19 June 2018

Audited results for the year and unaudited results for the fourth quarter ended 30 April 2018

	Fourth quarter			Year		
	2018	2017	Growth[1]	2018	2017	Growth[1]
	£m	£m	%	£m	£m	%
Underlying results[2]						
Rental revenue	798.7	727.4	21%	3,418.2	2,901.2	21%
EBITDA	390.6	380.1	14%	1,733.1	1,504.4	19%
Profit before taxation	185.3	188.8	10%	927.3	793.4	21%
Earnings per share	25.1p	25.3p	11%	127.5p	104.3p	26%
Statutory results						
Revenue	890.8	830.6	18%	3,706.0	3,186.8	20%
Profit before taxation	174.7	180.6	9%	862.1	765.1	16%
Profit after taxation	99.9	120.2	-2%	968.8	501.0	100%
Earnings per share	20.6p	24.2p	-1%	195.3p	100.5p	101%

Highlights

- Revenue up 20%; rental revenue up 21%[1]
- Pre-tax profit[2] of £927m (2017: £793m)
- Earnings per share[1,2] up 26% to 127.5p (2017: 104.3p)
- Post-tax profit of £969m (2017: £501m)
- £1.2bn of capital invested in the business (2017: £1.1bn)
- £386m of free cash flow generation[3] (2017: £319m)
- £392m spent on bolt-on acquisitions (2017: £437m)
- Net debt to EBITDA leverage[1] of 1.6 times (2017: 1.7 times)
- Proposed final dividend of 27.5p, making 33.0p for the full year, up 20% (2017: 27.5p)

1 Calculated at constant exchange rates applying current period exchange rates.
2 Underlying results are stated before exceptional items and intangible amortisation.
3 Throughout this announcement we refer to a number of alternative performance measures which are defined in the Glossary on page 36.

Ashtead's chief executive, Geoff Drabble, commented:

"I am delighted to be able to report another very successful year for Ashtead with rental revenue increasing 21% and underlying pre-tax profit increasing 21% to £927m, both at constant exchange rates.

Our end markets remain strong and are supported by the continued structural changes in our market as customers rely increasingly on rental while we leverage the benefits of scale. We continue to execute well on our strategy through a combination of organic growth and bolt-on acquisitions, investing £1.2bn by way of capital expenditure and £392m on bolt-on acquisitions in the year.

Our strong margins and lower replacement capital expenditure are delivering good earnings growth and significant free cash flow generation. This provides us with significant operational and financial flexibility, enabling us to invest in the long-term structural growth opportunity and enhance returns to shareholders while maintaining leverage within our target range of 1.5 to 2.0 times net debt to EBITDA. We have spent £200m under the share buyback programme announced in December.

All our divisions continue to perform well in supportive end markets. Looking forward, we anticipate a similar level of capital expenditure in 2018/19 consistent with our strategic plan. So, with all divisions performing well and a strong balance sheet to support our plans, the Board continues to look to the medium term with confidence."

Contacts:

Geoff Drabble	Chief executive	+44 (0)20 7726 9700
Michael Pratt	Finance director	
Will Shaw	Director of Investor Relations	
Becky Mitchell	Maitland	+44 (0)20 7379 5151
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Geoff Drabble and Michael Pratt will hold a meeting for equity analysts to discuss the results and outlook at 9am on Tuesday, 19 June 2018. The meeting will be webcast live via the Company's website at www.ashtead-group.com and a replay will also be available via the website from shortly after the meeting concludes. A copy of this announcement and the slide presentation used for the meeting will also be 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 meeting and conference call for bondholders but any eligible person not having received dial-in details should contact the Company's PR advisers, Maitland (Audrey Da Costa) at +44 (0)20 7379 5151.

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.

Trading results

	Revenue		EBITDA		Operating profit	
	2018	2017	2018	2017	2018	2017
Sunbelt US in $m	4,153.1	3,525.4	2,062.9	1,745.5	1,293.4	1,081.1
Sunbelt Canada in C$m	223.4	76.7	68.1	30.5	28.4	9.7
Sunbelt US in £m	3,103.7	2,723.6	1,541.7	1,348.5	966.6	835.2
A-Plant	471.7	418.2	167.3	152.8	70.2	71.6
Sunbelt Canada in £m	130.6	45.0	39.9	17.9	16.6	5.7
Group central costs	-	-	(15.8)	(14.8)	(15.9)	(14.9)
	3,706.0	3,186.8	1,733.1	1,504.4	1,037.5	897.6
Net financing costs					(110.2)	(104.2)
Profit before amortisation, exceptional items and tax					**927.3**	**793.4**
Amortisation					(43.5)	(28.3)
Exceptional items					(21.7)	-
Profit before taxation					862.1	765.1
Taxation credit/(charge)					106.7	(264.1)
Profit attributable to equity holders of the Company					968.8	501.0
Margins						
Sunbelt US			*49.7%*	*49.5%*	*31.1%*	*30.7%*
A-Plant			*35.5%*	*36.5%*	*14.9%*	*17.1%*
Sunbelt Canada			*30.5%*	*39.7%*	*12.7%*	*12.7%*
Group			*46.8%*	*47.2%*	*28.0%*	*28.2%*

Group revenue for the year increased 16% to £3,706m (2017: £3,187m) with strong growth in each of our markets. This revenue growth, combined with our focus on drop-through, generated underlying profit before tax of £927m (2017: £793m).

The Group's strategy remains unchanged with growth being driven by strong organic growth (same-store and greenfield) supplemented by bolt-on acquisitions. Sunbelt US, A-Plant and Sunbelt Canada delivered 20%, 13% and 152% rental only revenue growth respectively. The significant growth in Sunbelt Canada reflects the acquisition of CRS in August 2017.

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

		$m
2017 rental only revenue		2,582
Organic (same-store and greenfields)	+15%	386
Bolt-ons since 1 May 2016	+5%	123
2018 rental only revenue	+20%	3,091
Ancillary revenue	+22%	796
2018 rental revenue	+20%	3,887
Sales revenue	-9%	266
2018 total revenue	+18%	4,153

Sunbelt US's revenue growth demonstrates the successful execution of our long-term structural growth strategy. We continue to capitalise on the opportunity presented by our markets through a combination of organic growth (same-store growth and greenfields) and bolt-ons as we expand our geographic footprint and our specialty businesses. We added 62 new stores in the US in the year, around half of which were specialty locations.

Rental only revenue growth was 20% in strong end markets. This growth was driven by increased fleet on rent, with yield flat year-over-year. Sunbelt US has made a significant contribution to the clean-up efforts following hurricanes Harvey, Irma and Maria. While it is difficult to assess the overall revenue impact of these efforts, we estimate that these events resulted in incremental total rental revenue in the year of c. $100m. Average physical utilisation for the year was 72% (2017: 71%). Sunbelt US's total revenue, including new and used equipment, merchandise and consumable sales, increased 18% to $4,153m (2017: $3,525m).

A-Plant generated rental only revenue of £344m, up 13% on the prior year (2017: £304m). This was driven by increased fleet on rent, partially offset by yield. The adverse yield reflects a combination of product mix and rate pressure in the competitive UK market. A-Plant's total revenue increased 13% to £472m (2017: £418m).

The acquisition of CRS in August 2017 more than doubled the size of the Sunbelt Canada business. The underlying business performed strongly with rental revenue growth of 20% and, with the addition of CRS, Sunbelt Canada generated revenue of C$223m (2017: C$77m) in the year.

We continue to focus on operational efficiency and improving margins. In Sunbelt US, 50% of revenue growth dropped through to EBITDA. The strength of our mature stores' incremental margin is reflected in the fact that this was achieved despite the drag effect of greenfield openings and acquisitions. This resulted in an EBITDA margin of 50% (2017: 50%) and contributed to a 20% increase in operating profit to $1,293m (2017: $1,081m).

