15 June 2021

Audited results for the year and unaudited results for the fourth quarter ended 30 April 2021

	Fourth quarter			Year		
	2021 £m	2020 £m	Growth[1] %	2021 £m	2020 £m	Growth[1] %
Revenue	1,271	1,125	23%	5,031	5,054	3%
Rental revenue	1,098	1,039	15%	4,473	4,606	1%
EBITDA	552	464	30%	2,301	2,376	1%
Operating profit	264	155	95%	1,135	1,224	-3%
Adjusted[2] profit before taxation	235	114	133%	998	1,061	-2%
Profit before taxation	220	98	158%	936	983	-1%
Adjusted[2] earnings per share	38.8p	20.2p	122%	166.0p	175.0p	-1%
Earnings per share	36.3p	17.4p	143%	155.7p	162.1p	1%

Full-year highlights[3]

- Strong market outperformance
- Revenue up 3%[1]; rental revenue up 1%[1]
- Operating profit of £1,135m (2020: £1,224m)
- Adjusted pre-tax profit of £998m (2020: £1,061m)
- Adjusted earnings per share of 166.0p (2020: 175.0p)
- £718m of capital invested in the business (2020: £1.5bn)
- Record free cash flow of £1,382m (2020: £792m)
- £125m spent on bolt-on acquisitions (2020: £453m)
- Net debt to EBITDA leverage[1,3] of 1.4 times (2020: 1.9 times)
- Proposed final dividend of 35.0p, making 42.15p for the full year (2020: 40.65p)
- Sunbelt 3.0, the next phase of our strategic plan, launched in April

1 Calculated at constant exchange rates applying current period exchange rates.
2 Adjusted results are stated before exceptional items and amortisation.
3 Throughout this announcement we refer to a number of alternative performance measures which provide additional useful information. The directors have adopted these to provide additional 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 and reconciled in the Glossary on page 39.

Ashtead's chief executive, Brendan Horgan, commented:

"We returned to growth in the fourth quarter with rental revenue up 15% over last year and up 14% when compared with the fourth quarter of 2018/19, both at constant exchange rates. This completes a year of market outperformance across the business with full year rental revenue up 1% at constant exchange rates. I am extraordinarily proud of, and grateful to, all our dedicated team members who have made this possible, delivering for all our stakeholders, all while keeping our leading value of safety at the forefront of what we do.

Our performance this year illustrates the benefits of our long-term strategy to broaden and diversify our end markets and strengthen our balance sheet. This has enabled us to capitalise on our increasing scale while, at the same time, maintaining the business' agility. The last year has proven the strength in our business model during a difficult period in the economic cycle, through responding in the manner we did to the challenges arising as a result of the pandemic. Our performance during this period resulted in record free cash flow for the twelve months of £1,382m (2020: £792m) contributing to reduced leverage of 1.4 times compared to 1.9 times a year ago and adjusted pre-tax profit of £998m, only 2% lower than a year ago on a constant currency basis.

We have shown that our business can perform in both good times and more challenging ones. We enter the new financial year with clear momentum, strong positions in all our markets, supported by high quality fleet, a strong financial position and our exciting new Sunbelt 3.0 strategic plan, positioning us well to respond to market conditions and capitalise on opportunities. We will invest to drive long-term sustainable growth and returns and strengthen the business. The benefit we derive from the diversity of our products, services and end markets, our investment in technology and ongoing structural change, enhanced by the environmental and social aspects of ESG, enables the Board to look to the future with confidence."

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Brendan Horgan and Michael Pratt will hold a conference call for equity analysts to discuss the results and outlook at 10am on Tuesday, 15 June 2021. The call will be webcast live via the Company's website at www.ashtead-group.com and a replay will be available via the website shortly after the call concludes. A copy of this announcement and the slide presentation used for the call are available for download on the Company's website. The usual conference call for bondholders will begin at 3:30pm (10:30am EST).

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

Forward looking statements

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

Overview and markets

This year has been dominated by the impact of the COVID-19 pandemic. The response of our team members to these unprecedented times has been inspiring. Our robust model has enabled us to deliver for all our stakeholders in all our geographies. Throughout this period our focus has been on our people, our customers, our communities and our investors.

Our performance in these challenging conditions has been impressive with rental only revenue in the US only 2% lower than last year, as we returned to growth in the fourth quarter. Within this overall performance, our general tool business was 4% lower than last year (fourth quarter 7% higher than prior year), while the specialty businesses demonstrated the benefit of a broader range of products and end markets with rental only revenue 13% higher than last year. This contributed to Group rental revenue for the year 1% higher than the prior year at constant exchange rates.

The Group's skilled workforce is instrumental to our long-term success and we made every effort to preserve our committed workforce for when markets recovered. Therefore, we did not make any team members redundant as a result of the impact of COVID-19 and did not seek assistance from any government support programmes. Furthermore, we have recognised the hard work and dedication of our skilled trade workforce, making additional discretionary payments during the year.

Our performance, in a challenging environment, reflects the benefit of our long-term strategy which is focused on broadening and diversifying our end markets, while at the same time increasing our scale and market share. Our business model allows us to operate successfully in wide ranging market conditions as we allocate capital strategically, based on a consistently applied policy which takes account of the macroeconomic backdrop and our leverage.

Looking forward, the COVID-19 pandemic may continue to contribute to some market uncertainty in the coming months. However, on the back of the vaccination roll-out, we expect all of our end markets to continue to recover well. In April we launched the next phase of our strategic plan, Sunbelt 3.0, based on growth and resilience. This is a plan imbued with ambition and purpose to engage all our stakeholders and is designed to capitalise on the many growth opportunities available, while enhancing the Group's resilience in more challenging times. With leadership positions in all our markets, supported by high quality fleet and a strong financial position, we are well positioned to respond to market conditions and support our customers and team members as we embark on Sunbelt 3.0.

Trading results

	Revenue 2021	Revenue 2020	EBITDA 2021	EBITDA 2020	Profit[1] 2021	Profit[1] 2020
US in $m	5,417.5	5,489.9	2,634.5	2,721.0	1,444.6	1,560.0
Canada in C$m	500.9	420.7	218.9	157.0	97.8	54.5
US in £m	4,105.7	4,335.7	1,996.6	2,149.0	1,094.8	1,232.1
UK	635.1	469.2	192.8	148.6	60.9	36.4
Canada in £m	290.3	248.7	126.8	92.8	56.7	32.2
Group central costs	-	-	(14.8)	(14.6)	(15.6)	(15.4)
	5,031.1	5,053.6	2,301.4	2,375.8	1,196.8	1,285.3
Interest expense					(199.3)	(224.5)
Profit before amortisation, exceptional items and tax					**997.5**	**1,060.8**
Amortisation					(61.5)	(61.7)
Exceptional items					-	(16.3)
Profit before taxation					936.0	982.8
Taxation charge					(238.6)	(243.1)
Profit attributable to equity holders of the Company					697.4	739.7
Margins						
US			*48.6%*	*49.6%*	*26.7%*	*28.4%*
UK			*30.4%*	*31.7%*	*9.6%*	*7.8%*
Canada			*43.7%*	*37.3%*	*19.5%*	*13.0%*
Group			*45.7%*	*47.0%*	*23.8%*	*25.4%*

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

Group revenue of £5,031m was 3% higher than the prior year at constant exchange rates (2020: £5,054m). Our performance relative to the prior year improved as we progressed through the year, with all our geographies delivering year-over-year growth in the fourth quarter. The lower activity levels, particularly in the first half of the year, had a significant impact on profit in the year as a large proportion of our costs are fixed in the short term. This profit impact reflects, in part, our decision to not make team members redundant as a result of COVID-19 and ensure we had a committed workforce ready to take advantage of improving market conditions, when the recovery came. As a result, adjusted profit before tax for the year was £998m (2020: £1,061m).

Although COVID-19 impacted the Group's performance adversely, it highlighted the benefits of our strategy to broaden and diversify our end markets, which has contributed to this resilient performance. This has provided the foundation for the launch of the next phase of our strategy, Sunbelt 3.0, again underpinned with long-term growth being driven by organic investment (same-store and greenfield) supplemented by bolt-on acquisitions.

In the US, rental only revenue of $3,976m was only 2% lower than the prior year (2020: $4,065m), representing a strong market outperformance and demonstrating the benefits of our strategy of growing our specialty businesses and broadening our end markets. In the year, our specialty businesses grew 13% while the general tool business declined 4%. US total revenue, including new and used equipment, merchandise and consumable sales, decreased 1% to $5,418m (2020: $5,490m).

The UK business generated rental only revenue of £362m, an increase of 10% on a comparable basis (2020: £349m). This was a strong performance as the breadth of our product offering and commitment of our team members enabled us to provide essential support to the Department of Health in its COVID-19 response efforts. Total revenue increased 35% to £635m (2020: £469m) reflecting the higher level of ancillary and sales revenue associated with the work for the Department of Health, which accounted for c. 29% of UK revenue in the year.

Canada's rental only revenue increased 27% on a reported basis. Excluding the contribution from William F. White ('WFW'), rental only revenue of the legacy business declined only 2% and returned to growth in the fourth quarter (18%). Canadian total revenue was C$501m (2020: C$421m).

