FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ASHTEAD GROUP PLC

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Ashtead Group plc ('the Company') and its subsidiaries ('the Group') give a true and fair view of the state of the Group's and of the Company's affairs as at 30 April 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union and IFRS as issued by the International Accounting Standards Board;
- the Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements which comprise:

- the Consolidated income statement;
- the Consolidated statement of comprehensive income;
- the Consolidated and Company balance sheets;
- the Consolidated and Company statements of changes in equity;
- the Consolidated and Company cash flow statement; and
- the related notes 1 to 32.

The financial reporting framework that has been applied in their preparation is applicable law and IFRS as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's ('the FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

KEY AUDIT MATTERS	The key audit matters that we identified in the current year were: – carrying value of rental fleet; and – revenue recognition – manual top-side intervention. In FY2018, we considered accounting for acquired intangible assets to be a key audit matter, due to the acquisition of CRS and its significance to the Canadian business. In the current year, there are no similarly significant acquisitions and therefore we do not consider accounting for acquired intangible assets to be a key audit matter.
MATERIALITY	The materiality that we used in the current year was £45m (2018: £37m), which was determined on the basis of three-year average profit before tax.
SCOPING	Consistent with previous years, we performed audit work at three (2018: three) components: the Group head office and A-Plant in the UK, and Sunbelt US.

Conclusions relating to going concern, principal risks and viability statement

GOING CONCERN

We have reviewed the directors' statement on page 93 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements.

We considered as part of our risk assessment the nature of the Group, its business model and related risks including where relevant the impact of Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the directors' assessment of the Group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the directors' plans for future actions in relation to their going concern assessment.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

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

PRINCIPAL RISKS AND VIABILITY STATEMENT

Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the Group's and the Company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 32 to 35 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation on page 32 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the directors' explanation on page 35 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the directors' statement relating to the prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

CARRYING VALUE OF RENTAL FLEET

Key audit matter description

As set out in Note 13, the Group holds £8.3bn (2018: £6.6bn) of rental fleet at cost (£5.4bn net book value (2018: £4.4bn net book value)). These assets represent 65% (2018: 66%) of the Group's gross assets. The movement in the balance from prior year is principally due to £1.7bn of new additions and acquisitions, foreign exchange movements of £211m, offset by £902m of depreciation and disposals.

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

The Group's accounting policy as disclosed in Note 2 sets out that the assets are recorded at cost (including transportation costs from the manufacturer to the initial rental location), less accumulated depreciation and any provisions for impairment. The Group's approach for estimating the useful lives and residual values is also explained.

Management's assessment of carrying values is based on a long-term assessment over the economic cycle given the long-term nature of the assets. The directors apply judgement in determining the appropriate carrying value of the assets.

As described in the Audit Committee report on page 68, management undertakes an annual review of the appropriateness of the useful lives and residual values assigned to property, plant and equipment, including the rental fleet, and assesses whether they continue to be appropriate and whether there are any indications of impairment.

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 US, which accounts for £4.6bn of the net book value of the rental fleet. We also evaluated the design and implementation of key controls at A-Plant.

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

In particular, we focused our testing on returns on investment by asset class, fleet utilisation and profits recorded on asset disposals. We also assessed whether the accounting for the rental fleet and associated disclosures were in line with the Group's accounting policies.

Key observations

We consider that management's consideration of carrying values, including useful lives and residual values, incorporates an appropriate degree of prudence for the purposes of the impairment assessment. As a result of the detailed audit work we performed, we are satisfied that the carrying value of the rental fleet is not materially misstated.

REVENUE RECOGNITION	
Key audit matter description	As disclosed in the Group's accounting policy note on revenue (Note 2), rental revenue, including loss damage waiver and environmental fees, is recognised on a straight-line basis over the period of the rental contract. Because a rental contract can extend across financial reporting periods, the Group records accrued revenue (unbilled rental revenue) and deferred revenue at the beginning and end of each reporting period so that rental revenue is appropriately stated in the financial statements. Given the high-volume and low-value nature of transactions in the Group's revenue balance we identified a risk of misstatement arising from management intervention, whether due to fraud or error, through top-side journals, including manipulation of the accrued revenue (unbilled rental revenue) and deferred revenue judgements.
How the scope of our audit responded to the key audit matter	We evaluated the design and implementation of controls over the revenue cycle throughout the Group and tested the operating effectiveness of controls over revenue at Sunbelt. We carried out data analysis at Sunbelt US to perform a detailed assessment by store, looking at year-over-year changes in revenue to identify any outliers and identify instances of potential management intervention. We also used data analytic techniques to identify and profile all manual top-side adjustments impacting the revenue balance. Top-side adjustments that were identified as potentially non-recurring or unusual were subject to focused testing on a sample basis. We obtained the relevant supporting documentation in order critically to assess the accuracy and appropriateness of journal postings.
Key observations	Based on the procedures performed, we did not identify any material exceptions or evidence of management bias or manipulation of the revenue account and are satisfied that the amounts recorded are in line with the Group's accounting policies.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	GROUP FINANCIAL STATEMENTS	COMPANY FINANCIAL STATEMENTS
MATERIALITY	£45m (2018: £37m)	£18.8m (2018: £21.9m)
BASIS FOR DETERMINING MATERIALITY	In determining our materiality, we took a three-year average profit before tax and applied a benchmark of 5% to arrive at materiality. This approach is consistent with the approach adopted in the prior year.	3% of the Company net assets, which is consistent with the basis used in the prior year.
RATIONALE FOR THE BENCHMARK APPLIED	Profit before tax has been used as it is the primary measure of performance used by the Group. We have used average reported profit before tax over the past three years to reflect the cyclical nature of the industry in which the Group operates.	As the Company is a holding company, we considered net assets to be the most appropriate benchmark.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £2m (2018: £1.8m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including group-wide controls, and assessing the risks of material misstatement at the Group level. Audit work to respond to the risks of material misstatement consisted of a combination of the work performed by separate component teams in the UK and US as well as the Group audit team in the UK.

The Group comprises four (2018: four) principal components: the Head Office in the UK; A-Plant in the UK; Sunbelt US; and Sunbelt Rentals of Canada. The Group audit team performed a full scope audit of the Head Office component and local component audit teams performed full-scope audits at both A-Plant and Sunbelt US, consistent with the prior year approach.

The three locations where we performed full audit procedures represent 96% (2018: 96%) of the Group's revenue, 97% (2018: 98%) of the Group's profit before tax and 98% (2018: 98%) of the Group's net assets. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work at the three locations was executed at levels of materiality applicable to each individual location, which were lower than Group materiality and ranged from £18.0m to £40.5m.

The Sunbelt US component team also performed a review of the financial information of the operations in Sunbelt Canada, which represents 4% of the Group's revenue, 3% of the Group's profit before tax and 2% of the Group's net assets.

Members of the Group audit team, including the lead audit partner, visited the component audit teams during the financial year and after the year end to oversee the work performed by the component teams. At the Group level we also tested the consolidation.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- **Fair, balanced and understandable** – the statement given by the directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit Committee reporting** – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code** – the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Identifying and assessing potential risks related to irregularities

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

- enquiring of management, internal legal counsel and the Audit Committee, including obtaining and reviewing supporting documentation, concerning the Group's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
- discussing among the engagement team, including component audit teams, how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion we considered the potential risk of fraud in revenue recognition; and
- obtaining an understanding of the legal and regulatory frameworks in which the Group operates, focusing on those laws and regulations that have a direct effect on the financial statements or that have a fundamental effect on the operations of the Group. The key laws and regulations we considered in this context included the UK Companies Act 2006, the Listing Rules, the UK Corporate Governance Code, pensions legislation and UK and overseas tax legislation.

Audit response to risks identified

As a result of performing the above, we identified revenue recognition as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Group's performance standards function (which is responsible for assessing store compliance with operating policies), the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with taxation authorities; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic report or the Directors' report.

Matters on which we are required to report by exception

ADEQUACY OF EXPLANATIONS RECEIVED AND ACCOUNTING RECORDS	
Under the Companies Act 2006 we are required to report to you if, in our opinion: – we have not received all the information and explanations we require for our audit; or – adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or – the Company financial statements are not in agreement with the accounting records and returns.	We have nothing to report in respect of these matters.
DIRECTORS' REMUNERATION	
Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Remuneration report to be audited is not in agreement with the accounting records and returns.	We have nothing to report in respect of these matters.

Other matters

Auditor tenure

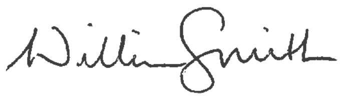
Following the recommendation of the Audit Committee, we were appointed by the Board of directors in 2004 to audit the financial statements for the year ended April 2004 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 16 years, covering the years ended April 2004 to April 2019.

Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work, for this report, or for the opinions we have formed.



WILLIAM SMITH
(SENIOR STATUTORY AUDITOR)
for and on behalf of Deloitte LLP
Statutory Auditor
London, UK
17 June 2019

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statement
for the year ended 30 April 2019

	Notes	2019 Before amortisation £m	2019 Amortisation £m	2019 Total £m	2018 Before exceptional items and amortisation £m	2018 Exceptional items and amortisation £m	2018 Total £m
Revenue							
Rental revenue		**4,138.0**	**–**	**4,138.0**	3,418.2	–	3,418.2
Sale of new equipment, merchandise and consumables		**170.5**	**–**	**170.5**	139.2	–	139.2
Sale of used rental equipment		**191.1**	**–**	**191.1**	148.6	–	148.6
		4,499.6	**–**	**4,499.6**	3,706.0	–	3,706.0
Operating costs							
Staff costs	4	**(1,019.4)**	**–**	**(1,019.4)**	(863.4)	–	(863.4)
Used rental equipment sold	4	**(159.7)**	**–**	**(159.7)**	(128.2)	–	(128.2)
Other operating costs	4	**(1,213.9)**	**–**	**(1,213.9)**	(981.3)	–	(981.3)
		(2,393.0)	**–**	**(2,393.0)**	(1,972.9)	–	(1,972.9)
EBITDA*		**2,106.6**	**–**	**2,106.6**	1,733.1	–	1,733.1
Depreciation	4	**(843.0)**	**–**	**(843.0)**	(695.6)	–	(695.6)
Amortisation of intangibles	4, 5	**–**	**(50.7)**	**(50.7)**	–	(43.5)	(43.5)
Operating profit	3, 4	**1,263.6**	**(50.7)**	**1,212.9**	1,037.5	(43.5)	994.0
Investment income	6	**0.1**	**–**	**0.1**	–	–	–
Interest expense	6	**(153.5)**	**–**	**(153.5)**	(110.2)	(21.7)	(131.9)
Profit on ordinary activities before taxation		**1,110.2**	**(50.7)**	**1,059.5**	927.3	(65.2)	862.1
Taxation	7, 19	**(274.9)**	**12.3**	**(262.6)**	(294.8)	401.5	106.7
Profit attributable to equity holders of the Company		**835.3**	**(38.4)**	**796.9**	632.5	336.3	968.8
Basic earnings per share	9	**174.2p**	**(8.1p)**	**166.1p**	127.5p	67.8p	195.3p
Diluted earnings per share	9	**173.4p**	**(8.0p)**	**165.4p**	126.9p	67.5p	194.4p

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

All revenue and profit for the year is generated from continuing operations.

Consolidated statement of comprehensive income
for the year ended 30 April 2019

	Notes	2019 £m	2018 £m
Profit attributable to equity holders of the Company for the financial year		**796.9**	968.8
Items that will not be reclassified to profit or loss:			
Remeasurement of the defined benefit pension plan	23	**(3.7)**	8.7
Tax on defined benefit pension plan		**0.7**	(1.5)
		(3.0)	7.2
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		**108.9**	(115.2)
Total comprehensive income for the year		**902.8**	860.8

Consolidated balance sheet
at 30 April 2019

	Notes	2019 £m	2018 £m
Current assets			
Inventories	10	**83.5**	55.2
Trade and other receivables	11	**843.6**	669.4
Current tax asset		**25.3**	23.9
Cash and cash equivalents	12	**12.8**	19.1
		965.2	767.6
Non-current assets			
Property, plant and equipment			
– rental equipment	13	**5,413.3**	4,430.5
– other assets	13	**573.7**	451.5
		5,987.0	4,882.0
Goodwill	14	**1,144.7**	882.6
Other intangible assets	14	**260.6**	206.3
Net defined benefit pension plan asset	23	**–**	4.5
		7,392.3	5,975.4
Total assets		**8,357.5**	6,743.0
Current liabilities			
Trade and other payables	15	**632.4**	617.5
Current tax liability		**16.4**	13.1
Short-term borrowings	16	**2.3**	2.7
Provisions	18	**42.5**	25.8
		693.6	659.1
Non-current liabilities			
Long-term borrowings	16	**3,755.4**	2,728.4
Provisions	18	**46.0**	34.6
Deferred tax liabilities	19	**1,061.1**	794.0
Net defined benefit pension plan liability	23	**0.9**	–
		4,863.4	3,557.0
Total liabilities		**5,557.0**	4,216.1
Equity			
Share capital	20	**49.9**	49.9
Share premium account		**3.6**	3.6
Capital redemption reserve		**6.3**	6.3
Own shares held by the Company	20	**(622.6)**	(161.0)
Own shares held through the ESOT	20	**(24.6)**	(20.0)
Cumulative foreign exchange translation differences		**234.7**	125.8
Retained reserves		**3,153.2**	2,522.3
Equity attributable to equity holders of the Company		**2,800.5**	2,526.9
Total liabilities and equity		**8,357.5**	6,743.0

These financial statements were approved by the Board on 17 June 2019.

