

FINANCIAL STATEMENTS

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

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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 2020 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 31, including the accounting policies.

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. The non-audit services provided to the Group and Company for the year are disclosed in Note 4 to the financial statements. 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: <ul style="list-style-type: none"> – carrying value of rental fleet; – revenue recognition – manual top-side intervention; and – going concern. |
| MATERIALITY | The materiality that we used for the Group financial statements was £48.5m which was determined on the basis of three-year average profit before tax. |
| SCOPING | Consistent with previous years, we performed audit work on three (2019: three) components: the Group head office, Sunbelt UK and Sunbelt US. |
| SIGNIFICANT CHANGES IN OUR APPROACH | We have included going concern in the current year as a key audit matter, due to the increased uncertainty in the wider market as a result of COVID-19 which has resulted in an increased level of audit effort in this area. |

Conclusions relating to going concern, principal risks and viability statement

GOING CONCERN

We have reviewed the directors' statement in Note 2 to 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 the COVID-19 pandemic and 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.

Going concern is the basis of preparation of the financial statements that assumes an entity will remain in operation for a period of at least 12 months from the date of approval of the financial statements.

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

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 36 to 39 that describe the principal risks, procedures to identify emerging risks, and an explanation of how these are being managed or mitigated;
- the directors' confirmation on page 36 that they have carried out a robust assessment of the principal and emerging risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the directors' explanation on page 39 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.

Viability means the ability of the Group to continue over the time horizon considered appropriate by the directors.

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 £9.4bn (2019: £8.3bn) of rental fleet at cost (£5.9bn net book value (2019: £5.4bn net book value)). These assets represent 56% (2019: 65%) of the Group's gross assets. The movement in the balance from prior year is principally due to £1.4bn of new additions and acquisitions, foreign exchange movements of £155m, offset by £1.1bn 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. Further risk has been identified as a result of the COVID-19 pandemic due to the potential impact on the utilisation and resale value of certain assets.

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.

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

CARRYING VALUE OF RENTAL FLEET CONTINUED

| | |
|---|--|
| How the scope of our audit responded to the key audit matter | <p>In responding to the identified key audit matter, we completed the following audit procedures:</p> <ul style="list-style-type: none"> – we obtained an understanding of the relevant controls over the impairment review, and in particular, the identification of impairment indicators; – we challenged and understood the assessment performed by management to identify impairment indicators, including the consistency of these with the requirements of IAS 36, Impairment of Assets; – we 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, useful economic lives and profits recorded on asset disposals; – we considered and challenged the completeness of the COVID-19 assessment, in light of trading since the pandemic arose, its impact on the performance of the business in March and April 2020 and compared it against previous economic downturns. In addition, we performed an evaluation of end markets and challenged whether any further impact should be considered in the impairment assessment; and – assessed whether the accounting for the rental fleet and associated disclosures were in line with the Group's accounting policies and IAS 36. |
| Key observations | <p>We consider that management's consideration of carrying values, including useful lives and residual values is appropriate for the purposes of the impairment assessment. As a result of the audit work performed, we are satisfied that the carrying value of the rental fleet is not materially misstated.</p> |

REVENUE RECOGNITION – MANUAL TOP-SIDE INTERVENTION

| | |
|---|--|
| Key audit matter description | <p>As disclosed in the Group's accounting policy note on revenue (Note 2), rental revenue, including loss damage waiver and environmental fees, is recognised on a straight-line basis over the period of the rental contract. A rental contract can extend across financial reporting periods, and therefore the Group records accrued revenue (unbilled rental revenue) and deferred revenue (rental revenue billed, not yet earned) at the beginning and end of each reporting period so that rental revenue is appropriately stated in the financial statements.</p> <p>Given the high-volume 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 and deferred revenue judgements.</p> |
| How the scope of our audit responded to the key audit matter | <p>In responding to the identified key audit matter, we completed the following audit procedures:</p> <ul style="list-style-type: none"> – we obtained an understanding of the relevant controls over the revenue cycle throughout the Group, with a particular focus on those relating to manual journal entries; – we carried out data analysis at Sunbelt US to perform a detailed assessment by store, assessing revenue trends to identify any outliers and instances of potential management intervention; – we used data analytic techniques to identify and profile all manual top-side adjustments impacting the revenue balance, and performed testing on a sample basis of these adjustments, agreeing adjustments to supporting documentation in order to assess the accuracy and appropriateness of the journal postings; and – we performed further testing to agree revenue balances to supporting third-party evidence for the final two months of the year, which were impacted by COVID-19, and as such, did not follow trends exhibited in prior periods. |
| Key observations | <p>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.</p> |

GOING CONCERN

Key audit matter description As stated in the accounting policies in Note 2 and the Directors' report on page 102, the consolidated financial statements have been prepared on the going concern basis. The Board of directors has concluded that there are no material uncertainties that may cast significant doubt over the Group's and the Company's ability to continue as a going concern for at least 12 months from the date of approval of the financial statements.

As at 30 April 2020, the Group had cash and cash equivalents of £241m, a further \$4.6bn committed under the asset-backed revolving credit facility (the 'ABL facility') of which \$2.8bn (including letters of credit of \$52m) was utilised at year end, and five series of senior notes outstanding each with a nominal value of \$600m. The only financial covenant relates to the ABL, being a fixed charge ratio, and does not apply when availability exceeds \$460m; as such, this covenant was not measured at 30 April 2020 and, in the view of the directors, is unlikely to be measured in the forthcoming quarters.

The COVID-19 pandemic created uncertainty worldwide, to which the Group responded with a number of measures, including but not limited to, a reduction in capital expenditure for the year ending 30 April 2021, suspension of all acquisition activity and a pause of the Group's share buyback programme.

In assessing the going concern assessment, the directors have considered the scenario planning over the medium term, including sensitivity analysis in light of market uncertainties presented by COVID-19. These sensitivities included a more significant sustained period of revenue reduction and reduced recoverability of receivables, whilst taking account of reasonable mitigating actions. The directors' forecasts, as well as reasonably possible downside scenarios, indicate that the Group has sufficient financial resources over the going concern period.

As a result of the impact of COVID-19 on the Group and its wider end markets, we identified a key audit matter related to going concern due to the significant judgement required given the uncertainty in the current environment.

How the scope of our audit responded to the key audit matter We performed the following audit procedures, which consider the impact of the uncertainty of the COVID-19 pandemic and going concern assessment performed:

- we obtained an understanding of the relevant controls relating to the Group's forecasting process;
- we verified the mechanical accuracy of the model used to prepare the Group's forecast;
- we reviewed the facility agreements and bond documentation to understand the principal terms and the related financial covenant;
- we challenged management on the appropriateness of forecast assumptions by:
 - assessing key assumptions underpinning the Group's forecasts with reference to external data such as GDP growth rates, the latest US Congressional Budget Office forecasts and market forecast data from third-party sources;
 - assessing the likelihood of the assumptions in the forecasts and the impact of reasonably possible downside scenarios on the Group's funding position;
 - challenging management on the extent of the downside required in order to trigger the fixed charge ratio covenant and considering the likelihood of this downside being applicable by comparing the decrease in trading seen in April 2020 to levels of historical declines in the market cycle;
 - comparing forecasts to historical financial information to assess management's historical forecasting accuracy; and
 - assessing the mitigating actions available to the Group, challenging management on the reasonableness of these and the likelihood of being able to benefit in the next 12 months if necessary; and
- we assessed the sufficiency of the Group's disclosure concerning the going concern basis.

Key observations Based on the information available as at the date of this report we consider that the assumptions used within the forecasts prepared by the directors are supportable and that the going concern basis of preparation is appropriate. We consider the disclosure prepared by the directors as set out in Note 2 to the financial statements to be appropriate.

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

Our application of materiality

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 | £48.5m (2019: £45.0m) | £10.1m (2019: £18.8m) |
| 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's 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. |

Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 70% of Group materiality for the 2020 audit (2019: 70%). In determining performance materiality, we considered the following factors:

- our cumulative knowledge of the Group, including the nature, quantum and volume of corrected and uncorrected misstatements in prior periods; and
- our risk assessment, including our assessment of the Group's overall control environment and that we consider it appropriate to rely on controls over revenue, expenditure, fixed assets and treasury in Sunbelt US.

Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £2m (2019: £2m), 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

Identification and scoping of components

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 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 (2019: four) principal components: the Head Office in the UK; Sunbelt UK; Sunbelt US; and Sunbelt Canada. The Group audit team performed a full scope audit of the Head Office component and local component audit teams performed full-scope audits for both Sunbelt UK and Sunbelt US, consistent with the prior year approach.

The three components for which we performed full audit procedures represent 95% (2019: 96%) of the Group's revenue, 98% (2019: 98%) of the Group's operating profit, and 97% (2019: 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 misstatements 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 £24.3m to £44.6m.

The Sunbelt US component team also performed a review of the financial information of the operations in Sunbelt Canada, which represents 5% (2010: 4%) of Group's revenue, 2% (2019: 2%) of the Group's operating profit and 3% (2019: 2%) of the Group's net assets.

Working with other auditors

Throughout the year, members of the Group audit team, including the lead audit partner held group-wide, divisional and individual planning and close meetings which covered all components. We also reviewed the audit work papers supporting the component teams' reporting to us remotely using shared desktop technology. Whilst we were unable to visit components after the year end due to the effects of COVID-19, we performed alternative procedures in order to supervise and direct their work.

In response to the outbreak of COVID-19 and the changes in working practices which came into effect at the end of March 2020, we performed additional procedures on a number of controls within the business processes over which we take controls reliance to determine whether individual controls had been affected by working practice changes.

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 and non-compliance with laws and regulations 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.

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

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, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus level and performance targets;
- results of our enquiries of management, internal legal counsel and the Audit Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their 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 and alleged fraud;
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations; and
- the matters discussed among the audit engagement team, including significant component audit teams and involving relevant internal specialists, including tax, pensions and IT regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following area: revenue recognition. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks in which the Group operates, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. 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 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 tax authorities;
- in response to the identified instance of non-compliance with Part 23 of the Companies Act 2016, in relation to distributable reserves (see page 103), we assessed the directors' response to ascertain whether any further steps should be taken, including reviewing relevant legal advice received by the Group; 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 significant 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 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 30 April 2004 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 17 years, covering the years ended April 2004 to April 2020.