In all our markets we took action to reduce operating costs and eliminate discretionary expenditure. However, our broad customer base ensures there continues to be good opportunities to grow the business and we focused on disciplined investment as the Group returned to growth towards the end of the year. We took early decisions not to make any team members redundant as a result of COVID-19 or seek assistance from any government support programmes but to continue investment in the business, including our technology platform and our rental fleet. As a result, in the US, 50% of the rental revenue decline dropped through to EBITDA. This contributed to a reported EBITDA margin of 49% (2020: 50%) and a 7% decrease in operating profit to $1,445m (2020: $1,560m) at a margin of 27% (2020: 28%).

Last financial year we launched Project Unify in the UK with the objective of improving operational efficiency and returns in the business. This has resulted in significant investment in the operational infrastructure of the business which, when combined with the impact of COVID-19, contributed to an EBITDA margin of 30% (2020: 32%). Operating profit of £61m (2020: £36m) at a margin of 10% (2020: 8%) reflected these factors and a property impairment charge of c. £10m as we reshape the business to drive operational improvement.

Canada is in a growth phase as we invest to expand its network and develop the business. In December 2019 we acquired WFW, which serves the film and TV production industries. While WFW contributed virtually no revenue in the first quarter, it bounced back strongly from September onwards generating record levels of revenue for the business and an operating profit of C$29m at a 23% margin. The legacy Canadian business, excluding WFW, increased its EBITDA margin to 43% (2020: 38%) and generated an operating profit of C$69m (2020: C$56m) at a 18% margin (2020: 15%). This performance reflects a strong focus on operational efficiency and the cost base.

Overall, Group adjusted operating profit decreased to £1,197m (2020: £1,285m), down 3% at constant exchange rates. After financing costs of £199m (2020: £224m), Group profit before amortisation of intangibles and taxation was £998m (2020: £1,061m). After a tax charge of 25% (2020: 25%) of the adjusted profit before taxation, adjusted earnings per share decreased to 166.0p (2020: 175.0p).

Statutory profit before taxation was £936m (2020: £983m). This is after amortisation of £62m (2020: £62m) and, in the prior year, an exceptional interest cost of £16m. After a tax charge of 25%, basic earnings per share were 155.7p (2020: 162.1p). The overall cash tax charge was 34%.

Capital expenditure and acquisitions

Capital expenditure for the year was £718m gross and £410m net of disposal proceeds (2020: £1,483m gross and £1,208m net). This was slightly ahead of our plans as we took delivery of some equipment at the end of the year early to meet strong demand. As a result, the Group's rental fleet at 30 April 2021 at cost was £8.6bn and our average fleet age is now 41 months (2020: 36 months).

We invested £125m (2020: £453m), including acquired borrowings, in five bolt-on acquisitions during the year as we continue to both expand our footprint and diversity of our end markets.

For 2021/22, our plan is for gross capital expenditure to be in the range of £1.37 – 1.54bn, consistent with Sunbelt 3.0.

Return on Investment

Despite the adverse impact of COVID-19, return on investment (excluding goodwill and intangible assets) in the US for the 12 months to 30 April 2021 was 20% (2020: 21%). In the UK, reflecting improvement as a result of Project Unify and increased volumes supporting the Department of Health, return on investment (excluding goodwill and intangible assets) increased to 10% (2020: 5%). We expect returns in the UK to continue to improve, based on the strategic plans for the business. In Canada, return on investment (excluding goodwill and intangible assets) was 16% (2020: 9%). This reflects the improved performance of the legacy business and the impact of the acquisition of WFW in December 2019. As we develop the potential of the market, we expect returns to improve further. For the Group as a whole, return on investment (including goodwill and intangible assets) was 15% (2020: 15%). Return on investment excludes the impact of IFRS 16.

Cash flow and net debt

The Group generated free cash flow of £1,382m (2020: £792m) during the year, a record for the business, which was used to reduce debt. Free cash flow benefitted from strong cash collections in the fourth quarter. Net debt at 30 April 2021 was £4,190m (2020: £5,363m). Excluding the effect of IFRS 16, net debt at 30 April 2021 was £3,019m (2020: £4,256m), while the ratio of net debt to EBITDA was 1.4 times (2020: 1.9 times) on a constant currency basis. The Group's target range for net debt to EBITDA is 1.5 to 2.0 times excluding the impact of IFRS 16 (1.9 to 2.4 times post IFRS 16). Including the effect of IFRS 16, the ratio of net debt to EBITDA was 1.9 times (2020: 2.3 times) on a constant currency basis. The Group's borrowing facilities are committed for an average of five years at a weighted average cost of 4%.

At 30 April 2021, availability under the senior secured debt facility was $3,011m with an additional $2,054m of suppressed availability – substantially above the $410m level at which the Group's entire debt package is covenant free.

Dividends

The Company has a progressive dividend policy, which considers both profitability and cash generation, and results in a dividend that is sustainable across the cycle. Our intention has always been to increase the dividend as profits increase and be able to maintain it when profits decline. However, in a year of slightly lower profit but strong cash generation, a strong balance sheet and a positive outlook, the Board is recommending an increased final dividend of 35.0p per share (2020: 33.5p) making 42.15p for the year (2020: 40.65p). If approved at the forthcoming Annual General Meeting, the final dividend will be paid on 21 September 2021 to shareholders on the register on 20 August 2021.

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 pre IFRS 16.

The Group paused its greenfield opening, bolt-on and share buyback programmes in March 2020 as we took action to optimise our cash flow and strengthen further our liquidity position due to the uncertainty arising from the COVID-19 pandemic. We resumed greenfield openings towards the end of the first quarter, returned to bolt-ons in February 2021 and launched a new buyback programme in May 2021. Under this programme, the Group anticipates buying back up to £1bn in shares over the next two financial years. We commenced the programme at a run rate of £75m a quarter.

Change in presentational currency

Effective from 1 May 2021, the Group has decided to change its presentational currency from sterling to US dollars to allow for greater transparency in the Group's performance to investors and other stakeholders and reduced foreign currency exchange volatility, given that c. 80% of the Group's revenue and c. 90% of the Group's operating profit originate in US dollars. As such, the Group will present its consolidated financial statements for the year ended 30 April 2022 in US dollars. Its first report in US dollars will be for the first quarter ending 31 July 2021, due to be published on 16 September 2021. The Group has issued a separate press release today providing further details on the change and five years of historical financial information retranslated into US dollars.

Current trading and outlook

We have shown that our business can perform in both good times and more challenging ones. We enter the new financial year with clear momentum, strong positions in all our markets, supported by high quality fleet, a strong financial position and our exciting new Sunbelt 3.0 strategic plan, positioning us well to respond to market conditions and capitalise on opportunities. We will invest to drive long-term sustainable growth and returns and strengthen the business. The benefit we derive from the diversity of our products, services and end markets, our investment in technology and ongoing structural change, enhanced by the environmental and social aspects of ESG, enables the Board to look to the future with confidence.

	Guidance
Rental revenue[1]	
- US	6 – 9%
- Canada	20 – 25%
- UK	5 – 8%
- Group	6 – 9%
Capital expenditure (gross)[2]	£1.37 – 1.54bn
Free cash flow[2]	£600 – 800m

[1] Represents change in year-over-year rental revenue at constant exchange rates
[2] Stated at £1=$1.40 and £1=C$1.70

Directors' responsibility statement on the annual report

The responsibility statement below has been prepared in connection with the Company's Annual Report & Accounts for the year ended 30 April 2021. Certain parts thereof are not included in this announcement.

"We confirm to the best of our knowledge:

a) the consolidated financial statements, prepared in accordance with IFRS as adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group;

b) the Strategic report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces; and

c) the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide information necessary for shareholders to assess the Group's performance, business model and strategy.

By order of the Board

Eric Watkins
Company secretary
14 June 2021"

CONSOLIDATED INCOME STATEMENT FOR THE THREE MONTHS ENDED 30 APRIL 2021

	2021			2020		
	Before amortisation	Amortisation	Total	Before amortisation	Amortisation	Total
	£m	£m	£m	£m	£m	£m
Fourth quarter - unaudited						
Revenue						
Rental revenue	1,098.1	-	1,098.1	1,038.7	-	1,038.7
Sale of new equipment, merchandise and consumables	78.3	-	78.3	42.6	-	42.6
Sale of used rental equipment	94.7	-	94.7	44.0	-	44.0
	1,271.1	-	1,271.1	1,125.3	-	1,125.3
Operating costs						
Staff costs	(284.7)	-	(284.7)	(291.4)	-	(291.4)
Used rental equipment sold	(87.3)	-	(87.3)	(45.3)	-	(45.3)
Other operating costs	(347.6)	-	(347.6)	(324.1)	-	(324.1)
	(719.6)	-	(719.6)	(660.8)	-	(660.8)
EBITDA*	551.5	-	551.5	464.5	-	464.5
Depreciation	(272.4)	-	(272.4)	(293.2)	-	(293.2)
Amortisation of intangibles	-	(14.8)	(14.8)	-	(16.5)	(16.5)
Operating profit	279.1	(14.8)	264.3	171.3	(16.5)	154.8
Interest expense	(44.6)	-	(44.6)	(57.2)	-	(57.2)
Profit on ordinary activities before taxation	234.5	(14.8)	219.7	114.1	(16.5)	97.6
Taxation	(60.6)	3.7	(56.9)	(23.6)	4.2	(19.4)
Profit attributable to equity holders of the Company	173.9	(11.1)	162.8	90.5	(12.3)	78.2
Basic earnings per share	38.8p	(2.5p)	36.3p	20.2p	(2.8p)	17.4p
Diluted earnings per share	38.7p	(2.5p)	36.2p	20.1p	(2.7p)	17.4p