A-Plant's drop-through of 36% reflects its greater proportion of specialty businesses and ongoing integration of recent acquisitions. This contributed to an EBITDA margin of 35% (2017: 37%) and an operating profit of £70m (2017: £72m), representing a good performance in a competitive market.

Reflecting the strong performance of the divisions, Group underlying operating profit increased 16% to £1,037m (2017: £898m). Net financing costs increased to £110m (2017: £104m) reflecting higher average debt levels. As a result, Group profit before amortisation of intangibles, exceptional items and taxation was £927m (2017: £793m). After a tax charge of 32% (2017: 34%) of the underlying pre-tax profit, underlying earnings per share increased 22% to 127.5p (2017: 104.3p). The reduction in the Group's underlying tax charge from 34% to 32% reflects the reduction in the US federal rate of tax from 35% to 21% with effect from 1 January 2018, following the enactment of the Tax Cuts and Jobs Act of 2017. The cash tax charge was 10%. This reflects the lower federal tax rate in the US from 1 January 2018 and full expensing of capital expenditure from 27 September 2017.

Exceptional net financing costs of £22m (including cash costs of £25m) related to the redemption of our $900m 6.5% senior secured notes in August 2017. After the net exceptional charge of £22m (2017: £nil) and amortisation of £43m (2017: £28m), statutory profit before tax was £862m (2017: £765m).

The exceptional tax credit of £401m consists of principally a credit of £402m arising from the remeasurement of the Group's US deferred tax liabilities at the newly-enacted US federal tax rate of 21% rather than the historical rate of 35%. As a result, basic earnings per share were 195.3p (2017: 100.5p).

Capital expenditure and acquisitions

Capital expenditure for the year was £1,239m gross and £1,081m net of disposal proceeds (2017: £1,086m gross and £917m net). Reflecting this investment, the Group's rental fleet at 30 April 2018 at cost was £6.6bn. Our average fleet age is now 32 months (2017: 29 months).

We invested £392m (2017: £437m), including acquired debt, in 17 bolt-on acquisitions during the year as we continue to both expand our footprint and diversify into specialty markets.

We expect a similar level of capital expenditure next year, consistent with our strategic plan, which anticipates high single digit to low teen growth through to 2021.

Return on Investment

Sunbelt US's pre-tax return on investment (excluding goodwill and intangible assets) in the 12 months to 30 April 2018 was 24% (2017: 22%). In the UK, return on investment (excluding goodwill and intangible assets) was 11% (2017: 13%). In Canada, return on investment (excluding goodwill and intangible assets) was 11% (2017: 6%). For the Group as a whole, return on investment (including goodwill and intangible assets) was 18% (2017: 17%).

Cash flow and net debt

As expected, debt increased during the year as we continued to invest in the fleet and made a number of bolt-on acquisitions. This was partially offset by £140m of currency translation benefit as sterling has strengthened since 30 April 2017. During the year, we spent £161m on share buybacks.

Net debt at 30 April 2018 was £2,712m (2017: £2,528m) while, reflecting our strong earnings growth, the ratio of net debt to EBITDA was 1.6 times (2017: 1.7 times) on a constant currency basis. The Group's target range for net debt to EBITDA is 1.5 to 2 times.

The Group's debt package remains well structured and flexible, enabling us to take advantage of prevailing end market conditions. Following the issue of the 4.125% $600m senior secured notes due in 2025 and the 4.375% $600m senior secured notes due in 2027, and the redemption of the 6.5% $900m senior secured notes in August 2017, the Group's debt facilities are committed for an average of six years.

At 30 April 2018, availability under the senior secured debt facility was $1,115m, with an additional $2,329m of suppressed availability – substantially above the $310m level at which the Group's entire debt package is covenant free.

Dividends

In accordance with our progressive dividend policy, with consideration to both profitability and cash generation at a level that is sustainable across the cycle, the Board is recommending a final dividend of 27.5p per share (2017: 22.75p) making 33.0p for the year (2017: 27.5p), an increase of 20%. If approved at the forthcoming Annual General Meeting, the final dividend will be paid on 14 September 2018 to shareholders on the register on 17 August 2018.

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, balancing capital efficiency and security with financial flexibility in a cyclical business and an assessment of whether it would be accretive to shareholder value. 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.

In December 2017, we announced a share buyback programme of at least £500m and up to £1bn over the following 18 months. At the date of this announcement, we have spent £200m under this programme and now expect to spend a minimum of £600m.

Current trading and outlook

All our divisions continue to perform well in supportive end markets. Thus, with a strong balance sheet to support our plans, the Board continues to look to the medium term with confidence.

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 2018. 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 issued by the International Accounting Standards Board and IFRS as adopted by the EU, 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
18 June 2018"

CONSOLIDATED INCOME STATEMENT FOR THE THREE MONTHS ENDED 30 APRIL 2018

	2018			2017		
	Before exceptional items and amortisation	Exceptional items and amortisation	Total	Before amortisation	Amortisation	Total
	£m	£m	£m	£m	£m	£m
Fourth quarter - unaudited						
Revenue						
Rental revenue	798.7	-	798.7	727.4	-	727.4
Sale of new equipment, merchandise and consumables	33.4	-	33.4	32.5	-	32.5
Sale of used rental equipment	58.7	-	58.7	70.7	-	70.7
	890.8	-	890.8	830.6	-	830.6
Operating costs						
Staff costs	(214.0)	-	(214.0)	(194.6)	-	(194.6)
Used rental equipment sold	(46.6)	-	(46.6)	(49.4)	-	(49.4)
Other operating costs	(239.6)	-	(239.6)	(206.5)	-	(206.5)
	(500.2)	-	(500.2)	(450.5)	-	(450.5)
EBITDA*	390.6	-	390.6	380.1	-	380.1
Depreciation	(177.7)	-	(177.7)	(163.5)	-	(163.5)
Amortisation of intangibles	-	(10.6)	(10.6)	-	(8.2)	(8.2)
Operating profit	212.9	(10.6)	202.3	216.6	(8.2)	208.4
Interest expense	(27.6)	-	(27.6)	(27.8)	-	(27.8)
Profit on ordinary activities before taxation	185.3	(10.6)	174.7	188.8	(8.2)	180.6
Taxation	(61.9)	(12.9)	(74.8)	(63.0)	2.6	(60.4)
Profit attributable to equity holders of the Company	123.4	(23.5)	99.9	125.8	(5.6)	120.2
Basic earnings per share	25.1p	(4.5p)	20.6p	25.3p	(1.1p)	24.2p
Diluted earnings per share	25.0p	(4.5p)	20.5p	25.1p	(1.1p)	24.0p

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

All revenue and profit is generated from continuing operations.