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
15 June 2020

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

for the year ended 30 April 2020

| | Notes | 2020 | | | 2019 | | |
|---|-------|--|---------------------------------------|-----------|------------------------|-----------------|-----------|
| | | Before exceptional items and amortisation £m | Exceptional items and amortisation £m | Total £m | Before amortisation £m | Amortisation £m | Total £m |
| Revenue | | | | | | | |
| Rental revenue | | 4,606.5 | - | 4,606.5 | 4,138.0 | - | 4,138.0 |
| Sale of new equipment, merchandise and consumables | | 184.0 | - | 184.0 | 170.5 | - | 170.5 |
| Sale of used rental equipment | | 263.1 | - | 263.1 | 191.1 | - | 191.1 |
| | | 5,053.6 | - | 5,053.6 | 4,499.6 | - | 4,499.6 |
| Operating costs | | | | | | | |
| Staff costs | 4 | (1,172.3) | - | (1,172.3) | (1,019.4) | - | (1,019.4) |
| Used rental equipment sold | 4 | (229.9) | - | (229.9) | (159.7) | - | (159.7) |
| Other operating costs | 4 | (1,275.6) | - | (1,275.6) | (1,213.9) | - | (1,213.9) |
| | | (2,677.8) | - | (2,677.8) | (2,393.0) | - | (2,393.0) |
| EBITDA* | | 2,375.8 | - | 2,375.8 | 2,106.6 | - | 2,106.6 |
| Depreciation | 4 | (1,090.5) | - | (1,090.5) | (843.0) | - | (843.0) |
| Amortisation of intangibles | 4, 5 | - | (61.7) | (61.7) | - | (50.7) | (50.7) |
| Operating profit | 3, 4 | 1,285.3 | (61.7) | 1,223.6 | 1,263.6 | (50.7) | 1,212.9 |
| Investment income | 6 | - | - | - | 0.1 | - | 0.1 |
| Interest expense | 6 | (224.5) | (16.3) | (240.8) | (153.5) | - | (153.5) |
| Profit on ordinary activities before taxation | | 1,060.8 | (78.0) | 982.8 | 1,110.2 | (50.7) | 1,059.5 |
| Taxation | 7, 20 | (262.3) | 19.2 | (243.1) | (274.9) | 12.3 | (262.6) |
| Profit attributable to equity holders of the Company | | 798.5 | (58.8) | 739.7 | 835.3 | (38.4) | 796.9 |
| Basic earnings per share | 9 | 175.0p | (12.9p) | 162.1p | 174.2p | (8.1p) | 166.1p |
| Diluted earnings per share | 9 | 174.3p | (12.8p) | 161.5p | 173.4p | (8.0p) | 165.4p |

* EBITDA is presented here as an alternative performance measure as it is commonly used by investors and lenders. Further details are provided in the Glossary of terms on page 153.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 April 2020

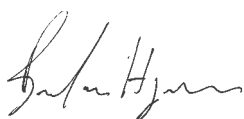
| | Note | 2020 £m | 2019 £m |
|---|------|---------|---------|
| Profit attributable to equity holders of the Company for the financial year | | 739.7 | 796.9 |
| Items that will not be reclassified to profit or loss: | | | |
| Remeasurement of the defined benefit pension plan | 23 | (10.8) | (3.7) |
| Tax on defined benefit pension plan | | 2.1 | 0.7 |
| | | (8.7) | (3.0) |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Foreign currency translation differences | | 71.0 | 108.9 |
| Total comprehensive income for the year | | 802.0 | 902.8 |

CONSOLIDATED BALANCE SHEET

At 30 April 2020

| | Notes | 2020 £m | 2019 £m |
|---|-------|-----------------|------------|
| Current assets | | | |
| Inventories | 10 | 83.3 | 83.5 |
| Trade and other receivables | 11 | 821.6 | 843.6 |
| Current tax asset | | 32.8 | 25.3 |
| Cash and cash equivalents | 12 | 241.4 | 12.8 |
| | | 1,179.1 | 965.2 |
| Non-current assets | | | |
| Property, plant and equipment | | | |
| – rental equipment | 13 | 5,890.1 | 5,413.3 |
| – other assets | 13 | 708.7 | 573.7 |
| | | 6,598.8 | 5,987.0 |
| Right-of-use asset | 14 | 1,088.3 | – |
| Goodwill | 15 | 1,340.3 | 1,144.7 |
| Other intangible assets | 15 | 326.1 | 260.6 |
| | | 9,353.5 | 7,392.3 |
| Total assets | | 10,532.6 | 8,357.5 |
| Current liabilities | | | |
| Trade and other payables | 16 | 574.7 | 632.4 |
| Current tax liability | | 2.3 | 16.4 |
| Lease liabilities | 17 | 106.0 | – |
| Short-term borrowings | 18 | – | 2.3 |
| Provisions | 19 | 53.7 | 42.5 |
| | | 736.7 | 693.6 |
| Non-current liabilities | | | |
| Lease liabilities | 17 | 1,006.2 | – |
| Long-term borrowings | 18 | 4,492.2 | 3,755.4 |
| Provisions | 19 | 38.9 | 46.0 |
| Deferred tax liabilities | 20 | 1,274.3 | 1,061.1 |
| Net defined benefit pension plan liability | 23 | 12.1 | 0.9 |
| | | 6,823.7 | 4,863.4 |
| Total liabilities | | 7,560.4 | 5,557.0 |
| Equity | | | |
| Share capital | 21 | 45.4 | 49.9 |
| Share premium account | | 3.6 | 3.6 |
| Capital redemption reserve | | 10.8 | 6.3 |
| Own shares held by the Company | 21 | (115.9) | (622.6) |
| Own shares held through the ESOT | 21 | (27.7) | (24.6) |
| Cumulative foreign exchange translation differences | | 305.7 | 234.7 |
| Retained reserves | | 2,750.3 | 3,153.2 |
| Equity attributable to equity holders of the Company | | 2,972.2 | 2,800.5 |
| Total liabilities and equity | | 10,532.6 | 8,357.5 |

These financial statements were approved by the Board on 15 June 2020.



BRENDAN HORGAN
Chief executive



MICHAEL PRATT
Finance director

CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 April 2020

| | 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 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 |
| Effect of adoption of IFRS 16 | - | - | - | - | - | - | 8.1 | 8.1 |
| At 1 May 2019 (restated) | 49.9 | 3.6 | 6.3 | (622.6) | (24.6) | 234.7 | 3,161.3 | 2,808.6 |
| Profit for the year | - | - | - | - | - | - | 739.7 | 739.7 |
| Other comprehensive income: | | | | | | | | |
| Foreign currency translation differences | - | - | - | - | - | 71.0 | - | 71.0 |
| Remeasurement of the defined benefit pension plan | - | - | - | - | - | - | (10.8) | (10.8) |
| Tax on defined benefit pension plan | - | - | - | - | - | - | 2.1 | 2.1 |
| Total comprehensive income for the year | - | - | - | - | - | 71.0 | 731.0 | 802.0 |
| Dividends paid | - | - | - | - | - | - | (186.7) | (186.7) |
| Own shares purchased by the ESOT | - | - | - | - | (17.6) | - | - | (17.6) |
| Own shares purchased by the Company | - | - | - | (444.6) | - | - | - | (444.6) |
| Share-based payments | - | - | - | - | 14.5 | - | (6.1) | 8.4 |
| Tax on share-based payments | - | - | - | - | - | - | 2.1 | 2.1 |
| Cancellation of shares | (4.5) | - | 4.5 | 951.3 | - | - | (951.3) | - |
| At 30 April 2020 | 45.4 | 3.6 | 10.8 | (115.9) | (27.7) | 305.7 | 2,750.3 | 2,972.2 |

Further information is included in Note 21.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 April 2020

| | Notes | 2020 £m | 2019 £m |
|---|-------|----------------|----------------|
| Cash flows from operating activities | | | |
| Cash generated from operations before exceptional items and changes in rental equipment | 25(a) | 2,430.4 | 2,042.5 |
| Payments for rental property, plant and equipment | | (1,366.2) | (1,503.5) |
| Proceeds from disposal of rental property, plant and equipment | | 246.6 | 181.6 |
| Cash generated from operations | | 1,310.8 | 720.6 |
| Financing costs paid (net) | | (196.9) | (142.9) |
| Exceptional financing costs paid | | (12.4) | - |
| Tax paid (net) | | (113.2) | (51.0) |
| Net cash generated from operating activities | | 988.3 | 526.7 |
| Cash flows from investing activities | | | |
| Acquisition of businesses | 25(b) | (453.1) | (591.3) |
| Payments for non-rental property, plant and equipment | | (208.2) | (168.7) |
| Proceeds from disposal of non-rental property, plant and equipment | | 12.0 | 10.2 |
| Net cash used in investing activities | | (649.3) | (749.8) |
| Cash flows from financing activities | | | |
| Drawdown of loans | | 2,318.5 | 1,820.3 |
| Redemption of loans | | (1,712.4) | (963.8) |
| Repayment of principal under lease liabilities | | (64.3) | (1.2) |
| Dividends paid | | (186.7) | (164.2) |
| Purchase of own shares by the ESOT | | (17.6) | (14.2) |
| Purchase of own shares by the Company | | (448.6) | (460.4) |
| Net cash (used in)/generated from financing activities | | (111.1) | 216.5 |
| Increase/(decrease) in cash and cash equivalents | | | |
| Opening cash and cash equivalents | | 12.8 | 19.1 |
| Effect of exchange rate difference | | 0.7 | 0.3 |
| Closing cash and cash equivalents | | 241.4 | 12.8 |
| Reconciliation of net cash flows to net debt | | | |
| (Increase)/decrease in cash in the period | | (227.9) | 6.6 |
| Increase in debt through cash flow | | 541.8 | 855.3 |
| Change in net debt from cash flows | | 313.9 | 861.9 |
| Debt acquired | | 89.5 | 28.4 |
| Exchange differences | | 133.0 | 126.3 |
| Non-cash movements: | | | |
| - deferred costs of debt raising | | 10.1 | 15.4 |
| - new lease liabilities | | 188.8 | 0.9 |
| Increase in net debt in the period | | 735.3 | 1,032.9 |
| Net debt at 1 May (as previously stated) | | 3,744.9 | 2,712.0 |
| Effect of adoption of IFRS 16 | | 882.8 | - |
| Net debt at 1 May 2019 (restated) | | 4,627.7 | 2,712.0 |
| Net debt at 30 April 2020 | | 5,363.0 | 3,744.9 |

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 18), 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.

In the current year, as the Group was in the final stages of the annual budget and business planning process, the impact of the COVID-19 pandemic began to affect our end markets and operations. We were already planning for lower rates of growth and had adjusted our capital expenditure plans accordingly. However, as the COVID-19 pandemic unfolded, we took immediate action to optimise cash flow, reduce operating costs, strengthen further our liquidity position and adjust our planning accordingly. While the economic impact remains uncertain, we modelled a range of scenarios which considered different possible outcomes based on the timing, severity and duration of the downturn and subsequent recovery. This scenario planning considers the potential impact of COVID-19 and, more generally weakening markets on revenue, margins, cash flows, overall debt levels and leverage.

In addition, we have then considered sensitivities to these scenarios. In particular, we considered the impact of a more significant and sustained period of revenue reduction and increased irrecoverability of receivables, while taking into account reasonable mitigating actions. Under all these scenarios, the Group continues to generate free cash flow and reduce debt during the period of assessment.

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, judgement has been applied in the adoption of IFRS 16, Leases, as detailed further below. Otherwise 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

IFRS 16, Leases ('IFRS 16'), has been applicable for the Group from 1 May 2019 and provides a new model for lease accounting under which lessees recognise a lease liability reflecting future lease payments and a right-of-use asset on the balance sheet for all lease contracts other than certain short-term leases and leases of low-value assets.

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

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

Significant judgements applied in the adoption of IFRS 16 included determining the lease term for those leases with termination or extension options and determining an incremental borrowing rate where the rate in the lease could not be determined readily. Further details relating to the approach to transition, practical expedients adopted on transition and the financial impact are provided in Note 17.

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 2019 and not adopted early

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 (C\$) are:

| | US dollar | | Canadian dollar | |
|------------------|-------------|------|-----------------|------|
| | 2020 | 2019 | 2020 | 2019 |
| Average for year | 1.27 | 1.30 | 1.69 | 1.72 |
| Year end | 1.26 | 1.30 | 1.75 | 1.75 |

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.

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, £3,938m (2019: £3,525m) is accounted for in accordance with IFRS 16, 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 £1,116m (2019: £975m) 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.

2 ACCOUNTING POLICIES (CONTINUED)

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

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.

Depreciation

Fixed assets 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.

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.

2 ACCOUNTING POLICIES (CONTINUED)

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.

Senior notes

The Group's senior 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 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.