* 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 INCOME STATEMENT FOR THE YEAR ENDED 30 APRIL 2021

	2021			2020		
	Before amortisation	Amortisation	Total	Before exceptional items and amortisation	Exceptional items and amortisation	Total
	£m	£m	£m	£m	£m	£m
Year to 30 April 2021 - audited						
Revenue						
Rental revenue	4,472.6	-	4,472.6	4,606.5	-	4,606.5
Sale of new equipment, merchandise and consumables	263.5	-	263.5	184.0	-	184.0
Sale of used rental equipment	295.0	-	295.0	263.1	-	263.1
	5,031.1	-	5,031.1	5,053.6	-	5,053.6
Operating costs						
Staff costs	(1,137.9)	-	(1,137.9)	(1,172.3)	-	(1,172.3)
Used rental equipment sold	(276.2)	-	(276.2)	(229.9)	-	(229.9)
Other operating costs	(1,315.6)	-	(1,315.6)	(1,275.6)	-	(1,275.6)
	(2,729.7)	-	(2,729.7)	(2,677.8)	-	(2,677.8)
EBITDA*	2,301.4	-	2,301.4	2,375.8	-	2,375.8
Depreciation	(1,104.6)	-	(1,104.6)	(1,090.5)	-	(1,090.5)
Amortisation of intangibles	-	(61.5)	(61.5)	-	(61.7)	(61.7)
Operating profit	1,196.8	(61.5)	1,135.3	1,285.3	(61.7)	1,223.6
Interest expense	(199.3)	-	(199.3)	(224.5)	(16.3)	(240.8)
Profit on ordinary activities before taxation	997.5	(61.5)	936.0	1,060.8	(78.0)	982.8
Taxation	(253.8)	15.2	(238.6)	(262.3)	19.2	(243.1)
Profit attributable to equity holders of the Company	743.7	(46.3)	697.4	798.5	(58.8)	739.7
Basic earnings per share	166.0p	(10.3p)	155.7p	175.0p	(12.9p)	162.1p
Diluted earnings per share	165.5p	(10.3p)	155.2p	174.3p	(12.8p)	161.5p

* 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 30 April		Audited Year to 30 April	
	2021	2020	2021	2020
	£m	£m	£m	£m
Profit attributable to equity holders of the Company for the period	162.8	78.2	697.4	739.7
Items that will not be reclassified to profit or loss:				
Remeasurement of the defined benefit pension plan	13.9	(10.8)	13.9	(10.8)
Tax on defined benefit pension plan	(2.7)	2.1	(2.7)	2.1
	11.2	(8.7)	11.2	(8.7)
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation differences	(11.9)	105.6	(228.6)	71.0
Total comprehensive income for the period	162.1	175.1	480.0	802.0

CONSOLIDATED BALANCE SHEET AT 30 APRIL 2021

	Audited 2021 £m	2020 £m
Current assets		
Inventories	73.8	83.3
Trade and other receivables	782.7	821.6
Current tax asset	13.3	32.8
Cash and cash equivalents	19.2	241.4
	889.0	1,179.1
Non-current assets		
Property, plant and equipment		
- rental equipment	4,990.2	5,890.1
- other assets	626.3	708.7
	5,616.5	6,598.8
Right-of-use assets	1,116.6	1,088.3
Goodwill	1,297.3	1,340.3
Other intangible assets	279.8	326.1
Other non-current assets	69.0	-
Net defined benefit pension plan asset	4.5	-
	8,383.7	9,353.5
Total assets	9,272.7	10,532.6
Current liabilities		
Trade and other payables	591.9	574.7
Current tax liability	4.1	2.3
Lease liabilities	121.9	106.0
Provisions	39.0	53.7
	756.9	736.7
Non-current liabilities		
Lease liabilities	1,057.8	1,006.2
Long-term borrowings	3,029.3	4,492.2
Provisions	44.0	38.9
Deferred tax liabilities	1,093.7	1,274.3
Other non-current liabilities	22.3	-
Net defined benefit pension plan liability	-	12.1
	5,247.1	6,823.7
Total liabilities	6,004.0	7,560.4
Equity		
Share capital	45.1	45.4
Share premium account	3.6	3.6
Capital redemption reserve	11.1	10.8
Own shares held by the Company	(51.2)	(115.9)
Own shares held by the ESOT	(28.8)	(27.7)
Cumulative foreign exchange translation differences	77.1	305.7
Retained reserves	3,211.8	2,750.3
Equity attributable to equity holders of the Company	3,268.7	2,972.2
Total liabilities and equity	9,272.7	10,532.6

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 APRIL 2021

	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 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
Profit for the year	-	-	-	-	-	-	697.4	697.4
Other comprehensive income:								
Foreign currency translation differences	-	-	-	-	-	(228.6)	-	(228.6)
Remeasurement of the defined benefit pension plan	-	-	-	-	-	-	13.9	13.9
Tax on defined benefit pension plan	-	-	-	-	-	-	(2.7)	(2.7)
Total comprehensive income for the year	-	-	-	-	-	(228.6)	708.6	480.0
Dividends paid	-	-	-	-	-	-	(182.1)	(182.1)
Own shares purchased by the ESOT	-	-	-	-	(12.5)	-	-	(12.5)
Share-based payments	-	-	-	-	11.4	-	(4.2)	7.2
Tax on share-based payments	-	-	-	-	-	-	3.9	3.9
Cancellation of shares	(0.3)	-	0.3	64.7	-	-	(64.7)	-
At 30 April 2021	45.1	3.6	11.1	(51.2)	(28.8)	77.1	3,211.8	3,268.7

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 APRIL 2021

		Audited 2021		2020
		£m		£m
Cash flows from operating activities				
Cash generated from operations before exceptional items and changes in rental equipment		2,287.1		2,430.4
Payments for rental property, plant and equipment		(619.1)		(1,366.2)
Proceeds from disposal of rental property, plant and equipment		291.6		246.6
Cash generated from operations		1,959.6		1,310.8
Financing costs paid (net)		(193.1)		(196.9)
Exceptional financing costs paid		-		(12.4)
Tax paid (net)		(293.8)		(113.2)
Net cash generated from operating activities		1,472.7		988.3
Cash flows from investing activities				
Acquisition of businesses		(142.5)		(453.1)
Payments for non-rental property, plant and equipment		(104.8)		(208.2)
Proceeds from disposal of non-rental property, plant and equipment		13.8		12.0
Net cash used in investing activities		(233.5)		(649.3)
Cash flows from financing activities				
Drawdown of loans		495.6		2,318.5
Redemption of loans		(1,698.5)		(1,712.4)
Repayment of principal under lease liabilities		(56.0)		(64.3)
Dividends paid		(182.1)		(186.7)
Purchase of own shares by the ESOT		(12.5)		(17.6)
Purchase of own shares by the Company		-		(448.6)
Net cash used in financing activities		(1,453.5)		(111.1)
(Decrease)/increase in cash and cash equivalents		(214.3)		227.9
Opening cash and cash equivalents		241.4		12.8
Effect of exchange rate difference		(7.9)		0.7
Closing cash and cash equivalents		19.2		241.4
Reconciliation of net cash flows to net debt				
Decrease/(increase) in cash and cash equivalents in the period		214.3		(227.9)
(Decrease)/increase in debt through cash flow		(1,258.9)		541.8
Change in net debt from cash flows		(1,044.6)		313.9
Exchange differences		(343.2)		133.0
Debt acquired		18.2		89.5
Non-cash movements:				
- deferred costs of debt raising		8.3		10.1
- new lease liabilities		188.1		188.8
(Decrease)/increase in net debt in the period		(1,173.2)		735.3
Net debt at 1 May (as previously stated)	5,363.0		3,744.9	
Effect of adoption of IFRS 16	-		882.8	
Net debt at 1 May (2020 restated)		5,363.0		4,627.7
Net debt at 30 April		4,189.8		5,363.0

NOTES TO THE CONDENSED 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 condensed consolidated financial statements as at, and for the year ended 30 April 2021, comprise the Company and its subsidiaries ('the Group').

The financial statements for the year ended 30 April 2021 were approved by the directors on 14 June 2021.

This preliminary announcement of the results for the year ended 30 April 2021 contains information derived from the forthcoming 2020/21 Annual Report & Accounts and does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The statutory accounts for the year ended 30 April 2021 were approved by the directors on 14 June 2021 and will be delivered to shareholders and filed with the Registrar of Companies and made available on the Group's website at www.ashtead-group.com in July 2021. 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.

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

2. Basis of preparation

The financial statements for the year ended 30 April 2021 have been prepared in accordance with relevant International Financial Reporting Standards ('IFRS') as adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, and the accounting policies set out in the Group's Annual Report & Accounts for the year ended 30 April 2020.

