (2018: 59 days) with capital expenditure related payables, which have longer payment terms, totalling £297m (2018: £368m). Payment periods for purchases other than rental equipment vary between seven and 60 days and for rental equipment between 30 and 120 days.

Cash flow and net debt

	Six months to 31 October 2019 £m	Six months to 31 October 2018 £m	LTM to 31 October 2019 £m	Year to 30 April 2019 £m
EBITDA before exceptional items	1,327.1	1,098.8	2,334.9	2,106.6
Cash inflow from operations before exceptional items and changes in rental equipment	1,228.3	966.8	2,304.0	2,042.5
*Cash conversion ratio**	*92.6%*	*88.0%*	*98.7%*	*97.0%*
Replacement rental capital expenditure	(290.1)	(258.1)	(504.9)	(472.9)
Payments for non-rental capital expenditure	(122.1)	(89.2)	(201.6)	(168.7)
Rental equipment disposal proceeds	107.0	93.0	195.6	181.6
Other property, plant and equipment disposal proceeds	3.7	4.1	9.8	10.2
Tax (net)	(65.2)	(22.7)	(93.5)	(51.0)
Financing costs	(108.2)	(60.4)	(190.7)	(142.9)
Cash inflow before growth capex and payment of exceptional costs	**753.4**	**633.5**	**1,518.7**	**1,398.8**
Growth rental capital expenditure	(525.3)	(611.4)	(944.5)	(1,030.6)
Free cash flow	**228.1**	**22.1**	**574.2**	**368.2**
Business acquisitions	(245.8)	(334.8)	(502.3)	(591.3)
Total cash absorbed	**(17.7)**	**(312.7)**	**71.9**	**(223.1)**
Dividends	(154.4)	(133.3)	(185.3)	(164.2)
Purchase of own shares by the Company	(249.4)	(209.6)	(500.2)	(460.4)
Purchase of own shares by the ESOT	(17.5)	(14.2)	(17.5)	(14.2)
Increase in net debt due to cash flow	**(439.0)**	**(669.8)**	**(631.1)**	**(861.9)**

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

Cash inflow from operations before payment of exceptional costs and the net investment in the rental fleet increased by 27% to £1,228m. The first half cash conversion ratio was 93% (2018: 88%).

Total payments for capital expenditure (rental equipment and other PPE) in the first half were £938m (2018: £959m). Disposal proceeds received totalled £111m (2018: £97m), giving net payments for capital expenditure of £827m in the period (2018: £862m). Financing costs paid totalled £108m (2018: £60m) while tax payments were £65m (2018: £23m). 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.

Accordingly, in the first half the Group generated £753m (2018: £633m) 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, there was a free cash inflow of £228m (2018: £22m) and, after acquisition expenditure of £246m (2018: £335m), a net cash outflow of £18m (2018: £313m), before returns to shareholders. Excluding the impact of IFRS 16, there was a free cash inflow of £197m (2018: £22m) and a net cash outflow of £49m (2018: £313m), before returns to shareholders.

Net debt

	31 October 2019 £m	31 October 2018 £m	30 April 2019 £m
First priority senior secured bank debt	2,500.3	1,854.3	2,010.7
5.625% second priority senior secured notes, due 2024	382.5	386.7	379.3
4.125% second priority senior secured notes, due 2025	458.5	463.4	454.7
5.250% second priority senior secured notes, due 2026	457.4	462.3	453.6
4.375% second priority senior secured notes, due 2027	458.1	463.2	454.4
Total external borrowings	4,256.8	3,629.9	3,752.7
Lease liabilities	999.3	5.1	5.0
	5,256.1	3,635.0	3,757.7
Cash and cash equivalents	(19.4)	(23.3)	(12.8)
Total net debt	5,236.7	3,611.7	3,744.9

Net debt at 31 October 2019 was £5,237m with the increase since 30 April 2019 reflecting the adoption of IFRS 16, the net cash outflow set out above and a small impact from weaker sterling (£30m). The Group's EBITDA for the twelve months ended 31 October 2019 was £2,335m. On a pro forma basis, including the impact of IFRS 16, the ratio of net debt to EBITDA was 2.2 times at 31 October 2019. Excluding the impact of IFRS 16, the ratio of net debt to EBITDA was 1.9 times (2018: 1.8 times) on a constant currency basis and 1.9 times (2018: 1.9 times) on a reported basis as at 31 October 2019.

Principal risks and uncertainties

Risks and uncertainties in achieving the Group's objectives for the remainder of the financial year, together with assumptions, estimates, judgements and critical accounting policies used in preparing financial information remain broadly unchanged from those detailed in the 2019 Annual Report and Accounts on pages 32 to 35.

The principal risks and uncertainties facing the Group are:

- economic conditions - in the longer term, there is a link between demand for our services and levels of economic activity. The construction industry, which affects our business, is cyclical and typically lags the general economic cycle by between 12 and 24 months.

  The impact of Brexit on the UK economy is considered part of this risk.

- competition - 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.

- financing - 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.

- cyber security - a cyber-attack or serious uncured failure in our systems could result in us being unable to deliver service to our customers and / or the loss of data. In particular, we are heavily dependent on technology for the smooth running of our business given the large number of both units of equipment we rent and our customers. As a result, we could suffer reputational loss, revenue loss and financial penalties.

  This is the most significant factor in our business continuity planning.

- health and safety - 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.

- people - 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.