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

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 30 APRIL 2018

	2018			2017		
	Before exceptional items and amortisation	Exceptional items and amortisation	Total	Before amortisation	Amortisation	Total
	£m	£m	£m	£m	£m	£m
Year to 30 April 2018 - audited						
Revenue						
Rental revenue	3,418.2	-	3,418.2	2,901.2	-	2,901.2
Sale of new equipment, merchandise and consumables	139.2	-	139.2	123.5	-	123.5
Sale of used rental equipment	148.6	-	148.6	162.1	-	162.1
	3,706.0	-	3,706.0	3,186.8	-	3,186.8
Operating costs						
Staff costs	(863.4)	-	(863.4)	(736.6)	-	(736.6)
Used rental equipment sold	(128.2)	-	(128.2)	(126.5)	-	(126.5)
Other operating costs	(981.3)	-	(981.3)	(819.3)	-	(819.3)
	(1,972.9)	-	(1,972.9)	(1,682.4)	-	(1,682.4)
EBITDA*	1,733.1	-	1,733.1	1,504.4	-	1,504.4
Depreciation	(695.6)	-	(695.6)	(606.8)	-	(606.8)
Amortisation of intangibles	-	(43.5)	(43.5)	-	(28.3)	(28.3)
Operating profit	1,037.5	(43.5)	994.0	897.6	(28.3)	869.3
Investment income	-	-	-	0.1	-	0.1
Interest expense	(110.2)	(21.7)	(131.9)	(104.3)	-	(104.3)
Profit on ordinary activities before taxation	927.3	(65.2)	862.1	793.4	(28.3)	765.1
Taxation	(294.8)	401.5	106.7	(273.2)	9.1	(264.1)
Profit attributable to equity holders of the Company	632.5	336.3	968.8	520.2	(19.2)	501.0
Basic earnings per share	127.5p	67.8p	195.3p	104.3p	(3.8p)	100.5p
Diluted earnings per share	126.9p	67.5p	194.4p	103.8p	(3.8p)	100.0p

***** 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	
	2018	2017	2018	2017
	£m	£m	£m	£m
Profit attributable to equity holders of the Company for the period	99.9	120.2	968.8	501.0
Items that will not be classified to profit or loss:				
Remeasurement of the defined benefit pension plan	8.7	(5.7)	8.7	(5.7)
Tax on defined benefit pension plan	(1.5)	1.0	(1.5)	1.0
	7.2	(4.7)	7.2	(4.7)
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation differences	61.4	(43.4)	(115.2)	152.6
Total comprehensive income for the period	168.5	72.1	860.8	648.9

CONSOLIDATED BALANCE SHEET AT 30 APRIL 2018

	Audited 2018 £m	2017 £m
Current assets		
Inventories	55.2	44.2
Trade and other receivables	669.4	591.9
Current tax asset	23.9	6.9
Cash and cash equivalents	19.1	6.3
	767.6	649.3
Non-current assets		
Property, plant and equipment		
- rental equipment	4,430.5	4,092.8
- other assets	451.5	411.8
	4,882.0	4,504.6
Goodwill	882.6	797.7
Other intangible assets	206.3	174.4
Net defined benefit pension plan asset	4.5	-
	5,975.4	5,476.7
Total assets	6,743.0	6,126.0
Current liabilities		
Trade and other payables	617.5	537.0
Current tax liability	13.1	6.5
Debt due within one year	2.7	2.6
Provisions	25.8	28.6
	659.1	574.7
Non-current liabilities		
Debt due after more than one year	2,728.4	2,531.4
Provisions	34.6	19.1
Deferred tax liabilities	794.0	1,027.0
Net defined benefit pension plan liability	-	3.7
	3,557.0	3,581.2
Total liabilities	4,216.1	4,155.9
Equity		
Share capital	49.9	49.9
Share premium account	3.6	3.6
Capital redemption reserve	6.3	6.3
Own shares held by the Company	(161.0)	-
Own shares held by the ESOT	(20.0)	(16.7)
Cumulative foreign exchange translation differences	125.8	241.0
Retained reserves	2,522.3	1,686.0
Equity attributable to equity holders of the Company	2,526.9	1,970.1
Total liabilities and equity	6,743.0	6,126.0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 APRIL 2018

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Own shares held by the Company £m	Own shares held through the ESOT £m	Cumulative foreign exchange translation differences £m	Retained reserves £m	Total £m
At 1 May 2016	55.3	3.6	0.9	(33.1)	(16.2)	88.4	1,381.5	1,480.4
Profit for the year	-	-	-	-	-	-	501.0	501.0
Other comprehensive income:								
Foreign currency translation differences	-	-	-	-	-	152.6	-	152.6
Remeasurement of the defined benefit pension plan	-	-	-	-	-	-	(5.7)	(5.7)
Tax on defined benefit pension plan	-	-	-	-	-	-	1.0	1.0
Total comprehensive income for the year	-	-	-	-	-	152.6	496.3	648.9
Dividends paid	-	-	-	-	-	-	(116.1)	(116.1)
Own shares purchased by the ESOT	-	-	-	-	(7.2)	-	-	(7.2)
Own shares purchased by the Company	-	-	-	(48.0)	-	-	-	(48.0)
Share-based payments	-	-	-	-	6.7	-	(1.0)	5.7
Tax on share-based payments	-	-	-	-	-	-	6.4	6.4
Cancellation of own shares	(5.4)	-	5.4	81.1	-	-	(81.1)	-
At 30 April 2017	49.9	3.6	6.3	-	(16.7)	241.0	1,686.0	1,970.1
Profit for the year	-	-	-	-	-	-	968.8	968.8
Other comprehensive income:								
Foreign currency translation differences	-	-	-	-	-	(115.2)	-	(115.2)
Remeasurement of the defined benefit pension plan	-	-	-	-	-	-	8.7	8.7
Tax on defined benefit pension plan	-	-	-	-	-	-	(1.5)	(1.5)
Total comprehensive income for the year	-	-	-	-	-	(115.2)	976.0	860.8
Dividends paid	-	-	-	-	-	-	(140.5)	(140.5)
Own shares purchased by the ESOT	-	-	-	-	(10.2)	-	-	(10.2)
Own shares purchased by the Company	-	-	-	(161.0)	-	-	-	(161.0)
Share-based payments	-	-	-	-	6.9	-	0.1	7.0
Tax on share-based payments	-	-	-	-	-	-	0.7	0.7
At 30 April 2018	49.9	3.6	6.3	(161.0)	(20.0)	125.8	2,522.3	2,526.9

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 APRIL 2018

	Audited	
	2018	2017
	£m	£m
Cash flows from operating activities		
Cash generated from operations before exceptional items and changes in rental equipment	1,681.2	1,444.2
Payments for rental property, plant and equipment	(1,081.7)	(1,021.8)
Proceeds from disposal of rental property, plant and equipment	151.8	153.4
Cash generated from operations	751.3	575.8
Financing costs paid (net)	(110.0)	(101.5)
Exceptional financing costs paid	(25.2)	-
Tax paid (net)	(97.6)	(49.5)
Net cash generated from operating activities	518.5	424.8
Cash flows from investing activities		
Acquisition of businesses	(359.0)	(421.1)
Payments for non-rental property, plant and equipment	(138.6)	(101.7)
Proceeds from disposal of non-rental property, plant and equipment	8.9	7.4
Payments for purchase of intangible assets	(2.6)	(11.1)
Net cash used in investing activities	(491.3)	(526.5)
Cash flows from financing activities		
Drawdown of loans	1,580.8	866.8
Redemption of loans	(1,284.6)	(599.0)
Capital element of finance lease payments	(1.4)	(2.0)
Dividends paid	(140.5)	(116.1)
Purchase of own shares by the ESOT	(10.2)	(7.2)
Purchase of own shares by the Company	(158.2)	(48.0)
Net cash (used in)/generated from financing activities	(14.1)	94.5
Increase/(decrease) in cash and cash equivalents	13.1	(7.2)
Opening cash and cash equivalents	6.3	13.0
Effect of exchange rate difference	(0.3)	0.5
Closing cash and cash equivalents	19.1	6.3

Reconciliation of net cash flows to net debt

	2018	2017
(Increase)/decrease in cash in the period	(13.1)	7.2
Increase in debt through cash flow	294.8	265.8
Change in net debt from cash flows	281.7	273.0
Debt acquired	40.7	21.3
Exchange differences	(139.8)	228.4
Non-cash movements:		
- deferred costs of debt raising	(0.5)	2.2
- capital element of new finance leases	2.2	1.1
Increase in net debt in the period	184.3	526.0
Net debt at 1 May	2,527.7	2,001.7
Net debt at 30 April	2,712.0	2,527.7

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 2018 comprise the Company and its subsidiaries ('the Group').

The financial statements for the year ended 30 April 2018 were approved by the directors on 18 June 2018. This preliminary announcement of the results for the year ended 30 April 2018 contains information derived from the forthcoming 2017/18 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 2017 have been filed with the Registrar of Companies. The statutory accounts for the year ended 30 April 2018 will be delivered to the Registrar of Companies and made available on the Group's website at www.ashtead-group.com in July 2018. The auditor's report in respect of both years 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.

