11 December 2018

Unaudited results for the half year and second quarter ended 31 October 2018

	Second quarter			First half		
	2018	2017	Growth[1]	2018	2017	Growth[1]
	£m	£m	%	£m	£m	%
Underlying results[2]						
Rental revenue	1,113.5	945.2	17%	2,074.5	1,774.0	18%
EBITDA	595.1	502.6	17%	1,098.8	933.7	19%
Profit before taxation	347.8	298.4	16%	633.4	536.9	19%
Earnings per share	54.0p	38.7p	38%	98.8p	70.2p	42%
Statutory results						
Revenue	1,203.0	1,019.0	17%	2,250.4	1,899.1	19%
Profit before taxation	335.6	264.2	26%	610.0	493.1	25%
Profit after taxation	251.6	170.9	46%	461.5	320.9	45%
Earnings per share	52.1p	34.3p	50%	95.1p	64.5p	49%

Half year highlights

- Revenue up 19%[1]; rental revenue up 18%[1]
- Pre-tax profit[2] of £633m (2017: £537m)
- Earnings per share[2] up 42%[1] to 98.8p (2017: 70.2p)
- Post-tax profit of £461m (2017: £321m)
- £1,063m of capital invested in the business (2017: £708m)
- £362m spent on bolt-on acquisitions (2017: £298m)
- Net debt to EBITDA leverage[1] of 1.8 times (2017: 1.8 times)
- Interim dividend raised 18% to 6.5p per share (2017: 5.5p per share)

[1] Calculated at constant exchange rates applying current period exchange rates.
[2] Underlying results are stated before exceptional items and intangible amortisation.
[3] Throughout this announcement we refer to a number of alternative performance measures which are defined in the Glossary on page 33.

Ashtead's chief executive, Geoff Drabble, commented:

"The Group delivered a strong quarter with good performance across the Group. As a result, Group rental revenue increased 18% for the six months and underlying pre-tax profit increased 19% to £633m, both at constant exchange rates.

We have invested £1,063m in capital and a further £362m on bolt-on acquisitions in the period which has added 80 locations and resulted in a rental fleet growth of 15%. This investment reflects the structural growth opportunity that we continue to see in the business as we broaden our product offering and geographic reach, and increase market share.

Whilst these are significant investments we remain focused on responsible growth so, after spending £425m to date on our share buyback programme, we have maintained net debt to EBITDA leverage at 1.8 times. Therefore we remain well within our target range of 1.5 to 2.0 times reflecting the strength of our margins and free cash flow.

Our business is performing well in supportive end markets. Accordingly, we expect full year results to be ahead of our prior expectations and the Board continues to look to the medium term with confidence."

<u>Contacts</u>:

Geoff Drabble	Chief executive	+44 (0)20 7726 9700
Michael Pratt	Finance director	
Will Shaw	Director of Investor Relations	
Neil Bennett	Maitland	+44 (0)20 7379 5151
James McFarlane	Maitland	

Geoff Drabble, Brendan Horgan and Michael Pratt will hold a meeting for equity analysts to discuss the results and outlook at 9am on Tuesday, 11 December 2018 at The London Stock Exchange, 10 Paternoster Square, London, EC4M 7LS. The meeting will be webcast live via the Company's website at www.ashtead-group.com and a replay will be available via the website from shortly after the meeting concludes. A copy of this announcement and the slide presentation used for the meeting are available for download on the Company's website. The usual conference call for bondholders will begin at 3pm (10am EST).

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

<u>Forward looking statements</u>

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

First half trading results

	Revenue		EBITDA		Operating profit	
	2018	2017	2018	2017	2018	2017
Sunbelt US in $m	2,500.2	2,084.5	1,278.1	1,076.6	847.1	702.9
Sunbelt Canada in C$m	167.4	91.1	66.6	37.1	36.3	20.9
Sunbelt US in £m	1,902.2	1,599.6	972.4	826.2	644.5	539.4
A-Plant	250.5	245.1	95.2	92.7	44.2	46.8
Sunbelt Canada in £m	97.7	54.4	38.8	22.1	21.2	12.5
Group central costs	-	-	(7.6)	(7.3)	(7.7)	(7.4)
	2,250.4	1,899.1	1,098.8	933.7	702.2	591.3
Net financing costs					(68.8)	(54.4)
Profit before amortisation, exceptional items and tax					**633.4**	**536.9**
Amortisation					(23.4)	(22.1)
Exceptional items					-	(21.7)
Profit before taxation					610.0	493.1
Taxation charge					(148.5)	(172.2)
Profit attributable to equity holders of the Company					461.5	320.9
Margins						
Sunbelt US			*51.1%*	*51.6%*	*33.9%*	*33.7%*
A-Plant			*38.0%*	*37.8%*	*17.7%*	*19.1%*
Sunbelt Canada			*39.8%*	*40.7%*	*21.7%*	*23.0%*
Group			*48.8%*	*49.2%*	*31.2%*	*31.1%*

Group revenue increased 18% to £2,250m in the first half (2017: £1,899m) with good growth in each of our markets. This revenue growth, combined with our focus on drop-through, generated underlying profit before tax of £633m (2017: £537m).

The Group's strategy remains unchanged with growth being driven by strong organic growth (same-store and greenfield) supplemented by bolt-on acquisitions. Sunbelt US, A-Plant and Sunbelt Canada delivered 19%, 5% and 90% rental only revenue growth respectively. The significant growth in Sunbelt Canada reflects the impact of acquisitions, most notably the acquisition of CRS in August 2017.

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

		$m
2017 rental only revenue		1,573
Organic (same-store and greenfields)	+16%	246
Bolt-ons since 1 May 2017	+3%	50
2018 rental only revenue	+19%	1,869
Ancillary revenue	+15%	460
2018 rental revenue	+18%	2,329
Sales revenue	+55%	171
2018 total revenue	+20%	2,500

Sunbelt US's revenue growth demonstrates the successful execution of our long-term structural growth strategy. We continue to capitalise on the opportunity presented by our markets through a combination of organic growth (same-store growth and greenfields) and bolt-ons as we expand our geographic footprint and our specialty businesses. We added 63 new stores in the US in the first half, the majority of which were specialty locations.

Rental only revenue growth was 19% in strong end markets. This growth was driven by increased fleet on rent year-over-year with yield flat. While revenue was impacted by our involvement in the clean-up efforts following hurricanes Florence and Michael, it was much less than last year with estimated incremental rental revenue of $15-20m (2017: $40-45m). Average first half physical utilisation was 74% (2017: 74%). Sunbelt US's total revenue, including new and used equipment, merchandise and consumable sales, increased 20% to $2,500m (2017: $2,084m).

A-Plant generated rental only revenue of £191m, up 5% on the prior year (2017: £182m). This was driven by increased fleet on rent, partially offset by yield. The adverse yield reflects the competitive rate environment in the UK market. A-Plant's total revenue increased 2% to £251m (2017: £245m).

In Canada, the acquisitions of CRS and Voisin's are distortive to year-over-year comparisons as they have tripled the size of the Sunbelt Canada business. Excluding acquisitions, rental revenue increased 21% in western Canada, while in eastern Canada the CRS and Voisin's businesses also grew 21%. For Sunbelt Canada overall, total revenue was C$167m (2017: C$91m) in the period.