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

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

In preparing the financial statements, the exchange rates used in respect of the US dollar ($) and Canadian dollar (C$) are:

	US dollar		Canadian dollar	
	2021	2020	2021	2020
Average for the three months ended 30 April	1.39	1.26	1.74	1.73
Average for the year ended 30 April	1.32	1.27	1.73	1.69
At 30 April	1.38	1.26	1.70	1.75

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. Segmental analysis

Three months to 30 April 2021 (unaudited)

	US	UK	Canada	Corporate items	Group
	£m	£m	£m	£m	£m
Revenue					
Rental revenue	885.2	140.1	72.8	-	1,098.1
Sale of new equipment, merchandise and consumables	28.3	44.5	5.5	-	78.3
Sale of used rental equipment	83.7	6.4	4.6	-	94.7
	997.2	191.0	82.9	-	1,271.1
Operating profit before amortisation	243.1	22.1	19.5	(5.6)	279.1
Amortisation					(14.8)
Interest expense					(44.6)
Profit before taxation					219.7
Taxation					(56.9)
Profit attributable to equity shareholders					162.8

Three months to 30 April 2020 (unaudited)

	US	UK	Canada	Corporate items	Group
	£m	£m	£m	£m	£m
Revenue					
Rental revenue	896.5	91.5	50.7	-	1,038.7
Sale of new equipment, merchandise and consumables	32.1	6.2	4.3	-	42.6
Sale of used rental equipment	35.0	6.4	2.6	-	44.0
	963.6	104.1	57.6	-	1,125.3
Operating profit before amortisation	177.0	(1.4)	(2.1)	(2.2)	171.3
Amortisation					(16.5)
Interest expense					(57.2)
Profit before taxation					97.6
Taxation					(19.4)
Profit attributable to equity shareholders					78.2

3. Segmental analysis (continued)

Year to 30 April 2021

	US £m	UK £m	Canada £m	Corporate items £m	Group £m
Revenue					
Rental revenue	3,738.3	481.4	252.9	-	4,472.6
Sale of new equipment, merchandise and consumables	115.4	124.9	23.2	-	263.5
Sale of used rental equipment	252.0	28.8	14.2	-	295.0
	4,105.7	635.1	290.3	-	5,031.1
Operating profit before amortisation	1,094.8	60.9	56.7	(15.6)	1,196.8
Amortisation					(61.5)
Interest expense					(199.3)
Profit before taxation					936.0
Taxation					(238.6)
Profit attributable to equity shareholders					697.4

Year to 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
Operating profit before amortisation	1,232.1	36.4	32.2	(15.4)	1,285.3
Amortisation					(61.7)
Interest expense					(224.5)
Exceptional items					(16.3)
Profit before taxation					982.8
Taxation					(243.1)
Profit attributable to equity shareholders					739.7

	US £m	UK £m	Canada £m	Corporate items £m	Group £m
At 30 April 2021					
Segment assets	7,500.4	873.0	824.1	42.7	9,240.2
Cash					19.2
Taxation assets					13.3
Total assets					9,272.7
At 30 April 2020					
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

4. Operating costs and other income

	2021			2020		
	Before amortisation	Amortisation	Total	Before amortisation	Amortisation	Total
	£m	£m	£m	£m	£m	£m
Three months to 30 April (unaudited)						
Staff costs:						
Salaries	258.7	-	258.7	265.2	-	265.2
Social security costs	21.1	-	21.1	20.3	-	20.3
Other pension costs	4.9	-	4.9	5.9	-	5.9
	284.7	-	284.7	291.4	-	291.4
Used rental equipment sold	87.3	-	87.3	45.3	-	45.3
Other operating costs:						
Vehicle costs	78.5	-	78.5	61.3	-	61.3
Spares, consumables & external repairs	73.9	-	73.9	51.8	-	51.8
Facility costs	13.3	-	13.3	13.6	-	13.6
Other external charges	181.9	-	181.9	197.4	-	197.4
	347.6	-	347.6	324.1	-	324.1
Depreciation and amortisation:						
Depreciation of tangible assets	248.4	-	248.4	268.5	-	268.5
Depreciation of right-of-use assets	24.0	-	24.0	24.7	-	24.7
Amortisation of intangibles	-	14.8	14.8	-	16.5	16.5
	272.4	14.8	287.2	293.2	16.5	309.7
	992.0	14.8	1,006.8	954.0	16.5	970.5

	2021			2020		
	Before amortisation	Amortisation	Total	Before amortisation	Amortisation	Total
	£m	£m	£m	£m	£m	£m
Year to 30 April (audited)						
Staff costs:						
Salaries	1,038.2	-	1,038.2	1,070.2	-	1,070.2
Social security costs	79.2	-	79.2	80.6	-	80.6
Other pension costs	20.5	-	20.5	21.5	-	21.5
	1,137.9	-	1,137.9	1,172.3	-	1,172.3
Used rental equipment sold	276.2	-	276.2	229.9	-	229.9
Other operating costs:						
Vehicle costs	284.7	-	284.7	293.1	-	293.1
Spares, consumables & external repairs	283.7	-	283.7	249.0	-	249.0
Facility costs	51.4	-	51.4	50.5	-	50.5
Other external charges	695.8	-	695.8	683.0	-	683.0
	1,315.6	-	1,315.6	1,275.6	-	1,275.6
Depreciation and amortisation:						
Depreciation of tangible assets	1,000.3	-	1,000.3	998.8	-	998.8
Depreciation of right-of-use assets	104.3	-	104.3	91.7	-	91.7
Amortisation of intangibles	-	61.5	61.5	-	61.7	61.7
	1,104.6	61.5	1,166.1	1,090.5	61.7	1,152.2
	3,834.3	61.5	3,895.8	3,768.3	61.7	3,830.0

5. Exceptional items and amortisation

Exceptional items are those items of financial performance that are material and non-recurring in nature. The Group believes these items should be disclosed separately within the consolidated income statement to assist in the understanding of the financial performance of the Group. Amortisation relates to the write-off of intangible assets over their estimated useful economic life. Adjusted profit and earnings per share are stated before exceptional items and amortisation of intangibles.

	Unaudited Three months to 30 April		Audited Year to 30 April	
	2021 £m	2020 £m	2021 £m	2020 £m
Amortisation of intangibles	14.8	16.5	61.5	61.7
Write-off of deferred financing costs	-	-	-	3.9
Early redemption fee	-	-	-	11.2
Call period interest	-	-	-	1.2
Taxation	(3.7)	(4.2)	(15.2)	(19.2)
	11.1	12.3	46.3	58.8

In the prior year, the costs associated with the redemption of the $500m 5.625% senior notes in November 2019 were classified as exceptional items. The write-off of deferred financing costs consisted 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:

	Unaudited Three months 30 April		Audited Year to 30 April	
	2021 £m	2020 £m	2021 £m	2020 £m
Amortisation of intangibles	14.8	16.5	61.5	61.7
Charged in arriving at operating profit	14.8	16.5	61.5	61.7
Interest expense	-	-	-	16.3
Charged in arriving at profit before tax	14.8	16.5	61.5	78.0
Taxation	(3.7)	(4.2)	(15.2)	(19.2)
	11.1	12.3	46.3	58.8

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. Interest expense

	Unaudited Three months to 30 April 2021 £m	Unaudited Three months to 30 April 2020 £m	Audited Year to 30 April 2021 £m	Audited Year to 30 April 2020 £m
Bank interest payable	5.4	16.3	36.2	75.8
Interest payable on senior notes	23.7	26.3	100.0	95.8
Interest payable on lease liabilities	13.4	12.6	53.6	45.5
Net interest on the net defined benefit pension plan liability	0.1	-	0.1	-
Non-cash unwind of discount on provisions	0.2	0.3	1.1	1.2
Amortisation of deferred debt raising costs	1.8	1.7	8.3	6.2
Total interest expense	44.6	57.2	199.3	224.5
Interest expense before exceptional items	44.6	57.2	199.3	224.5
Exceptional items	-	-	-	16.3
Interest expense	44.6	57.2	199.3	240.8

7. Taxation

The tax charge for the period has been computed using a tax rate of 25% in the US (2020: 25%), 19% in the UK (2020: 19%) and 26% in Canada (2020: 27%). The blended rate for the Group as a whole is 25% (2020: 25%).

The tax charge of £254m (2020: £262m) on the adjusted profit before taxation of £998m (2020: £1,061m) can be explained as follows:

	Year to 30 April 2021 £m	Year to 30 April 2020 £m
Current tax		
- current tax on income for the period	315.4	128.0
- adjustments to prior year	6.8	(34.5)
	322.2	93.5
Deferred tax		
- origination and reversal of temporary differences	(66.3)	140.4
- adjustments to prior year	(2.1)	28.4
	(68.4)	168.8
Tax on adjusted profit	253.8	262.3
Comprising:		
- UK	24.4	20.6
- US	220.5	240.9
- Canada	8.9	0.8
	253.8	262.3

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. Taxation (continued)

In addition, the tax credit of £15m (2020: £19m) on amortisation of £62m (2020: exceptional items and amortisation of £78m) consists of a current tax credit of £6m (2020: £10m) relating to the US and £nil (2020: £1m) relating to the UK, and a deferred tax credit of £4m (2020: £4m) relating to the US, £1m (2020: £1m) relating to the UK and £4m (2020: £3m) relating to Canada.