2. Basis of preparation

The financial statements for the year ended and quarter ended 30 April 2018 have been prepared in accordance with relevant IFRS and the accounting policies set out in the Group's Annual Report & Accounts for the year ended 30 April 2017. There are no new IFRS and IFRIC Interpretations that are effective for the first time for this financial year which have a material impact on the Group.

The Directors have adopted various alternative performance measures to provide additional useful information on the underlying trends, performance and position of the Group. The alternative performance measures are not defined by IFRS and therefore may not be directly comparable with other companies' alternative performance measures, but are defined within these condensed consolidated financial statements and summarised in the Glossary on page 36.

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 11), provide a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future and consequently the going concern basis continues to be appropriate in preparing the financial statements.

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

	US dollar		Canadian dollar	
	2018	2017	2018	2017
Average for the three months ended 30 April	1.40	1.25	1.79	1.66
Average for the year ended 30 April	1.34	1.29	1.71	1.70
At 30 April	1.38	1.29	1.77	1.77

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. Segmental analysis

Following the acquisition of CRS Contractors Rental Supply Limited Partnership by Sunbelt Canada on 1 August 2017 (see note 14), the Group has reassessed its reportable operating segments and concluded that it is now appropriate to disclose Sunbelt Canada separately from the Sunbelt US business. The revised operating segments provide greater clarity as to the operating performance in each territory and align with other reporting by the Group.

Prior period disclosures have been restated to reflect this change in reportable segments.

	Revenue £m	Operating profit before amortisation £m	Amortisation £m	Operating profit £m
Three months to 30 April				
2018				
Sunbelt US	738.0	207.2	(5.8)	201.4
A-Plant	117.7	13.4	(2.8)	10.6
Sunbelt Canada	35.1	(3.1)	(2.0)	(5.1)
Corporate costs	-	(4.6)	-	(4.6)
	890.8	212.9	(10.6)	202.3
2017 (restated)				
Sunbelt US	702.4	197.3	(5.1)	192.2
A-Plant	116.5	21.2	(2.4)	18.8
Sunbelt Canada	11.7	1.6	(0.7)	0.9
Corporate costs	-	(3.5)	-	(3.5)
	830.6	216.6	(8.2)	208.4
Year to 30 April				
2018				
Sunbelt US	3,103.7	966.6	(25.5)	941.1
A-Plant	471.7	70.2	(11.2)	59.0
Sunbelt Canada	130.6	16.6	(6.8)	9.8
Corporate costs	-	(15.9)	-	(15.9)
	3,706.0	1,037.5	(43.5)	994.0
2017 (restated)				
Sunbelt US	2,723.6	835.2	(17.5)	817.7
A-Plant	418.2	71.6	(8.1)	63.5
Sunbelt Canada	45.0	5.7	(2.7)	3.0
Corporate costs	-	(14.9)	-	(14.9)
	3,186.8	897.6	(28.3)	869.3

3. Segmental analysis (continued)

	Segment assets	Cash	Taxation assets	Total assets
	£m	£m	£m	£m
At 30 April 2018				
Sunbelt US	5,507.6	-	-	5,507.6
A-Plant	847.3	-	-	847.3
Sunbelt Canada	344.6	-	-	344.6
Corporate items	0.5	19.1	23.9	43.5
	6,700.0	19.1	23.9	6,743.0
At 30 April 2017 (restated)				
Sunbelt US	5,218.5	-	-	5,218.5
A-Plant	775.3	-	-	775.3
Sunbelt Canada	118.6	-	-	118.6
Corporate items	0.4	6.3	6.9	13.6
	6,112.8	6.3	6.9	6,126.0

4. Operating costs and other income

	2018			2017		
	Before amortisation	Amortisation	Total	Before amortisation	Amortisation	Total
	£m	£m	£m	£m	£m	£m
Three months to 30 April						
Staff costs:						
Salaries	194.3	-	194.3	176.7	-	176.7
Social security costs	15.7	-	15.7	14.6	-	14.6
Other pension costs	4.0	-	4.0	3.3	-	3.3
	214.0	-	214.0	194.6	-	194.6
Used rental equipment sold	46.6	-	46.6	49.4	-	49.4
Other operating costs:						
Vehicle costs	49.8	-	49.8	42.0	-	42.0
Spares, consumables & external repairs	42.2	-	42.2	34.4	-	34.4
Facility costs	28.6	-	28.6	25.8	-	25.8
Other external charges	119.0	-	119.0	104.3	-	104.3
	239.6	-	239.6	206.5	-	206.5
Depreciation and amortisation:						
Depreciation	177.7	-	177.7	163.5	-	163.5
Amortisation of intangibles	-	10.6	10.6	-	8.2	8.2
	177.7	10.6	188.3	163.5	8.2	171.7
	677.9	10.6	688.5	614.0	8.2	622.2

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. Operating costs and other income (continued)

	2018			2017		
	Before amortisation	Amortisation	Total	Before amortisation	Amortisation	Total
	£m	£m	£m	£m	£m	£m
Year to 30 April						
Staff costs:						
Salaries	788.2	-	788.2	671.5	-	671.5
Social security costs	60.3	-	60.3	52.5	-	52.5
Other pension costs	14.9	-	14.9	12.6	-	12.6
	863.4	-	863.4	736.6	-	736.6
Used rental equipment sold	128.2	-	128.2	126.5	-	126.5
Other operating costs:						
Vehicle costs	211.3	-	211.3	168.0	-	168.0
Spares, consumables & external repairs	181.5	-	181.5	147.7	-	147.7
Facility costs	108.4	-	108.4	94.4	-	94.4
Other external charges	480.1	-	480.1	409.2	-	409.2
	981.3	-	981.3	819.3	-	819.3
Depreciation and amortisation:						
Depreciation	695.6	-	695.6	606.8	-	606.8
Amortisation of intangibles	-	43.5	43.5	-	28.3	28.3
	695.6	43.5	739.1	606.8	28.3	635.1
	2,668.5	43.5	2,712.0	2,289.2	28.3	2,317.5

5. Exceptional items and amortisation

Exceptional items are those items of financial performance that are material and non-recurring in nature. Amortisation relates to the periodic write-off of intangible assets. 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. Underlying profit and earnings per share are stated before exceptional items and amortisation of intangibles.

	Three months to 30 April		Year to 30 April	
	2018	2017	2018	2017
	£m	£m	£m	£m
Amortisation of intangibles	10.6	8.2	43.5	28.3
Write-off of deferred financing costs	-	-	8.1	-
Release of premium	-	-	(11.6)	-
Early redemption fee	-	-	23.7	-
Call period interest	-	-	1.5	-
Taxation:				
- tax on exceptional items and amortisation	(3.1)	(2.6)	(20.0)	(9.1)
- reduction in US deferred tax liability due to change in US federal tax rate	(4.7)	-	(402.2)	-
- reassessment of historical amounts deductible for tax	20.7	-	20.7	-
	23.5	5.6	(336.3)	19.2

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. Exceptional items and amortisation (continued)

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

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

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

	Three months to 30 April		Year to 30 April	
	2018	2017	2018	2017
	£m	£m	£m	£m
Amortisation of intangibles	10.6	8.2	43.5	28.3
Charged in arriving at operating profit	10.6	8.2	43.5	28.3
Net financing costs	-	-	21.7	-
Charged in arriving at profit before tax	10.6	8.2	65.2	28.3
Taxation	12.9	(2.6)	(401.5)	(9.1)
	23.5	5.6	(336.3)	19.2

6. Net financing costs

	Three months to 30 April		Year to 30 April	
	2018	2017	2018	2017
	£m	£m	£m	£m
Investment income:				
Net interest on the net defined benefit pension plan asset	-	-	-	(0.1)
Interest expense:				
Bank interest payable	12.4	9.6	45.6	34.1
Interest payable on second priority senior secured notes	14.1	17.3	60.5	66.9
Interest payable on finance leases	-	0.1	0.3	0.3
Net interest on the net defined benefit pension plan liability	0.1	-	0.1	-
Non-cash unwind of discount on provisions	0.1	0.3	0.7	0.9
Amortisation of deferred debt raising costs	0.9	0.5	3.0	2.1
Total interest expense	27.6	27.8	110.2	104.3
Net financing costs before exceptional items	27.6	27.8	110.2	104.2
Exceptional items	-	-	21.7	-
Net financing costs	27.6	27.8	131.9	104.2

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. Taxation

The tax charge for the year has been computed using a tax rate of 34% in the US (2017: 39%), 19% in the UK (2017: 20%) and 27% in Canada (2017: 27%). The blended rate for the Group as a whole on underlying profit is 32% (2017: 34%).