Leases

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

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

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

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

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

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

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

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

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

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

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

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, Sunbelt UK 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, Sunbelt UK 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 2020 | US £m | UK £m | Canada £m | Corporate items £m | Group £m |
|--|----------------|--------------|--------------|--------------------------|----------------|
| Revenue | | | | | |
| Rental revenue | 3,985.2 | 407.8 | 213.5 | – | 4,606.5 |
| Sale of new equipment, merchandise and consumables | 132.5 | 30.3 | 21.2 | – | 184.0 |
| Sale of used rental equipment | 218.0 | 31.1 | 14.0 | – | 263.1 |
| | 4,335.7 | 469.2 | 248.7 | – | 5,053.6 |
| EBITDA | 2,149.0 | 148.6 | 92.8 | (14.6) | 2,375.8 |
| Depreciation | (916.9) | (112.2) | (60.6) | (0.8) | (1,090.5) |
| Segment result | 1,232.1 | 36.4 | 32.2 | (15.4) | 1,285.3 |
| Amortisation | | | | | (61.7) |
| Net financing costs | | | | | (224.5) |
| Exceptional items | | | | | (16.3) |
| Profit before taxation | | | | | 982.8 |
| Taxation | | | | | (243.1) |
| Profit attributable to equity shareholders | | | | | 739.7 |
| Segment assets | 8,639.5 | 835.2 | 776.4 | 7.3 | 10,258.4 |
| Cash | | | | | 241.4 |
| Taxation assets | | | | | 32.8 |
| Total assets | | | | | 10,532.6 |
| Segment liabilities | 1,438.4 | 149.0 | 152.5 | 13.0 | 1,752.9 |
| Corporate borrowings and accrued interest | | | | | 4,530.9 |
| Taxation liabilities | | | | | 1,276.6 |
| Total liabilities | | | | | 7,560.4 |
| Other non-cash expenditure – share-based payments | 4.9 | 0.7 | 0.2 | 2.6 | 8.4 |
| Capital expenditure | 1,622.6 | 85.4 | 260.4 | – | 1,968.4 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3 SEGMENTAL ANALYSIS (CONTINUED)

| Year ended 30 April 2019 | US £m | UK £m | 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 |

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, intangible assets and right-of-use assets but exclude inventory and receivables.

| | Revenue | | Segment assets | | Capital expenditure | |
|----------------|----------------|------------|----------------|------------|---------------------|------------|
| | 2020 £m | 2019 £m | 2020 £m | 2019 £m | 2020 £m | 2019 £m |
| United States | 4,335.7 | 3,824.3 | 7,892.0 | 6,234.7 | 1,622.6 | 1,881.1 |
| United Kingdom | 469.2 | 475.1 | 730.9 | 725.9 | 85.4 | 181.0 |
| Canada | 248.7 | 200.2 | 730.6 | 431.6 | 260.4 | 141.5 |
| | 5,053.6 | 4,499.6 | 9,353.5 | 7,392.2 | 1,968.4 | 2,203.6 |

4 OPERATING COSTS AND OTHER INCOME

| | 2020 | | | 2019 | | |
|--|---------------------------|--------------------|----------------|---------------------------|--------------------|-------------|
| | Before amortisation £m | Amortisation £m | Total £m | Before amortisation £m | Amortisation £m | Total £m |
| Staff costs: | | | | | | |
| Salaries | 1,070.2 | – | 1,070.2 | 930.3 | – | 930.3 |
| Social security costs | 80.6 | – | 80.6 | 70.6 | – | 70.6 |
| Other pension costs | 21.5 | – | 21.5 | 18.5 | – | 18.5 |
| | 1,172.3 | – | 1,172.3 | 1,019.4 | – | 1,019.4 |
| Used rental equipment sold | 229.9 | – | 229.9 | 159.7 | – | 159.7 |
| Other operating costs: | | | | | | |
| Vehicle costs | 293.1 | – | 293.1 | 267.8 | – | 267.8 |
| Spares, consumables and external repairs | 249.0 | – | 249.0 | 227.4 | – | 227.4 |
| Facility costs | 50.5 | – | 50.5 | 128.4 | – | 128.4 |
| Other external charges | 683.0 | – | 683.0 | 590.3 | – | 590.3 |
| | 1,275.6 | – | 1,275.6 | 1,213.9 | – | 1,213.9 |
| Depreciation and amortisation: | | | | | | |
| Depreciation of tangible assets | 998.8 | – | 998.8 | 843.0 | – | 843.0 |
| Depreciation of right-of-use assets | 91.7 | – | 91.7 | – | – | – |
| Amortisation of intangibles | – | 61.7 | 61.7 | – | 50.7 | 50.7 |
| | 1,090.5 | 61.7 | 1,152.2 | 843.0 | 50.7 | 893.7 |
| | 3,768.3 | 61.7 | 3,830.0 | 3,236.0 | 50.7 | 3,286.7 |

Proceeds from the disposal of non-rental property, plant and equipment amounted to £12m (2019: £12m), resulting in a profit on disposal of £1m (2019: £1m) which is included in other external charges.

The costs shown in the above table include:

| | 2020 £m | 2019 £m |
|---|------------|------------|
| Operating lease rentals payable: | | |
| – Plant and equipment | – | 1.6 |
| – Property | – | 93.1 |
| Cost of inventories recognised as expense | 412.8 | 341.1 |
| Loss allowance on trade receivables | 62.3 | 26.8 |

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

| | 2020 £'000 | 2019 £'000 |
|---|---------------|---------------|
| Salaries and short-term employee benefits | 3,028 | 6,530 |
| Post-employment benefits | 15 | 14 |
| National insurance and social security | 141 | 549 |
| Share-based payments | 1,488 | 2,483 |
| | 4,672 | 9,576 |

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

| | 2020 £'000 | 2019 £'000 |
|---|---------------|---------------|
| Fees payable to Deloitte UK and its associates for the audit of the Group's annual accounts | 942 | 893 |
| 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 | 20 | 57 |
| – audit-related assurance services | 75 | 70 |
| – other assurance services | 132 | 63 |
| | 1,169 | 1,083 |

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 notes issues in November 2019 and July 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

5 EXCEPTIONAL ITEMS AND AMORTISATION

| | 2020 £m | 2019 £m |
|---------------------------------------|-------------|------------|
| Amortisation of intangibles | 61.7 | 50.7 |
| Write-off of deferred financing costs | 3.9 | – |
| Early redemption fee | 11.2 | – |
| Call period interest | 1.2 | – |
| Taxation | (19.2) | (12.3) |
| | 58.8 | 38.4 |

The costs associated with the redemption of the \$500m 5.625% senior notes in November 2019 have been classified as exceptional items. The write-off of deferred financing costs consists of the unamortised balance of the costs relating to the notes. In addition, an early redemption fee of £11m (\$15m) was paid to redeem the notes prior to their scheduled maturity. The call period interest represents the interest charge on the \$500m notes for the period from the issue of the new \$1.2bn notes to the date the \$500m notes were redeemed. Of these items, total cash costs were £12m.

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

| | 2020 £m | 2019 £m |
|---|-------------|------------|
| Amortisation of intangibles | 61.7 | 50.7 |
| Charged in arriving at operating profit | 61.7 | 50.7 |
| Net financing costs | 16.3 | – |
| Charged in arriving at profit before taxation | 78.0 | 50.7 |
| Taxation | (19.2) | (12.3) |
| | 58.8 | 38.4 |

6 NET FINANCING COSTS

| | 2020 £m | 2019 £m |
|--|--------------|------------|
| Investment income: | | |
| Net interest on the net defined benefit pension plan asset | – | (0.1) |
| Interest expense: | | |
| Bank interest payable | 75.8 | 68.6 |
| Interest payable on senior notes | 95.8 | 79.1 |
| Interest payable on lease liabilities | 45.5 | 0.4 |
| Non-cash unwind of discount on provisions | 1.2 | 0.8 |
| Amortisation of deferred debt raising costs | 6.2 | 4.6 |
| Total interest expense | 224.5 | 153.5 |
| Net financing costs before exceptional items | 224.5 | 153.4 |
| Exceptional items | 16.3 | – |
| Net financing costs | 240.8 | 153.4 |

7 TAXATION

The tax charge on the result for the year has been computed using a tax rate of 25% in the US (2019: 25%), 19% in the UK (2019: 19%) and 27% in Canada (2019: 27%). The blended rate for the Group as a whole is 25% (2019: 25%). 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.

| | 2020 £m | 2019 £m |
|---|---------------|------------|
| Analysis of the tax charge | | |
| Current tax | | |
| – current tax on income for the year | 117.8 | 54.3 |
| – adjustments to prior year | (34.5) | 1.1 |
| | 83.3 | 55.4 |
| Deferred tax | | |
| – origination and reversal of temporary differences | 131.4 | 205.8 |
| – adjustments to prior year | 28.4 | 1.4 |
| | 159.8 | 207.2 |
| Total taxation charge | 243.1 | 262.6 |
| Comprising: | | |
| – United Kingdom | 18.8 | 15.9 |
| – United States | 226.9 | 244.9 |
| – Canada | (2.6) | 1.8 |
| | 243.1 | 262.6 |

The tax charge comprises a charge of £262m (2019: £275m) relating to tax on the profit before exceptional items and amortisation, together with a credit of £19m (2019: credit of £12m) 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:

| | 2020 £m | 2019 £m |
|--|--------------|------------|
| Profit on ordinary activities before tax | 982.8 | 1,059.5 |
| Profit on ordinary activities multiplied by the rate of corporation tax in the UK of 19% (2019: 19%) | 186.7 | 201.3 |
| Effects of: | | |
| Use of foreign tax rates on overseas income | 57.9 | 61.5 |
| Adjustments to prior years | (6.1) | 2.5 |
| Other | 4.6 | (2.7) |
| Total taxation charge | 243.1 | 262.6 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

8 DIVIDENDS

| | 2020 £m | 2019 £m |
|--|--------------|------------|
| Final dividend paid on 13 September 2019 of 33.5p (2019: 27.5p) per 10p ordinary share | 154.4 | 133.3 |
| Interim dividend paid on 5 February 2020 of 7.15p (2019: 6.5p) per 10p ordinary share | 32.3 | 30.9 |
| | 186.7 | 164.2 |

In addition, the directors are proposing a final dividend in respect of the year ended 30 April 2020 of 33.5p (2019: 33.5p) per share which will absorb £150m of shareholders' funds, based on the 448 million shares qualifying for dividend on 15 June 2020. Subject to approval by shareholders, it will be paid on 11 September 2020 to shareholders who are on the register of members on 14 August 2020.

9 EARNINGS PER SHARE

| | 2020 | | | 2019 | | |
|-------------------------------------|----------------|---|---------------------------------|----------------|---|---------------------------------|
| | 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 | 739.7 | 456.4 | 162.1 | 796.9 | 479.7 | 166.1 |
| Share options and share plan awards | – | 1.6 | (0.6) | – | 2.0 | (0.7) |
| Diluted earnings per share | 739.7 | 458.0 | 161.5 | 796.9 | 481.7 | 165.4 |

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

| | 2020 pence | 2019 pence |
|---|---------------|---------------|
| Basic earnings per share | 162.1 | 166.1 |
| Amortisation of intangibles | 13.5 | 10.6 |
| Exceptional items | 3.6 | – |
| Tax on exceptional items and amortisation | (4.2) | (2.5) |
| Underlying earnings per share | 175.0 | 174.2 |

10 INVENTORIES

| | 2020 £m | 2019 £m |
|---------------------------------------|-------------|------------|
| Raw materials, consumables and spares | 29.4 | 33.9 |
| Goods for resale | 53.9 | 49.6 |
| | 83.3 | 83.5 |

11 TRADE AND OTHER RECEIVABLES

| | 2020 £m | 2019 £m |
|----------------------|------------|------------|
| Trade receivables | 775.8 | 755.6 |
| Less: loss allowance | (99.5) | (53.4) |
| | 676.3 | 702.2 |
| Other receivables | | |
| – Accrued revenue | 49.3 | 53.6 |
| – Other | 96.0 | 87.8 |
| | 821.6 | 843.6 |

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 Sunbelt UK 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 adjusted for factors that are specific to the debtors, the industry in which we operate and the economic environment which has been impacted by COVID-19. Accordingly, this cannot be attributed to specific receivables so the aged analysis of trade receivables, including those past due, is shown gross of the loss allowance.