8. Earnings per share

Basic and diluted earnings per share for the three and twelve months ended 30 April 2021 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:

	Unaudited Three months to 30 April		Audited Year to 30 April	
	2021	2020	2021	2020
Profit for the financial period (£m)	162.8	78.2	697.4	739.7
Weighted average number of shares (m) - basic	447.9	448.7	447.9	456.4
- diluted	449.3	450.2	449.3	458.0
Basic earnings per share	36.3p	17.4p	155.7p	162.1p
Diluted earnings per share	36.2p	17.4p	155.2p	161.5p

Adjusted earnings per share (defined in any period as the earnings before exceptional items and amortisation 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:

	Unaudited Three months to 30 April		Audited Year to 30 April	
	2021	2020	2021	2020
Basic earnings per share	36.3p	17.4p	155.7p	162.1p
Amortisation of intangibles	3.3p	3.7p	13.7p	13.5p
Exceptional items	-	-	-	3.6p
Tax on exceptional items and amortisation	(0.8p)	(0.9p)	(3.4p)	(4.2p)
Adjusted earnings per share	38.8p	20.2p	166.0p	175.0p

9. Dividends

During the year, a final dividend in respect of the year ended 30 April 2020 of 33.5p (2019: 33.5p) and an interim dividend for the year ending 30 April 2021 of 7.15p (2020: 7.15p) per share were paid to shareholders costing £182m (2020: £187m).

In addition, the directors are proposing a final dividend in respect of the year ended 30 April 2021 of 35.0p (2020: 33.5p) per share which will absorb £157m of shareholders' funds, based on the 447m shares qualifying for dividend on 14 June 2021. Subject to approval by shareholders, it will be paid on 21 September 2021 to shareholders who are on the register of members on 20 August 2021.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. Property, plant and equipment

	2021		2020	
Net book value	Rental equipment £m	Total £m	Rental equipment £m	Total £m
At 1 May	5,890.1	6,598.8	5,413.3	5,987.0
Effect of adoption of IFRS 16	-	-	-	(4.8)
Exchange differences	(422.1)	(471.8)	154.8	169.7
Reclassifications	(1.1)	-	(2.1)	-
Additions	613.3	718.1	1,274.3	1,483.0
Acquisitions	45.2	46.8	155.9	199.4
Disposals	(261.9)	(275.1)	(226.5)	(236.7)
Depreciation	(873.3)	(1,000.3)	(879.6)	(998.8)
At 30 April	4,990.2	5,616.5	5,890.1	6,598.8

Included within depreciation is an impairment charge of £nil (2020: £9m).

11. Right-of-use assets

	2021			2020		
Net book value	Property leases £m	Other leases £m	Total £m	Property leases £m	Other leases £m	Total £m
At 1 May	1,083.7	4.6	1,088.3	-	-	-
Effect of adoption of IFRS 16	-	-	-	889.5	4.8	894.3
Exchange differences	(79.3)	-	(79.3)	25.3	-	25.3
Additions	145.0	6.0	151.0	191.5	1.6	193.1
Acquisitions	18.2	-	18.2	74.8	-	74.8
Remeasurement	45.9	-	45.9	(3.4)	-	(3.4)
Disposals	(2.9)	(0.3)	(3.2)	(3.5)	(0.6)	(4.1)
Depreciation	(102.9)	(1.4)	(104.3)	(90.5)	(1.2)	(91.7)
At 30 April	1,107.7	8.9	1,116.6	1,083.7	4.6	1,088.3

Included within depreciation is an impairment charge of £9m (2020: £nil).

12. Lease liability

	30 April 2021 £m	30 April 2020 £m
Current	121.9	106.0
Non-current	1,057.8	1,006.2
	1,179.7	1,112.2

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. Borrowings

	30 April 2021 £m	30 April 2020 £m
Non-current		
First priority senior secured bank debt	885.0	2,141.9
4.125% senior notes, due 2025	429.6	470.8
5.250% senior notes, due 2026	428.6	469.6
4.375% senior notes, due 2027	429.0	470.2
4.000% senior notes, due 2028	428.6	469.9
4.250% senior notes, due 2029	428.5	469.8
	3,029.3	4,492.2

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. The senior notes are guaranteed by Ashtead Group plc and all its principal subsidiary undertakings.

Our debt facilities are committed for the long term, with an average maturity of five years. Our £4.1bn asset-based senior credit facility is committed until December 2023. The $600m 4.125% senior notes mature in August 2025, the $600m 5.25% senior notes mature in August 2026, the $600m 4.375% senior notes mature in August 2027, the $600m 4.000% senior notes mature in May 2028 and the $600m 4.250% senior notes mature in November 2029.

The weighted average interest cost of these facilities (including non-cash amortisation of deferred debt raising costs) is 4%.

There is one financial performance covenant under the first priority senior credit facility. That is the fixed charge ratio (comprising LTM EBITDA before exceptional items less LTM net capital expenditure paid in cash over the sum of scheduled debt repayments plus cash interest, cash tax payments and dividends paid in the last twelve months) which, must be equal to, or greater than, 1.0. This covenant does not apply when availability exceeds $410m. The covenant ratio is calculated each quarter. At 30 April 2021, the fixed charge ratio exceeded the covenant requirement. The terms of the senior notes are such that financial performance covenants are only measured at the time new debt is raised.

At 30 April 2021, availability under the senior secured bank facility was $3,011m ($2,363m at 30 April 2020, including cash on the balance sheet), with an additional $2,054m of suppressed availability, meaning that the covenant did not apply at 30 April 2021 and is unlikely to apply in forthcoming quarters.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. Borrowings (continued)

Fair value of financial instruments

At 30 April 2021, the Group had no derivative financial instruments.

With the exception of the Group's senior 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 30 April 2021		At 30 April 2020	
	Book Value £m	Fair value £m	Book value £m	Fair value £m
4.125% senior notes	433.4	445.3	475.7	461.4
5.250% senior notes	433.4	453.4	475.7	479.3
4.375% senior notes	433.4	453.9	475.7	463.8
4.000% senior notes	433.4	453.4	475.7	453.1
4.250% senior notes	433.4	463.2	475.7	453.1
	2,167.0	2,269.2	2,378.5	2,310.7
Deferred costs of raising finance	(22.7)	-	(28.2)	-
	2,144.3	2,269.2	2,350.3	2,310.7

The fair value of the senior notes has been calculated using quoted market prices at 30 April 2021.

14. Share capital

Ordinary shares of 10p each:

	30 April 2021 Number	30 April 2020 Number	30 April 2021 £m	30 April 2020 £m
Issued and fully paid	451,354,833	454,194,833	45.1	45.4

In September 2020, 2.9m shares held in treasury were cancelled. At 30 April 2021 after the cancellation of these shares, 2.0m (April 2020: 4.9m) shares were held by the Company (£51m; 2020: £116m) and a further 1.4m (April 2020: 1.5m) shares were held by the Company's Employee Share Ownership Trust (£29m; 2020: £28m).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. Notes to the cash flow statement

a) Cash flow from operating activities

	Year to 30 April 2021 £m	2020 £m
Operating profit before exceptional items and amortisation	1,196.8	1,285.3
Depreciation	1,104.6	1,090.5
EBITDA	2,301.4	2,375.8
Profit on disposal of rental equipment	(18.8)	(33.3)
Profit on disposal of other property, plant and equipment	(0.4)	(1.2)
Decrease/(increase) in inventories	4.0	(0.5)
(Increase)/decrease in trade and other receivables	(96.8)	94.1
Increase/(decrease) in trade and other payables	89.9	(13.2)
Exchange differences	0.6	0.3
Other non-cash movements	7.2	8.4
Cash generated from operations before exceptional items and changes in rental equipment	2,287.1	2,430.4

b) Analysis of net debt

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

			Non-cash movements				
	1 May 2020	Cash flow	Exchange movement	Debt acquired	New lease liabilities	Other movements	30 April 2021
	£m	£m	£m	£m	£m	£m	£m
Long-term borrowings	4,492.2	(1,202.9)	(268.3)	-	-	8.3	3,029.3
Lease liabilities	1,112.2	(56.0)	(82.8)	18.2	188.1	-	1,179.7
Total liabilities from financing activities	5,604.4	(1,258.9)	(351.1)	18.2	188.1	8.3	4,209.0
Cash and cash equivalents	(241.4)	214.3	7.9	-	-	-	(19.2)
Net debt	5,363.0	(1,044.6)	(343.2)	18.2	188.1	8.3	4,189.8

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. Notes to the cash flow statement (continued)

b) Analysis of net debt (continued)

	1 May 2019 £m	Adoption of IFRS 16 £m	Cash flow £m	Non-cash movements: Exchange movement £m	Debt acquired £m	New lease liabilities £m	Other movements £m	30 April 2020 £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

Details of the Group's cash and debt are given in notes 12 and 13 and the Review of Fourth Quarter, Balance Sheet and Cash Flow accompanying these condensed consolidated financial statements.

c) Acquisitions

	Year to 30 April 2021 £m	2020 £m
Cash consideration paid:		
- acquisitions in the period	123.5	435.8
- contingent consideration	19.0	17.3
	142.5	453.1

During the year, five businesses were acquired with cash paid of £123m (2020: £436m), after taking into account net cash acquired of £nil (2020: £4m). Further details are provided in Note 16.

Contingent consideration of £19m (2020: £17m) was paid relating to prior year acquisitions.