BRENDAN HORGAN
Chief executive

MICHAEL PRATT
Finance director

Consolidated statement of changes in equity

for the year ended 30 April 2019

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Own shares held by the Company £m	Own shares held through the ESOT £m	Cumulative foreign exchange translation differences £m	Retained reserves £m	Total £m
At 1 May 2017	49.9	3.6	6.3	–	(16.7)	241.0	1,686.0	1,970.1
Profit for the year	–	–	–	–	–	–	968.8	968.8
Other comprehensive income:								
Foreign currency translation differences	–	–	–	–	–	(115.2)	–	(115.2)
Remeasurement of the defined benefit pension plan	–	–	–	–	–	–	8.7	8.7
Tax on defined benefit pension plan	–	–	–	–	–	–	(1.5)	(1.5)
Total comprehensive income for the year	–	–	–	–	–	(115.2)	976.0	860.8
Dividends paid	–	–	–	–	–	–	(140.5)	(140.5)
Own shares purchased by the ESOT	–	–	–	–	(10.2)	–	–	(10.2)
Own shares purchased by the Company	–	–	–	(161.0)	–	–	–	(161.0)
Share-based payments	–	–	–	–	6.9	–	0.1	7.0
Tax on share-based payments	–	–	–	–	–	–	0.7	0.7
At 30 April 2018	49.9	3.6	6.3	(161.0)	(20.0)	125.8	2,522.3	2,526.9
Profit for the year	–	–	–	–	–	–	796.9	796.9
Other comprehensive income:								
Foreign currency translation differences	–	–	–	–	–	108.9	–	108.9
Remeasurement of the defined benefit pension plan	–	–	–	–	–	–	(3.7)	(3.7)
Tax on defined benefit pension plan	–	–	–	–	–	–	0.7	0.7
Total comprehensive income for the year	–	–	–	–	–	108.9	793.9	902.8
Dividends paid	–	–	–	–	–	–	(164.2)	(164.2)
Own shares purchased by the ESOT	–	–	–	–	(14.2)	–	–	(14.2)
Own shares purchased by the Company	–	–	–	(461.6)	–	–	–	(461.6)
Share-based payments	–	–	–	–	9.6	–	(2.0)	7.6
Tax on share-based payments	–	–	–	–	–	–	3.2	3.2
At 30 April 2019	**49.9**	**3.6**	**6.3**	**(622.6)**	**(24.6)**	**234.7**	**3,153.2**	**2,800.5**

Further information is included in Note 20.

Consolidated cash flow statement
for the year ended 30 April 2019

	Notes	2019 £m	2018 £m
Cash flows from operating activities			
Cash generated from operations before exceptional items and changes in rental equipment	25(a)	**2,042.5**	1,681.2
Payments for rental property, plant and equipment		**(1,503.5)**	(1,081.7)
Proceeds from disposal of rental property, plant and equipment		**181.6**	151.8
Cash generated from operations		**720.6**	751.3
Financing costs paid (net)		**(142.9)**	(110.0)
Exceptional financing costs paid		**–**	(25.2)
Tax paid (net)		**(51.0)**	(97.6)
Net cash generated from operating activities		**526.7**	518.5
Cash flows from investing activities			
Acquisition of businesses	25(b)	**(591.3)**	(359.0)
Payments for non-rental property, plant and equipment		**(168.7)**	(138.6)
Proceeds from disposal of non-rental property, plant and equipment		**10.2**	8.9
Payments for purchase of intangible assets		**–**	(2.6)
Net cash used in investing activities		**(749.8)**	(491.3)
Cash flows from financing activities			
Drawdown of loans		**1,820.3**	1,580.8
Redemption of loans		**(963.8)**	(1,284.6)
Capital element of finance lease payments		**(1.2)**	(1.4)
Dividends paid		**(164.2)**	(140.5)
Purchase of own shares by the ESOT		**(14.2)**	(10.2)
Purchase of own shares by the Company		**(460.4)**	(158.2)
Net cash generated from/(used in) financing activities		**216.5**	(14.1)
(Decrease)/increase in cash and cash equivalents		**(6.6)**	13.1
Opening cash and cash equivalents		**19.1**	6.3
Effect of exchange rate difference		**0.3**	(0.3)
Closing cash and cash equivalents		**12.8**	19.1

	Note	2019 £m	2018 £m
Reconciliation of net cash flows to net debt			
Decrease/(increase) in cash in the period		**6.6**	(13.1)
Increase in debt through cash flow		**855.3**	294.8
Change in net debt from cash flows		**861.9**	281.7
Debt acquired		**28.4**	40.7
Exchange differences		**126.3**	(139.8)
Non-cash movements:			
– deferred costs of debt raising		**15.4**	(0.5)
– capital element of new finance leases		**0.9**	2.2
Increase in net debt in the period		**1,032.9**	184.3
Net debt at 1 May		**2,712.0**	2,527.7
Net debt at 30 April	25(c)	**3,744.9**	2,712.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

Ashtead Group plc ('the Company') is a company incorporated and domiciled in England and Wales and listed on the London Stock Exchange. The consolidated financial statements are presented in pounds sterling, the functional currency of the parent.

2 Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated.

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. Accordingly, the Group complies with all IFRS, including those adopted for use in the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation. The financial statements have been prepared under the historical cost convention, modified for certain items carried at fair value, as stated in the accounting policies.

The consolidated financial statements have been prepared on the going concern basis. The Group's internal budgets and forecasts of future performance, available financing facilities and facility headroom (see Note 16), provide a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future and consequently the going concern basis continues to be appropriate in preparing the consolidated financial statements.

Key judgements and estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period.

In the course of preparing the financial statements, no judgements have been made in the process of applying the Group's accounting policies, other than those involving estimations, that have had a significant effect on the amounts recognised within the financial statements. The estimates and associated assumptions which have been used are based on historical experience and other factors that are considered to be relevant. While actual results could differ from these estimates, the Group has not identified any assumptions, or other key sources of estimation uncertainty in the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Changes in accounting policies and disclosures

New and amended standards adopted by the Group

The following new standards are effective for the first time this financial year, neither of which has a material impact on the Group:

- IFRS 9, 'Financial instruments' ('IFRS 9'), relates to the classification, measurement and recognition of financial assets and liabilities, impairment of financial assets and hedge accounting.

  There have been no changes to the measurement of the Group's financial assets or liabilities as a result of our adoption of IFRS 9, and no changes to the Group's level of provisioning as a result of our adoption of IFRS 9.

  IFRS 9 replaced the 'incurred loss' model in IAS 39 with an 'expected credit loss' ('ECL') model. The ECL model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since the initial recognition of a financial asset. The Group has elected to apply the simplified version of the ECL model as permitted by IFRS 9 in respect of trade receivables, which involves assessing lifetime expected credit losses on all balances and as such the Group has a provision matrix that is based on its historical credit loss experience and which may be adjusted for specific forward-looking factors.

- IFRS 15, 'Revenue from Contracts with Customers' ('IFRS 15'), provides a five-step model of accounting for revenue recognition which includes identifying the contract, identifying performance obligations, determining the transaction price, allocating the transaction price to different performance obligations and the timing of recognition of revenue in connection with different performance obligations.

  The Group's adoption of IFRS 15 has had no impact as our accounting policies were already in line with IFRS 15.

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

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 May 2018 and not adopted early

IFRS 16, Leases, is applicable for the Group from 1 May 2019 and provides a new model for lease accounting under which lessees will recognise a lease liability reflecting future lease payments and a right-of-use asset on the balance sheet for all lease contracts other than certain short-term leases and leases of low-value assets. In the income statement, depreciation on the right-of-use asset and an interest expense on the lease liability will be recognised.

The Group has completed its work in assessing the impact of the new standard, which requires a number of judgements in its application:

- transition approach: the Group has elected to apply IFRS 16 using the modified retrospective approach, with the right-of-use asset equal to the lease liability on transition subject to required transitional adjustments. As such, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to opening retained earnings on 1 May 2019 with no restatement of comparatives;
- recognition exemption options: short-term leases and leases of low-value assets will be excluded from the lease liability recognised, as permitted by IFRS 16;

– assessment of lease term: most of the Group's leases relate to properties. The typical structure of our property leases is an initial lease term (usually ten years) with a series of options to extend the lease at our discretion (usually two or three five-year options). The Group has concluded that recognition of the lease term, including extension options, best reflects the Group's assessment of the options available, our past experience and growth strategy. The average remaining lease term at 1 May 2019 was 12 years, compared with the minimum remaining average lease term of four years; and
– discount rate: IFRS 16 requires future lease payments to be discounted using the interest rate implicit in the lease, or where this rate cannot be readily determined, an incremental borrowing rate ('IBR'). The Group has concluded that it is not possible to determine the rate implicit in its portfolio of property leases and therefore will adopt an IBR methodology. The weighted average discount rate at 1 May 2019 was 4%.

On 1 May 2019, an additional lease liability in the region of £900m will be recognised on the balance sheet together with a corresponding right-of-use asset, adjusted for rent prepayments and accruals as at the date of transition. This compares with the undiscounted minimum lease commitment of £495m, as determined in accordance with existing accounting standards.

Based on the leases held at 1 May 2019 and our anticipated greenfield opening programme, our best estimate of the income statement impact for 2019/20 from the adoption of IFRS 16 is as follows:

– EBITDA is expected to increase by c. £100m as the operating lease expense which was previously recognised is replaced with depreciation on the right-of-use asset and interest on the lease liability;
– operating profit will increase by c. £15m due to the benefit from the elimination of the historical operating lease charge partially offset by depreciation on the right-of-use asset; and
– profit before tax is estimated to decrease by c. £30m.

The total income statement charge over the life of the leases remains unchanged, with the difference reflecting the 'front-end loaded' nature of operating lease charges under the IFRS 16 model. In addition, we expect total Group leverage to increase by 0.3x – 0.4x as a result of the adoption of IFRS 16.

There are no other IFRS or IFRIC Interpretations that are not yet effective that would be expected to have a material impact on the Group.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 30 April each year. Control is achieved when the Company has the power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee, and has the ability to use its power to affect its returns. The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is the fair value at the acquisition date of the assets transferred and the liabilities incurred by the Group and includes the fair value of any contingent consideration arrangement. Acquisition-related costs are recognised in the income statement as incurred.

Contingent consideration is measured at the acquisition date at fair value and included in provisions in the balance sheet. Changes in the fair value of contingent consideration due to events post the date of acquisition are recognised in the income statement.

Foreign currency translation

Our reporting currency is the pound sterling, the functional currency of the parent company. However, the majority of our assets, liabilities, revenue and costs are denominated in US dollars. Assets and liabilities in foreign currencies are translated into pounds sterling at rates of exchange ruling at the balance sheet date. Income statements and cash flows of overseas subsidiary undertakings are translated into pounds sterling at average rates of exchange for the year. The exchange rates used in respect of the US dollar and Canadian dollar are:

	US dollar		Canadian dollar	
	2019	2018	**2019**	2018
Average for year	**1.30**	1.34	**1.72**	1.71
Year end	**1.30**	1.38	**1.75**	1.77

Exchange differences arising from the retranslation of the opening net investment of overseas subsidiaries and the difference between the inclusion of their profits at average rates of exchange in the Group income statement and the closing rate used for the balance sheet are recognised directly in a separate component of equity. Other exchange differences are dealt with in the income statement.

Revenue

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties and VAT/sales tax. Our revenue is a function of our rental rates and the size, utilisation and mix of our equipment rental fleet. The Group has three main sources of revenue as detailed below:

– rental revenue, including loss damage waiver, environmental fees and revenue from rental equipment delivery and collection;
– revenue from the sale of new equipment, merchandise and consumables; and
– revenue from the sale of used rental equipment.