- environmental - we need to comply with environmental laws. These laws regulate such issues as wastewater, stormwater, solid and hazardous wastes and materials, and air quality. Breaches potentially create hazards to our employees, damage to our reputation and expose the Group to, amongst other things, the cost of investigating and remediating contamination and also fines and penalties for non-compliance.

- laws and regulations - failure to comply with the frequently changing regulatory environment could result in reputational damage or financial penalty.

Further details, including actions taken to mitigate these risks, are provided within the 2019 Annual Report and Accounts.

Our business is subject to significant fluctuations in performance from quarter to quarter as a result of seasonal effects. Commercial construction activity tends to increase in the summer and during extended periods of mild weather and to decrease in the winter and during extended periods of inclement weather. Furthermore, due to the incidence of public holidays in the US, Canada and the UK, there are more billing days in the first half of our financial year than the second half leading to our revenue normally being higher in the first half. On a quarterly basis, the second quarter is typically our strongest quarter, followed by the first and then the third and fourth quarters.

In addition, the current trading and outlook section of the interim statement provides commentary on market and economic conditions for the remainder of the year.

Fluctuations in the value of the US dollar with respect to the pound sterling have had, and may continue to have, a significant impact on our financial condition and results of operations as reported in pounds due to the majority of our assets, liabilities, revenues and costs being denominated in US dollars. The Group has arranged its financing such that, at 31 October 2019, 92% of its debt (including lease liabilities) 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 31 October 2019, dollar-denominated debt represented approximately 66% of the value of dollar-denominated net assets (other than debt). Based on the current currency mix of our profits and on dollar debt levels, interest and exchange rates at 31 October 2019, a 1% change in the US dollar exchange rate would impact underlying pre-tax profit by approximately £11m.

OPERATING STATISTICS

	Number of rental stores			Staff numbers		
	31 October		30 April	31 October		30 April
	2019	2018	2019	2019	2018	2019
Sunbelt US	815	719	773	14,031	12,216	13,015
A-Plant	190	194	196	3,728	3,693	3,789
Sunbelt Canada	69	64	67	1,050	887	984
Corporate office	-	-	-	17	15	15
Group	1,074	977	1,036	18,826	16,811	17,803

Sunbelt US's rental store number includes 19 Sunbelt at Lowes stores at 31 October 2019 (2018: 19).

INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF ASHTEAD GROUP PLC

We have been engaged by the Company to review the condensed consolidated interim financial statements for the six months ended 31 October 2019 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and related notes 1 to 18. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated interim financial statements.

The report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRS as adopted by the European Union. The condensed consolidated interim financial statements included in this half-yearly financial report have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed consolidated interim financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements for the six months ended 31 October 2019 are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Statutory Auditor
London, United Kingdom
9 December 2019

GLOSSARY OF TERMS

The glossary of terms below sets out definitions of terms used throughout this announcement. 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. Where relevant, the APMs exclude the impact of IFRS 16 to aid comparability with prior year metrics. 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.

Availability: represents the headroom on a given date under the terms of our $4.1bn asset-backed senior credit facility, taking account of current borrowings.

Capital expenditure: represents additions to rental equipment and other tangible assets (excluding assets acquired through a business combination).

Cash conversion ratio: represents cash flow from operations before exceptional items and changes in rental equipment as a percentage of underlying EBITDA. Details are provided within the Review of Second Quarter, Balance Sheet and Cash Flow section.

Constant currency: calculated by applying the current period exchange rate to the comparative period result. The relevant foreign currency exchange rates are provided within the Basis of Preparation section.

Dollar utilisation: dollar utilisation is trailing 12-month rental revenue divided by average fleet size at original (or 'first') cost measured over a 12-month period. Details are shown within the Review of Second Quarter, Balance Sheet and Cash Flow section.

EBITDA: EBITDA is earnings before interest, tax, depreciation and amortisation. A reconciliation of EBITDA to profit before tax is shown on the income statement.

Drop-through: calculated as the incremental rental revenue which converts into EBITDA. In the current year, the impact of IFRS 16 has been excluded so as not to distort this metric.

Exceptional items: those items of income or expense which the directors believe should be disclosed separately by virtue of their significant size or nature to enable a better understanding of the Group's financial performance.

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.

Free cash flow: 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.

Leverage: leverage is net debt divided by underlying EBITDA. Leverage calculated at constant exchange rates uses the current balance sheet exchange rate.

Net debt: net debt is total debt less cash balances, as reported. An analysis of net debt is provided in note 15.

Organic: organic measures comprise all locations, excluding locations arising from a bolt-on acquisition completed after the start of the comparative financial period.

Return on Investment ('RoI'): 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 tax. In the current year, the impact of IFRS 16 has been excluded so as not to distort this metric. RoI is used by management to help inform capital allocation decisions within the business and a reconciliation of Group RoI is provided below:

LTM underlying operating profit (£m)	1,356
Average net assets (£m)	7,900
Return on Investment	**17%**

RoI for the businesses is calculated in the same way, but excludes goodwill and intangible assets.

Same-store: same-stores are those locations which were open at the start of the comparative financial period.

Suppressed availability: represents the amount on a given date that the asset base exceeds the facility size under the terms of our $4.1bn asset-backed senior credit facility.

Underlying: underlying results are results stated before exceptional items and the amortisation of acquired intangibles. A reconciliation is shown on the income statement.

Yield: reflects a combination of the rental rate charged, rental period and product and customer mix.