16. Acquisitions

During the year, the following acquisitions were completed:

i) On 3 February 2021, Sunbelt US acquired the business and assets of DC Rentals, LLC ('DCR'). DCR is a general tool business in Connecticut.

ii) On 26 March 2021, Sunbelt US acquired the business and assets of Harford Rental Service, Inc. ('Harford'). Harford is a general tool business in Maryland.

iii) On 16 April 2021, Sunbelt US acquired the business and assets of American Aerial Equipment, LLC ('American Aerial'). American Aerial is a general tool business in Massachusetts.

iv) On 23 April 2021, Sunbelt US acquired the business and assets of Ross Aerial Equipment, LLC ('Ross Aerial'). Ross Aerial is a general tool business in Arizona.

v) On 28 April 2021, Sunbelt US acquired the business and assets of Tomcon Industries, Inc. ('Tomcon'). Tomcon is a general tool business in New York.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. 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	5.3
Property, plant and equipment	
- rental equipment	45.2
- other assets	1.6
Right-of-use asset	18.2
Creditors	(0.7)
Lease liabilities	(18.2)
Deferred tax	0.1
Intangible assets (non-compete agreements and customer relationships)	28.2
	79.7
Consideration:	
- cash paid and due to be paid (net of cash acquired)	124.5
- contingent consideration	5.3
	129.8
Goodwill	50.1

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. £50m 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 £5m.

Due to the operational integration of acquired businesses in the US, Canada and the 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 2020 to their date of acquisition was not material.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. 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 ('CFC') 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. Despite the UK Government appealing the European Commission's decision, Her Majesty's Revenue & Customs ('HMRC') is required to make an assessment of the tax liability which would arise if the decision is not successfully appealed and collect that amount from taxpayers. HMRC has issued a charging notice stating that the tax liability it believes to be due on this basis is £36m, including interest payable. This represents the Group's maximum potential liability, including any interest payable, if either the decision reached by the European Commission or the charging notice issued by HMRC are not successfully appealed. The Group has appealed the charging notice but has settled the amount assessed on it, including interest, in line with HMRC requirements. On successful appeal against the European Commission decision or the charging notice, in whole or in part, all or part of the amount paid in accordance with the charging notice would be returned to the Group. Based on the current status of proceedings, we have concluded that no provision is required in relation to this matter. The £36m paid has been recognised as a non-current asset on the balance sheet.

18. Events after the balance sheet date

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

i) On 12 May 2021, Sunbelt Canada acquired the business and assets of Island Equipment Rentals Ltd., ('Island Equipment'). Island Equipment is a general equipment business in British Columbia, Canada.

ii) On 26 May 2021, Sunbelt US acquired the business and assets of Randall Industries, Inc. ('Randall'). Randall is a general equipment business in Illinois and Indiana.

The initial accounting for these acquisitions is incomplete. Had these acquisitions taken place on 1 May 2020, their contribution to revenue and operating profit would not have been material.

In May 2021, the Group commenced the share buyback programme of up to £1bn over the next two financial years, announced in April 2021.

REVIEW OF FOURTH QUARTER, BALANCE SHEET AND CASH FLOW

Fourth quarter (unaudited)

	Revenue		EBITDA		Profit[1]	
	2021	2020	2021	2020	2021	2020
US in $m	1,383.3	1,210.0	643.1	532.1	339.2	220.9
Canada in C$m	144.3	99.9	65.1	26.0	33.9	(3.1)
US in £m	997.2	963.6	462.2	424.3	243.1	177.0
UK	191.0	104.1	57.3	27.4	22.1	(1.4)
Canada in £m	82.9	57.6	37.4	14.8	19.5	(2.1)
Group central costs	-	-	(5.4)	(2.0)	(5.6)	(2.2)
	1,271.1	1,125.3	551.5	464.5	279.1	171.3
Interest expense					(44.6)	(57.2)
Profit before amortisation and tax					**234.5**	**114.1**
Amortisation					(14.8)	(16.5)
Profit before taxation					219.7	97.6
Margins						
US			*46.5%*	*44.0%*	*24.5%*	*18.3%*
UK			*30.0%*	*26.3%*	*11.6%*	*-1.4%*
Canada			*45.1%*	*26.0%*	*23.5%*	*-3.1%*
Group			*43.4%*	*41.3%*	*22.0%*	*15.2%*

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

Group revenue increased 13% (23% at constant exchange rates) to £1,271m in the fourth quarter (2020: £1,125m), with growth in all geographies. This growth, combined with the severe impact of the COVID-19 pandemic on the fourth quarter last year, and an adjustment to receivable provision levels this year, resulted in adjusted profit before tax for the quarter more than doubling to £235m (2020: £114m).

US rental only revenue in the quarter was 8% higher than a year ago on a billings per day basis. This consisted of our general tool business which was 7% higher than last year while the specialty business was 18% higher than a year ago.

The UK generated rental only revenue in the quarter of £97m (2020: £78m), 33% higher than the prior year on a comparable basis. Total revenue increased 83% to £191m (2020: £104m) reflecting the higher level of ancillary and sales revenue associated with the services provided to the Department of Health.

Canada's rental only revenue increased 53% to C$104m (2020: C$68m). Excluding the impact of WFW, rental only revenue for the legacy business increased 18%. Total revenue was C$144m (2020: C$100m).

Group operating profit increased 63% to £279m (2020: £171m) and, after financing costs of £45m (2020: £57m), Group profit before amortisation of intangibles and taxation was £235m (2020: £114m). After amortisation of £15m (2020: £16m) the statutory profit before taxation was £220m (2020: £98m).

Balance sheet

Fixed assets

Capital expenditure in the year totalled £718m (2020: £1,483m) with £613m invested in the rental fleet (2020: £1,274m). Expenditure on rental equipment was 85% of total capital expenditure with the balance relating to the delivery vehicle fleet, property improvements and IT equipment. Capital expenditure by division was:

	2021			2020
	Replacement	Growth	Total	Total
US in $m	575.6	-	575.6	1,451.9
Canada in C$m	60.5	18.1	78.6	116.4
US in £m	436.2	-	436.2	1,151.1
UK	91.7	39.9	131.6	56.7
Canada in £m	35.1	10.4	45.5	66.5
Total rental equipment	563.0	50.3	613.3	1,274.3
Delivery vehicles, property improvements & IT equipment			104.8	208.7
Total additions			718.1	1,483.0

As a result of the impact of COVID-19 on market activity, all capital expenditure in the US in 2021 has been classified as replacement capital expenditure. Capital expenditure in the UK and Canada included growth expenditure to meet customer needs. The growth proportion is estimated on the basis of the assumption that replacement capital expenditure in any period is equal to the original cost of equipment sold.

The average age of the Group's serialised rental equipment, which constitutes the substantial majority of our fleet, at 30 April 2021 was 41 months (2020: 36 months) on a net book value basis. The US fleet had an average age of 41 months (2020: 36 months), the UK fleet had an average age of 39 months (2020: 43 months) and the Canadian fleet had an average age of 38 months (2020: 33 months).

	Rental fleet at original cost			LTM rental	LTM dollar
	30 April 2021	30 April 2020	LTM average	revenue	utilisation
US in $m	9,827	10,102	9,940	4,933	50%
Canada in C$m	938	921	925	436	47%
US in £m	7,098	8,010	7,533	3,738	50%
UK	914	874	885	482	54%
Canada in £m	551	526	536	253	47%
	8,563	9,410	8,954	4,473	

Dollar utilisation was 50% in the US (2020: 51%), 54% for the UK (2020: 46%) and 47% for Canada (2020: 47%). The increase in UK dollar utilisation reflects the significant increase in activity levels and associated ancillary services to support the Department of Health.

Trade receivables

Receivable days at 30 April 2021 were 42 days (2020: 49 days). Trade receivables at 30 April 2021 of £724m (2020: £776m) are stated net of allowances for bad debts and credit notes of £53m (2020: £100m), with the provision representing 7% (2020: 13%) of gross receivables. We increased the allowance for bad debts and credit notes last year as a result of the onset of the COVID-19 pandemic. However, our concern of significantly increased levels of irrecoverable receivables did not materialise and cash collections have remained strong throughout the year, particularly in the fourth quarter. Accordingly, we have released the majority of the additional provision established last year, resulting in an overall credit to the income statement as a percentage of total turnover of 0.2% (2020: charge of 1.2%).

Trade and other payables

Group payable days were 40 days at 30 April 2021 (2020: 55 days) with capital expenditure related payables totalling £97m (2020: £106m). This reduction in payable days reflects the Group's efforts to ensure suppliers are paid promptly and in accordance with agreed terms. 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

	Year to 30 April	
	2021	2020
	£m	£m
EBITDA before exceptional items	2,301.4	2,375.8
Cash inflow from operations before exceptional items and changes in rental equipment	2,287.1	2,430.4
*Cash conversion ratio**	*99.4%*	*102.3%*
Replacement rental capital expenditure	(571.5)	(650.2)
Payments for non-rental capital expenditure	(104.8)	(208.2)
Rental equipment disposal proceeds	291.6	246.6
Other property, plant and equipment disposal proceeds	13.8	12.0
Tax (net)	(293.8)	(113.2)
Financing costs	(193.1)	(196.9)
Cash inflow before growth capex and payment of exceptional costs	**1,429.3**	**1,520.5**
Growth rental capital expenditure	(47.6)	(716.0)
Exceptional costs	-	(12.4)
Free cash flow	**1,381.7**	**792.1**
Business acquisitions	(142.5)	(453.1)
Total cash generated	**1,239.2**	**339.0**
Dividends	(182.1)	(186.7)
Purchase of own shares by the Company	-	(448.6)
Purchase of own shares by the ESOT	(12.5)	(17.6)
Decrease/(increase) in net debt due to cash flow	**1,044.6**	**(313.9)**

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

Cash inflow from operations before payment of exceptional costs and the net investment in the rental fleet was £2,287m (2020: £2,430m). The conversion ratio for the year was 99% (2020: 102%) which reflects the strong cash collections seen throughout the year.