2 Accounting policies (continued)

Rental revenue, including loss damage waiver and environment fees, is recognised over time on a straight-line basis over the period of the rental contract. However as a rental contract can extend across financial reporting period ends, the Group records accrued revenue (unbilled rental revenue) and deferred revenue at the beginning and end of each reporting period so that rental revenue is appropriately stated in the financial statements. Revenue from rental delivery and collection is recognised when the delivery or collection has occurred and the performance obligation therefore fulfilled.

Revenue from the sale of new rental equipment, merchandise and consumables, together with revenue from the sale of used rental equipment, is recognised at the time of delivery to, or collection by, the customer and when all performance obligations under the sale contract have been fulfilled.

Revenue from the sale of rental equipment in connection with trade-in arrangements with certain manufacturers from whom the Group purchases new equipment is accounted for at the lower of transaction value or fair value based on independent appraisals. If the trade-in price of a unit of equipment exceeds the fair market value of that unit, the excess is accounted for as a reduction of the cost of the related purchase of new rental equipment.

Of the Group's rental revenue, £3,386m (2018: £2,783m) is accounted for in accordance with IAS 17, 'Leases', while revenue from other ancillary services, revenue from the sale of new equipment, merchandise and consumables and revenue from the sale of used equipment totalling £1,114m (2018: £923m) is accounted for in accordance with IFRS 15, 'Revenue from Contracts with Customers'.

Investment income and interest expense

Investment income comprises interest receivable on funds invested and net interest on net defined benefit pension plan assets.

Interest expense comprises interest payable on borrowings, amortisation of deferred debt raising costs, the unwind of the discount on the self-insurance and contingent consideration provisions and the net interest on net defined benefit pension plan liabilities.

Exceptional items

Exceptional items are those items that are material and non-recurring in nature that the Group believes should be disclosed separately to assist in the understanding of the financial performance of the Group.

Earnings per share

Earnings per share is calculated based on the profit for the financial year and the weighted average number of ordinary shares in issue during the year. For this purpose the number of ordinary shares in issue excludes shares held by the Company or by the Employee Share Ownership Trust in respect of which dividends have been waived. Diluted earnings per share is calculated using the profit for the financial year and the weighted average diluted number of shares (ignoring any potential issue of ordinary shares which would be anti-dilutive) during the year.

Underlying earnings per share comprises basic earnings per share adjusted to exclude earnings relating to exceptional items and amortisation of intangibles.

Current/non-current distinction

Current assets include assets held primarily for trading purposes, cash and cash equivalents and assets expected to be realised in, or intended for sale or consumption in, the course of the Group's operating cycle and those assets receivable within one year from the reporting date. All other assets are classified as non-current assets.

Current liabilities include liabilities held primarily for trading purposes, liabilities expected to be settled in the course of the Group's operating cycle and those liabilities due within one year from the reporting date. All other liabilities are classified as non-current liabilities.

Property, plant and equipment

Owned assets

Property, plant and equipment is stated at cost (including transportation costs from the manufacturer to the initial rental location) less accumulated depreciation and any provisions for impairment. In respect of certain assets, cost includes rebuild costs when the rebuild extends the asset's useful economic life and it is probable that incremental economic benefits will accrue to the Group. Rebuild costs include the cost of transporting the equipment to and from the rebuild supplier. Depreciation is not charged while the asset is not in use during the rebuild period.

Leased assets

Finance leases are those leases which transfer substantially all the risks and rewards of ownership to the lessee. Assets held under finance leases are capitalised within property, plant and equipment at the fair value of the leased assets at inception of the lease and depreciated in accordance with the Group's depreciation policy. Outstanding finance lease obligations are included within debt. The finance element of the agreements is charged to the income statement on a systematic basis over the term of the lease.

All other leases are operating leases, the rentals on which are charged to the income statement on a straight-line basis over the lease term.

Depreciation

Leasehold properties are depreciated on a straight-line basis over the life of each lease. Other fixed assets, including those held under finance leases, are depreciated on a straight-line basis applied to the opening cost to write down each asset to its residual value over its useful economic life. Estimates of useful life and residual value are determined with the objective of allocating most appropriately the cost of property, plant and equipment to our income statement, over the period we anticipate it will be used in our business. Residual values and estimated useful economic lives are reassessed annually, recognising the cyclical nature of the business, by making reference to recent experience of the Group. The depreciation rates in use are as follows:

	Per annum
Freehold property	2%
Motor vehicles	7% to 25%
Rental equipment	4% to 33%
Office and workshop equipment	20%

Residual values are estimated at 10-15% of cost in respect of most types of rental equipment, although the range of residual values used varies between zero and 35%.

Repairs and maintenance

Costs incurred in the repair and maintenance of rental and other equipment are charged to the income statement as incurred.

Intangible assets

Goodwill

Goodwill represents the difference between the fair value of the consideration for an acquisition and the fair value of the net identifiable assets acquired, including any intangible assets other than goodwill.

Goodwill is stated at cost less any accumulated impairment losses and is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination.

The profit or loss on the disposal of a previously acquired business includes the attributable amount of any purchased goodwill relating to that business.

Other intangible assets

Other intangible assets acquired as part of a business combination are capitalised at fair value as at the date of acquisition. Internally generated intangible assets are not capitalised. Amortisation is charged on a straight-line basis over the expected useful life of each asset. Contract related intangible assets are amortised over the life of the contract. Amortisation rates for other intangible assets are as follows:

	Per annum
Brand names	7% to 15%
Customer lists	10% to 20%
Contract related	14% to 50%

Impairment of assets

Goodwill is not amortised but is tested annually for impairment as at 30 April each year. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable and independent cash flows for the asset being tested for impairment (cash-generating unit).

The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Impairment losses in respect of goodwill are not reversed.

Taxation

The tax charge for the period comprises both current and deferred tax. Taxation is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case the related tax is also recognised in equity.

Current tax is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method on any temporary differences between the carrying amounts for financial reporting purposes and those for taxation purposes.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill.

Deferred tax liabilities are not recognised for temporary differences arising on investments in subsidiaries where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Inventories

Inventories, which comprise equipment, fuel, merchandise and spare parts, are valued at the lower of cost and net realisable value. The cost of inventory that is not ordinarily interchangeable is valued at individual cost. The cost of other inventories is determined on a first-in, first-out basis or using a weighted average cost formula, depending on the basis most suited to the type of inventory held.

Employee benefits

Defined contribution pension plans

Obligations under the Group's defined contribution plans are recognised as an expense in the income statement as incurred.

Defined benefit pension plans

The Group's obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value and the fair value of plan assets is deducted. The discount rate used is the yield at the balance sheet date on AA-rated corporate bonds. The calculation is performed by a qualified actuary using the projected unit credit method.

Actuarial gains and losses are recognised in full in the period in which they arise through the statement of comprehensive income. The increase in the present value of plan liabilities arising from employee service during the period is charged to operating profit.

Net interest is calculated by applying a discount rate to the net defined benefit pension plan asset or liability. The net interest income or net interest expense is included in investment income or interest expense, respectively.

The defined pension surplus or deficit represents the fair value of the plan assets less the present value of the defined benefit obligation. A surplus is recognised in the balance sheet to the extent that the Group has an unconditional right to the surplus, either through a refund or reduction in future contributions. A deficit is recognised in full.

Share-based compensation

The fair value of awards made under share-based compensation plans is measured at grant date and spread over the vesting period through the income statement with a corresponding increase in equity. The fair value of share options and awards is measured using an appropriate valuation model taking into account the terms and conditions of the individual award. The amount recognised as an expense is adjusted to reflect the actual awards vesting except where any change in the awards vesting relates only to market-based criteria not being achieved.

2 Accounting policies (continued)

Insurance

Insurance costs include insurance premiums which are written off to the income statement over the period to which they relate and an estimate of the discounted liability for uninsured retained risks on unpaid claims incurred up to the balance sheet date. The estimate includes events incurred but not reported at the balance sheet date. This estimate is discounted and included in provisions in the balance sheet on a gross basis with a corresponding insurance receivable amount recognised as an asset where it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

Trade receivables

Trade receivables do not carry interest and are stated at face value as reduced by appropriate loss allowances for estimated irrecoverable amounts using an expected credit loss model. This approach requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date so as to reflect changes in credit risk since initial recognition of the trade receivable.

Cash and cash equivalents

Cash and cash equivalents comprises cash balances and call deposits with maturity of less than, or equal to, three months.

Financial liabilities and equity

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Trade payables

Trade payables are not interest bearing and are stated at fair value and subsequently measured at amortised cost using the effective interest rate mentioned.

Borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct transaction costs where these are integral to the total cost of the borrowing. Where this is not the case, direct transaction costs are recognised separately from the financial liability as a loan commitment asset. Finance charges, including amortisation of direct transaction costs, are charged to the income statement using the effective interest rate method.

Tranches of borrowings and overdrafts which mature on a regular basis are classified as current or non-current liabilities based on the maturity of the facility so long as the committed facility exceeds the drawn debt.

Net debt

Net debt consists of total borrowings less cash and cash equivalents. Borrowings exclude accrued interest. Foreign currency denominated balances are retranslated to pounds sterling at rates of exchange ruling at the balance sheet date.

Secured notes

The Group's secured notes contain early repayment options, which constitute embedded derivatives in accordance with IFRS 9, Financial Instruments. The accounting for these early repayment options depends on whether they are considered to be closely related to the host contract or not based on IFRS 9. Where they are closely related, the early repayment option is not accounted for separately and the notes are recorded within borrowings, net of direct transaction costs. The interest expense is calculated by applying the effective interest rate method.

In circumstances where the early repayment option is not considered closely related to the host contract, the repayment option has to be valued separately. At the date of issue the liability component of the notes is estimated using prevailing market interest rates for similar debt with no repayment option and is recorded within borrowings, net of direct transaction costs. The difference between the proceeds of the note issue and the fair value assigned to the liability component, representing the embedded option to prepay the notes is included within Other financial assets – derivatives. The interest expense on the liability component is calculated by applying the effective interest rate method. The embedded option to prepay is fair valued using an appropriate valuation model and fair value remeasurement gains and losses are included in investment income and interest expense respectively.

Where the Group's senior secured notes are issued at a premium or a discount, they are initially recognised at their face value plus or minus the premium or discount. The notes are subsequently measured at amortised cost using the effective interest rate method.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

Employee Share Ownership Trust

Shares in the Company acquired by the Employee Share Ownership Trust ('ESOT') in the open market for use in connection with employee share plans are presented as a deduction from shareholders' funds. When the shares vest to satisfy share-based payments, a transfer is made from own shares held through the ESOT to retained earnings.

Own shares held by the Company

The cost of own shares held by the Company is deducted from shareholders' funds. The proceeds from the reissue of own shares are added to shareholders' funds with any gains in excess of the average cost of the shares being recognised in the share premium account.

3 Segmental analysis

Segmental analysis by reportable operating segment

The Group operates one class of business: rental of equipment. Operationally, the Group is split into three business units, Sunbelt US, A-Plant and Sunbelt Canada which report separately to, and are managed by, the chief executive and align with the geographies in which they operate, being the United States, the United Kingdom and Canada, respectively. Accordingly, the Group's reportable operating segments are Sunbelt US, A-Plant and Sunbelt Canada.

The Group manages debt and taxation centrally, rather than by business unit. Accordingly, segmental results are stated before interest and taxation which are reported as central Group items. This is consistent with the way the chief executive reviews the business.

There are no sales between the business segments. Segment assets include property, plant and equipment, goodwill, intangibles, inventory and receivables. Segment liabilities comprise operating liabilities and exclude taxation balances, corporate borrowings and accrued interest. Capital expenditure represents additions to property, plant and equipment and intangible assets, including goodwill, and includes additions through the acquisition of businesses.