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

| | Trade receivables past due by: | | | | | Total £m |
|---------------------------------|--------------------------------|----------------------------|-----------------------|-----------------------|----------------------------|-------------|
| | Current £m | Less than 30 days £m | 30 – 60 days £m | 60 – 90 days £m | More than 90 days £m | |
| Carrying value at 30 April 2020 | 48.9 | 314.5 | 191.6 | 81.1 | 139.7 | 775.8 |
| Carrying value at 30 April 2019 | 56.2 | 350.4 | 169.8 | 77.3 | 101.9 | 755.6 |

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

| | Trade receivables past due by: | | | | | Total £m |
|---------------------------------|--------------------------------|----------------------------|-----------------------|-----------------------|----------------------------|-------------|
| | Current £m | Less than 30 days £m | 30 – 60 days £m | 60 – 90 days £m | More than 90 days £m | |
| Carrying value at 30 April 2020 | 338.3 | 208.9 | 84.4 | 59.3 | 84.9 | 775.8 |
| Carrying value at 30 April 2019 | 377.7 | 189.7 | 81.1 | 37.3 | 69.8 | 755.6 |

b) Movement in the loss allowance

| | 2020 £m | 2019 £m |
|--|------------|------------|
| At 1 May | 53.4 | 43.1 |
| Amounts written off or recovered during the year | (17.8) | (18.5) |
| Increase in allowance recognised in income statement | 62.3 | 26.8 |
| Currency movements | 1.6 | 2.0 |
| At 30 April | 99.5 | 53.4 |

12 CASH AND CASH EQUIVALENTS

| | 2020 £m | 2019 £m |
|---------------------------|------------|------------|
| Cash and cash equivalents | 241.4 | 12.8 |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

13 PROPERTY, PLANT AND EQUIPMENT

| | Land and buildings £m | Rental equipment £m | Office and workshop equipment £m | Motor vehicles | | Total £m |
|-------------------------------|--------------------------|------------------------|-------------------------------------|----------------|---------------------------------|-----------------|
| | | | | Owned £m | Held under finance leases £m | |
| Cost or valuation | | | | | | |
| At 1 May 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 |
| Effect of adoption of IFRS 16 | - | - | - | - | (7.1) | (7.1) |
| Exchange differences | 6.1 | 235.0 | 4.4 | 16.0 | - | 261.5 |
| Acquisitions | 39.5 | 318.6 | 12.7 | 17.7 | - | 388.5 |
| Reclassifications | - | (3.6) | 1.1 | 2.5 | - | - |
| Additions | 31.9 | 1,274.3 | 41.5 | 135.3 | - | 1,483.0 |
| Disposals | (4.5) | (697.2) | (8.3) | (49.7) | - | (759.7) |
| At 30 April 2020 | 330.3 | 9,409.5 | 231.8 | 698.8 | - | 10,670.4 |
| Depreciation | | | | | | |
| At 1 May 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 |
| Effect of adoption of IFRS 16 | - | - | - | - | (2.3) | (2.3) |
| Exchange differences | 1.9 | 80.2 | 2.9 | 6.8 | - | 91.8 |
| Acquisitions | 8.8 | 162.7 | 7.8 | 9.8 | - | 189.1 |
| Reclassifications | - | (1.5) | 0.5 | 1.0 | - | - |
| Charge for the period | 18.0 | 879.6 | 30.2 | 71.0 | - | 998.8 |
| Disposals | (4.3) | (470.7) | (7.3) | (40.7) | - | (523.0) |
| At 30 April 2020 | 112.3 | 3,519.4 | 147.3 | 292.6 | - | 4,071.6 |
| Net book value | | | | | | |
| At 30 April 2020 | 218.0 | 5,890.1 | 84.5 | 406.2 | - | 6,598.8 |
| At 30 April 2019 | 169.4 | 5,413.3 | 67.2 | 332.3 | 4.8 | 5,987.0 |

£15m of rebuild costs were capitalised in the year (2019: £11m). Included within depreciation is an impairment charge of £9m (2019: £4m).

14 RIGHT-OF-USE ASSETS

| | Property leases £m | Other leases £m | Total £m |
|---|-----------------------|--------------------|----------------|
| Cost or valuation | | | |
| Effect of adoption of IFRS 16 at 1 May 2019 | 889.5 | 7.1 | 896.6 |
| Exchange differences | 25.3 | – | 25.3 |
| Additions | 191.5 | 1.6 | 193.1 |
| Acquisitions | 74.8 | – | 74.8 |
| Remeasurement | (3.4) | – | (3.4) |
| Disposals | (3.6) | (1.4) | (5.0) |
| At 30 April 2020 | 1,174.1 | 7.3 | 1,181.4 |
| Depreciation | | | |
| Effect of adoption of IFRS 16 at 1 May 2019 | – | 2.3 | 2.3 |
| Charge for the period | 90.5 | 1.2 | 91.7 |
| Disposals | (0.1) | (0.8) | (0.9) |
| At 30 April 2020 | 90.4 | 2.7 | 93.1 |
| Net book value | | | |
| At 30 April 2020 | 1,083.7 | 4.6 | 1,088.3 |

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

15 INTANGIBLE ASSETS INCLUDING GOODWILL

| | Other intangible assets | | | | Total £m | Total £m |
|---------------------------|-------------------------|-------------------|----------------------|------------------------|--------------|----------------|
| | Goodwill £m | Brand names £m | Customer lists £m | Contract related £m | | |
| Cost or valuation | | | | | | |
| At 1 May 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 |
| Recognised on acquisition | 163.7 | 1.2 | 118.3 | 2.8 | 122.3 | 286.0 |
| Exchange differences | 31.9 | 0.6 | 10.4 | 1.3 | 12.3 | 44.2 |
| At 30 April 2020 | 1,340.3 | 22.9 | 534.6 | 68.7 | 626.2 | 1,966.5 |
| Amortisation | | | | | | |
| At 1 May 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 |
| Charge for the period | – | 0.9 | 53.6 | 7.2 | 61.7 | 61.7 |
| Exchange differences | – | 0.6 | 5.7 | 1.1 | 7.4 | 7.4 |
| At 30 April 2020 | – | 21.9 | 225.9 | 52.3 | 300.1 | 300.1 |
| Net book value | | | | | | |
| At 30 April 2020 | 1,340.3 | 1.0 | 308.7 | 16.4 | 326.1 | 1,666.4 |
| At 30 April 2019 | 1,144.7 | 0.7 | 239.3 | 20.6 | 260.6 | 1,405.3 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

15 INTANGIBLE ASSETS INCLUDING GOODWILL (CONTINUED)

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, as a result of an internal reorganisation, amended the previous Pump and Power CGU within Sunbelt US to Power & HVAC. Prior year comparatives have been restated accordingly. As such, goodwill allocated to each of the Group's CGUs is as follows:

| | 2020 £m | 2019 £m |
|--|----------------|------------|
| Sunbelt US | | |
| Power & HVAC | 49.5 | 43.6 |
| Climate Control | 59.6 | 56.9 |
| General equipment and related businesses | 989.4 | 876.9 |
| | 1,098.5 | 977.4 |
| Sunbelt UK | | |
| Engineered Access (formally Live) | 25.8 | 25.8 |
| General equipment and related businesses | 57.7 | 53.1 |
| | 83.5 | 78.9 |
| Sunbelt Canada | | |
| General equipment and related businesses | 158.3 | 88.4 |
| Total goodwill | 1,340.3 | 1,144.7 |

For the purposes of determining potential goodwill impairment, recoverable amounts are determined from value in use calculations using cash flow projections based on the Group's latest forecast for 2020/21, taking into account the COVID-19 pandemic, which was approved by the Board in June 2020 and management plans for a further two years. 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 2020/21 forecast, a further two years based on management's forecasts with reference to current market expectations and a further seven years' cash flows. The valuation uses an annual growth rate to determine the cash flows beyond the three-year forecast 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 11%, 10% and 11% 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 US, UK and 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.

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 decline in 2020 before the market recovers during the plan period. These businesses have grown more rapidly than both the non-residential construction market and the broader rental market in recent years and this outperformance is expected to continue over the business plan period, although not necessarily to the same degree. EBITDA margins are forecast to initially decline but then improve towards current levels as the businesses benefit from recovering market conditions, operational efficiencies and increased scale.

Power & HVAC and Climate Control

Revenue for the Power & HVAC and Climate Control businesses is in part linked to the level of non-residential construction and also general levels of economic activity. These businesses are also expected to benefit from increased rental penetration. EBITDA margins are forecast to decline slightly in light of current market conditions but then increase from current levels as the businesses benefit from increased scale.

UK

Revenue for each of the UK CGUs is linked primarily to UK non-residential construction spend. This market is more challenging than in the US with structural growth opportunities more difficult to achieve due to a high level of rental penetration in the market. The market is expected to initially decline in light of the broader economic conditions but to subsequently recover to current levels during the business plan period. The Engineered Access business is also reliant on the events market which has been impacted significantly in 2020 as a result of the COVID-19 pandemic. The level of business activity is therefore expected to decline in 2020/21 but to recover to existing levels of activity thereafter. EBITDA margins are forecast to decrease in the forecast year and then improve as the businesses focus on operational improvement and leveraging the platform through Project Unify, as the market improves.

Canada

Revenue for Canada is linked primarily to Canadian non-residential construction spend, which based on market estimates is expected to decline in 2020 and then return to growth in 2021 and 2022. The Canadian business, adjusted for the impact of recent acquisitions, has grown over the last three years more quickly than non-residential construction and we expect it to continue to perform ahead of the market over the forecast period, although not necessarily to the same degree as over recent years. After an initial decline in 2020/21, EBITDA margins are forecast to increase as the business benefits from the integration of recent acquisitions, improving market conditions and increased scale.

16 TRADE AND OTHER PAYABLES

| | 2020 £m | 2019 £m |
|---------------------------------|------------|------------|
| Trade payables | 153.1 | 217.0 |
| Other taxes and social security | 64.2 | 60.0 |
| Accruals and deferred income | 357.4 | 355.4 |
| | 574.7 | 632.4 |

Trade and other payables include amounts relating to the purchase of fixed assets of £106m (2019: £196m). The fair values of trade and other payables are not materially different from the carrying values presented.

17 LEASE LIABILITIES

Approach to transition on adoption of IFRS 16, Leases

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

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

Practical expedients adopted on transition

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

- a single discount rate has been applied to portfolios of leases with reasonably similar characteristics;
- right-of-use assets have been adjusted by the carrying amount of onerous lease provisions at 30 April 2020 instead of performing impairment reviews under IAS 36;
- hindsight has been used in determining the lease term and as such the Group has assumed that all available lease extension options are taken unless there are plans to exit a location based on our historical experience; and
- leases where the remaining lease term on transition was less than 12 months have been excluded from the lease liability on transition.