We continue to focus on operational efficiency and improving margins. In Sunbelt US, 51% of revenue growth dropped through to EBITDA. The strength of our mature stores' incremental margin is reflected in the fact that this was achieved despite the drag effect of greenfield openings and acquisitions. This resulted in an EBITDA margin of 51% (2017: 52%) and contributed to a 21% increase in operating profit to $847m (2017: $703m) at a margin of 34% (2017: 34%).

Sunbelt Canada is in a growth phase as it invests to expand its network and develop the business. Significant growth has been achieved while delivering a 40% EBITDA margin and generating an operating profit of C$36m (2017: C$21m) at a margin of 22% (2017: 23%).

While the UK market remains competitive, A-Plant's focus on driving improved performance within the existing business resulted in drop-through of 62%. This contributed to an EBITDA margin of 38% (2017: 38%) and an operating profit of £44m (2017: £47m) at a margin of 18% (2017: 19%).

Reflecting the strong performance of the divisions, Group underlying operating profit increased 19% to £702m (2017: £591m). Net financing costs increased to £69m (2017: £54m) reflecting a higher interest rate and higher average debt levels. As a result, Group profit before amortisation of intangibles, exceptional items and taxation was £633m (2017: £537m). After a tax charge of 24% (2017: 35%) of the underlying pre-tax profit, underlying earnings per share increased 41% to 98.8p (2017: 70.2p). The reduction in the Group's underlying tax charge from 35% to 24% reflects the reduction in the US federal rate of tax from 35% to 21% with effect from 1 January 2018, following the enactment of the Tax Cuts and Jobs Act of 2017. The underlying cash tax charge was 4% and is expected to be around 4% for the full year.

Statutory profit before tax was £610m (2017: £493m). This is after amortisation of £23m (2017: £22m) and, in the prior year, an exceptional charge of £22m. After a tax charge of 24% (2017: 35%), basic earnings per share were 95.1p (2017: 64.5p).

Capital expenditure and acquisitions

Capital expenditure for the first half was £1,063m gross and £963m net of disposal proceeds (2017: £708m gross and £649m net). This level of capital expenditure reflects the strong market and our ability to take market share. As a result, we have revised our capital expenditure guidance for the full year to £1.4 – £1.6bn at current exchange rates. Reflecting this investment, the Group's rental fleet at 31 October 2018 at cost was £8.1bn. Our average fleet age is now 31 months (2017: 30 months).

We invested £362m (2017: £298m), including acquired debt, in 12 bolt-on acquisitions during the period as we continue to both expand our footprint and diversify our specialty markets. Since the period end, we have invested a further £117m in five bolt-on acquisitions.

Return on Investment

Sunbelt US's pre-tax return on investment (excluding goodwill and intangible assets) in the 12 months to 31 October 2018 was 24% (2017: 23%). In the UK, return on investment (excluding goodwill and intangible assets) was 10% (2017: 13%). This decline reflects the competitive rate environment in the UK market. In Canada, return on investment (excluding goodwill and intangible assets) was 12% (2017: 13%). For the Group as a whole, return on investment (including goodwill and intangible assets) was 18% (2017: 18%).

Cash flow and net debt

As expected, debt increased during the first half as we continued to invest in the fleet and made a number of bolt-on acquisitions. In addition, weaker sterling increased reported debt by £200m. During the period, we spent £210m on share buybacks.

In July, the Group issued $600m 5.25% senior secured notes maturing in August 2026. The proceeds of the issue were used to pay related fees and expenses and repay an element of the amount outstanding under the senior credit facility. This ensures our debt package remains well structured and flexible, enabling us to take advantage of prevailing end market conditions. The Group's debt facilities are now committed for an average of six years at a weighted average interest cost of less than 5%.

Net debt at 31 October 2018 was £3,612m (2017: £2,851m) while, reflecting our strong earnings growth, the ratio of net debt to EBITDA was 1.8 times (2017: 1.8 times) on a constant currency basis. The Group's target range for net debt to EBITDA is 1.5 to 2 times.

At 31 October 2018, availability under the senior secured debt facility was $826m, with an additional $3,333m of suppressed availability – substantially above the $310m level at which the Group's entire debt package is covenant free.

Dividend

In line with its policy of providing a progressive dividend, having regard to both underlying profit and cash generation and to sustainability through the economic cycle, the Board has increased the interim dividend 18% to 6.5p per share (2017: 5.5p per share). This will be paid on 6 February 2019 to shareholders on the register on 18 January 2019.

Capital allocation

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

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

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

In line with these priorities, we are spending £125m per quarter on share buybacks with the programme continuing through the 2019/20 financial year, with an anticipated spend in 2019/20 of at least £500m.

Current trading and outlook

Our business is performing well in supportive end markets. Accordingly, we expect full year results to be ahead of our prior expectations and the Board continues to look to the medium term with confidence.

Directors' responsibility statement

We confirm that to the best of our knowledge:

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

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

By order of the Board

Eric Watkins
Company secretary

10 December 2018

CONSOLIDATED INCOME STATEMENT FOR THE THREE MONTHS ENDED 31 OCTOBER 2018

	2018			2017		
	Before amortisation	Amortisation	Total	Before exceptional items and amortisation	Exceptional items and amortisation	Total
	£m	£m	£m	£m	£m	£m
Second quarter - unaudited						
Revenue						
Rental revenue	1,113.5	-	1,113.5	945.2	-	945.2
Sale of new equipment, merchandise and consumables	41.2	-	41.2	40.6	-	40.6
Sale of used rental equipment	48.3	-	48.3	33.2	-	33.2
	1,203.0	-	1,203.0	1,019.0	-	1,019.0
Operating costs						
Staff costs	(257.3)	-	(257.3)	(225.7)	-	(225.7)
Used rental equipment sold	(40.2)	-	(40.2)	(29.3)	-	(29.3)
Other operating costs	(310.4)	-	(310.4)	(261.4)	-	(261.4)
	(607.9)	-	(607.9)	(516.4)	-	(516.4)
EBITDA*	595.1	-	595.1	502.6	-	502.6
Depreciation	(209.3)	-	(209.3)	(177.8)	-	(177.8)
Amortisation of intangibles	-	(12.2)	(12.2)	-	(12.5)	(12.5)
Operating profit	385.8	(12.2)	373.6	324.8	(12.5)	312.3
Investment income	0.1	-	0.1	-	-	-
Interest expense	(38.1)	-	(38.1)	(26.4)	(21.7)	(48.1)
Profit on ordinary activities before taxation	347.8	(12.2)	335.6	298.4	(34.2)	264.2
Taxation	(86.7)	2.7	(84.0)	(105.6)	12.3	(93.3)
Profit attributable to equity holders of the Company	261.1	(9.5)	251.6	192.8	(21.9)	170.9
Basic earnings per share	54.0p	(1.9p)	52.1p	38.7p	(4.4p)	34.3p
Diluted earnings per share	53.8p	(1.9p)	51.9p	38.6p	(4.4p)	34.2p

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

All revenue and profit is generated from continuing operations.