Year ended 30 April 2019	Sunbelt US £m	A-Plant £m	Sunbelt Canada £m	Corporate items £m	Group £m
Revenue					
Rental revenue	3,554.2	416.4	167.4	–	4,138.0
Sale of new equipment, merchandise and consumables	118.4	32.5	19.6	–	170.5
Sale of used rental equipment	151.7	26.2	13.2	–	191.1
	3,824.3	475.1	200.2	–	4,499.6
EBITDA	1,880.9	168.4	72.2	(14.9)	2,106.6
Depreciation	(696.6)	(106.1)	(40.3)	–	(843.0)
Segment result	1,184.3	62.3	31.9	(14.9)	1,263.6
Amortisation					(50.7)
Net financing costs					(153.4)
Profit before taxation					1,059.5
Taxation					(262.6)
Profit attributable to equity shareholders					796.9
Segment assets	6,991.8	851.6	475.7	0.3	8,319.4
Cash					12.8
Taxation assets					25.3
Total assets					8,357.5
Segment liabilities	592.5	68.2	31.0	12.2	703.9
Corporate borrowings and accrued interest					3,775.6
Taxation liabilities					1,077.5
Total liabilities					5,557.0
Other non-cash expenditure – share-based payments	4.7	0.7	0.1	2.1	7.6
Capital expenditure	1,881.1	181.0	141.5	–	2,203.6

3 Segmental analysis (continued)

Year ended 30 April 2018	Sunbelt US £m	A-Plant £m	Sunbelt Canada £m	Corporate items £m	Group £m
Revenue					
Rental revenue	2,904.6	405.3	108.3	–	3,418.2
Sale of new equipment, merchandise and consumables	91.9	31.4	15.9	–	139.2
Sale of used rental equipment	107.2	35.0	6.4	–	148.6
	3,103.7	471.7	130.6	–	3,706.0
EBITDA	1,541.7	167.3	39.9	(15.8)	1,733.1
Depreciation	(575.1)	(97.1)	(23.3)	(0.1)	(695.6)
Segment result	966.6	70.2	16.6	(15.9)	1,037.5
Amortisation					(43.5)
Net financing costs					(131.9)
Profit before taxation					862.1
Taxation					106.7
Profit attributable to equity shareholders					968.8
Segment assets	5,507.6	847.3	344.6	0.5	6,700.0
Cash					19.1
Taxation assets					23.9
Total assets					6,743.0
Segment liabilities	545.7	81.1	29.1	9.8	665.7
Corporate borrowings and accrued interest					2,743.3
Taxation liabilities					807.1
Total liabilities					4,216.1
Other non-cash expenditure – share-based payments	3.7	0.9	–	2.4	7.0
Capital expenditure	1,210.5	192.5	247.4	–	1,650.4

Segmental analysis by geography

The Group's operations are located in the United States, the United Kingdom and Canada. The following table provides an analysis of the Group's revenue, segment assets and capital expenditure, including expenditure on acquisitions, by country of domicile. Segment assets by geography include property, plant and equipment, goodwill and intangible assets but exclude inventory and receivables.

	Revenue		Segment assets		Capital expenditure	
	2019 £m	2018 £m	**2019 £m**	2018 £m	**2019 £m**	2018 £m
United States	**3,824.3**	3,103.7	**6,234.7**	4,938.0	**1,881.1**	1,210.5
United Kingdom	**475.1**	471.7	**725.9**	724.6	**181.0**	192.5
Canada	**200.2**	130.6	**431.6**	308.3	**141.5**	247.4
	4,499.6	3,706.0	**7,392.2**	5,970.9	**2,203.6**	1,650.4

4 Operating costs and other income

	2019			2018		
	Before amortisation £m	**Amortisation £m**	**Total £m**	Before amortisation £m	Amortisation £m	Total £m
Staff costs:						
Salaries	**930.3**	**–**	**930.3**	788.2	–	788.2
Social security costs	**70.6**	**–**	**70.6**	60.3	–	60.3
Other pension costs	**18.5**	**–**	**18.5**	14.9	–	14.9
	1,019.4	**–**	**1,019.4**	863.4	–	863.4
Used rental equipment sold	**159.7**	**–**	**159.7**	128.2	–	128.2
Other operating costs:						
Vehicle costs	**267.8**	**–**	**267.8**	211.3	–	211.3
Spares, consumables and external repairs	**227.4**	**–**	**227.4**	181.5	–	181.5
Facility costs	**128.4**	**–**	**128.4**	108.4	–	108.4
Other external charges	**590.3**	**–**	**590.3**	480.1	–	480.1
	1,213.9	**–**	**1,213.9**	981.3	–	981.3
Depreciation and amortisation:						
Depreciation of owned assets	**841.8**	**–**	**841.8**	694.4	–	694.4
Depreciation of leased assets	**1.2**	**–**	**1.2**	1.2	–	1.2
Amortisation of intangibles	**–**	**50.7**	**50.7**	–	43.5	43.5
	843.0	**50.7**	**893.7**	695.6	43.5	739.1
	3,236.0	**50.7**	**3,286.7**	2,668.5	43.5	2,712.0

Proceeds from the disposal of non-rental property, plant and equipment amounted to £12m (2018: £10m), resulting in a profit on disposal of £1m (2018: £1m) which is included in other external charges.

The costs shown in the above table include:

	2019 £m	2018 £m
Operating lease rentals payable:		
– Plant and equipment	**1.6**	1.9
– Property	**93.1**	78.3
Cost of inventories recognised as expense	**341.1**	264.9
Loss allowance on trade receivables	**26.8**	23.1

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

	2019 £'000	2018 £'000
Salaries and short-term employee benefits	**6,530**	5,693
Post-employment benefits	**14**	30
National insurance and social security	**549**	404
Share-based payments	**2,483**	2,555
	9,576	8,682

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

	2019 £'000	2018 £'000
Fees payable to Deloitte UK and its associates for the audit of the Group's annual accounts	**893**	867
Fees payable to Deloitte UK and its associates for other services to the Group:		
– the audit of the Group's UK subsidiaries pursuant to legislation	**57**	27
– audit-related assurance services	**70**	73
– other assurance services	**63**	60
	1,083	1,027

Fees paid for audit-related assurance services relate to the half-year review of the Group's interim financial statements. Other assurance services relate to comfort letters provided in connection with the senior secured notes issues in July 2018 and August 2017.

5 Exceptional items and amortisation

	2019 £m	2018 £m
Amortisation of intangibles	**50.7**	43.5
Write-off of deferred financing costs	**–**	8.1
Release of premium	**–**	(11.6)
Early redemption fee	**–**	23.7
Call period interest	**–**	1.5
Taxation		
– tax on exceptional items and amortisation	**(12.3)**	(20.0)
– reduction in US deferred tax liability due to change in US federal tax rate	**–**	(402.2)
– reassessment of historical amounts deductible for tax	**–**	20.7
	38.4	(336.3)

In the prior year, the costs associated with the redemption of the $900m 6.5% senior secured notes in August 2017 were classified as exceptional items. The write-off of deferred financing costs consisted of the unamortised balance of the costs relating to the notes, whilst the release of premium related to the unamortised element of the premium which arose at the time of issuance of the $400m add-on to the initial $500m 6.5% senior secured notes. In addition, an early redemption fee of £24m ($31m) was paid to redeem the notes prior to their scheduled maturity. The call period interest represented the interest charge on the $900m notes for the period from the issue of the new $1.2bn notes to the date the $900m notes were redeemed. Of these items, total cash costs were £25m, while £3.5m (net income) were non-cash items and credited to the income statement.

The US Tax Cuts and Jobs Act of 2017 was enacted in December 2017 and, amongst other things, reduced the US federal tax rate from 35% to 21%. The exceptional tax credit of £402m ($543m) arose from the remeasurement of the Group's US deferred tax liabilities at the new rate of 21% rather than the historical rate of 35%. The exceptional deferred tax charge of £21m ($28m) related to the reassessment of historical amounts deductible for tax purposes in the US.

The items detailed in the table above are presented in the income statement as follows:

	2019 £m	2018 £m
Amortisation of intangibles	**50.7**	43.5
Charged in arriving at operating profit	**50.7**	43.5
Net financing costs	**–**	21.7
Charged in arriving at profit before taxation	**50.7**	65.2
Taxation	**(12.3)**	(401.5)
	38.4	(336.3)

6 Net financing costs

	2019 £m	2018 £m
Investment income:		
Net interest on the net defined benefit pension plan asset	**(0.1)**	–
Interest expense:		
Bank interest payable	**68.6**	45.6
Interest payable on second priority senior secured notes	**79.1**	60.5
Interest payable on finance leases	**0.4**	0.3
Net interest on the net defined benefit pension plan liability	**–**	0.1
Non-cash unwind of discount on provisions	**0.8**	0.7
Amortisation of deferred debt raising costs	**4.6**	3.0
Total interest expense	**153.5**	110.2
Net financing costs before exceptional items	**153.4**	110.2
Exceptional items	**–**	21.7
Net financing costs	**153.4**	131.9

7 Taxation

The tax charge on the result for the year has been computed using a tax rate of 25% in the US (2018: 34%), 19% in the UK (2018: 19%) and 27% in Canada (2018: 27%). In the prior year, there was a significant tax credit due to the remeasurement of the Group's US deferred tax liabilities at the new federal rate of 21% rather than 35%. As a result, the blended rate for the Group as a whole was a charge of 25% (2018: credit of 12%). The Group's future effective tax rate will depend on the mix of profits amongst the territories in which it operates and their respective tax rates.

	2019 £m	2018 £m
Analysis of the tax charge		
Current tax		
– current tax on income for the year	**54.3**	73.0
– adjustments to prior year	**1.1**	(10.4)
– reassessment of historical amounts deductible for tax	**–**	24.7
	55.4	87.3
Deferred tax		
– origination and reversal of temporary differences	**205.8**	200.4
– adjustments to prior year	**1.4**	11.8
– remeasurement of US deferred tax liabilities due to reduction in US federal tax rate	**–**	(402.2)
– reassessment of historical amounts deductible for tax	**–**	(4.0)
	207.2	(194.0)
Total taxation charge/(credit)	**262.6**	(106.7)
Comprising:		
– United Kingdom	**15.9**	15.7
– United States	**244.9**	(122.5)
– Canada	**1.8**	0.1
	262.6	(106.7)

The tax charge comprises a charge of £275m (2018: £295m) relating to tax on the profit before exceptional items and amortisation, together with a credit of £12m (2018: credit of £401m) on exceptional items and amortisation.

The differences between the tax charge for the year of 25% and the standard rate of corporation tax in the UK of 19% are explained below:

	2019 £m	2018 £m
Profit on ordinary activities before tax	**1,059.5**	862.1
Profit on ordinary activities multiplied by the rate of corporation tax in the UK of 19% (2018: 19%)	**201.3**	163.8
Effects of:		
Use of foreign tax rates on overseas income	**61.5**	113.9
Adjustments to prior years	**2.5**	1.4
Reduction in US deferred tax liabilities due to reduction in US federal tax rate	**–**	(402.2)
Reassessment of historical amounts deductible for tax	**–**	20.7
Other	**(2.7)**	(4.3)
Total taxation charge/(credit)	**262.6**	(106.7)

8 Dividends

	2019 £m	2018 £m
Final dividend paid on 14 September 2018 of 27.5p (2018: 22.75p) per 10p ordinary share	**133.3**	113.2
Interim dividend paid on 6 February 2019 of 6.5p (2018: 5.5p) per 10p ordinary share	**30.9**	27.3
	164.2	140.5

In addition, the directors are proposing a final dividend in respect of the year ended 30 April 2019 of 33.5p (2018: 27.5p) per share which will absorb £156m of shareholders' funds, based on the 466m shares qualifying for dividend on 17 June 2019. Subject to approval by shareholders, it will be paid on 13 September 2019 to shareholders who are on the register of members on 16 August 2019.

9 Earnings per share

	2019			2018		
	Earnings £m	**Weighted average no. of shares million**	**Per share amount pence**	Earnings £m	Weighted average no. of shares million	Per share amount pence
Basic earnings per share	**796.9**	**479.7**	**166.1**	968.8	496.0	195.3
Share options and share plan awards	**–**	**2.0**	**(0.7)**	–	2.3	(0.9)
Diluted earnings per share	**796.9**	**481.7**	**165.4**	968.8	498.3	194.4

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

	2019 pence	2018 pence
Basic earnings per share	**166.1**	195.3
Amortisation of intangibles	**10.6**	8.7
Exceptional items	**–**	4.4
Tax on exceptional items and amortisation	**(2.5)**	(4.0)
Exceptional tax credit (US tax reforms)	**–**	(81.1)
Exceptional tax charge (reassessment of historical amounts deductible for tax)	**–**	4.2
Underlying earnings per share	**174.2**	127.5

10 Inventories

	2019 £m	2018 £m
Raw materials, consumables and spares	**33.9**	18.3
Goods for resale	**49.6**	36.9
	83.5	55.2

11 Trade and other receivables

	2019 £m	2018 £m
Trade receivables	**755.6**	598.9
Less: loss allowance	**(53.4)**	(43.1)
	702.2	555.8
Other receivables		
– Accrued revenue	**53.6**	42.2
– Other	**87.8**	71.4
	843.6	669.4

The fair values of trade and other receivables are not materially different to the carrying values presented.

a) Trade receivables: credit risk

The Group's exposure to the credit risk inherent in its trade receivables and the associated risk management techniques that the Group deploys in order to mitigate this risk are discussed in Note 24. The credit periods offered to customers vary according to the credit risk profiles of, and the invoicing conventions established in, the Group's markets. The contractual terms on invoices issued to customers vary between North America and the UK in that, invoices issued by A-Plant are payable within 30-60 days whereas, invoices issued by Sunbelt US and Sunbelt Canada are payable on receipt. Therefore, on this basis, a significant proportion of the Group's trade receivables are contractually past due. The loss allowance is calculated based on prior experience reflecting the level of uncollected receivables over the last year within each business. Accordingly, this cannot be attributed to specific receivables so the aged analysis of trade receivables, including those past due, is shown gross of the loss allowance.