Financial impact

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

17 LEASE LIABILITIES (CONTINUED)

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

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

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

| | 2020 Pre IFRS 16 £m | 2020 Impact of IFRS 16 £m | 2020 As reported £m | 2019 Total £m |
|---|------------------------------|------------------------------------|------------------------------|---------------------|
| Revenue | | | | |
| Rental revenue | 4,606.5 | – | 4,606.5 | 4,138.0 |
| Sale of new equipment, merchandise and consumables | 184.0 | – | 184.0 | 170.5 |
| Sale of used rental equipment | 263.1 | – | 263.1 | 191.1 |
| | 5,053.6 | – | 5,053.6 | 4,499.6 |
| Operating costs | | | | |
| Staff costs | (1,172.3) | – | (1,172.3) | (1,019.4) |
| Used rental equipment sold | (229.9) | – | (229.9) | (159.7) |
| Other operating costs | (1,381.1) | 105.5 | (1,275.6) | (1,213.9) |
| | (2,783.3) | 105.5 | (2,677.8) | (2,393.0) |
| EBITDA | 2,270.3 | 105.5 | 2,375.8 | 2,106.6 |
| Depreciation | (1,000.0) | (90.5) | (1,090.5) | (843.0) |
| Amortisation of intangibles | (61.7) | – | (61.7) | (50.7) |
| Operating profit | 1,208.6 | 15.0 | 1,223.6 | 1,212.9 |
| Investment income | – | – | – | 0.1 |
| Interest expense | (179.4) | (45.1) | (224.5) | (153.5) |
| Exceptional items | (16.3) | – | (16.3) | – |
| Profit on ordinary activities before taxation | 1,012.9 | (30.1) | 982.8 | 1,059.5 |
| Taxation | (251.1) | 8.0 | (243.1) | (262.6) |
| Profit attributable to equity holders of the Company | 761.8 | (22.1) | 739.7 | 796.9 |

Amounts recognised in the balance sheet

| | 2020 £m |
|--|------------|
| Maturity analysis – undiscounted cash flows: | |
| Less than one year | 109.3 |
| One to five years | 450.6 |
| More than five years | 1,080.0 |
| Total undiscounted lease liabilities at 30 April | 1,639.9 |
| Impact of discounting | (527.7) |
| Lease liabilities included in the balance sheet | 1,112.2 |
| Included in current liabilities | 106.0 |
| Included in non-current liabilities | 1,006.2 |
| | 1,112.2 |

Amounts recognised in the income statement

| | 2020 £m |
|---|--------------|
| Depreciation of right-of-use assets | 91.7 |
| Interest on lease liabilities | 45.5 |
| Expense relating to short-term leases | 4.4 |
| Expense relating to variable lease payments | 3.3 |
| | 144.9 |
| Income from sub-leasing right-of-use assets | (0.9) |
| | 144.0 |

Amounts recognised in the statement of cash flows

| | 2020 £m |
|---|--------------|
| Financing costs paid in relation to lease liabilities | 43.9 |
| Repayment of principal under lease liabilities | 64.3 |
| Total cash outflow for leases | 108.2 |

18 BORROWINGS

| | 2020 £m | 2019 £m |
|---|----------------|------------|
| Current | | |
| Finance lease obligations | - | 2.3 |
| Non-current | | |
| First priority senior secured bank debt | 2,141.9 | 2,010.7 |
| Finance lease obligations | - | 2.7 |
| 5.625% senior notes, due 2024 | - | 379.3 |
| 4.125% senior notes, due 2025 | 470.8 | 454.7 |
| 5.250% senior notes, due 2026 | 469.6 | 453.6 |
| 4.375% senior notes, due 2027 | 470.2 | 454.4 |
| 4.000% senior notes, due 2028 | 469.9 | - |
| 4.250% senior notes, due 2029 | 469.8 | - |
| | 4,492.2 | 3,755.4 |

The senior secured bank debt is secured by way of fixed and floating charges over substantially all the Group's property, plant and equipment, inventory and trade receivables. Following the redemption of the \$500m 5.625% notes due in 2024, the second priority fixed and floating charges over the Group's property, plant and equipment, inventory and trade receivables securing the senior notes were released and the senior notes are no longer secured by these assets. The senior notes continue to be guaranteed by Ashtead Group plc and all its principal subsidiary undertakings.

First priority senior secured credit facility

At 30 April 2020, \$4.6bn was committed by our senior lenders under the asset-based senior secured revolving credit facility ('ABL facility'), with \$4.1bn committed until December 2023 and \$500m committed until April 2021. The amount utilised was \$2,759m (including letters of credit totalling \$52m). The ABL facility is secured by a first priority interest in substantially all of the Group's assets. Pricing for the \$4.6bn revolving credit facility is based on leverage and average availability according to a grid. On \$4.1bn of the facility, this varies from LIBOR plus 125bp to LIBOR plus 175bp and at 30 April 2020, the borrowing rate was LIBOR plus 150bp. For the other \$500m of the facility, pricing is LIBOR plus 225bp, with a LIBOR floor of 75bp.

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 \$460m. At 30 April 2020 availability under the bank facility, including cash on the balance sheet, was \$2,363m (\$1,622m at 30 April 2019), with an additional \$2,147m of suppressed availability meaning that the covenant was not measured at 30 April 2020 and is unlikely to be measured in forthcoming quarters.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

18 BORROWINGS (CONTINUED)**Senior notes**

At 30 April 2020 the Group, through its wholly owned subsidiary Ashtead Capital, Inc., had five series of senior notes outstanding, each with a nominal value of \$600m. The 4.125% notes are due on 15 August 2025, the 5.250% notes are due on 1 August 2026, the 4.375% notes are due on 15 August 2027, the 4.0% notes are due on 1 May 2028 and the 4.25% notes are due on 1 November 2029.

Under the terms of the notes, financial performance covenants under the senior notes are only measured at the time new debt is raised.

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

| | | 2020 | 2019 |
|---|---------------------------------|---------------|--------|
| First priority senior secured bank debt | - revolving advances in dollars | 2.58% | 3.66% |
| Senior notes | - \$500m nominal value | - | 5.625% |
| | - \$600m nominal value | 4.125% | 4.125% |
| | - \$600m nominal value | 5.250% | 5.250% |
| | - \$600m nominal value | 4.375% | 4.375% |
| | - \$600m nominal value | 4.000% | - |
| | - \$600m nominal value | 4.250% | - |
| Finance leases | | - | 7.0% |

19 PROVISIONS

| | Insurance £m | Vacant property £m | Contingent consideration £m | Total £m |
|-------------------------------|-----------------|--------------------------|-----------------------------------|-------------|
| At 1 May 2019 | 48.7 | 1.9 | 37.9 | 88.5 |
| Effect of adoption of IFRS 16 | - | (1.9) | - | (1.9) |
| Acquired businesses | - | - | 14.5 | 14.5 |
| Exchange differences | 1.1 | - | 1.0 | 2.1 |
| Utilised | (35.6) | - | (17.3) | (52.9) |
| Released | - | - | (1.0) | (1.0) |
| Charged in the year | 42.1 | - | - | 42.1 |
| Amortisation of discount | 0.4 | - | 0.8 | 1.2 |
| At 30 April 2020 | 56.7 | - | 35.9 | 92.6 |

| | 2020 £m | 2019 £m |
|-------------------------------------|-------------|------------|
| Included in current liabilities | 53.7 | 42.5 |
| Included in non-current liabilities | 38.9 | 46.0 |
| | 92.6 | 88.5 |

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. £18m (2019: £14m) of this total liability is due from insurers and is included within 'other receivables'.

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.

20 DEFERRED TAX

Deferred tax assets

| | Tax losses £m | Other temporary differences £m | Total £m |
|---|------------------|---|-------------|
| At 1 May 2019 | – | – | – |
| Offset against deferred tax liability at 1 May 2019 | 26.3 | 64.7 | 91.0 |
| Gross deferred tax assets at 1 May 2019 | 26.3 | 64.7 | 91.0 |
| Effect of adoption of IFRS 16 | – | (2.6) | (2.6) |
| Exchange differences | 0.5 | 2.0 | 2.5 |
| [Charged]/credited to income statement | (18.2) | 25.2 | 7.0 |
| Credited to equity | 4.0 | 0.6 | 4.6 |
| Acquisitions | (0.6) | 0.1 | (0.5) |
| Less offset against deferred tax liability | (12.0) | (90.0) | (102.0) |
| At 30 April 2020 | – | – | – |

Deferred tax liabilities

| | Accelerated tax depreciation £m | Other temporary differences £m | Total £m |
|--|---------------------------------------|---|----------------|
| Net deferred tax liability at 1 May 2019 | 1,027.7 | 33.4 | 1,061.1 |
| Deferred tax assets offset at 1 May 2019 | 91.0 | – | 91.0 |
| Gross deferred tax liability at 1 May 2019 | 1,118.7 | 33.4 | 1,152.1 |
| Exchange differences | 36.3 | 0.3 | 36.6 |
| Charged to income statement | 166.1 | 0.7 | 166.8 |
| Charge to equity | 4.0 | – | 4.0 |
| Acquisitions | 2.8 | 14.0 | 16.8 |
| | 1,327.9 | 48.4 | 1,376.3 |
| Less offset of deferred tax assets | | | |
| – benefit of tax losses | | | (12.0) |
| – other temporary differences | | | (90.0) |
| At 30 April 2020 | | | 1,274.3 |

The Group has not recognised a deferred tax asset in respect of losses carried forward in a non-trading UK company of £6m (2019: £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.

21 SHARE CAPITAL AND RESERVES

| | 30 April 2020 Number | 30 April 2019 Number | 30 April 2020 £m | 30 April 2019 £m |
|-----------------------------|----------------------------|----------------------------|------------------------|------------------------|
| Ordinary shares of 10p each | | | | |
| Issued and fully paid | 454,194,833 | 499,225,712 | 45.4 | 49.9 |

During the year, the Company purchased 19.7m ordinary shares at a total cost of £445m under the Group's share buyback programme. Since the commencement of the Group's ongoing share buyback programme, the Group has purchased 49.9m shares and in January 2020, 45.0m ordinary shares held in treasury were cancelled. At 30 April 2020, after the cancellation of these shares, 4.9m (April 2019: 30.3m) shares were held by the Company and a further 1.5m (April 2019: 1.6m) shares were held by the Company's Employee Share Ownership Trust ('ESOT').

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

22 SHARE-BASED PAYMENTS

The ESOT facilitates the provision of shares under the Group's Performance Share Plan ('PSP'). It holds a beneficial interest in 1,518,150 ordinary shares of the Company acquired at an average cost of 1,826p per share. The shares had a market value of £33m at 30 April 2020. 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 90 and 95. 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 2020, there was a net charge to pre-tax profit in respect of the PSP of £8m (2019: £8m). After tax, the total charge was £6m (2019: £6m).

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 2,320p, nil exercise price, a dividend yield of 1.42%, volatility of 27.08%, a risk-free rate of 0.44% 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:

| | 2020 Number | 2019 Number |
|-------------------------|----------------|----------------|
| Outstanding at 1 May | 2,050,278 | 2,300,169 |
| Granted | 600,956 | 588,894 |
| Exercised | (858,585) | (720,551) |
| Expired | (128,094) | (118,234) |
| Outstanding at 30 April | 1,664,555 | 2,050,278 |
| Exercisable at 30 April | - | - |

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 £20m (2019: £16m).

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 2020/21 financial year is £0.8m.