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

CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 31 OCTOBER 2018

	2018			2017		
	Before amortisation £m	Amortisation £m	Total £m	Before exceptional items and amortisation £m	Exceptional items and amortisation £m	Total £m
First half - unaudited						
Revenue						
Rental revenue	2,074.5	-	2,074.5	1,774.0	-	1,774.0
Sale of new equipment, merchandise and consumables	79.7	-	79.7	71.5	-	71.5
Sale of used rental equipment	96.2	-	96.2	53.6	-	53.6
	2,250.4	-	2,250.4	1,899.1	-	1,899.1
Operating costs						
Staff costs	(488.8)	-	(488.8)	(429.3)	-	(429.3)
Used rental equipment sold	(79.6)	-	(79.6)	(48.7)	-	(48.7)
Other operating costs	(583.2)	-	(583.2)	(487.4)	-	(487.4)
	(1,151.6)	-	(1,151.6)	(965.4)	-	(965.4)
EBITDA*	1,098.8	-	1,098.8	933.7	-	933.7
Depreciation	(396.6)	-	(396.6)	(342.4)	-	(342.4)
Amortisation of intangibles	-	(23.4)	(23.4)	-	(22.1)	(22.1)
Operating profit	702.2	(23.4)	678.8	591.3	(22.1)	569.2
Investment income	0.1	-	0.1	-	-	-
Interest expense	(68.9)	-	(68.9)	(54.4)	(21.7)	(76.1)
Profit on ordinary activities before taxation	633.4	(23.4)	610.0	536.9	(43.8)	493.1
Taxation	(153.9)	5.4	(148.5)	(187.6)	15.4	(172.2)
Profit attributable to equity holders of the Company	479.5	(18.0)	461.5	349.3	(28.4)	320.9
Basic earnings per share	98.8p	(3.7p)	95.1p	70.2p	(5.7p)	64.5p
Diluted earnings per share	98.4p	(3.7p)	94.7p	69.9p	(5.7p)	64.2p

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

All revenue and profit is generated from continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited			
	Three months to 31 October		Six months to 31 October	
	2018 £m	2017 £m	2018 £m	2017 £m
Profit attributable to equity holders of the Company for the period	251.6	170.9	461.5	320.9
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation differences	57.2	(15.5)	160.1	(40.3)
Total comprehensive income for the period	308.8	155.4	621.6	280.6

CONSOLIDATED BALANCE SHEET AT 31 OCTOBER 2018

	Unaudited 31 October 2018	Unaudited 31 October 2017	Audited 30 April 2018
	£m	£m	£m
Current assets			
Inventories	65.0	49.0	55.2
Trade and other receivables	907.2	693.1	669.4
Current tax asset	28.5	1.2	23.9
Cash and cash equivalents	23.3	11.7	19.1
	1,024.0	755.0	767.6
Non-current assets			
Property, plant and equipment			
- rental equipment	5,433.5	4,430.8	4,430.5
- other assets	536.4	440.6	451.5
	5,969.9	4,871.4	4,882.0
Goodwill	1,074.4	884.0	882.6
Other intangible assets	242.5	215.3	206.3
Net defined benefit pension plan asset	4.4	-	4.5
	7,291.2	5,970.7	5,975.4
Total assets	8,315.2	6,725.7	6,743.0
Current liabilities			
Trade and other payables	799.5	557.4	617.5
Current tax liability	15.3	13.0	13.1
Short-term borrowings	2.5	2.6	2.7
Provisions	36.0	21.0	25.8
	853.3	594.0	659.1
Non-current liabilities			
Long-term borrowings	3,632.5	2,860.0	2,728.4
Provisions	30.3	33.5	34.6
Deferred tax liabilities	1,001.5	1,103.0	794.0
Net defined benefit pension plan liability	-	3.9	-
	4,664.3	4,000.4	3,557.0
Total liabilities	5,517.6	4,594.4	4,216.1
Equity			
Share capital	49.9	49.9	49.9
Share premium account	3.6	3.6	3.6
Capital redemption reserve	6.3	6.3	6.3
Own shares held by the Company	(370.6)	-	(161.0)
Own shares held by the ESOT	(24.6)	(20.0)	(20.0)
Cumulative foreign exchange translation differences	285.9	200.7	125.8
Retained reserves	2,847.1	1,890.8	2,522.3
Equity attributable to equity holders of the Company	2,797.6	2,131.3	2,526.9
Total liabilities and equity	8,315.2	6,725.7	6,743.0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 OCTOBER 2018

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Own shares held by the Company £m	Own shares held through the ESOT £m	Cumulative foreign exchange translation differences £m	Retained reserves £m	Total £m
Unaudited								
At 1 May 2017	49.9	3.6	6.3	-	(16.7)	241.0	1,686.0	1,970.1
Profit for the period	-	-	-	-	-	-	320.9	320.9
Other comprehensive income:								
Foreign currency translation differences	-	-	-	-	-	(40.3)	-	(40.3)
Total comprehensive income for the period	-	-	-	-	-	(40.3)	320.9	280.6
Dividends paid	-	-	-	-	-	-	(113.2)	(113.2)
Own shares purchased by the ESOT	-	-	-	-	(10.2)	-	-	(10.2)
Share-based payments	-	-	-	-	6.9	-	(3.5)	3.4
Tax on share-based payments	-	-	-	-	-	-	0.6	0.6
At 31 October 2017	49.9	3.6	6.3	-	(20.0)	200.7	1,890.8	2,131.3
Profit for the period	-	-	-	-	-	-	647.9	647.9
Other comprehensive income:								
Foreign currency translation differences	-	-	-	-	-	(74.9)	-	(74.9)
Remeasurement of the defined benefit pension plan	-	-	-	-	-	-	8.7	8.7
Tax on defined benefit pension plan	-	-	-	-	-	-	(1.5)	(1.5)
Total comprehensive income for the period	-	-	-	-	-	(74.9)	655.1	580.2
Dividends paid	-	-	-	-	-	-	(27.3)	(27.3)
Own shares purchased by the Company	-	-	-	(161.0)	-	-	-	(161.0)
Share-based payments	-	-	-	-	-	-	3.6	3.6
Tax on share-based payments	-	-	-	-	-	-	0.1	0.1
At 30 April 2018	49.9	3.6	6.3	(161.0)	(20.0)	125.8	2,522.3	2,526.9
Profit for the period	-	-	-	-	-	-	461.5	461.5
Other comprehensive income:								
Foreign currency translation differences	-	-	-	-	-	160.1	-	160.1
Total comprehensive income for the period	-	-	-	-	-	160.1	461.5	621.6
Dividends paid	-	-	-	-	-	-	(133.3)	(133.3)
Own shares purchased by the ESOT	-	-	-	-	(14.2)	-	-	(14.2)
Own shares purchased by the Company	-	-	-	(209.6)	-	-	-	(209.6)
Share-based payments	-	-	-	-	9.6	-	(5.8)	3.8
Tax on share-based payments	-	-	-	-	-	-	2.4	2.4
At 31 October 2018	49.9	3.6	6.3	(370.6)	(24.6)	285.9	2,847.1	2,797.6

CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 31 OCTOBER 2018

	Unaudited	
	2018	2017
	£m	£m
Cash flows from operating activities		
Cash generated from operations before exceptional items and changes in rental equipment	966.8	840.2
Payments for rental property, plant and equipment	(869.5)	(661.2)
Proceeds from disposal of rental property, plant and equipment	93.0	84.0
Cash generated from operations	190.3	263.0
Financing costs paid (net)	(60.4)	(56.4)
Exceptional financing costs paid	-	(25.2)
Tax paid (net)	(22.7)	(77.4)
Net cash generated from operating activities	107.2	104.0
Cash flows from investing activities		
Acquisition of businesses	(334.8)	(261.8)
Payments for non-rental property, plant and equipment	(89.2)	(71.1)
Proceeds from disposal of non-rental property, plant and equipment	4.1	4.8
Net cash used in investing activities	(419.9)	(328.1)
Cash flows from financing activities		
Drawdown of loans	1,320.8	1,401.4
Redemption of loans	(646.7)	(1,046.7)
Capital element of finance lease payments	(0.7)	(1.7)
Dividends paid	(133.3)	(113.2)
Purchase of own shares by the ESOT	(14.2)	(10.2)
Purchase of own shares by the Company	(209.6)	-
Net cash generated from financing activities	316.3	229.6
Increase in cash and cash equivalents	3.6	5.5
Opening cash and cash equivalents	19.1	6.3
Effect of exchange rate difference	0.6	(0.1)
Closing cash and cash equivalents	23.3	11.7

Reconciliation of net cash flows to net debt

	2018	2017
Increase in cash and cash equivalents in the period	(3.6)	(5.5)
Increase in debt through cash flow	673.4	353.0
Change in net debt from cash flows	669.8	347.5
Debt acquired	26.9	40.7
Exchange differences	200.4	(65.0)
Non-cash movements:		
- deferred costs of debt raising	2.1	(2.2)
- capital element of new finance leases	0.5	2.2
Increase in net debt in the period	899.7	323.2
Net debt at 1 May	2,712.0	2,527.7
Net debt at 31 October	3,611.7	2,850.9

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. General information

Ashtead Group plc ('the Company') is a company incorporated and domiciled in England and Wales and listed on the London Stock Exchange. The condensed consolidated interim financial statements as at, and for the six months ended, 31 October 2018 comprise the Company and its subsidiaries ('the Group').

The condensed consolidated interim financial statements for the six months ended 31 October 2018 were approved by the directors on 10 December 2018.

The condensed consolidated interim financial statements do not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The statutory accounts for the year ended 30 April 2018 were approved by the directors on 18 June 2018 and have been mailed to shareholders and filed with the Registrar of Companies. The auditor's report on those accounts was unqualified, did not include a reference to any matter by way of emphasis and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006.

The condensed consolidated interim financial statements for the six months ended 31 October 2018 are unaudited but have been reviewed by the Group's auditors. Their report is on page 32.

2. Basis of preparation

The condensed consolidated interim financial statements for the six months ended 31 October 2018 have been prepared in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority and relevant International Financial Reporting Standards ('IFRS') as adopted by the European Union (including IAS 34, Interim Financial Reporting). The condensed consolidated interim financial statements should be read in conjunction with the Group's Annual Report and Accounts for the year ended 30 April 2018.

The following new standards are mandatory for the first time for the financial year beginning 1 May 2018:

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

  There have been no changes to the classification or measurement of the Group's financial assets or liabilities as a result of our adoption of IFRS 9, and no changes to the Group's level of provisioning as a result of our adoption of IFRS 9. The Group has no arrangements to which it applies hedge accounting.

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

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

The Directors have adopted various alternative performance measures to provide additional useful information on the underlying trends, performance and position of the Group. The alternative performance measures are not defined by IFRS and therefore may not be directly comparable with other companies' alternative performance measures, but are defined within these condensed consolidated interim financial statements and summarised in the Glossary on page 33.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2. Basis of preparation (continued)

The condensed consolidated interim financial statements have been prepared on the going concern basis. The Group's internal budgets and forecasts of future performance, available financing facilities and facility headroom (see note 11), provide a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future and consequently the going concern basis continues to be appropriate in preparing the condensed consolidated interim financial statements.

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

	US dollar		Canadian dollar	
	2018	2017	2018	2017
Average for the three months ended 31 October	1.30	1.32	1.69	1.64
Average for the six months ended 31 October	1.31	1.30	1.71	1.68
At 30 April	1.38	1.29	1.77	1.77
At 31 October	1.28	1.33	1.68	1.71

3. Segmental analysis

Three months to 31 October 2018

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

Three months to 31 October 2017

	Sunbelt US	A-Plant	Sunbelt Canada	Corporate items	Group
	£m	£m	£m	£m	£m
Revenue					
Rental revenue	803.2	107.9	34.1	-	945.2
Sale of new equipment, merchandise and consumables	25.3	9.1	6.2	-	40.6
Sale of used rental equipment	21.4	9.3	2.5	-	33.2
	849.9	126.3	42.8	-	1,019.0
Operating profit before amortisation and exceptional items	294.2	24.4	10.1	(3.9)	324.8
Amortisation					(12.5)
Net financing costs					(26.4)
Exceptional items					(21.7)
Profit before taxation					264.2
Taxation					(93.3)
Profit attributable to equity shareholders					170.9

3. Segmental analysis (continued)

Six months to 31 October 2018

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

Six months to 31 October 2017

	Sunbelt US	A-Plant	Sunbelt Canada	Corporate items	Group
	£m	£m	£m	£m	£m
Revenue					
Rental revenue	1,514.7	214.7	44.6	-	1,774.0
Sale of new equipment, merchandise and consumables	47.4	17.4	6.7	-	71.5
Sale of used rental equipment	37.5	13.0	3.1	-	53.6
	1,599.6	245.1	54.4	-	1,899.1
Operating profit before amortisation and exceptional items	539.4	46.8	12.5	(7.4)	591.3
Amortisation					(22.1)
Net financing costs					(54.4)
Exceptional items					(21.7)
Profit before taxation					493.1
Taxation					(172.2)
Profit attributable to equity shareholders					320.9

	Sunbelt US	A-Plant	Sunbelt Canada	Corporate items	Group
	£m	£m	£m	£m	£m
At 31 October 2018					
Segment assets	6,897.7	874.4	490.8	0.5	8,263.4
Cash					23.3
Taxation assets					28.5
Total assets					8,315.2
At 30 April 2018					
Segment assets	5,507.6	847.3	344.6	0.5	6,700.0
Cash					19.1
Taxation assets					23.9
Total assets					6,743.0

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

4. Operating costs and other income

	2018			2017		
	Before amortisation	Amortisation	Total	Before amortisation	Amortisation	Total
	£m	£m	£m	£m	£m	£m
Three months to 31 October						
Staff costs:						
Salaries	236.5	-	236.5	207.0	-	207.0
Social security costs	16.7	-	16.7	14.9	-	14.9
Other pension costs	4.1	-	4.1	3.8	-	3.8
	257.3	-	257.3	225.7	-	225.7
Used rental equipment sold	40.2	-	40.2	29.3	-	29.3
Other operating costs:						
Vehicle costs	73.8	-	73.8	59.8	-	59.8
Spares, consumables & external repairs	58.0	-	58.0	48.2	-	48.2
Facility costs	30.7	-	30.7	26.6	-	26.6
Other external charges	147.9	-	147.9	126.8	-	126.8
	310.4	-	310.4	261.4	-	261.4
Depreciation and amortisation:						
Depreciation	209.3	-	209.3	177.8	-	177.8
Amortisation of intangibles	-	12.2	12.2	-	12.5	12.5
	209.3	12.2	221.5	177.8	12.5	190.3
	817.2	12.2	829.4	694.2	12.5	706.7