The tax charge of £295m (2017: £273m) on the underlying profit before taxation of £927m (2017: £793m) can be explained as follows:

	Year to 30 April 2018	2017
	£m	£m
Current tax		
- current tax on income for the period	80.4	54.5
- adjustments to prior year	(10.4)	(0.1)
	70.0	54.4
Deferred tax		
- origination and reversal of temporary differences	213.0	215.9
- adjustments to prior year	11.8	2.9
	224.8	218.8
Tax on underlying activities	294.8	273.2
Comprising:		
- UK	17.9	16.1
- US	275.0	254.9
- Canada	1.9	2.2
	294.8	273.2

In addition, the exceptional tax credit of £401m (2017: £9m) can be explained as follows:

	Year to 30 April 2018	2017
	£m	£m
Current tax		
- current tax credit on exceptional interest expense	(7.4)	-
- reassessment of historical amounts deductible for tax	24.7	-
	17.3	-
Deferred tax		
- remeasurement of US deferred tax liabilities due to reduction in US federal tax rate	(402.2)	-
- reassessment of historical amounts deductible for tax	(4.0)	-
- deferred tax credit on amortisation	(12.6)	(9.1)
	(418.8)	(9.1)
Tax on exceptional items and amortisation	(401.5)	(9.1)
Comprising:		
- UK	(2.2)	(1.7)
- US	(397.5)	(6.7)
- Canada	(1.8)	(0.7)
	(401.5)	(9.1)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. Earnings per share

Basic and diluted earnings per share for the three and twelve months ended 30 April 2018 have been calculated based on the profit for the relevant period and the weighted average number of ordinary shares in issue during that period (excluding shares held by the Company and the ESOT over which dividends have been waived). Diluted earnings per share is computed using the result for the relevant period and the diluted number of shares (ignoring any potential issue of ordinary shares which would be anti-dilutive). These are calculated as follows:

	Three months to 30 April		Year to 30 April	
	2018	2017	2018	2017
Profit for the financial period (£m)	99.9	120.2	968.8	501.0
Weighted average number of shares (m) - basic	492.1	497.5	496.0	498.7
- diluted	494.3	499.7	498.3	500.9
Basic earnings per share	20.6p	24.2p	195.3p	100.5p
Diluted earnings per share	20.5p	24.0p	194.4p	100.0p

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

	Three months to 30 April		Year to 30 April	
	2018	2017	2018	2017
Basic earnings per share	20.6p	24.2p	195.3p	100.5p
Amortisation of intangibles	2.1p	1.7p	8.7p	5.7p
Exceptional items	-	-	4.4p	-
Tax on exceptional items and amortisation	(0.6p)	(0.6p)	(4.0p)	(1.9p)
Exceptional tax credit (US tax reforms)	(1.2p)	-	(81.1p)	-
Exceptional tax charge (reassessment of historical amounts deductible for tax)	4.2p	-	4.2p	-
Underlying earnings per share	25.1p	25.3p	127.5p	104.3p

9. Dividends

During the year, a final dividend in respect of the year ended 30 April 2017 of 22.75p (2016: 18.5p) per share and an interim dividend for the year ended 30 April 2018 of 5.5p (2017: 4.75p) were paid to shareholders costing £140m (2017: £116m).

In addition, the directors are proposing a final dividend in respect of the year ended 30 April 2018 of 27.5p (2017: 22.75p) per share which will absorb £134m of shareholders' funds, based on the 488m shares qualifying for dividend at 18 June 2018. Subject to approval by shareholders, it will be paid on 14 September 2018 to shareholders who are on the register of members on 17 August 2018.

10. Property, plant and equipment

	2018		2017	
Net book value	Rental equipment £m	Total £m	Rental equipment £m	Total £m
At 1 May	4,092.8	4,504.6	3,246.9	3,588.8
Exchange difference	(206.0)	(224.7)	370.8	406.7
Reclassifications	(1.5)	-	(1.8)	-
Additions	1,100.4	1,238.7	983.2	1,085.6
Acquisitions	182.4	191.2	153.6	162.1
Disposals	(123.5)	(132.2)	(125.1)	(131.8)
Depreciation	(614.1)	(695.6)	(534.8)	(606.8)
At 30 April	4,430.5	4,882.0	4,092.8	4,504.6

11. Borrowings

	30 April 2018 £m	30 April 2017 £m
Current		
Finance lease obligations	2.7	2.6
Non-current		
First priority senior secured bank debt	1,508.5	1,449.2
Finance lease obligations	2.6	1.8
6.5% second priority senior secured notes, due 2022	-	699.4
5.625% second priority senior secured notes, due 2024	358.4	381.0
4.125% second priority senior secured notes, due 2025	429.5	-
4.375% second priority senior secured notes, due 2027	429.4	-
	2,728.4	2,531.4

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

Under the terms of our asset-based senior bank facility, $3.1bn is committed until July 2022. The $500m 5.625% senior secured notes mature in October 2024, the $600m 4.125% senior secured notes mature in August 2025 and the $600m 4.375% senior secured notes mature in August 2027. Our debt facilities therefore remain committed for the long term, with an average maturity of six years remaining. The weighted average interest cost of these facilities (including non-cash amortisation of deferred debt raising costs) is approximately 4%. The terms of the senior secured notes are such that financial performance covenants are only measured at the time new debt is raised.

There is one financial performance covenant under the first priority senior bank facility. That is, the fixed charge ratio (comprising LTM EBITDA before exceptional items less LTM net capital expenditure paid in cash over the sum of scheduled debt repayments plus cash interest, cash tax payments and dividends paid in the last twelve months) which must be equal to, or greater than, 1.0. This covenant does not apply when availability exceeds $310m. As a matter of good practice, we calculate the covenant ratio each quarter. At 30 April 2018, the fixed charge ratio exceeded the covenant requirement.

11. Borrowings (continued)

At 30 April 2018, availability under the senior secured bank facility was $1,115m ($1,305m at 30 April 2017), with an additional $2,329m of suppressed availability, meaning that the covenant did not apply at 30 April 2018 and is unlikely to apply in forthcoming quarters.

Fair value of financial instruments

At 30 April 2018, the Group had no derivative financial instruments.

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

The carrying value of the second priority senior secured notes due 2024, excluding deferred debt raising costs, was £363m at 30 April 2018 (£386m at 30 April 2017) while the fair value was £375m (£414m at 30 April 2017). The carrying value of the second priority senior secured notes, due 2025, excluding deferred debt raising costs, was £436m at 30 April 2018 while the fair value was £414m. The carrying value of the second priority senior secured notes, due 2027, excluding deferred debt raising costs, was £436m at 30 April 2018 while the fair value was £407m.

The fair value of the second priority senior secured notes has been calculated using quoted market prices at 30 April 2018.