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 2019 by a qualified independent actuary and showed a funding surplus of £1.5m. The actuary was engaged by the Company to perform a valuation in accordance with IAS 19 (revised) as at 30 April 2020. The principal financial assumptions made by the actuary were as follows:

| | 2020 | 2019 |
|---|------|------|
| Discount rate | 1.6% | 2.5% |
| Inflation assumption – RPI | 2.5% | 3.3% |
| – CPI | 1.7% | 2.2% |
| Rate of increase in salaries | 2.5% | 4.3% |
| Rate of increase in pensions in payment | 2.5% | 3.2% |

Pensioner life expectancy assumed in the 30 April 2020 update is based on the 'S3PA CMI 2019' 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:

| | 2020 | 2019 |
|--|-------------|------|
| Life expectancy of pensioners currently aged 65 | | |
| Male | 86.2 | 86.2 |
| Female | 87.9 | 88.1 |
| Life expectancy at age 65 for future pensioner currently aged 45 | | |
| Male | 87.5 | 87.5 |
| Female | 89.5 | 89.6 |

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

| | Fair value | |
|-----------------------------------|-------------|------------|
| | 2020 £m | 2019 £m |
| UK equities | 31.4 | 48.6 |
| US equities | 23.8 | 23.5 |
| European equities | 3.0 | 3.3 |
| Japanese equities | 4.4 | 2.6 |
| Emerging market equities | 2.4 | - |
| Global loan fund | 8.6 | 10.0 |
| Liability-driven investment funds | 6.3 | 2.4 |
| Property | 11.7 | 12.2 |
| Infrastructure | 7.3 | 4.0 |
| Cash | 0.1 | 0.5 |
| | 99.0 | 107.1 |

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

| | 2020 £m | 2019 £m |
|--|----------------|------------|
| Fair value of plan assets | 99.0 | 107.1 |
| Present value of funded defined benefit obligation | (111.1) | (108.0) |
| Net liability recognised in the balance sheet | (12.1) | (0.9) |

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

| | 2020 £m | 2019 £m |
|--|------------|------------|
| Current service cost | 1.1 | 1.0 |
| Past service cost | - | 1.4 |
| Net interest on the net defined benefit plan | - | (0.1) |
| Net charge to the income statement | 1.1 | 2.3 |

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

| | 2020 £m | 2019 £m |
|--|---------------|------------|
| Actuarial loss due to changes in financial assumptions | (4.5) | (7.0) |
| Actuarial gain due to changes in demographic assumptions | 1.1 | 1.1 |
| Actuarial gain/(loss) arising from experience adjustments | 1.2 | (0.2) |
| Return on plan assets excluding amounts recognised in net interest | (8.6) | 2.4 |
| Remeasurement of the defined benefit pension plan | (10.8) | (3.7) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

23 PENSIONS (CONTINUED)

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

| | 2020 £m | 2019 £m |
|---|--------------|------------|
| At 1 May | 108.0 | 99.2 |
| Current service cost | 1.1 | 1.0 |
| Past service cost | – | 1.4 |
| Interest cost | 2.6 | 2.7 |
| Contributions from members | 0.2 | 0.2 |
| Remeasurements | | |
| – Actuarial loss due to changes in financial assumptions | 4.5 | 7.0 |
| – Actuarial gain due to changes in demographic assumptions | (1.1) | (1.1) |
| – Actuarial gain/(loss) arising from experience adjustments | (1.2) | 0.2 |
| Benefits paid | (3.0) | (2.6) |
| At 30 April | 111.1 | 108.0 |

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 £10m (2019: £9m) decrease in the defined benefit obligation.
- An increase in the inflation rate of 0.5% would result in an £9m (2019: £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 (2019: £5m) 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:

| | 2020 £m | 2019 £m |
|--|--------------|------------|
| At 1 May | 107.1 | 103.7 |
| Interest income | 2.6 | 2.8 |
| Remeasurement – return on plan assets excluding amounts recognised in net interest | (8.6) | 2.4 |
| Employer contributions | 0.7 | 0.6 |
| Contributions from members | 0.2 | 0.2 |
| Benefits paid | (3.0) | (2.6) |
| At 30 April | 99.0 | 107.1 |

The actual return on plan assets was a £6m loss (2019: £5m gain).

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 52% of the drawn debt at a fixed rate as at 30 April 2020, excluding lease liabilities. 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 for \$4.1bn of the facility and pricing is LIBOR plus 225bp, with a LIBOR floor of 75bp, for the other \$500m. 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 2020, 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 2020, 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 2020, 92% of its debt was denominated in US (and Canadian) dollars so that there is a natural partial offset between its dollar-denominated net assets and earnings and its dollar-denominated debt and interest expense. At 30 April 2020, dollar-denominated debt represented approximately 67% 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 2020 a 1% change in the US dollar-pound exchange rate would have impacted our pre-tax profits by approximately £11m and equity by approximately £34m. At 30 April 2020, 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 745,000 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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 2020, availability under the \$4.6bn facility, including cash on the balance sheet, was \$2,363m (£1,874m), which compares with the threshold of \$460m, 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 and lease liabilities which are analysed within Note 17. 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 2020

| | Undiscounted cash flows – year to 30 April | | | | | | Total £m |
|---------------------|--|------------|------------|------------|------------|------------------|-------------|
| | 2021 £m | 2022 £m | 2023 £m | 2024 £m | 2025 £m | Thereafter £m | |
| Bank and other debt | – | – | – | 2,141.9 | – | – | 2,141.9 |
| 4.125% senior notes | – | – | – | – | – | 475.7 | 475.7 |
| 5.250% senior notes | – | – | – | – | – | 475.7 | 475.7 |
| 4.375% senior notes | – | – | – | – | – | 475.7 | 475.7 |
| 4.000% senior notes | – | – | – | – | – | 475.7 | 475.7 |
| 4.250% senior notes | – | – | – | – | – | 475.7 | 475.7 |
| | – | – | – | 2,141.9 | – | 2,378.5 | 4,520.4 |
| Interest payments | 160.0 | 158.8 | 158.8 | 140.8 | 104.7 | 232.7 | 955.8 |
| | 160.0 | 158.8 | 158.8 | 2,282.7 | 104.7 | 2,611.2 | 5,476.2 |

Letters of credit of £41m (2019: £38m) are provided and guaranteed under the ABL facility which expires in December 2023.

At 30 April 2019

| | Undiscounted cash flows – year to 30 April | | | | | | Total £m |
|---------------------|--|------------|------------|------------|------------|------------------|-------------|
| | 2020 £m | 2021 £m | 2022 £m | 2023 £m | 2024 £m | Thereafter £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 notes | – | – | – | – | – | 383.5 | 383.5 |
| 4.125% senior notes | – | – | – | – | – | 460.3 | 460.3 |
| 5.250% senior notes | – | – | – | – | – | 460.3 | 460.3 |
| 4.375% senior 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 |

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 2020, the Group had no derivative financial instruments. The embedded prepayment options included within the senior 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 2020.

| | | At 30 April 2020 | | At 30 April 2019 | |
|---|---------|------------------|------------------|------------------|------------------|
| | | Book value £m | Fair value £m | Book value £m | Fair value £m |
| Long-term borrowings | | | | | |
| – first priority senior secured bank debt | Level 1 | 2,141.9 | 2,141.9 | 2,010.7 | 2,010.7 |
| – 5.625% senior notes | Level 1 | – | – | 383.5 | 397.5 |
| – 4.125% senior notes | Level 1 | 475.7 | 461.4 | 460.3 | 455.1 |
| – 5.250% senior notes | Level 1 | 475.7 | 479.3 | 460.3 | 476.9 |
| – 4.375% senior notes | Level 1 | 475.7 | 463.8 | 460.3 | 451.6 |
| – 4.000% senior notes | Level 1 | 475.7 | 453.1 | – | – |
| – 4.250% senior notes | Level 1 | 475.7 | 453.1 | – | – |
| | | 4,520.4 | 4,452.6 | 3,775.1 | 3,791.8 |
| – finance lease obligations | Level 2 | – | – | 2.7 | 3.2 |
| Total long-term borrowings | | 4,520.4 | 4,452.6 | 3,777.8 | 3,795.0 |
| Deferred costs of raising finance | | (28.2) | – | (22.4) | – |
| | | 4,492.2 | 4,452.6 | 3,755.4 | 3,795.0 |
| Other financial instruments ¹ | | | | | |
| Contingent consideration provision | Level 3 | 35.9 | 35.9 | 37.9 | 37.9 |
| Finance lease obligations due within one year | Level 2 | – | – | 2.3 | 2.6 |
| Cash and cash equivalents | Level 1 | 241.4 | 241.4 | 12.8 | 12.8 |

¹ The Group's trade and other receivables, trade and other payables and lease liabilities are not shown in the table above. The carrying amounts of trade and other receivables and trade and other payables categories approximate their fair values. Required disclosures relating to lease liabilities are provided in Note 17.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

25 NOTES TO THE CASH FLOW STATEMENT**a) Cash flow from operating activities**

| | 2020 £m | 2019 £m |
|---|------------|------------|
| Operating profit before exceptional items and amortisation | 1,285.3 | 1,263.6 |
| Depreciation | 1,090.5 | 843.0 |
| EBITDA before exceptional items | 2,375.8 | 2,106.6 |
| Profit on disposal of rental equipment | (33.3) | (31.4) |
| Profit on disposal of other property, plant and equipment | (1.2) | (0.8) |
| Increase in inventories | (0.5) | (14.9) |
| Increase in trade and other receivables | 94.1 | (84.7) |
| Increase in trade and other payables | (13.2) | 60.7 |
| Exchange differences | 0.3 | (0.6) |
| Other non-cash movements | 8.4 | 7.6 |
| Cash generated from operations before exceptional items and changes in rental equipment | 2,430.4 | 2,042.5 |

b) Acquisitions

| | 2020 £m | 2019 £m |
|---|------------|------------|
| Cash consideration paid | | |
| – acquisitions in the period (net of cash acquired) | 435.8 | 589.4 |
| – contingent consideration | 17.3 | 1.9 |
| | 453.1 | 591.3 |

During the year, 18 acquisitions were made for a total cash consideration of £436m (2019: £589m), after taking account of net cash acquired of £4m. Further details are provided in Note 27.

Payments for contingent consideration on prior year acquisitions were also made of £17m (2019: £2m).

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

| | 1 May 2019 £m | Adoption of IFRS 16 £m | Cash flow £m | Non-cash movements | | | | 30 April 2020 £m |
|---|---------------------|------------------------------|--------------------|----------------------------|------------------------|--------------------------------|--------------------------|------------------------|
| | | | | Exchange movement £m | Debt acquired £m | New lease liabilities £m | Other movements £m | |
| Short-term borrowings | 2.3 | (2.3) | – | – | – | – | – | – |
| Long-term borrowings | 3,755.4 | (2.7) | 606.1 | 108.6 | 14.7 | – | 10.1 | 4,492.2 |
| Lease liabilities | – | 887.8 | (64.3) | 25.1 | 74.8 | 188.8 | – | 1,112.2 |
| Total liabilities from financing activities | 3,757.7 | 882.8 | 541.8 | 133.7 | 89.5 | 188.8 | 10.1 | 5,604.4 |
| Cash and cash equivalents | (12.8) | – | (227.9) | (0.7) | – | – | – | (241.4) |
| Net debt | 3,744.9 | 882.8 | 313.9 | 133.0 | 89.5 | 188.8 | 10.1 | 5,363.0 |

| | 1 May 2018 £m | Cash flow £m | Non-cash movements | | | 30 April 2019 £m |
|---|---------------------|--------------------|----------------------------|------------------------|--------------------------|------------------------|
| | | | Exchange movement £m | Debt acquired £m | Other movements £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 |

26 ACQUISITIONS

During the year, the following acquisitions were completed:

- i) On 9 May 2019, Sunbelt US acquired the business and assets of Westside Rental and Sales, LLC ('Westside'). Westside is a general equipment business in Tennessee.
- ii) On 17 May 2019, Sunbelt US acquired the business and assets of the Harlingen Texas branch of Harris County Rentals, LLC, trading as Texas State Rentals ('HCR'). HCR is a general equipment business in Texas.
- iii) On 29 May 2019, Sunbelt US acquired the business and assets of the Tampa branch of Contractors Building Supply Co., LLC ('CBS'). CBS is a general equipment business in Florida.
- iv) On 20 June 2019, Sunbelt US acquired the business and assets of Six and Mango, LLP ('SME'). SME is a general equipment business in Texas.
- v) On 28 June 2019, Sunbelt UK acquired the entire share capital of Ellerbeck Industries Limited, trading as Inlec UK Limited ('Inlec') and Evercal Limited ('Evercal'). Inlec and Evercal are industrial test and measurement businesses.
- vi) On 19 July 2019, Sunbelt US acquired the business and assets of King Equipment, LLC ('King') for a cash consideration of £152m (\$191m), including properties for £21m, with contingent consideration of up to £2m (\$3m) payable over the next year depending on revenue meeting or exceeding certain thresholds. King is a general equipment business in California.
- vii) On 28 August 2019, Sunbelt US acquired the business and assets of Redi-Rents, Inc. ('Redi-Rents'). Redi-Rents is a general equipment business in California.
- viii) On 5 September 2019, Sunbelt US acquired the business and assets of Midwest Scaffold Services, LLC ('MSS'). MSS is a scaffold business in the US midwest.
- ix) On 1 October 2019, Sunbelt Canada acquired the entire share capital of Rental Experts, Inc. and the business and assets of River City Aerial Lifts, Inc. (together 'Rental Experts/River City'). Rental Experts/River City is a general equipment business in Manitoba.
- x) On 2 October 2019, Sunbelt US acquired the business and assets of Allwest Underground, Inc. ('Allwest'). Allwest is a trench shoring business in Washington and Oregon.
- xi) On 15 October 2019, Sunbelt US acquired the business and assets of Beaver Creek Rentals, Inc. ('Beaver Creek'). Beaver Creek is a general equipment business in Ohio.
- xii) On 14 November 2019, Sunbelt US acquired the business and assets of the New Braunfels Texas branch of Harris County Rentals, LLC, trading as Texas State Rentals ('HCR'). HCR is a general equipment business in Texas.
- xiii) On 26 November 2019, Sunbelt US acquired the business and assets of Kitsap Rentals, Inc. ('Advanced Rentals'). Advanced Rentals is a general equipment business in Washington.
- xiv) On 2 December 2019, Sunbelt Canada acquired the entire share capital of William F. White International, Inc. ('WFW') for a cash consideration of £136m (C\$234m) with contingent consideration of up to £8m (C\$14m), payable over the next year, depending on EBITDA meeting or exceeding certain thresholds. Including acquired debt, the total cash consideration was £151m (C\$260m). WFW is a film and television equipment rental business operating across Canada.
- xv) On 11 December 2019, Sunbelt US acquired the business and assets of S&S Diversified Inc. ('Midwest Sweepers & Scrubbers'). Midwest Sweepers & Scrubbers is a flooring solutions business in Missouri.
- xvi) On 21 January 2020, Sunbelt US acquired the business and assets of Associated Power, Inc. ('Associated Power'). Associated Power is a temporary power rental business in Southern California.
- xvii) On 29 January 2020, Sunbelt US acquired the business and assets of Gaston Rentals, Inc. and McArver Enterprises, Ltd (together, 'Gaston'). Gaston is a general equipment business in North Carolina.
- xviii) On 9 March 2020, Sunbelt US acquired the business and assets of BJ's Rentals, Inc. ('BJ's'). BJ's is a general equipment business in California.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

26 ACQUISITIONS (CONTINUED)

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 | 31.2 |
| Inventory | 0.4 |
| Property, plant and equipment | |
| – rental equipment | 155.9 |
| – other assets | 43.5 |
| Right-of-use asset | 74.8 |
| Creditors | (20.3) |
| Debt | (14.7) |
| Lease liabilities | (74.8) |
| Current tax | (11.4) |
| Deferred tax | (17.3) |
| Intangible assets (non-compete agreements, brand names and customer relationships) | 122.3 |
| | 289.6 |
| Consideration: | |
| – cash paid and due to be paid (net of cash acquired) | 438.8 |
| – contingent consideration payable in cash | 14.5 |
| | 453.3 |
| Goodwill | 163.7 |

The goodwill arising can be attributed to the key management personnel and workforce of the acquired businesses and to the synergies and other benefits the Group expects to derive from the acquisitions. The synergies and other benefits include elimination of duplicate costs, improving utilisation of the acquired rental fleet, using the Group's financial strength to invest in the acquired business and drive improved returns through a semi-fixed cost base and the application of the Group's proprietary software to optimise revenue opportunities. £99m of the goodwill is expected to be deductible for income tax purposes.

The gross value and the fair value of trade receivables at acquisition was £31m.

Due to the operational integration of acquired businesses with Sunbelt US, Sunbelt Canada and Sunbelt UK post-acquisition, in particular due to the merger of some stores, the movement of rental equipment between stores and investment in the rental fleet, it is not practical to report the revenue and profit of the acquired businesses post-acquisition.

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

27 CONTINGENT LIABILITIES

Following its state aid investigation, in April 2019 the European Commission announced its decision that the Group Financing Exemption in the UK controlled foreign company legislation constitutes state aid in some circumstances. In common with the UK Government and other UK-based international companies, the Group does not agree with the decision and has therefore lodged a formal appeal with the General Court of the European Union. If the decision reached by the European Commission is not successfully appealed, we have estimated the Group's maximum potential liability to be £36m as at 30 April 2020. Based on the current status of proceedings, we have concluded that no provision is required in relation to this matter.

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 2020 the amount borrowed under these facilities was £2,142m (2019: £2,011m). Subsidiary undertakings are also able to obtain letters of credit under these facilities and, at 30 April 2020, letters of credit issued under these arrangements totalled £41m (\$52m) (2019: £38m (\$50m)). In addition, the Company has guaranteed the 4.125%, 5.250%, 4.375%, 4.0% and 4.25% senior notes each with a par value of \$600m (£476m), issued by Ashtead Capital, Inc..

The Company has guaranteed lease commitments of subsidiary undertakings where the minimum lease commitment at 30 April 2020 totalled £30m (2019: £38m) in respect of land and buildings of which £6m is payable by subsidiary undertakings in the year ending 30 April 2021.

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 2019, this guarantee was the equivalent of £20m.

The Company has guaranteed the performance by subsidiaries of certain other obligations up to £2m (2019: £4m).

28 CAPITAL COMMITMENTS

At 30 April 2020 capital commitments in respect of purchases of rental and other equipment totalled £259m (2019: £309m), all of which had been ordered. There were no other material capital commitments at the year end.

29 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 Remuneration report. In relation to the Group's defined benefit pension plan, details are included in Note 23.

30 EMPLOYEES

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

| | 2020 Number | 2019 Number |
|----------------|----------------|----------------|
| United States | 13,946 | 12,148 |
| United Kingdom | 3,814 | 3,771 |
| Canada | 1,219 | 880 |
| | 18,979 | 16,799 |

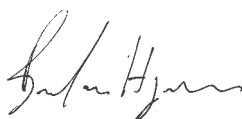
31 PARENT COMPANY INFORMATION

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

| | Notes | 2020 £m | 2019 £m |
|---|-------|--------------|--------------|
| Current assets | | | |
| Prepayments and accrued income | | 0.5 | 0.4 |
| Amounts due from subsidiary undertakings | (f) | – | 274.5 |
| | | 0.5 | 274.9 |
| Non-current assets | | | |
| Right-of-use asset | (g) | 6.8 | – |
| Investments in Group companies | (h) | 363.7 | 363.7 |
| Deferred tax asset | | 1.5 | 1.9 |
| | | 372.0 | 365.6 |
| Total assets | | 372.5 | 640.5 |
| Current liabilities | | | |
| Accruals and deferred income | | 6.7 | 12.4 |
| Amounts due to subsidiary undertakings | (i) | 20.4 | – |
| Lease liabilities | (j) | 0.8 | – |
| | | 27.9 | 12.4 |
| Non-current liabilities | | | |
| Lease liabilities | (j) | 5.9 | – |
| Total liabilities | | 33.8 | 12.4 |
| Equity | | | |
| Share capital | (b) | 45.4 | 49.9 |
| Share premium account | (b) | 3.6 | 3.6 |
| Capital redemption reserve | (b) | 10.8 | 6.3 |
| Own shares held by the Company | (b) | (115.9) | (622.6) |
| Own shares held through the ESOT | (b) | (27.7) | (24.6) |
| Retained reserves | (b) | 422.5 | 1,215.5 |
| Equity attributable to equity holders of the Company | | 338.7 | 628.1 |
| Total liabilities and equity | | 372.5 | 640.5 |

The Company reported a profit for the financial year ended 30 April 2020 of £350m (2019: £530m).

These financial statements were approved by the Board on 15 June 2020.



BRENDAN HORGAN
Chief executive



MICHAEL PRATT
Finance director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

31 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 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 |
| Effect of adoption of IFRS 16 | - | - | - | - | - | 1.0 | 1.0 |
| At 1 May 2019 (restated) | 49.9 | 3.6 | 6.3 | (622.6) | (24.6) | 1,216.5 | 629.1 |
| Profit for the year | - | - | - | - | - | 349.7 | 349.7 |
| Other comprehensive income for the year | - | - | - | - | - | - | - |
| Total comprehensive income for the year | - | - | - | - | - | 349.7 | 349.7 |
| Dividends paid | - | - | - | - | - | (186.7) | (186.7) |
| Own shares purchased by the ESOT | - | - | - | - | (17.6) | - | (17.6) |
| Own shares purchased by the Company | - | - | - | (444.6) | - | - | (444.6) |
| Share-based payments | - | - | - | - | 14.5 | (6.1) | 8.4 |
| Tax on share-based payments | - | - | - | - | - | 0.4 | 0.4 |
| Cancellation of shares | (4.5) | - | 4.5 | 951.3 | - | (951.3) | - |
| At 30 April 2020 | 45.4 | 3.6 | 10.8 | (115.9) | (27.7) | 422.5 | 338.7 |

c. Cash flow statement of the Company

| | Note | 2020 £m | 2019 £m |
|--|------|----------------|----------------|
| Cash flows from operating activities | | | |
| Cash from operations | (1) | 306.4 | 111.3 |
| Financing costs paid | | (2.9) | (2.0) |
| Dividends received from Ashtead Holdings PLC | | 350.0 | 529.5 |
| Net cash from operating activities | | 653.5 | 638.8 |
| Cash flows from financing activities | | | |
| Repayment of principal under lease liabilities | | (0.6) | - |
| Purchase of own shares by the ESOT | | (17.6) | (14.2) |
| Purchase of own shares by the Company | | (448.6) | (460.4) |
| Dividends paid | | (186.7) | (164.2) |
| Net cash used in financing activities | | (653.5) | (638.8) |
| 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:

| | 2020 Number | 2019 Number |
|-----------|----------------|----------------|
| Employees | 16 | 15 |

Their aggregate remuneration comprised:

| | 2020 £m | 2019 £m |
|-----------------------|------------|------------|
| Salaries | 8.3 | 8.5 |
| Social security costs | 1.1 | 1.6 |
| Other pension costs | 0.4 | 0.5 |
| | 9.8 | 10.6 |

f. Amounts due from subsidiary undertakings

| | 2020 £m | 2019 £m |
|--|------------|------------|
| Due within one year: Ashtead Holdings PLC | – | 274.5 |

g. Right-of-use asset

| | Property leases £m |
|---|--------------------------|
| Cost or valuation | |
| Effect of adoption of IFRS 16 at 1 May 2019 | 7.5 |
| At 30 April 2020 | 7.5 |
| Depreciation | |
| Effect of adoption of IFRS 16 at 1 May 2019 | – |
| Charge for the period | 0.7 |
| At 30 April 2020 | 0.7 |
| Net book value | |
| At 30 April 2020 | 6.8 |

On transition, the right-of-use asset has been adjusted for the impact of lease prepayments (£0.2m).

h. Investments

| | Shares in Group companies | |
|-------------|---------------------------|------------|
| | 2020 £m | 2019 £m |
| At 30 April | 363.7 | 363.7 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