	2018			2017		
	Before amortisation	Amortisation	Total	Before amortisation	Amortisation	Total
	£m	£m	£m	£m	£m	£m
Six months to 31 October						
Staff costs:						
Salaries	448.0	-	448.0	393.1	-	393.1
Social security costs	32.8	-	32.8	29.0	-	29.0
Other pension costs	8.0	-	8.0	7.2	-	7.2
	488.8	-	488.8	429.3	-	429.3
Used rental equipment sold	79.6	-	79.6	48.7	-	48.7
Other operating costs:						
Vehicle costs	136.3	-	136.3	109.0	-	109.0
Spares, consumables & external repairs	108.5	-	108.5	92.4	-	92.4
Facility costs	59.6	-	59.6	52.4	-	52.4
Other external charges	278.8	-	278.8	233.6	-	233.6
	583.2	-	583.2	487.4	-	487.4
Depreciation and amortisation:						
Depreciation	396.6	-	396.6	342.4	-	342.4
Amortisation of intangibles	-	23.4	23.4	-	22.1	22.1
	396.6	23.4	420.0	342.4	22.1	364.5
	1,548.2	23.4	1,571.6	1,307.8	22.1	1,329.9

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

5. Amortisation and exceptional items

Amortisation relates to the periodic write-off of intangible assets. Exceptional items are items of income or expense which the Directors believe should be disclosed separately by virtue of their significant size or nature to enable a better understanding of the Group's financial performance. Underlying profit and earnings per share are stated before amortisation of intangibles and exceptional items.

	Three months to 31 October		Six months to 31 October	
	2018	2017	2018	2017
	£m	£m	£m	£m
Amortisation of intangibles	12.2	12.5	23.4	22.1
Write-off of deferred financing costs	-	8.1	-	8.1
Release of premium	-	(11.6)	-	(11.6)
Early redemption fee	-	23.7	-	23.7
Call period interest	-	1.5	-	1.5
Taxation	(2.7)	(12.3)	(5.4)	(15.4)
	9.5	21.9	18.0	28.4

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

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

	Three months to 31 October		Six months to 31 October	
	2018	2017	2018	2017
	£m	£m	£m	£m
Amortisation of intangibles	12.2	12.5	23.4	22.1
Charged in arriving at operating profit	12.2	12.5	23.4	22.1
Net financing costs	-	21.7	-	21.7
Charged in arriving at profit before tax	12.2	34.2	23.4	43.8
Taxation	(2.7)	(12.3)	(5.4)	(15.4)
	9.5	21.9	18.0	28.4

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

6. Net financing costs

	Three months to 31 October		Six months to 31 October	
	2018	2017	2018	2017
	£m	£m	£m	£m
Investment income:				
Net interest on the net defined benefit pension plan asset	(0.1)	-	(0.1)	-
Interest expense:				
Bank interest payable	15.5	11.1	29.9	21.5
Interest payable on second priority senior secured notes	21.2	14.3	36.4	31.1
Interest payable on finance leases	0.1	0.1	0.2	0.2
Non-cash unwind of discount on provisions	0.2	0.1	0.4	0.2
Amortisation of deferred debt raising costs	1.1	0.8	2.0	1.4
Total interest expense	38.1	26.4	68.9	54.4
Net financing costs before exceptional items	38.0	26.4	68.8	54.4
Exceptional items	-	21.7	-	21.7
Net financing costs	38.0	48.1	68.8	76.1

7. Taxation

The tax charge for the period has been computed using a tax rate of 25% in the US (2017: 38%), 19% in the UK (2017: 19%) and 27% in Canada (2017: 27%). The blended rate for the Group as a whole is 24% (2017: 35%).

The tax charge of £154m (2017: £188m) on the underlying profit before taxation of £633m (2017: £537m) can be explained as follows:

	Six months to 31 October	
	2018	2017
	£m	£m
Current tax		
- current tax on income for the period	27.4	98.3
- adjustments to prior year	(4.0)	-
	23.4	98.3
Deferred tax		
- origination and reversal of temporary differences	128.2	88.4
- adjustments to prior year	2.3	0.9
	130.5	89.3
Tax on underlying activities	153.9	187.6
Comprising:		
- UK	11.1	10.2
- US	138.8	174.2
- Canada	4.0	3.2
	153.9	187.6

In addition, the tax credit of £5m (2017: £15m) on amortisation and exceptional items of £23m (2017: £44m) consists of a current tax credit of £nil (2017: £8m) relating to the US, and a deferred tax credit of £1m (2017: £1m) relating to the UK, £3m (2017: £5m) relating to the US and £1m (2017: £1m) relating to Canada.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

8. Earnings per share

Basic and diluted earnings per share for the three and six months ended 31 October 2018 have been calculated based on the profit for the relevant period and the weighted average number of ordinary shares in issue during that period (excluding shares held by the Company and the ESOT over which dividends have been waived). Diluted earnings per share is computed using the result for the relevant period and the diluted number of shares (ignoring any potential issue of ordinary shares which would be anti-dilutive). These are calculated as follows:

	Three months to 31 October		Six months to 31 October	
	2018	2017	2018	2017
Profit for the financial period (£m)	251.6	170.9	461.5	320.9
Weighted average number of shares (m) - basic	483.2	497.5	485.5	497.5
- diluted	484.9	499.7	487.4	499.7
Basic earnings per share	52.1p	34.3p	95.1p	64.5p
Diluted earnings per share	51.9p	34.2p	94.7p	64.2p

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

	Three months to 31 October		Six months to 31 October	
	2018	2017	2018	2017
Basic earnings per share	52.1p	34.3p	95.1p	64.5p
Amortisation of intangibles	2.5p	2.5p	4.8p	4.4p
Exceptional items	-	4.4p	-	4.4p
Tax on exceptional items and amortisation	(0.6p)	(2.5p)	(1.1p)	(3.1p)
Underlying earnings per share	54.0p	38.7p	98.8p	70.2p

9. Dividends

During the period, a final dividend in respect of the year ended 30 April 2018 of 27.5p (2017: 22.75p) per share was paid to shareholders costing £133.3m (2017: £113.2m). In addition, the directors are proposing an interim dividend in respect of the year ending 30 April 2019 of 6.5p (2018: 5.5p) per share to be paid on 6 February 2019 to shareholders who are on the register of members on 18 January 2019.