On this basis, the ageing analysis of trade receivables, including those past due, is as follows:

		Trade receivables past due by:				
	Current £m	Less than 30 days £m	30 – 60 days £m	60 – 90 days £m	More than 90 days £m	Total £m
Carrying value at 30 April 2019	56.2	350.4	169.8	77.3	101.9	755.6
Carrying value at 30 April 2018	55.5	277.5	136.8	52.2	76.9	598.9

In practice, Sunbelt US and Sunbelt Canada operate on 30-day terms and consider receivables past due if they are unpaid after 30 days. On this basis, the Group's ageing of trade receivables, including those past due, is as follows:

		Trade receivables past due by:				
	Current £m	Less than 30 days £m	30 – 60 days £m	60 – 90 days £m	More than 90 days £m	Total £m
Carrying value at 30 April 2019	377.7	189.7	81.1	37.3	69.8	755.6
Carrying value at 30 April 2018	306.4	155.0	55.2	27.5	54.8	598.9

b) Movement in the loss allowance

	2019 £m	2018 £m
At 1 May	**43.1**	38.4
Amounts written off or recovered during the year	**(18.5)**	(16.3)
Increase in allowance recognised in income statement	**26.8**	23.1
Currency movements	**2.0**	(2.1)
At 30 April	**53.4**	43.1

12 Cash and cash equivalents

	2019 £m	2018 £m
Cash and cash equivalents	**12.8**	19.1

The carrying amount of cash and cash equivalents approximates to their fair value.

13 Property, plant and equipment

	Land and buildings £m	Rental equipment £m	Office and workshop equipment £m	Motor vehicles Owned £m	Motor vehicles Held under finance leases £m	Total £m
Cost or valuation						
At 1 May 2017	170.6	5,846.4	122.7	432.8	7.6	6,580.1
Exchange differences	(7.4)	(313.8)	(5.9)	(22.8)	–	(349.9)
Acquisitions	–	276.7	0.5	17.7	–	294.9
Reclassifications	(0.7)	(2.7)	2.1	1.3	–	–
Additions	30.3	1,100.4	29.8	75.1	3.1	1,238.7
Disposals	(2.2)	(340.2)	(6.9)	(31.6)	(3.0)	(383.9)
At 30 April 2018	190.6	6,566.8	142.3	472.5	7.7	7,379.9
Exchange differences	7.7	309.8	6.2	21.9	–	345.6
Acquisitions	20.3	454.3	3.9	28.4	–	506.9
Reclassifications	–	(3.6)	1.1	2.5	–	–
Additions	41.6	1,416.8	33.3	93.6	1.8	1,587.1
Disposals	(2.9)	(461.7)	(6.4)	(41.9)	(2.4)	(515.3)
At 30 April 2019	**257.3**	**8,282.4**	**180.4**	**577.0**	**7.1**	**9,304.2**
Depreciation						
At 1 May 2017	66.6	1,753.6	80.4	171.4	3.5	2,075.5
Exchange differences	(3.1)	(107.8)	(4.2)	(10.1)	–	(125.2)
Acquisitions	–	94.3	0.2	9.2	–	103.7
Reclassifications	–	(1.2)	0.8	0.4	–	–
Charge for the period	11.5	614.1	18.7	50.2	1.1	695.6
Disposals	(1.6)	(216.7)	(6.5)	(24.9)	(2.0)	(251.7)
At 30 April 2018	73.4	2,136.3	89.4	196.2	2.6	2,497.9
Exchange differences	2.7	98.9	4.0	8.9	–	114.5
Acquisitions	–	194.9	2.5	12.6	–	210.0
Reclassifications	–	(1.7)	0.5	1.2	–	–
Charge for the period	14.3	745.5	22.5	59.5	1.2	843.0
Disposals	(2.5)	(304.8)	(5.7)	(33.7)	(1.5)	(348.2)
At 30 April 2019	**87.9**	**2,869.1**	**113.2**	**244.7**	**2.3**	**3,317.2**
Net book value						
At 30 April 2019	**169.4**	**5,413.3**	**67.2**	**332.3**	**4.8**	**5,987.0**
At 30 April 2018	117.2	4,430.5	52.9	276.3	5.1	4,882.0

£11m of rebuild costs were capitalised in the year (2018: £1m). No rental equipment was leased in either year.

14 Intangible assets including goodwill

	Goodwill £m	Other intangible assets: Brand names £m	Customer lists £m	Contract related £m	Total £m	Total £m
Cost or valuation						
At 1 May 2017	797.7	20.0	238.7	50.0	308.7	1,106.4
Recognised on acquisition	134.6	0.9	79.5	2.9	83.3	217.9
Additions	–	–	–	2.6	2.6	2.6
Exchange differences	(49.7)	(1.1)	(15.0)	(1.7)	(17.8)	(67.5)
At 30 April 2018	882.6	19.8	303.2	53.8	376.8	1,259.4
Recognised on acquisition	221.2	0.4	88.6	9.2	98.2	319.4
Exchange differences	40.9	0.9	14.1	1.6	16.6	57.5
At 30 April 2019	**1,144.7**	**21.1**	**405.9**	**64.6**	**491.6**	**1,636.3**
Amortisation						
At 1 May 2017	–	17.9	85.7	30.7	134.3	134.3
Charge for the period	–	1.8	35.3	6.4	43.5	43.5
Exchange differences	–	(1.1)	(4.9)	(1.3)	(7.3)	(7.3)
At 30 April 2018	–	18.6	116.1	35.8	170.5	170.5
Charge for the period	–	0.9	42.8	7.0	50.7	50.7
Exchange differences	–	0.9	7.7	1.2	9.8	9.8
At 30 April 2019	**–**	**20.4**	**166.6**	**44.0**	**231.0**	**231.0**
Net book value						
At 30 April 2019	**1,144.7**	**0.7**	**239.3**	**20.6**	**260.6**	**1,405.3**
At 30 April 2018	882.6	1.2	187.1	18.0	206.3	1,088.9

Goodwill acquired in a business combination is allocated at acquisition to the cash-generating units ('CGUs') that benefit from that business combination. During the year, the Group reviewed its CGUs and concluded that Scaffolding in Sunbelt US and Traffic, PSS and Lifting in A-Plant are more appropriately treated as part of the general equipment and related businesses CGU given the growth in the business and their relative scale. Prior year comparatives have been restated accordingly. As such, goodwill allocated to each of the Group's CGUs is as follows:

	2019 £m	2018 £m
Sunbelt US		
Pump & Power	**87.9**	41.5
Climate Control	**56.9**	20.6
General equipment and related businesses	**832.6**	673.2
	977.4	735.3
A-Plant		
Live (temporary roadways and barriers)	**25.8**	25.8
General equipment and related businesses	**53.1**	46.9
	78.9	72.7
Sunbelt Canada		
General equipment and related businesses	**88.4**	74.6
Total goodwill	**1,144.7**	882.6

14 Intangible assets including goodwill (continued)

For the purposes of determining potential goodwill impairment, recoverable amounts are determined from value in use calculations using cash flow projections based on financial plans covering a three-year period which were adopted and approved by the Board in April 2019. The key assumptions for these financial plans are those regarding revenue growth, margins and capital expenditure required to replace the rental fleet and support the growth forecast which management estimates based on past experience, market conditions and expectations for the future development of the market. The projections consist of the 2019/20 budget, a further two years from the Group's business plan and a further seven years' cash flows. The valuation uses an annual growth rate to determine the cash flows beyond the three-year business plan period of 2%, which does not exceed the average long-term growth rates for the relevant markets, a terminal value reflective of market multiples and discount rates of 10%, 9% and 10% for the US, UK and Canadian businesses respectively.

The impairment review is potentially sensitive to changes in key assumptions used, most notably the discount rate and the annuity growth rates. A sensitivity analysis has been undertaken by changing the key assumptions used for each CGU in Sunbelt US, A-Plant and Sunbelt Canada. Based on this sensitivity analysis, no reasonably possible change in the assumptions resulted in the recoverable amount for the CGUs identified above being reduced to their carrying value.

Sunbelt US

General equipment and related businesses

Revenue for the general equipment business is linked primarily to US non-residential construction spend, which is expected to continue to grow during the business plan period. These businesses have grown more rapidly than both non-residential construction and the broader rental market and this outperformance is expected to continue over the business plan period, although not necessarily to the same degree as over recent years. EBITDA margins are forecast to increase slightly from current levels as the businesses benefit from good market conditions and increased scale.

Pump & Power and Climate Control

Revenue for the Pump & Power and Climate Control businesses is in part linked to the level of non-residential construction and also general levels of economic activity. EBITDA margins are forecast to increase slightly from current levels as the businesses benefit from increased scale.

A-Plant

Revenue for each of the A-Plant CGUs is linked primarily to UK non-residential construction spend. This market is expected to grow during the business plan period. A-Plant has grown over the last three years more quickly than non-residential construction and we expect it to perform ahead of the market over the business plan period. The Live business is also reliant on the events market which is expected to grow at a similar rate to construction markets. EBITDA margins are forecast to increase slightly from current levels as the businesses focus on operational efficiency and the benefit from increased scale.

Sunbelt Canada

Revenue for Sunbelt Canada is linked primarily to Canadian non-residential construction spend, which is expected to continue to grow during the business plan period. Sunbelt Canada, adjusted for the impact of the CRS acquisition, has grown over the last three years more quickly than non-residential construction and we expect it to perform ahead of the market over the business plan period, although not necessarily to the same degree as over recent years. EBITDA margins are forecast to increase slightly from current levels as the business benefits from the integration of the CRS and Voisin's businesses, improving market conditions and increased scale.

15 Trade and other payables

	2019 £m	2018 £m
Trade payables	**217.0**	243.7
Other taxes and social security	**60.0**	48.8
Accruals and deferred income	**355.4**	325.0
	632.4	617.5

Trade and other payables include amounts relating to the purchase of fixed assets of £196m (2018: £269m). The fair values of trade and other payables are not materially different from the carrying values presented.

16 Borrowings

	2019 £m	2018 £m
Current		
Finance lease obligations	**2.3**	2.7
Non-current		
First priority senior secured bank debt	**2,010.7**	1,508.5
Finance lease obligations	**2.7**	2.6
5.625% second priority senior secured notes, due 2024	**379.3**	358.4
4.125% second priority senior secured notes, due 2025	**454.7**	429.5
5.250% second priority senior secured notes, due 2026	**453.6**	–
4.375% second priority senior secured notes, due 2027	**454.4**	429.4
	3,755.4	2,728.4

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

First priority senior secured credit facility

At 30 April 2019, $4.1bn was committed by our senior lenders under the asset-based senior secured revolving credit facility ('ABL facility') until December 2023 while the amount utilised was $2,683m (including letters of credit totalling $50m). The ABL facility is secured by a first priority interest in substantially all of the Group's assets. Pricing for the revolving credit facility is based on leverage and average availability according to a grid which varies from LIBOR plus 125bp to LIBOR plus 175bp. At 30 April 2019 the Group's borrowing rate was LIBOR plus 150bp.

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

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

Second priority senior secured notes

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

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

The effective rates of interest at the balance sheet date were as follows:

		2019	2018
First priority senior secured bank debt	– revolving advances in dollars	**3.66%**	3.42%
Secured notes	– $500m nominal value	**5.625%**	5.625%
	– $600m nominal value	**4.125%**	4.125%
	– $600m nominal value	**5.250%**	–
	– $600m nominal value	**4.375%**	4.375%
Finance leases		**7.0%**	7.0%

17 Obligations under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2019 £m	2018 £m	**2019 £m**	2018 £m
Amounts payable under finance leases:				
Less than one year	**2.6**	3.0	**2.3**	2.7
Later than one year but not more than five	**3.2**	3.0	**2.7**	2.6
	5.8	6.0	**5.0**	5.3
Future finance charges	**(0.8)**	(0.7)		
	5.0	5.3		

The Group's obligations under finance leases are secured by the lessor's rights over the leased assets disclosed in Note 13.