12. Share capital

Ordinary shares of 10p each:

	2018 Number	2017 Number	2018 £m	2017 £m
Issued and fully paid	499,225,712	499,225,712	49.9	49.9

During the period, the Company purchased 7.9m ordinary shares at a total cost of £161m under the share buyback programme announced in December 2017, which are held in treasury. At 30 April 2018, 7.9m (2017: nil) shares were held by the Company and a further 1.7m (2017: 1.7m) shares were held by the Company's Employee Share Ownership Trust.

13. Notes to the cash flow statement

	Year to 30 April 2018 £m	 2017 £m
a) Cash flow from operating activities		
Operating profit before exceptional items and amortisation	1,037.5	897.6
Depreciation	695.6	606.8
EBITDA before exceptional items	1,733.1	1,504.4
Profit on disposal of rental equipment	(20.4)	(35.6)
Profit on disposal of other property, plant and equipment	(0.7)	(0.1)
(Increase)/decrease in inventories	(7.7)	6.5
Increase in trade and other receivables	(83.1)	(56.9)
Increase in trade and other payables	53.0	20.2
Other non-cash movements	7.0	5.7
Cash generated from operations before exceptional items and changes in rental equipment	1,681.2	1,444.2

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. Notes to the cash flow statement (continued)

b) Analysis of net debt

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

	1 May 2017	Exchange movement	Cash flow	Debt acquired	Non-cash movements	30 April 2018
	£m	£m	£m	£m	£m	£m
Debt due within one year	2.6	-	(42.1)	40.7	1.5	2.7
Debt due after one year	2,531.4	(140.1)	336.9	-	0.2	2,728.4
Total liabilities from financing activities	2,534.0	(140.1)	294.8	40.7	1.7	2,731.1
Cash	(6.3)	0.3	(13.1)	-	-	(19.1)
Total net debt	2,527.7	(139.8)	281.7	40.7	1.7	2,712.0

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

c) Acquisitions

	Year to 30 April	
	2018	2017
	£m	£m
Cash consideration paid:		
- acquisitions in the period	351.2	414.0
- contingent consideration	7.8	7.1
	359.0	421.1

During the year, 17 businesses were acquired with cash paid of £351m (2017: £414m), after taking account of net cash acquired of £0.5m. Further details are provided in Note 14.

Contingent consideration of £8m (2017: £7m) was paid relating to prior year acquisitions.

14. Acquisitions

During the year, the following acquisitions were completed:

i) On 5 May 2017, Sunbelt US acquired the business and assets of Noble Rents, Inc. ('Noble') for a cash consideration of £26m ($34m). Noble is a general equipment rental business in California.

ii) On 22 May 2017, Sunbelt US acquired the business and assets of RGR Equipment, LLC ('RGR') for a cash consideration of £45m ($58m), with contingent consideration of up to £5m ($7m), payable over the next two years, depending on revenue meeting or exceeding certain thresholds. RGR is an aerial work platform rental business in Missouri.

iii) On 31 May 2017, A-Plant acquired the entire share capital of Plantfinder (Scotland) Limited and the business and assets of Clyde Security Containers Limited (together 'Plantfinder') for a cash consideration of £24m. Plantfinder is an aerial work platform rental business.

14. Acquisitions (continued)

iv) On 1 June 2017, Sunbelt US acquired the business and assets of MSP Equipment Rentals, Inc. ('MSP') for a cash consideration of £18m ($23m). MSP is an aerial work platform rental business in Delaware.

v) On 29 June 2017, Sunbelt US acquired certain business and assets of Green Acres Equipment Rental, Inc. and Texas Agri-Capital, LLC (together 'Green Acres') for a cash consideration of £4m ($5m). Green Acres is a general equipment rental business in Texas.

vi) On 1 August 2017, Sunbelt Canada acquired all partnership interests of CRS Contractors Rental Supply Limited Partnership and the entire share capital of CRS Contractors Rental Supply General Partner, Inc. (together 'CRS') for an initial cash consideration of £133m (C$220m), with contingent consideration of up to £12m (C$20m), payable over the next three years, depending on EBITDA meeting or exceeding certain thresholds. Including acquired debt, the total initial cash consideration was £174m (C$287m). CRS is a general equipment rental business in Ontario, Canada.

vii) On 29 September 2017, A-Plant acquired the business and assets of Chanton Hire ('Chanton') for a cash consideration of £1m. Chanton is a survey equipment business.

viii) On 2 October 2017, Sunbelt US acquired the business and assets of the aerial division of Lift, Inc. ('Lift') for a cash consideration of £7m ($9m). Lift is an aerial work platform rental business in Pennsylvania.

ix) On 31 October 2017, Sunbelt US acquired the business and assets of The Rental Company of Cenla, LLC ('RentalCo') for a cash consideration of £1m ($1m). RentalCo is a general equipment rental business in Louisiana.

x) On 1 November 2017, Sunbelt US acquired the business and assets of Maverick Pump Services, LLC and Maverick Rehab, LLC (together 'Maverick') for a cash consideration of £16m ($22m). Maverick is a pump solutions business in Texas and Colorado.

xi) On 14 February 2018, Sunbelt US acquired the business and assets of Nickell Equipment Rental & Sales, Inc. ('Nickell') for a cash consideration of £11m ($15m). Nickell is a general equipment rental business in Georgia.

xii) On 23 February 2018, Sunbelt US acquired the business and assets of Beaupre Aerial Equipment, Inc. and Beaupre Equipment Services, Inc. (together 'Beaupre') for a cash consideration of £41m ($57m). Beaupre is an aerial work platform rental business in Minnesota.

xiii) On 27 February 2018, Sunbelt US acquired certain business and assets of West Georgia Equipment & Party Rental, LLC ('WGE') for a cash consideration of £2m ($3m). WGE is a general equipment rental business in Georgia.

xiv) On 7 March 2018, Sunbelt US acquired certain business and assets of DJ's Rentals, LLC ('DJ's') for a cash consideration of £5m ($6m). DJ's is a general equipment rental business in Tennessee.

xv) On 7 March 2018, Sunbelt US acquired certain business and assets of New England Rent-All Equipment, Inc. ('NERA') for a cash consideration of £3m ($4m). NERA is a general equipment rental business in Massachusetts.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. Acquisitions (continued)

xvi) On 15 March 2018, Sunbelt US acquired the business and assets of Building Cooling Systems, Inc. (‘BCS’) for a cash consideration of £1m ($1m). BCS is a climate control business in New York.

xvii) On 22 March 2018, Sunbelt US acquired the business and assets of Above and Beyond Equipment Rentals, LLC and Above and Beyond of Fairfield County, Inc. (together ‘A&B’) for an initial cash consideration of £15m ($21m), with contingent consideration of up to £0.4m ($0.5m), payable over the next year, depending on revenue meeting or exceeding certain thresholds. A&B is an aerial work platform rental business in Connecticut.

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	32.6
Inventory	5.9
Property, plant and equipment	
- rental equipment	182.4
- other assets	8.8
Creditors	(18.1)
Debt	(40.7)
Current tax	(0.7)
Deferred tax	(20.2)
Intangible assets (non-compete agreements, brand names and customer relationships)	83.3
	233.3
Consideration:	
- cash paid and due to be paid (net of cash acquired)	350.9
- contingent consideration payable in cash	17.0
	367.9
Goodwill	134.6

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. £61m of the goodwill is expected to be deductible for income tax purposes.

The fair value of trade receivables at acquisition was £33m. The gross contractual amount for trade receivables due was £34m, net of a £1m provision for debts which may not be collected.

Due to the operational integration of acquired businesses with Sunbelt US, Sunbelt Canada and A-Plant post acquisition, in particular due to the merger of some stores, the movement of rental equipment between stores and investment in the rental fleet, it is not practical to report the revenue and profit of the acquired businesses post acquisition. On an annual basis they generate approximately £170m of revenue.