31 PARENT COMPANY INFORMATION (CONTINUED)**h. Investments (continued)**

Details of the Company's subsidiaries at 30 April 2020 are as follows:

| Name | Address of registered office | Principal activity |
|--|--|---------------------------------------|
| USA | | |
| Ashtead US Holdings, Inc. | The Corporation Trust Company, 1209 Orange St., Wilmington, DE 19801 | Investment holding company |
| Ashtead Holdings, LLC | The Corporation Trust Company, 1209 Orange St., Wilmington, DE 19801 | Investment holding company |
| Sunbelt Rentals, Inc. | CT Corporation System, 150 Fayetteville Street, Box 1011, Raleigh, NC 28210 | Equipment rental and related services |
| Sunbelt Rentals Industrial Services LLC | The Corporation Trust Company, 1209 Orange St., Wilmington, DE 19801 | Equipment rental and related services |
| Sunbelt Rentals Scaffold Services, Inc. | 160 Mine Lake Ct., Ste. 200, Raleigh, NC 27615-6417 | Equipment rental and related services |
| Sunbelt Rentals Scaffold Services, LLC | CT Corporation System, 3867 Plaza Tower Dr., East Baton Rouge Parish, Baton Rouge, LA 70816 | Equipment rental and related services |
| Pride Corporation | CT Corporation System, 111 Eighth Avenue, 13th Floor, New York, NY 10011 | Equipment rental and related services |
| Ashtead Capital, Inc. | The Corporation Trust Company, 1209 Orange St., Wilmington, DE 19801 | Finance company |
| Sunbelt Rentals Exchange, Inc. | 251 Little Falls Drive, Wilmington, DE 19808 | Dormant |
| UK | | |
| Ashtead Holdings PLC | 100 Cheapside, London, EC2V 6DT | Investment holding company |
| Ashtead Plant Hire Company Limited ¹ | 100 Cheapside, London, EC2V 6DT | Equipment rental and related services |
| Ashtead Financing Limited | 100 Cheapside, London, EC2V 6DT | Finance company |
| Accession Group Limited | 100 Cheapside, London, EC2V 6DT | Dormant |
| Accession Holdings Limited | 100 Cheapside, London, EC2V 6DT | Dormant |
| Anglia Traffic Management Group Limited | 100 Cheapside, London, EC2V 6DT | Dormant |
| Ashtead Canada Limited | 100 Cheapside, London, EC2V 6DT | Dormant |
| Astra Site Services Limited | 12 Hope Street, Edinburgh, Scotland, EH2 4DB | Dormant |
| ATM Traffic Solutions Limited | 100 Cheapside, London, EC2V 6DT | Dormant |
| Eve Trakway Limited | 100 Cheapside, London, EC2V 6DT | Dormant |
| Hoist It Limited | 100 Cheapside, London, EC2V 6DT | Dormant |
| Opti-cal Survey Equipment Limited | 100 Cheapside, London, EC2V 6DT | Dormant |
| Plantfinder (Scotland) Limited | 12 Hope Street, Edinburgh, Scotland, EH2 4DB | Dormant |
| Precision Geometrics Limited | 100 Cheapside, London, EC2V 6DT | Dormant |
| Ellerbeck Industries Limited | 100 Cheapside, London, EC2V 6DT | Dormant |
| Inlec UK Limited | 100 Cheapside, London, EC2V 6DT | Dormant |
| Sunbelt Rentals Limited ¹ | 100 Cheapside, London, EC2V 6DT | Dormant |
| Canada | | |
| Sunbelt Rentals of Canada Inc. | 725 Granville Street, Suite 400, Vancouver, BC V7Y 1G5 | Equipment rental and related services |
| William F. White International Inc. ² | 800 Islington Avenue, Toronto, ON M8Z 6A1 | Equipment rental and related services |
| Whites Studios Inc. ² | 20th Floor, 250 Howe Street, Vancouver, BC V6C 3R8 | Equipment rental and related services |
| Whites Location Equipment Supply Inc. ² | 907 Oxford Street, Toronto, ON M8Z 5T1 | Equipment rental and related services |
| Republic of Ireland | | |
| Ashtead Financing (Ireland) Unlimited Company | 10 Earlsfort Terrace, Dublin 2, D02 T380 | Dormant |
| Ashtead Plant Hire Company (Ireland) Limited | 10 Earlsfort Terrace, Dublin 2, D02 T380 | Equipment rental and related services |
| Germany | | |
| Live Trakway GmbH | Felix-Wankel-Straße 10, 74632 Neuenstein | Equipment rental and related services |
| France | | |
| Sunbelt Rentals SAS | 5 Avenue Carnot, 91330 Massy | Equipment rental and related services |
| Bahamas | | |
| Sunbelt Rentals of the Bahamas, Inc. | Ocean Centre, Montagu Foreshore, East Bay Street, P.O. Box SS-19084, Nassau, Bahamas | Dormant |

¹ On 3 June 2020 Ashtead Plant Hire Company Limited changed its name to Sunbelt Rentals Limited while Sunbelt Rentals Limited changed its name to Ashtead Plant Hire Company Limited.

² Companies amalgamated into William F. White International Inc. on 1 May 2020.

The issued share capital (all of which comprises ordinary shares) of subsidiaries is 100% owned by the Company or by subsidiary undertakings and all subsidiaries are consolidated.

i. Amounts due to subsidiary undertakings

| | 2020 £m | 2019 £m |
|----------------------|------------|------------|
| Due within one year: | | |
| Ashtead Holdings PLC | 20.4 | – |

j. Lease liabilities

(i) Amounts recognised in the balance sheet

| | 2020 £m |
|--|------------|
| Maturity analysis – undiscounted cash flows: | |
| Less than one year | 0.8 |
| One to five years | 3.2 |
| More than five years | 3.9 |
| Total undiscounted lease liabilities at 30 April | 7.9 |
| Impact of discounting | (1.2) |
| Lease liabilities included in the balance sheet | 6.7 |
| Included in current liabilities | 0.8 |
| Included in non-current liabilities | 5.9 |
| | 6.7 |

(ii) Amounts recognised in the income statement

| | 2020 £m |
|-------------------------------------|------------|
| Depreciation of right-of-use assets | 0.7 |
| Interest on lease liabilities | 0.3 |
| | 1.0 |

(iii) Amounts recognised in the cash flow statement

| | 2020 £m |
|---|------------|
| Financing costs paid in relation to lease liabilities | 0.3 |
| Repayment of principal under lease liabilities | 0.6 |
| Total cash outflow for leases | 0.9 |

k. Financial instruments

The book value and fair value of the Company's financial instruments are not materially different.

l. Notes to the Company cash flow statement

Cash flow from operating activities

| | 2020 £m | 2019 £m |
|---|------------|------------|
| Operating profit | 2.6 | 1.8 |
| Depreciation | 0.8 | 0.1 |
| EBITDA | 3.4 | 1.9 |
| (Increase)/decrease in prepayments and accrued income | (0.3) | 0.1 |
| (Decrease)/increase in accruals and deferred income | (0.9) | 1.2 |
| Decrease in intercompany payable and receivable | 295.9 | 100.5 |
| Other non-cash movement | 8.3 | 7.6 |
| Net cash outflow from operations before exceptional items | 306.4 | 111.3 |

TEN-YEAR HISTORY

| | 2020 ¹ | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|--|-------------------|-----------|-----------|-----------|-----------|-----------|---------|---------|---------|---------|
| In £m | | | | | | | | | | |
| Income statement | | | | | | | | | | |
| Revenue + | 5,053.6 | 4,499.6 | 3,706.0 | 3,186.8 | 2,545.7 | 2,038.9 | 1,634.7 | 1,361.9 | 1,134.6 | 948.5 |
| Operating costs + | (2,677.8) | (2,393.0) | (1,972.9) | (1,682.4) | (1,368.1) | (1,130.5) | (949.6) | (842.9) | (753.5) | (664.7) |
| EBITDA + | 2,375.8 | 2,106.6 | 1,733.1 | 1,504.4 | 1,177.6 | 908.4 | 685.1 | 519.0 | 381.1 | 283.8 |
| Depreciation + | (1,090.5) | (843.0) | (695.6) | (606.8) | (449.4) | (351.5) | (275.9) | (229.0) | (199.8) | (185.0) |
| Operating profit + | 1,285.3 | 1,263.6 | 1,037.5 | 897.6 | 728.2 | 556.9 | 409.2 | 290.0 | 181.3 | 98.8 |
| Interest + | (224.5) | (153.4) | (110.2) | (104.2) | (82.9) | (67.3) | (47.1) | (44.6) | (50.7) | (67.8) |
| Pre-tax profit + | 1,060.8 | 1,110.2 | 927.3 | 793.4 | 645.3 | 489.6 | 362.1 | 245.4 | 130.6 | 31.0 |
| Operating profit | 1,223.6 | 1,212.9 | 994.0 | 869.3 | 699.6 | 541.1 | 403.6 | 284.2 | 178.2 | 97.1 |
| Pre-tax profit | 982.8 | 1,059.5 | 862.1 | 765.1 | 616.7 | 473.8 | 356.5 | 214.2 | 134.8 | 1.7 |
| Cash flow | | | | | | | | | | |
| Cash flow from operations before exceptional items and changes in rental fleet | 2,430.4 | 2,042.5 | 1,681.2 | 1,444.2 | 1,070.6 | 841.4 | 645.5 | 501.3 | 364.6 | 279.7 |
| Free cash flow | 792.1 | 368.2 | 386.2 | 319.4 | (68.0) | (87.9) | (48.5) | (34.0) | (9.4) | 65.6 |
| Balance sheet | | | | | | | | | | |
| Capital expenditure | 1,483.0 | 1,587.2 | 1,238.7 | 1,085.6 | 1,240.0 | 1,063.1 | 740.6 | 580.4 | 476.4 | 224.8 |
| Book cost of rental equipment | 9,409.5 | 8,282.4 | 6,566.8 | 5,846.4 | 4,480.8 | 3,638.2 | 2,575.8 | 2,186.5 | 1,854.1 | 1,621.6 |
| Shareholders' funds | 2,972.2 | 2,800.5 | 2,526.9 | 1,970.1 | 1,480.4 | 1,111.5 | 824.4 | 682.5 | 554.7 | 481.4 |
| In pence | | | | | | | | | | |
| Dividend per share | 40.65p | 40.0p | 33.0p | 27.5p | 22.5p | 15.25p | 11.5p | 7.5p | 3.5p | 3.0p |
| Earnings per share | 162.1p | 166.1p | 195.3p | 100.5p | 81.3p | 60.5p | 46.1p | 27.6p | 17.8p | 0.2p |
| Underlying earnings per share | 175.0p | 174.2p | 127.5p | 104.3p | 85.1p | 62.6p | 46.6p | 31.4p | 17.3p | 4.0p |
| In per cent | | | | | | | | | | |
| EBITDA margin + | 47.0% | 46.8% | 46.8% | 47.2% | 46.3% | 44.6% | 41.9% | 38.1% | 33.6% | 29.9% |
| Operating profit margin + | 25.4% | 28.1% | 28.0% | 28.2% | 28.6% | 27.3% | 25.0% | 21.3% | 16.0% | 10.4% |
| Pre-tax profit margin + | 21.0% | 24.7% | 25.0% | 24.9% | 25.3% | 24.0% | 22.2% | 18.0% | 11.5% | 3.3% |
| Return on investment + | 15.2% | 17.8% | 17.6% | 17.3% | 18.9% | 19.4% | 18.6% | 16.2% | 12.0% | 7.0% |
| People | | | | | | | | | | |
| Employees at year end | 19,284 | 17,803 | 15,996 | 14,220 | 13,106 | 11,928 | 9,934 | 9,085 | 8,555 | 8,163 |
| Locations | | | | | | | | | | |
| Stores at year end | 1,105 | 1,036 | 899 | 808 | 715 | 640 | 556 | 494 | 485 | 462 |

+ Before exceptional items, amortisation and fair value remeasurements.

1 The Group elected to apply IFRS 16 using the modified retrospective approach with no restatement of comparative figures. As a result, the results for the year are not comparable directly to the prior years with the adoption of IFRS 16 resulting in higher EBITDA and operating profit but lower profit before amortisation, exceptional items and tax than under the previous accounting standard.