10. Property, plant and equipment

	2018		2017	
Net book value	Rental equipment £m	Total £m	Rental equipment £m	Total £m
At 1 May	4,430.5	4,882.0	4,092.8	4,504.6
Exchange difference	293.1	321.1	(86.7)	(94.6)
Reclassifications	(1.0)	-	(0.6)	-
Additions	971.1	1,063.1	635.8	707.6
Acquisitions	171.6	185.3	138.7	147.1
Disposals	(81.0)	(85.0)	(47.0)	(50.9)
Depreciation	(350.8)	(396.6)	(302.2)	(342.4)
At 31 October	5,433.5	5,969.9	4,430.8	4,871.4

11. Borrowings

	31 October 2018 £m	30 April 2018 £m
Current		
Finance lease obligations	2.5	2.7
Non-current		
First priority senior secured bank debt	1,854.3	1,508.5
Finance lease obligations	2.6	2.6
5.625% second priority senior secured notes, due 2024	386.7	358.4
4.125% second priority senior secured notes, due 2025	463.4	429.5
5.250% second priority senior secured notes, due 2026	462.3	-
4.375% second priority senior secured notes, due 2027	463.2	429.4
	3,632.5	2,728.4

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

In July, the Group issued $600m 5.25% senior secured notes maturing in August 2026. The proceeds of the issue were used to pay related fees and expenses and repay an element of the amount outstanding under the senior credit facility.

Under the terms of our asset-based senior credit facility, $3.1bn is committed until July 2022. The $500m 5.625% senior secured notes mature in October 2024, the $600m 4.125% senior secured notes mature in August 2025, the $600m 5.25% senior secured notes mature in August 2026 and the $600m 4.375% senior secured notes mature in August 2027. Our debt facilities therefore remain committed for the long term, with an average maturity of six years. The weighted average interest cost of these facilities (including non-cash amortisation of deferred debt raising costs) is less than 5%. The terms of the senior secured notes are such that financial performance covenants are only measured at the time new debt is raised.

11. Borrowings (continued)

There is one financial performance covenant under the first priority senior credit facility. That is, the fixed charge ratio (comprising LTM EBITDA before exceptional items less LTM net capital expenditure paid in cash over the sum of scheduled debt repayments plus cash interest, cash tax payments and dividends paid in the last twelve months) which must be equal to, or greater than, 1.0. This covenant does not apply when availability exceeds $310m. The covenant ratio is calculated each quarter. At 31 October 2018, the fixed charge ratio exceeded the covenant requirement.

At 31 October 2018, availability under the senior secured bank facility was $826m ($1,115m at 30 April 2018), with an additional $3,333m of suppressed availability, meaning that the covenant did not apply at 31 October 2018 and is unlikely to apply in forthcoming quarters.

Fair value of financial instruments

At 31 October 2018, the Group had no derivative financial instruments.

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

	At 31 October 2018		At 30 April 2018	
	Book value £m	Fair value £m	Book value £m	Fair value £m
- 5.625% senior secured notes	391.3	401.0	363.0	374.7
- 4.125% senior secured notes	469.5	436.1	435.5	413.8
- 5.250% senior secured notes	469.5	461.3	-	-
- 4.375% senior secured notes	469.5	432.0	435.5	407.2
	1,799.8	1,730.4	1,234.0	1,195.7
Deferred costs of raising finance	(24.2)	-	(16.7)	-
	1,775.6	1,730.4	1,217.3	1,195.7

The fair value of the second priority senior secured notes has been calculated using quoted market prices at 31 October 2018.

12. Share capital

Ordinary shares of 10p each:

	31 October 2018 Number	30 April 2018 Number	31 October 2018 £m	30 April 2018 £m
Issued and fully paid	499,225,712	499,225,712	49.9	49.9

During the period, the Company purchased 9.2m ordinary shares at a total cost of £210m under the share buyback programme announced in December 2017, which are held in treasury. At 31 October 2018, 17.1m (April 2018: 7.9m) shares were held by the Company and a further 1.6m (April 2018: 1.7m) shares were held by the Company's Employee Share Ownership Trust.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

13. Notes to the cash flow statement

a) Cash flow from operating activities

	Six months to 31 October 2018 £m	2017 £m
Operating profit before exceptional items and amortisation	702.2	591.3
Depreciation	396.6	342.4
EBITDA before exceptional items	1,098.8	933.7
Profit on disposal of rental equipment	(16.6)	(4.9)
Profit on disposal of other property, plant and equipment	(0.4)	(0.6)
(Increase)/decrease in inventories	(5.1)	0.5
Increase in trade and other receivables	(159.6)	(120.1)
Increase in trade and other payables	45.9	28.2
Other non-cash movements	3.8	3.4
Cash generated from operations before exceptional items and changes in rental equipment	966.8	840.2

b) Analysis of net debt

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

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

			Non-cash movements			
	1 May 2017 £m	Cash flow £m	Exchange movement £m	Debt acquired £m	Other movements £m	31 October 2017 £m
Short-term borrowings	2.6	(42.4)	-	40.7	1.7	2.6
Long-term borrowings	2,531.4	395.4	(65.1)	-	(1.7)	2,860.0
Total liabilities from financing activities	2,534.0	353.0	(65.1)	40.7	-	2,862.6
Cash and cash equivalents	(6.3)	(5.5)	0.1	-	-	(11.7)
Net debt	2,527.7	347.5	(65.0)	40.7	-	2,850.9

Details of the Group's cash and debt are given in note 11 and the Review of Second Quarter, Balance Sheet and Cash Flow accompanying these condensed consolidated interim financial statements.

13. Notes to the cash flow statement (continued)

c) Acquisitions

	Six months to 31 October	
	2018	2017
	£m	£m
Cash consideration paid:		
- acquisitions in the period	332.9	257.0
- contingent consideration	1.9	4.8
	334.8	261.8

During the period, 12 businesses were acquired with cash paid of £333m (2017: £257m), after taking account of net cash acquired of £2m. Further details are provided in note 14.

Contingent consideration of £2m (2017: £5m) was paid relating to prior year acquisitions.

14. Acquisitions

During the period, the following acquisitions were completed:

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

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

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

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

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

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

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

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

14. Acquisitions (continued)

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

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

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

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

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	28.2
Inventory	1.1
Property, plant and equipment	
- rental equipment	171.6
- other assets	13.7
Creditors	(8.5)
Debt	(26.9)
Current tax	0.9
Deferred tax	(18.8)
Intangible assets (non-compete agreements, brand names and customer relationships)	47.0
	208.3
Consideration:	
- cash paid and due to be paid (net of cash acquired)	335.2
- contingent consideration payable in cash	1.8
	337.0
Goodwill	128.7

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. £86m of the goodwill is expected to be deductible for income tax purposes.

The fair value of trade receivables at acquisition was £28m. The gross contractual amount for trade receivables due was £30m, net of a £2m provision for debts which may not be collected.

14. Acquisitions (continued)

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

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

15. Contingent liabilities

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

In October 2017, the European Commission opened a state aid investigation into the Group Financing Exemption in the UK controlled foreign company ('CFC') legislation. In common with other UK-based international companies, the Group may be affected by the outcome of this investigation and is therefore monitoring developments. If the preliminary findings of the European Commission's investigations into the UK legislation are upheld, we have estimated the Group's maximum potential liability to be £32m as at 31 October 2018. Based on the current status of the investigation, we have concluded that no provision is required in relation to this amount.