Total payments for capital expenditure (rental equipment and other PPE) during the year were £724m (2020: £1,574m). Disposal proceeds received totalled £305m (2020: £259m), giving net payments for capital expenditure of £419m in the period (2020: £1,315m). Financing costs paid totalled £193m (2020: £197m) while tax payments were £294m (2020: £113m). 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 increased tax payments reflect the impact of lower levels of capital expenditure this year which, in the US, are deductible in full as incurred.

Accordingly, the Group generated free cash flow of £1,382m (2020: £792m) and, after acquisition related expenditure of £143m, a net cash inflow of £1,239m (2020: £339m), before returns to shareholders.

Net debt	2021	2020
	£m	£m
First priority senior secured bank debt	885.0	2,141.9
4.125% senior notes, due 2025	429.6	470.8
5.250% senior notes, due 2026	428.6	469.6
4.375% senior notes, due 2027	429.0	470.2
4.000% senior notes, due 2028	428.6	469.9
4.250% senior notes, due 2029	428.5	469.8
Total external borrowings	3,029.3	4,492.2
Lease liabilities	1,179.7	1,112.2
	4,209.0	5,604.4
Cash and cash equivalents	(19.2)	(241.4)
Total net debt	4,189.8	5,363.0

Net debt at 30 April 2021 was £4,190m with the decrease since 30 April 2020 reflecting the net cash inflow set out above and a benefit from stronger sterling (£343m). The Group's EBITDA for the year ended 30 April 2021 was £2,301m. Excluding the impact of IFRS 16, the ratio of net debt to EBITDA was 1.4 times (2020: 1.9 times) on a constant currency and a reported basis as at 30 April 2021. Including the impact of IFRS 16, the ratio of net debt to EBITDA was 1.9 times at 30 April 2021 (2020: 2.3 times).

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.

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

The Group has fixed and variable rate debt in issue with 71% of the drawn debt at a fixed rate as at 30 April 2021, 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 125bp.

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 2021, the Group had no such swap agreements outstanding. The Group may, at times, hold cash and cash equivalents, which earn interest at a variable rate.

Currency risk

Currency risk is predominantly translation risk as there are no significant 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 2021, 97% 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 2021, dollar denominated debt represented approximately 61% 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 30 April 2021, a 1% change in the US dollar exchange rate would impact pre-tax profit by £9m.

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 exchange 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.

Credit risk

The Group's principal financial assets are cash and bank balances and trade and other receivables. The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The Group has a large number of unrelated customers, serving over 815,000 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 credit risk more effectively. However, broad principles of credit risk management practice are observed across the Group, such as the use of credit reference agencies and the maintenance of credit control functions.

Liquidity risk

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

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

In addition to the strong free cash flow from normal trading activities, additional liquidity is available through the Group's senior secured debt facility. At 30 April 2021, availability under the $4.1bn facility was $3,011m (£2,175m).

Principal risks and uncertainties

The Group faces a number of risks and uncertainties in its day-to-day operations and it is management's role to mitigate and manage these risks. The Board has established a formal risk management process which has identified the following principal risks and uncertainties which could affect employees, operations, revenue, profits, cash flows and assets of the Group.

Economic conditions

Potential impact
In the longer term, there is a link between levels of economic activity and demand for our services. The most significant end market which affects our business is construction. The construction market is cyclical and typically lags the general economic cycle by between 12 and 24 months.

The economic uncertainties resulting from the impact of the COVID-19 or other pandemics are considered as part of this risk.

Mitigation
- Prudent management through the different phases of the cycle.
- Flexibility in the business model.
- Capital structure and debt facilities arranged in recognition of the cyclical nature of our market and able to withstand market shocks.

Change
Despite the ongoing impact of the COVID-19 pandemic, the performance of the Group in recent months together with the success of the vaccine roll-out programme in our major markets and planned stimulus packages mean that we expect the economy to be supportive of our business and as such have reduced the likelihood rating of an adverse economic event to 'medium'. Nevertheless, we remain cognisant of market dynamics and uncertainties to ensure that the Group is positioned to respond to changes in economic conditions.

Competition

Potential impact
The already competitive market could become even more competitive and we could suffer increased competition from large national competitors or small companies or local companies resulting in reduced market share and lower revenue.

This could negatively affect rental rates and physical utilisation. Continuing industry consolidation could also have a similar effect.

Mitigation
- Create commercial advantage by providing the highest level of service, consistently and at a price which offers value.
- Differentiation of service.
- Enhance the barriers to entry to newcomers provided by our platform: industry-leading technology, experienced personnel and a broad network and equipment fleet.
- Regularly estimate and monitor our market share and track the performance of our competitors.

Change
Our competitive position continues to improve. We have grown faster than our larger competitors and the market, and continue to take market share from our smaller, less well financed competitors. We have a 11% market share in the US, a 7% market share in Canada and 9% in the UK.

Financing

Potential impact
Debt facilities are committed for a finite period of time and thus must be renewed before they mature. Our loan agreements also contain conditions (known as covenants) with which we must comply.

Mitigation
- Maintain conservative (1.5 to 2.0 times excluding the impact of IFRS 16), net debt to EBITDA leverage which helps minimise our refinancing risk.
- Maintain long debt maturities.
- Use of an asset-based senior facility means none of our debt contains quarterly financial covenants when availability under the facility exceeds $410m.

Change
At 30 April 2021, our facilities were committed for an average of 5 years, leverage was at 1.4 times and availability under the senior debt facility was $3,011m.

Cyber security

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

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

Mitigation
- Stringent policies surrounding security, user access, change control and the ability to download and install software.
- Testing of cyber security including system penetration testing and internal phishing training exercises undertaken.
- Use of antivirus and malware software, firewalls, email scanning and internet monitoring as an integral part of our security plan.
- Use of firewalls and encryption to protect systems and any connections to third parties.
- Use of multi-factor authentication.
- Continued focus on development of IT strategy taking advantage of cloud technology available.
- Separate near-live back-up data centres which are designed to be able to provide the necessary services in the event of a failure at a primary site.

Change
Good progress has been made in enhancing the Group's cyber security profile, with a significant and ongoing investment in resource and tooling. Nevertheless, cyber security remains a continually evolving area and a priority for the Group.

In relation to business continuity, our plans have been subject to continued review and update during the year and our disaster recovery plans are tested regularly. Our broader business continuity plans have been tested extensively as a result of the COVID-19 pandemic and were proven robust and enabled the business to operate uninterrupted throughout. We will review these plans over the coming year to ensure they reflect the lessons from the last year.

Health and safety

Potential impact
A failure to comply with laws and regulations governing health and safety and ensure the highest standards of health and safety across the Group could result in accidents which may result in injury to or fatality of an individual, claims against the Group and/or damage to our reputation.

Mitigation
- Maintain appropriate health and safety policies and procedures regarding the need to comply with laws and regulations and to reasonably guard our employees against the risk of injury.
- Induction and training programmes reinforce health and safety policies.
- Programmes to support our customers exercising their responsibility to their own workforces when using our equipment.
- Maintain appropriate insurance coverage.

Change
The health and safety of our team members continues to be a key focus areas for the Group and an area of continuous improvement.

Additional measures were introduced to protect our team members, customers and communities as a result of the impact of COVID-19 including:
- restricted travel and meetings;
- remote working where possible;
- reinforced health protection protocols and implemented social distancing;
- provided touchless signature at the point of equipment pick-up or delivery;
- implemented curbside pick-up and drop-off.

In terms of reportable incidents, the RIDDOR reportable rate was 0.31 (2020: 0.30) in the US, 0.29 (2020: 0.34) in Canada and 0.27 (2020: 0.19) in the UK.

People

Potential impact
Retaining and attracting good people is key to delivering superior performance and customer service.

Excessive staff turnover is likely to impact on our ability to maintain the appropriate quality of service to our customers and would ultimately impact our financial performance adversely.

At a leadership level, succession planning is required to ensure the Group can continue to inspire the right culture, leadership and behaviours and meet its strategic objectives.

Mitigation
- Provide well-structured and competitive reward and benefit packages that ensure our ability to attract and retain the employees we need.
- Ensure that our staff have the right working environment and equipment to enable them to do the best job possible and maximise their satisfaction at work.
- Invest in training and career development opportunities for our people to support them in their careers.
- Ensure succession plans are in place and reviewed regularly which meet the ongoing needs of the Group.

Change
Our compensation and incentive programmes have continued to evolve to reflect market conditions, the economic environment and the results of our employee engagement surveys.

Our early decision at the onset of COVID-19 to not make any team members redundant as a result of the pandemic provided job security and enabled them to focus on serving our customers. In addition, we provided paid time off for team members quarantining as a result of COVID-19.