18 Provisions

	Insurance £m	Vacant property £m	Contingent consideration £m	Total £m
At 1 May 2018	37.2	2.3	20.9	60.4
Acquired businesses	–	–	17.7	17.7
Exchange differences	1.4	0.1	0.7	2.2
Utilised	(23.3)	(0.8)	(2.0)	(26.1)
Charged in the year	33.1	0.3	–	33.4
Amortisation of discount	0.3	–	0.6	0.9
At 30 April 2019	**48.7**	**1.9**	**37.9**	**88.5**

	2019 £m	2018 £m
Included in current liabilities	**42.5**	25.8
Included in non-current liabilities	**46.0**	34.6
	88.5	60.4

Insurance provisions relate to the discounted estimated gross liability in respect of claims to be incurred under the Group's insurance programmes for events occurring up to the year-end and are expected to be utilised over a period of approximately eight years. The provision is established based on advice received from independent actuaries of the estimated total cost of the insured risk based on historical claims experience. £14m (2018: £10m) of this total liability is due from insurers and is included within other receivables.

The majority of the provision for vacant property costs is expected to be utilised over a period of up to three years. The provision for contingent consideration relates to recent acquisitions and is expected to be paid out over the next three years and is reassessed at each reporting date.

19 Deferred tax

Deferred tax assets

	Tax losses £m	Other temporary differences £m	Total £m
At 1 May 2018	–	–	–
Offset against deferred tax liability at 1 May 2018	3.0	42.7	45.7
Gross deferred tax assets at 1 May 2018	3.0	42.7	45.7
Exchange differences	–	2.2	2.2
Credited to income statement	21.4	19.1	40.5
Credited to equity	1.4	0.3	1.7
Acquisitions	0.5	0.4	0.9
Less offset against deferred tax liability	(26.3)	(64.7)	(91.0)
At 30 April 2019	**–**	**–**	**–**

Deferred tax liabilities

	Accelerated tax depreciation £m	Other temporary differences £m	Total £m
Net deferred tax liability at 1 May 2018	769.7	24.3	794.0
Deferred tax assets offset at 1 May 2018	45.7	–	45.7
Gross deferred tax liability at 1 May 2018	815.4	24.3	839.7
Exchange differences	44.2	0.6	44.8
Charged to income statement	246.6	1.1	247.7
Acquisitions	12.5	7.4	19.9
	1,118.7	33.4	1,152.1
Less offset of deferred tax assets			
– benefit of tax losses			(26.3)
– other temporary differences			(64.7)
At 30 April 2019			**1,061.1**

The Group has not recognised a deferred tax asset in respect of losses carried forward in a non-trading UK company of £6m (2018: £6m) as it is not considered probable this deferred tax asset will be utilised.

At the balance sheet date, no temporary differences associated with undistributed earnings of subsidiaries are considered to exist as UK tax legislation largely exempts overseas dividends received from UK tax.

20 Share capital and reserves

Ordinary shares of 10p each	**2019 Number**	2018 Number	**2019 £m**	2018 £m
Issued and fully paid	**499,225,712**	499,225,712	**49.9**	49.9

During the year, the Company purchased 22.4m ordinary shares at a total cost of £462m under the share buyback programme announced in December 2017. At 30 April 2019, the Company held 30.3m (2018: 7.9m) shares in treasury at an average cost of 2,058p. A further 1.6m (2018: 1.7m) shares were held by the Company's Employee Share Ownership Trust ('ESOT') to facilitate the provision of shares under the Group's Performance Share Plan ('PSP').

21 Share-based payments

The ESOT facilitates the provision of shares under the Group's PSP. It holds a beneficial interest in 1,622,656 ordinary shares of the Company acquired at an average cost of 1,514p per share. The shares had a market value of £34.4m at 30 April 2019. The ESOT has waived the right to receive dividends on the shares it holds. The costs of operating the ESOT are borne by the Group but are not significant.

Details of the PSP are given on pages 80 and 85. The costs of this scheme are charged to the income statement over the vesting period, based on the fair value of the award at the grant date and the likelihood of allocations vesting under the scheme. In 2019, there was a net charge to pre-tax profit in respect of the PSP of £8m (2018: £7m). After tax, the total charge was £6m (2018: £5m).

The fair value of awards granted during the year is estimated using a Black-Scholes option pricing model with the following assumptions: share price at grant date of 2,255p, nil exercise price, a dividend yield of 1.22%, volatility of 29.34%, a risk-free rate of 0.76% and an expected life of three years.

Expected volatility was determined by calculating the historical volatility over the previous three years. The expected life used in the model is based on the terms of the plan.

Details of the PSP awards outstanding during the year are as follows:

	2019 Number	2018 Number
Outstanding at 1 May	**2,300,169**	2,310,855
Granted	**588,894**	682,615
Exercised	**(720,551)**	(650,218)
Expired	**(118,234)**	(43,083)
Outstanding at 30 April	**2,050,278**	2,300,169
Exercisable at 30 April	**–**	–

22 Operating leases

Minimum annual commitments under existing operating leases may be analysed by date of expiry of the lease as follows:

	2019 £m	2018 £m
Land and buildings:		
Expiring in one year	**8.0**	6.0
Expiring between two and five years	**49.4**	38.8
Expiring in more than five years	**38.4**	31.2
	95.8	76.0

Total minimum commitments under existing operating leases at 30 April 2019 through to the earliest date at which the lease may be exited without penalty by year are as follows:

	£m
Financial year	
2020	95.8
2021	83.6
2022	73.2
2023	62.4
2024	46.6
Thereafter	133.6
	495.2

£2m of the total minimum operating lease commitments of £495m relating to vacant properties has been provided within the financial statements and included within provisions in the balance sheet.

23 Pensions

Defined contribution plans

The Group operates pension plans for the benefit of qualifying employees. The plans for new employees throughout the Group are all defined contribution plans. Pension costs for defined contribution plans were £16m (2018: £13m).

Defined benefit plan

The Group also has a defined benefit plan for certain UK employees which was closed to new members in 2001. The plan is a funded defined benefit plan with trustee-administered assets held separately from those of the Group. The Trustees are composed of representatives of both the Company and plan members. The Trustees are required by law to act in the interest of all relevant beneficiaries and are responsible for the investment policy of the assets and the day-to-day administration of the benefits.

The plan is a final salary plan which provides members a guaranteed level of pension payable for life. The level of benefits provided by the plan depends on members' length of service and their salary in the final years leading up to retirement.

The plan's duration is an indicator of the weighted-average time until benefit payments are made. For the plan as a whole, the duration is around 20 years. The estimated amount of contributions expected to be paid by the Group to the plan during the 2019/20 financial year is £1m.

The plan exposes the Group to a number of risks, the most significant being investment risk, interest rate risk, inflation risk and life expectancy risk.

The most recent actuarial valuation was carried out as at 30 April 2016 by a qualified independent actuary and showed a funding surplus of £6m. The actuary was engaged by the Company to perform a valuation in accordance with IAS 19 (revised) as at 30 April 2019. The principal financial assumptions made by the actuary were as follows:

	2019	2018
Discount rate	**2.5%**	2.7%
Inflation assumption – RPI	**3.3%**	3.1%
– CPI	**2.2%**	2.0%
Rate of increase in salaries	**4.3%**	4.1%
Rate of increase in pensions in payment	**3.2%**	3.0%

Pensioner life expectancy assumed in the 30 April 2019 update is based on the 'S2P CMI 2018' projection model mortality tables adjusted so as to apply a minimum annual rate of improvement of 1.25% a year. Samples of the ages to which pensioners are assumed to live are as follows:

	2019	2018
Life expectancy of pensioners currently aged 65		
Male	**86.2**	86.3
Female	**88.1**	88.3
Life expectancy at age 65 for future pensioner currently aged 45		
Male	**87.5**	87.7
Female	**89.6**	89.8

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

	Fair value	
	2019 £m	2018 £m
UK equities	**48.6**	54.0
US equities	**23.5**	17.4
European equities	**3.3**	3.1
Corporate bonds	**2.6**	–
Global loan fund	**10.0**	10.2
Liability driven investment funds	**2.4**	2.6
Property	**12.2**	12.4
Infrastructure	**4.0**	3.7
Cash	**0.5**	0.3
	107.1	103.7

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

	2019 £m	2018 £m
Fair value of plan assets	**107.1**	103.7
Present value of funded defined benefit obligation	**(108.0)**	(99.2)
Net (liability)/asset recognised in the balance sheet	**(0.9)**	4.5

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

	2019 £m	2018 £m
Current service cost	**1.0**	1.1
Past service cost	**1.4**	–
Net interest on the net defined benefit plan	**(0.1)**	0.1
Net charge to the income statement	**2.3**	1.2

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

	2019 £m	2018 £m
Actuarial (loss)/gain due to changes in financial assumptions	**(7.0)**	5.2
Actuarial gain due to changes in demographic assumptions	**1.1**	0.7
Actuarial loss arising from experience adjustments	**(0.2)**	(0.5)
Return on plan assets excluding amounts recognised in net interest	**2.4**	3.3
Remeasurement of the defined benefit pension plan	**(3.7)**	8.7

23 Pensions (continued)

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

	2019 £m	2018 £m
At 1 May	**99.2**	103.5
Current service cost	**1.0**	1.1
Past service cost	**1.4**	–
Interest cost	**2.7**	2.7
Contributions from members	**0.2**	0.2
Remeasurements		
– Actuarial loss/(gain) due to changes in financial assumptions	**7.0**	(5.2)
– Actuarial gain due to changes in demographic assumptions	**(1.1)**	(0.7)
– Actuarial loss arising from experience adjustments	**0.2**	0.5
Benefits paid	**(2.6)**	(2.9)
At 30 April	**108.0**	99.2

The key assumptions used in valuing the defined benefit obligation are: discount rate, inflation and mortality. The sensitivity of the results to these assumptions is as follows:

- An increase in the discount rate of 0.5% would result in a £9m (2018: £9m) decrease in the defined benefit obligation.
- An increase in the inflation rate of 0.5% would result in an £8m (2018: £8m) increase in the defined benefit obligation. This includes the resulting change to other assumptions that are related to inflation such as pensions and salary growth.
- A one-year increase in the pensioner life expectancy at age 65 would result in a £5m (2018: £4m) increase in the defined benefit obligation.

The above sensitivity analyses have been determined based on reasonably possible changes to the significant assumptions, while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some assumptions may be correlated. The sensitivity information shown above has been prepared using the same method as adopted when adjusting the results of the latest funding valuation to the balance sheet date. This is the same approach as has been adopted in previous periods.

Movements in the fair value of plan assets were as follows:

	2019 £m	2018 £m
At 1 May	**103.7**	99.8
Interest income	**2.8**	2.6
Remeasurement – return on plan assets excluding amounts recognised in net interest	**2.4**	3.3
Employer contributions	**0.6**	0.7
Contributions from members	**0.2**	0.2
Benefits paid	**(2.6)**	(2.9)
At 30 April	**107.1**	103.7

The actual return on plan assets was £5m (2018: £6m).

24 Financial risk management

The Group's trading and financing activities expose it to various financial risks that, if left unmanaged, could adversely impact on current or future earnings. Although not necessarily mutually exclusive, these financial risks are categorised separately according to their different generic risk characteristics and include market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk.

It is the role of the Group treasury function to manage and monitor the Group's financial risks and internal and external funding requirements in support of the Group's corporate objectives. Treasury activities are governed by policies and procedures approved by the Board and monitored by the Finance and Administration Committee. In particular, the Board of directors or, through delegated authority, the Finance and Administration Committee, approves any derivative transactions. Derivative transactions are only undertaken for the purposes of managing interest rate risk and currency risk. The Group does not trade in financial instruments. The Group maintains treasury control systems and procedures to monitor liquidity, currency, credit and financial risks. The Group reports its financial results and pays dividends in pounds sterling.

Market risk

The Group's activities expose it primarily to interest rate and currency risk. Interest rate risk is monitored on a continuous basis and managed, where appropriate, through the use of interest rate swaps whereas, the use of forward foreign exchange contracts to manage currency risk is considered on an individual non-trading transaction basis. The Group is not exposed to commodity price risk or equity price risk as defined in IFRS 7.

Interest rate risk

Management of fixed and variable rate debt

The Group has fixed and variable rate debt in issue with 46% of the drawn debt at a fixed rate as at 30 April 2019. The Group's accounting policy requires all borrowings to be held at amortised cost. As a result, the carrying value of fixed rate debt is unaffected by changes in credit conditions in the debt markets and there is therefore no exposure to fair value interest rate risk. The Group's debt that bears interest at a variable rate comprises all outstanding borrowings under the senior secured credit facility. The interest rates currently applicable to this variable rate debt are LIBOR as applicable to the currency borrowed plus 150bp. The Group periodically utilises interest rate swap agreements to manage and mitigate its exposure to changes in interest rates. However, during the year ended and as at 30 April 2019, the Group had no such swap agreements outstanding. The Group also may at times hold cash and cash equivalents which earn interest at a variable rate.