16. Events after the balance sheet date

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

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

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

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

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

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

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

REVIEW OF SECOND QUARTER, BALANCE SHEET AND CASH FLOW

Second quarter

	Revenue		EBITDA		Operating profit	
	2018	2017	2018	2017	2018	2017
Sunbelt US in $m	1,332.7	1,116.5	687.5	580.2	461.3	386.3
Sunbelt Canada in C$m	90.5	71.4	38.3	27.7	22.0	16.8
Sunbelt US in £m	1,024.8	849.9	528.6	441.7	354.6	294.2
A-Plant	124.9	126.3	47.7	48.0	22.0	24.4
Sunbelt Canada in £m	53.3	42.8	22.5	16.7	12.9	10.1
Group central costs	-	-	(3.7)	(3.8)	(3.7)	(3.9)
	1,203.0	1,019.0	595.1	502.6	385.8	324.8
Net financing costs					(38.0)	(26.4)
Profit before amortisation, exceptional items and tax					**347.8**	**298.4**
Amortisation					(12.2)	(12.5)
Exceptional items					-	(21.7)
Profit before taxation					335.6	264.2
Margins						
Sunbelt US			*51.6%*	*52.0%*	*34.6%*	*34.6%*
A-Plant			*38.2%*	*38.0%*	*17.7%*	*19.3%*
Sunbelt Canada			*42.3%*	*38.8%*	*24.3%*	*23.6%*
Group			*49.5%*	*49.3%*	*32.1%*	*31.9%*

Group revenue increased 18% to £1,203m in the second quarter (2017: £1,019m) with a good performance in each of our markets. This revenue growth, combined with continued focus on operational efficiency, generated underlying profit before tax of £348m (2017: £298m).

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

		$m
2017 rental only revenue		839
Organic (same-store and greenfields)	+15%	121
Bolt-ons since 1 August 2017	+4%	36
2018 rental only revenue	+19%	996
Ancillary revenue	+15%	248
2018 rental revenue	+18%	1,244
Sales revenue	+44%	89
2018 total revenue	+19%	1,333

Sunbelt US's organic growth of 15% is well in excess of that of the rental market as we continue to take market share. In addition, bolt-ons have contributed a further 4% growth as we execute our long-term structural growth strategy of expanding our geographic footprint and our specialty businesses. Total rental only revenue growth of 19% was driven by an increase in fleet on rent.

A-Plant generated rental only revenue up 5% at £96m (2017: £92m) in the quarter. This reflected increased fleet on rent.

Sunbelt Canada delivered revenue of C$90m (2017: C$71m) in the quarter.

Group operating profit increased 19% to £386m (2017: £325m). Net financing costs were £38m (2017: £26m), reflecting a higher average interest rate and higher average debt levels. As a result, Group profit before amortisation of intangibles, exceptional items and taxation was £348m (2017: £298m). After amortisation of £12m, the statutory profit before taxation was £336m (2017: £264m).

Balance sheet

Fixed assets

Capital expenditure in the first half totalled £1,063m (2017: £708m) with £971m invested in the rental fleet (2017: £636m). Expenditure on rental equipment was 91% of total capital expenditure with the balance relating to the delivery vehicle fleet, property improvements and IT equipment. Capital expenditure by division was:

	2018 Replacement	2018 Growth	2018 Total	2017 Total
Sunbelt US in $m	241.8	828.4	1,070.2	699.9
Sunbelt Canada in C$m	22.4	97.8	120.2	36.7
Sunbelt US in £m	189.3	648.2	837.5	527.1
A-Plant	29.9	32.1	62.0	87.3
Sunbelt Canada in £m	13.3	58.3	71.6	21.4
Total rental equipment	232.5	738.6	971.1	635.8
Delivery vehicles, property improvements & IT equipment			92.0	71.8
Total additions			1,063.1	707.6

In a strong US rental market, $828m of rental equipment capital expenditure was spent on growth while $242m was invested in replacement of existing fleet. The growth proportion is estimated on the basis of the assumption that replacement capital expenditure in any period is equal to the original cost of equipment sold.

The average age of the Group's serialised rental equipment, which constitutes the substantial majority of our fleet, at 31 October 2018 was 31 months (2017: 30 months) on a net book value basis. Sunbelt US's fleet had an average age of 31 months (2017: 30 months), A-Plant's fleet had an average age of 34 months (2017: 30 months) and Sunbelt Canada's fleet had an average age of 28 months (2017: 23 months).

	Rental fleet at original cost				LTM	LTM
	31 October 2018	30 April 2018	LTM average	LTM rental revenue	dollar utilisation	physical utilisation
Sunbelt US in $m	8,697	7,552	7,701	4,244	55%	72%
Sunbelt Canada in C$m	633	394	464	253	55%	60%
Sunbelt US in £m	6,805	5,482	5,731	3,159	55%	72%
A-Plant	899	862	872	412	47%	69%
Sunbelt Canada in £m	377	223	268	146	55%	60%
	8,081	6,567	6,871	3,717		

Dollar utilisation was 55% at Sunbelt US (2017: 54%), 47% at A-Plant (2017: 50%) and 55% at Sunbelt Canada (2017: 51%). The Sunbelt US dollar utilisation is ahead of where it was a year ago as the drag effect of yield and the increased cost of fleet moderates. The lower A-Plant dollar utilisation reflects the adverse yield effect while Sunbelt Canada has benefitted from the acquisition of CRS. Physical utilisation at Sunbelt US was 72% (2017: 71%), 69% at A-Plant (2017: 69%) and 60% at Sunbelt Canada.

Trade receivables

Receivable days at 31 October 2018 were 51 days (2017: 50 days). The bad debt charge for the last twelve months ended 31 October 2018 as a percentage of total turnover was 0.7% (2017: 0.7%). Trade receivables at 31 October 2018 of £756m (2017: £591m) are stated net of allowances for bad debts and credit notes of £56m (2017: £45m) with the allowance representing 6.9% (2017: 7.1%) of gross receivables.

Trade and other payables

Group payable days were 59 days in 2018 (2017: 58 days) with capital expenditure related payables, which have longer payment terms, totalling £368m (2017: £217m). Payment periods for purchases other than rental equipment vary between seven and 60 days and for rental equipment between 30 and 120 days.

Cash flow and net debt

	Six months to 31 October		LTM to 31 October	Year to 30 April
	2018	2017	2018	2018
	£m	£m	£m	£m
EBITDA before exceptional items	1,098.8	933.7	1,898.2	1,733.1
Cash inflow from operations before exceptional items and changes in rental equipment	966.8	840.2	1,807.8	1,681.2
*Cash conversion ratio**	*88%*	*90%*	*95%*	*97%*
Replacement rental capital expenditure	(258.1)	(208.5)	(425.4)	(375.8)
Payments for non-rental capital expenditure	(89.2)	(71.1)	(159.3)	(141.2)
Rental equipment disposal proceeds	93.0	84.0	160.8	151.8
Other property, plant and equipment disposal proceeds	4.1	4.8	8.2	8.9
Tax (net)	(22.7)	(77.4)	(42.9)	(97.6)
Financing costs	(60.4)	(56.4)	(114.0)	(110.0)
Cash inflow before growth capex and payment of exceptional costs	**633.5**	**515.6**	**1,235.2**	**1,117.3**
Growth rental capital expenditure	(611.4)	(452.7)	(864.6)	(705.9)
Exceptional costs	-	(25.2)	-	(25.2)
Free cash flow	**22.1**	**37.7**	**370.6**	**386.2**
Business acquisitions	(334.8)	(261.8)	(432.0)	(359.0)
Total cash (absorbed)/generated	**(312.7)**	**(224.1)**	**(61.4)**	**27.2**
Dividends	(133.3)	(113.2)	(160.6)	(140.5)
Purchase of own shares by the Company	(209.6)	-	(367.8)	(158.2)
Purchase of own shares by the ESOT	(14.2)	(10.2)	(14.2)	(10.2)
Increase in net debt due to cash flow	**(669.8)**	**(347.5)**	**(604.0)**	**(281.7)**

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

Cash inflow from operations before payment of exceptional costs and the net investment in the rental fleet increased by 15% to £967m. The first half cash conversion ratio was 88% (2017: 90%).