14. Acquisitions (continued)

The revenue and operating profit of these acquisitions from 1 May 2017 to their date of acquisition was not material.

15. Contingent liabilities

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

In October 2017, the European Commission opened a state aid investigation into the Group Financing Exemption in the UK controlled foreign company ('CFC') legislation. In common with other UK-based international companies, the Group may be affected by the outcome of this investigation and is therefore monitoring developments. If the preliminary findings of the European Commission's investigations into the UK legislation are upheld, we have estimated the Group's maximum potential liability to be £28m as at 30 April 2018. Based on the current status of the investigation, we have concluded that no provision is required in relation to this amount.

16. Events after the balance sheet date

On 1 June 2018, Sunbelt Canada acquired the entire share capital of Voisin's Equipment Rental Ltd. and Universal Rental Services Limited (together 'Voisin's') for an aggregate cash consideration of £18m (C$32m) with contingent consideration of up to £1m (C$2.5m), payable over the next year, depending on revenue meeting or exceeding certain thresholds. Including acquired debt, the total cash consideration was £43m (C$76m). Voisin's is a general equipment rental business in Ontario, Canada.

The initial accounting for this acquisition is incomplete. Had this acquisition taken place on 1 May 2017, its contribution to revenue and operating profit would not have been material.

REVIEW OF FOURTH QUARTER, BALANCE SHEET AND CASH FLOW

Fourth quarter

	Revenue		EBITDA		Operating profit	
	2018	2017	2018	2017	2018	2017
Sunbelt US in $m	1,034.3	879.0	494.5	419.9	292.3	245.9
Sunbelt Canada in C$m	62.4	19.6	8.4	8.8	(4.9)	2.7
Sunbelt US in £m	738.0	702.4	351.9	336.1	207.2	197.3
A-Plant	117.7	116.5	38.8	42.3	13.4	21.2
Sunbelt Canada in £m	35.1	11.7	4.5	5.2	(3.1)	1.6
Group central costs	-	-	(4.6)	(3.5)	(4.6)	(3.5)
	890.8	830.6	390.6	380.1	212.9	216.6
Net financing costs					(27.6)	(27.8)
Profit before amortisation and tax					**185.3**	**188.8**
Amortisation					(10.6)	(8.2)
Profit before taxation					174.7	180.6
Margins						
Sunbelt US			*47.8%*	*47.8%*	*28.3%*	*28.0%*
A-Plant			*33.0%*	*36.3%*	*11.4%*	*18.2%*
Sunbelt Canada			*13.5%*	*44.7%*	*-7.8%*	*13.9%*
Group			*43.8%*	*45.8%*	*23.9%*	*26.1%*

Group revenue increased 7% to £891m in the fourth quarter (2017: £831m) with strong growth in each of our markets. This revenue growth, combined with continued focus on operational efficiency, generated underlying profit before tax of £185m (2017: £189m), an increase of 10% on a constant currency basis.

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

		$m
2017 rental only revenue		619
Organic (same-store and greenfields)	+16%	99
Bolt-ons (since 1 February 2017)	+4%	25
2018 rental only revenue	+20%	743
Ancillary revenue	+26%	202
2018 rental revenue	+21%	945
Sales revenue	-10%	89
2018 total revenue	+18%	1,034

Sunbelt US's organic growth of 16% is well in excess of that of the rental market as we continue to take market share. In addition, bolt-ons have contributed a further 4% growth as we execute our long-term structural growth strategy of expanding our geographic footprint and our specialty businesses. Total rental only revenue growth of 20% was driven by an increase in fleet on rent.

A-Plant generated rental only revenue up 6% at £82m (2017: £77m) in the quarter. This reflected increased fleet on rent, partially offset by yield. The lower growth rate from prior quarters reflects prior year acquisitions which are now included in the comparatives.

Following the acquisition of CRS in August, Sunbelt Canada delivered revenue of C$62m (2017: C$20m) in the quarter.

Group operating profit of £213m (2017: £217m) increased 10% on a constant currency basis. After net financing costs of £28m (2017: £28m), Group profit before amortisation of intangibles and taxation was £185m (2017: £189m). After amortisation of £10m, the statutory profit before taxation was £175m (2017: £181m).

Balance sheet

Fixed assets

Capital expenditure in the year totalled £1,239m (2017: £1,086m) with £1,100m invested in the rental fleet (2017: £983m). Expenditure on rental equipment was 89% of total capital expenditure with the balance relating to the delivery vehicle fleet, property improvements and IT equipment. Capital expenditure by division was:

		2018		2017
	Replacement	Growth	Total	Total
Sunbelt US in $m	346.6	921.2	1,267.8	1,039.1
Sunbelt Canada in C$m	21.2	55.0	76.2	33.5
Sunbelt US in £m	251.6	668.8	920.4	803.2
A-Plant	76.6	60.3	136.9	164.1
Sunbelt Canada in £m	12.0	31.1	43.1	15.9
Total rental equipment	340.2	760.2	1,100.4	983.2
Delivery vehicles, property improvements & IT equipment			138.3	102.4
Total additions			1,238.7	1,085.6

In a strong US rental market, $921m of rental equipment capital expenditure was spent on growth while, with a lower replacement need, only $347m was invested in replacement of existing fleet. The growth proportion is estimated on the basis of the assumption that replacement capital expenditure in any period is equal to the original cost of equipment sold.

The average age of the Group's serialised rental equipment, which constitutes the substantial majority of our fleet, at 30 April 2018 was 32 months (2017: 29 months) on a net book value basis. Sunbelt US's fleet had an average age of 32 months (2017: 29 months), A-Plant's fleet had an average age of 32 months (2017: 29 months) and Sunbelt Canada's fleet had an average age of 28 months (2017: 20 months).

	Rental fleet at original cost			LTM rental	LTM dollar	LTM physical
	30 April 2018	30 April 2017	LTM average	revenue	utilisation	utilisation
Sunbelt US in $m	7,552	6,439	7,061	3,887	55%	72%
Sunbelt Canada in C$m	394	167	310	185	60%	n/a
Sunbelt US in £m	5,482	4,977	5,277	2,905	55%	72%
A-Plant	862	774	846	405	48%	68%
Sunbelt Canada in £m	223	95	182	108	60%	n/a
	6,567	5,846	6,305	3,418		

Dollar utilisation was 55% at Sunbelt US (2017: 54%), 48% at A-Plant (2017: 51%) and 60% at Sunbelt Canada (2017: 40%). The Sunbelt US dollar utilisation is ahead of where it was a year ago as the drag effect of yield and the increased cost of fleet moderates. The lower A-Plant dollar utilisation reflects the adverse yield effect while Sunbelt Canada has benefitted from the acquisition of CRS. Physical utilisation at Sunbelt US was 72% (2017: 71%) and 68% at A-Plant (2017: 69%).

Trade receivables

Receivable days at 30 April 2018 were 50 days (2017: 50 days). The bad debt charge for the last twelve months ended 30 April 2018 as a percentage of total turnover was 0.6% (2017: 0.8%). Trade receivables at 30 April 2018 of £556m (2017: £506m) are stated net of allowances for bad debts and credit notes of £43m (2017: £38m) with the allowance representing 7.2% (2017: 7.1%) of gross receivables.