Net variable rate debt sensitivity

At 30 April 2019, based upon the amount of variable rate debt outstanding, the Group's pre-tax profits would change by approximately £20m for each one percentage point change in interest rates applicable to the variable rate debt and, after tax effects, equity would change by approximately £14m. The amount of the Group's variable rate debt may fluctuate as a result of changes in the amount of debt outstanding under the senior secured credit facility.

Currency risk

Currency risk is limited to translation risk as there are no transactions in the ordinary course of business that take place between foreign entities. The Group's reporting currency is the pound sterling. However, the majority of our assets, liabilities, revenue and costs are denominated in US dollars. The Group has arranged its financing such that, at 30 April 2019, 93% of its debt was denominated in US (and Canadian) dollars so that there is a natural partial offset between its dollar-denominated net assets and earnings and its dollar-denominated debt and interest expense. At 30 April 2019, dollar-denominated debt represented approximately 60% of the value of dollar-denominated net assets (other than debt).

The Group's exposure to exchange rate movements on trading transactions is relatively limited. All Group companies invoice revenue in their respective local currency and generally incur expense and purchase assets in their local currency. Consequently, the Group does not routinely hedge either forecast foreign currency exposures or the impact of exchange rate movements on the translation of overseas profits into sterling. Where the Group does hedge, it maintains appropriate hedging documentation. Foreign exchange risk on significant non-trading transactions (e.g. acquisitions) is considered on an individual basis.

Resultant impacts of reasonably possible changes to foreign exchange rates

Based upon the level of US operations and the US dollar-denominated debt balance, at 30 April 2019 a 1% change in the US dollar-pound exchange rate would have impacted our pre-tax profits by approximately £11m and equity by approximately £31m. At 30 April 2019, the Group had no outstanding foreign exchange contracts.

Credit risk

The Group's principal financial assets are cash and bank balances and trade and other receivables. The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of the loss allowance. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The carrying amount of financial assets recorded in the financial statements, which are net of impairment losses, represent the Group's maximum exposure to credit risk.

The Group has a large number of unrelated customers, serving over 710,000 during the financial year, and does not have any significant credit exposure to any particular customer. Each business segment manages its own exposure to credit risk according to the economic circumstances and characteristics of the markets they serve. The Group believes that management of credit risk on a devolved basis enables it to assess and manage it more effectively. However, broad principles of credit risk management practice are observed across the Group, such as the use of credit reference agencies and the maintenance of credit control functions.

24 Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Group could experience difficulties in meeting its commitments to creditors as financial liabilities fall due for payment.

The Group generates significant free cash flow before investment (defined as cash flow from operations less replacement capital expenditure net of proceeds of asset disposals, interest paid and tax paid). This free cash flow before investment is available to the Group to invest in growth capital expenditure, acquisitions, dividend payments and other returns to shareholders or to reduce debt.

In addition to the strong free cash flow from normal trading activities, additional liquidity is available through the Group's ABL facility. At 30 April 2019, availability under the $4.1bn facility was $1,622m (£1,244m), which compares with the threshold of $410m, above which the covenant does not apply.

Contractual maturity analysis

Trade receivables, the principal class of non-derivative financial asset held by the Group, are settled gross by customers.

The following table presents the Group's outstanding contractual maturity profile for its non-derivative financial liabilities, excluding trade and other payables which fall due within one year. The analysis presented is based on the undiscounted contractual maturities of the Group's financial liabilities, including any interest that will accrue, except where the Group is entitled and intends to repay a financial liability, or part of a financial liability, before its contractual maturity. The undiscounted cash flows have been calculated using foreign currency exchange rates and interest rates ruling at the balance sheet date.

At 30 April 2019

	Undiscounted cash flows – year to 30 April						
	2020 £m	2021 £m	2022 £m	2023 £m	2024 £m	Thereafter £m	Total £m
Bank and other debt	–	–	–	–	2,010.7	–	2,010.7
Finance leases	2.3	1.5	0.9	0.3	–	–	5.0
5.625% senior secured notes	–	–	–	–	–	383.5	383.5
4.125% senior secured notes	–	–	–	–	–	460.3	460.3
5.250% senior secured notes	–	–	–	–	–	460.3	460.3
4.375% senior secured notes	–	–	–	–	–	460.3	460.3
	2.3	1.5	0.9	0.3	2,010.7	1,764.4	3,780.1
Interest payments	158.8	158.7	158.6	158.5	89.5	154.2	878.3
	161.1	160.2	159.5	158.8	2,100.2	1,918.6	4,658.4

Letters of credit of £38m (2018: £33m) are provided and guaranteed under the ABL facility which expires in December 2023.

At 30 April 2018

	Undiscounted cash flows – year to 30 April						
	2019 £m	2020 £m	2021 £m	2022 £m	2023 £m	Thereafter £m	Total £m
Bank and other debt	–	–	–	–	1,515.7	–	1,515.7
Finance leases	2.7	1.3	0.9	0.4	–	–	5.3
5.625% senior secured notes	–	–	–	–	–	363.0	363.0
4.125% senior secured notes	–	–	–	–	–	435.v5	435.5
4.375% senior secured notes	–	–	–	–	–	435.5	435.5
	2.7	1.3	0.9	0.4	1,515.7	1,234.0	2,755.0
Interest payments	109.7	109.5	109.5	109.4	60.2	155.0	653.3
	112.4	110.8	110.4	109.8	1,575.9	1,389.0	3,408.3

Fair value of financial instruments

Financial assets and liabilities are measured in accordance with the fair value hierarchy and assessed as Level 1, 2 or 3 based on the following criteria:

- Level 1: fair value measurement based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: fair value measurements derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: fair value measurements derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

Fair value of derivative financial instruments

At 30 April 2019, the Group had no derivative financial instruments. The embedded prepayment options included within the $500m 5.625% senior secured loan notes, $600m 4.125% senior secured loan notes, $600m 5.250% senior secured loan notes and $600m 4.375% senior secured loan notes are either closely related to the host debt contract or immaterial and hence, are not accounted for separately. These loan notes are carried at amortised cost.

Fair value of non-derivative financial assets and liabilities

The table below provides a comparison, by category of the carrying amounts and the fair values of the Group's non-derivative financial assets and liabilities at 30 April 2019.

		At 30 April 2019		At 30 April 2018	
		Book value £m	**Fair value £m**	Book value £m	Fair value £m
Long-term borrowings					
– first priority senior secured bank debt	Level 1	**2,010.7**	**2,010.7**	1,515.7	1,515.7
– 5.625% senior secured notes	Level 1	**383.5**	**397.5**	363.0	374.7
– 4.125% senior secured notes	Level 1	**460.3**	**455.1**	435.5	413.8
– 5.250% senior secured notes	Level 1	**460.3**	**476.9**	–	–
– 4.375% senior secured notes	Level 1	**460.3**	**451.6**	435.5	407.2
		3,775.1	**3,791.8**	2,749.7	2,711.4
– finance lease obligations	Level 2	**2.7**	**3.2**	2.6	3.0
Total long-term borrowings		**3,777.8**	**3,795.0**	2,752.3	2,714.4
Deferred costs of raising finance		**(22.4)**	**–**	(23.9)	–
		3,755.4	**3,795.0**	2,728.4	2,714.4
Other financial instruments[1]					
Contingent consideration provision	Level 3	**37.9**	**37.9**	20.9	20.9
Finance lease obligations due within one year	Level 2	**2.3**	**2.6**	2.7	3.0
Cash and cash equivalents	Level 1	**12.8**	**12.8**	19.1	19.1

1 The Group's trade and other receivables and trade and other payables are not shown in the table above. The carrying amounts of both categories approximate their fair values.

Contingent consideration provisions are a Level 3 financial liability. Future anticipated payments to vendors in respect of contingent consideration are initially recorded at fair value which is the present value of the expected cash outflows of the obligations. The obligations are dependent upon the future financial performance of the businesses acquired. The fair value is estimated based on internal financial projections prepared in relation to the acquisition with the contingent consideration discounted to present value using a discount rate in line with the Group's cost of debt.

25 Notes to the cash flow statement

a) Cash flow from operating activities

	2019 £m	2018 £m
Operating profit before exceptional items and amortisation	**1,263.6**	1,037.5
Depreciation	**843.0**	695.6
EBITDA before exceptional items	**2,106.6**	1,733.1
Profit on disposal of rental equipment	**(31.4)**	(20.4)
Profit on disposal of other property, plant and equipment	**(0.8)**	(0.7)
Increase in inventories	**(14.9)**	(7.7)
Increase in trade and other receivables	**(84.7)**	(83.1)
Increase in trade and other payables	**60.7**	53.0
Exchange differences	**(0.6)**	–
Other non-cash movements	**7.6**	7.0
Cash generated from operations before exceptional items and changes in rental equipment	**2,042.5**	1,681.2

b) Acquisitions

	2019 £m	2018 £m
Cash consideration paid		
– acquisitions in the period (net of cash acquired)	**589.4**	351.2
– contingent consideration	**1.9**	7.8
	591.3	359.0

During the year, 24 acquisitions were made for a total cash consideration of £589m (2018: £351m), after taking account of net cash acquired of £3m. Further details are provided in Note 26.

Payments for contingent consideration on prior year acquisitions were also made of £2m (2018: £8m).

25 Notes to the cash flow statement (continued)

c) Analysis of net debt

Net debt consists of total borrowings less cash and cash equivalents. Borrowings exclude accrued interest. Foreign currency denominated balances are retranslated to pounds sterling at rates of exchange ruling at the balance sheet date.

			Non-cash movements			
	1 May 2018 £m	Cash flow £m	Exchange movement £m	Debt acquired £m	Other movements £m	30 April 2019 £m
Short-term borrowings	2.7	(9.1)	–	7.9	0.8	2.3
Long-term borrowings	2,728.4	864.4	126.6	20.5	15.5	3,755.4
Total liabilities from financing activities	2,731.1	855.3	126.6	28.4	16.3	3,757.7
Cash and cash equivalents	(19.1)	6.6	(0.3)	–	–	(12.8)
Net debt	2,712.0	861.9	126.3	28.4	16.3	3,744.9

			Non-cash movements			
	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	2.7
Long-term borrowings	2,531.4	336.9	(140.1)	–	0.2	2,728.4
Total liabilities from financing activities	2,534.0	294.8	(140.1)	40.7	1.7	2,731.1
Cash and cash equivalents	(6.3)	(13.1)	0.3	–	–	(19.1)
Net debt	2,527.7	281.7	(139.8)	40.7	1.7	2,712.0

Other non-cash movements relate to the amortisation of prepaid fees relating to the refinancing of debt facilities, the addition of new finance leases in the year and the reclassification of deferred financing costs to other debtors for the ABL facility.

26 Acquisitions

During the year, the following acquisitions were completed:

i) On 1 June 2018, Sunbelt Canada acquired the entire share capital of Voisin's Equipment Rental Ltd. and Universal Rental Services Limited (together 'Voisin's') for an aggregate cash consideration of £18m (C$32m) with contingent consideration of up to £1m (C$2.5m), payable over the next year, depending on revenue meeting or exceeding certain thresholds. Including acquired debt, the total cash consideration was £44m (C$76m). Voisin's is a general equipment rental business in Ontario, Canada.

ii) On 29 June 2018, A-Plant acquired the entire share capital of Astra Site Services Limited ('Astra') for a cash consideration of £6m. Including acquired debt, the total cash consideration was £7m. Astra is a hydraulic attachment rental business.

iii) On 3 July 2018, Sunbelt Canada acquired the entire share capital of Richlock Rentals Ltd. ('Richlock') for a cash consideration of £7m (C$13m). Richlock is a general equipment rental business in British Columbia, Canada.

iv) On 17 July 2018, Sunbelt US acquired the business and assets of Wistar Equipment, Inc. ('Wistar') for a cash consideration of £18m ($23m). Wistar is an industrial power rental business in New Jersey.

v) On 20 July 2018, Sunbelt US acquired the entire share capital of Blagrave No 2 Limited, the parent company of Mabey, Inc. ('Mabey') for a cash consideration of £70m ($93m). Mabey is a ground protection and trench shoring business on the east coast of the US.

vi) On 8 August 2018, Sunbelt US acquired the business and assets of Berry Holdings, LLC, trading as Taylor Rental Center ('Taylor'), for a cash consideration of £1m ($1m). Taylor is a general equipment rental business in Ohio.

vii) On 13 August 2018, Sunbelt US acquired the business and assets of Interstate Aerials, LLC ('Interstate') for a cash consideration of £161m ($206m). Interstate is a general equipment rental business in Philadelphia and northern New Jersey.