The establishment of diversity and inclusion programmes across the business to enhance our efforts to attract and retain the best people.

Environmental

Potential impact
At the recent Capital Markets Day, the Group made a long term commitment to reduce its carbon intensity by 35% by 2030, with a near term commitment to reduce its carbon intensity by 15% by 2024, and set out a roadmap to achieve this. Failure to do so could adversely impact the Group and its stakeholders.

A significant part of our rental fleet is reliant on diesel engines. Over time, 'greener' alternatives will become available as technology advances. If we do not remain at the forefront of technological advances, and invest in the latest equipment, our rental fleet could become obsolete.

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

Mitigation
- Policies and procedures in place at all our stores regarding the need to adhere to local laws and regulations.
- Procurement policies reflect the need for the latest available emissions management and fuel efficiency tools in our fleet.
- Monitoring and reporting of carbon emissions.

Change
The work of the Health, Safety and Environmental departments and Performance Standards teams continue to assess environmental compliance.

The appointments of a Group Managing Director of ESG and a VP of Environmental, Social and Governance for Sunbelt North America has further heightened our focus on this area.

In 2020/21 our carbon emission intensity ratio reduced to 64.3 (2020: 68.5).

As we implement our Sunbelt 3.0 strategy, we will continue to enhance our reporting in this area, including the development of further KPIs across a range of environmental areas. We have committed to reducing our carbon intensity by 35% by 2030 and 15% by the end of Sunbelt 3.0.

Laws and regulations

Potential impact
Failure to comply with the frequently changing regulatory environment could result in reputational damage or financial penalty.

Mitigation
- Maintaining a legal function to oversee management of these risks and to achieve compliance with relevant legislation.
- Group-wide ethics policy and whistle-blowing arrangements.

- Evolving policies and practices to take account of changes in legal obligations.
- Training and induction programmes ensure our staff receive appropriate training and briefing on the relevant policies.

Change
We monitor regulatory and legislative changes to ensure our policies and practices reflect them and we comply with relevant legislation.

Our whistle-blowing arrangements are well established and the Company Secretary reports matters arising to the Audit Committee and the Board during the course of the year.

During the year over 1,250 people in the US, 155 people in Canada and 607 people in the UK underwent induction training and additional training programmes were undertaken in safety.

OPERATING STATISTICS

	Number of rental stores		Staff numbers	
	2021	2020	2021	2020
US	861	837	13,553	14,048
UK	188	193	3,777	3,712
Canada	77	75	1,479	1,506
Corporate office	-	-	17	18
Group	1,126	1,105	18,826	19,284

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.

<table>
<tr><th>Term</th><th>Closest equivalent statutory measure</th><th>Definition and purpose</th></tr>
<tr><td>Drop through</td><td>None</td><td>Calculated as the change in rental revenue which converts into EBITDA (excluding gains from sale of new equipment, merchandise and consumables and from sale of used equipment).
<table>
<tr><th></th><th>2021</th><th>2020</th><th>Change</th></tr>
<tr><td>Sunbelt US ($m)</td><td></td><td></td><td></td></tr>
<tr><td>Rental revenue</td><td>4,933</td><td>5,046</td><td>(113)</td></tr>
<tr><td>EBITDA</td><td>2,635</td><td>2,721</td><td></td></tr>
<tr><td>Gains</td><td>(76)</td><td>(106)</td><td></td></tr>
<tr><td>EBITDA excluding gains</td><td>2,559</td><td>2,615</td><td>(56)</td></tr>
<tr><td>Drop through</td><td></td><td></td><td>50%</td></tr>
</table>
This measure is utilised by the Group to demonstrate the change in profitability generated by the Group as a result of the change in rental revenue in the period.</td></tr>
<tr><td>Growth at constant exchange rates</td><td>None</td><td>Calculated by applying the current period exchange rate to the comparative period result. The relevant foreign currency exchange rates are provided within Note 2, Accounting policies, to the financial statements. This measure is used as a means of eliminating the effects of foreign exchange rate movements on the period-on-period changes in reported results.
<table>
<tr><th></th><th>2021
£m</th><th>2020
£m</th><th>%</th></tr>
<tr><td>Rental revenue</td><td></td><td></td><td></td></tr>
<tr><td>As reported</td><td>4,473</td><td>4,606</td><td>-3%</td></tr>
<tr><td>Retranslation effect</td><td>-</td><td>(165)</td><td></td></tr>
<tr><td>At constant currency</td><td>4,473</td><td>4,441</td><td>1%</td></tr>
<tr><td>Adjusted profit before tax</td><td></td><td></td><td></td></tr>
<tr><td>As reported</td><td>998</td><td>1,061</td><td>-6%</td></tr>
<tr><td>Retranslation effect</td><td>-</td><td>(42)</td><td></td></tr>
<tr><td>At constant currency</td><td>998</td><td>1,019</td><td>-2%</td></tr>
</table></td></tr>
<tr><td>Leverage</td><td>None</td><td>Leverage calculated at constant exchange rates uses the period end exchange rate for the relevant period and is determined as net debt divided by adjusted EBITDA.
<table>
<tr><th></th><th colspan="2">2021</th><th colspan="2">2020</th></tr>
<tr><th></th><th>Excluding IFRS 16</th><th>Including IFRS 16</th><th>Excluding IFRS 16</th><th>Including IFRS 16</th></tr>
<tr><td>Net debt (at constant currency)</td><td>3,019</td><td>4,190</td><td>4,256</td><td>5,363</td></tr>
<tr><td>EBITDA (at constant currency)</td><td>2,098</td><td>2,194</td><td>2,280</td><td>2,380</td></tr>
<tr><td>Leverage</td><td>1.4x</td><td>1.9x</td><td>1.9x</td><td>2.3x</td></tr>
</table>
This measure is used to provide an indication of the strength of the Group's balance sheet and is widely used by investors and credit rating agencies. It also forms part of the remuneration targets of the Group and has been identified as one of the Group's key performance indicators.</td></tr>
</table>

<table>
<tr><th>Term</th><th>Closest equivalent statutory measure</th><th>Definition and purpose</th></tr>
<tr><td>Return on Investment (‘RoI’)</td><td>None</td><td>Last 12-month (‘LTM’) adjusted 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 calculated excluding the impact of IFRS 16.

RoI is used by management to help inform capital allocation decisions within the business and has been identified as one of the Group’s key performance indicators. It also forms part of the remuneration targets of the Group.

A reconciliation of Group RoI is provided below:

<table>
<tr><th></th><th>2021</th><th>2020</th></tr>
<tr><td>Adjusted operating profit (£m)</td><td>1,176</td><td>1,270</td></tr>
<tr><td>Average net assets (£m)</td><td>7,886</td><td>8,347</td></tr>
<tr><td>Return on investment (%)</td><td>15%</td><td>15%</td></tr>
</table>

RoI for the businesses is calculated in the same way, but excludes goodwill and intangible assets:
<table>
<tr><th></th><th>US ($m)</th><th>Canada (C$m)</th><th>UK (£m)</th></tr>
<tr><td>Adjusted operating profit</td><td>1,420</td><td>97</td><td>61</td></tr>
<tr><td>Average net assets, excluding goodwill and intangibles</td><td>7,102</td><td>614</td><td>595</td></tr>
<tr><td>Return on investment</td><td>20%</td><td>16%</td><td>10%</td></tr>
</table>
</td></tr>
</table>

Other terms used within this announcement include:

- **Adjusted:** adjusted results are results stated before exceptional items and the amortisation of acquired intangibles. A reconciliation is shown on the income statement.

- **Availability:** represents the headroom on a given date under the terms of our $4.1bn asset-backed senior bank 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 adjusted EBITDA. Details are provided within the Review of Third Quarter, Balance Sheet and Cash Flow 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 Fourth Quarter, Balance Sheet and Cash Flow section.

- **EBITDA and EBITDA margin:** EBITDA is earnings before interest, tax, depreciation and amortisation. A reconciliation of EBITDA to profit before tax is shown on the income statement. EBITDA margin is calculated as EBITDA before exceptional items divided by revenue. Progression in EBITDA margin is an important indicator of the Group’s performance and this has been identified as one of the Group’s key performance indicators.

- **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. Excluding these items provides readers with helpful additional information on the performance of the business across periods and against peer companies. It is also consistent with how business performance is reported to the Board and the remuneration targets set by the Company.

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

- **Fleet on rent:** quantity measured at original cost of our rental fleet on rent. Fleet on rent has been identified as one of the Group’s key performance indicators.

- **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. This measure shows the cash retained by the Group prior to discretionary expenditure on acquisitions and returns to shareholders. A reconciliation of free cash flow is shown in the Review of Balance Sheet and Cash Flow section.

- **Net debt:** net debt is total borrowings (bank, bonds) and lease liabilities less cash balances, as reported. This measure is used to provide an indication of the Group's overall level of indebtedness and is widely used by investors and credit rating agencies. An analysis of net debt is provided in note 15.

- **Operating profit and operating profit margin:** Operating profit is earnings before interest and tax. A reconciliation of operating profit to profit before tax is shown on the income statement. Operating profit margin is calculated as operating profit before exceptional items and the amortisation of intangibles divided by revenue. Progression in operating profit margin is an important indicator of the Group's performance.

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

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

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