Total payments for capital expenditure (rental equipment and other PPE) in the first half were £959m (2017: £732m). Disposal proceeds received totalled £97m (2017: £89m), giving net payments for capital expenditure of £862m in the period (2017: £643m). Financing costs paid totalled £60m (2017: £56m) while tax payments were £23m (2017: £77m). Financing costs paid typically differ from the charge in the income statement due to the timing of interest payments in the year and non-cash interest charges. The exceptional costs incurred in the prior year represent the amounts paid to settle the interest and call premium due on the $900m senior secured notes which were satisfied and discharged in August 2017.

Accordingly, in the first half the Group generated £633m (2017: £516m) of net cash before discretionary investments made to enlarge the size and hence earning capacity of its rental fleet and on acquisitions. After growth capital expenditure and payment of exceptional costs, there was a free cash inflow of £22m (2017: £38m) and, after acquisition expenditure of £335m (2017: £262m), a net cash outflow of £313m (2017: £224m), before returns to shareholders.

Net debt

	31 October		30 April
	2018	2017	2018
	£m	£m	£m
First priority senior secured bank debt	1,854.3	1,595.7	1,508.5
Finance lease obligations	5.1	5.1	5.3
5.625% second priority senior secured notes, due 2024	386.7	371.4	358.4
4.125% second priority senior secured notes, due 2025	463.4	445.2	429.5
5.250% second priority senior secured notes, due 2026	462.3	-	-
4.375% second priority senior secured notes, due 2027	463.2	445.2	429.4
	3,635.0	2,862.6	2,731.1
Cash and cash equivalents	(23.3)	(11.7)	(19.1)
Total net debt	3,611.7	2,850.9	2,712.0

Net debt at 31 October 2018 was £3,612m with the increase since 30 April 2018 reflecting the net cash outflow set out above and the impact of weaker sterling (£200m). The Group's EBITDA for the twelve months ended 31 October 2018 was £1,898m and the ratio of net debt to EBITDA was 1.8 times at 31 October 2018 (2017: 1.8 times) on a constant currency basis and 1.9 times (2017: 1.7 times) on a reported basis.

Principal risks and uncertainties

Risks and uncertainties in achieving the Group's objectives for the remainder of the financial year, together with assumptions, estimates, judgements and critical accounting policies used in preparing financial information remain broadly unchanged from those detailed in the 2018 Annual Report and Accounts on pages 38 to 41.

The principal risks and uncertainties facing the Group are:

- economic conditions;
- competition;
- financing;
- business continuity;
- people;
- health and safety;
- environmental; and
- laws and regulations.

Further details, including actions taken to mitigate these risks, are provided within the 2018 Annual Report and Accounts.

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

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

Fluctuations in the value of the US dollar with respect to the pound sterling have had, and may continue to have, a significant impact on our financial condition and results of operations as reported in pounds due to the majority of our assets, liabilities, revenues and costs being denominated in US dollars. The Group has arranged its financing such that, at 31 October 2018, 91% 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 31 October 2018, dollar-denominated debt represented approximately 58% of the value of dollar-denominated net assets (other than debt). Based on the current currency mix of our profits and on dollar debt levels, interest and exchange rates at 31 October 2018, a 1% change in the US dollar exchange rate would impact underlying pre-tax profit by approximately £10m.

OPERATING STATISTICS

	Number of rental stores			Staff numbers		
	31 October		30 April	31 October		30 April
	2018	2017	2018	2018	2017	2018
Sunbelt US	719	637	658	12,216	11,368	11,722
A-Plant	194	187	187	3,693	3,622	3,571
Sunbelt Canada	64	52	54	887	717	688
Corporate office	-	-	-	15	13	15
Group	977	876	899	16,811	15,720	15,996

Sunbelt US's rental store number includes 19 Sunbelt at Lowes stores at 31 October 2018 (2017: 23).

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

We have been engaged by the Company to review the condensed consolidated interim financial statements for the six months ended 31 October 2018 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and related notes 1 to 16. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated interim financial statements.

The report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

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

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

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

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

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements for the six months ended 31 October 2018 are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Statutory Auditor
London, United Kingdom
10 December 2018

GLOSSARY OF TERMS

The glossary of terms below sets out definitions of terms used throughout this announcement. Included are a number of alternative performance measures ('APMs') which the directors have adopted in order to provide additional useful information on the underlying trends, performance and position of the Group. The directors use these measures, which are common across the industry, for planning and reporting purposes. These measures are also used in discussions with the investment analyst community and credit rating agencies. The APMs are not defined by IFRS and therefore may not be directly comparable with other companies' APMs and should not be considered superior to or a substitute for IFRS measures. Further details are provided in the 2018 Annual Report and Accounts on pages 137 to 139.

Availability: represents the headroom on a given date under the terms of our $3.1bn asset-backed senior credit facility, taking account of current borrowings.

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

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

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

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

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

Drop-through: calculated as the incremental rental revenue which converts into EBITDA.

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

Fleet age: net book value weighted age of serialised rental assets. Serialised rental assets constitute the substantial majority of our fleet.

Fleet on rent: quantity measured at original cost of our rental fleet on rent.

Free cash flow: cash generated from operating activities less non-rental net property, plant and equipment expenditure. Non-rental net property, plant and equipment expenditure comprises payments for non-rental capital expenditure less disposal proceeds received in relation to non-rental asset disposals.

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

Net debt: net debt is total debt less cash balances, as reported. An analysis of net debt is provided in note 13.

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

Physical utilisation: physical utilisation is measured as the daily average of the amount of itemised fleet at cost on rent as a percentage of the total fleet at cost and for Sunbelt US is measured only for equipment whose cost is over $7,500, which comprised 89% of its fleet at 31 October 2018.

Return on Investment ("RoI"): last 12-month ("LTM") underlying operating profit divided by the last 12-month average of the sum of net tangible and intangible fixed assets, plus net working capital but excluding net debt and tax. RoI is used by management to help inform capital allocation decisions within the business and a reconciliation of Group RoI is provided below:

LTM underlying operating profit (£m)	1,148
Average net assets (£m)	6,380
Return on Investment	**18%**

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

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

Suppressed availability: represents the amount on a given date that the asset base exceeds the facility size under the terms of our $3.1bn asset-backed senior credit facility.

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

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