viii) On 5 September 2018, Sunbelt US acquired the business and assets of Equipment 4 Rent ('E4R') for a cash consideration of £13m ($17m), with contingent consideration of up to £0.4m ($0.5m), payable over the next year, depending on revenue meeting or exceeding certain thresholds. E4R is a general equipment rental business in Massachusetts.

ix) On 25 September 2018, Sunbelt US acquired the business and assets of Gauer Service & Supply Company ('Gauer') for a cash consideration of £1m ($1m). Gauer is a general equipment rental business in Ohio.

x) On 28 September 2018, Sunbelt US acquired the business and assets of Midwest High Reach, Inc. ('MHR') for a cash consideration of £34m ($45m). MHR is a general equipment rental business in Illinois.

xi) On 1 October 2018, Sunbelt Canada acquired the business and assets of 2231147 Ontario Inc., trading as Innovative Industrial Solutions ('Innovative'), for a cash consideration of £2m (C$4m). Innovative is a flooring solutions rental business in Ontario, Canada.

xii) On 17 October 2018, Sunbelt Canada acquired the business and assets of Patcher Energy Management Ltd. ('Patcher') for a cash consideration of £4m (C$7m). Patcher is a temporary power rental business in Alberta, Canada.

xiii) On 1 November 2018, A-Plant acquired the entire share capital of Precision Geomatics Limited ('Precision') for a cash consideration of £4m. Precision is a survey equipment hire business.

xiv) On 1 November 2018, Sunbelt US acquired the business and assets of Apex Pump & Equipment LLC ('Apex') for a cash consideration of £79m ($103m) with contingent consideration of up to £12m ($15m), payable over the next three years, depending on EBITDA meeting or exceeding certain thresholds. Apex is a pump business in Texas.

xv) On 1 November 2018, Sunbelt Canada acquired the business and assets of Full Impact Enterprises Ltd., trading as GWG Rentals ('GWG Rentals') for a cash consideration of £4m (C$6m). GWG Rentals is a general equipment rental business in British Columbia, Canada.

xvi) On 8 November 2018, Sunbelt US acquired the business and assets of Underground Safety Equipment, LLC ('USE') for a cash consideration of £25m ($33m) with contingent consideration of up to £5m ($6m), payable over the next two years, depending on EBITDA meeting or exceeding certain thresholds. USE is a trench shoring business operating in Colorado, Utah, Tennessee and Texas.

xvii) On 30 November 2018, A-Plant acquired the entire share capital of Hoist It Limited ('Hoist It') for cash consideration of £4m. Including acquired debt, the total cash consideration was £5m. Hoist It is a specialist provider of lifting solutions.

xviii) On 11 January 2019, Sunbelt US acquired the business and assets of Hull Brothers Rental, Inc. ('Hull Brothers') for a cash consideration of £10m ($12m). Hull Brothers is a general equipment rental business in Michigan.

xix) On 28 January 2019, Sunbelt US acquired the business and assets of Koslowski Rentals, Inc., trading as A Rental Center ('A Rental') for a cash consideration of £1m ($1m). A Rental is a general equipment rental business in California.

xx) On 8 February 2019, Sunbelt US acquired the business and assets of Temp Air, Inc. ('Temp Air') for a cash consideration of £92m ($119m). Temp Air is a climate control business operating across 13 markets within the US.

xxi) On 8 February 2019, Sunbelt US acquired the business and assets of Baystate Equipment & Rental Sales Co., Inc. ('Baystate') for a cash consideration of £9m ($11m). Baystate is a general equipment business in Massachusetts.

xxii) On 15 February 2019, Sunbelt US acquired the business and assets of Bat's Inc., trading as Harper Car and Truck Rental of Hawaii ('Harper') for a cash consideration of £3m ($4m). Harper will operate as a general equipment business in Hawaii.

xxiii) On 8 March 2019, Sunbelt Canada acquired the business and assets of Winn Rentals ('Winn') for a cash consideration of £15m (C$26m) with contingent consideration of up to £0.6m (C$1m), payable over the next two years, depending on EBITDA meeting or exceeding certain thresholds. Winn is a general equipment business operating in British Columbia, Canada.

xxiv) On 10 April 2019, Sunbelt US acquired the business assets of Bilcan Inc, trading as El Camino Rentals and B&C Leasing, Inc. (together 'ECR') for a cash consideration of £13m ($17m). ECR is a general equipment business operating in California.

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

	Fair value to Group £m
Net assets acquired	
Trade and other receivables	48.9
Inventory	11.4
Property, plant and equipment	
– rental equipment	259.4
– other assets	37.5
Creditors	(17.6)
Debt	(28.4)
Current tax	(0.5)
Deferred tax	(19.0)
Intangible assets (non-compete agreements, brand names and customer relationships)	98.2
	389.9
Consideration:	
– cash paid and due to be paid (net of cash acquired)	593.4
– contingent consideration payable in cash	17.7
	611.1
Goodwill	221.2

The goodwill arising can be attributed to the key management personnel and workforce of the acquired businesses and to the synergies and other benefits the Group expects to derive from the acquisitions. The synergies and other benefits include the elimination of duplicate costs, improving utilisation of the acquired rental fleet, using the Group's financial strength to invest in the acquired businesses and drive improved returns through a semi-fixed cost base and the application of the Group's proprietary software to optimise revenue opportunities. £179m of the goodwill is expected to be deductible for income tax purposes.

The fair value of trade receivables at acquisition was £49m. The gross contractual amount for trade receivables due was £51m, net of a £2m provision for debts which may not be collected.

Due to the operational integration of the acquired businesses with Sunbelt US, Sunbelt Canada and A-Plant since acquisition, in particular the merger of some stores, the movement of rental equipment between stores and investment in the rental fleet, it is not practical to report the revenue and profit of the acquired businesses post-acquisition. On an annual basis they generate approximately £245m of revenue.

The revenue and operating profit of these acquisitions from 1 May 2018 to their date of acquisition was not material.

27 Contingent liabilities

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

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

The Company

The Company has guaranteed the borrowings of its subsidiary undertakings under the Group's senior secured credit and overdraft facilities. At 30 April 2019 the amount borrowed under these facilities was £2,011m (2018: £1,516m). Subsidiary undertakings are also able to obtain letters of credit under these facilities and, at 30 April 2019, letters of credit issued under these arrangements totalled £38m ($50m) (2018: £33m ($45m)). In addition, the Company has guaranteed the 5.625%, 4.125%, 5.250% and 4.375% second priority senior secured notes with a par value of $500m (£384m), $600m (£460m), $600m (£460m) and $600m (£460m) respectively, issued by Ashtead Capital, Inc..

The Company has guaranteed operating and finance lease commitments of subsidiary undertakings where the minimum lease commitment at 30 April 2019 totalled £38m (2018: £33m) in respect of land and buildings of which £8m is payable by subsidiary undertakings in the year ending 30 April 2020.

The Company has provided a guarantee to the Ashtead Group plc Retirement Benefits Plan ('the plan') that ensures the plan is at least 105% funded as calculated in accordance with Section 179 of the Pensions Act 2004. Based on the last actuarial valuation at 30 April 2016, this guarantee was the equivalent of £21m.

The Company has guaranteed the performance by subsidiaries of certain other obligations up to £4m (2018: £2m).

28 Capital commitments

At 30 April 2019 capital commitments in respect of purchases of rental and other equipment totalled £309m (2018: £387m), all of which had been ordered. There were no other material capital commitments at the year end.

29 Events after the balance sheet date

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

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

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

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

The initial accounting for these acquisitions is incomplete. Had these acquisitions taken place on 1 May 2018, their contribution to revenue and operating profit would not have been material.

30 Related party transactions

The Group's key management comprises the Company's executive and non-executive directors. Details of their remuneration are given in Note 4 and details of their share interests and share awards are given in the directors' Remuneration report and form part of these financial statements. In relation to the Group's defined benefit pension plan, details are included in Note 23.

31 Employees

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

	2019 Number	2018 Number
United States	**12,148**	11,380
United Kingdom	**3,771**	3,657
Canada	**880**	584
	16,799	15,621

32 Parent company information
a) Balance sheet of the Company (Company number: 01807982)

	Notes	2019 £m	2018 £m
Current assets			
Prepayments and accrued income		**0.4**	0.4
Amounts due from subsidiary undertakings	(f)	**274.5**	374.2
		274.9	374.6
Non-current assets			
Investments in Group companies	(g)	**363.7**	363.7
Deferred tax asset		**1.9**	2.0
		365.6	365.7
Total assets		**640.5**	740.3
Current liabilities			
Accruals and deferred income		**12.4**	9.8
Total liabilities		**12.4**	9.8
Equity			
Share capital	(b)	**49.9**	49.9
Share premium account	(b)	**3.6**	3.6
Capital redemption reserve	(b)	**6.3**	6.3
Own shares held by the Company	(b)	**(622.6)**	(161.0)
Own shares held through the ESOT	(b)	**(24.6)**	(20.0)
Retained reserves	(b)	**1,215.5**	851.7
Equity attributable to equity holders of the Company		**628.1**	730.5
Total liabilities and equity		**640.5**	740.3

The Company reported a profit for the financial year ended 30 April 2019 of £530m (2018: £496m).

These financial statements were approved by the Board on 17 June 2019.

BRENDAN HORGAN
Chief executive

MICHAEL PRATT
Finance director

32 Parent company information (continued)
b) Statement of changes in equity of the Company

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Own shares held by the Company £m	Own shares held through the ESOT £m	Retained reserves £m	Total £m
At 1 May 2017	49.9	3.6	6.3	–	(16.7)	495.4	538.5
Profit for the year	–	–	–	–	–	496.0	496.0
Other comprehensive income for the year	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–	496.0	496.0
Dividends paid	–	–	–	–	–	(140.5)	(140.5)
Own shares purchased by the ESOT	–	–	–	–	(10.2)	–	(10.2)
Own shares purchased by the Company	–	–	–	(161.0)	–	–	(161.0)
Share-based payments	–	–	–	–	6.9	0.1	7.0
Tax on share-based payments	–	–	–	–	–	0.7	0.7
At 30 April 2018	49.9	3.6	6.3	(161.0)	(20.0)	851.7	730.5
Profit for the year	–	–	–	–	–	529.5	529.5
Other comprehensive income for the year	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–	529.5	529.5
Dividends paid	–	–	–	–	–	(164.2)	(164.2)
Own shares purchased by the ESOT	–	–	–	–	(14.2)	–	(14.2)
Own shares purchased by the Company	–	–	–	(461.6)	–	–	(461.6)
Share-based payments	–	–	–	–	9.6	(2.0)	7.6
Tax on share-based payments	–	–	–	–	–	0.5	0.5
At 30 April 2019	**49.9**	**3.6**	**6.3**	**(622.6)**	**(24.6)**	**1,215.5**	**628.1**

c) Cash flow statement of the Company

	Note	2019 £m	2018 £m
Cash flows from operating activities			
Cash used in operations	(i)	**111.3**	(185.2)
Financing costs paid – commitment fee		**(2.0)**	(1.9)
Dividends received from Ashtead Holdings PLC		**529.5**	496.0
Net cash from operating activities		**638.8**	308.9
Cash flows from financing activities			
Purchase of own shares by the ESOT		**(14.2)**	(10.2)
Purchase of own shares by the Company		**(460.4)**	(158.2)
Dividends paid		**(164.2)**	(140.5)
Net cash used in financing activities		**(638.8)**	(308.9)
Change in cash and cash equivalents		**–**	–

d) Accounting policies

The Company financial statements have been prepared on the basis of the accounting policies set out in Note 2 above, supplemented by the policy on investments set out below.

Investments in subsidiary undertakings are stated at cost less any necessary provision for impairment in the parent company balance sheet. Where an investment in a subsidiary is transferred to another subsidiary, any uplift in the value at which it is transferred over its carrying value is treated as a revaluation of the investment prior to the transfer and is credited to the revaluation reserve.

e) Income statement

Ashtead Group plc has not presented its own profit and loss account as permitted by section 408 of the Companies Act 2006. The profit attributable to the Company is disclosed in the footnote to the Company's balance sheet. There were no other amounts of comprehensive income in the financial year.

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

	2019 Number	2018 Number
Employees	**15**	14

Their aggregate remuneration comprised:

	2019 £m	2018 £m
Salaries	**8.5**	9.5
Social security costs	**1.6**	1.6
Other pension costs	**0.5**	0.5
	10.6	11.6

f) Amounts due from subsidiary undertakings

	2019 £m	2018 £m
Due within one year:		
Ashtead Holdings PLC	**274.5**	374.2

g) Investments

	Shares in Group companies	
	2019 £m	2018 £m
At 30 April	**363.7**	363.7