Trade and other payables

Group payable days were 57 days in 2018 (2017: 69 days) with capital expenditure related payables, which have longer payment terms, totalling £269m (2017: £237m). 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	
	2018 £m	2017 £m
EBITDA before exceptional items	1,733.1	1,504.4
Cash inflow from operations before exceptional items and changes in rental equipment	1,681.2	1,444.2
*Cash conversion ratio**	*97.0%*	*96.0%*
Replacement rental capital expenditure	(375.8)	(413.9)
Payments for non-rental capital expenditure	(141.2)	(112.8)
Rental equipment disposal proceeds	151.8	153.4
Other property, plant and equipment disposal proceeds	8.9	7.4
Tax (net)	(97.6)	(49.5)
Financing costs	(110.0)	(101.5)
Cash inflow before growth capex and payment of exceptional costs	**1,117.3**	**927.3**
Growth rental capital expenditure	(705.9)	(607.9)
Exceptional costs	(25.2)	-
Free cash flow	**386.2**	**319.4**
Business acquisitions	(359.0)	(421.1)
Total cash generated/(absorbed)	**27.2**	**(101.7)**
Dividends	(140.5)	(116.1)
Purchase of own shares by the Company	(158.2)	(48.0)
Purchase of own shares by the ESOT	(10.2)	(7.2)
Increase in net debt due to cash flow	**(281.7)**	**(273.0)**

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

Cash inflow from operations before payment of exceptional costs and the net investment in the rental fleet increased by 16% to £1,681m. The cash conversion ratio for the year was 97% (2017: 96%).

Total payments for capital expenditure (rental equipment, other PPE and purchased intangibles) during the year were £1,223m (2017: £1,135m). Disposal proceeds received totalled £161m (2017: £161m), giving net payments for capital expenditure of £1,062m in the year (2017: £974m). Financing costs paid totalled £110m (2017: £102m) while tax payments were £98m (2017: £49m).

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. In addition, the exceptional costs incurred represent the amounts paid to settle the interest and call premium due on the $900m senior secured notes which were satisfied and discharged in August 2017.

Accordingly, the Group generated £1,117m (2017: £927m) of net cash before discretionary investments made to enlarge the size and hence earning capacity of its rental fleet and on acquisitions. After growth capital expenditure and payment of exceptional costs, there was a free cash inflow of £386m (2017: £319m) and, after acquisition expenditure of £359m (2017: £421m), a net cash inflow of £27m (2017: outflow of £102m).

Net debt

	2018	2017
	£m	£m
First priority senior secured bank debt	1,508.5	1,449.2
Finance lease obligations	5.3	4.4
6.5% second priority senior secured notes, due 2022	-	699.4
5.625% second priority senior secured notes, due 2024	358.4	381.0
4.125% second priority senior secured notes, due 2025	429.5	-
4.375% second priority senior secured notes, due 2027	429.4	-
	2,731.1	2,534.0
Cash and cash equivalents	(19.1)	(6.3)
Total net debt	2,712.0	2,527.7

Net debt at 30 April 2018 was £2,712m with the increase since 30 April 2017 reflecting the net cash outflow set out above, partially offset by £140m of currency translation benefit. The Group's EBITDA for the year ended 30 April 2018 was £1,733m and the ratio of net debt to EBITDA was 1.6 times at 30 April 2018 (2017: 1.7 times) on a constant currency basis and 1.6 times (2017: 1.7 times) on a reported basis.

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 45% of the drawn debt at a fixed rate as at 30 April 2018. 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 175bp.

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 2018, 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, a majority of our assets, liabilities, revenue and costs is denominated in US dollars. The Group has arranged its financing such that, at 30 April 2018, 92% of its debt was denominated in US (and Canadian) dollars so that there is a natural partial offset between its dollar-denominated net assets and earnings and its dollar-denominated debt and interest expense. At 30 April 2018, dollar denominated debt represented approximately 55% 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 2018, 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 650,000 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 2018, availability under the \$3.1bn facility was \$1,115m (£809m).

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 demand for our services and levels of economic activity. The construction industry, which affects our business, is cyclical and typically lags the general economic cycle by between 12 and 24 months.

The impact of Brexit on the UK economy is considered 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
Our performance is benefiting from the economic cycle and we expect to see further upside as the economic recovery continues. However, our longer term planning is focused on the next downturn to ensure we have the financial firepower at the bottom of the cycle to achieve the next 'step-change' in business performance.

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 operating at a local level resulting in reduced market share and lower revenue.

Mitigation
- Create commercial advantage by providing the highest level of service, consistently and at a price which offers value.
- Differentiation of service.
- Excel in the areas that provide barriers to entry to newcomers: industry-leading IT, 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 are growing faster than our larger competitors and the market, and continue to take market share from our smaller, less well financed competitors. We have 8% market share in the US, 3% in Canada and 8% in the UK.

Financing

Potential impact
Debt facilities are only ever committed for a finite period of time and we need to plan to renew our facilities before they mature and guard against default. Our loan agreements also contain conditions (known as covenants) with which we must comply.

Mitigation
- Maintain conservative (1.5 to 2 times) 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 $310m.

Change
At 30 April 2018, our facilities were committed for an average of six years, leverage was at 1.6 times and availability under the senior debt facility was $1,115m.

Business continuity

Potential impact
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. A cyber security incident could lead to a loss of commercially sensitive data, a loss of data integrity within our systems or loss of financial assets through fraud. A cyber attack or serious uncured failure in our systems could result in us being unable to deliver service to our customers. As a result, we could suffer reputational loss, financial loss and penalties.

Mitigation
- Robust and well-protected data centres with multiple data links to protect against the risk of failure.
- Detailed business recovery plans which are tested periodically.
- 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 the primary site.
- Use of antivirus and malware software, firewalls, email scanning and internet monitoring as an integral part of our security plan.
- Continued focus on development of IT strategy taking advantage of cloud technology available.

Change
Our business continuity plans were reviewed and updated during the year and our disaster recovery plans are tested regularly.

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 and the economic environment.

Staff turnover was at a similar level to the prior year as our well-trained, knowledgeable staff have become targets for our competitors.

We continue to invest in training and career development with over 250 courses offered across both businesses.

<u>Health and safety</u>

Potential impact

We need to comply with laws and regulations governing occupational health and safety matters. Furthermore, accidents could happen which might result in injury to an individual, claims against the Group and damage to our reputation.

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

In terms of reportable incidents, the RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) reportable rate was 0.33 (2017: 0.32) in Sunbelt US, 0.08 (2017: nil) in Sunbelt Canada and 0.22 in A-Plant (2017: 0.20).

<u>Environmental</u>

Potential impact

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

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
We continue to seek to reduce the environmental impact of our business and invest in technology to reduce the environmental impact on our customers' businesses. In 2017/18 we reduced our carbon emission intensity ratio to 72 (2017: 79) in Sunbelt US and 74 (2017: 80) in A-Plant. Following the acquisition of CRS, Sunbelt Canada's carbon emission intensity ratio was 67.

<u>Laws and regulations</u>

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 legislation 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 during the course of the year. During the year over 2,700 people in Sunbelt US, 300 people in Canada and 750 people in A-Plant underwent induction training and additional training programmes were undertaken in safety.

OPERATING STATISTICS

	Number of rental stores		Staff numbers	
	2018	2017	2018	2017
Sunbelt US	658	612	11,722	10,514
A-Plant	187	179	3,571	3,473
Sunbelt Canada	54	17	688	220
Corporate office	-	-	15	13
Group	899	808	15,996	14,220

Sunbelt US's rental store number includes 19 Sunbelt at Lowes stores at 30 April 2018 (2017: 23).

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.

Availability: represents the amount on a given date that can be borrowed in addition to any current borrowings under the terms of our $3.1bn asset-backed senior bank facility.

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

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

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

Dollar utilisation: dollar utilisation is trailing 12-month rental revenue divided by average fleet 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: EBITDA is earnings before interest, tax, depreciation and amortisation. A reconciliation of EBITDA to profit before tax is shown on the income statement.

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

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

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

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

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

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

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

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

Physical utilisation: physical utilisation is measured as the daily average of the amount of itemised fleet at cost on rent as a percentage of the total fleet at cost and for Sunbelt is measured only for equipment whose cost is over $7,500, which comprised 88% of its fleet at 30 April 2018.

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

LTM underlying operating profit (£m)	1,037.5
Average net assets (£m)	5,905.4
Return on Investment	**18%**

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

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

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

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

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